

*In the opinions of Co-Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the 2022A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the 2022A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the 2022A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York. See “TAX MATTERS” herein.*



**\$608,310,000**  
**POWER AUTHORITY OF THE STATE OF NEW YORK**  
**Green Transmission Project Revenue Bonds, Series 2022A**

**Dated: Date of Delivery****Due: As shown on the inside cover**

The Power Authority of the State of New York (the “Authority”), a corporate municipal instrumentality and political subdivision of the State of New York (the “State”), is issuing its Green Transmission Project Revenue Bonds, Series 2022A (the “2022A Bonds”) for the purpose of financing certain transmission projects (the “2022A SFP Transmission Projects”) under the Authority’s General Resolution Authorizing Transmission Project Revenue Obligations, adopted December 7, 2021 (the “Transmission Bond Resolution”), as supplemented by the Authority’s First Supplemental Resolution Authorizing Transmission Project Revenue Obligations, adopted December 7, 2021, as amended and restated on January 25, 2022, authorizing the 2022A Bonds (the “First Supplemental Resolution”; the Transmission Bond Resolution as supplemented by the First Supplemental Resolution are herein collectively referred to as the “Transmission Resolution”). The financing of the 2022A SFP Transmission Projects is being undertaken by the Authority as a Separately Financed Project (as defined herein, a “SFP”) as permitted under the Authority’s General Resolution Authorizing Revenue Obligations, dated February 24, 1998, as amended and supplemented (the “General Resolution”). **The 2022A Bonds are neither payable from nor secured by revenues pledged directly or indirectly under the General Resolution. Owners of the 2022A Bonds will neither have any rights to nor be secured by any Authority revenues pledged to the payment of obligations issued under the General Resolution. The 2022A Bonds are limited obligations of the Authority payable solely from and secured by the SFP Transmission Trust Estate (as defined herein) pledged under the Transmission Resolution.**

The 2022A Bonds are payable solely from and secured by a pledge of the SFP Transmission Trust Estate (subject to no prior pledge or lien), after the payment of SFP Transmission Operating Expenses, including revenues from SFP Transmission Projects (as defined herein), including the 2022A SFP Transmission Projects, and all of the funds and accounts established under the Transmission Resolution, including the Debt Service Reserve Fund which secures only the 2022A Bonds. The 2022A Bonds will be secured on a parity with other SFP Transmission Obligations and Parity Debt of the Authority issued under the Transmission Bond Resolution.

The 2022A Bonds will be the first Series of Bonds issued under the Transmission Bond Resolution, and are being issued for the purpose of providing funds (together with other funds being provided by the Authority) to pay for capital expenditures related to the Authority’s 2022A SFP Transmission Projects, including reimbursement for prior capital spending, to pay capitalized interest on the 2022A Bonds, to fund an Operating Reserve Account and to pay the costs of issuance of the 2022A Bonds. The 2022A Bonds will also be secured by the Debt Service Reserve Fund which, at the time of issuance of the 2022A Bonds, will be funded with a debt service reserve insurance policy issued by AGM (defined below). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS” herein.

The 2022A Bonds will be issued as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchases of the 2022A Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the 2022A Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2022A Bonds. Semiannual interest on the 2022A Bonds is payable each May 15 and November 15, commencing November 15, 2022. So long as DTC or its nominee is the registered owner of the 2022A Bonds, reference herein to Owners or registered owners (other than under the captions “TAX MATTERS” and “CONTINUING DISCLOSURE” herein) shall mean Cede & Co., as aforesaid, and payments of principal of and interest on the 2022A Bonds will be made directly to DTC by The Bank of New York Mellon, as Transmission Bond Trustee and Paying Agent. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC participants. See “THE 2022A BONDS — Book-Entry-Only System” herein.

The scheduled payment of principal of and interest on the 2022A Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2022A Bonds by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). See “BOND INSURANCE” herein.



**The 2022A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.**

The 2022A Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.

*The 2022A Bonds are offered when, as and if issued and received by the Underwriters. The offer of the 2022A Bonds may be subject to prior sale or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and Pearlman & Miranda, LLC, each Co-Bond Counsel to the Authority. Certain legal matters are subject to the approval of Nixon Peabody LLP and Hardwick Law Firm LLC, each Co-Special Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP. It is expected that the 2022A Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about April 21, 2022.*

**Goldman Sachs & Co. LLC**

**J.P. Morgan****BofA Securities****Ramirez & Co., Inc.****Academy Securities****Citigroup****FHN Financial****Jefferies****Loop Capital Markets****Piper Sandler & Co.****Siebert Williams Shank Co., L.L.C.****Wells Fargo Securities**

**\$608,310,000**  
**Power Authority of the State of New York**  
**Green Transmission Project Revenue Bonds, Series 2022A**  
**\$337,450,000**  
**Serial Bonds**

<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(65000X)*</u>
2024	\$15,900,000	5.000%	1.890%	AA8
2025	20,385,000	5.000	2.020	AB6
2026	22,550,000	5.000	2.120	AC4
2027	20,305,000	5.000	2.170	AD2
2028	17,125,000	5.000	2.270	AE0
2029	17,510,000	5.000	2.390	AF7
2030	17,415,000	5.000	2.480	AG5
2031	17,345,000	5.000	2.570	AH3
2032	17,370,000	5.000	2.640 <sup>†</sup>	AJ9
2033	17,400,000	5.000	2.760 <sup>†</sup>	AK6
2034	17,430,000	5.000	2.790 <sup>†</sup>	AL4
2035	17,460,000	5.000	2.850 <sup>†</sup>	AM2
2036	17,490,000	4.000	3.100 <sup>†</sup>	AN0
2037	17,350,000	4.000	3.140 <sup>†</sup>	AP5
2038	17,200,000	4.000	3.180 <sup>†</sup>	AQ3
2039	17,050,000	4.000	3.230 <sup>†</sup>	AR1
2040	16,890,000	4.000	3.250 <sup>†</sup>	AS9
2041	16,725,000	4.000	3.260 <sup>†</sup>	AT7
2042	16,550,000	4.000	3.280 <sup>†</sup>	AU4

**\$79,940,000 4.000% Term Bonds due November 15, 2047, Yield 3.380%<sup>†</sup> CUSIP\* 65000X AV2**

**\$74,505,000 4.000% Term Bonds due November 15, 2052, Yield 3.470%<sup>†</sup> CUSIP\* 65000X AW0**

**\$91,415,000 4.000% Term Bonds due November 15, 2061, Yield 3.700%<sup>†</sup> CUSIP\* 65000X AY6**

**\$25,000,000 3.875% Term Bonds due November 15, 2061, Yield 3.875% CUSIP\* 65000X AX8**

\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority or the Underwriters and are included solely for the convenience of the registered owners of the applicable 2022A Bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2022A Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2022A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2022A Bonds.

<sup>†</sup> Priced at the stated yield to the first optional call date of November 15, 2031 at a redemption price of 100%.

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations, other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2022A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Authority and includes information obtained from other sources, all of which are believed to be reliable but with respect to information provided by such other sources, is not to be construed as a representation by the Authority. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The statements contained in this Official Statement that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual business and financial results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material.

The Authority maintains a website and certain social media accounts. The Authority’s websites and social media accounts are not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2022A Bonds, and are not part of this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended and in effect on the date hereof (“Rule 15c2-12”). References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

In connection with the offering of the 2022A Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of such bonds at levels above those which might otherwise prevail in the open market. Such stabilization or maintenance, if commenced, may be discontinued at any time.

**THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THIS OFFICIAL STATEMENT CONSISTS OF THE COVER PAGE, THE INSIDE COVER PAGE, THE TABLE OF CONTENTS, THE SUMMARY, THE APPENDICES AND ALL OF THE INFORMATION SPECIFICALLY INCORPORATED BY REFERENCE IN THE FOREGOING. THIS OFFICIAL STATEMENT IS DATED APRIL 5, 2022 AND RELATES TO THE 2022A BONDS (AND ONLY SUCH BONDS). THE OFFICIAL STATEMENT MUST BE READ IN ITS ENTIRETY.**

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the 2022A Bonds or the advisability of investing in the 2022A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” (other than with respect to the caption “—Risks of Bond Insurance”) and “APPENDIX D— Specimen Municipal Bond Insurance Policy.”

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## SUMMARY

*The following summary does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Official Statement and any supplement or amendment hereto. Capitalized terms used in this Summary and not defined herein have the meanings given to such terms elsewhere in this Official Statement.*

- Issuer** ..... The Power Authority of the State of New York (the “Authority” or “NYPA”) is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”). The Authority generates, transmits, purchases and sells electric power and energy as authorized by law. The Authority owns and operates 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 MW, and more than 1,400 circuit miles transmission lines, including major 765 kV and 345 kV transmission facilities. In total, the Authority owns approximately 37% of the circuit miles of high voltage transmission in the State, and 14% of all circuit miles of transmission in the State. The 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. The Authority is a transmission-owning member of the New York Independent System Operator, Inc., a not-for-profit corporation that operates the State’s bulk electricity grid, administers the State’s wholesale electricity markets, and provides comprehensive reliability planning for the State’s bulk electricity system (“NYISO”). In addition to its role as a transmission owner in the NYISO, the Authority also engages in the sale and purchase of capacity, energy and ancillary services in the NYISO wholesale energy markets.
- The 2022A Bonds** ..... The Green Transmission Project Revenue Bonds, Series 2022A (the “2022A Bonds”) are being offered in the principal amount per maturity and bearing the interest rates set forth on the inside cover page of this Official Statement.
- The 2022A Bonds will be issued pursuant to the Authority’s General Resolution Authorizing Transmission Project Revenue Obligations, adopted December 7, 2021 (as hereafter amended or supplemented, the “Transmission Bond Resolution”), as supplemented by the Authority’s First Supplemental Resolution Authorizing Transmission Project Revenue Obligations, adopted December 7, 2021, as amended and restated on January 25, 2022 authorizing the 2022A Bonds (the “First Supplemental Resolution”). The Transmission Bond Resolution and the First Supplemental Resolution are herein collectively referred to as the “Transmission Resolution.” The 2022A Bonds will be the first Bonds issued under the Transmission Bond Resolution.
- Denominations** ..... The 2022A Bonds are issuable in the denominations of \$5,000 or any integral multiple thereof.
- Interest Payment Dates** ..... Interest on the 2022A Bonds is due each May 15 and November 15, commencing November 15, 2022.
- Redemption** ..... The 2022A Bonds are subject to optional and mandatory redemption or purchase in lieu of redemption on the dates and at the redemption prices described herein under the caption “THE 2022A BONDS — Redemption Provisions.”

**2022A Bonds Not Secured by  
General Resolution .....**

**The 2022A Bonds are neither payable from nor secured by revenues pledged directly or indirectly under the Authority’s General Resolution Authorizing Revenue Obligations, dated February 24, 1998, as amended and supplemented (the “General Resolution”). Owners of the 2022A Bonds will not have any rights to, nor be secured by, any Authority revenues pledged to the payment of obligations issued under the General Resolution.**

**2022A SFP Transmission  
Projects Constitute Separately  
Financed Project under the  
General Resolution;  
Transmission  
Bond Resolution .....**

The financing of the 2022A SFP Transmission Projects (defined below) is being undertaken by the Authority as a Separately Financed Project as permitted under the Authority’s General Resolution. The Authority’s General Resolution provides that nothing prevents the Authority from authorizing and issuing bonds for any purpose of the Authority authorized 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 “Act”), or authorized by other applicable State statutory provisions (such purpose being referred to herein as a “Separately Financed Project” or “SFP”), which bonds, and the Authority’s share of any operating expenses related to such Separately Financed Project, are payable solely from revenues or other income derived from the ownership or operation of such Separately Financed Project or from other funds withdrawn by the Authority pursuant to the General Resolution. Revenues relating to transmission facilities (other than the 2022A SFP Transmission Projects and any additional SFP Transmission Projects (as defined below)) are not included in the SFP Transmission Trust Estate.

The Transmission Bond Resolution authorizes the issuance of SFP Transmission Obligations, including the 2022A Bonds, 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 that have been designated by the Authority pursuant to a supplemental resolution as a Separately Financed Project under the General Resolution and a transmission project for purposes of the Transmission Bond Resolution (a “SFP Transmission Project”). See “THE SFP TRANSMISSION PROJECTS.”

**2022A SFP Transmission  
Projects .....**

The SFP Transmission Projects to be financed with the proceeds of the 2022A Bonds (the “2022A SFP Transmission Projects”) consist of (i) a portion of the project jointly developed with LS Power Grid New York Corporation I (“LS Corp.”) consisting of, among other components, new transmission lines to relieve the congestion from central to eastern New York as more particularly described under the heading “THE SFP TRANSMISSION PROJECTS – The 2022A SFP Transmission Projects – *Central East Energy Connect Transmission Project*” (the Authority’s portion of such project is referred to herein as the “Central East Energy Connect Transmission Project”), and (ii) a project developed solely by the Authority and known as the Smart Path Reliability Transmission Project that will rebuild a portion of the Moses-Adirondack 1 & 2 transmission line to increase its resiliency, as more particularly described herein under the heading “THE SFP TRANSMISSION PROJECTS — The 2022A SFP Transmission Projects — *Smart Path Reliability Transmission Project*” (the “Smart Path Reliability Transmission Project”). See “THE SFP TRANSMISSION PROJECTS — The 2022A SFP Transmission Projects.”

**2022A SFP Transmission**

**Project Revenues.....**

The Transmission Bond Resolution requires that the costs of any SFP Transmission Project to be financed with the proceeds of SFP Transmission Obligations issued under the Transmission Bond Resolution be eligible or be expected to be eligible to be recovered from either the NYPA Transmission Adjustment Charge (“NTAC”), a component of the Authority’s approved formula rate that is included in the FERC-jurisdictional NYISO Open Access Transmission Tariff (“OATT”), or project-specific charges recovered under that formula rate. See “THE SFP TRANSMISSION PROJECTS – SFP Transmission Revenues Attributable to the SFP Transmission Projects.”

In September 2021, FERC issued an order accepting the inclusion of cost containment provisions related to the Authority’s recovery of its costs related to the Central East Energy Connect Transmission Project through its FERC-approved cost-recovery mechanisms in its formula rate that calculates an Annual Transmission Revenue Requirement (the “ATRR”). The ATRR is the result of a FERC-regulated formula that calculates the total annual revenue that the Authority must receive to recover the costs of providing transmission service plus a rate of return, as included in the NYISO tariff. This cost containment commitment was made in connection with FERC granting the Authority certain incentive rate treatments, which include an incentive rate of return of 50 basis points (the “ROE Adder”) and an allowance to collect payments on “Construction Work in Progress” (“CWIP”) balances for the Central East Energy Connect Transmission Project. SFP Transmission Revenues (defined below) attributable to the Central East Energy Connect Transmission Project will consist only of CWIP until the Central East Energy Connect Transmission Project is placed in service which is expected to occur in December 2023.

With respect to the Smart Path Reliability Transmission Project, the Authority received FERC authorization in July 2017, consistent with the provisions in its formula rate under the NYISO OATT, to include the costs of the Smart Path Reliability Transmission Project in the NTAC. The NTAC is a NYISO OATT mechanism for cost recovery of the Authority’s legacy and backbone transmission system costs, which allocates such costs across all ratepayers in the State. See “THE SFP TRANSMISSION PROJECTS – SFP Transmission Revenues Attributable to the SFP Transmission Projects.” Only the portion of the NTAC attributable to the Smart Path Reliability Transmission Project will constitute SFP Transmission Revenues.

While amounts received by the Authority constituting SFP Transmission Revenues are derived from amounts included in rates of the Authority that represent cost recovery for investments in specific SFP Transmission Projects, such SFP Transmission Revenues are available on a combined basis to pay operation and maintenance expenses of all SFP Transmission Projects and (net of such operating and maintenance costs) are pledged on a combined basis to support the payment of debt service on all SFP Transmission Obligations on a *pari passu* basis. See “THE SFP TRANSMISSION PROJECTS – Future Transmission Projects.”

**Annual SFP Transmission**

**Revenue Requirement.....**

The Authority’s total cost of owning, operating and maintaining all of the Authority’s transmission assets used to provide electric transmission service throughout the State is expressed in, and covered by, the ATRR. To determine the revenue requirement allocable to the SFP Transmission Projects, the Authority will separate and report the transmission revenue requirement for each of the Central East Energy Connect Transmission Project and the Smart Path Reliability Transmission Project for each year (collectively, the “Annual SFP Transmission Revenue Requirement”). Annual operating expenses for the 2022A SFP Transmission Projects will be calculated using a formula that allocates total transmission operating expenses among 2022A SFP Transmission Projects and

other non-SFP Transmission Projects based upon the proportion (using the two-year gross plant average) that the SFP transmission gross plant bears to the Authority’s total transmission gross plant.

Amounts collected representing the Annual SFP Transmission Revenue Requirement (which is based upon the prior year’s actual expenditures) shall be transferred to the revenue fund established under the Transmission Bond Resolution (the “Revenue Fund) from the Allocation Account (defined below). A true-up of actual year revenues received in the current calendar year compared to the calculated ATRR is also a component of the revenue requirement formula and will be calculated on an annual basis as a “True-Up Adjustment” as forth set in the Authority’s formula rate (the “True-up Adjustment”) for the subsequent year. The True-up Adjustment will be applied to the SFP Transmission Project portion of ATRR following the same formula rate methodology being applied to the non-SFP Transmission Project portion of the ATRR. The True-up Adjustment is expected to result in the collection of the ATRR (including the Annual SFP Transmission Revenue Requirement) in the rate year after the cost is incurred or in the subsequent rate year.

**NYISO Commingled Payments;  
Allocation Account.....**

“NYISO Commingled Payments” means any payments received by the Authority from the NYISO that include both SFP Transmission Revenues and non-SFP revenues. Non-SFP revenues are pledged under the General Resolution and are defined as “General Resolution Revenues.” All net payments received by the Authority from NYISO pursuant to the NYISO OATT, including all NYISO Commingled Payments, shall be deposited into an allocation depository trust account (the “Allocation Account”) established pursuant to a depository trust agreement (the “Depository Trust Agreement”) by and between the Authority and a bank or trust company to be designated by the Authority to act as depository agent (in such capacity, the “Depository Agent”). Upon receipt of any NYISO Commingled Payments, the Authority will advise the Depository Agent of (i) the portion of such NYISO Commingled Payments that constitutes SFP Transmission Revenues, which, at the direction of the Authority, the Depository Agent shall transfer to the SFP Transmission Revenue Fund, and (ii) the portion of such NYISO Commingled Payments that constitutes General Resolution Revenues, which, at the direction of the Authority, the Depository Agent shall transfer to the operating fund established under the General Resolution. Amounts held in the Allocation Account constituting SFP Transmission Revenues are subject to the lien created by the Transmission Bond Resolution. **Amounts in the Allocation Account constituting General Resolution Revenues are subject to the lien of the General Resolution and are not pledged to the payment of the 2022A Bonds.**

**Plan of Finance.....**

The proceeds of the 2022A Bonds, together with moneys released from the General Resolution, will be used to provide funds to finance capital expenditures related to the 2022A SFP Transmission Projects, including to reimburse prior capital spending, to pay capitalized interest on the 2022A Bonds, to fund an Operating Reserve Account, and to pay the costs of issuance of the 2022A Bonds, including the costs of a Municipal Bond Debt Service Reserve Insurance Policy issued by AGM to be deposited into the Debt Service Reserve Fund established for the 2022A Bonds. See “PLAN OF FINANCE.”

**2022A Bonds Designated  
Green Bonds .....**

The Authority has designated the 2022A Bonds as “Green Bonds” due to the environmental benefits of the 2022A SFP Transmission Projects financed with the proceeds of the 2022A Bonds. Sustainability has reviewed and verified that the use of proceeds, processes for project selection, management of proceeds, and reporting for the 2022A Bonds are aligned with the Authority’s Green Bond Framework (as defined herein). See “PLAN OF FINANCE — Designation of 2022A Bonds as Green Bonds.”

**Security for the 2022A**

**Bonds**.....

The 2022A Bonds will be payable solely from and secured by a pledge of the SFP Transmission Trust Estate (subject to no prior pledge or lien), after the payment of SFP Transmission Operating Expenses, from revenues payable to the Authority consisting of revenues, rates, fees, charges, rents, proceeds from the sale of SFP Transmission Project assets, proceeds of insurance from such SFP Transmission Projects, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from the ownership or operation of any SFP Transmission Project (“SFP Transmission Revenues”) and all funds and accounts established under the Transmission Bond Resolution. Such SFP Transmission Revenues are expected to primarily consist of funds paid to the Authority by the NYISO in accordance with the applicable tariffs to the extent such revenues are derived directly or indirectly from the Authority’s SFP Transmission Projects.

A Debt Service Reserve Fund will be established for the 2022A Bonds and funded by the deposit of a Municipal Bond Debt Service Reserve Insurance Policy issued by AGM in an amount equal to the lesser of (i) 10% of the proceeds of the 2022A Bonds, (ii) the maximum Debt Service due on the 2022A Bonds in any Fiscal Year, or (iii) 125% of the average of the annual installments of Debt Service with respect to all 2022A Bonds (the “Debt Service Reserve Fund Requirement”). The Transmission Bond Resolution provides for the establishment of an Operating Reserve Account to be funded in an amount equal to 50% of annual budgeted SFP Transmission Operating Expenses (the “Operating Reserve Minimum Requirement”), which may be used by the Authority at such time or times and in such amounts as determined by the Authority for the purpose of providing for the costs of emergency repairs or replacements essential to restore or prevent physical damage to, and prevent loss of SFP Transmission Revenues from, any SFP Transmission Project and to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to any SFP Transmission Project necessary to keep the same in operating condition or required by any governmental agency having jurisdiction over such SFP Transmission Project. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2022A BONDS.”

**The 2022A SFP Transmission Projects constitute a Separately Financed Project under the Authority’s General Resolution and the 2022A Bonds are neither payable from nor secured by revenues pledged directly or indirectly under the Authority’s General Resolution. Owners of the 2022A Bonds will neither have any rights to, nor be secured by, any Authority revenues pledged to the payment of obligations issued under the Authority’s General Resolution. The 2022A Bonds are limited obligations of the Authority payable solely from and secured by the SFP Transmission Trust Estate pledged under the Transmission Bond Resolution.**

See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS.”

**Additional Indebtedness;**

**Parity Debt**.....

Except for certain refunding bonds, the Authority may issue Additional SFP Transmission Obligations pursuant to the Transmission Bond Resolution, payable and secured on a parity basis with the 2022A Bonds, provided that the costs of a SFP Transmission Project to be financed with such SFP Transmission Obligations are eligible or expected to be eligible to be recovered as part of the Authority’s ATRR or under another approved tariff and subject to an additional bonds test. The additional bond test requires that SFP Transmission Revenues are at least equal to the sum of (i) 120% of Debt Service (as defined in the Transmission Bond Resolution), (ii) 100% of SFP Transmission Operating Expenses (as defined in the Transmission Bond Resolution) and (iii) any Required Payments (as defined in the Transmission Bond Resolution) on a historical basis for any 12 consecutive month period out of the 18 months immediately preceding the date of issue of such SFP

Transmission Obligations or on an estimated basis for the five-year period beginning with the Fiscal Year in which such SFP Transmission Obligations are issued and ending with the fifth full Fiscal Year after such date, in either case calculated in accordance with the requirements of the Transmission Bond Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS – Additional Obligations and Parity Debt.”

**Registration of the**

**2022A Bonds** ..... The 2022A Bonds will be issuable as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). No person acquiring an interest in the 2022A Bonds (a “Beneficial Owner”) will be entitled to receive a 2022A Bond in certificated form, except under the limited circumstances described in this Official Statement in “THE 2022A BONDS — Book-Entry-Only System.” All references to actions by Owners will refer to actions taken by DTC, upon instructions from DTC Participants, and all references herein to distributions, notices, reports and statements to Owners shall refer to distributions, notices, reports and statements, respectively, to DTC or Cede & Co., as the registered owner of the 2022A Bonds, or to DTC Participants for distribution to Beneficial Owners in accordance with DTC procedures. See “THE 2022A BONDS — Book-Entry-Only System.”

**Tax Considerations** ..... In the opinions of Co-Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the 2022A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the 2022A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. See “TAX MATTERS.”

In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the 2022A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including New York City). See “TAX MATTERS.”

**Transmission Bond Trustee** ..... The Bank of New York Mellon, New York, New York.

**Authority’s Financial Advisor** . Prager & Co., LLC, New York, New York (“Prager”) See “FINANCIAL ADVISOR.”

**Bond Insurance** ..... The scheduled payment of principal of and interest on the 2022A Bonds when due will be guaranteed under a municipal bond insurance policy (the “Policy”) to be issued concurrently with the delivery of the 2022A Bonds by AGM. See “BOND INSURANCE” herein

**Ratings** ..... Moody’s Investors Services, Inc. (“Moody’s”) and S&P Global Ratings, a division of Standard & Poor’s Financial Services, LLC (“S&P”) have assigned ratings of “A1” and “AA”, respectively, to the 2022A Bonds with the understanding that, upon delivery of the 2022A Bonds, a municipal bond insurance policy will be issued by AGM. Moody’s and Fitch Ratings (“Fitch”) have assigned underlying ratings of “A2” and “AA-”, respectively, to the 2022A Bonds. See “RATINGS.”

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**OFFICIAL STATEMENT**  
**of the**  
**POWER AUTHORITY OF THE STATE OF NEW YORK**  
**\$608,310,000**  
**GREEN TRANSMISSION PROJECT REVENUE BONDS, SERIES 2022A**

This Official Statement provides certain information concerning the Power Authority of the State of New York (the “Authority” or “NYPA”) in connection with the issuance of the Authority’s Green Transmission Project Revenue Bonds, Series 2022A (the “2022A Bonds”). The 2022A Bonds are authorized to be issued pursuant to 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 “Act”), and the Authority’s General Resolution Authorizing SFP Transmission Project Revenue Obligations, adopted on December 7, 2021 (the “Transmission Bond Resolution”), as supplemented by the Authority’s First Supplemental Resolution Authorizing Transmission Project Revenue Obligations, adopted on December 7, 2021, as amended and restated on January 25, 2022, authorizing such Series (the “First Supplemental Resolution”) to finance the 2022A SFP Transmission Projects (as defined below). The Transmission Bond Resolution and the First Supplemental Resolution are herein collectively referred to as the “Transmission Resolution.” Capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in the Transmission Resolution.

