

NEW YORK POWER AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

(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, 2022 Financial Report.

/s/ Sundeep Thakur
Sundeep Thakur
Controller

New York Power Authority
(A Component Unit of the State of New York)
Consolidated Unaudited Financial Statements
June 30, 2023

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New York Power Authority
(A Component Unit of the State of New York)

Consolidated Statements of Net Position
(In millions)
(Unaudited)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents		
Unrestricted	\$ 186	\$ 296
Restricted	8	8
Capital Fund	153	49
Investment in securities	953	930
Receivables – customers	336	383
Materials and supplies:		
Plant and general	77	74
Fuel	51	48
Miscellaneous receivables and other	160	175
	<hr/>	<hr/>
Total current assets	1,924	1,963
	<hr/>	<hr/>
Noncurrent Assets:		
Restricted funds:		
Investment in securities	14	14
Capital funds:		
Investment in securities	119	246
Capital assets:		
Assets, not depreciated	1,319	1,207
Assets, net of accumulated depreciation	5,333	5,206
	<hr/>	<hr/>
Total capital assets	6,652	6,413
	<hr/>	<hr/>
Other long-term assets	883	962
	<hr/>	<hr/>
Total noncurrent assets	7,668	7,635
	<hr/>	<hr/>
Total assets	9,592	9,598
	<hr/>	<hr/>
Deferred outflows of resources:		
Asset retirement obligation	18	18
Decrease in fair value of derivatives	71	122
Pensions	152	152
Postemployment benefits other than pensions	185	185
	<hr/>	<hr/>
Total deferred outflows of resources	426	477
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 10,018	\$ 10,075
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See accompanying notes to the consolidated financial statements.

New York Power Authority
(A Component Unit of the State of New York)

Consolidated Statements of Net Position
(In millions)
Unaudited

Liabilities, Deferred Inflows and Net Position	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 738	\$ 910
Short-term debt	248	179
Long-term debt due within one year	2	2
Total current liabilities	988	1,091
Noncurrent liabilities:		
Long-term debt:		
Revenue bonds	1,623	1,624
Subordinated Notes	36	36
Transmission Project Revenue Bonds	657	659
Total long-term debt	2,316	2,319
Other noncurrent liabilities:		
Disposal of spent nuclear fuel	239	233
Relicensing	225	225
Other long-term liabilities	199	198
Total other noncurrent liabilities	663	656
Total noncurrent liabilities	2,979	2,975
Total liabilities	3,967	4,066
Deferred inflows of resources:		
Unearned Revenue	47	109
Cost of removal obligations	414	401
Increase in fair value of derivatives	12	13
Pensions	234	234
Lease revenue	50	47
Postemployment benefits other than pensions	260	260
Total deferred inflows of resources	1,017	1,064
Net position:		
Net investment in capital assets	3,724	3,573
Unrestricted	1,310	1,372
Total net position	5,034	4,945
Total liabilities, deferred inflows of resources and net position	\$ 10,018	\$ 10,075

See accompanying notes to the consolidated financial statements.

New York Power Authority
(A Component Unit of the State of New York)

Consolidated Statements of Revenues, Expenses and Changes in Net Position
(In millions)
(Unaudited)

		Six months ended	
		June 30th	
		2023	2022
Operating Revenues			
	Power sales	\$ 899	\$ 1,286
	Transmission	225	165
	Transportation and delivery	318	325
	Other	17	13
	Total Operating Revenues	1,459	1,789
Operating Expenses			
	Purchased power	283	490
	Fuel oil and gas	85	217
	Transportation and delivery	500	414
	Operations and Maintenance	362	357
	Depreciation and amortization	135	152
	Total Operating Expenses	1,365	1,630
	Operating Income	94	159
Nonoperating Revenues			
	Investment income	27	9
	Other	1	-
	Total Nonoperating Revenues	28	9
Nonoperating Expenses			
	Interest on long-term debt	53	34
	Interest & other	13	79
	Interest capitalized	(31)	(25)
	Amortization of debt premium	(2)	(1)
	Total Nonoperating Expenses	33	87
	Nonoperating (Loss)	(5)	(78)
	Net Income and change in net position	89	81
	Net Position, January 1	4,945	4,815
	Net Position, June 30	\$ 5,034	\$ 4,896

See accompanying notes to the consolidated financial statements.

New York Power Authority
(A Component Unit of the State of New York)
Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Six months ended June 30th	
	2023	2022
Cash flows from operating activities:		
Customers sales	\$ 1,489	\$ 1,711
Disbursements for:		
Purchased power	(288)	(490)
Fuel, oil and gas	(103)	(187)
Transportation and delivery	(485)	(398)
Operations and maintenance	(382)	(422)
Net cash provided by operating activities	231	214
Cash flows from capital and related financing activities:		
Gross additions to capital assets	(372)	(344)
Proceeds from issuance of Series 2022A Transmission Resolution Revenue Bonds	-	661
Issuance costs paid on debt	-	(9)
Repayment of Notes	-	(100)
Interest paid, net	(47)	(34)
Net cash (used in)/provided by capital and related financing activities	(419)	174
Cash flow from noncapital-related financing activities:		
Energy conservation program payments received from participants	136	207
Energy conservation program costs	(126)	(117)
Proceeds from issuance of commercial paper	138	194
Repayment of commercial paper	(69)	(300)
Interest paid on commercial paper	(4)	(4)
Other	7	(66)
Net cash (used in)/provided by noncapital-related financing activities	82	(86)
Cash flow from investing activities:		
Earnings received on investments	17	7
Purchase of investment securities	(2,158)	(1,379)
Maturity/Sale of investment securities	2,241	1,145
Net cash (used in)/provided by investing activities	100	(227)
Net increase/ (decrease) in cash	(6)	75
Cash and cash equivalents, January 1	353	592
Cash and cash equivalents, June 30	\$ 347	\$ 667
Reconciliation to net cash provided by operating activities:		
Operating Income	\$ 94	\$ 160
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets, deferred outflows, liabilities, and deferred inflows:		
Provision for depreciation	135	152
Net (increase) decrease in miscellaneous receivables and other	141	19
Net increase in receivables and inventory	42	(68)
Net increase (decrease) in accounts payable/accrued liabilities/other	(181)	(49)
Net cash provided by operating activities	\$ 231	\$ 214

See accompanying notes to the consolidated financial statements.

New York Power Authority
(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements
(Unaudited)

1. General

The Power Authority of the State of New York (the “Power Authority”), doing business as New York Power Authority, is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”) created in 1931 by the Power Authority Act of the State of New York, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the “Power Authority Act” or the “Act”).

The Power Authority’s mission is to lead the transition to a carbon-free, economically vibrant New York through customer partnerships, innovative energy solutions, and the responsible supply of affordable, clean, and reliable electricity. The Power Authority generates, transmits, purchases, and sells electric power and energy as authorized by law. The Power Authority’s customers include municipal and rural electric cooperatives located throughout the State, local governments, investor-owned utilities, high load factor industrial customers, commercial/industrial and not-for-profit businesses, and various public corporations located within the metropolitan area of The City of New York (the “City”), including the City, and certain neighboring states. In addition to contractual sales to customers, the Power Authority also sells and purchases capacity, energy, and ancillary services in the NYISO wholesale energy markets.

The Power Authority owns and operates in the State five major generating facilities, eleven small electric generating units located at seven facilities, and four small hydroelectric facilities, with a total installed capacity of approximately 6,051 megawatts (“MW”), and a number of transmission lines, including major 765-kilovolt (“kV”) and 345-kV transmission facilities. The Power Authority’s major generating facilities consist of two large hydroelectric facilities (Niagara and St. Lawrence-FDR), a large pumped-storage hydroelectric facility (Blenheim-Gilboa) and two gas-and-oil-fired facilities (Flynn and the combined-cycle electric generating plant located in Queens, New York, named the Eugene W. Zeltmann Power Project and previously known as the 500-MW Plant).

Effective January 1, 2017, the New York State Canal Corporation (the “Canal Corporation”) became a subsidiary of the Power Authority. 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 Board of Trustees of the Power Authority (the “Board of Trustees”) is the governing board of the Canal Corporation, and the Power Authority has assumed certain powers and duties relating to the New York State Canal System to be exercised through the Canal Corporation.

The Board of Trustees consists of seven trustees appointed by the Governor of the State (the “Governor”), with the advice and consent of the State Senate for a fixed term. The members of the Board of Trustees also serve as board members of the Canal Corporation. A member whose term has expired continues to serve on a holdover basis until confirmed for an additional term or a new Trustee is appointed by the Governor. As stated in the Section 2824 under Title 2 of Article 9 of the Public Authorities Law, board members shall perform their fiduciary duties as, including but not limited to those imposed by this section, in good faith and with that degree of diligence, care and skill which an ordinarily prudent person in like position would use under similar circumstances, and may take into consideration the views and policies of any elected official or body, or other person and ultimately apply independent judgment in the best interest of the authority, its mission and the public.

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Notes to the Consolidated Financial Statements
(Unaudited)

Legislation enacted in May of 2022 (Chapter 193 of the Laws of 2022) amended the State insurance law to provide the Authority with the legal authority to form a pure captive insurance company enabling the Authority to effectively provide coverage for risks that are not currently insured, not insurable on the traditional commercial markets, or prohibitively expensive to insure through the commercial markets and to provide the Authority with related tax exemptions. Refer to Note 11 on further information on captive insurance. In May 2023, NYPA Captive Insurance Company was established as a fully owned subsidiary of the Power Authority.

The Power Authority and its subsidiaries, the Canal Corporation and NYPA Captive Insurance Company, are referred to collectively as 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, 2023, are not necessarily indicative of the results of the entire fiscal year ending December 31, 2023. 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, 2022.

