

New York Power Authority

Type of Engagement: Green Bond Pre-Issuance Review

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Introduction

New York Power Authority (“NYPA”) developed the New York Power Authority Green Bond and Green Commercial Paper Notes Framework dated September 2024 (the “Framework”)¹ under which it intends to issue green bonds and green commercial notes aimed at financing or refinancing projects intended to modernize and expand power transmission systems and enhance energy efficiency in its power transmission systems and buildings.

In September 2024, NYPA engaged Sustainalytics to review the projects (the “Nominated Projects”) which NYPA intends to fund with the proceeds of the green bonds and green commercial notes (herein referred to as the “2024 Green Bonds”) and provide an assessment as to whether the projects comply with the Use of Proceeds, Project Selection and Management of Proceeds sections of the Framework. Sustainalytics provided a Second-Party Opinion on the Framework in September 2024.²

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects as to whether:

1. They are aligned with the Use of Proceeds eligibility criteria in the Framework.
2. The commitments to select projects and manage proceeds are aligned with those described in the Framework.

Appendix 2 provides a summary of the Nominated Projects.

Issuing Entity’s Responsibility

NYPA is responsible for providing accurate information and documentation relating to the Nominated Projects, including a description of the projects. This information was provided to Sustainalytics to support its review. NYPA is also responsible for confirming to Sustainalytics that the processes for project selection and management of proceeds will remain aligned with the commitments in the Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of NYPA’S 2024 Green Bonds. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from representatives of NYPA that the use of proceeds, processes for project selection and management of proceeds will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by NYPA with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by NYPA.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment.

¹ NYAP, “Green Bond Framework”, (2024), at: <https://www.nypa.gov/-/media/nypa/documents/document-library/financials/nypa-green-bond-framework.pdf>

² Sustainalytics, “Second-Party Opinion, New York Power Authority Green Bond and Green Commercial Paper Notes Framework”, (2024), at: <https://www.nypa.gov/-/media/nypa/documents/document-library/financials/nypa-green-bond-framework-spo.pdf>

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the 2024 Green Bonds are not aligned with the Framework.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of projects and assets, including description, estimated and realized costs, and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Use of Proceeds Eligibility Criteria

Table 1: Eligibility Criteria as per the Framework

Use of Proceeds Category	Eligibility Criteria
Renewable Energy	NYPA Transmission-related projects intended to support the integration of >90% renewable energy. Projects integrating <90% renewable energy will be financed through a pro-rata approach to determine the green allocation.
Green Buildings	Newly constructed facilities should meet LEED "Gold" or above equivalent certification or be among the top 15% of area buildings based on primary energy demand or emissions density performance. NYPA is required to comply with requirements in Executive Order 22 which includes requirements related to waste reduction, use of green infrastructure to manage stormwater, climate risk incorporation, and biodiversity protection.

Appendix 2: Summary of the Nominated Projects

Use of Proceeds Category	Project Name	Project Description
Renewable Energy	East Garden City Substation Upgrade	PropelNY Alternative 5 (TO51) upgrade includes expanding East Garden City 345kV substation to a GIS-configured breaker-and-a-half setup, with completion by May 2029.
	Astoria Complex	BP plans to sell a 14-acre property previously owned by Equinor which will support the expansion of transmission assets in Astoria related to Propel and facility. Acquisition cost is estimated at USD 190 – USD 235 million, with the transaction expected in 2026/2027.
	Warehousing Property	Negotiations are underway for an O&M agreement with Transco for the Propel project. A new warehouse/operations facility in Long Island is planned to support transmission expansion, with an estimated cost of USD 60 - 90 million, expected in 2026/2027.
Green Buildings	Workplace for the future	LEED Gold
	WPO Garage Deconstruction and Stabilization	<p>In 2021, a code-required structural inspection was performed and identified deficiencies. Immediate actions were taken under a separate project to keep the garage structure stable, which included shoring and repair of the southside cantilever beam at L2 Level. It was decided to vacate the garage in July 2021 for safety reasons. Upon evaluations of the bid proposals and bid prices, as well as considerations of future WPO planning, the scope has been reduced to garage deconstruction and building repairs only. After garage deconstruction, the site condition will be an open pit with perimeter walls shored and basic utilities, such as drainage, accommodated. The street level perimeter will be secured with jersey barriers and chain-link fencing for protection. Authority will evaluate potential green building projects.</p> <p>The Project is expected to be substantially complete by Q3 2025, and Project Closeout is projected to be complete in Q4 2025</p>

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine if they are projects aligned with the use of proceeds eligibility criteria outlined in the Framework.	All projects reviewed (Appendix 2) complied with the use of proceeds eligibility criteria.	None
Project Selection and Management of Proceeds Criteria	Verification of the Nominated Projects to determine if the processes for project selection and management of proceeds were consistent with the Framework.	NYPA has confirmed to Sustainalytics that the processes for project selection and management of proceeds for the Nominated Projects are consistent with the commitments described in the Framework.	None

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