**INTRODUCTION**

The Authority is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”) created in 1931 by the Act, and has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. The mission of the Authority 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 Authority generates, transmits, purchases and sells electric power and energy as authorized by law. The Authority owns and operates 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 MW, and a number of transmission lines, including major 765 kV and 345 kV transmission facilities. The Authority’s customers include municipal and rural electric cooperatives located throughout the State, local governments, investor-owned utilities (“IOU’s”), 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. The Authority is a transmission-owning member of the New York Independent System Operator, Inc. which is a not-for-profit corporation that operates the State’s bulk electricity grid, administers the State’s wholesale electricity markets, and provides comprehensive reliability planning for the State’s bulk electricity system (“NYISO”). In addition, the Authority sells and purchases capacity, energy and ancillary services in the NYISO wholesale energy markets.

Pursuant to the Act and the Authority’s General Resolution Authorizing Revenue Obligations, dated February 24, 1998, as amended and supplemented (the “General Resolution”), the Authority may issue bonds, notes, or other obligations or evidences of indebtedness, payable and secured by revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, insurance proceeds, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority’s operations, including but not limited to the ownership or operation of any project, facility, system, equipment, or material related to or necessary or desirable in connection with the generation, production, transportation, distribution, transmission, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions (collectively, “General Resolution Revenues”). The General Resolution excludes from General Resolution Revenues any such income or receipts attributable directly or indirectly to the ownership or operation of a Separately Financed Project (defined below).

Nothing in the General Resolution prevents the Authority from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness for any project authorized by the Act or by other applicable State statutory provisions, or from financing any such project from other available funds (such project a “Separately Financed Project” or an “SFP”), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Authority’s share of any operating expenses related to such Separately Financed Project, are payable

solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other funds made available by the Authority upon the conditions set forth in the General Resolution.

The Authority has adopted its Transmission Bond Resolution (a bond resolution separate from the General Resolution) to finance the costs of any project, facility, system, equipment, or material 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, which has been designated by the Authority as both a “Separately Financed Project” under the General Resolution as described above and a “SFP Transmission Project” under the Transmission Bond Resolution (the “SFP Transmission Project”).

The Transmission Bond Resolution requires that (I) the costs of any SFP Transmission Project which is to be financed from the proceeds of SFP Transmission Obligations issued under the Transmission Bond Resolution must be (a) eligible to be recovered either (i) under a tariff approved by the Federal Energy Regulatory Commission (“FERC”) as part of the Authority’s annual transmission revenue requirement (the “ATRR”) or (ii) to the extent that no approval by FERC is required for such tariff, under a tariff approved by the applicable regulatory body, if any, or (b) are expected to be eligible to be so recoverable and (II) upon delivery of the SFP Transmission Obligations, the Authority will not be in default in the performance of the terms and provisions of the Transmission Bond Resolution or of any of the SFP Transmission Obligations. See “THE SFP TRANSMISSION PROJECTS” herein.

The Authority is issuing the 2022A Bonds to finance, among other things, the capital costs incurred by the Authority with respect to two transmission projects known as the “Central East Energy Connect Transmission Project” (which is a part of a larger project developed in conjunction with LS Power Grid New York Corporation I (“LS Corp.”) and referred to herein as “Segment A”), and the “Smart Path Reliability Transmission Project,” each as more particularly described herein under “THE SFP TRANSMISSION PROJECTS — The 2022A SFP Transmission Projects.”

The Central East Energy Connect Transmission Project and the Smart Path Reliability Transmission Project each have been designated as a “Separately Financed Project” under the General Resolution and a “Transmission Project” under the Transmission Bond Resolution as described more particularly below “THE SFP TRANSMISSION PROJECTS.” **Accordingly, the 2022A Bonds are neither payable from, nor secured by, General Resolution Revenues and owners of the 2022A Bonds will neither have any rights to, nor be secured by, any Authority revenues pledged to the payment of obligations issued under the Authority’s General Resolution. The 2022A Bonds are limited obligations of the Authority payable solely from and secured by the SFP Transmission Trust Estate pledged under the Transmission Bond Resolution, including but, not limited to, the SFP Transmission Revenues (net of operating costs) allocable to the 2022A SFP Transmission Projects (as defined herein).**

The 2022A Bonds are the first Series of Bonds issued pursuant to the Transmission Bond Resolution and the Act.

## THE SFP TRANSMISSION PROJECTS

### The SFP Transmission Projects

The Authority undertakes transmission projects as authorized by the Act and in coordination with other transmission owners to meet New York State environmental, electric reliability and economic needs. When a potential Authority transmission project is identified, the facilities are planned according to standards and criteria set forth by the NYISO, the New York State Reliability Council (the “Reliability Council”), the Northeast Power Coordinating Council and the North American Electric Reliability Corporation (“NERC”).

The Authority owns and maintains more than 1,400 circuit miles of high voltage (115 kV - 765 kV) transmission lines in the State, with NYISO operating the transmission system, including assets owned by the Authority. These lines include a 765 kV line south from the Canadian border to Marcy, New York; two 345 kV lines from the Niagara Project east to Niagara Mohawk’s Edic Substation in central New York; two 345 kV lines from Marcy, New York, connecting to other utility substations in southeastern New York; three 345 kV lines from the Blenheim-Gilboa Project extending to substations near Athens, New Scotland, and Delhi, respectively; two 230 kV lines extending east from the St. Lawrence Project to Plattsburgh, New York, and to the Vermont border; a 345 kV

transmission line from the Fitzpatrick Nuclear Power Plant near Oswego, New York to the National Grid substation in Edic, New York; two 23 kV lines extending south from the St. Lawrence Project to Belfort, New York; a single circuit underground and underwater line extending across Long Island Sound between the substation of Consolidated Edison of New York, Inc. (“ConEd”) in Westchester County and Long Island Power Authority’s (“LIPA”) substation in Nassau County, New York; several 115 kV lines connected directly to large industrial customers and other shorter lines connecting the Authority’s generating facilities to the transmission grid. In total, the Authority owns approximately 37% of the circuit miles of high voltage transmission in the State, and 14% of all circuit miles of transmission in the State.

Based on continued growth in its transmission business, the Authority is designating specified transmission projects as separately financed projects. Given the strategic importance of these projects to the Authority, the essential nature of these projects to the State of New York and the stand alone credit quality of these projects, the Authority has determined that the most efficient use of its capital and its general bond resolution credit is to pursue these priority transmission projects as separately financed projects as provided for in the General Resolution.

### **The 2022A SFP Transmission Projects**

The Authority has designated each of the 2022A SFP Transmission Projects (as defined herein) as a SFP Transmission Project under the Transmission Bond Resolution in order to provide for the financing of new transmission projects and improvements to existing transmission projects of the Authority that have or are expected to have regulated rates of return. In connection therewith, the Authority has adopted its Transmission Bond Resolution under which the Authority may finance the costs of any project, facility, system, equipment, or material 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, which has been designated by the Authority pursuant to the Transmission Bond Resolution as a “Separately Financed Project” under the General Resolution as described above and a “SFP Transmission Project” for purposes of the Transmission Bond Resolution. Prior to any transmission project being financed or refinanced from the proceeds of bonds issued under the Transmission Resolution, the Authority expects to have authorization, or an expectation of receiving such authorization, under its FERC-approved tariff formula rate or other FERC-approved tariff to collect the costs of such transmission project through rates. See “– SFP Transmission Revenues” below. Transmission projects that are not expected to have a regulated rate of return will not be designated as a “SFP Transmission Project” and will be financed through other financing structures. However, nothing prevents the Authority from financing future new transmission projects under the General Resolution even if such projects are eligible to be financed as SFP Transmission Projects under the Transmission Bond Resolution.

#### *Central East Energy Connect Transmission Project*

In August 2014, the Public Policy Transmission Planning Process administered by the NYISO invited solicitations for new high voltage transmission lines to relieve the congested Central East (“Segment A”) and UPNY/SENY (“Segment B”) transmission interfaces and to move power from upstate to downstate New York. On April 8, 2019, the NYISO selected the project proposed by the Authority and LS Power for Segment A and a proposal submitted by other parties was selected for Segment B. Together, Segment A and Segment B are expected to improve transmission system reliability, reduce transmission congestion, and thus allow more clean energy to flow to down State. By reducing transmission congestion, these projects are also expected to facilitate more clean energy generation.

Specifically, Segment A consists of:

- (1) a new 345 kV Princetown switching station designed to terminate six 345 kV transmission lines;
- (2) two new approximately 55-mile, 345 kV transmission lines constructed principally in a double-circuit design between the existing Edic and the new Princetown 345 kV substations, replacing two existing Porter to Rotterdam 230 kV transmission circuits and reconductoring of approximately 12 miles of transmission lines to upgrade existing structures to 345 kV;
- (3) a new 345 kV Gordon Road substation with 345/115 kV transformers and 345/230 kV transformers, allowing for the retirement of the existing Rotterdam 230 kV substation yard;

- (4) reconfiguration of the existing Edic to New Scotland 345 kV transmission line, creating an Edic to Gordon Road 345 kV transmission line and a Princetown to Gordon Road 345 kV transmission line;
- (5) two new 18 mile, 345 kV transmission lines constructed principally in a double-circuit design between the new Princetown and the existing New Scotland substations; and
- (6) other system modifications, including terminal upgrades at the Marcy, New Scotland and Edic substations, and the retirement of the existing Rotterdam to New Scotland 115 kV transmission line, as well as any network transmission upgrades that have been or are later identified as required through the NYISO interconnection process.

The Authority entered into an agreement (the “Participation Agreement”) with LS Power Grid New York, LLC (“LS Power”, formerly known as North American Transmission LLC,) to develop and submit proposals in response to the solicitation, which agreement granted the Authority the option to purchase an ownership interest of up to 37.5% in any jointly proposed projects. LS Power later assigned its interest in the Participation Agreement to LS Corp.

The Participation Agreement establishes a process based on total Segment A costs to determine the point that demarcates Segment A facilities owned by LS Corp. from the Segment A facilities owned by the Authority and provides that the Authority and LS Corp. will have discrete ownership of their respective Segment A facilities. That demarcation, the “Point of Change in Ownership” or “POCO”, as set forth in the Participation Agreement, identifies: (a) the specific components of the Segment A (including substations) that are separately owned by the Authority and LS Corp. (as the assignee of LS Power), respectively; and (b) any components that are partially owned by each of the Authority and LS Corp. (as the assignee of LS Power). The Authority will also have an interest in “Intangible Facilities” as provided in the Participation Agreement. The POCO is subject to adjustment before the project in service date (estimated to be prior to December 31, 2023), such that each party’s ownership of Segment A components reflects an ownership split of 62.5% for LS Corp. and 37.5% for the Authority based upon each party’s share of the direct project costs.

The Authority exercised its 37.5% purchase option in July 2021 under the Participation Agreement. The Authority’s 37.5% interest in Segment A components is defined as the “Central East Energy Connect Transmission Project.”

A development agreement relating to Segment A among the NYISO, LS Corp. and the Authority was executed on February 3, 2020, filed with FERC on March 4, 2020, and accepted for filing by FERC on April 16, 2020 (the “Development Agreement”). The Development Agreement requires that Segment A be completed by December 31, 2023 and LS Corp. and the Authority expect that the upgraded transmission lines and new substations part of the Segment A will be energized as part of the New York electrical system on or before that date. The Development Agreement gives the NYISO the right to terminate the Development Agreement for, among other reasons, the failure of LS Corp. and the Authority to complete Segment A by December 31, 2023. In the event of any such termination, the Authority expects that it will be reimbursed for its costs as either “used and useful” transmission assets under a FERC or other applicable tariff or pursuant to the Abandoned Plant Incentive (as herein defined in “THE SFP TRANSMISSION PROJECTS — SFP Transmission Revenues — *Source of SFP Transmission Revenues for the Central East Energy Connect Transmission Project.*”). In addition, although the Development Agreement makes the Authority and LS Corp. jointly and severally liable for the obligations to the NYISO under the Development Agreement, the First Amended and Restated Participation Agreement entered into as of January 28, 2021 between the Authority and LS Corp. grants the non-defaulting party step-in rights under which it can, among other things, assume the rights and obligations of the defaulting party under its contracts as are necessary to comply with project milestones contained in the Development Agreement.

LS Corp. and the Authority, as joint developers of the Central East Energy Connect Transmission Project, have agreed to coordinate risk mitigation efforts in the development of this transmission project, including the inclusion of coordinated FERC rate filings and the inclusion of cost overrun provisions and recovery adders in the tariff as described above under “THE SFP TRANSMISSION PROJECTS — SFP Transmission Revenues — *Source of SFP Transmission Revenues for the Central Energy East Connect Transmission Project.*”

LS Corp. and the Authority have also taken several steps to mitigate the construction risks associated with the Central Energy East Connect Transmission Project, including: (i) inclusion of a construction contingency of 18% that is built into the project cost and recovery filing; (ii) receipt of performance and payment bonds from the

contractors, (iii) payment of liquidated damages in the event of delays in interconnection completion, substantial completion and other milestones which payments are supported by letters of credit that have been posted and can be drawn upon in the event of a failure to pay liquidated damages when due. Notwithstanding the measures taken by the Authority to mitigate construction risk, there can be no assurance that the contract terms and financial instruments described above and any available insurance proceeds will be sufficient to cover the costs resulting from delay or unforeseen cost overruns and other events or to provide cash to the Authority to complete the construction of the Central East Energy Connect Transmission Project. See “FACTORS TO BE CONSIDERED IN INVESTING IN THE 2022A BONDS — Construction Risks” below.

LS Corp. entered into a procurement and construction contract with MYR Energy Services, Inc. Major permits have been secured and construction on Segment A commenced in February 2021. The first 5-mile portion of Segment A was completed and energized in June 2021. As of the date of this Official Statement, Segment A is approximately 36% complete.

Segment A is approved at a total cost cap of \$506.4 million, excluding the allowance for funds used during construction with respect to LS Corp.’s interest in Segment A and costs not subject to the cost cap, with the Authority’s cost cap for the Central East Energy Connect Transmission Project being \$189.9 million. The Authority currently forecasts that the costs not excluded from the cost cap will be approximately \$175 million which is within the cap, meaning the Authority expects to earn its full approved project return on equity (“ROE”). Costs excluded from the cost cap for the Central East Energy Connect Transmission Project are currently forecasted at \$35 million, bringing the projected Authority costs to \$210 million. As of December 31, 2021, the Authority has spent approximately \$75.6 million and the project is currently on-budget.

The Authority will be responsible for operations and maintenance of its portion of the Segment A transmission lines and the Authority will earn a return based on its own distinct portion of Segment A. The Authority has also entered into a Maintenance and Emergency Services Agreement to perform maintenance and emergency response services for LS Corp.’s portion of the transmission lines on Segment A for a term of 5 years, with opportunities for additional 5-year extensions. LS Corp.’s performance with respect to its portion of Segment A once placed in service and during operations will not affect the Authority’s return on the Central East Energy Connect Transmission Project.

#### *Smart Path Reliability Transmission Project*

The Smart Path Reliability Transmission Project consists of the rebuilding of the existing 78-mile, single-circuit predominantly wood pole section of the 230 kV Moses-Adirondack 1 & 2 (“MA1&2”) transmission lines, with single-circuit steel monopoles. This project is necessary to rebuild facilities that are well past their design lives to make them more resilient and reduce maintenance costs as well as to meet the State’s Clean Energy Standard (“CES”) described below.

The rebuilt MA1&2 lines will be key to accommodating additional proposed renewable energy projects in Northern New York. Northern New York is a region with the potential for significant additional renewable generation construction as evidenced by the list of projects in the NYISO interconnection queue. The Authority anticipates that these future renewable energy projects will be required for the State to achieve its goals. As such, the Smart Path Reliability Transmission Project is proposed to be constructed to 345 kV design standards, although initially operated at 230 kV. This approach provides future expansion capability when the transmission corridor is built out to accommodate the future renewable generation, thereby minimizing potential stranded cost in the event of future system capacity upgrades.

The Authority is the sole owner of the Smart Path Reliability Transmission Project and is responsible for executing and managing the construction effort. The Authority has entered into two major contracts for the Smart Path Reliability Transmission Project. The first major contract is a construction contract entered into by the Authority with Michels Corporation for the construction of the new transmission lines. The construction contract with Michels Corporation includes a contractor performance bond, payment bond and delay liquidated damages that will provide payments to the Authority in the event of certain construction issues and delays. The other major contract is an equipment contract with Sabre Industries Inc. for the fabrication and delivery of the steel poles for the Smart Path Reliability Transmission Project. Protections for the Authority include a contractor performance bond, payment bond

and the payment of liquidated damages in the event of certain equipment delivery delays. The Authority also has entered into other contracts to support the project construction.

Construction on the Smart Path Reliability Transmission Project, which is divided into six segments, started in March 2020. As of December 2021, three of the six segments have been completed and the fourth segment is under construction and is currently on track and expected to be completed in May 2022. Construction on the fifth segment is expected to begin in the summer of 2022 with a scheduled completion in November 2022. The Authority expects that the sixth and final segment will commence construction in December 2022 and be completed in May 2023. To date, staffing, shipping delays, and inflation have not impacted the project cost or construction schedule. See “FACTORS TO BE CONSIDERED IN INVESTING IN THE 2022A BONDS — Construction Risks” below.

The Authority estimates the total cost of the Smart Path Reliability Transmission Project to be \$484 million (not including the additional allowance for funds used during construction) through project completion which is currently estimated to be put in service as described above in May of 2023. As of December 31, 2021, the Authority has spent approximately \$311 million and the construction of the project is approximately 64% complete.

The Smart Path Reliability Transmission Project is being placed in service in phases as each segment is completed. The Authority will be responsible for the payment of all operating and maintenance expenses for each segment of the Smart Path Reliability Transmission Project as each segment is placed in service. The Authority can still recover reasonable costs of the Smart Path Reliability Transmission Project in its rates even if there is a failure in the transmission line that was caused by the Authority.

## **SFP Transmission Revenues**

### *General*

The Authority adopted the Transmission Bond Resolution in order to provide for the financing of transmission projects of the Authority that have, or are expected to have, regulated rates of return. The regulated rate of return for a SFP Transmission Project financed with bonds issued under the Transmission Bond Resolution is expected to be derived from either the NTAC or project-specific charges recovered under the Authority’s FERC-approved formula rate.

The Authority, as a corporate municipal instrumentality and political subdivision of the State, is exempt from the definition of “public utility” under Part II of the Federal Power Act (“FPA”). Notwithstanding this exemption, as described herein, the Authority has placed its transmission facilities under the NYISO OATT and the operational control of the NYISO, which as a public utility, is subject to FERC regulation.

The NYISO is responsible for scheduling the use of the bulk transmission system in the State, which normally includes all of the Authority’s transmission facilities, and for collecting related transmission fees from customers. All wholesale customers served under the NYISO pay the local utility’s transmission service charge, which is included in the NYISO OATT, plus the NYISO’s fees for ancillary services, losses and congestion for use of the transmission system. Each such transmission customer also pays, as part of its NYISO charges, a separate fee to compensate the Authority for the use of its transmission system which is designed to ensure the Authority’s recovery of its ATRR. If the NYISO does not maintain a FERC-accepted tariff that provides for full recovery by the Authority of its ATRR, the Authority is permitted to withdraw from the NYISO on 90-days’ notice.

NTAC. In approving the NYISO’s OATT in 1999, FERC approved the use of the Authority’s then-existing ATRR in developing the rates for service included under the NYISO OATT and the Authority’s NTAC. Because the Authority does not own distribution facilities and has no defined geographical service territory of its own, the Authority recovers its cost of owning and maintaining its transmission facilities primarily through the NTAC. The NTAC is a charge assessed on nearly all loads in the NYISO on a load-ratio share basis. NTAC is contained in a separate provision of the NYISO OATT. NTAC is different from the zonal recovery mechanism that generally applies to other NYISO transmission owners. The NTAC is an essential component of the Authority’s ATRR as direct customer payments to the Authority under bilateral transmission agreements (“Grandfathered Agreements”) have diminished as many of these Grandfathered Agreements have either expired or will eventually expire or be terminated.

*Formula Rate.* In March 2016, the Authority applied to FERC to establish a formula rate in the NYISO OATT to recover its ATRR. This proceeding resulted a settlement agreement approved by FERC in January 2017, and established an Authority formula rate template and formula rate implementation protocols within the NYISO OATT for the recovery of the ATRR. The ATRR includes the NTAC mechanism applicable to the Authority's legacy and backbone transmission infrastructure (much of which is over forty-five years old), plus any other project-specific revenue requirements (e.g., Marcy South Series Compensation Project and the Central East Energy Connect Transmission Project) whose cost allocation through the NYISO OATT may be done differently than the NTAC. Under the formula rate, the Authority updates the ATRR annually, effective July 1st of each year. Effective July 1, 2021, the Authority's ATRR was \$278.9 million. Annual formula rate updates will continue pursuant to the terms of the NYISO OATT. The formula to calculate the ATRR is based on a debt-to-equity ratio of one-to-one and a return on equity of 8.95%, plus incentives. Based on its formula rate and the cost of transmission projects, the Authority expects the ATRR to be \$286.2 million in 2022 and \$327.6 million in 2023. The ATRR is updated and posted annually, subject to stakeholder review and challenge based upon FERC's "just and reasonable" standard.

The SFP Transmission Revenues attributable to the Central East Energy Connect Transmission Project shall be amounts collected in accordance with the project specific tariff component of the formula rate described in "*Source of SFP Transmission Revenues for the Central East Energy Connect Transmission Project*" immediately below. The SFP Transmission Revenues attributable to the Smart Path Reliability Transmission Project will be collected as part of the NTAC Formula Rate. All net payments received by the Authority from the NYISO (including NYISO Commingled Payments) will be deposited in the Allocation Account and distributed as required by the Transmission Bond Resolution and the General Resolution in accordance with the Depository Trust Agreement as described in more detail below under "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS."

*Source of SFP Transmission Revenues for the Central East Energy Connect Transmission Project.*

As discussed above, the Authority recovers costs for owning and maintaining its transmission facilities through a FERC-approved formula rate. The formula rate determines the Authority's ATRR. The Authority's ATRR is composed of both its system-wide NTAC charge, which is assessed to nearly all loads in the NYISO on a load-ratio share basis, and project specific charges that are recovered under its formula rate based upon a project specific allocation, including the Central East Energy Connect Transmission Project. The Central East Energy Connect Transmission Project revenues will be earned pursuant to the Authority's formula rate, as modified for the incentives and cost containment mechanism approvals it has received from FERC and discussed below.

In August of 2019, the Authority petitioned FERC for three Central East Energy Connect Transmission Project-specific incentive rate treatments. The first incentive the Authority requested was that it be allowed to recover 100% of its prudently-incurred plant costs in the event the Central East Energy Connect Transmission Project must be abandoned for reasons outside of the Authority's reasonable control ("Abandoned Plant Incentive"). FERC granted the Authority's request for the Abandoned Plant Incentive, subject to the Authority making a filing with FERC demonstrating that in the event the Central East Energy Connect Transmission Project is abandoned such abandonment was beyond the Authority's control and its costs were prudently incurred. Second, the Authority requested authorization to include 100% of its prudently-incurred CWIP, which include pre-commercial operation expenses, in its rates during the development and construction of the Central East Energy Connect Transmission Project. FERC granted the Authority's CWIP request finding that it would enhance the Authority's cash flow, reduce interest expenses, assist with obtaining favorable financing, and improve the coverage ratios used by rating agencies to determine the Authority's credit quality. The third incentive the Authority requested was a 50-basis point ROE adder to address the Central East Energy Connect Transmission Project's specific risks and challenges. FERC found that the Authority had taken steps to mitigate risks to the Central East Energy Connect Transmission Project, including committing to use best practices in project management and procurement, and thus conditionally granted the Authority's request for an ROE adder. FERC conditioned its grant of the ROE adder on the Authority making a future filing with it that demonstrated the ROE adder would be subject to a cost containment mechanism ("Cost Containment Filing").

As directed by FERC, the Authority subsequently submitted its Cost Containment Filing in which it proposed to incorporate three cost containment mechanisms into its formula rate based upon the Authority's estimated cost of the Central East Energy Connect Transmission Project at approximately \$210 million. First, the Authority proposed that for 20% of any prudently-incurred Central East Energy Connect Transmission Project costs above the established cost cap that are subject to the cost containment mechanism it would not earn any ROE, but it would be allowed to

recover its associated depreciation and debt cost. Second, the Authority proposed that for 80% of any prudently-incurred Central East Energy Connect Transmission Project costs above the cost cap that are subject to cost containment it would not earn any ROE incentive adders. The ROE incentive adders include both the 50-basis point adder that FERC specifically approved for the Central East Energy Connect Transmission Project and a 50-basis point adder (the “RTO Incentive Adder”) that the Authority receives on all its transmission facilities for its participation in the NYISO. If the costs incurred for the Central East Energy Connect Transmission Project exceed the cost cap for that Project, the Authority would still be allowed to earn the base ROE (*i.e.*, the ROE without the ROE incentive adders), associated depreciation, and debt cost for all such costs. Third, the Authority proposed that it be allowed to earn an additional ROE incentive adder if the Central East Energy Connect Transmission Project’s costs fell below an adjusted cost cap of \$156.6 million. Thus, if the costs incurred to complete the Project are less than the adjusted cost cap, the basis-points of the ROE incentive adder would increase and be determined based upon the percentage that the Central East Energy Connect Transmission Project’s costs fell below the adjusted cost cap. In September 2021, FERC approved the Authority’s proposal to modify its formula rate as described in the Cost Containment Filing.