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

New York Power Authority
(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements
(Unaudited)

2. NYPA and SFP Financial Information

A. Consolidated Statement of Net Position (In millions)

	NYPA		SFP		Total	
	Jun-23	Dec-22	Jun-23	Dec-22	Jun-23	Dec-22
Current Assets	\$1,877	\$1,893	\$47	\$70	\$1,924	\$1,963
Capital assets	6,004	5,816	648	597	6,652	6,413
Other Noncurrent Assets	946	1,133	70	89	1,016	1,222
Total Assets	8,827	8,842	765	756	9,592	9,598
Deferred outflows of resources	426	477	0	0	426	477
Total assets and deferred outflows of resources	9,253	9,319	765	756	10,018	10,075
Current liabilities	984	1,081	4	10	988	1,091
Noncurrent liabilities	2,322	2,316	657	659	2,979	2,975
Total liabilities	3,306	3,397	661	669	3,967	4,066
Deferred inflows of resources	1,017	1,064	0	0	1,017	1,064
Net position	4,930	4,858	104	87	5,034	4,945
Total liabilities, deferred inflows of resources and net position	\$9,253	\$9,319	\$765	\$756	\$10,018	\$10,075

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

	NYPA	SFP	June 2023
Operating revenues	\$ 1,424	\$ 35	\$ 1,459
Operating expenses:			
Purchased power	283	-	283
Fuel oil and gas	85	-	85
Transportation and delivery	500	-	500
Operations and maintenance	356	6	362
Depreciation and amortization	133	2	135
Total operating expenses	1,357	8	1,365
Operating income	67	27	94
Nonoperating revenues gains and (losses)	26	2	28
Nonoperating expenses	21	12	33
Net income	\$ 72	\$ 17	\$ 89

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

C. Consolidated Statement of Cash Flow (In millions)

	NYPA		SFP		Total	
	Jun-23	Dec-22	Jun-23	Dec-22	Jun-23	Dec-22
Net cash provided by operating activities	\$ 207	\$ 460	\$ 24	\$ 31	\$ 231	\$ 491
Net cash used in/provided by Capital and related financing activities	(370)	(374)	(49)	88	(419)	(286)
Net cash used in non-capital-related activities	82	(77)	-	-	82	(77)
Net cash used in/ provided by investing activities	76	(287)	24	(80)	100	(367)
Net increase/ (decrease) in cash	(5)	(278)	(1)	39	(6)	(239)
Cash and cash equivalents, January 1	314	592	39	-	353	592
Cash and cash equivalents, December 31	\$ 309	\$ 314	\$ 38	\$ 39	\$ 347	\$ 353

New York Power Authority
(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements
(Unaudited)

D. Detailed NYPA and SFP Financials

Consolidated Statement of Net Position (In millions)

Assets and Deferred Outflows	NYPA	SFP	June 30, 2023
Current Assets:			
Cash and cash equivalents			
Unrestricted	\$ 168	\$ 18	\$ 186
Restricted	8	-	8
Capital Funds	133	20	153
Investment in securities	945	8	953
Receivables – customers	335	1	336
Materials and supplies:			
Plant and general	77	-	77
Fuel	51	-	51
Miscellaneous receivables and other	160	-	160
Total current assets	1,877	47	1,924
Noncurrent Assets:			
Restricted funds:			
Investment in securities	14	-	14
Capital funds:			
Investment in securities	70	49	119
Capital Assets:			
Assets not depreciated	1,133	186	1,319
Assets, net of accumulated depreciation	4,871	462	5,333
Total capital assets	6,004	648	6,652
Other Noncurrent Assets:			
Other long-term assets	862	21	883
Total noncurrent assets	6,950	718	7,668
Total assets	8,827	765	9,592
Deferred outflows of resources:			
Asset retirement obligation	18	-	18
Decrease in fair value of derivative	71	-	71
Pensions	152	-	152
Postemployment benefits other than pensions	185	-	185
Total deferred outflows of resources	426	-	426
Total assets and deferred outflows of resources	\$ 9,253	\$ 765	\$ 10,018

New York Power Authority
(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements
(Unaudited)

Liabilities, Deferred Inflows and Net Position	NYPA	SFP	June 30, 2023
Current liabilities:			
Accounts payable and accrued liabilities	\$ 734	\$ 4	\$ 738
Short-term debt	248	-	248
Long-term debt due within one year	2	-	2
Total current liabilities	984	4	988
Noncurrent liabilities:			
Long-term debt:			
Revenue bonds	1,623	-	1,623
Subordinated Notes	36	-	36
Transmission Project Revenue Bonds	-	657	657
Total long-term debt	1,659	657	2,316
Other noncurrent liabilities:			
Disposal of spent nuclear fuel	239	-	239
Relicensing	225	-	225
Other long-term liabilities	199	-	199
Total other noncurrent liabilities	663	-	663
Total noncurrent liabilities	2,322	657	2,979
Total liabilities	3,306	661	3,967
Deferred inflows of resources:			
Unearned Revenue	47	-	47
Cost of removal obligations	414	-	414
Accumulated increase in fair value of derivative hedging	12	-	12
Lease Revenue	50	-	50
Pensions	234	-	234
Postemployment benefits other than pensions	260	-	260
Total deferred inflows of resources	1,017	-	1,017
Net position:			
Net investment in capital assets	3,724	-	3,724
Unrestricted	1,206	104	1,310
Total net position	4,930	104	5,034
Total liabilities, deferred inflows of resources and net position	\$ 9,253	\$ 765	\$ 10,018

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

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

	NYP A	SFP	Six months ended June 30, 2023
Operating revenues:			
Power sales	\$ 899	\$ -	\$ 899
Transmission charges	190	35	225
Transportation and delivery	318	-	318
Other	17	-	17
Total operating revenues	1,424	35	1,459
Operating Expenses:			
Purchased power	283	-	283
Fuel oil and gas	85	-	85
Transportation and delivery	500	-	500
Operations and Maintenance	356	6	362
Depreciation and amortization	133	2	135
Total operating expenses	1,357	8	1,365
Operating income	67	27	94
Nonoperating revenues and expenses:			
Nonoperating revenues:			
Investment income	25	2	27
Other	1	-	1
Total nonoperating revenues	26	2	28
Nonoperating expenses:			
Interest on long-term debt	40	13	53
Interest – other	13	-	13
Interest capitalized	(31)	-	(31)
Amortization of debt premium	(1)	(1)	(2)
Total nonoperating expenses	21	12	33
Net income	\$ 72	\$ 17	\$ 89

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

Consolidated Statement of Cash Flow (in millions)

	NYPA	SFP	June 30, 2023
Cash flows from operating activities:			
Customers sales	\$ 1,453	\$ 36	\$ 1,489
Disbursements for:			
Purchased power	(288)	-	(288)
Fuel, oil and gas	(103)	-	(103)
Transportation and delivery	(485)	-	(485)
Operations and maintenance	(370)	(12)	(382)
Net cash provided by operating activities	207	24	231
Cash flows from capital and related financing activities:			
Gross additions to capital assets	(336)	(36)	(372)
Interest paid, net	(34)	(13)	(47)
Net cash (used in) capital and related financing activities	(370)	(49)	(419)
Cash flow from noncapital-related financing activities:			
Energy conservation program payments received from participants	136	-	136
Energy conservation program costs	(126)	-	(126)
Proceeds from issuance of commercial paper	138	-	138
Repayment of commercial paper	(69)	-	(69)
Interest paid on commercial paper	(4)	-	(4)
Payments received from New York State			
Other	7	-	7
Net cash provided by noncapital-related financing activities	82	-	82
Cash flow from investing activities:			
Earnings received on investments	15	2	17
Purchase of investment securities	(2,064)	(94)	(2,158)
Maturity/Sale of investment securities	2,125	116	2,241
Net cash provided by investing activities	76	24	100
Net increase/ (decrease) in cash	(5)	(1)	(6)
Cash and cash equivalents, January 1	314	39	353
Cash and cash equivalents, June 30	309	38	347
Reconciliation to net cash provided by operating activities:			
Operating Income	67	27	94
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets, deferred outflows, liabilities, and deferred inflows:			
Provision for depreciation	133	2	135
Net (increase) decrease in miscellaneous receivables and other	140	1	141
Net increase in receivables and inventory	42	-	42
Net increase (decrease) in accounts payable/accrued liabilities and other	(175)	(6)	(181)
Net cash provided by operating activities	\$ 207	\$ 24	\$ 231

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

3. Separately Financed Projects (“SFP”)

Overview

“The Authority’s General Resolution Authorizing Revenue Obligations, dated February 28, 1998, as amended and supplemented, (the “General Bond Resolution”) provides for authorization to the Authority to issue separately finance project bonds through a separate bond resolution.

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

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

The Series 2022A Transmission Resolution Revenue Bonds, together with any other bonds issued under the Transmission Bond Resolution (“Transmission Resolution Revenue Bonds”) are neither payable from nor secured by revenues pledged directly or indirectly under the General Bond Resolution. Owners of the Transmission Resolution Revenue Bonds will neither have any rights to nor be secured by any Authority revenues pledged to the payment of obligations issued under the General Bond Resolution. Transmission Resolution Revenue Bonds are limited obligations of the Authority payable solely from and secured by the SFP Transmission Trust Estate pledged under the Transmission Bond Resolution. Transmission Resolution Revenue Bonds bondholders have a lien only on revenue streams generated by the assets that are funded by the bond proceeds.

Payments are received by the Authority from NYISO on account of SFP Transmission Revenues and deposited in an allocation account, established pursuant to a depository trust agreement (the “Depository Trust Agreement”) by and between the Authority and The Bank of New York Mellon. Amounts held in the Allocation Account constituting SFP Transmission Revenues are subject to the lien created by the Transmission Bond Resolution.

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

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Notes to the Consolidated Financial Statements
(Unaudited)

- i) Operating Fund to cover SFP Transmission Operating Expenses expected to be payable in the succeeding calendar month less amounts held in the Operating Fund.
- ii) Debt Service Fund in the amount payable in the succeeding calendar month for Debt Service payable on SFP Transmission Obligations. At the time of close, the Debt Service Fund was funded with Capitalized Interest for \$28 million, which covered debt service payments through May 2023. As of June 30, 2023, the capitalized interest has been exhausted from the Debt Service Fund, but the Debt Service Fund has been fully funded with \$13 million to cover the November 2023 debt service payment.
- iii) Operating Reserve Account to fund any shortfalls in the Operating Reserve Account. The reserve should be in the amount of 50% of the succeeding calendar year operation and maintenance budget. The balance as of June 30, 2023, was \$8 million.
- iv) Debt Service Reserve Fund to fund any shortfall in accordance with the Debt Service Reserve Fund Requirement. At transaction closing, this account was funded by depositing an Assured Guaranty Municipal Corp. (AGM) insurance policy and is not funded by any SFP Transmission Revenues. AGM issued a policy in the amount of \$35 million which is 125% of the average annual debt service.
- v) Payment of any subordinated indebtedness, which currently there is none.
- vi) Capital fund for any expected capital improvements.

Any remaining values after each fund is adequately funded, per the Transmission Bond Resolution, are eligible for distribution to the General Bond Resolution pending satisfaction of an annual debt service coverage ratio test and other required certifications. During the year no distributions in this regard were made from the Transmission Bond Resolution to the Authority. The debt service coverage ratio for 2022 was 2.1x and for the six months ended 30th June 2023 was 2.4x, excluding capitalized interest.

For the issuance of any additional Transmission Resolution Revenue Bonds, the Authority is required to satisfy an additional bond test.

In August of 2019, FERC granted the Authority request for an Abandoned Plant Incentive for the Central East Energy Connect Project. The Authority is now able to recover 100% of its prudently incurred costs expended if the Project were abandoned for reasons beyond the Authority's control. As of June 20, 2023, the project is approximately ~74% complete and expected to be placed in service in December 2023.

As of June 30, 2023, all 6 segments for Smart Path have been placed into Electric Plant In Service ("EPIS"). The project is currently in the closeout phase and site restoration is ongoing.

4. Accounting Policies

Reference is made to "Summary of Significant Accounting Policies" in Note (4) of notes to the consolidated financial statements in the Authority's December 31, 2022, Financial Report. The Power Authority and its subsidiary (collectively the "Authority") follow financial reporting for enterprise funds. The consolidated financial statements of the Authority are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). Under the criteria set forth in GASB Statement No. 14, *The*

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

Financial Reporting Entity, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus--an amendment of GASB Statements No. 14 and No. 34*, the Authority considers its relationship to the State to be that of a related component unit.

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

During 2022, the Authority adopted GASB Statement No. 87 (“GASB No. 87”), *Leases*. GASB No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The Authority was required to recognize a lease liability and an intangible right-to-use lease asset for certain of its leases that were reported as operating and capital leases under the previous accounting standards. Refer Note 15 and Note 17(e) of notes to the consolidated financial statements in the Authority’s December 31, 2022, Financial Report for the impact of leases on Authority’s financial statements.

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

GASB issued GASB Statement No.92 (“GASB No. 92”), *Omnibus 2020*, which originally had an effective date for reporting periods beginning after June 15, 2020. This effective date was postponed to periods beginning after June 15, 2021, due to the issuance of GASB No.95. GASB No.92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The Authority believes that the impact of GASB No.92 on its consolidated financial statements was not material.

GASB issued GASB Statement No. 93 (“GASB No. 93”) *Replacement of Interbank Offered Rates*, which originally had an effective date for reporting periods beginning after June 15, 2020. This effective date was postponed to periods beginning after June 15, 2021, due to the issuance of GASB

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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 effective June 30, 2023, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB 93’s objective is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The Authority, based on its evaluation, believes GASB No. 93 has no material impact on its consolidated financial statements.

GASB Issued GASB Statement No. 96 (“GASB No. 96”), *Subscription-Based Information Technology Arrangements*, which is effective for reporting periods beginning after June 15, 2022. GASB No. 96 requires recognition of certain subscription assets and liabilities for Subscription-based information Technology Arrangements (SBITA) which were previously either capitalized or expensed. It establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The Authority is currently evaluating the impact of GASB No. 96 on its consolidated financial statements and will reflect accounting changes due to GASB No. 96 on its 2023 full year financial report.

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

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

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

5. Investments

The Authority’s investments under the General Bond Resolution and Guidelines for the Investment of Funds are restricted to (a) authorized collateralized certificates of deposit, Certificate of Deposit Account Registry Service (“CDARS”) program or similar FDIC-insured, reciprocal products, time

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deposits and money market funds (money market funds shall not exceed 40% of the Authority's invested funds and no more than \$50 million invested in any one fund), (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies, (e) Repurchase and reverse repurchase agreements ("Repurchase Agreements"), including "gestation" repurchase agreements of treasury or agency-backed collateral with a physical trust certificate from a FINRA-licensed broker dealer, and (f) Guaranteed Investment 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.

Transmission Bond Resolution-related permitted investments are those investment types stated for the Authority's General Bond Resolution.

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*.

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6. 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 based on an approved rates for each of the various classes of capital assets. Capital assets, net of accumulated depreciation at June 30, 2023, and December 31, 2022 were:

	June 30, 2023	December 31, 2022
(in millions)		
<u>Type of Plant</u>		
Production:		
Hydro	\$ 2,462	\$ 2,449
Gas Turbine/Combined Cycle	1,251	1,251
Transmission	2,896	2,715
General	1,674	1,653
Canal System	983	977
Gross Cost	9,266	9,045
<u>Accumulated Depreciation:</u>		
Production:		
Hydro	(1,072)	(1,030)
Gas Turbine/Combined Cycle	(912)	(893)
Transmission	(1,437)	(1,413)
General	(642)	(609)
Canal System	(332)	(311)
Accumulated Depreciation	(4,395)	(4,256)
Net value of capital assets depreciated	4,871	4,789
Land	193	193
Construction work in progress	940	834
Net Capital Assets	\$ 6,004	\$ 5,816

Capital Assets (SFP)

Capital Assets comprises of Construction Work in progress of \$186 million for Central East Energy Connect and transmission assets in service of \$462 million for Smart Path project as of June 30, 2023.

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7. Debt

Revenue Bonds

	June 30, 2023	December 31, 2022
(In millions)		
<u>General Resolution Revenue Bonds</u>		
<u>Outstanding:</u>		
Principal amount outstanding	\$ 1,562	\$ 1,562
Add: Unamortized premium and discount	61	62
	1,623	1,624
Less: Due within one year	—	—
	\$ 1,623	\$ 1,624

	Amount 30-Jun-23	Interest rate (a)	Maturity	Earliest redemption date prior to maturity
(In millions)				
General Resolution Revenue Bonds:				
Revenue Bonds (Tax-Exempt)				
Series 2020A Revenue Bonds:				
Term Bonds	1,121	3.25% to 4.00%	11/15/2045 - 2060	** 5/15/2030
Revenue Bonds (Taxable):*				
Series 2003A Revenue Bonds:				
Term Bonds	117	5.649% to 5.749%	11/15/2023 - 2033	** Any date
Series 2007B Revenue Bonds:				
Term Bonds	210	5.905% to 5.985%	11/15/2037 - 2043	** Any date
Series 2020B Revenue Bonds:				
Term Bonds	114	2.818%	11/15/2039	** Any date
	1,562	-	-	-
Plus unamortized premium and discount	61	-	-	-
Long-term senior debt	1,623	-	-	-
Less due in one year	—	-	-	-
Long-term senior debt, net of due in one year	\$ 1,623	-	-	-

(a) coupon interest rate at issuance

* All outstanding taxable term bonds are subject to Make-Whole Call provisions.

** Bonds are subject to sinking fund provisions.

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The General Resolution Revenue Bonds outstanding at June 30, 2023, have an average coupon interest rate of 4.25% and mature through 2060.

Capitalized Interest

On issuance of the Series 2020A bonds the Authority raised \$114 million for interest payments related to these bonds. These interest payments are capitalized against specific assets under construction funded utilizing the bond offerings. The Authority has capitalized interest corresponding to projects with construction in progress, \$54 million capitalized in 2022, and \$31 million capitalized through June 30, 2023.

General Resolution Subordinated Debt:

Subordinate Notes

In 2016, the Authority's Trustees authorized the issuance of Subordinated Notes, Series 2017 (Subordinated Notes, Series 2017) and in 2012, the Authority's Trustees authorized the issuance of Subordinated Notes, Series 2012 (Subordinated Notes, Series 2012), in a principal amount not to exceed \$30 million for each note for the purpose of accelerating the funding for the State Parks Greenway Fund, which was established pursuant to the Niagara Relicensing Settlement entered into by the Authority and the New York State Office of Parks, Recreation & Historic Preservation in connection with the Niagara Project's relicensing. The Authority issued the Subordinated Notes, Series 2017 on February 24, 2017, in the amount of \$25 million and the Subordinated Notes, Series 2012 on December 18, 2012, in the amount of \$25 million. These Subordinated Notes, Series 2017 and Series 2012 are subordinate to the Revenue Bonds Series 2003A, the Series 2007B, and the Series 2020A and 2020B.

	<u>Amount</u> <u>30-Jun-23</u> (In millions)	<u>Interest rate (a)</u>	<u>Maturity</u>	<u>redemption date prior to maturity</u>
General Resolution Subordinate debt*:				
Subordinated Notes, Series 2017	\$ 20	3.46% to 4.27%	2027 to 2041**	N/A
Subordinated Notes, Series 2012	<u>18</u>	2.70% to 4.05%	2023 to 2037	N/A
	38			
Less due within one year	<u>2</u>			
	<u>36</u>			

*All outstanding Subordinated Notes are taxable

** Bonds are subject to sinking fund provisions

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Commercial Paper

Under the Extendible Municipal Commercial Paper (“EMCP”) Note Resolution, adopted December 17, 2002, and as subsequently amended and restated, the Authority may issue a series of notes, designated EMCP Notes, Series 1, maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of \$200 million (“EMCP” Notes). The Authority has the option to extend the maturity of the EMCP Notes and would exercise such right in the event there is a failed remarketing. This option serves as a substitute for a liquidity facility for the EMCP Notes. There are no outstanding notes under the EMCP program as of June 30, 2023.