The Authority is entitled to a return on CWIP in its rates based on the costs incurred by the Authority in connection with the Central East Energy Connect Transmission Project. To date, the costs incurred are in the amount of \$75.6 million. SFP Transmission Revenues attributable to the Central East Energy Connect Transmission Project will consist only of CWIP until the Central East Energy Connect Transmission Project is placed in service, which is expected to occur in December 2023.

See “TRANSMISSION REGULATORY STRUCTURE WITHIN NYISO.”

*Source of SFP Transmission Revenues for the Smart Path Reliability Transmission Project*

The Authority will receive revenues for the Smart Path Reliability Transmission Project as an NTAC project under the Authority’s formula rate. The Authority’s formula rate protocols provide that the Smart Path Reliability Transmission Project could recover its costs as an NTAC project only if first approved by a majority of the other five major transmission-owning members of the NYISO. The Authority secured approval from a majority of the other five major transmission-owning members of the NYISO in July 2017. As an NTAC project, the Smart Path Reliability Transmission Project will be entitled to earn an all-in ROE of 9.45%, which includes the RTO Incentive Adder and is based on an assumed debt/equity ratio of 1:1. For purposes of computing the Smart Path Reliability Transmission Project’s current allocable share of NTAC, there are currently \$258 million of the project in service.

Although the Authority’s NTAC projects, including the Smart Path Reliability Transmission Project, are entitled to the RTO Incentive Adder for the Authority’s participation in NYISO, the Authority did not seek approval for the Abandoned Plant Incentive or ROE risk adder as it did for the Central East Energy Connect Transmission Project. The Smart Path Reliability Transmission Project is also not subject to the Cost Containment Filings limitations and incentives described above. The Authority’s expenditures above \$484 million on the Smart Path Reliability Transmission Project may be challenged on the grounds that they were not prudently incurred through the process specified in the formula rate. In the event that the cost of the Smart Path Reliability Transmission Project were to exceed the currently estimated cost of \$484 million, the Authority would need obtain the approval of a majority of the other five major transmission-owning members of NYISO to include these costs in the NTAC or if such approval is not obtained, make application to FERC to recover all prudently incurred costs in excess of \$484 million, which excess costs may be allocated on a different basis than those included in the NTAC.

See “TRANSMISSION REGULATORY STRUCTURE WITHIN THE NYISO.”

*ATTR; Determination of SFP Transmission Revenues and Expenses*

The Authority’s total cost of providing transmission of electricity services throughout New York State is defined and collected in accord with the ATTR. The ATTR is the result of a FERC regulated formula that calculates the total annual revenue that the Authority must receive to recover the costs of providing transmission service plus a rate of return, as established in the NYISO OATT accepted by FERC. The Authority’s regulated transmission formula rate year spans from July 1<sup>st</sup> – June 30<sup>th</sup> and utilizes prior calendar year actual costs to estimate its upcoming rate year ATTR. To determine the revenue requirement allocable to the Series 2022A SFP Projects, the Authority will annually separate and report the transmission revenue requirement for each SFP (including the Central East Energy Connect Transmission Project and the Smart Path Reliability Transmission Project) (the “Annual SFP Transmission Revenue

Requirement”). Amounts received from the NYISO representing recovery of the Annual SFP Transmission Revenue Requirement shall be transferred from the Allocation Account to the Revenue Fund established under the Transmission Bond Resolution. See “SECURITY AND SOURCES OF PAYMENTS FOR THE 2022A BONDS – Allocation of NYISO Commingled Payments” below.

Annual SFP Transmission Operating Expenses will be calculated using a formula which follows the same methodology applied to the non-SFP Transmission Project portion of the ATRR and which allocates the Authority’s total transmission expenses for operation and maintenance, administrative and general, and depreciation among the SFP Transmission Projects and other non-SFP transmission projects based upon the proportion that the SFP transmission gross plant bears to the Authority’s total transmission gross plant.

A true-up of actual revenues received in the current rate year compared to the calculated ATRR for that rate year is also a component of the revenue requirement formula and will be calculated on an annual basis as a “True-Up Adjustment” as forth set in the Authority’s formula rate (the “True-up Adjustment”) for the subsequent year. The True-up Adjustment will be applied to the SFP Transmission Project portion of the ATRR following the formula rate methodology with the same methodology being applied to the non-SFP Transmission Project portion of the ATRR. The True-up Adjustment is expected to result in the collection of the ATRR (including the Annual SFP Transmission Revenue Requirement) being received in the rate year after the cost is incurred or in the subsequent rate year (*i.e.*, under collections of the ATRR are collected with interest through a True-up Adjustment addition to the next rate year’s ATRR and over-collections are returned with interest through a True-up Adjustment deduction from the next rate year’s ATRR).

### **Future Transmission Projects**

Transmission-related projects represent approximately 55% of the expenditures expected to be made pursuant to the Authority’s capital plan over the next 4 years. The Authority expects to invest (including for the Central East Energy Connect Transmission Project and the Smart Path Reliability Transmission Project) approximately \$1.4 billion in transmission in the next four years, consisting of approximately \$544.7 million in 2022, \$424.0 million in 2023, \$251.1 million in 2024 and \$161.2 million in 2025. New investments are expected to be focused on construction of new transmission, life extension and modernization programs, maintenance of capital expenses, and digitalization. Among the future projects being considered are the development of: (i) a 230/345 kV 110 circuit mile line from northern to central New York (referred to as Smart Path Connect); and (ii) a 180-circuit mile, 345 kV HVDC line from central to southern New York (referred to as Clean Path NY). The Authority cannot, at this time, state which, if any, of the proposed transmission related projects will be financed under the Transmission Bond Resolution.

The Accelerated Renewable Energy Growth and Community Benefit Act (the “Renewable Energy Act”), enacted on April 1, 2020, which seeks to accelerate renewable development in the State, recognized the need for streamlined transmission siting and required the New York Public Service Commission (the “PSC”) to identify bulk transmission projects that need to be developed expeditiously (“Priority Transmission Projects”) in order for the State to meet the environmental goals for renewable energy under the Climate Leadership and Community Protection Act (“CLCPA”). The Renewable Energy Act authorizes the Authority, by itself or in collaboration with other parties, to develop those bulk transmission investments designated as “Priority Transmission Projects” that are needed to achieve CLCPA targets. The Renewable Energy Act also authorizes the Authority, through a public process, to solicit interest from potential co-participants in each Priority Transmission Project that it has agreed to develop and assess whether any joint development would provide for significant additional benefits in achieving the CLCPA targets, and thereafter determine to undertake the development of the Priority Transmission Project on its own, or undertake the Priority Transmission Project jointly with one or more other parties and enter into such agreements or take such other actions the Authority determines to be necessary in order to develop the Priority Transmission Project. For those Priority Transmission Projects that the Authority determines to undertake and which are not substantially within its rights-of-way, the Authority anticipates that it will select private sector participants through a competitive bidding process. The State has identified four transmission priorities, these being (i) accelerating construction of existing projects, (ii) prioritizing new transmission projects, (iii) incentivizing transmission of renewable power into the City, and (iv) partnering with the private sector to expand capabilities.

In addition, NYISO, through its Public Policy Transmission Planning Process, solicits proposals for transmission needs driven by public policy requirements. Proposed needs are transmitted to the PSC, which may then identify a “Public Policy Transmission Need,” upon which the NYISO solicits bids for solutions from developers and

awards the project to the developer with the best solution based on detailed cost/benefit analysis. The selected developers then seek FERC authorization for cost recovery and, if applicable, transmission incentives which further the efforts of NYISO to encourage investment in transmission facilities to address congestion, resilience and transmission constraints.

Transmission projects that do not have a regulated rate of return or contracted revenue are not expected to be designated by the Authority as a “SFP Transmission Project” for purposes of the Transmission Bond Resolution and such projects will be financed through other financing structures. The Authority currently intends to issue bonds under the Transmission Bond Resolution primarily for new transmission projects and specific additional projects as the Authority may determine.

## **PLAN OF FINANCE**

### **Purpose of the 2022A Bonds**

The 2022A Bonds are being issued for the purpose of providing funds (together with funds released under the General Resolution): (i) to finance capital expenditures related to the 2022A SFP Transmission Projects, including reimbursement for prior capital spending, (ii) to pay capitalized interest on the 2022A Bonds through May 15, 2023, (iii) to fund an Operating Reserve Account; and (iv) to pay the costs of issuance of the 2022A Bonds.

The 2022A Bonds will also be supported by the Debt Service Reserve Fund which, at the time of issuance of the 2022A Bonds, will be funded with a municipal bond debt service reserve insurance policy issued by Assured Guaranty Municipal Corp. (“AGM”) in the amount of \$34,830,814.55, which is equal to the Debt Service Reserve Fund Requirement established for the 2022A Bonds.

### **General Resolution Release**

The Authority intends to release approximately \$74 million in funding from amounts available to be released from the Authority’s General Resolution to support Separately Financed Projects, including the Central East Energy Connect Transmission Project and the Smart Path Reliability Transmission Project. See “ESTIMATED SOURCES AND USES OF FUNDS” below. **The Authority is under no obligation to make any additional releases for SFP Transmission Projects in the future.**

### **Costs of the 2022A SFP Transmission Projects**

The Authority’s share of the current estimated costs for the Central East Energy Connect Transmission Project is \$210 million through the expected project in-service date in December of 2023. To date, the Board of Trustees of the Authority approved a capital expenditure of approximately \$239 million for the Central East Energy Connect Transmission Project. As of December 31, 2021, the Authority has spent approximately \$75.6 million.

The Authority’s current estimated project costs for the Smart Path Reliability Transmission Project is \$484 million (not including the additional allowance for funds used during construction) through project in-service date in May of 2023. To date, the Board of Trustees of the Authority approved a capital expenditure of approximately \$484 million for the Smart Path Reliability Transmission Project. As of December 31, 2021, the Authority has spent approximately \$311 million.

### **Designation of the 2022A Bonds as Green Bonds**

The 2022A Bonds are being designated as “Green Bonds” by the Authority due to the environmental benefits of the projects financed with the proceeds of the 2022A Bonds. The purpose of the designation of the 2022A Bonds as “Green Bonds” is to provide investors the opportunity to invest directly in bonds that are specifically targeted to support environmentally beneficial projects.

In May 2020, the Authority developed its New York Power Authority Green Bond Framework (the “Green Bond Framework”) under which the Authority may issue green bonds to finance or refinance projects to refurbish, upgrade, and modernize power transmission systems in the State. Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, provided a Second Party Opinion that the Authority’s Green

Bond Framework aligns with the four core components of the Green Bond Principles 2018, published June, 2018 by the International Capital Market Association (the “GBP”). The cornerstone of green bonds is the utilization of bond proceeds for projects that are within one of the broad categories of potentially eligible green projects. In accordance with the GBP, the Authority has committed to complying with the four core components to qualify the 2022A Bonds as green bonds. The GBP specifies that green bond issuers should provide information regarding (i) the use of proceeds, (ii) the process for project evaluation and selection, (iii) the management of proceeds, and (iv) the reporting of allocation and impact in order to ensure that these commitments are aligned with the ones described in the Green Bond Framework.

Sustainalytics has evaluated and verified that the 2022A SFP Transmission Projects that will be funded with the proceeds of the 2022A Bonds are aligned with the Authority’s Green Bond Framework as the Authority anticipates the proceeds of the 2022A Bonds will be applied exclusively for a project and activity that promote climate or other environmentally sustainable purposes in alignment with the GBP.

The proceeds of the 2022A Bonds designated as Green Bonds will be used to finance capital projects that will directly assist in meeting the objectives of the New York State Climate Leadership and Community Protection Act, Chapter 106 of the Laws of 2019 (“Chapter 106”). Chapter 106 calls for the reduction of statewide greenhouse gas emissions (“GHG”) to 60% of 1990 levels by 2030 and 15% of 1990 levels by 2050. The Authority expects these projects will accelerate progress towards the State’s clean energy and climate goals, including the mandate to obtain 70% of the State’s electricity from renewable sources, as identified under Chapter 106. For more information on this legislation, see “THE AUTHORITY — State Legislation Affecting the Authority.”

The Green Bond Framework is available at <https://www.nypa.gov/-/media/nypa/documents/document-library/financials/nypa-green-bond-framework.pdf?la=en0> and the Second Party Opinion is available at is available at the following address: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/new-york-power-authority/new-york-power-authority-green-bond-framework-second-party-opinion/nypa-green-bond-framework-second-party-opinion-pdf>. Neither the information on the Authority’s website nor the information on the Sustainalytics website is incorporated into this Official Statement.

The term “Green Bonds” is not defined in nor related to the Transmission Bond Resolution. The use of the term in this Official Statement is solely for identification purposes and is not intended to provide or imply that any owner of any 2022A Bond is entitled to any security other than as provided in the Transmission Resolution or qualify for other environmental attributes associated therewith. The Authority does not make any representation as to the sustainability of the 2022A Bonds to fulfill such environmental and ability criteria. The 2022A Bonds may not be a suitable investment for investors seeking exposure to green or sustainable assets. There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green” or “sustainable” and therefore no assurance can be provided to investors that the projects financed with proceeds of the 2022A Bonds will continue to meet investor expectations regarding sustainability performance.

### **ESTIMATED SOURCES AND USES OF FUNDS**

Estimated sources and uses of funds are as follows:

<b>Sources of Funds</b>	
Principal Amount of 2022A Bonds .....	\$608,310,000.00
Release from General Resolution .....	74,300,000.00
Original Issue Premium .....	52,229,800.20
Total Sources .....	\$734,839,800.20
<b>Uses of Funds</b>	
Net Deposit to the Capital Fund .....	\$200,017,520.75
Deposit to the Capitalized Interest Fund .....	28,248,640.00
Deposit to the General Resolution capital fund .....	385,155,624.99
Deposit to the General Resolution operating fund .....	109,022,438.26
Deposit to the Operating Reserve Account .....	3,760,000.00
Net Deposit to the Operating Fund .....	71,283.40
Financing Costs* .....	8,564,292.80
Total Uses .....	\$734,839,800.20

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\* Includes costs of issuance, the cost of premiums for the Policy and the debt service reserve policy and underwriters’ discount.

## SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS

*Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for SFP Transmission Obligations, including the 2022A Bonds, issued under the Transmission Bond Resolution. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Transmission Bond Resolution, the First Supplemental Resolution and the Depository Agreement, for a more complete description of such provisions. Copies of the Act, the Transmission Bond Resolution, the First Supplemental Resolution and the Depository Agreement are on file with the Authority and the Transmission Bond Trustee. See also “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION BOND RESOLUTION” for a more complete statement of the rights, duties and obligations of the parties thereto.*

The Transmission Bond Resolution authorizes the issuance of SFP Transmission Obligations to finance, operate and maintain transmission projects for which the costs thereof are (a) eligible to be recovered either (i) under a FERC-approved tariff as part of the Authority’s ATRR or (ii) to the extent that no approval by FERC is required for such tariff, under a tariff approved by the applicable regulatory body, if any, or (b) are expected to be eligible to be so recoverable. All SFP Transmission Obligations, including the 2022A Bonds, issued under the Transmission Bond Resolution are parity obligations payable from SFP Transmission Revenues, after the payment of SFP Transmission Operating Expenses, and secured by a pledge of the SFP Trust Estate, subject to no prior pledge or lien.

### **General**

The Authority has no taxing power, and its obligations are not debts of the State or of any political subdivision of the State, other than the Authority. The 2022A Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof. The issuance of the 2022A Bonds will not obligate the State or any of its political subdivisions to levy or pledge the receipts from any form of taxation for the payment of the 2022A Bonds. SFP Transmission Obligations issued under the Transmission Bond Resolution, including the 2022A Bonds, are special limited obligations of the Authority payable from and secured solely by the SFP Trust Estate pledged under the Transmission Bond Resolution, after the payment of SFP Transmission Operating Expenses.

For a description of other provisions of the Transmission Bond Resolution related to the security for SFP Transmission Obligations, including the 2022A Bonds, see APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION BOND RESOLUTION.”

### **SFP Transmission Revenues**

SFP Transmission Revenues consist of all revenues, rates, fees, charges, rents, proceeds from the sale of SFP Transmission Project assets, proceeds of insurance, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from the ownership or operation of any SFP Transmission Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose and not including General Resolution Revenues (as defined in the General Resolution) (See “THE SFP TRANSMISSION PROJECTS – SFP Transmission Revenues Allocable to the SFP Transmission Project” above).

The Authority, being engaged in the wholesale transmission, sale and purchase of electricity, is a transmission owning member and “Market Participant” in the NYISO. The NYISO collects certain of the charges associated with the use of the Authority’s transmission facilities, including the Authority’s 2022A SFP Transmission Projects, and remits the proceeds of such charges to the Authority in accordance with the NYISO OATT. See “TRANSMISSION REGULATORY STRUCTURE WITHIN THE NYISO” for additional information about the collection and remittance to the Authority of such charges.

### **NYISO Commingled Payments; Allocation of NYISO Commingled Payments**

“NYISO Commingled Payments” means any payments received by the Authority from the NYISO that include both SFP Transmission Revenues and General Resolution Revenues. All net payments received by the Authority from NYISO pursuant to the NYISO OATT, including all NYISO Commingled Payments, shall be deposited into an allocation depository trust account (the “Allocation Account”) established pursuant to a depository

trust agreement (the “Depository Trust Agreement”) by and between the Authority and a bank or trust company to be designated by the Authority to act as depository agent (in such capacity, the “Depository Agent”). Upon receipt of any NYISO Commingled Payments, the Authority will advise the Depository Agent of (i) the portion of such NYISO Commingled Payments that constitutes SFP Transmission Revenues, which, at the direction of the Authority, the Depository Agent shall transfer to the Revenue Fund, and (ii) the portion of such NYISO Commingled Payments that constitutes General Resolution Revenues, which the Depository Agent, at the direction of the Authority, shall transfer to the operating fund established under the General Resolution. Amounts held in the Allocation Account constituting SFP Transmission Revenues are subject to the lien created by the Transmission Bond Resolution. **Amounts in the Allocation Account constituting General Resolution Revenues are subject to the lien of the General Resolution and are not pledged to the payment of the 2022A Bonds.**

The Authority expects that substantially all SFP Transmission Revenues will be payable to the Transmission Bond Trustee from the Allocation Account as directed by the Authority. All other amounts received by the Authority from sources other than the NYISO constituting SFP Transmission Revenues under the Transmission Bond Resolution shall be deposited by the Authority directly into the Revenue Fund.

### **SFP Transmission Trust Estate**

The SFP Transmission Trust Estate consists of, collectively, (i) all SFP Transmission Revenues; (ii) the proceeds of sale of SFP Transmission Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such SFP Transmission Obligations; (iii) all funds, accounts and subaccounts established by the Transmission Bond Resolution, including investment earnings thereon; and (iv) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security for SFP Transmission Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Transmission Bond Trustee.

The SFP Transmission Trust Estate does not include any real property, structures, facilities, or equipment owned by the Authority nor does the SFP Transmission Trust Estate include the General Resolution Revenues or any other rights and interests constituting part of the trust estate pledged under the General Resolution.

### **Application of SFP Transmission Revenues**

The Transmission Bond Resolution requires that the Authority, as promptly as practicable and in all events within five (5) Business Days of receipt by the Depository Agent, cause all SFP Transmission Revenues to be deposited in the Revenue Fund, unless required by the Transmission Bond Resolution to be deposited to any other Fund or Account. Amounts in the Revenue Fund are to be withdrawn on or prior to the last Business Day of each calendar month and deposited in the following order of priority and in the following amounts to the extent that amounts are available therefor:

- (a) to the Operating Fund, the amount determined by the Authority from time to time to be deposited thereto which amount shall be not less than the aggregate amount of SFP Transmission Operating Expenses expected to be payable in the next succeeding calendar month less the amount then held in the Operating Fund to pay SFP Transmission Operating Expenses;
- (b) to the Debt Service Fund in an amount equal to not less than the amount payable as Debt Service payable in the next succeeding calendar month on SFP Transmission Obligations or other Parity Debt less the amount then held in the Debt Service Fund to pay such Debt Service payable in such next calendar month;
- (c) to the Operating Reserve Account to fund any shortfall in the Operating Reserve Account;
- (d) to the Debt Service Reserve Fund to fund any shortfall in the Debt Service Reserve Fund in the event there is a deficiency therein;
- (e) to the payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due in the next succeeding calendar month under any Subordinated Contract SFP Transmission Obligations;
- (f) to the Capital Fund in the amount, if any, determined by the Authority; and

(g) on any Business Day during the last calendar month of any Fiscal Year, withdrawal in an amount and for any lawful corporate purpose, each as determined by the Authority, including, but not limited to, transfer to the General Resolution Operating Fund and the purchase or redemption of SFP Transmission Obligations or Subordinated Indebtedness, provided, that prior to any such withdrawal, the Authority shall have transferred the amounts required to be transferred by the last Business Day of such month pursuant to paragraphs (a), (b), (c), (d) or (e) above and shall have determined, taking into account, among other considerations, anticipated future receipts of SFP Transmission Revenues or other moneys constituting part of the SFP Trust Estate, that (i) the funds to be so withdrawn are not expected to be needed for any of the purposes set forth in paragraphs (a), (b), (c), (d) or (e) above in any future Fiscal Year, and (ii) the Authority is not in default under the Transmission Resolution and (iii) the Authority was in compliance with the Authority's rate covenant (as described under the subheading "– Rate Covenant" herein, but without giving effect to failures not causing an Event of Default under the Transmission Resolution as further discussed in the fourth paragraph under such subheading) in the most recently completed Fiscal Year and in the most recently completed twelve calendar month period ending on the last day of the ninth month of such Fiscal Year (initially, the period ending September 30).

Amounts paid out or withdrawn pursuant to paragraph (g) above shall be free and clear of the lien and pledge created by the Transmission Bond Resolution.

### **Debt Service Reserve Fund**

The 2022A Bonds will be additionally secured by a Debt Service Reserve Fund (the "Series 2022 Debt Service Reserve Fund") which, at the time of issuance of the 2022A Bonds will be funded with a deposit of a Municipal Bond Debt Service Reserve Insurance Policy issued by AGM in the amount of \$34,830,814.56, which is equal to the Debt Service Reserve Fund Requirement established for the 2022A Bonds (the "2022A Bonds Debt Service Reserve Requirement").

### **Rate Covenant**

The Authority has covenanted in the Transmission Bond Resolution to establish and maintain or cause to be established and maintained SFP Transmission Project fees, rates, rents, charges and surcharges sufficient in each Fiscal Year so that SFP Transmission Revenues reasonably expected to be produced in such Fiscal Year will be at least equal to the sum of (i) 120% of Debt Service, and amounts payable under all Parity Debt, payable by the Authority in such Fiscal Year, (ii) 100% of the SFP Transmission Operating Expenses payable in such Fiscal Year and (iii) all other payments required pursuant to the Transmission Bond Resolution and all other payments required for the SFP Transmission Projects for such Fiscal Year; *provided, however*, that if at any time such fees, rates, rents, charges and surcharges are or will be insufficient to meet the requirements described in this paragraph, it shall not constitute a violation if and to the extent the Authority promptly takes action reasonably expected by the Authority to cure or avoid any such deficiency or to cause the same to be cured or avoided, or with respect to failures not causing an Event of Default as described in the fourth paragraph under this subheading. For purposes of this paragraph, at any time, (i) SFP Transmission Revenues include any amounts withdrawn or expected to be withdrawn thereafter in any Fiscal Year from the Operating Reserve Account which were on deposit therein prior to such Fiscal Year, (ii) SFP Transmission Revenues will not include any proceeds from the sale of SFP Transmission Project assets or proceeds of insurance relating to any SFP Transmission Project, and (iii) Debt Service, Parity Contract Obligations and other Required Payments shall not include any amounts thereof expected by the Authority to be paid from any funds, other than SFP Transmission Revenues, reasonably expected by the Authority to be available therefor (including without limitation the anticipated receipt of proceeds of sale of SFP Transmission Obligations or Subordinated Indebtedness), or moneys not a part of the SFP Transmission Trust Estate, expected by the Authority to be used to pay the principal of SFP Transmission Obligations, Parity Contract Obligations or Subordinated Indebtedness, which expectations, if included in a resolution of the Authority or Certificate of an Authorized Representative, shall be conclusive.

The Authority shall review the adequacy of SFP Transmission Project fees, rates, rents, charges and surcharges at least annually. If such annual or more frequent review indicates that the rates, fees, rents, charges and surcharges are, or will be, insufficient to meet the requirements described under this subheading, the Authority shall promptly take or cause to be taken the necessary action to cure or avoid any such deficiency except as otherwise may be provided by the certificate of a Consultant as described below.

The Authority has covenanted not to furnish or supply or cause to be furnished or supplied any product, use or service of the SFP Transmission Projects free of charge (or at a nominal charge) to any person, firm or corporation, public or private, unless and to the extent the Authority shall have determined that other adequate consideration has been, or is expected to be, received by the Authority in connection therewith, and the Authority will enforce or cause to be enforced the payment of any and all amounts owing to the Authority for use of the SFP Transmission Projects, except to the extent required by law.

The failure in any Fiscal Year to comply with the rate covenant shall not constitute an Event of Default if the Authority retains a Consultant for the purpose of reviewing SFP Transmission Project fees, rates, rents, charges and surcharges and reviewing the SFP Transmission Projects Budget. If the Consultant shall be of the opinion, as shown by a certificate filed with the Transmission Bond Trustee, that a schedule of fees, rates, rents, charges and surcharges for the SFP Transmission Project and such changes to the SFP Transmission Project Budget which would provide funds to meet the requirements specified in such covenant is impracticable at that time and the Authority therefore cannot comply with such covenant, then the Authority shall seek to have such schedule of SFP Transmission Project fees, rates, rents, charges and surcharges as is recommended in such certificate by the Consultant to comply as nearly as practicable with such covenant be established by the appropriate regulatory authority or authorities and implement such changes to the SFP Transmission Projects Budget as may be recommended in such Certificate by the Consultant, and in such event the failure of the Authority to comply with the rate covenant shall not constitute an Event of Default.