Under the provisions of the Second Amended and Restated Resolution Authorizing Commercial Paper Notes, adopted by the Authority on March 30, 2021, and the Certificate of Determination dated June 28, 2022, the Authority may issue from time to time a separate series of notes (“CP Notes”) maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of \$225 million (Series 1 CP Notes), \$275 million (Series 2 CP Notes), \$450 million (Series 3A (\$300 million) & 3B (\$150 million) CP Notes), and Series 4 (which currently has zero allocation). There were no Series 4 CP Notes outstanding as of June 30, 2023. It had been and shall be the intent of the Authority to use the proceeds of the Series 1, certain Series 2, and Series 3A and 3B CP Notes to finance the Authority’s current and future energy efficiency programs and for other corporate purposes.

The Authority has a line of credit under a 2019 Revolving Credit Agreement (the “2019 RCA”), with a syndicate of banks, to provide liquidity support for the Series 1, Series 2, and Series 3A CP Notes, under which the Authority may borrow up to \$700 million in aggregate principal amount outstanding at any time for certain purposes, including the repayment of the Series 1, Series 2, and Series 3A CP Notes. The 2019 RCA was extended by amendment for a three-year period to January 12, 2026. As of June 30, 2023, there were no outstanding amounts under the 2019 RCA.

The Authority has a Revolving Credit Agreement (the “2020 RCA”) and Note Purchase Agreement (the “Note Purchase Agreement”) effective April 22, 2020, each between the Authority, and a single bank as Administrative Agent and sole lender thereunder (collectively the “Hybrid Credit Agreement”). The Authority is able to borrow up to \$250 million in aggregate principal amount outstanding at any time under the Hybrid Credit Agreement. The Authority is able to borrow amounts under the 2020 RCA for the repayment of the Series 3B and Series 4 CP Notes. Under the Note Purchase Agreement, the Authority may issue Direct Purchase Notes to the lender thereunder or request the issuance of Letters of Credit, subject to a sublimit of up to \$150 million. As of June 30, 2023, the Authority had no outstanding amount under its Hybrid Credit Agreement. The Authority and JPMorgan have executed an amendment to extend the Hybrid Credit Agreements for an additional three-year period. The Revolving Credit Agreement and Note Purchase Agreement expire on April 10, 2026.

As of June 30, 2023, the Authority had no outstanding balance on account of Direct Purchase Note under its Note Purchase Agreement connected to its Hybrid Credit Agreements.

The CP Notes, EMCP Notes, and the Direct Purchase Note are subordinate to the Revenue Bonds Series 2003A, the Series 2007B, the Series 2020A and 2020B. As of June 30, 2023, the Authority had \$248 million CP Notes outstanding.

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Currently, interest on the Series 3A and 3B CP Notes is subject to taxation for Federal income tax purposes.

	June 30, 2023	December 31, 2022
	(in millions)	
Long-Term Subordinated Notes & CP Notes outstanding:		
Subordinated Notes, Series 2012	\$ 18	\$ 18
Subordinated Notes, Series 2017	20	20
	38	38
Less: Due within one year	2	2
	\$ 36	\$ 36
	June 30, 2023	December 31, 2022
	(in millions)	
Short-Term CP Notes outstanding:		
Series 1 CP Notes	\$ 100	\$ -
Series 2 CP Notes	148	110
Series 3A CP Notes	-	39
Series 3B CP Notes	-	30
	\$ 248	\$ 179

The changes in short-term debt are as follows:

	(in millions)			
Year:	Beginning Balance	Increases	Decreases	Ending balance
Six months ended June 30, 2023	\$ 179	138	69	248

Transmission Resolution Revenue Bonds

	June 30, 2023	December 31, 2022
	(in millions)	
<u>Transmission Resolution Revenue Bonds Outstanding:</u>		
Principal amount outstanding	\$ 608	\$ 608
Add: Unamortized premium and discount	49	51
	657	659
Less: Due within one year	-	-
	\$ 657	\$ 659

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	<u>Amount</u> <u>30-Jun-23</u> (In millions)	<u>Interest rate (a)</u>	<u>Maturity</u>	<u>Earliest redemption date prior to maturity</u>
<u>Transmission Resolution Revenue Bonds</u>				
Series 2022A Transmission Revenue Bonds				
Serial Bonds	337	4.00% to 5.00%	11/15/2024 to 11/15/2042	11/15/31
Term Bonds	271	3.875% to 4.00%	11/15/2047 to 11/15/2061*	11/15/31
Principal amount outstanding	608			
Add: Unamortized premium and discount	49			
	657			
Less due within one year	—			
	657			

(a) coupon interest rates at issuance

* Bonds are subject to sinking fund provisions

The Series 2022A Transmission Resolution Revenue Bonds outstanding at June 30, 2023, have an average coupon interest rate of 4.28% and mature through 2061. See Note 3 above for additional information relating to Transmission Resolution Revenue Bonds.

8. Other Long-Term Assets

Other long-term assets at June 30, 2023 and December 31, 2022 consist of the following:

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
	(in millions)	
Other long-term assets:		
Regulatory assets (a):		
Other regulatory assets	126	128
Total regulatory assets	126	128
Energy efficiency program costs (b)	225	286
Other long-term receivables	142	130
Transmission line interconnection	176	184
Other postemployment employee benefits	142	142
Lease Receivable	48	49
Other	24	43
Total other long-term assets	\$ 883	\$ 962

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

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

9. 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 to accept, mitigate, transfer, or avoid risks are consistent with the execution of its strategic vision. For example, the transfer of risk is generally 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 volatility on its earnings and cash flows associated with electric energy prices, fuel prices, electric capacity prices and certain non-energy commodity prices. Through its participation in the NYISO and other commodity markets, the Authority is subject to electric energy price, fuel price, electric capacity price and certain non-energy commodity price risks that impact revenue and purchased power streams of its facilities and customer market areas. Such volatility can potentially have adverse effects on the Authority's financial condition. To mitigate potential adverse effects and to moderate cost impacts to its customers (many of the Authority's customer contracts provide for the complete or partial pass-through of these costs), the Authority manages market risks by utilizing financial derivative instruments and/or physical forward contracts. These instruments 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; the risk related to margins (electric sales versus fuel use) where the Authority owns generation or other capacity; and to mitigate geographic cost differentials of energy procured or sold for transmission or transportation to an ultimate location. Commodities to be hedged include, but are not limited to, natural gas, natural gas basis, electric energy, electric capacity, congestion costs associated with the transmission of electricity and non-energy commodities.

To achieve the Authority's risk management program objectives, the Authority's Trustees have authorized the use of various derivative instruments for hedging purposes that are considered derivatives under GASB No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB No. 53).

The fair values of all Authority derivative instruments 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.

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The fair value for over the counter and exchange-traded energy, fuel, capacity, and non-energy commodity derivative instruments are determined by using the prices published by Standard & Poor's Global Platt's ("Platts"), market sources and/or internal pricing models.

Financial Derivative Instruments

The following table shows the fair value of outstanding financial derivative instruments as of December 31, 2022 and June 30, 2023 and changes in fair value during the six months ended June 30, 2023:

Derivative instrument description	Fair value balance December 31, 2022	Net change in fair value (\$ in millions)	Fair value balance June 30, 2023	Type of hedge or transaction	Financial statement classification for changes in fair value	Notional amount June 30, 2023	Unit of Measure
Energy swaps/futures (sales)	\$ (105)	\$ 55	\$ (50)	Cash Flow	Deferred outflow	(6,929,331)	MWh
Energy swaps (purchases)	(1)	—	(1)	Cash Flow	Deferred outflow	93,894	MWh
Energy capacity futures	(15)	(4)	(19)	Cash Flow	Deferred outflow	(3,840,000)	KWm
Fuel Forwards/Swaps	(1)	—	(1)	Cash Flow	Deferred outflow	421,600	MMBTU
Non-Energy Commodity Swaps	5	—	5	Cash Flow	Deferred inflow	(49,500)	MT
Non-Energy Options	22	(3)	19	Cash Flow	Deferred inflow	(44,100)	MT
Totals	<u>\$ (95)</u>	<u>\$ 48</u>	<u>\$ (47)</u>				

Energy swaps and futures –The Authority sells energy swaps and futures to manage the revenue stream from forecasted merchant generation. Net settlement payments were \$219 million in 2022 and receipts of \$6 million through June 30, 2023.

Energy capacity futures – The Authority sells forward installed capacity futures intended to mitigate the volatility of market prices for transactions in the NYISO markets. Net settlement payments were \$9 million in 2022 and \$9 million through June 30, 2023.

Fuel futures/swaps –The Authority, at times, has outstanding natural gas forward contracts paired with outstanding electrical energy forward contracts, intended to mitigate the volatility of market prices by securing the margins of certain electrical generating facilities. Net settlement payments were \$0 million in 2022 and \$4 million through June 30, 2023.

Non-energy commodities swaps – The Authority sold certain non-energy commodities swaps to mitigate volatilities of specific commodity market prices affecting electric rates in certain customers' energy supply contracts. Net settlement Receipts were \$10 million in 2022 and \$1 million through June 30, 2023.

Non-energy commodities options– The Authority bought certain non-energy options to mitigate volatilities of specific commodity market prices affecting revenues received from certain customers' energy supply contracts. Premium payments were \$20 million during 2022 and \$0 million during 2023. Net settlement Receipts were \$1 million in 2022 and \$6 million through June 30, 2023.

Other – Over the lifetime of each outstanding energy derivative instrument certain derivative instruments may become ineffective due to changes in the hedged item. The change in fair market value of such derivative instruments would be recognized as other nonoperating charges or credits in

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the statements of revenues, expenses, and changes in net position. As of June 30, 2023, 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, 2023, the Authority's individual or aggregate exposure to derivative instrument counterparty credit risk is not significant.

Other Considerations

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

Basis risk – The Authority is exposed to basis risk in a portion of its electrical commodity-based swaps where the electrical commodity swap payments received are based upon a reference price in a NYISO Market Zone that differs from the Zone in which the hedged electric energy load is forecasted. If the correlation between these Zones' prices should change, the Authority may be exposed as a result of the inability of the electrical commodity swaps to offset the delivery price of the related energy.

Termination risk – The Authority or its counterparties may terminate a derivative instrument agreement if either party fails to perform under the terms of the agreement. The risk that such termination may occur at a time which may be disadvantageous to the Authority has been mitigated by including certain terms in these agreements by which the counterparty has the right to terminate only as a result of certain events, which includes a payment default by the Authority; other Authority defaults which remain uncured within a defined time-frame after notice; bankruptcy or insolvency of the Authority (or similar events); or a downgrade of the Authority's credit rating below investment grade. If at the time of termination, the Authority has a liability position related to its hedging derivative instruments, the Authority would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Market access risk – The Authority remarkets its CP Notes on a continuous basis. Should the market experience a disruption or dislocation, the Authority may be unable to remarket its Notes for a period of time. To mitigate this risk, the Authority has entered into liquidity facilities with highly rated banks to provide loans to support the CP Note programs.

Dodd Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (DF Act) which was enacted into law addresses, among other things, interest rate and energy related commodity swap transactions of the type in which the Authority engages. The requirements and processes are set forth in regulations promulgated by the Commodities Futures Trading Commission (CFTC). Pursuant to CFTC rules, the Authority, has policies authorizing the use of financial derivatives solely to manage its risk, and

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in certain instances, the risk of its customers, is exempted from posting collateral beyond that of any existing credit support annexes in support of its open over-the-counter hedge positions. These CFTC rules are not anticipated to have significant impact on the Authority's liquidity and/or future risk mitigation activities. CFTC DF Act rules are continually reviewed for updates and the Authority will continue to monitor their potential impact on the Authority's liquidity and/or future risk mitigation activities.

10. Captive Insurance

On September 29, 2022, the Authority's Board of Trustees approved the formation of a subsidiary corporation to be called the NYPA Captive Insurance Company (the "Captive") and the Authority filed its application for a license with the New York State Department of Financial Services (the "DFS"). On May 2, 2023, the DFS issued the Certificate of Incorporation for the Captive, and the Captive's Board of Directors held an organization meeting on May 25, 2023. The DFS issued the requisite license to operate to the Captive on July 25, 2023. It is anticipated that the existence of this captive insurance company will result in cost savings to the Authority by reducing the need for commercial insurance and creating an efficient and effective claims handling process which will further enable the Authority to manage its overall risk more effectively and economically.

On May 25, 2023, the Authority contributed \$250,000 as its initial capital contribution to the Captive. An additional \$99,750,000 of capital contribution was made on August 8, 2023, bringing the total contribution to \$100 million.

11. 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 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 authorized 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 authorized 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 of \$654 million for the period from August 2011 to June 2023 in support of the RCDP. The Authority supplemented the market

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revenues through the use of internal funds, from the August 2011 start of the program through June 30, 2023, totaling approximately \$23 million. Operations and maintenance expenses included \$15 million of residential consumer discounts for the six months ended June 30, 2023.

Part QQ of Chapter 56 of the Laws of 2023 (“Chapter 56”), which is part of the 2023-24 Enacted State Budget, makes the following changes to the RCDP: (1) sunsets the residential consumer electricity discount component of the RCDP as of July 31, 2023; (2) authorizes NYPA to continue to fund the agricultural consumer electricity discount component for one additional program year (August 1, 2023-July 31, 2024) at the current annual level of up to \$8 million; and (3) authorizes NYPA, for program years thereafter, to fund the agricultural consumer electricity discount up to an annual amount of \$5 million.

As referred in Section 15 of footnotes, the Authority is authorized, as deemed feasible and advisable by the trustees, to make available an amount up to \$25 million annually to the department of labor (pursuant to an MOU) to fund programs established or implemented by or within the department of labor, including but not limited to the office of just transition and programs for workforce training and retraining, to prepare workers for employment for work in the renewable energy field.

Based on the above legislative changes, there will be no material impact to the Authority’s contribution to the above programs.

Western New York Power Proceeds Allocation Act

Effective March 30, 2012, Chapter 58 (Part GG) of the Laws of 2012 (Chapter 58) created the Western New York Power Proceeds Act (WNYPPA). The WNYPPA authorizes the Authority, as deemed feasible and advisable by the Trustees, to deposit net earnings from the sale of unallocated Expansion Power and Replacement Power from the Authority’s Niagara project into an account administered by the Authority known as the Western New York Economic Development Fund (WNYED Fund). Net earnings are defined as any excess revenues earned from such power sold into the wholesale market over the revenues that would have been received had the power been sold at the Expansion Power and Replacement Power rates. Proceeds from the Fund may be used to support eligible projects undertaken within a 30-mile radius of the Niagara power project that satisfy applicable criteria. Chapter 58 also establishes a five-member Western New York Power Allocations Board, which is appointed by the Governor. Chapter 58 also repealed Chapter 436 of the Laws of 2010 which had created a similar program that could not be effectively implemented.

The Authority’s Trustees approved the release of up to \$101 million in net earnings calculated for the period August 30, 2010, through June 30, 2023, as provided in the legislation, for deposit into the WNYED Fund. As of June 30, 2023, \$83 million has been deposited into the Fund. The Authority has approved awards of Fund money totaling approximately \$40 million to businesses that have proposed eligible projects and has made payments totaling approximately \$36 million to such businesses. Payment of these awards is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

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

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“net earnings” from the sale of unallocated St. Lawrence County Economic Development Power (SLCEDP) by the Authority in the wholesale energy market into an account the Authority would administer known as the Northern New York Economic Development Fund (NNYED Fund), and to make awards to eligible applicants that propose eligible projects that satisfy applicable criteria. The NNYPPA also establishes a five-member Northern New York Power Allocations Board appointed by the Governor to review applications seeking NNY Fund benefits and to make recommendations to the Authority concerning benefits awards.

SLCEDP consists of up to 20 MW of hydropower from the Authority’s St. Lawrence-FDR Power Project which the Authority has made available for sale to the Town of Massena Electric Department (“MED”) for MED to sub-allocate for economic development purposes in accordance with a contract between the parties entered into in 2012 (Authority-MED Contract). The NNYPPA defines “net earnings” as the aggregate excess of revenues received by the Authority from the sale of energy associated with SLCEDP by the Authority in the wholesale energy market over what revenues would have been received had such energy been sold to MED on a firm basis under the terms of the Authority-MED contract. For the first 5 years after enactment, the amount of SLCEDP the Authority could use to generate net earnings may not exceed the lesser of 20 MW or the amount of SLCEDP that has not been allocated by the Authority pursuant to the Authority-MED contract. Thereafter, the amount of SLCEDP that the Authority could use for such purpose may not exceed the lesser of 10 MW or the amount of SLCEDP that has not been allocated.

As of June 30, 2023, the Authority’s Trustees approved the release of funds, of up to \$19 million, into the NNYED Fund representing “net earnings” from the sale of unallocated SLCEDP into the wholesale energy market for the period December 29, 2014, through June 30, 2023. As of June 30, 2023, approximately \$8 million has been deposited into the Fund. As of June 30, 2023, the Authority has approved awards of NNYED Fund money totaling approximately \$2 million to businesses that have proposed eligible projects has made payments totaling approximately \$1 million to such businesses. Payment of approved awards of the NNYED Fund money is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

Economic Development Customer Assistance Program (“EDCAP”)

Based on economic conditions at the time, the Authority’s Trustees in May of 2022 approved a measure to temporarily suspend the Annual Adjustment Factor (“AAF”) applicable under certain Authority power sale tariffs that would otherwise be applied to energy and demand rates annually on July 1st, for a period of one year from July 1, 2022, through June 30, 2023. The AAF, whether it represents an increase or decrease, is normally applied to program base rates annually on July 1st in accordance with the applicable tariffs. This measure is intended to provide financial relief to customers in the Authority’s Economic Development Power Programs (Recharge New York, Western New York Expansion Power & Replacement Power and Preservation Power programs) that are subject to the AAF. The AAF adjustment to base rates resumed on August 1, 2023, with an effective 3% increase to the applicable tariff rates.

On December 9, 2020, the Authority’s Trustees had authorized a Temporary Power Assistance (“TPA”) initiative to make available for sale to Authority customers receiving power under the RNY, Expansion Power, Replacement Power and Preservation Power programs (collectively, EDP Programs) supplemental power increases as part of a TPA initiative. The supplemental power was sold pursuant to the rates and other terms and conditions provided for in the customer’s contract,

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provided that the total amount of supplemental power made available under each EDP Program would not exceed in aggregate 230 megawatts of unallocated EDP Program power and would remain subject to statutory allocation limits. Sales of supplemental power under TPA have not been authorized beyond January 31, 2024. As of June 30, 2023, 223 customers had applied for this program. The revenue earned through the EDCAP initiative was \$17 million for the six months ended June 30, 2023.

12. 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 \$27 million and \$36 million for the NYSLERS fiscal years ended March 31, 2023 and 2022. 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, 2024, based on salary projection as of the NYSLERS fiscal year ended March 31, 2023, is expected to be approximately \$32 million. Based on NYSLERS Pension Plans investment performance, the Authority's expense under GASB 68 is \$62 million that will be reflected in the Authority's 2023 full year audited financial statements. The average contribution rates relative to payroll for the NYSLERS's fiscal years ended March 31, 2023 and 2024 have been set at approximately 11% and 13%, respectively.

At June 30, 2023, and December 31, 2022, the Authority recorded in its consolidated statements of net position a long-term asset of \$40 million and \$68 million, respectively, for its proportionate share of the net pension assets. For the six months ended June 30, 2023, the Authority recognized pension expense of \$28 million.

Postemployment Benefits Other Than Pensions (OPEB)

In 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 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 is age 55 and has at least 10 years of service and retires or upon death while employed by the Authority. Salaried employees hired after December 31, 2015, IBEW employees hired after May 19, 2015, and UWUA

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employees hired after September 23, 2016, 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 the 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.

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, 2023, and did not contribute any amount beyond these contributions to the OPEB Trust.