### **Covenant Regarding SFP Transmission Projects**

The Transmission Bond Resolution requires that the Authority operate or cause to be operated each SFP Transmission Project in a sound and economical manner and to maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, in good repair, working order and condition, and from time to time to make all necessary and proper repairs, replacements and renewals so that at all times the operations thereof may be properly and advantageously conducted. The Transmission Bond Resolution permits the Authority to cease operating or maintaining, and to lease or dispose of, any SFP Transmission Projects if, in the judgment of the Authority it is advisable to lease, dispose of, or not to operate and maintain the same and the operation thereof shall not be essential to the maintenance and continued operation of the rest of the Authority's SFP Transmission Projects and, in the judgment of the Authority, does not materially impair the ability of the Authority to comply with its covenant pertaining the establishment and maintenance of rates and fees. See APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION BOND RESOLUTION."

### **Maintenance of SFP Transmission Projects as Separately Financed Projects Under the General Resolution**

The Authority has covenanted in the Transmission Bond Resolution to pay all the debt service on all SFP Transmission Obligations and all such other bonds, notes, or other obligations or evidences of indebtedness, if any, issued to finance SFP Transmission Projects and the Authority's share of any operating expenses related to such SFP Transmission Projects (including, without limitation, SFP Transmission Operating Expenses), solely from SFP Transmission Revenues or withdrawn General Resolution Funds. **Nothing in the Transmission Resolution requires that any funds be withdrawn from the General Resolution Operating Fund to pay any costs related to the SFP Transmission Projects or obligates the Authority to transfer withdrawn General Resolution Funds even if such funds are available to be withdrawn under the terms of the General Resolution and which withdrawn funds may be necessary to avoid the occurrence of an Event of Default under the Transmission Bond Resolution.**

The Authority has also covenanted to keep the Funds and Accounts established under the Transmission Bond Resolution separate and distinct from those established under the General Resolution and any other bond resolution of the Authority.

The Transmission Bond Resolution requires that all contracts expected to require payments by the Authority of an amount greater than \$5 million in any Fiscal Year entered into on and after the initial issuance of SFP Transmission Obligations under the Transmission Resolution solely for the purpose of constructing and operating SFP Transmission Projects, for paying SFP Transmission Operating Expenses or Capital Costs of SFP Transmission Projects, or in connection with any SFP Transmission Obligations, Subordinated Indebtedness or Subordinated Contract SFP Transmission Obligations shall expressly provide that amounts payable by the Authority thereunder shall be payable solely from SFP Transmission Revenues and from other moneys available under the terms of this Resolution and that such amounts are not payable from General Resolution Revenues except in accordance with the

provisions of the General Resolution and then solely to the extent that the Authority's Board of Trustees determine that such moneys are available in accordance with such provisions.

### **Covenants relating to Commingled Payments**

The Authority has covenanted and agreed in the Transmission Bond Resolution that, until the SFP Transmission Obligations, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the Owners, are fully paid and discharged in accordance with the Transmission Bond Resolution, the Authority will cause the Depository Agreement to remain in full force and effect or the Authority will enter into a similar agreement establishing an Allocation Account and providing for the allocation and transfer of Commingled Payments as provided in the existing Depository Agreement to be entered into with a bank meeting the qualifications of the Transmission Bond Trustee under the Transmission Bond Resolution. The Authority has further covenanted and agreed in the Transmission Bond Resolution that the Authority will, until the SFP Transmission Obligations, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the Owners, are fully paid and discharged in accordance with the Transmission Bond Resolution, to determine the portion of the Commingled Payments that constitutes General Resolution Revenues and the portion that constitutes SFP Transmission Revenues in accordance with the applicable tariffs and to take such actions as are required to be taken by the Authority under the Depository Agreement (i) to assure that the portion and only such portion of Commingled Payments that constitutes SFP Transmission Revenues is promptly and properly allocated as SFP Transmission Revenues and transferred to and deposited in the Revenue Fund in accordance with the Depository Agreement and the Transmission Bond Resolution and (ii) to assure that the portion and only such portion of Commingled Payments that constitutes General Resolution Revenues is promptly and properly allocated as General Resolution Revenues and transferred to and deposited in the General Resolution Operating Fund, in each case by no later than five (5) Business Days after receipt of such Commingled Payments by the Depository Agent.

### **Additional SFP Transmission Obligations and Parity Debt**

The Transmission Bond Resolution permits the issuance or incurrence of additional SFP Transmission Obligations from time to time to pay or provide for payment of Capital Costs for any SFP Transmission Project that may be financed with obligations the payment of which may be secured by and paid from the SFP Transmission Revenues and to refund Outstanding Bonds.

Additional SFP Transmission Obligations may be issued provided that, in addition to satisfying certain other requirements, the Authority delivers a certificate that evidences the Authority's compliance with the additional bonds test set forth in the Transmission Bond Resolution. The additional bonds test requires that, except in the case of Refunding SFP Transmission Obligations, the Authority certify that (A) the costs of the SFP Transmission Projects to be financed with such SFP Transmission Obligations are eligible or expect to be eligible to be recovered under either a FERC-approved tariff as part of the Authority's ATRR or, to the extent that no approval by FERC is required for such tariff, under a tariff approved by the applicable regulatory body, if any (or are expected to be eligible to be so recoverable), and (B) either (i) on a historical basis SFP Transmission Revenues for any 12 consecutive months of out the 18 calendar months immediately preceding the issuance of such SFP Transmission Obligations is at least equal to the sum of 120% of Debt Service, and amounts under all Parity Debt, 100% of the SFP Transmission Operating Expenses payable in such 12-month period, and any required payments in such 12-month period, or (ii) on a projected basis net SFP Transmission Revenues for the five (5) fiscal years following the date of issuance of the SFP Transmission Obligations will be at least equal to the sum of 120% of the amount of estimated Debt Service, 100% of the SFP Transmission Operating Expenses payable in each such Fiscal Year, and any required payments, in either case calculated in accordance with the requirements of the Transmission Bond Resolution.

For the requirements relating to the issuance of Refunding Bonds under the Transmission Bond Resolution, see APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION BOND RESOLUTION."

The Transmission Bond Resolution also permits the Authority to issue bonds, notes, or any other obligations under another and separate resolution to finance a Separately Financed Project that is not a "SFP Transmission Project" under the Transmission Bond Resolution.

## **Events of Default and Remedies**

Pursuant to the Transmission Bond Resolution, any of the following events set forth in clauses (i) through (v) constitutes an “Event of Default” if the Authority defaults (i) in the payment of principal or Redemption Price of any Obligation, or (ii) in the payment of interest thereon and such default continues for 30 days, or (iii) in the performance or observance of any other covenant, agreement or condition in the Transmission Bond Resolution or the SFP Transmission Obligations, and such default continues for 60 days after written notice thereof, provided, however, that if such default shall be such that it cannot be corrected within such 60 day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or (iv) if the Authority (1) files a petition seeking a composition of indebtedness under the federal bankruptcy laws, or any other applicable law or statute of the United States of America or of the State; (2) consents to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or any substantial portion of its property; (3) makes any assignment for the benefit of creditors; (4) admits in writing its inability generally to pay its debts generally as they become due; or (5) takes action in furtherance of any of the foregoing or (v) if (1) a decree or order for relief is entered by a court having jurisdiction of the Authority adjudging the Authority a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Authority in an involuntary case under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order remains unstayed and in effect for a period of sixty (60) consecutive days. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Transmission Bond Trustee, if the Bond Transmission Trustee shall deem it advisable, may proceed to protect and enforce its rights and the rights of the Owners of SFP Transmission Bonds under the Transmission Bond Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Transmission Bond Resolution, or in aid of the execution of any power granted in the Transmission Bond Resolution, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Transmission Bond Trustee shall deem most effectual to enforce any of its rights or to perform any of its duties under the Transmission Bond Resolution. **In no event, however, shall an "Event of Default" cause an acceleration of any Series of Bonds under the Transmission Bond Resolution.**

## **Provisions Applicable to the Insurer of the 2022A Bonds**

The scheduled payment of principal of and interest on, including principal and interest due by operation of a mandatory redemption, when due, will guaranteed under the Policy to be issued concurrently with the issuance of the 2022A Bonds (the “Insured Bonds”) by AGM. AGM shall constitute a “Credit Facility Issuer” under and for all purposes of the Transmission Bond Resolution. Reference is made to APPENDIX D — “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” for a specimen of the Policy.

The Insurer shall be deemed to be the sole Owner of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Insured are entitled to take pursuant to the Transmission Bond Resolution pertaining to defaults and remedies and the duties and obligations of the Transmission Bond Trustee so long as the Insurer is not in default in its obligation to make payments under the Policy when due and the Policy at any time for any reason has not ceased to be valid and binding on the Insurer or declared to be null and void, in each case by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability of any provision thereof is not being contested by the Insurer or any governmental agency or authority acting as a receiver or similar capacity for the Insurer.

## **THE 2022A BONDS**

### **Description of the 2022A Bonds**

The 2022A Bonds will be dated their date of delivery and will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. Interest on the 2022A Bonds is due each May 15 and November 15, commencing November 15, 2022. Interest on any 2022A Bond will be paid to the person in whose name such 2022A Bond is registered on the applicable record date, which is the close of business on the first day (whether or not a business day) of the month in which such interest payment date occurs.

The 2022A Bonds will be issued as fully registered bonds. The 2022A Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. When issued, the 2022A Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC, which will act as securities depository for the 2022A Bonds pursuant to DTC’s Book-Entry-Only System. Purchases of beneficial interests in the 2022A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry-Only System is discontinued for the 2022A Bonds, the 2022A Bonds will be exchangeable for other fully registered 2022A Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Transmission Resolution. See “— Book-Entry-Only System” and APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION BOND RESOLUTION.”

The principal or Redemption Price of and interest on each 2022A Bond will be payable by The Bank of New York Mellon, as Transmission Bond Trustee and Paying Agent, to Cede & Co., which will, in turn, remit such amounts to DTC, which will be responsible for making such payments to DTC Participants for subsequent remittance to the owners of beneficial interests in the 2022A Bonds. See “— Book-Entry-Only System” below.

For a more complete description of the 2022A Bonds, see APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION BOND RESOLUTION.”

**Redemption Provisions**

The 2022A Bonds are subject to optional, mandatory redemption, and purchase in lieu of optional redemption as described below.

*Optional Redemption*

The 2022A Bonds maturing on or before November 15, 2031 are not subject to optional redemption prior to maturity. The 2022A Bonds maturing on or after November 15, 2032 are subject to redemption prior to maturity on or after November 15, 2031 in any order of maturity, at the option of the Authority, as a whole or in part at any time, at a Redemption Price of 100% of the principal amount of such 2022A Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

*Mandatory Redemption*

The 2022A Bonds maturing on November 15, 2047 are subject to mandatory sinking fund redemption, in part, on each of the dates and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amounts of 2022A Bonds specified for each of the dates shown below:

<b>2022A Term Bonds</b>	
<b><u>Maturing November 15, 2047</u></b>	
<b><u>November 15</u></b>	<b><u>Sinking Fund Installment</u></b>
2043	\$16,375,000
2044	16,190,000
2045	15,995,000
2046	15,795,000
2047†	15,585,000

† Stated maturity.

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The 2022A Bonds maturing on November 15, 2052 are subject to mandatory sinking fund redemption, in part, on each of the dates and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amounts of 2022A Bonds specified for each of the dates shown below:

**2022A Term Bonds  
Maturing November 15, 2052**

<u>November 15</u>	<u>Sinking Fund Installment</u>
2048	\$15,370,000
2049	15,145,000
2050	14,910,000
2051	14,665,000
2052†	14,415,000

† Stated maturity.

The 2022A Bonds maturing on November 15, 2061 bearing interest at a rate of 4.000% per annum are subject to mandatory sinking fund redemption, in part, on each of the dates and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amounts of 2022A Bonds specified for each of the dates shown below:

**2022A Term Bonds Maturing  
November 15, 2061 bearing interest at 4.000%**

<u>November 15</u>	<u>Sinking Fund Installment</u>
2053	\$11,175,000
2054	10,955,000
2055	10,730,000
2056	10,495,000
2057	10,245,000
2058	9,995,000
2059	9,725,000
2060	9,455,000
2061†	8,640,000

† Stated maturity.

The 2022A Bonds maturing on November 15, 2061 and bearing interest at a rate of 3.875% per annum are subject to mandatory sinking fund redemption, in part, on each of the dates and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amounts of 2022A Bonds specified for each of the dates shown on the following page:

**2022A Term Bonds Maturing  
November 15, 2061 bearing interest at 3.875%**

<u>November 15</u>	<u>Sinking Fund Installment</u>
2053	\$2,975,000
2054	2,920,000
2055	2,855,000
2056	2,790,000
2057	2,730,000
2058	2,660,000
2059	2,590,000
2060	2,515,000
2061†	2,965,000

† Stated maturity.

### *Purchase in Lieu of Optional Redemption*

The 2022A Bonds, are also subject to purchase in lieu of optional redemption prior to maturity at the election of the Authority on any Business Day on which such 2022A Bonds are subject to optional redemption, in any order, in whole or in part, at a Purchase Price equal to the Redemption Price, as described above, plus, in each case, accrued interest to the date set for purchase (the “Purchase Date”).

### *Selection of Bond to be Redeemed or Purchased*

If less than all of the 2022A Bonds of a maturity are to be redeemed or purchased, the 2022A Bonds of such maturity to be redeemed or purchased will be selected by the Transmission Bond Trustee in such manner as the Transmission Bond Trustee shall deem appropriate and fair. For so long as a book-entry only system of registration is in effect with respect to the 2022A Bonds, in the event that less than all of a 2022A Bond of a particular maturity (and, if applicable, each interest rate within a maturity) is to be redeemed, the particular Beneficial Owner(s) to receive payment of the redemption price with respect to beneficial ownership interests in such 2022A Bond shall be selected by DTC and the DTC Participants and/or Indirect Participants. See “— Book-Entry-Only System” below.

### *Notice of Redemption*

For so long as a book-entry-only system is in effect with respect to the 2022A Bonds, notice of redemption of 2022A Bonds to be redeemed is to be mailed, not less than 20 days nor more than 45 days prior to the redemption date, to DTC or its nominee or its successor. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to notify a beneficial owner of a 2022A Bond of any redemption will not affect the sufficiency or the validity of the redemption of the 2022A Bonds to be redeemed. See “— Book-Entry-Only System” below.

Any notice of optional redemption may state that it is conditional upon receipt by the Transmission Bond Trustee of moneys sufficient to pay the Redemption Price of such 2022A Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Transmission Bond Trustee to affected Owners of 2022A Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Neither the Authority nor the Transmission Bond Trustee can give any assurance that DTC or its successor, or direct or indirect DTC participants, will distribute such redemption notices to the beneficial owners of the 2022A Bonds, or that they will do so on a timely basis.

### *Notice of Purchase in Lieu of Redemption and its Effect*

Notice of purchase of the 2022A Bonds will be given in the name of Authority to the registered owners of the 2022A Bonds to be purchased by first-class mail, postage prepaid, not less than 20 days nor more than 45 days prior to the Purchase Date specified in such notice. The 2022A Bonds to be purchased are required to be tendered on the Purchase Date to the Transmission Bond Trustee. 2022A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase on the Purchase Date. If the 2022A Bonds are called for purchase in lieu of an optional redemption, such purchase will not extinguish the indebtedness the Authority evidenced thereby or modify the terms of the 2022A Bonds. Such 2022A Bonds need not be cancelled, and will remain Outstanding under the Transmission Resolution and continue to bear interest.

The Authority’s obligation to purchase a 2022A Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the 2022A Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the 2022A Bonds to be purchased, the former registered owners of such 2022A Bonds will have no claim thereunder or under the Transmission Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the 2022A Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such 2022A Bonds in accordance with their respective terms.

If not all of the Outstanding 2022A Bonds of a maturity are to be purchased, the 2022A Bonds of such maturity to be purchased will be selected in the same manner as 2022A Bonds of a maturity to be optionally redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the 2022A Bonds, see APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION BOND RESOLUTION” attached hereto. Also see “— Book-Entry-Only System” below for a description of the notices of redemption to be given to Beneficial Owners of the 2022A Bonds when the Book-Entry-Only System is in effect.

### **Book-Entry-Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2022A Bonds. The 2022A Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered 2022A Bond certificate will be issued for each maturity of the 2022A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2022A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2022A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2022A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2022A Bonds, except in the event that use of the book-entry system for the 2022A Bonds is discontinued.

To facilitate subsequent transfers, all 2022A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2022A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2022A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2022A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2022A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2022A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2022A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2022A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Transmission Bond Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Transmission Bond Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Transmission Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Transmission Bond Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2022A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2022A Bonds, giving any notice permitted or required to be given to a registered owner under the Transmission Resolution, registering the transfer of the 2022A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Transmission Bond Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the 2022A Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Transmission Bond Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 2022A Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Transmission Bond Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2022A Bonds at any time by giving reasonable notice to the Authority and the Transmission Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, the 2022A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2022A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the 2022A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which

may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRANSMISSION BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2022A BONDS.

So long as Cede & Co. is the registered owner of the 2022A Bonds, as nominee for DTC, references herein to the Bondowners or registered owners of the 2022A Bonds (other than under the captions “TAX MATTERS” and “CONTINUING DISCLOSURE” herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2022A Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Transmission Bond Trustee to DTC only.

For every transfer and exchange of 2022A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NONE OF THE AUTHORITY, THE TRANSMISSION BOND TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2022A BONDS UNDER THE TRANSMISSION RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2022A BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2022A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2022A BONDS; OR (VI) ANY OTHER MATTER.

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## DEBT SERVICE REQUIREMENTS

The following table sets forth the principal of, the interest on and the total debt service to be paid on the 2022A Bonds during each twelve-month period ending November 15 of each of the years shown.

<b>Year Ending November 15</b>	<b>Debt Service<sup>(1)</sup> 2022A Bonds</b>		<b>Total Debt Service<sup>(1)</sup></b>
	<b>Principal</b>	<b>Interest</b>	
2022	--	\$ 15,007,090	\$ 15,007,090
2023	--	26,483,100	26,483,100
2024	\$ 15,900,000	26,483,100	42,383,100
2025	20,385,000	25,688,100	46,073,100
2026	22,550,000	24,668,850	47,218,850
2027	20,305,000	23,541,350	43,846,350
2028	17,125,000	22,526,100	39,651,100
2029	17,510,000	21,669,850	39,179,850
2030	17,415,000	20,794,350	38,209,350
2031	17,345,000	19,923,600	37,268,600
2032	17,370,000	19,056,350	36,426,350
2033	17,400,000	18,187,850	35,587,850
2034	17,430,000	17,317,850	34,747,850
2035	17,460,000	16,446,350	33,906,350
2036	17,490,000	15,573,350	33,063,350
2037	17,350,000	14,873,750	32,223,750
2038	17,200,000	14,179,750	31,379,750
2039	17,050,000	13,491,750	30,541,750
2040	16,890,000	12,809,750	29,699,750
2041	16,725,000	12,134,150	28,859,150
2042	16,550,000	11,465,150	28,015,150
2043	16,375,000	10,803,150	27,178,150
2044	16,190,000	10,148,150	26,338,150
2045	15,995,000	9,500,550	25,495,550
2046	15,795,000	8,860,750	24,655,750
2047	15,585,000	8,228,950	23,813,950
2048	15,370,000	7,605,550	22,975,550
2049	15,145,000	6,990,750	22,135,750
2050	14,910,000	6,384,950	21,294,950
2051	14,665,000	5,788,550	20,453,550
2052	14,415,000	5,201,950	19,616,950
2053	14,150,000	4,625,350	18,775,350
2054	13,875,000	4,063,069	17,938,069
2055	13,585,000	3,511,719	17,096,719
2056	13,285,000	2,971,888	16,256,888
2057	12,975,000	2,443,975	15,418,975
2058	12,655,000	1,928,388	14,583,388
2059	12,315,000	1,425,513	13,740,513
2060	11,970,000	936,150	12,906,150
2061	<u>11,605,000</u>	<u>460,494</u>	<u>12,065,494</u>
<b>TOTAL</b>	<u>\$608,310,000</u>	<u>\$494,201,384</u>	<u>\$1,102,511,384</u>

(1) Totals may not add due to rounding.

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## PROJECTED DEBT SERVICE COVERAGE RATIOS

The Authority's projected debt service coverage ratios for the five years ended November 15, 2022 through December 31, 2029 are set forth below:

### Calculation of Debt Service Coverage Ratio (\$000)

	Year Ending November 15,							
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Annual SFP Transmission Revenue Requirement <sup>1</sup> :								
- <i>Central East Energy Connect</i>	\$3,469	\$13,364	\$17,491	\$19,156	\$32,024	\$25,729	\$21,201	\$21,026
- <i>Smart Path Reliability</i>	\$11,010	\$40,470	\$64,408	\$71,146	\$60,546	\$52,227	\$50,196	\$49,781
SFP Transmission Operating Expenses <sup>2</sup>	(\$933)	(\$3,204)	(\$5,430)	(\$7,518)	(\$7,669)	(\$7,822)	(\$7,978)	(\$8,138)
Capitalized Interest <sup>3</sup>	\$15,007	\$13,242	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service <sup>3</sup>	\$15,007	\$26,483	\$42,383	\$46,073	\$47,219	\$43,846	\$39,651	\$39,180
Debt Service Coverage Ratio <sup>4</sup>	N/A	3.82x	1.80x	1.80x	1.80x	1.60x	1.60x	1.60x
Cash After Debt Service	\$13,545	\$37,388	\$34,085	\$36,711	\$37,682	\$26,288	\$23,767	\$23,490

<sup>1</sup> Based on the ROE and cost estimates discussed herein, and assuming the Central East Energy Connect Transmission Project is placed in service in December 2023 and the Smart Path Reliability Transmission Project's segments are placed in service as described above under "THE SFP TRANSMISSION PROJECTS — The 2022A SFP Transmission Projects — *Smart Path Reliability Transmission Project*."

<sup>2</sup> SFP Transmission Operating Expenses includes operating, maintenance, administration and general expenses. The expenses are estimated using 1% of gross plant escalated at 2% per annum. SFP Transmission Operating Expenses are fully recoverable through the ATRR.

<sup>3</sup> The Debt Service Coverage Ratio is calculated as Annual SFP Transmission Revenue Requirement less Operation and Maintenance Expenses divided by Debt Service less capitalized interest.

As set forth in the table above and based on projections prepared by the Authority as of the date of this Official Statement, the Authority expects to have debt service coverage ratios of 3.82x in 2023, 1.80x in 2024 through 2026 and 1.60x in 2027 through 2029. Interest on the 2022A Bonds through May 15, 2023 is expected to be paid from capitalized interest. Such projections are based upon certain operational and financial assumptions described above in the footnotes to the table. To the extent cash flow permits, in the first year of the financing, the Authority anticipates depositing at least \$5 million of excess cash flow in the Operating Reserve Account so that Account will be funded in an amount in excess of the requirement contained in the Transmission Bond Resolution. Such deposits will only be made to the extent there are sufficient funds available. Although the financial forecast projections prepared by the Authority were based on operational and financial assumptions that the Authority believes to be reasonable, the achievement of certain results or other expectations contained in such projections is subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results or expectations expressed or implied by such projections.

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the 2022A Bonds, AGM will issue a municipal bond insurance policy (the "Policy") for the 2022A Bonds. The Policy guarantees the scheduled payment of principal of and interest on the 2022A Bonds when due as set forth in the form of the Policy included as APPENDIX D — "SPECIMEN MUNICIPAL BOND INSURANCE POLICY" to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

## **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On March 18, 2022, Moody’s announced it had upgraded AGM’s insurance financial strength rating to “A1” (stable outlook) from “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

On October 20, 2021, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

### *Capitalization of AGM*

At December 31, 2021:

- The policyholders’ surplus of AGM was approximately \$3,053 million.
- The contingency reserve of AGM was approximately \$877 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,127 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiaries Assured Guaranty UK Limited (“AGUK”) and Assured Guaranty (Europe) SA (“AGE”).

The policyholders’ surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

Portions of the following document filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the 2022A Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

### *Miscellaneous Matters*

AGM makes no representation regarding the 2022A Bonds or the advisability of investing in the 2022A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” (other than with respect to the caption “— *Risks of Bond Insurance*”).

### **Risks of Bond Insurance**

In the event of default of the payment of principal or interest with respect to the 2022A Bonds when all or some becomes due, any Owner of the 2022A Bonds shall have a claim under the Policy issued by AGM for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the 2022A Bonds by the Authority which is recovered by the Authority from the Owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absence such prepayment by the Authority unless AGM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of AGM without appropriate consent. AGM may direct and must consent to any remedies and AGM’s consent may be required in connection with amendments to any applicable bond documents.

In the event AGM is unable to make payment of principal and interest as such payments become due under the Policy, the 2022A Bonds are payable solely from the moneys received pursuant to the Transmission Resolution. In the event AGM becomes obligated to make payments with respect to the 2022A Bonds, no assurance is given that such event will not adversely affect the market price of the 2022A Bonds or the marketability (liquidity) for the 2022A Bonds.

The long-term ratings on the 2022A Bonds are dependent in part on the financial strength of AGM and its claim paying ability. AGM’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the 2022A Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2022A Bonds or the marketability (liquidity) for the 2022A Bonds. For a description of the ratings on the 2022A Bonds, see “RATINGS” herein.

The obligations of AGM are general obligations of AGM and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

**THE AUTHORITY**

**Introduction**

The Authority is a corporate municipal instrumentality and political subdivision of the State created in 1931 by the Act, and has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. The mission of the Authority 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 Authority generates, transmits, purchases and sells electric power and energy as authorized by law. The Authority’s customers include municipal and rural electric cooperatives located throughout the State, local governments, IOU, high load factor industrial customers, commercial/industrial and not-for-profit businesses, and various public corporations located within the metropolitan area of the City, including the City, and certain neighboring states.

The financing of the SFP Transmission Projects under the Transmission Resolution will be undertaken by the Authority as Separately Financed Projects, as permitted under the General Resolution. The 2022A Bonds are not payable from nor secured by revenues pledged directly or indirectly under the General Resolution.

**Management**

*Board of Trustees*

The governing board of the Authority consists of seven Trustees (the “Board of Trustees”) appointed by the Governor of the State, with the advice and consent of the State Senate. 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. The current Trustees are:

<u>Trustees</u>	<u>Term Expires</u>
John R. Koelmel, Chairman.....	May 6, 2021*
Hon. Eugene L. Nicandri.....	May 6, 2018*
Tracy B. McKibben.....	January 11, 2017*
Anthony Picente, Jr.....	May 6, 2020*
Michael A.L. Balboni.....	February 27, 2018*
Dennis G. Trainor.....	May 6, 2022
Bethaida Gonzalez.....	May 6, 2024

\* Continuing to serve on a holdover basis until confirmed for an additional term or a new Trustee is appointed and confirmed.

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### *Senior Management*

The senior management staff of the Authority includes the following:

Justin E. Driscoll, Interim President and Chief Executive Officer;  
Joseph Kessler, Executive Vice President and Chief Operating Officer;  
Kristine Pizzo, Executive Vice President and Chief Human Resources and Administration Officer;  
Lori Alesio, Interim Executive Vice President and General Counsel;  
Adam Barsky, Executive Vice President and Chief Financial Officer;  
Sarah Orban Salati, Executive Vice President and Chief Commercial Officer;  
Robert Piascik, Senior Vice President and Chief Information Officer;  
Yves E. Noel, Senior Vice President of Strategy and Corporate Development;  
Daniella Piper, Regional Manager, Western New York and Chief Transformation Officer;  
Philip Toia, President of NYPA Development;  
Carley Hume, Chief of Staff;  
Adrienne Lotto Walker, Senior Vice President and Chief Risk and Resilience Officer;  
Sundeep Thakur, Vice President and Controller;  
Christina Reynolds, Treasurer; and  
Karen Delince, Vice President and Corporate Secretary

### **Executive Management Committee**

The Authority's Executive Management Committee periodically reviews corporate strategies, policies and programs, and reports, with the Chairman's concurrence, to the Board of Trustees. Currently, the Executive Management Committee includes the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the Executive Vice President and General Counsel, and certain other members of the senior management staff of the Authority designated by the President and Chief Executive Officer.

### **State Legislation Affecting the Authority**

Section 1011 of the Act constitutes a pledge of the State to Owners of Authority obligations not to limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged or unless adequate provision is made by law for the protection of the Owners thereof. Bills are periodically introduced into the State Legislature which propose to limit or restrict the powers, rights and exemption from regulation which the Authority currently possesses under the Act and other applicable law or otherwise would affect the Authority's financial condition or its ability to conduct its business, activities, or operations, in the manner presently conducted or contemplated hereby. It is not possible to predict whether any such bills or other bills of a similar type which may be introduced in the future will be enacted.

On July 18, 2019, the State enacted the "New York State Climate Leadership and Community Protection Act" as Chapter 106 of the Laws of 2019 ("Chapter 106"). Chapter 106 directs the New York State Department of Environmental Conservation (the "NYSDEC") to develop regulations to reduce statewide greenhouse gas emissions ("GHG") to 60% of 1990 levels by 2030 and 15% of 1990 levels by 2050. Chapter 106 includes the goal of having the State obtain 70% of the State's electricity from renewable sources by 2030 and requires that the State offset the remaining 15% of 1990 GHG emissions in 2050. NYSDEC is currently drafting regulations that would implement these goals.

Several provisions of Chapter 106 could potentially impact the Authority's business and operations, such as the following: (1) a requirement that specified State entities, including the Authority, adopt regulations to contribute to achieving statewide GHG emissions; (2) a requirement that State entities, including the Authority, assess and implement strategies to reduce GHG emissions; (3) consideration of whether actions that the Authority would undertake in the course of its operations are consistent with State GHG emission limits that will be established pursuant to the enactment; and (4) potential allocation or realignment of resources to support State clean energy and energy efficiency goals for disadvantaged communities.

The Accelerated Renewable Energy Growth and Community Benefit Act (the “Renewable Energy Act”) was enacted as part of the 2020-21 Enacted State Budget and amends State law with respect to the siting of major utility transmission facilities to (1) establish a 12-month target timeframe for the siting of major utility transmission facilities (“MUTFs”); and (2) authorizes the PSC to establish in regulation an expedited 9-month target timeframe for MUTFs that: (a) are constructed within existing rights-of-way, or (b) would not result in any significant adverse environmental impacts considering current uses and conditions existing at the site, as determined by the PSC, in consultation with the NYSDEC, or (c) would necessitate expanding the existing rights-of-way where the expansion is for the purpose of complying with law, regulations or industry practices relating to electromagnetic fields. This new, expedited siting process will be administered through a new siting office to be established within the Department of State. The Renewable Energy Act also establishes a new “Clean Resources Development and Incentives Program” pursuant to which NYSERDA will establish “build-ready” sites that would be made available to renewables developers through a competitive process, and a host community benefits program to be established by PSC pursuant to which renewable developers would fund programs to provide benefits to communities that host new renewable generation projects.

The Renewable Energy Act also contains provisions to facilitate new and upgraded distribution and transmission projects that are necessary to for the state to avoid congestion and reach the Chapter 106 targets (the “Transmission Component”). The Legislature found that the Authority owns and operates backbone electric transmission assets in the State, has rights-of-way that can support in whole or in part bulk transmission investment projects, and has the financial stability, access to capital, technical expertise and experience to effectuate expeditious development of bulk transmission investments needed to help the State meet its targets under Chapter 106. As such, the Transmission Component grants the Authority the ability to develop projects which the PSC determines should be pursued expeditiously to promote the State’s public policy goals (“Priority Transmission Projects”).

After the completion of a comprehensive study for the purpose of identifying distribution upgrades, local transmission upgrades and bulk transmission investments that are necessary or appropriate to facilitate the timely achievement of Chapter 106 targets (collectively, the “Grid Study”) undertaken by the DPS in consultation with the Authority, NYSERDA, LIPA, the NYISO and jurisdictional utilities and transmission operators, the PSC will establish a distribution and local transmission capital plan for each utility in whose service territory the Grid Study identified distribution upgrades and local transmission upgrades that DPS determines are necessary or appropriate to achieve targets set forth in Chapter 106. The upgrade programs shall establish a prioritized schedule upon which each such upgrades shall be accomplished. The PSC will also establish a bulk transmission system investment program that identifies bulk transmission investments it determines to be necessary or appropriate to achieve the Chapter 106 targets. PSC will identify Priority Transmission Projects to meet the Chapter 106 targets utilizing the NYISO’s policy transmission planning process.

Pursuant to the Renewable Energy Act, the Authority is authorized to solicit interest from potential co-participants in each Priority Transmission Project it agrees to develop, and assess whether any joint development would provide for significant additional benefits in achieving the Chapter 106 targets. The Authority may then undertake the development of the Priority Transmission Project on its own, or undertake the Priority Transmission Project jointly with one or more other parties. A joint development of a Priority Transmission Project may be accomplished through agreements on such terms and conditions as the Authority finds to be appropriate and necessary in order to undertake and complete timely development of the Priority Transmission Project. Excluded from these Priority Transmission Projects are generation lead lines, and repairs to, replacement of or upgrades to the Authority’s own transmission assets. Any such Priority Transmission Projects could be designated as an SFP Transmission Project and financed with additional SFP Transmission Obligations issued pursuant to the Transmission Bond Resolution on a parity with the 2022A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS — Additional SFP Transmission Obligations and Parity Debt” herein.

Information on legislation affecting the Authority is also available from many sources in the public domain, and potential purchasers of the 2022A Bonds should obtain and review such information.

## **Regulation**

The operations of the Authority are subject to regulation or review by various State and federal agencies, discussions of which appear in various segments throughout this Official Statement. The principal State agencies having a regulatory impact on, or a monitoring function over, the Authority and the conduct of its activities, are as follows:

### *New York State Comptroller*

The Office of the State Comptroller (“OSC”) is required to undertake a “program, financial and operations” audit of the Authority at least once every five years, and the OSC periodically conducts other audits as well. Recent audit reports are available on the OSC’s website. No statement on the OSC’s website is included herein. OSC has issued regulations that are applicable in whole or in part to many public authorities in the State, including the Authority. Among other things, the regulations require public authorities, including the Authority, to adhere to prescribed budgeting and financial plan procedures, certain financial reporting and certification requirements, and detailed investment guidelines and procedures, including obtaining the approval of the OSC before adoption of certain changes in accounting principles. In addition, OSC has the discretionary authority to review and approve certain contracts to be entered into by public authorities, including the Authority.

### *State Inspector General*

The Office of the Inspector General (the “OIG”) has jurisdiction over the Authority pursuant to New York State Executive Law Article 4-A. From time to time, the Authority may be involved in investigations initiated by and engaged in by the OIG and related proceedings. The Authority fully cooperates with the OIG and other federal and state agencies in any applicable proceedings.

### *Authorities Budget Office*

Chapter 506 of the Laws of 2009 created the Authorities Budget Office (the “ABO”). The ABO’s responsibilities include conducting reviews of public authorities, assisting public authorities in improving management practices and procedures, developing oaths of office for public authority board members, and making recommendations to the Governor and Legislature concerning public authorities. In addition, the ABO is authorized to, among other things, receive and act upon complaints regarding public authorities, initiate investigations of public authorities, warn and censure public authorities for non-compliance with the New York State Public Authorities Law, recommend discipline against public authority officials, and compel public authorities to produce records necessary to enable the ABO to perform its duties.

## **TRANSMISSION REGULATORY STRUCTURE WITHIN NYISO**

The Authority is a transmission-owning member of the NYISO. The NYISO schedules the use of the bulk transmission system in the State, which includes all the Authority’s transmission facilities that are not subject to Grandfathered Agreements, and collects ancillary services, losses and congestion fees from customers. The NYISO currently manages approximately 11,000 miles of transmission lines, 760 generation units, and serves 20.2 million New Yorkers.

### **New York Independent System Operator**

In 1999, two not-for-profit organizations were established: the NYISO and the New York State Reliability Council (the “Reliability Council”). The NYISO assumed control of the State’s bulk electric power system pursuant to tariffs and market rules filed with and accepted by FERC. The Reliability Council promotes and preserves the reliability of electric service on the NYS Power System (as defined below) by developing, maintaining, and, from time to time, updating rules relating to maintaining the reliability of the NYS transmission system (the “Reliability Rules”). The NYISO and all entities engaging in electric transmission, ancillary services, energy and capacity transactions within the New York State power system (“NYS Power System”) must comply with the Reliability Rules.

The NYISO coordinates the reliable dispatch of power and operates real-time and day-ahead auction-based markets for the sale of electricity and ancillary services within the State. The NYISO evaluates the bids submitted into the energy markets and dispatches units based on economic and reliability considerations to meet load needs at any point in time. A significant feature of the NYISO energy markets is that prices are determined on a location-specific basis by considering generation supply bids, the effect of transmission congestion, and electrical losses between regions of the State. Separately, as addressed further below, the NYISO is responsible for managing transmission service over the bulk transmission system within the State, including over the Authority’s transmission facilities.

The NYISO collects charges associated with the use of transmission facilities and the sale of energy, capacity, and services through the markets that it operates and remits the proceeds of such charges to the owners of the facilities in accordance with the NYISO OATT and the NYISO Market Administration and Control Area Services Tariff (the “Services Tariff”). Under the NYISO OATT, certain charges for ancillary services (which include NYISO operating costs), congestion, losses, and a portion of the Authority’s transmission costs are assessed against the Authority and other loan serving entities (“LSEs”) responsible for serving ultimate customers. Because such costs are currently passed through to most Authority customers, the Authority remains an active participant in the governance of the NYISO markets.

Under authority granted by the FERC and the terms of the NYISO OATT, the Services Tariff, the NYISO Transmission Owner Agreement, and the New York State Reliability Council Agreement, the NYISO has authority to direct the operation of the NYS Power System to maintain system reliability in accordance with good utility practice and the Reliability Rules. All referenced agreements are available from the NYISO web site at: <https://www.nyiso.com/regulatory-resources>. The information on the NYISO’s website is not incorporated into this Official Statement.

Entities that engage in the wholesale sale, transmission or purchase of electric energy within the NYISO markets are “Market Participants.” The Authority, plus the IOUs (Central Hudson Gas & Electric Corporation, ConEd, National Grid and Avangrid), plus another state authority, the Long Island Power Authority, are the incumbent transmission-owning NYISO members and each of the current IOUs operating within the State, and a subsidiary of the Long Island Power Authority (“LIPA”) are members of the Reliability Council and among the many Market Participants in the NYISO markets. The Authority has representation on each of the NYISO’s committees, which are subject to the oversight of the NYISO Board of Directors. In addition, the Authority has representation on the Executive Committee of the Reliability Council, which consists of thirteen members who govern the Reliability Council.

Consistent with FERC’s Order No. 1000, the NYISO conducts a Comprehensive System Planning Process (“CSPP”). The CSPP includes a local transmission planning process, a reliability planning process, a congestion assessment and resource integration study, and the public policy transmission planning process (“PPTPP”). The local transmission planning process requires that each Transmission Owner post its transmission plans for interested parties to review. These plans are then used to assess the needs of the broader NYISO system, including reliability, economic, and public policy needs. The PPTPP is the newest component of NYISO’s CSPP and it allows the NYISO to evaluate and select transmission solutions that are driven by public policy considerations. Pursuant to this process, the Authority and LS Corp. were recommended for Segment A by the NYISO Board of Directors through the PPTPP. See “THE SFP TRANSMISSION PROJECTS — The 2022A SFP Transmission Projects — *Central East Energy Connect Transmission Project*”.

## **Regulation of Rates**

In July 1999, FERC approved the NYISO OATT, the Services Tariff, and each of the related agreements submitted to it for approval in connection with the formation of the NYISO. In November 1999, the Authority transferred all scheduling responsibilities for its transmission facilities to the NYISO except for arrangements governed by Grandfathered Agreements. Accordingly, all transmission service over the Authority’s transmission facilities is subject to the NYISO OATT, the Services Tariff, or pre-existing Authority contracts which have been filed with and accepted by FERC.

The NYISO is responsible for scheduling use of the bulk transmission system in the State, including the Authority’s transmission facilities not subject to Grandfathered Agreements, and for collecting related fees from transmission customers. Each of the IOUs, LIPA and the Authority retains ownership of and maintenance responsibilities for its respective transmission lines. All NYISO transmission customers pay the local utility’s transmission service charge, which is set forth in the NYISO OATT, plus the NYISO’s fees for ancillary services, losses and congestion for use of the transmission system. Each transmission customer also pays, as part of its NYISO charges, a separate fee – the NTAC – to compensate the Authority for the use of its backbone transmission system. As discussed further below, the NTAC is designed to ensure the Authority’s recovery of its ATRR for its legacy and backbone transmission facilities from customers throughout the State. If the NYISO does not maintain a FERC-accepted tariff that provides for full recovery by the Authority of its ATRR, the Authority is permitted to withdraw from the NYISO on 90-days’ notice to the other parties. In addition, any of the IOUs, LIPA and the Authority may

withdraw from the NYISO on 90-days' notice to the Board of Directors of the NYISO, but, in the case of an IOU, such withdrawal is conditioned upon the effectiveness of an OATT on file with FERC that relates to service over the transmission owner's transmission facilities.

The NYISO prepares an annual budget pursuant to which it establishes and collects a volumetric charge from the NYISO market participants. The NYISO forecasts the volume of electricity it expects to flow through its markets for a given year, and divides the annual budget amount by that volume, to produce a rate of dollars per MWh of electricity. If the actual amount of electricity that flows through the NYISO is significantly less than the forecasted amount the NYISO would fall short of the amount it needs to fund its budget. Historically, when the NYISO observes a trend towards significant under collection, the NYISO uses tools which include increasing the dollar per MWh rate mid-year to increase collections. Those tools have to date allowed the NYISO to prevent any major budget shortfall. See "FACTORS TO BE CONSIDERED IN INVESTING IN THE 2022A BONDS — Risks Associated with NYISO."

*ATRR.* Since the formation of the NYISO in 1999, cost recovery for the use of the Authority's transmission facilities has been governed by the NYISO OATT, which initially included an ATRR for the Authority of \$165.4 million. In 2012, subject to FERC review and acceptance, the Authority increased its ATRR to \$175.5 million, effective Aug. 1, 2012. The increased ATRR was necessary to cover increased operating and maintenance expenses of the Authority's transmission facilities, and to make necessary capital improvements. In 2016, subject to FERC review and acceptance, the Authority established an ATRR formula rate, effective April 1, 2016, to more efficiently recover its increased capital and operating expenditures needed to maintain the reliability of its transmission system. Under the formula rate, the Authority updates its ATRR on an annual basis to more accurately reflect its costs. As of April 1, 2016, the Authority's ATRR under the formula rate was \$190 million, which increased to \$198.2 million on July 1, 2016, pursuant to the formula rate annual update process. Effective July 1, 2021, the Authority's ATRR was \$278.9 million. Annual formula rate updates will continue pursuant to the terms of the NYISO OATT. The formula to calculate the ATRR is based on an assumed debt/equity ratio of 1:1 and a return on equity of 8.95%, plus incentives. Based on its formula rate and the cost of transmission projects, the Authority expects the ATRR to be \$286.2 million in 2022 and \$327.6 million in 2023. The ATRR is updated and posted annually, subject to stakeholder review and challenge based upon FERC's "just and reasonable" standard.

*NTAC.* Unlike IOUs, the Authority does not own distribution facilities, it has no geographic retail service territory, and, as a result, it does not recover its costs through retail electric rate tariffs. In addition, direct customer payments to the Authority under Grandfathered Agreements have diminished as many of those agreements have largely been terminated or expired. Accordingly, the Authority recovers its cost of owning and maintaining its transmission facilities primarily through NTAC payments against its ATRR. As stated above, the NTAC is a charge under the NYISO OATT that transmission customers must pay for services within or through the bulk transmission system within the State. NTAC is different from the zonal recovery mechanism that generally applies to other NYISO transmission owners in that it is assessed to virtually all loads in the NYISO on a load-ratio share basis. Accordingly, the NTAC is essential for the Authority's recovery of its ATRR. The Authority's NTAC is subject to FERC review under the provisions of its formula rate and protocols because it is collected through the NYISO OATT. The Authority must provide to its stakeholders and file with FERC annual updates to the NTAC, together with any annual updates to project-specific revenue requirements, each year for informational purposes. Separately, the NYISO OATT includes a "Transmission Service Charge" to recover the costs of the Authority's transmission facilities that are used to serve "directly connected" loads.

For a repair or replacement of a transmission project to qualify for cost recovery through the NTAC, absent FERC approval, the transmission project must be part of the Authority backbone transmission system and have an estimated repair or replacement cost of less than \$90 million in 2016 dollars, as adjusted using the Consumer Price Index, or receive the approval from at least three of the five of the IOUs and LIPA (the "Voting Members"). For non-repair or replacement transmission capital expenditures that are not the result of directive(s) issued by NERC, FERC, or the Reliability Council or that are required under the NYISO OATT, that are in excess of \$40 million in a single calendar year in 2016 dollars, as adjusted using the Consumer Price Index, or the transmission project is not considered related to the Authority backbone transmission system, to qualify for cost recovery through the NTAC, it must receive the approval from at least three of the five Voting Members. The Voting Members must notify the Authority 60 days within receiving the Authority's capital expenditure plan if they intend to vote and a decision not to hold a vote on a capital expenditure plan is effectively an affirmative vote. If the Voting Members vote against allowing a project to receive cost recovery through the NTAC they must provide a written statement explaining their rationale for denying the project NTAC recovery. The Authority may submit a revised proposal to the Voting Members and/or make a filing

at FERC demonstrating that the proposed costs are just and reasonable and should be subject to NTAC recovery or recovered through a project specific component of its formula rate, which may include a different allocation method than load-ratio share.

### **Payments by NYISO to the Authority**

The NYISO processes transmission service settlements daily for the preceding day's activity. Settlements are invoiced on a weekly basis and subject to subsequent resettlement based on adjustments to metering data and estimates used in previous invoices. Payments due to the NYISO must be deposited in the NYISO's clearing account by the close of business on the first banking day common to all customers that falls on or after the second business day after the date on which the weekly invoice is issued by the NYISO. Resettlements or true-ups are performed four months after the issuance of the initial invoice for each service month. Customers generally have a five-month period after the posting of a service month's initial invoice to review and challenge their settlements.

## **FERC REGULATION**

The Authority, as a corporate municipal instrumentality and political subdivision of the State, is exempt from the definition of "public utility" under Part II of the FPA. Notwithstanding this exemption, as described herein, the Authority has placed its transmission facilities under the NYISO OATT and the operational control of the NYISO, which is a public utility under the FPA and, therefore, is subject to FERC regulation. The NYISO, pursuant to FERC Order No. 888 (described below) and its progeny, provides "open access" transmission service to transmission customers, generators, and load serving entities on transmission facilities placed under its operational control throughout New York pursuant to the NYISO OATT.

### **General**

The Energy Policy Act of 1992 (the "Energy Policy Act") established the legal framework that brought about fundamental changes in the electric industry aimed at promoting greater competition in bulk power markets and expanding access to electric transmission service. The Energy Policy Act granted FERC the authority, upon application by an electric utility, federal power marketing agency, or other power generator, to order a transmitting utility to interconnect its facilities and provide transmission services to the applicant essentially on a cost-of-service basis. State and municipal-owned electric utilities are "transmitting utilities" for purposes of these provisions of the Energy Policy Act.

Following the enactment of the Energy Policy Act, FERC issued Order No. 888 which required that all public utilities provide open access transmission services on a non-discriminatory basis by requiring all such public utilities to file tariffs – *i.e.*, OATTs – that offer entities seeking use of the interstate transmission system the same transmission services that transmission-owning public utilities provide themselves under comparable terms and conditions. Order No. 888 also contained a reciprocity provision that requires non-jurisdictional utilities (including state and municipal-owned utilities) that purchase transmission services from public utilities under FERC filed open access tariffs and that own or control transmission facilities to provide open access transmission service to the selling public utility on rates, terms and conditions that are comparable to the service that the non-jurisdictional utility provides itself. Non-jurisdictional utilities can satisfy this provision in a number of ways, including through a bilateral agreement or filing an acceptable safe-harbor open access tariff with FERC.

A little over a decade after Order No. 888, FERC expanded its open access transmission service requirements in Order No. 890 by, among other things, modifying the OATT adopted in Order No. 888. Issues addressed in Order No. 890, include rollover rights, the scope of point-to-point transmission service, the scope of network transmission service, creditworthiness standards, pricing for both generator and energy imbalances, available transmission capacity calculations, transmission planning, and open access same-time information system ("OASIS") postings.

In response to the directives in the Energy Policy Act of 2005 and in furtherance of Order Nos. 888 and 890's goals of fostering competitive bulk power markets and ensuring that transmission customers have transmission access to such markets, FERC has encouraged, although never required, transmitting utilities to join either independent system organizations ("ISOs") or regional transmission organizations ("RTOs"). RTOs/ISOs are independent entities that coordinate and provide open access transmission service, along with other wholesale power or transmission related service, over transmission facilities turned over to their operational control by transmission owning public

utilities, cooperatives, and state and municipal-owned utilities. RTOs/ISOs must be approved by FERC, have certain characteristics, including independence and operational authority, and provide certain minimum functions like tariff administration and planning.

Following Order Nos. 888 and 890, FERC issued Order No. 1000 which was aimed at reforming FERC's transmission planning and cost allocation requirements for public utility transmission providers. Order No. 1000 requires each public utility transmission provider to participate in a regional transmission planning process that satisfies the principles of Order No. 890 and produces a regional transmission plan. It also requires local and regional transmission planning processes to consider transmission needs driven by public policy requirements established by state or federal laws or regulations. Finally, it requires public utility transmission providers in neighboring transmission planning regions to coordinate to determine if there are more efficient or cost-effective solutions to meet their mutual transmission needs.

### **FERC Final and Proposed Rules and Rulemakings on the Federal Regulation of Electric Utilities**

*Transmission Service and Wholesale Markets.* As discussed above, to establish foundations necessary to develop a competitive wholesale electricity market and effectuate the transmission access provisions of the Energy Policy Act, on April 24, 1996, FERC issued two final rules – Order No. 888 and Order No. 889 – on non-discriminatory open access transmission services by public utilities and stranded cost recovery rules. Order No. 888, requires all public utilities that own, control or operate facilities used for transmitting electric energy in interstate commerce to (i) file open-access, non-discriminatory transmission tariffs containing, at a minimum, the non-price terms and conditions set forth in the order and (ii) functionally unbundle wholesale power services by (1) applying standardized transmission services to all customers, (2) providing separate rates for wholesale generation, transmission and ancillary services and (3) relying on the same electronic information dissemination network by transmission customers when selling and purchasing power. The second final rule, Order No. 889, requires all public utilities to establish or participate in an OASIS that meets certain specifications, and comply with standards of conduct designed to prevent employees of a public utility (or any employees of its affiliates) engaged in wholesale power marketing functions from obtaining preferential access to pertinent transmission system information.

FERC stated that its overall objective is to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. FERC also indicated that it intends to apply the principles set forth in the Order No. 888 and Order No. 889 to the maximum extent to municipal and other non-FERC regulated utilities, both in deciding cases brought under the Federal Power Act and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional IOUs under open access tariffs.

Although open access requirements set forth in Order Nos. 888, 889, and 890 do not directly regulate municipal, state-owned, and other non-FERC-regulated utilities such as the Authority, they have a significant impact on such utilities' operations. FERC's open access requirements have significantly changed the competitive climate in which the non-FERC regulated utilities operate, giving their customers much greater access to alternative sources of electric transmission services. Transmission owning entities that are exempt from FERC regulation under the FPA still must provide open access transmission service consistent with the requirements for IOUs whenever they are properly requested to do so under the Energy Policy Act or as a condition of taking transmission service from an investor owned utility. In certain circumstances, the non-FERC-regulated utilities are required to pay compensation to their suppliers of wholesale power and energy for stranded costs that may arise when the non-FERC-regulated utilities exercise their option to switch to an alternative supplier of electricity. The Authority, by placing its facilities under the operational control of the NYISO, is generally subject to FERC's open access requirements. The Authority submits various reports to the FERC and substantially conforms to the FERC Uniform System of Accounts in maintaining its books of account.