The Authority’s consolidated OPEB expense was \$17 million for the six months ended June 30, 2023 and \$5 million expense for the six months ended June 30, 2022. The Authority’s most recent annual valuation was measured as of June 30, 2022 based on valuations performed as of December 31, 2021 for the Power Authority’s plan and May 1, 2022 for the Canal plan, projected to the measurement date on a no gain/loss basis and resulted in total OPEB liability of \$609 million and plan fiduciary net position of \$683 million, a 112% plan fiduciary net position as a percentage of the total OPEB liability. Plan fiduciary net position increased to \$747 million as of June 30, 2023.

13. Nuclear Plant Divestiture and Related Matters

On November 21, 2000, the Power Authority sold the James A. Fitzpatrick nuclear plant (JAF) and the Indian Point 3 nuclear plant (IP3) to two subsidiaries of Entergy Corporation (collectively, Entergy or the Entergy Subsidiaries). On March 31, 2017, Entergy transferred JAF to Exelon Generation Company, LLC (Exelon).

In accordance with the Nuclear Waste Policy Act of 1982, in June 1983, the Power Authority entered into a contract with the U.S. Department of Energy (DOE) under which DOE, commencing not later than January 31, 1998, would accept and dispose of spent nuclear fuel. In conjunction with the sale of the nuclear plants, the Power Authority’s contract with the DOE was assigned to Entergy. Entergy assigned the portion of the pre-1983 spent fuel obligation applicable to JAF to Exelon in connection with the sale of JAF to Exelon. The Power Authority remains liable for the pre-1983 spent fuel obligation to Exelon for JAF and to Entergy for IP3 which as of June 30, 2023, was \$239 million.

14. 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

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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 effective December 31, 2022, upon at least 6 months' notice. Under the Supplemental LTAs, fixed costs were set for each customer. NYPA began the renegotiation phase in 2022 and are currently pending customer confirmation of offer acceptance. Variable costs, including fuel, purchased power and NYISO related costs, are billed to Customers through forecasted base rates, and subsequently reconciled to actual costs through an energy charge adjustment.

The Authority's other Southeastern New York (SENY) Governmental Customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the "Westchester Governmental Customers"). The Authority has entered a supplemental electricity supply agreement with all 103 Westchester Governmental Customers. Among other things, under the agreement, an energy charge adjustment mechanism is applicable, and customers are allowed to partially terminate service from the Authority on at least two months' notice prior to the start of the NYISO capability periods. Full termination is allowed on at least one year's notice, effective no sooner than January 1 following the one-year notice.

HTP Transmission Line

In 2011 the Trustees authorized Authority staff to enter into an agreement with Hudson Transmission Partners, LLC ("HTP") for the purchase of capacity to meet the long-term requirements of the Authority's NYC Governmental Customers and to improve the transmission infrastructure serving New York City through the transmission access rights associated with HTP's transmission line (the "Line") extending from Ridgefield, New Jersey (PSE&G's Bergen substation) in the PJM Interconnection, LLC ("PJM") transmission system, to Consolidated Edison Company of New York, Inc.'s ("Con Edison") West 49th Street substation. Specifically, the Authority executed a Firm Transmission Capacity Purchase Agreement ("FTCPA") with HTP under which the Authority gained the entitlement to 75% of the Line's 660 MW capacity, or 495 MW, for 20 years. On March 31, 2017, the Authority and HTP amended the FTCPA to, among other changes, (a) create a mechanism for HTP to relinquish its Firm Transmission Withdrawal Rights ("FTWRs") as discussed below and (b) increase the Authority's portion of the Line's capacity to 87.12%, or 575 MW, at a monthly capacity charge rate that represents a decrease in the unit price (on a \$/MW-month basis) paid to HTP in the original FTCPA.

The Authority's payment obligations under the FTCPA include capacity payments, interconnection and transmission upgrades, and Regional Transmission Expansion Plan ("RTEP") charges allocated to HTP in accordance with the PJM tariff. Interconnection and transmission upgrades were completed in 2018 at a total cost to the Authority of \$335 million. The RTEP charges imposed upon HTP, which are the subject of two legal challenges, 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, 2023, the Authority estimated that its under-recovery of costs for the Line could be in the range of approximately \$75 million to \$100 million per year over the period from 2024-2027. The under-recovery estimates were based on projections of the capacity payment obligations, the costs of interconnection and transmission upgrades and energy revenues.

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The Authority's obligations under the FTCPA include payment of the RTEP charges allocated to HTP. From June 2013 through June 2023, the Authority has paid approximately \$158 million in RTEP charges for the Line. Effective 2018, HTP relinquished the FTWRs held by HTP on the Line that were the basis for a significant share of its RTEP allocations. PJM's annual RTEP cost allocation update for 2018 eliminated the Authority's obligation in 2018 and beyond to pay RTEP charges related to the Bergen Linden Corridor ("BLC") project, which accounted for the bulk of the projected RTEP allocations to HTP.

Regarding the RTEP charges assessed prior to the 2018 relinquishment of the FTWRs, the Authority and HTP and other New York parties contested the FERC-approved PJM RTEP allocations for the BLC project as unjust and unreasonable before the D.C. Circuit Court of Appeals. On August 9, 2022, the Court agreed with the Authority, HTP and the other New York parties that PJM's RTEP cost allocation methodology for the BLC project was not just and reasonable and remanded the case to FERC. The Authority can expect refunds, but FERC's order on remand is still pending and the expected refund amount is uncertain at this time.

While PJM had determined that the Authority had no RTEP payment responsibility starting in 2018 because of HTP's FTWR relinquishment/conversion to Non-Firm Transmission Withdrawal Rights ("NFTWR"), in 2020, FERC reversed PJM's determination over the Authority's objections, and held that a portion of the RTEP charges assignable to the HTP facility dating back to 2018 had to be reinstated as they were unrelated to whether HTP had retained FTWRs. These reinstated RTEP charges were for projects other than the BLC project. FERC authorized PJM to begin collection for the back periods starting in August 2020. The Authority is expensing approximately \$1 million per month through the term of the agreement which ends in 2033. Depending on PJM TO's Annual Revenue Requirement, the RTEP charges could trend downward during the out years. The Authority has contested the 2020 FERC order to the D.C. Circuit Court of Appeals. As of July 24, 2023, the date of the Authority's reply brief, the briefing process has now concluded, and the parties await the scheduling of oral argument.

Small, Clean Power Plants

To meet capacity deficiencies and ongoing load requirements in the New York City metropolitan area in the year 2000 and later, the Authority placed into operation the Small Clean Power Plants ("SCPPs"), consisting of eleven natural-gas-fueled combustion-turbine electric units located at six sites in New York City and one site in the service region of LIPA.

As a result of the settlement of litigation relating to one SCPP site (the "Site"), the Authority has agreed under the settlement agreement to cease operations at the Site, which houses two units, under certain conditions and if the Mayor of New York City directs such cessation. No such cessation has occurred. Regarding the Site, the settlement agreement also allows an adjacent landowner to put its real property to the Authority under certain conditions. No formal put notice has been received. Also, regarding the Site, the Authority and an adjacent landowner may enter into buy, sell or other types of agreements outside the terms of the settlement agreement.

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

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relicensing of the Niagara Project, including The New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”). The Settlement Agreement provides, among other things, for the establishment of a Relicensing Settlement Agreement State Parks Greenway Fund, which is to be funded by the Authority in the amount of \$3 million per year to OPRHP for the term of the 50-year License. In 2012 and 2017, OPRHP requested that the Authority accelerate such payments by making two lump sum payments of approximately \$25 million each to pay for authorized projects. In order to make the lump sum payments, the Authority issued (a) \$25 million in subordinated notes in 2012 and (b) \$25 million in subordinated notes in 2017. The proceeds of those subordinated note issuances were made available to OPRHP. See Note 7 “Debt” of the 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”) provided for a review of the LGTFSA every ten years to discuss issues not contemplated at the time of relicensing in 2003. The first such review commenced in December 2013. The Authority and the LGTF entered into an agreement in 2015 in which the Authority agreed to commit and the Trustees authorized up to \$45 million over 10 years for certain actions, including to: (1) fund an economic development strategic marketing study (the “Marketing Study”); (2) temporarily reduce electricity costs for certain farms and businesses (the “Discount Program”); (3) initiate an energy efficiency and renewable energy program for the LGTF communities; and (4) enhance certain recreational facilities in the LGTF communities.

In 2016, the Authority’s Trustees approved a proposal to terminate the Discount Program early and repurpose funding to be used to support a collaborative marketing effort between the Authority and North Country communities through the St. Lawrence County Economic Development Study Advisory Board created in connection with the Marketing Study at the rate of \$2 million/year for five years (\$10 million total) commencing in 2017. In 2017, the Authority’s Trustees approved: (1) a new temporary business incentive program consisting of a monetary discount or rebate that would be payable to eligible private business applicants who agree to establish new business operations in certain North Country counties (“Business Incentive Discount Program”); and (2) the repurposing of funds previously approved for the marketing effort to include funding for the Business Incentive Discount Program. Funding repurposed for the marketing effort, including the Business Incentive Discount Program, would not exceed a total of \$10 million.

As of June 30, 2023, the Authority has spent approximately \$42 million of the \$45 million authorized by the Trustees for the purpose of implementing the commitments in the LGTF 10-Year Review Agreement. As of June 30, 2023, the balance in the recorded liability associated with the St. Lawrence-FDR Project relicensing on the consolidated statement of net position is \$32 million (\$3 million in current and \$29 million in other noncurrent liabilities).

Relicensing of Blenheim-Gilboa Pumped Storage Power Project

FERC issued a new 50-year operating license, effective May 1, 2019, to the Power Authority for the Blenheim-Gilboa Pumped Storage Power Project. In 2019, the Power Authority’s Trustees accepted the new license and approved the settlement package with state and federal resource agencies, the towns of Gilboa and Blenheim, and Schoharie County. The Trustees also authorized \$37 million in capital expenditures for the period 2019-2069 for all compliance, implementation, and settlement

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activities. The Authority has spent \$9 million through June 30, 2023. The Authority has established a Recreation Fund in the amount of \$4 million (total commitment under the settlement package is \$6 million) of which \$3 million has been disbursed and an Ecological Fund in the amount of \$2 million (total commitment under the settlement package is \$4 million) of which \$1 million has been disbursed. As of June 30, 2023, the balance in the recorded liability associated with the Blenheim-Gilboa Pumped Storage Power Project relicensing on the consolidated statement of net position is \$21 million (\$1 million in current and \$20 million in other noncurrent liabilities).