On July 15, 2021, FERC commenced an Advance Notice of Proposed Rulemaking on Building for the Future Through Regional Transmission Planning and Cost Allocation and Generator Interconnection (the "Transmission ANOPR"). In the Transmission ANOPR, FERC requested that interested parties submit comments on how FERC might reform regional transmission planning and cost allocation processes, the identification and allocation of cost responsibility for regional transmission facilities and interconnection-related network upgrades, and transmission oversight over how new transmission facilities are identified and paid for. While the Transmission ANOPR is in the

early stages of the rulemaking process, a resulting final rule could fundamentally alter how transmission facilities are planned and how the costs for them shall be allocated.

*Reliability.* The North American Electric Reliability Council (“NERC”) has been designated by FERC as the Electric Reliability Organization under the Energy Policy Act and in that role develops and enforces mandatory reliability standards for the bulk-electric power system. All users, owners, and operators of the bulk-electric power system must comply with the reliability standards. Entities that fail to comply may be subject to monetary and other penalties for violations. Because the NERC standards apply so broadly, FERC and NERC have adopted a compliance registry process to identify users, owners, and operators that are subject to the standards.

In the last several years, FERC has issued a series of orders requiring that NERC implement new standards relating to cybersecurity and risks associated with the supply chain for the bulk-electric system. In Order No. 848, FERC directed NERC to promulgate a new rule requiring users to report incidents that both compromise or attempt to compromise the bulk-electric system. Subsequently, in Order No. 850, FERC approved supply chain risk management reliability standards submitted by NERC. The supply chain risk management reliability standards include require transmission owners and other entities, including the Authority, to develop plans to address cybersecurity risks from vendor supplied products and services, vendor remote access sessions, and the integrity of software and patches. In addition, in Order No. 851, FERC approved enhanced requirements related to geomagnetic disturbances. On the incentives side of cybersecurity, FERC has proposed to provide incentive-based rate treatments (*i.e.*, 200-basis point ROE adder and regulatory asset treatment) for public utility cybersecurity investments made in the bulk-electric system. To date, to the Authority’s knowledge, FERC has neither received nor approved any applications for such cybersecurity incentives.

*The foregoing discussion of certain provisions of the Energy Policy Act or the Energy Policy Act of 2005 does not purport to be a comprehensive discussion of the Energy Policy Act or the Energy Policy Act of 2005. Additional information concerning the Energy Policy Act and the Energy Policy Act of 2005 is available in the public domain. Potential purchasers of the 2022A Bonds should consider the advisability of obtaining and reviewing such information.*

## **FACTORS TO BE CONSIDERED IN INVESTING IN THE 2022A BONDS**

### **No Acceleration Upon Default**

Upon the occurrence and continuance of an Event of Default under the Transmission Bond Resolution, payment of the principal of and interest on the Bonds is not subject to acceleration. The Authority thus would be liable only for principal and interest payments as they became due, and the Transmission Bond Trustee would be required to seek a separate judgment for each payment, if any, not made. Amounts recovered would be applied to unpaid installments of interest prior to being applied to unpaid principal and premium, if any, which had become due.

### **Regulatory and Rate Timing Risk**

The Authority’s rates for its transmission facilities are specified in the ATRR. The Authority annually determines that changes to the ATRR are necessary to respond to the Authority’s needs and such changes are subject to a regulatory process that may result in an outcome that is not favorable to the Authority and the Authority’s cash flows, including its ability to meet any coverage requirements, will be affected by the Authority’s ability to include the Capital Costs of any SFP Transmission Project in its regulated rates. Factors which could adversely affect the Authority’s ability to include Capital Costs in rates include (a) failure to timely file for a capital additions update, (b) a protracted dispute over an annual update, (c) disallowance of costs, (c) a change in the method of calculating or a reduction in the rate of return in a rate case and (d) failure to complete a SFP Transmission Project on a timely basis.

The Authority’s cash flows, including its ability to meet any coverage requirements, may also be affected with respect to any Capital Costs included in rates to the extent that the Authority’s operation and maintenance expenses in the annual period between any annual rate updates exceed the amount of such expenses included in the Authority’s last approved transmission rate.

While the Authority is currently collecting CWIP for the Central East Energy Connect Transmission Project, the Authority will, once the project commences commercial operation, begin to recover its full return on its capital investment in addition to operational expenses. Due to the FERC's regulatory framework, the risks to each of the SFP Transmission Project are as follows (1) there is a substantial default among the NYISO transmission service customers, such as load serving entities, that results in NYISO being unable to pay the transmission revenue requirement to transmission owners (see "— Risks Associated with NYISO" below) and (2) FERC reduces the Authority's permitted ROE.

The Authority will be required to rely on reserves held under the Transmission Resolution or the issuance of additional SFP Transmission Obligations to the extent that rates calculated in the foregoing manner are insufficient to cover all of the Authority's costs; provided however, that the option of issuing additional SFP Transmission Obligations will be available only if the Authority is able to satisfy the additional bonds test set forth in the Transmission Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A Bonds- Additional SFP Transmission Obligations and Parity Debt." In order to meet such minimum coverages, the Authority may be required to reduce expenses, including by means of the deferral of maintenance and other cost reduction measures, that may affect the Authority's operational performance of its business activities. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2022A BONDS – Rate Covenant."

### **Regulation Generally**

The operations of the Authority are subject to regulation or review by various State and federal agencies. The agencies having a regulatory impact on, or a monitoring function over, the Authority and the conduct of its activities, include, without limitation, FERC, the Environmental Protection Agency (the "EPA"), New York Department of Environmental Conservation, the New York State Comptroller, the New York State Inspector General, and the New York State Authorities Budget Office.

While the PSC has no jurisdiction over rates for power generated or transmitted by the Authority, the PSC's jurisdiction could be affected by the adoption of State legislation. The PSC does regulate the rates of the State's IOUs and certain municipal systems to which the Authority sells power and is empowered by the Public Service Law to issue Certificates of Environmental Compatibility and Public Need prior to the construction of power transmission lines of certain capacities and lengths. No assurance can be given that a future adverse regulatory action applicable to the State's investor-owned utilities will not have an adverse effect on the Authority's operations or revenues.

Many bills have been introduced in the United States House of Representatives, the United States Senate and the New York Legislature to alter the way the electric utility industry is regulated on the federal or state level. No prediction can be made as to whether these bills or any future proposed federal or state bills will become law or, if they become law, what their final form or effect would be.

FERC has issued two notices of proposed rulemakings within the last two years that would either (i) double the current incentive for a transmission owner's participation in an ISO/RTO or (ii) remove the incentive entirely after a Transmission Owner had participated in an ISO/RTO for more than three years. As a transmission owning member of the NYISO that receives a 50-basis point adder for its participation in the NYISO, the outcome of these orders and proposals could affect (in a negative or positive way) the ATRR and ROE that the Authority receives on its investment in the 2022A SFP Transmission Projects. One possible outcome could be the loss of the incentive thereby reducing the rate of return from 9.45% down to 8.95%.

As noted above, on July 15, 2021, FERC issued the Transmission ANOPR in which FERC requested that interested parties submit comments on how FERC might reform regional transmission planning and cost allocation processes, the identification and allocation of cost responsibility for regional transmission facilities and interconnection-related network upgrades, and transmission oversight over how new transmission facilities are identified and paid for. While the Transmission ANOPR is in the early stages of the rulemaking process, a resulting final rule could fundamentally alter how transmission facilities are planned and how the costs for them are allocated.

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## **Environmental Regulation**

Electric utilities are subject to continuing environmental regulation affecting construction and operation of new facilities, upgrades to existing facilities and retirement or restrictions on operations. Federal, state and local laws, regulations, standards, and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the Authority's facilities will remain subject to the regulations currently in effect, will always be in compliance with regulations, or will always be able to obtain all required operating permits. Changes in these requirements or the inability to comply with existing environmental standards could result in substantial additional capital expenditures to achieve or maintain compliance, or could result in reduced operating levels or the complete shutdown of individual electric generating units, which could have an adverse impact on Authority SFP Transmission Revenues.

Certain environmental laws can impose the entire cost or a portion of the cost of investigating and cleaning up a contaminated site, regardless of fault, upon any one or more of a number of parties, including the current or previous owners or operators of the site. These environmental laws also impose liability on any person who arranges for the disposal or treatment of hazardous substances at a contaminated site. Some of the sites that the Authority currently or historically has owned or operated potentially could require investigation or remediation under environmental laws which could result in material costs for the Authority.

The PSC is the principal agency in the State regulating the generation, transmission and sale of electric power and energy. It has no jurisdiction over rates for power generated or transmitted by the Authority but does regulate the rates of the State's IOUs and certain municipal systems to which the Authority sells power. The PSC is empowered by the Public Service Law to issue Certificates of Environmental Compatibility and Public Need prior to the construction of power transmission lines of certain capacities and lengths.

## **Construction Risks**

Completion of the 2022A SFP Transmission Projects involve many risks common to large construction projects such as shortages of materials and labor, work stoppages, labor disputes, weather interferences, construction accidents, unforeseen engineering or environmental problems, and unanticipated cost increases, any of which could give rise to significant delays or cost overruns. Construction of the 2022A SFP Transmission Projects requires numerous federal, state and local governmental permits or approvals, many of which have already been obtained. In addition, the U.S. federal, state and local statutory and regulatory requirements (including requirements to obtain additional permits or approvals) applicable to the 2022A SFP Transmissions Projects are subject to change. No assurances can be given that the Authority and, in the case of the Central Energy East Connect Transmission Project, LS Corp. will be able to comply with such changes or that such changes will not materially increase the costs of a particular project or cause delays.

## **Risks Associated with the NYISO**

NYISO's ability to meet its payment obligations to the Authority is dependent upon the collection of charges imposed by the NYISO under its tariff for various services provided by the NYISO to Market Participants. NYISO is not financially liable for any amounts that it is unable to collect from the Market Participants. Consequently, nonpayment by one or more Market Participants could result in a shortfall in the amount of the proceeds of such charges that NYISO remits to the Authority. Such a shortfall could result in the amount of SFP Transmission Revenues that are transferred to the SFP Transmission Revenue Fund being less than the amount needed to pay the Authority's costs of the SFP Transmission Projects, including debt service on the 2022A Bonds and the elimination of all reserves held under the Transmission Bond Resolution with no other sources of funds being available to cover such deficiencies.

NYISO has over 400 Market Participants that include transmission customers, transmission owners, load serving entities, suppliers and their designated agents, transmission congestion contract holders, transmission congestion contract purchasers and sellers, customers purchasing power or services, and any other entity, excluding NYISO that produces, transmits, sells, or purchases for resale capacity, energy or ancillary services. In the event a Market Participant does not timely pay their bill, the NYISO is required to issue to all Market Participants a notice of default and will pursue all efforts to collect from such Market Participant the money it owes to NYISO. Those efforts

include, without limitation – liquidating the collateral of the Marker Participant held by NYISO, entering into alternative security arrangements, drawing down on the Marker Participants’ letters of credit posted with the NYISO and initiating legal action. If these efforts are unsuccessful and unpaid amounts remain due, an officer of NYISO may issue an official “Bad Debt Loss” notification. Any bad debt losses are paid by all Market Participants on a dollar volume methodology allocation. To the extent such bad debt losses are attributable to SFP Transmission Revenues, they may have to be paid from reserves held under the Transmission Bond Resolution but are expected to be recoverable in the subsequent rate year as part of the Annual SFP Transmission Revenue Requirement. There can be no assurance that any such amounts ultimately recovered in such circumstance would be received in time to pay debt service on the 2022A Bonds as and when due.

### **Information Technology and Cybersecurity**

The federal government recognizes the electric utility industry as critical infrastructure for the United States and works closely with the industry to ensure awareness of ongoing threats and that appropriate protections are in place against both physical and cyber-attacks. The Authority constantly assesses the nature of these risks and adjusts its resources to best anticipate and respond to any threats. With more than 1,400 circuit miles of high voltage transmission lines and 16 power generation facilities across the State, the Authority recognizes the critical nature of its assets and investments to harden physical and cyber assets, and their related infrastructure, are continually needed to minimize potential adverse impacts to the bulk electric system, detect and deter sabotage attempts, and protect the Authority and customer information. In the event of a cyber-attack that the Authority is unable to defend against or mitigate, the Authority may experience information system outages, data theft, discontinuity of services, damage to facilities or equipment, substantial loss of revenues or other financial impacts and may face increased regulation, litigation and damage to the Authority’s reputation. The Authority further mitigates its cyber risk through the purchase of insurance.

In addition, the NYISO uses information technology systems to interact with the Authority and other market participants, administer its markets and operate the transmission system, as well as for other business purposes. While the NYISO has a comprehensive program and based on current industry standards and mandatory NERC guidelines to address physical and cybersecurity risks, the systems of the NYISO may be vulnerable to cyber-attacks, computer viruses, natural disasters, unauthorized access and other incidents which could disrupt the NYISO’s ability to operate and collect charges.

### **Other Factors**

The electric utility industry in general has been, and in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities, including the Authority, and the level of utilization of their generating and transmission facilities.

#### *Electric and Magnetic Fields*

Electric and magnetic fields (“EMF”) exist wherever electricity flows, around high voltage transmission and distribution equipment (“power frequency EMF”), as well as near electrical appliances, computers, and other electrical devices. Epidemiological studies, clinical studies and laboratory experiments have shown that EMF can cause changes in living cells, but there is little evidence that these changes suggest any risk to human health. Claims for damages against electric utilities for injuries alleged to have been caused by power frequency EMF have increased electric utilities’ attention to this issue. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which power frequency EMF may have on the Authority and other electric utilities.

#### *Catastrophic Natural Events and Infrastructure Failure*

A catastrophic natural event such as severe weather, flooding or earthquake can negatively affect the operability of Authority assets and the bulk electric system. While the Authority regularly evaluates the resiliency of its assets and has implemented disaster planning programs, weather and natural events directly influence the demand for electricity and can substantially and negatively affect the Authority’s operations. An outbreak of disease or similar public health threat, such as the COVID-19 pandemic, or fear of such an event, could have an adverse impact on the Authority’s transmission operations. In addition, as a transmission business, the Authority is exposed to potential critical infrastructure failure that may lead to service disruption, injury and degradation of system reliability.

### *Other Factors*

In addition to the factors affecting the electric utility industry and the Authority discussed above, such factors include, among others: (a) effects of compliance with rapidly changing environmental (including climate change), safety, licensing, regulatory and legislative requirements other than those described above, (b) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and “strategic alliances” of competing electric utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (c) the role of independent power producers and marketers, brokers and federal power marketing agencies in power markets, (d) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (e) changes from projected future load requirements, (f) increases in costs and uncertain availability of capital, (g) workforce challenges, and (h) legislative changes, voter initiatives, referenda and statewide propositions. Any one or more of these factors (as well as other factors) could have an adverse effect on the transmission assets and operations of the Authority to an extent that cannot be determined at this time.

### **Effects on the Authority**

The foregoing is a brief discussion of certain factors affecting the electric utility industry and the Authority. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be available from legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2022A Bonds should obtain and review such information.

## **TAX MATTERS**

### **Opinions of Co-Bond Counsel**

In the opinions of Hawkins Delafield & Wood LLP and Pearlman & Miranda, LLC, each Co-Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the 2022A Bonds (hereinafter in “TAX MATTERS” referred to as the “Tax-Exempt Bonds”) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Co-Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and others in connection with the Tax-Exempt Bonds, and Co-Bond Counsel has assumed compliance by the Authority and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Bonds from gross income under Section 103 of the Code.

In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the Tax-Exempt Bonds is exempt from person income taxes imposed by the State or any political subdivision thereof, including the City.

Co-Bond Counsel expresses no opinion regarding any other federal, state or local tax consequences arising with respect to the Tax-Exempt Bonds, or the ownership or disposition thereof, except as stated above. Co-Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, any facts or circumstances that may thereafter come to its attention, any change in law or in interpretation thereof that may thereafter occur, or for any other reason. Co-Bond Counsel expresses no opinion as to the consequences to any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Co-Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including without limitation, exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

For the proposed forms of opinion of Co-Bond Counsel relating to federal and State tax matters, see APPENDIX B – “FORMS OF APPROVING OPINION OF CO-BOND COUNSEL.”

## **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds in order that interest on the Tax-Exempt Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax-Exempt Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Tax-Exempt Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Bonds from gross income under Section 103 of the Code.

## **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Tax-Exempt Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Tax-Exempt Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Tax-Exempt Bonds.

Prospective owners of the Tax-Exempt Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Tax-Exempt Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

## **Bond Premium**

In general, if an owner acquires a Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Tax-Exempt Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax-Exempt Bond (a “Premium Tax-Exempt Bond”). In general, under Section 171 of the Code, an owner of a Premium Tax-Exempt Bond must amortize the bond premium over the remaining term of the Premium Tax-Exempt Bond, based on the owner’s yield over the remaining term of the Premium Tax-Exempt Bond determined based on constant yield principles (in certain cases involving a Premium Tax-Exempt Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Tax-Exempt Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Tax-Exempt Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Tax-Exempt Bond may realize a taxable gain upon disposition of the Premium Tax-Exempt Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Tax-Exempt Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Tax-Exempt Bonds.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Tax-Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a

limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Tax-Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Tax-Exempt Bonds under federal or state law or otherwise prevent beneficial owners of the Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Tax-Exempt Bonds.

Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

## **LEGALITY FOR INVESTMENT AND DEPOSIT**

The Act provides that the 2022A Bonds will be legal investments under present provisions of State law for public officers and bodies of the State and municipalities and municipal subdivisions, insurance companies and associations and other persons carrying on an insurance business, banks, bankers and trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies, and other persons carrying on a banking business, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds of the State; but the 2022A Bonds will not be eligible for the investment of funds, including capital, of trusts, estates or guardianships under the control of individual administrators, guardians, executors, trustees and other individual fiduciaries, except when such individual fiduciary is acting with a corporate co-fiduciary. Under the Act, the 2022A Bonds will be eligible for deposit with all public officers and bodies of the State for any purpose for which the deposit of the State’s obligations is or may be authorized.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization and issuance of the 2022A Bonds are subject to the approval of Hawkins Delafield & Wood LLP and Pearlman & Miranda, LLC, each Co-Bond Counsel to the Authority. The approving opinions of Co-Bond Counsel to be delivered with such 2022A Bonds will be in substantially the form attached to this Official Statement as APPENDIX B — “FORMS OF APPROVING OPINION OF CO-BOND COUNSEL.” Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP. Certain legal matters are subject to the approval of Nixon Peabody LLP and Hardwick Law Firm LLC, each Co-Special Counsel to the Authority.

Each of Co-Bond Counsel, Co-Special Counsel, and Underwriters’ Counsel will receive compensation contingent upon the sale and delivery of the 2022A Bonds. From time to time, Co-Bond Counsel and Co-Special Counsel each may represent one or more of the Underwriters in matters unrelated to the Authority or the 2022A Bonds.

## **UNDERWRITING**

The underwriters listed on the cover page of this Official Statement (collectively, the “Underwriters”) have jointly and severally agreed, subject to certain conditions, to purchase the 2022A Bonds from the Authority at an aggregate purchase price of \$657,124,626.30 (which represents the par amount of the 2022A Bonds, less the underwriters’ discount of \$3,415,173.90, plus original issue premium of \$52,229,800.20) and to make a public offering

of the 2022A Bonds at prices that are not in excess of the public offering prices corresponding to the yields stated on the inside cover page of this Official Statement.

Goldman Sachs & Co. LLC is acting as the representative of the Underwriters with respect to the 2022A Bonds.

The 2022A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The following paragraphs have been provided by the Underwriters:

Certain of the Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the 2022A Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

#### **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Agreement, dated the date of the delivery of the 2022A Bonds, to be entered into by and between the Authority and the Transmission Bond Trustee (the “Continuing Disclosure Agreement”), the Authority will covenant, for the benefit of the Owners of the 2022A Bonds, to provide certain financial information and operating data relating to the Authority and the SFP Transmission Projects by no later than nine months after the end of each of the Authority’s fiscal years (presently, by each September 30) (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events with respect to the 2022A Bonds. Any filing under the Continuing Disclosure Agreement will be made solely by transmitting such filing to EMMA, currently located at <https://emma.msrb.org/>.

The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in the form of the Continuing Disclosure Agreement, which is included in its entirety in APPENDIX C – “FORM OF CONTINUING DISCLOSURE AGREEMENT” to this Official Statement. The Authority’s agreement will be made in order to assist the Underwriters in complying with Rule 15c2-12 adopted by the SEC under the Exchange Act as amended and in effect on the date hereof (“Rule 15c2-12”).

The annual financial and operating information for the year ended December 31, 2018 filed with EMMA by the Authority on September 30, 2019 did not include information for the “capacity and availability factors information by unit” required to be filed in accordance with the Authority’s continuing disclosure undertakings. Such capacity and availability information was filed with EMMA by the Authority on October 1, 2019.

## **RATINGS**

Moody's, and S&P have assigned ratings of "A1" and "AA", respectively, to the 2022A Bonds, with the understanding that, upon delivery of the 2022A Bonds, a municipal bond insurance policy will be issued by AGM. Moody's and Fitch Ratings ("Fitch") have assigned underlying ratings of "A2" and "AA-", respectively, to the 2022A Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's Investors Service, 1 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, 55 Water Street, New York, New York 10041, Fitch Ratings, Fitch Ratings, One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the 2022A Bonds.

## **LITIGATION**

There is no litigation pending or, to the knowledge of the Authority, threatened in any court (either State or federal) to restrain or enjoin the sale, issuance or delivery of the 2022A Bonds or questioning the creation, organization or existence of the Authority, the title to office of the Trustees or officers of the Authority, the validity of the Transmission Resolution, the Depository Trust Agreement, the proceedings for the authorization, execution, authentication and delivery of the 2022A Bonds or the validity of the 2022A Bonds.

## **FINANCIAL ADVISOR**

Prager & Co., LLC, New York, New York ("Prager") is acting as Financial Advisor (the "Financial Advisor") to the Authority in connection with the issuance of the 2022A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2022A Bonds is contingent upon the issuance and delivery of the 2022A Bonds. Prager, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 2022A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies.

## **MISCELLANEOUS**

The references in this Official Statement to the Transmission Resolution, the Depository Trust Agreement, the General Resolution, the State Constitution, the Act, the Code, certain other legislation and certain contracts of the Authority are brief summaries and outlines of certain portions or provisions thereof. Such summaries and outlines do not purport to be complete, and reference is made to such documents, legislation, decisions, orders, actions, licenses, certifications, permits, and contracts for full and complete statements of such portions or provisions. Copies of such documents are on file at the offices of the Authority. All estimates and opinions presented herein are intended only as such and not as representations of fact.

The agreements with the Owners of the 2022A Bonds are fully set forth in the Transmission Resolution. This Official Statement does not constitute and is not intended to constitute a contract between the Authority and any Owner of any 2022A Bond.

All inquiries to the Authority relating to this Official Statement should be addressed to Treasurer, Power Authority of the State of New York, 123 Main Street, White Plains, New York 10601 (telephone number: (914) 681-6200).

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## SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION BOND RESOLUTION

The following is a summary of certain provisions of the Transmission Bond Resolution. The following summary is not to be considered a full statement of the terms of the Transmission Bond Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise previously defined in this Official Statement or defined below have the meaning set forth in the Transmission Bond Resolution.

### Definitions

The following are definitions in summary form of certain terms contained in the Transmission Bond Resolution and used hereinafter:

**“Authorized Investments”** means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority’s funds pursuant to any law, to the extent permitted under any applicable regulation, guideline and policy of the Authority as each is in effect from time to time: (i) any security which is (a) a direct obligation of, or is unconditionally guaranteed by, the United States of America or the State for the payment of which the full faith and credit of the United States of America or the State is pledged or (b) an obligation of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America; (ii) any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision (“Municipal Bond”) which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest Rating Category by at least two Rating Agencies and provided, however, that such Municipal Bond is accompanied by (1) a Counsel’s Opinion to the effect that such Municipal Bond is not subject to redemption prior to the date the proceeds of such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified accountant verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond; (iii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, Federal Housing Administration, Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, or any other agency controlled by or supervised by and acting as an instrumentality of the United States government; (iv) obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which shall be rated at the time of the investment in any of the three highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; (v) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on Municipal Bonds provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Transmission Bond Trustee pursuant to the Transmission Bond Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which at the date of investment shall have an outstanding, unsecured, uninsured and unguaranteed debt issue rated in the highest Rating Category by a Rating Agency or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on Municipal Bonds, such insurance policy shall result in such Municipal Bonds being rated in the highest Rating Category by a Rating Agency; (vi) certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i) or (ii), provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Transmission Bond Trustee pursuant to the Transmission Bond Resolution; (vii) certificates of deposit, whether negotiable or non-negotiable, and banker’s acceptances of the 25 largest Banks (measured by aggregate capital and surplus) in the United States or commercial paper issued by the parent holding company of any such Bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short-term Rating Category by a Rating Agency (including the Transmission Bond Trustee and its parent holding company, if any, if it otherwise qualifies); (viii) any repurchase agreement or other investment agreement with any Bank as defined in clause (i) or (ii) of the definition thereof or government bond dealer reporting

to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clause (i) or (iii) above, which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another such Bank, as custodian; (ix) any agreement or investment agreement with any insurance company or reinsurance company or investment affiliates thereof the obligations of which are rated by a Rating Agency in one of the two highest Rating Categories, which agreement is continuously secured by any one or more of the securities described in clause (i) or (iii) above, which securities shall at all times have a market value of not less than the full amount held or invested pursuant to the agreement and be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian; (x) obligations of any domestic corporation which shall be rated at the time of the investment in either of the two highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; and (xi) any other investment in which the Authority is permitted to invest under applicable law, notwithstanding any limitations set forth in clauses (i) through (x) above.

**“Authorized Representative”** means any trustee of the Authority or officer of the Authority and any other person authorized by by-laws or resolution of the Authority to perform the act or sign the document in question.

**“Bank”** means any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

**“Business Day”** means any day of the year other than (i) a Saturday or Sunday, (ii) any day on which banks located in New York, New York or the city in which the Principal Office of the Transmission Bond Trustee is located are required or authorized by law to remain closed, or (iii) any day on which the New York Stock Exchange is closed.

**“Capital Costs”** means the Authority’s costs of (i) physical construction of or acquisition of real or personal property or interests therein for any SFP Transmission Project, together with incidental costs of the Project (including legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves relating to a SFP Transmission Project deemed necessary or desirable by the Authority (including but not limited to costs of supplies, fuel, fuel assemblies and components or interests therein), and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any SFP Transmission Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its SFP Transmission Project business; (iv) any other purpose relating to any SFP Transmission Project for which bonds, notes or other obligations of the Authority may be issued under the Act or under other applicable State statutory provisions (whether or not also classifiable as an SFP Transmission Operating Expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of any (a) SFP Transmission Obligations issued by the Authority for the payment of any of the costs specified above, (b) any Obligations issued to refund such SFP Transmission Obligations, or (c) SFP Transmission Obligations issued to pay Capitalized Interest; provided, however, that the term Capital Costs shall not include any costs of the Authority relating to a General Resolution Project.

**“Capital Fund”** means the SFP Transmission Capital Fund established pursuant to the Transmission Bond Resolution.

**“Capitalized Interest”** means that portion of the proceeds of any Obligations deposited in an account established in the Debt Service Fund, and interest earnings thereon to the extent retained in such account in accordance with the Supplemental Resolution authorizing such Obligations for the purpose of funding the payment of a portion of the interest on any Obligations.

**“Consultant”** means the independent accountant or firm of independent accountants, or a management consultant or firm of management consultants, or independent engineer or firm of independent engineers which, in any case, shall be of recognized standing in the field of electric transmission system consulting (and which may be the firm then serving as a consulting engineer or auditor of the Authority), selected by the Authority.

**“Counsel’s Opinion”** means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority.

**“Credit Facility”** means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement thereof, which is obtained by the Authority and is issued by a financial, insurance or other institution and which provides security or liquidity in respect of any Outstanding Obligations, Parity Debt or Subordinated Indebtedness.

**“Debt Service”** for any Fiscal Year or part thereof means, as of any date of calculation, the sum of (i) with respect to any Outstanding SFP Transmission Obligations, an amount equal to the sum of (a) interest payable during such Fiscal Year or part thereof on such SFP Transmission Obligations, except to the extent that such interest is to be paid from amounts representing Capitalized Interest and (b) the Principal Installments of such SFP Transmission Obligations payable during such Fiscal Year or part thereof, and (ii) with respect to a Parity Reimbursement Obligation, an amount equal to the sum of (a) interest payable during such Fiscal Year or part thereof on such Parity Reimbursement Obligation and (b) the Principal Installments of such Parity Reimbursement Obligation payable during such Fiscal Year or part thereof. Such interest and Principal Installments shall be calculated on the assumption that (x) no such SFP Transmission Obligations, or Parity Reimbursement SFP Transmission Obligations Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of Sinking Fund Installments, and (y) Variable Rate SFP Transmission Obligations will bear interest at the greater of (A) the rate or rates which were assumed by the Authority in the SFP Transmission Projects Budget for such Fiscal Year to be borne by Variable Rate SFP Transmission Obligations during such Fiscal Year or (B) the average rate or rates borne on Variable Rate SFP Transmission Obligations Outstanding during the twelve calendar months preceding the date of calculation, but at a rate not less than the rate or rates borne thereon as of such date of calculation; provided, however, that if the Authority has in connection with any Variable Rate SFP Transmission Obligations entered into a Financial Contract which provides that the Authority is to pay to the Qualified Counterparty an amount determined based upon a fixed rate of interest on the Outstanding principal amount of such Variable Rate SFP Transmission Obligations or that the Qualified Counterparty is to pay to the Authority an amount determined based upon the amount by which the rate at which such Variable Rate SFP Transmission Obligations bear interest exceeds a stated rate of interest on all or any portion of such Variable Rate SFP Transmission Obligations, it will be assumed that such Variable Rate SFP Transmission Obligation bears interest at the fixed rate of interest to be paid by the Authority or the rate in excess of which the Qualified Counterparty is to make payment to the Authority in accordance with such agreement.

**“Debt Service Fund”** means the SFP Transmission Debt Service Fund established pursuant to the Transmission Bond Resolution.

**“Debt Service Reserve Fund”** means the fund by that name established pursuant to the Transmission Bond Resolution.

**“Defeasance Security”** or **“Defeasance Securities”** means (a) an Authorized Investment as specified in clause (i) of the definition thereof, which is not callable or redeemable at the option of the issuer thereof; (b) any depository receipt issued by a Bank as custodian with respect to any Defeasance Security which is specified in clause (a) above and held by such Bank for the account of the holder of such depository receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Security which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Defeasance Security or the specific payment of principal or interest evidenced by such depository receipt; (c) any certificate of deposit specified in clause (vii) of the definition of Authorized Investments, including certificates of deposit issued by the Transmission Bond Trustee or by a Paying Agent; (d) an Authorized Investment as specified in clause (ii) of the definition thereof and (e) any other security designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the SFP Transmission Obligations authorized by such Supplemental Resolution.

**“Depository Agent”** means the bank or trust company designated by the Authority to act as depository agent under the Depository Trust Agreement, and its successors and assigns.

**“Depository Trust Agreement”** means the Depository Trust Agreement, dated April 1, 2022, between the Depository Agent and the Authority, as amended and supplemented, and any similar agreement entered into by the Authority and a depository bank for the purpose of holding and allocating NYISO Commingled Payments in accordance with the Transmission Bond Resolution.

**“Events of Default”** has the meaning provided in the discussion of **Events of Default** below.

**“FERC”** means the Federal Energy Regulatory Commission or any successor federal regulatory agency having jurisdiction over electric transmission facilities.

**“Fiduciary”** or **“Fiduciaries”** means the Transmission Bond Trustee, any Registrar, any Paying Agent, or any or all of them, as may be appropriate.

**“Fiscal Year”** means the twelve-month period commencing on January 1 of each year; provided, however, that the Authority may at any time adopt a different twelve-month period as the Fiscal Year, in which case January 1, when used herein with reference to Fiscal Year, shall be construed to mean the first day of the first calendar month of such different Fiscal Year.

**“General Resolution”** means the Power Authority of the State of New York General Resolution authorizing Revenue Obligations adopted February 24, 1998, as amended or supplemented.

**“General Resolution Operating Fund”** means the Operating Fund established in Section 502 of the General Resolution.

**“General Resolution Project”** means any Project as defined in the General Resolution.

**“Operating Fund”** means the SFP Transmission Operating Fund established pursuant to the Transmission Bond Resolution.

**“Operating Reserve Account”** means the account by that name established pursuant to the Transmission Bond Resolution.

**“Operating Reserve Account Minimum Requirement”** means the greater of the amount specified in any Supplemental Resolution and the amount equal to one-half of the projected SFP Transmission Operating Expenses as set forth in the most recently adopted SFP Transmission Projects Budget.

**“Outstanding,”** when used with reference to Obligations or Obligations of a Series, means, as of any date, Obligations or Obligations of such Series theretofore or thereupon being delivered under the Transmission Bond Resolution except: (i) Any Obligations cancelled at or prior to such date; (ii) Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof; (iii) Obligations in lieu of or in substitution for which other Obligations shall have been delivered pursuant to the Transmission Bond Resolution; (iv) Obligations deemed to have been paid as provided in the Transmission Bond Resolution; and (v) Put Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Obligations on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

**“Owner”** or any similar terms, means the registered owner of any Obligation as shown on the books for the registration and transfer of Obligations maintained in accordance with the Transmission Bond Resolution.

**“Parity Contract Obligation”** has the meaning provided in the discussion of Credit Facilities and Other Similar Arrangements; Parity Debt.

**“Parity Debt”** means any Parity Contract Obligation, Parity Reimbursement Obligation or Parity Swap Obligation

**“Parity Reimbursement Obligation”** has the meaning provided in the discussion of Credit Facilities and Other Similar Arrangements; Parity Debt.

**“Person”** means any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company, or other legal entity or group of entities, including a governmental entity or any agency or subdivision thereof.

**“Principal Installment”** means, as of any date of calculation and with respect to any Outstanding Obligations, (i) the principal amount of such Obligations (including (x) any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the “principal amount” with respect to any Obligations which do not pay full current interest for all or any part of their term and (y) the principal amount of any Parity Reimbursement Obligation) due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for such Obligations, or (iii) if such future dates coincide as to different Obligations, the sum of such principal amount of Obligations and of such unsatisfied balance of Sinking Fund Installments due on such future date.

**“Purchase Price”** means, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

**“Put Obligations”** means Obligations which by their terms may be tendered by and at the option of the owner thereof, or are subject to a mandatory tender, for payment or purchase prior to the stated maturity or redemption date thereof.

**“Rating Agency”** means each nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of the Authority.

**“Rating Category”** means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

**“Redemption Price”** means, with respect to any Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the Transmission Bond Resolution.

**“Refunding Obligation”** means an Obligation issued pursuant to and in accordance with the Transmission Bond Resolution.

**“Registrar”** means any registrar for the SFP Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Transmission Bond Resolution.

**“Required Payments”** means the amounts, if any, payable as SFP Transmission Operating Expenses, Debt Service, and payments under Parity Contract Obligations and Subordinated Indebtedness, but in each case only to the extent such payments are required to be made from SFP Transmission Revenues.

**“Revenue Fund”** means the SFP Transmission Revenue Fund established pursuant to the Transmission Bond Resolution.

**“Separately Financed Project”** has the meaning assigned to it in the General Resolution.

**“Series”** means all of the SFP Obligations delivered on original issuance pursuant to a single Supplemental Resolution and denominated therein a single series, and any SFP Obligations thereafter delivered in lieu of or in substitution therefor pursuant to the Transmission Bond Resolution, regardless of variations in maturity, interest rate, or other provisions.

**“SFP Transmission Obligations”** means any obligations, issued in any form of debt, authorized by a Supplemental Resolution, including, but not limited to, bonds, notes, bond anticipation notes, and commercial paper, which are delivered under the Transmission Bond Resolution, but such term shall not include any Subordinated Contract SFP Transmission Obligation or Subordinated Indebtedness.

**“SFP Transmission Operating Expenses”** means the Authority’s expenses for operation, maintenance, ordinary repairs and ordinary replacements of any SFP Transmission Project, including, without limiting the generality of the foregoing, the costs of supplies, assemblies and components required by the Authority for the operation of any SFP Transmission Project, administrative expenses, insurance premiums, legal and engineering expenses, consulting and technical services, payments for energy conservation and load management programs, payments relating to electricity hedging instruments, payments for employee benefits, including payments to savings, pension, retirement, health and hospitalization funds, charges payable by the Authority pursuant to any licenses, orders or mandates from any agency or regulatory body having lawful jurisdiction, any payments in lieu of taxes or other payments to municipal governments agreed to be paid by the Authority and any taxes, governmental charges, and any other expenses required to be paid by the Authority, all to the extent properly and directly attributable to any SFP Transmission Project; financing costs of any Series of Obligations; the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Transmission Bond Resolution or pursuant to any agreement executed by the Authority; all costs and expenses associated with or arising out of the research, development (including feasibility and other studies) and/or implementation of any project, facility, system, task or measure relating to any SFP Transmission Project deemed desirable or necessary by the Authority; and all other costs and expenses arising out of or in connection with the conduct of Authority business as related to any SFP Transmission Project, including those expenses the payment of which is not immediately required, such as those expenses referenced in the second paragraph of the discussion of Revenue Fund. Notwithstanding the foregoing, SFP Transmission Operating Expenses shall not include (i) any costs and expenses attributable to a General Resolution Project or any Separately Financed Project (other than SFP Transmission Projects) or (ii) any costs or expenses for new construction or for reconstruction other than restoration of any part of a SFP Transmission Project to the condition of serviceability thereof when new.

**“SFP Transmission Project”** means any project, facility, system, equipment, or material 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, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions which has been designated by the Authority pursuant to a Supplemental Resolution as a Separately Financed Project under the General Resolution and a SFP Transmission Project for purposes of the Transmission Bond Resolution; provided, however, that the term “SFP Transmission Project” shall not include any Separately Financed Project not also constituting a SFP Transmission Project or any General Resolution Project.

**“SFP Transmission Project Budget”** means the budget adopted by the Authority for the SFP Transmission Projects in accordance with the Transmission Bond Resolution.

**“SFP Transmission Revenues”** consist of all revenues, rates, fees, charges, rents, proceeds from the sale of SFP Transmission Project assets, proceeds of insurance, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from the ownership or operation of any SFP Transmission Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose and not including General Resolution Revenues (as defined in the General Resolution).

**“SFP Transmission Trust Estate”** means (i) all SFP Transmission Revenues; (ii) the proceeds of sale of SFP Transmission Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such SFP Transmission Obligations; (iii) all funds, accounts and subaccounts established by the Transmission Bond Resolution, including investment earnings thereon; and (iv) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security for SFP Transmission Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Transmission Bond Trustee. The SFP Transmission Trust Estate does not include any real property, structures, facilities, or equipment owned by the Authority nor does the SFP Transmission Trust Estate include the General Resolution Revenues or any other rights and interests constituting part of the trust estate pledged under the General Resolution.

**“Sinking Fund Installment”** means, as of any particular date of calculation, the amount required, as of such date of calculation, to be paid by the Authority on a future date for the retirement of Outstanding SFP Obligations which are stated to mature subsequent to such future date, but does not include any amount payable by the Authority by reason only of the maturity of an SFP Obligation.

**“Subordinated Contract SFP Transmission Obligations”** means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated as constituting a “Subordinated Contract Obligation” for purposes of the Transmission Bond Resolution in a certificate of an Authorized Officer delivered to the Transmission Bond Trustee, (b) any Qualified Swap which has been designated as constituting a “Subordinated Contract Obligation” for purposes of the Resolution in a certificate of an Authorized Officer delivered to the Trustee, and (c) any other contract, agreement or other obligation relating to Parity Debt or Subordinated Indebtedness or a SFP Transmission Project authorized by resolution of the Authority and designated as constituting a “Subordinated Contract Obligation” for purposes of the Transmission Bond Resolution in a certificate of an Authorized Officer delivered to the Transmission Bond Trustee. Each Subordinated Contract Obligation shall be payable from the SFP Transmission Trust Estate subject and subordinate to the payments to be made with respect to the SFP Transmission Obligations and Parity Debt, as provided for in the Transmission Bond Resolution and which shall be secured by a lien on and pledge of the SFP Transmission Trust Estate junior and inferior to the lien on and pledge of the SFP Transmission Trust Estate created pursuant to the Transmission Bond Resolution for the payment of the SFP Transmission Obligations and Parity Debt

**“Subordinated Indebtedness”** means any bond, note or other indebtedness issued or incurred to finance costs associated with or related to a SFP Transmission Project authorized by resolution of the Authority and designated as constituting “Subordinated Indebtedness” for purposes of the Transmission Bond Resolution in a certificate of an Authorized Officer delivered to the Transmission Bond Trustee, which shall be payable from the SFP Trust Estate subject and subordinate to the payments to be made with respect to the SFP Transmission Obligations and Parity Debt and which shall be secured by a lien on and pledge of the SFP Trust Estate junior and inferior to the lien on and pledge of the SFP Trust Estate created for the payment of the SFP Transmission Obligations and Parity Debt.

**“Supplemental Resolution”** means any resolution supplemental to or amendatory of the Transmission Bond Resolution, adopted by, or adopted pursuant to authorization granted by, the Authority in accordance with the Transmission Bond Resolution.

**“Transmission Bond Resolution”** means the Power Authority of the State of New York General Resolution authorizing Transmission Project Revenue Bonds adopted on December 7, 2021, as from time to time amended or supplemented by any Supplemental Resolutions.

**“Transmission Bond Trustee”** means The Bank of New York Mellon, as appointed in accordance with the Transmission Bond Resolution, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Transmission Bond Resolution.

### **Conditions for Issuance of SFP Transmission Obligations**

*General Provisions for Issuance of SFP Transmission Obligations.* SFP Transmission Obligations may be issued pursuant to a Supplemental Resolution for the SFP Transmission Project to be financed with such SFP Transmission Obligations in such principal amount or amounts for each such Series as may be specified in such Supplemental Resolution. A Supplemental Resolution shall specify, among other things, the purpose or purposes for which such SFP Transmission Obligations are being issued, the authorized principal amount and Series of such SFP Transmission Obligations, the maturity date or dates and interest rate or rates of the SFP Transmission Obligations, the forms of the SFP Transmission Obligations which shall specify terms with respect to tender or redemption, if any, and setting forth a description of the SFP Transmission Project to be financed with such SFP Transmission Obligations, which Supplemental Resolution shall set forth the Authority’s determination that such project is being or has been designated a SFP Transmission Project and that, on and after the issuance of such SFP Transmission Obligations such SFP Transmission Project is and will be a Separately Financed Project, certified by an Authorized Officer . Such SFP Transmission Obligations shall be delivered by the Authority under the Transmission Bond Resolution, which upon the delivery of, among other things, a Supplemental Resolution authorizing such SFP Transmission Obligations, a Counsel’s Opinion with respect to the validity of the SFP Transmission Obligations and a certificate of an Authorized Officer to the effect that the costs of the SFP Transmission Project to be financed with such SFP Transmission Obligations are (a) eligible to be recovered either (i) under a FERC approved tariff as part of the Authority’s TRR or (ii) to the extent that no approval by FERC is required for such tariff, under a tariff approved by the applicable regulatory body, if any, or (b) are expected to be eligible to be so recoverable, and that upon delivery of the SFP Transmission Obligations, the Authority will not be in default in the performance of the terms and provisions of the Transmission Bond Resolution or of any of the SFP Transmission Obligations.

In addition, except in the case of Refunding SFP Transmission Obligations, a certificate as to the matters referred to in either subparagraph (A) or (B) below, as follows:

(A) A Certificate of an Authorized Representative of the Authority setting forth (i) the SFP Transmission Revenues for any 12 consecutive calendar months out of the 18 calendar months immediately preceding the month in which such SFP Transmission Obligations are to be issued, (ii) the Debt Service and the amount payable under all Parity Debt, during such 12 month period for which SFP Transmission Revenues are set forth pursuant to clause (i), excluding in each case any amount thereof paid from sources other than SFP Transmission Revenues, and (iii) the sum of the Required Payments for such 12 month period (excluding Required Payments for the payment of Outstanding SFP Transmission Obligations and Parity Debt), and showing that the amount set forth in clause (i) is at least equal to the sum of (i) 120% of Debt Service, and amounts under all Parity Debt, payable by the Authority in such 12 month period, (ii) 100% of the SFP Transmission Operating Expenses payable in such 12 month period and all other Required Payments and all other payments required for the SFP Transmission Projects for such 12 month period; or

(B) A Certificate of an Authorized Representative of the Authority setting forth (i) the estimated SFP Transmission Revenues for each of the full Fiscal Years in the period beginning with the Fiscal Year in which such SFP Transmission Obligations are authenticated and delivered and ending with the fifth full Fiscal Year after such date of authentication and delivery, (ii) the estimated Debt Service and estimated amounts payable under all Parity Debt during each Fiscal Year for which SFP Transmission Revenues are estimated, (iii) the projected Debt Service and projected amounts payable under Parity Debt projected to be issued for any purpose during each Fiscal Year for which SFP Transmission Revenues are estimated, and (iv) the sum of the estimated and projected Required Payments for each such Fiscal Year (excluding Required Payments for the payment of Outstanding SFP Transmission Obligations and Parity Debt), and showing that for each such Fiscal Year the amount set forth in clause (i) is at least equal to the sum of (x) 120% of estimated Debt Service and amounts estimated to be payable under all Parity Debt, payable by the Authority in each such Fiscal Year, (y) 100% of the SFP Transmission Operating Expenses payable in each such Fiscal Year and (z) all other Required Payments and all other payments required for the SFP Transmission Projects for each such Fiscal Year. The Authorized Representative of the Authority may base his or her estimates and projections upon historical SFP Transmission Revenues, Debt Service and Operating Expense, the amounts reflected in the SFP Transmission Projects budget and such other factors as he or she shall consider reasonable, a statement to which effect shall be included in such Certificate.

For purposes of paragraphs (A) and (B) above, (i) SFP Transmission Revenues shall include any amounts withdrawn in any Fiscal Year from the Operating Reserve Account which were on deposit therein prior to such Fiscal Year, to the extent the amount remaining in the Operating Reserve Account after such withdrawal at least equals the Operating Reserve Account Minimum Requirement, (ii) SFP Transmission Revenues shall not include any proceeds from the sale of SFP Transmission Project assets or proceeds of insurance, and (iii) any Debt Service, Parity Debt payments and other Required Payments shall not include any amounts thereof expected by the Authority to be paid from any funds, other than SFP Transmission Revenues, reasonably expected by the Authority to be available therefor (including without limitation the anticipated receipt of proceeds of sale of SFP Transmission Obligations or Subordinated Indebtedness, or moneys not a part of the SFP Transmission Trust Estate, expected by the Authority to be used to pay the principal of SFP Transmission Obligations, Parity Debt or Subordinated Indebtedness), which expectations, if included in a resolution of the Authority or Certificate of an Authorized Representative of the Authority filed with the Transmission Bond Trustee, shall be conclusive.

*(Resolution, Sec. 202)*

*Refunding SFP Transmission Obligations.* Nothing in the Transmission Bond Resolution shall preclude or limit the issuance of SFP Transmission Obligations for the purpose of refunding other SFP Transmission Obligations if such refunding SFP Transmission Obligations are issued in compliance with the Transmission Bond Resolution. The Authority will execute Refunding SFP Transmission Obligations and deliver them to the Transmission Bond Trustee for authentication upon receipt by the Transmission Bond Trustee of documents including, among others, Bond Counsel's Opinion, Supplemental Resolution, and Certificate that the Authority will not be in default in the performance of the terms and provisions of the Transmission Bond Resolution or of any of the SFP Transmission Obligations and a Certificate of Authorized Representative of the Authority evidencing that after the issuance of the Refunding SFP Transmission Obligations and the application of the proceeds thereof to the redemption or defeasance of the Obligation

to be refunded, the Debt Service payable in any Fiscal Year (or portion thereof) during which SFP Transmission Obligations were scheduled to be outstanding prior to the issuance of such Refunding SFP Transmission Obligations will be no higher than the Debt Service payable prior to the issuance of such Refunding SFP Transmission Obligations. For the avoidance of doubt, SFP Transmission Obligations may also be issued for the purpose of refunding other SFP Transmission Obligations if such refunding SFP Transmission Obligations are issued in compliance with the provisions described above under “*General Provisions for Issuance of SFP Transmission Obligations.*”

*(Resolution, Sec. 203)*

### **Book-Entry-Only System**

Notwithstanding any other provision of the Transmission Bond Resolution, the Authority may employ a book-entry-only system of registration with respect to any SFP Transmission Obligations, and the procedures regarding such registration shall be set forth in the Supplemental Resolution authorizing such SFP Transmission Obligations. Any provisions of the Transmission Bond Resolution inconsistent with book-entry-only SFP Transmission Obligations shall not be applicable to such book-entry-only SFP Transmission Obligations.

*(Resolution, Sec. 309)*

### **Credit Facilities and Other Similar Arrangements; Parity Debt**

The Authority may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of SFP Transmission Obligations secured by a Credit Facility as the Authority deems appropriate, and no such provisions shall be deemed to constitute an amendment to the Transmission Bond Resolution.

In connection with a Credit Facility, the Authority may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility, (ii) the terms and conditions of such Credit Facility and the SFP Transmission Obligations affected thereby, and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

The Authority may secure such Credit Facility by an agreement providing for the purchase of the SFP Transmission Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, the “**Reimbursement Obligation**”); provided, however, that no Reimbursement Obligation shall be created, for purposes of the Transmission Bond Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of, and a lien on, the SFP Transmission Trust Estate on a parity with the lien created by the Transmission Bond Resolution to secure the Obligations (a “**Parity Reimbursement Obligation**”), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Obligations, without acceleration, or may constitute a Subordinated Contract SFP Transmission Obligation, as determined by the Authority. In addition, the Authority may enter into a Reimbursement Obligation with respect to a Credit Facility securing Parity Debt, and any such Reimbursement Obligation may be a Parity Reimbursement Obligation (but only to the extent principal amortization requirements with respect to such reimbursement are substantially equal to the amortization requirements including principal payments in connection with any optional or mandatory tender for purchase for such related Parity Debt, without acceleration) or may constitute a Subordinated Contract SFP Transmission Obligation, as determined by the Authority. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Obligations or Parity Debt, which payments shall be Subordinated Contract SFP Transmission Obligations.

In connection with the issuance of any SFP Transmission Obligations or at any time thereafter so long as SFP Transmission Obligations remain Outstanding, the Authority may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Authority’s obligation to pay any amount under any Qualified Swap may be secured by a pledge of, and a lien on, the SFP Transmission Trust Estate on a parity with the lien created by the Transmission Bond Resolution to secure the SFP Transmission Obligations (a “**Parity Swap Obligation**”), or may

constitute a Subordinated Contract SFP Transmission Obligation, as determined by the Authority. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract SFP Transmission Obligations.

The Authority's obligation to pay that portion of any rates, fees, charges or payments which the Authority is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of meeting principal or interest or both on that entity's obligations directly associated with such contract and payable to such entity regardless of whether fuel or energy is delivered or made available for delivery, may be secured by a pledge of, and lien on, the SFP Transmission Trust Estate on a parity with the lien created by the Transmission Bond Resolution to secure the Obligations (a "**Parity Contract Obligation**"), or may constitute a Subordinated Contract SFP Transmission Obligation or an Operating Expense, as determined by the Authority.