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 reservation. The legislation required to effectuate the settlement was never enacted and the litigation continued.

In 2013, all claims against the Authority were dismissed and the lawsuit against the Authority was concluded. A Notice of Appeal was filed but the appeal was stayed and never perfected. On May 28, 2014, the State of New York, the St. Regis Mohawk Tribe, St. Lawrence County, and the Authority executed a Memorandum of Understanding (St. Regis MOU) that outlined a framework for the possible settlement of all the St. Regis land claims. In the St. Regis MOU, the Authority endorses a negotiated settlement that, among other terms and conditions, would require the Authority to pay the Tribe \$2 million a year for 35 years and provide up to 9 MW of its hydropower at preference power rates to serve the needs of the Tribe's Reservation. The St. Regis MOU would require an Act of Congress to forever extinguish all Mohawk land claims prior to such a settlement becoming effective. In June 2023, the Governor signed legislation (S.7556/A.7559) authorizing the State to execute a land claims settlement agreement consistent with a Memorandum of Understanding, dated May 28, 2014, between the State of New York, the St. Regis Mohawk Tribe, St. Lawrence County, and the Authority ("St. Regis MOU"). The non-settling parties have now reported to the Court that they have resolved their differences and agreed to a framework of a settlement. The settlement must now be reduced to writing and the 2014 St. Regis MOU must be incorporated into it. Lastly, Federal Legislation is still necessary before the settlement takes effect.

Long Island Sound Cable Project

In 2014, one of the Sound Cable Project underwater cables was severely impacted by an anchor and /or anchor chain dropped by one or more vessels, causing the entire electrical circuit to fail and the

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circuit to trip. As a result of the impact to the cable, dielectric fluid was released into Long Island Sound. At December 31, 2022, the consolidated statement of net position included approximately \$4 million, in other long-term assets, reflecting the cost of damages net of insurance recoveries which the Authority recovered in May 2023 through a negotiated payment plan with the Long Island Power Authority.

Helicopter Incident Near the Authority’s Transmission Lines in Beekmantown, New York

The Authority contracted with Northline Utilities, LLC (“Northline”) to install fiber optic ground wire along the Authority’s transmission system. Thereafter, Northline entered a contract with Catalyst Aviation, LLC (“Catalyst”) for helicopter services. In 2018, a Catalyst helicopter was destroyed when it collided with a wooden utility pole and power lines near Beekmantown, New York. Members of the helicopter crew were injured, and two members of that crew died as a result of their injuries. The Authority has received two notices of claim arising out of this incident. The Authority has pursued insurance coverage under Northline’s insurance policies that name the Authority as an additional insured. The Authority tendered its defense of these Notices of Claim to Northline’s insurer and the insurer has accepted the Authority’s tender. The Authority believes that there exists sufficient insurance coverage to cover these claims. In any event, to the extent that the insurance coverage limitations are insufficient, Northline is responsible under the defense and indemnification provisions of its contract with the Authority.

NYPA’s outside counsel moved for Summary Judgment which was granted in full by the Trial Court. The plaintiffs have each appealed to the Appellate Division, Second Department. It is expected that the appeal will be heard and decided in the Fall of 2023.

Other Actions or Claims

In addition to the matters described above, other actions or claims against the Authority are pending for the taking of property in connection with its projects, for negligence, for personal injury (including asbestos-related injuries), in contract, and for environmental, employment and other matters. All such other actions or claims will, in the opinion of the Authority, be disposed of within the amounts of the Authority’s insurance coverage, where applicable, or the amount which the Authority has available therefore and without any material adverse effect on the business of the Authority. While the Authority cannot presently predict the outcome of the matters described above or any related litigation, the Authority believes that it has meritorious defenses and positions with respect thereto. However, adverse decisions of a certain type in the matters discussed above could adversely affect Authority operations and revenues.

Leases

Lessee Arrangements

In 2022, the Authority adopted the provisions of GASB No. 87, effective January 1, 2022. As such the Authority recognized a lease obligation and a right-to-use asset for agreements whereby the Authority obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset’s use for a period of one year or greater.

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At June 30, 2023, the right-to-use lease asset amounted to approximately \$13 million, net of \$2 million of accumulated amortization, with a corresponding lease liability of \$8 million.

The lease obligations represent the net present value of various contracts including property leases and other leased assets. The value of the asset and the obligation is reduced each month to properly reflect the remaining net present value of the asset and obligation.

The Authority has \$7 million of principal and \$1 million of interest requirements to maturity for the Authority's leases from 2023-2042.

Lessor Arrangements

The Authority receives contractually determined revenue related to leasing agreements. While terms vary by lease, each lease provides for lease receipts subject to a fixed escalation on the anniversary date of each agreement. These arrangements do not provide for any variable payments. There were no additional payments received other than the rental payments. The total amount of lease revenue and interest revenue in 2023 was \$1 million. The lease asset receivable and the corresponding deferred inflow of resources were approximately \$50 million at June 30, 2023.

15. New York State Budget / Other Matters

The Authority is requested, from time to time, to make financial contributions or transfers of funds to the State. Any such contribution or transfer of funds must (i) be authorized by law (typically, legislation enacted in connection with the State budget), and (ii) satisfy the requirements of the General Bond Resolution. The General Bond Resolution requirements to withdraw moneys free and clear of the lien and pledge created by the General Bond Resolution are as follows: (1) such withdrawal must be for a "lawful corporate purpose as determined by the Authority," and (2) the Authority must determine "taking into account, among other considerations, anticipated future receipt of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed" for (a) payment of reasonable and necessary operating expenses; (b) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals, or for retirement from service, decommissioning or disposal of facilities; (c) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt; or (d) payment of interest and principal on subordinate debt.

In 2011, the Authority's Trustees adopted a policy statement ("Policy Statement") which relates to, among other things, voluntary contributions, transfers, or other payments to the State by the Authority after that date. The Policy Statement provides, among other things, that in deciding whether to make such contributions, transfers, or payments, the Authority shall use as a reference point the maintenance of a debt service coverage ratio of at least 2.0 (this reference point should not be interpreted as a covenant to maintain any particular coverage ratio), in addition to making the other determinations required by the General Bond Resolution. The Policy Statement may at any time be modified or eliminated at the discretion of the Authority's Trustees.

Chapter 56 of the Laws of 2022, part of the 2022-2023 Enacted State Budget, provided that notwithstanding any provision of law to the contrary, as deemed feasible and advisable by the Board of Trustees, the Authority is authorized and directed to transfer to the State Treasury to the credit of the general fund up to \$20,000,000 for the state fiscal year commencing April 1, 2022 to support

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energy-related State activities. On March 24, 2023, the Authority made a contribution of \$15 million to the State Treasury to the credit of the general fund.

Chapter 56 of the Laws of 2023, part of the 2023-2024 Enacted State Budget, also provides that notwithstanding any provision of law to the contrary, as deemed feasible and advisable by the Board of 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, 2023 to support energy-related State activities.

The Authority cannot predict what additional contributions to the State may be authorized in the future.

Certain New Legislation Affecting the Authority – Amendments to the Act

As more specifically described in the enactment, and subject to the limitations described therein, the 2023-2024 Enacted State Budget amended the Act to, among other things: (a) expand the Authority’s authority to plan, design, develop, finance, construct, own, operate, maintain and improve, either alone or jointly with other entities, renewable energy generation projects; (b) authorize the Authority to develop and implement, with the PSC, the Renewable Energy Access and Community Help or “REACH” Program, that will enable low-income or moderate-income end-use electricity consumers in disadvantaged communities to receive bill credits derived from a portion of the revenues generated from new renewable energy generation projects developed or contracted for by the Authority to support the REACH Program; (c) direct the Authority to prepare a plan for ceasing electricity production at its small natural gas-fired power plants by December 31, 2030, and to cease electricity production by such date if certain conditions are satisfied; and (d) authorize the Authority to make available up to \$25 million annually to the New York State Department of Labor (“DOL”) to fund programs established or implemented by or within the DOL, including, but not limited to, the office of just transition and programs for workforce training and retraining to prepare workers for employment for work in the renewable energy field. Changes made by these amendments do not affect the Authority’s previously existing statutory authority.

Article 4-D of the Public Buildings Law, added by Part RR of Chapter 56 of the Laws of 2023, authorizes and directs the Authority to establish decarbonization action plans for fifteen state-owned facilities that are among the highest producers of greenhouse gas (“GHG”) emissions and collectively account for at least 30% of the GHG emissions as recorded by the Authority's Build Smart NY program, that are intended to serve as a basis for development of construction plans to decarbonize the state-owned facilities. The authority is authorized to allocate up to two million dollars per facility to prepare the decarbonization action plans.

The above actions, as described in the enactment, are executable as deemed advisable and feasible by the Board of Trustees.

16. Canal Corporation

The Canal Transfer Legislation enacted April 4, 2016, authorized the Authority, to the extent that the Authority’s Trustees deem it feasible and advisable, to transfer moneys, property, and personnel to the Canal Corporation.

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The Canal Corporation operates at a loss and is expected to require substantial operating and maintenance support and capital investment. The Canal Corporation's expenses are expected to be funded by transfers of funds from the Authority. Any transfer of funds would be subject to approval by the Authority's Board of Trustees and compliance with the Authority's General Bond Resolution. 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. For the six months ended June 30, 2023, the Canal Corporation recognized \$1 million in revenues, \$40 million in operations and maintenance expenses and \$19 million in depreciation expenses.

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

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

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

The Commission approved the Article VII Certificate and first Environmental Management and Construction Plan ("EM&CP") on January 21, 2021. The fourth and final EM&CP was filed and approved by the DPS in May 2022. Ultimately, the upgraded transmission lines and new substations,

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as part of the Segment A project are expected to be energized as part of the New York electrical system by the end of 2023.

As of June 30, 2023, the Authority has spent approximately \$186 million.

The Central East Energy Connect (“CEEC”) project is now being funded with proceeds from the Series 2022A Transmission Resolution Revenue Bonds. As of June 30, 2023, the project is approximately 74% complete and expected to be placed in service in December 2023. See Note 3 on Separately Financed Projects for further information.

Smart Path (Moses Adirondack Smart Path Reliability Project)

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

As of June 30, 2023, the Authority has spent approximately \$462 million on the Smart Path project. Construction commenced in 2020 and as of June 30, 2023, all 6 segments for Smart Path have been placed into Electric Plant In Service (“EPIS”) and are part of the Authority’s Annual Transmission Revenue Requirement (“ATRR”). See Note 3 on Separately Financed Projects 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 New York State Public Service Commission’s (“NYSPSC”) approved the Smart Path Connect Project (“Project”) as a Priority Transmission Project with an in-service date of December 2025. The Project will be developed in cooperation with National Grid. Together the Authority and co-participant will rebuild approximately 100 miles of 230kV transmission lines to either 230kV or 345 kV, construct four new substations, and expand and/or upgrade seven existing substations connecting to and building Phase 2 of the Smart Path project and completing the upstate 345kV backbone for the state. The goal of the Project is to allow for renewable generation from northern New York regions to be transmitted down-state, improving the NYS renewable energy consumption, as well as the efficiency of energy pricing throughout the state. Construction is underway along the right of way and within substations, 10 miles of transmission line upgrades have been completed as of June 2023. As of June 30, 2023, the Authority has spent approximately \$341

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million. In 2022, the Authority's Trustees authorized capital expenditures for the Authority's portion of the Project in the amount of \$790 million.

Clean Energy Standard

In 2016, the NYPSC issued an order establishing a Clean Energy Standard (the "CES Order") to implement the clean energy goals of the State Energy Plan. Pursuant to the CES Order, load serving entities identified in the order are required to purchase Zero Emission Credits ("ZECs") from the New York State Energy Research Development Authority ("NYSERDA") to support the preservation of existing at-risk zero emissions nuclear generation. The Authority is not subject to NYPSC jurisdiction for purposes of the CES Order but has assumed an obligation to purchase ZECs consistent with the terms of the CES Order and intends to seek recovery of such costs from the Authority's customers. In January 2017, the Authority's Trustees authorized (a) participation in the NYPSC's ZEC program and (b) execution of an agreement with NYSERDA to purchase ZECs associated with the Authority's applicable share of energy sales. The Authority and NYSERDA executed an agreement covering a two-year period from April 1, 2017, to March 31, 2019, under which the Authority committed to purchase ZECs in a quantity based on its proportional load in the New York control area. The Authority and NYSERDA executed an additional agreement covering a nine-year period from April 1, 2020, to April 1, 2029, under which the Authority committed to purchase ZECs in a quantity based on its proportional load in the New York control area, subject to certain adjustments. As of June 30, 2023, the Authority estimates that it will incur ZEC purchase costs associated with participation in the ZEC program of approximately \$342 million in aggregate over the 2023-2026 period, of which approximately \$4 million is not expected to be recovered under customer contracts that predate the adoption of the CES Order. As of June 30, 2023, the Authority has paid \$378 million in ZEC purchase costs.

The current Clean Energy Standard set by the NYPSC requires that 70% of the State's electricity come from renewable sources by 2030. In support of the Clean Energy Standard goal for the State, in September 2021, the Authority entered into an agreement with the New York State Energy Research Development Authority ("NYSERDA") under which the Authority will be able to purchase renewable energy credits ("RECs") for certain of its customers starting in 2024. The Authority intends to seek recovery of costs associated with the agreement through sales of RECs by the Authority to the Authority's customers. The Authority is collaborating with its customers to help them achieve the Clean Energy Standard goals in ways that best meet their needs, which may include purchases of RECs from NYSERDA or from large-scale renewable projects contracted by the Authority in future procurements.

Build Smart 2025

Build Smart 2025 is New York State's program for aggressively pursuing energy efficiency savings in New York State owned and occupied buildings of 11 tBTUs by December 31, 2025, while advancing economic growth, environmental protection, and energy security in New York State. Build Smart 2025 expands and continues the requirements of Build Smart NY to assist State entities in meeting statutory requirements established by the Climate Leadership and Community Protection Act (CLCPA), that "all state agencies shall assess and implement strategies to reduce their greenhouse gas emissions". The Authority manages the Build Smart 2025 program and monitors New York State agency performance. Since July 2021, the program has achieved 7.25 tBTUs towards the 11 tBTU goal.

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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, 2023, 130 fast chargers were in operation. As of June 30, 2023, approximately \$35 million has been spent.

Clean Path

In September of 2021 Governor Hochul announced the award of the Clean Path NY (CPNY) project. The award was a result of Forward Power- a joint venture between EnergyRe, LLC and Invenergy, LLC- submitting a proposal to NYSERDA in response to the Tier 4 solicitation for the delivery of renewable energy into the NYISO Zone J (New York City) area. The Power Authority and Forward Power are collaborating on the transmission line portion of the project. The entire proposed project will cost an estimated \$11 billion, \$3.5 billion of which is for the construction of a new High Voltage Direct Current transmission line. The generation portfolio being developed, as part of the project, is approximately 3800 MW of power from solar and wind generation in Upstate and Western into New York City. The transmission line rating is estimated at approximately 1300 MW. The northern section of the proposed project will be constructed within the Authority's existing rights of ways and owned by the Authority. The amount of Authority's capital plan investment in this project is not material. The NYSERDA contract was approved by the New York State Public Service Commission in April 2022. As of June 30, 2023, the project was in the Permitting & Article VII process for review. Preparation of other permitting applications, engineering and procurement are ongoing. The project is expected to be in-service in 2027.

Propel

On June 20, 2023, the New York Independent System Operator ("NYISO") publicly announced the selection of Propel NY Alternative Solution 5 ("Project") as the Project that will meet the identified Public Policy Transmission Need to deliver at least 3,000 megawatts (MW) from offshore wind projects into the New York State Control Area. The Project is being collaboratively developed by the New York Power Authority and New York Transco and will meet the transmission need through new electric transmission lines, new substations, and existing substation upgrades. The Project will also establish a continuous 345kV path that greatly expands the deliverability of renewable offshore wind. More specifically, the Project consists of the following electric transmission facilities: (i) East Garden City – Tremont 345 kV PAR-controlled line; (ii) Shore Road – Sprain Brook two (2) 345 kV PAR-controlled lines; (iii) Barrett – East Garden City 345 kV PAR-controlled line; (iv) Ruland Road – Shore Road 345 kV line; (iv) Ruland Road – East Garden City 345 kV PAR-controlled line; (v) Shore Road – East Garden City 345 kV line; and (vi) Syosset – Shore Road 138 kV PAR-controlled line. The Project's in-service date is May of 2030.

Erie Canal Harbor Development Corporation ("ECHDC")

On March 15, 2007, the FERC approved the Authority's application for a new license for the continued operation and maintenance of the Niagara Project. The Erie County/City of Buffalo Relicensing Agreement originally provided for the Authority to make annual payments of \$1 million to Empire State Development Corporation ("ESDC") and annual payments of \$2.5 million to the

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Waterfront Development Fund for fifty (50) years to support economic development and revitalization activities within the vicinity of the Buffalo Waterfront.

This agreement was amended in 2011, for the Authority to make annual payments through 2028 of \$5 million to ECHDC for the Waterfront Development Fund to support the Canal Side Project and other economic development.

In order to further facilitate the financing of the Canal Side Project and to support other economic development and revitalization activities within the vicinity of the Buffalo Waterfront, ESDC and ECHDC requested that the Authority convert the modified payment schedule referenced above by replacing the final seven (7) outstanding annual payments of \$4.7 million, totaling payments of \$33 million, with a lump sum payment (net present value) of \$27 million. The Authority's Trustees, at the March 29, 2022, meeting, authorized a conversion of the payment schedule, to an equivalent lump sum payment of \$27 million to ECHDC. This payment was made on January 10, 2023.

Power Purchase Agreements (“PPA’s”)

The Authority does not have any PPA’s that have a fixed charge provision or fixed cost. As and when such PPA’s are executed, they will be reflected in the Notes to the Authority’s Consolidated Financial Statements. Please see below for the PPA executed with Ameresco, Inc.

The Authority executed a PPA with Ameresco, Inc. (the “developer”) on July 7, 2023 requiring the Authority to pay the developer for electricity received from the renewable facilities and recover the payments from the CITY OF NEW YORK (the “Purchaser”), acting through its Department of Citywide Administrative Services (“DCAS”) via the Power Sales Contract (the “PSC”). In the case of non-payment from DCAS, there is a cure period of 1-year, in which the Authority will cover the payments to the developer. If there is no cure, the developer has no claim to the Authority so long as the Authority or developer is pursuing recovery from DCAS under terms of the PSC. All projects are in the construction phase and the Authority is not paying for or recovering for energy under the agreements that are cost neutral to the Authority.

In 2008, the Authority entered a long-term power supply contract with Astoria Energy II LLC for the purchase of all the output of AEII, a 550-MW plant, which entered commercial operation on July 1, 2011, in Astoria, Queens. The delivery period under the contract is through 2031. At the same time, the Authority entered a separate power sales contract with its’ New York City Governmental Customers, which is coterminous with the power purchase agreement with Astoria Energy II LLC, to sell the output of AEII. All net costs of the Authority under the power purchase agreement with Astoria Energy II LLC are billed monthly to the New York City Governmental Customers. An equal amount of revenue is recognized during the period related to reimbursements from the New York City Governmental Customers.

18. Purchased Power Cost

The Authority purchased power for \$274 million in six months ended June 30, 2023 in the open market that was passed through to its customers. Power purchased in the open market is a function of customer demand and, as such, varies month to month. The Authority is under no obligation to purchase power unless customer demands require such purchases in which case the entire cost is recovered.

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19. 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.

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 Authority has incurred costs totaling \$34 million since the inception of pandemic for activities 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.