*(Resolution, Sec. 310)*

### **Pledge of SFP Transmission Revenues and Funds**

The SFP Transmission Trust Estate is pledged for the payment of the principal and Redemption Price of, and interest on, the SFP Transmission Obligations and, on a parity basis, the Parity Debt, in accordance with their terms and the provisions of the Transmission Bond Resolution. Such pledge shall be valid and binding from and after the date of adoption of the Transmission Bond Resolution, and the SFP Transmission Trust Estate shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

*(Resolution, Sec. 501)*

The Transmission Bond Resolution establishes the following funds:

- (1) Revenue Fund, to be held by the Authority;
- (2) Operating Fund, to be held by the Authority;
- (3) Debt Service Fund, to be held by the Transmission Bond Trustee; and
- (4) Capital Fund, to be held by the Authority.

An Operating Reserve Account is established in the Operating Fund to be held by the Authority. A Debt Service Reserve Fund or Funds may be established as provided in the Transmission Bond Resolution, to be held by the Authority or the Transmission Bond Trustee as shall be specified in the Supplemental Resolution establishing such fund or funds. The Authority may establish one or more additional funds, accounts or subaccounts by delivering to the Transmission Bond Trustee a certificate of an Authorized Officer. The Transmission Bond Trustee shall have no obligation to invest or reinvest any amounts held thereunder in the absence of written investment direction from the Authority.

*(Resolution, Sec. 502)*

### **Revenue Fund**

The Transmission Bond Resolution establishes that the Authority shall deposit into the Revenue Fund, as promptly as practicable after receipt thereof and no later than five (5) Business Days, all SFP Transmission Revenues, unless required by the Transmission Bond Resolution to be deposited to any other Fund or Account. All other amounts required by the Transmission Bond Resolution shall also be deposited in the Revenue Fund.

Amounts deposited into the Revenue Fund shall be withdrawn on or prior to the last Business Day of each calendar month unless provided otherwise. The amounts withdrawn shall be paid in the following order of priority: (a) to the Operating Fund in the amount determined by the Authority but which shall not be less than the aggregate amount of the SFP Transmission Operating Expenses expected to be payable in the next succeeding calendar month minus the amount then held in the Operating Fund to pay SFP Transmission Operating Expenses; (b) to the Debt Service Fund in

the amount not less than the amount payable as Debt Service in the next succeeding calendar month on SFP Transmission Obligations or other Parity Debt minus the amount then held in the Debt Service Fund to pay such Debt Service in the next calendar month; (c) to the Operating Reserve Account to fund any shortfall in the Operating Reserve Account as determined by the Transmission Bond Resolution; (d) to the Debt Service Reserve Fund to fund any shortfall in the Debt Service Reserve Fund in the event there is a deficiency as described in the Transmission Bond Resolution and the applicable Supplemental Resolution; (e) to the payment of principal of and interest on any Subordinated Indebtedness or payments of amounts due in the next succeeding calendar month under any Subordinated Contract SFP Transmission Obligation; (f) to the Capital Fund in the amount, if any, determined by the Authority; and (g) during the last calendar month of any Fiscal Year, amounts may be applied for any lawful corporate purpose as determined by the Authority, so long as the Authority has determined that the amounts withdrawn are not expected to be needed for any of the above purposes, with the exclusion of the Capital Fund.

Prior to any withdrawal pursuant to clause (g) above, the Authority shall have transferred the amounts required to be transferred by the last Business Day of such month pursuant to clauses (a), (b), (c), (d), or (e) above and shall have determined, taking into account, among other considerations, anticipated future receipts of SFP Transmission Revenues or other moneys constituting part of the SFP Transmission Trust Estate, that (i) the funds to be so withdrawn are not expected to be needed for any of the purposes set forth in clauses (a), (b), (c), (d), or (e) above in any future Fiscal Year, and (ii) the Authority is not in default under this Resolution and (iii) the Authority was in compliance with the rate covenant set forth in the Transmission Bond Resolution.

The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Revenue Fund pursuant to clause (g) of the paragraph above, determine (i) the amount, to be held in the Operating Reserve Account, which in the judgment of the Authority is adequate for the purpose of providing for the costs of emergency repairs or replacements essential to restore or prevent physical damage to, and prevent loss of SFP Transmission Revenues from, any SFP Transmission Project and to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to any SFP Transmission Project necessary to keep the same in operating condition or required by any governmental agency having jurisdiction over such SFP Transmission Project, which amount shall be no less than the Operating Reserve Account Minimum Requirement.

The Transmission Bond Resolution provides that purchases of SFP Transmission Obligations or Subordinated Indebtedness from amounts in the Revenue Fund shall be made at the direction of the Authority, with or without advertisement and with or without notice to other holders of SFP Transmission Obligations or Subordinated Indebtedness.

Amounts in the Revenue Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Revenue Fund shall be deposited in the Revenue Fund. The Authority may sell any such Authorized Investments at any time and the proceeds of such sale shall be deposited in the Revenue Fund.

*(Resolution, Sec. 503)*

### **Operating Fund**

The Authority shall pay into the Operating Fund all amounts transferred to the Operating Fund from the Revenue Fund. The Authority shall also pay into the Operating Fund such portion of the proceeds of any Series of SFP Transmission Obligations which may have been issued to pay SFP Transmission Operating Expenses as shall be specified pursuant to the Supplemental Resolution authorizing such Series. Amounts in the Operating Fund shall be paid out or accumulated or withdrawn from time to time for the payment of reasonable and necessary SFP Transmission Operating Expenses or accumulation in the Operating Reserve Account as a reserve (i) for working capital, (ii) for such SFP Transmission Operating Expenses the payment of which is not immediately required, or (iii) as deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction.

Any amounts set aside by the Authority in the Operating Reserve Account may be used by the Authority as determined by the Authority for the purpose of paying all or a portion of the interest, principal or Redemption Price of SFP Transmission Obligations and payment of Parity Debt, on a parity basis.

Amounts in the Operating Fund may in the discretion of the Authority be invested in Authorized Investments with earnings thereon deposited in the Revenue Fund.

*(Resolution, Sec. 504)*

### **Capital Fund**

The Transmission Bond Resolution provides that the Authority shall pay into the Capital Fund the amounts required to be so paid pursuant to the Transmission Bond Resolution and any Supplemental Resolution authorizing the issuance of any Series of SFP Transmission Obligations, for the purpose of financing Capital Costs, including, without limitation, the portion of the proceeds of any such SFP Transmission Obligations specified in such Supplemental Resolution, except as may be otherwise provided in a Supplemental Resolution with respect to those Capital Costs referenced in clauses (iv) or (v) of the definition thereof. Amounts in the Capital Fund shall be applied solely to the Capital Costs of the Authority. Any amounts in the Capital Fund which are in excess of the amounts required to pay for such costs may at the direction of the Authority be transferred to the Revenue Fund. Amounts in the Capital Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Capital Fund shall be deposited in the Capital Fund. The Authority may, and to the extent required for payments from the Capital Fund shall, sell any such obligations at any time, and the proceeds of such sale and of all payments of principal or interest received at maturity or upon redemption or otherwise of such obligations shall be deposited in the Capital Fund. In addition, the Transmission Bond Resolution requires that amounts in the Capital Fund must be applied to the payment of principal and Redemption Price of and interest on the SFP Transmission Obligations and the payment of Parity Debt, on a parity basis, when due at any time that other moneys are not available therefor.

*(Resolution, Sec. 505)*

### **Debt Service Fund**

For all Outstanding SFP Transmission Obligations and Parity Debt, the Transmission Bond Trustee shall pay when due the moneys on deposit in the Debt Service Fund in the amounts required for the payment of the Principal Installments and the interest due on SFP Transmission Obligations or Parity Debt and, on any redemption date or date of purchase, the amounts required for the payment of accrued interest on the SFP Transmission Obligations to be redeemed or purchased.

As soon as practicable after the forty fifth day preceding the due date of any Sinking Fund Installment, the Transmission Bond Trustee shall proceed to call for redemption, pursuant to the Transmission Bond Resolution, on such due date, SFP Transmission Obligations of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the SFP Transmission Obligations of such Series and maturity. The Transmission Bond Trustee shall so call such SFP Transmission Obligations for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the redemption date. The Transmission Bond Trustee shall apply to the redemption of the SFP Transmission Obligations on each such redemption date the amount required for the redemption of such SFP Transmission Obligations.

In the event of the refunding of any SFP Transmission Obligations, the Transmission Bond Trustee shall, upon the written direction of the Authority, withdraw from the Debt Service Fund all or any portion of amounts accumulated therein with respect to the SFP Transmission Obligations to be refunded and deposit such amounts as provided in such written direction.

In the event that there are not sufficient moneys available to pay SFP Transmission Obligations payable on any date, then moneys shall be paid out of any available Debt Service Reserve Fund to the extent permitted and available under the applicable Supplemental Resolution. Amounts in the Debt Service Fund may, in the discretion of the Authority, be invested in Authorized Investments with earnings thereon deposited in the Debt Service Fund.

*(Resolution, Sec. 506)*

### **Debt Service Reserve Fund and other Funds**

The Authority may establish a reserve fund and/or any other fund or funds pursuant to the applicable Supplemental Resolution for the purpose of paying or securing a particular issue or series of SFP Transmission Obligations and the amounts or Credit Facilities once deposited in said funds shall be held solely for the benefit of the Owners of the particular issue or series or group of issues or series of SFP Transmission Obligations for which such fund was established. Any such funds shall be established in or pursuant to the Supplemental Resolution related to such series or issue of SFP Transmission Obligations and amounts or Credit Facilities deposited therein shall be available to pay such series of issue of SFP Transmission Obligations in accordance with the terms of such Supplemental Resolution and, subject to such Supplemental Resolution and the discretion of the Authority, may be invested in Authorized Investments.

*(Resolution, Sec. 508)*

### **Maintenance of SFP Transmission Projects as Separately Financed Projects under General Resolution**

The Authority shall pay all the debt service on all SFP Transmission Obligations and all such other bonds, notes, or other obligations or evidences of indebtedness, if any, issued to finance the SFP Transmission Projects and the Authority's share of any operating expenses related to such SFP Transmission Projects (including, without limitation, SFP Transmission Operating Expenses), solely from SFP Transmission Revenues or from funds withdrawn by the Authority from the General Resolution Operating Fund pursuant to the General Resolution. However, nothing in the Transmission Bond Resolution requires that any funds be withdrawn from the General Resolution Operating Fund to pay any costs related to the SFP Transmission Projects. The Authority shall keep the Funds and Accounts established under the Transmission Bond Resolution separate and distinct from those established under the General Resolution and any other bond resolution and all contracts expected to require payments by the Authority greater than \$5,000,000 in any Fiscal Year solely for the purpose of constructing and operating SFP Transmission Projects, paying SFP Transmission Operating Expenses or Capital Costs of Transmission Projects, or in connections with any SFP Transmission Obligations, Subordinated Indebtedness or Subordinated Contract SFP Transmission Obligations shall expressly provide that amounts payable by the Authority shall be payable solely from SFP Transmission Revenues and from other moneys available under the Transmission Bond Resolution.

*(Resolution, Sec. 605)*

### **Operation and Maintenance Covenant**

The Authority shall at all times operate or cause to be operated each SFP Transmission Project in a sound and economical manner and shall maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted; provided, however, that nothing herein contained shall be construed to prevent the Authority from ceasing to operate or maintain, or from leasing or disposing of, any SFP Transmission Projects if, in the judgment of the Authority it is advisable to lease, dispose of, or not to operate and maintain the same and the operation thereof shall not be essential to the maintenance and continued operation of the rest of the Authority's SFP Transmission Projects, and, in the judgment of the Authority, does not materially impair the ability of the Authority to comply with the rate covenant described below, and provided, further, however, the sale-leaseback or the lease-leaseback of any Transmission Project or other similar contractual arrangements, the effect of which is that the Authority continues to retain as part of the SFP Transmission Trust Estate the SFP Transmission Revenues from such SFP Transmission Project, shall not constitute a lease or disposition of such SFP Transmission Project for purposes of this Section.

*(Resolution, Sec. 606)*

### **Rate Covenant**

The Authority shall establish and maintain or cause to be established and maintained SFP Transmission Project fees, rates, rents, charges and surcharges, sufficient, in each Fiscal Year so that SFP Transmission Revenues reasonably expected to be produced in such Fiscal Year, will be at least equal to the sum of (i) 120% of Debt Service, and amounts payable under all Parity Debt, payable by the Authority in such Fiscal Year, (ii) 100% of the Operating Expenses payable

in such Fiscal Year and (iii) all other Required Payments and all other payments required pursuant to the Transmission Bond Resolution and all other payments required for the SFP Transmission Projects for such Fiscal Year. However, if such fees, rates, rents, charges and surcharges are insufficient but the Authority promptly takes action reasonably expected by the Authority to cure or avoid any such deficiency or to cause the same to be cured or avoided, or if the Authority complies with the provisions of subsection (d) of this Section of the Transmission Bond Resolution, it will not constitute a violation of this Section.

For purposes of the provision described above, at any time, (i) SFP Transmission Revenues shall include any amounts withdrawn or expected to be withdrawn thereafter in any Fiscal Year from the Operating Reserve Account which were on deposit therein prior to such Fiscal Year, (ii) SFP Transmission Revenues shall not include any proceeds from the sale of SFP Transmission Project assets or proceeds of insurance relating to any SFP Transmission Project, and (iii) Debt Service, Parity Contract Obligations and other Required Payments shall not include any amounts thereof expected by the Authority to be paid from any funds, other than SFP Transmission Revenues, reasonably expected by the Authority to be available therefor including, without limitation, the anticipated receipt of proceeds of sale of SFP Transmission Obligations or Subordinated Indebtedness, or moneys not a part of the SFP Transmission Trust Estate, expected by the Authority to be used to pay the principal of SFP Transmission Obligations, Parity Contract SFP Transmission Obligations or Subordinated Indebtedness, which expectations, if included in a resolution of the Authority or Certificate of an Authorized Representative, shall be conclusive.

The Authority shall annually review the adequacy of SFP Transmission Project fees, rates, rents, charges and surcharges and, if such review indicates they will be insufficient, take prompt action to cure or avoid any such deficiency. The Authority will not furnish or supply use or service of the SFP Transmission Projects free of charge, except to the extent required by law.

Failure to comply with the covenant contained in subsection (a) of this Section of the Transmission Bond Resolution shall not constitute an Event of Default if the Authority retains a Consultant for purposes of reviewing the SFP Transmission Project fees, rates, rents, charges and surcharges and reviewing the SFP Transmission Project Budget that produces a schedule of SFP Transmission Project fees, rates, rents, charges and surcharges that would provide funds sufficient to meet the covenant contained in subsection (a) and the Authority seeks to have such schedule approved by the appropriate regulatory authority or authorities and implement such changes to the SFP Transmission Projects Budget.

If the Consultant shall be of the opinion, as shown by a certificate filed with the Bond Transmission Trustee, that a schedule of fees, rates, rents, charges and surcharges for the SFP Transmission Project and such changes to the SFP Transmission Project Budget which would provide funds to meet the requirements specified in such covenant is impracticable at that time and the Authority therefore cannot comply with such covenant, then the Authority shall seek to have such schedule of SFP Transmission Project fees, rates, rents, charges and surcharges as is recommended in such certificate by the Consultant to comply as nearly as practicable with such covenant be established by the appropriate regulatory authority or authorities and implement such changes to the SFP Transmission Projects Budget as may be recommended in such Certificate by the Consultant, and in such event the failure of the Authority to comply with the rate covenant shall not constitute an Event of Default.

*(Resolution, Sec. 607)*

### **Supplemental Resolutions; Amendments**

Any of the provisions of the Transmission Bond Resolution may be amended by the Authority, upon the written consent of the Owners of a majority in principal amount of the SFP Transmission Obligations Outstanding at the time such consent is given, and in case less than all of the SFP Transmission Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the SFP Transmission Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular SFP Transmission Obligations remain Outstanding, the consent of the Owners of such SFP Transmission Obligations shall not be required and such SFP Transmission Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding SFP Transmission Obligations under the Transmission Bond Resolution. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without

the consent of the Owner of such Obligation; (b) reduce the percentages or otherwise affect the classes of SFP Transmission Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment; (c) create a preference or priority of any SFP Transmission Obligation or SFP Transmission Obligations over any other SFP Transmission Obligation or SFP Transmission Obligations (without the consent of the Owners of all such SFP Transmission Obligations); (d) create a lien prior to or on a parity with the lien of the Transmission Bond Resolution, without the consent of the Owners of all of the SFP Transmission Obligations then Outstanding; or (e) change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For purposes of this paragraph, an Obligation shall be deemed to be affected by a modification or amendment of the Transmission Bond Resolution if the same materially and adversely affects the rights of the Owner of such Obligation.

The Authority may adopt (without the consent of any Owner) supplemental resolutions to authorize additional SFP Transmission Obligations; to add to the restrictions contained in the Transmission Bond Resolution upon the issuance of additional indebtedness; to add to the covenants of the Authority contained in, or surrender any rights reserved to or conferred upon it by, the Transmission Bond Resolution; to confirm any pledge under the Transmission Bond Resolution of SFP Transmission Revenues or other moneys; to amend the Transmission Bond Resolution in such manner as to permit qualification of the Transmission Bond Resolution under the Trust Indenture Act of 1939 or any similar federal statute and permit the qualification of the SFP Transmission Obligations for sale under the securities laws of any state in the United States; to comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system; or otherwise to modify any of the provisions of the Transmission Bond Resolution (but no such other modification may be effective while any of the SFP Transmission Obligations of any Series theretofore issued are Outstanding); or to cure any ambiguity, supply any omission or to correct any defect or inconsistent provision in the Transmission Bond Resolution or to insert such provisions or make such other amendments to the Transmission Bond Resolution as are necessary or desirable which will not be materially adverse to the rights of the Owners of SFP Transmission Obligations (provided that the Transmission Bond Trustee shall consent thereto).

*(Resolution, Secs. 801, 802, and 902)*

#### **Events of Default; Remedies Upon Default**

Pursuant to the Transmission Bond Resolution, any of the following events set forth in clauses (i) through (v) constitutes an “Event of Default” if the Authority defaults (i) in the payment of principal or Redemption Price of any Obligation, or (ii) in the payment of interest on any Obligation and such default continues for 30 days, or (iii) in the performance or observance of any other covenant, agreement or condition in the Transmission Bond Resolution or the SFP Transmission Obligations, and such default continues for 60 days after written notice thereof, provided, however, that if such default shall be such that it cannot be corrected within such 60 day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or (iv) if the Authority (1) files a petition seeking a composition of indebtedness under the federal bankruptcy laws, or any other applicable law or statute of the United States of America or of the State; (2) consents to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or any substantial portion of its property; (3) makes any assignment for the benefit of creditors; (4) admits in writing its inability generally to pay its debts generally as they become due; or (5) takes action in furtherance of any of the foregoing or (v) if (1) a decree or order for relief is entered by a court having jurisdiction of the Authority adjudging the Authority a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Authority in an involuntary case under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order remains unstayed and in effect for a period of sixty (60) consecutive days. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Transmission Bond Trustee, by its agents and attorneys, if the Transmission Bond Trustee shall deem it advisable, may proceed to protect and enforce its rights and the rights of the Owners of SFP Transmission Obligations under the Transmission Bond Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Transmission Bond Trustee, being advised by counsel, shall

deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution, provided that in no event shall the SFP Transmission Obligations be subject to acceleration.

Under the Transmission Bond Resolution, the Authority covenants that upon a default the books of record of the Authority and all other records relating to the SFP Transmission Projects of the Authority will be subject to the inspection and use by the Transmission Bond Trustee, and that the Authority will, upon demand by the Transmission Bond Trustee, account for the SFP Transmission Trust Estate under the Transmission Bond Resolution as if the Authority were the trustee of an express trust. Upon an Event of Default, the Transmission Bond Trustee may protect and enforce its and the Owners' rights under the Transmission Bond Resolution by a suit in equity or at law, whether for the specific performance of any covenant contained in the Transmission Bond Resolution, or in aid of execution of any power granted therein or for an accounting against the Authority as if it were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Transmission Bond Trustee deems most effectual to enforce its rights or perform its duties under the Transmission Bond Resolution. No Owner has any right to institute suit to enforce any provision of the Transmission Bond Resolution or the execution of any trust thereunder or for any remedy thereunder, unless the Transmission Bond Trustee has been requested by at least 25% of the Owners, and such Owners shall have offered the Transmission Bond Trustee adequate security against expenses and liabilities to be incurred therein, and the Transmission Bond Trustee has failed to commence such suit in the manner provided in the Transmission Bond Resolution.

#### **Application of SFP Transmission Revenues and Other Moneys after Default.**

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Transmission Bond Trustee shall pay over to the Transmission Bond Trustee (i) forthwith, all moneys, securities and funds then held by the Authority in any fund or account under the Resolution, and (ii) as promptly as practicable after receipt thereof, the SFP Transmission Revenues.

During the continuance of an Event of Default, the Transmission Bond Trustee shall apply all SFP Transmission Revenues and the income therefrom as follows and in the following order: (1) to the payment of the reasonable and proper charges and expenses of the Transmission Bond Trustee (including legal fees and expenses) and of any engineer or firm of engineers selected by the Transmission Bond Trustee; (2) to the payment of the amounts required for reasonable and necessary SFP Transmission Operating Expenses, including reasonable and necessary reserves and working capital, and for the reasonable repair and replacement of the SFP Transmission Projects, and to the extent necessary to prevent loss of SFP Transmission Revenues, as may be certified to the Transmission Bond Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the Authority for other purposes) selected by the Transmission Bond Trustee; (3) to the payment of the interest and principal or Redemption Price then due on the SFP Transmission Obligations, and the interest and principal components of Parity Debt, as follows: (a) First: To the payment to the Persons entitled thereto of all installments of interest then due on the SFP Transmission Obligations and the interest component of Parity Debt, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any SFP Transmission Obligations and the principal component of Parity Debt, which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the SFP Transmission Obligations and the principal component of Parity Debt, due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference; and Third: To the payment of any amounts owing to an issuer of a Credit Facility related to the SFP Transmission Obligations to the extent not otherwise paid pursuant to First and Second above; and (b) if the principal of all of the SFP Transmission Obligations shall have become due and payable, to the payment of the principal and interest then due and unpaid upon the SFP Transmission Obligations and the principal and interest components of Parity Debt, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any SFP Transmission Obligation or Parity Debt over any other SFP Transmission Obligation or Parity Debt, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

If and whenever all overdue installments of interest on all SFP Transmission Obligations, together with the reasonable and proper charges and expenses of the Transmission Bond Trustee, and all other sums payable by the Authority under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all SFP Transmission Obligations which shall then be payable, shall either be paid by or for the account of the Authority, or provision satisfactory to the Transmission Bond Trustee shall be made for such payment, and all defaults under the Resolution or the SFP Transmission Obligations shall be made good or secured to the satisfaction of the Transmission Bond Trustee or provision deemed by the Transmission Bond Trustee to be adequate shall be made therefor, the Transmission Bond Trustee shall pay over to the Authority all such SFP Transmission Revenues then remaining unexpended in the hands of the Transmission Bond Trustee, and thereupon the Authority and the Transmission Bond Trustee shall be restored, respectively, to their former positions and rights under the Resolution, and all SFP Transmission Revenues shall thereafter be applied as provided in Article V. No such payment over to the Authority by the Transmission Bond Trustee or resumption of the application of SFP Transmission Revenues as provided in Article V shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

**Proceedings Brought by Transmission Bond Trustee.** If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Transmission Bond Trustee, by its agents and attorneys, if the Transmission Bond shall deem it advisable, may proceed to protect and enforce its rights and the rights of the Owners of SFP Transmission Obligations under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Transmission Bond, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution, provided that in no event shall the SFP Transmission Obligations be subject to acceleration.

The Owners of a majority in principal amount of the SFP Transmission Obligations at the time Outstanding may direct by instrument in writing the time, method and place of conducting any proceeding for any remedy available to the Transmission Bond Trustee, or exercising any trust or power conferred upon the Transmission Bond Trustee, provided that the Transmission Bond Trustee shall have the right to decline to follow any such direction if the Transmission Bond Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Transmission Bond Trustee in good faith shall determine that the action or proceeding so directed would involve the Transmission Bond Trustee in personal liability or be unjustly prejudicial to the Owners of SFP Transmission Obligations not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Transmission Bond Trustee to enforce any right under the Resolution, the Transmission Bond Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Transmission Bond Trustee upon the occurrence of an Event of Default; and, as a matter of right against the Authority, without notice or demand and without regard to the adequacy of the security for the SFP Transmission Obligations, the Transmission Bond Trustee shall, to the extent permitted by law, be entitled to the appointment of a receiver of the SFP Transmission Trust Estate, with all such powers as the court or courts making such appointment shall confer; but notwithstanding the appointment of any receiver, the Transmission Bond Trustee shall be entitled to retain possession and control of and to collect and receive income from, any moneys, securities and funds deposited or pledged with it under the Resolution or agreed or provided to be delivered to or deposited or pledged with it under the Resolution.

Regardless of the happening of an Event of Default, the Transmission Bond Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the SFP Transmission Obligations then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Transmission Bond Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of SFP Transmission Obligations.

**Restriction on Action by the Owners of SFP Transmission Obligations.** No Owner shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Owner shall have previously given to the Transmission Bond Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Owners of at least twenty five percent (25%) in principal amount of the SFP Transmission

Obligations then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Section or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request within a reasonable time; it being understood and intended that no one or more Owners of SFP Transmission Obligations shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Owners of the Outstanding SFP Transmission Obligations.

**Remedies not Exclusive.** No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Owners of SFP Transmission Obligations is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution.

**Effect of Waiver and Other Circumstances.** No delay or omission of the Transmission Bond Trustee or of any Owner to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or to be an acquiescence therein and every power and remedy given by this Article to the Transmission Bond Trustee or to the Owners of SFP Transmission Obligations may be exercised from time to time and as often as may be deemed expedient by the Transmission Bond Trustee or by the Owners of SFP Transmission Obligations.

The Owners of a majority in principal amount of the SFP Transmission Obligations at the time Outstanding, or their attorneys in fact duly authorized, may on behalf of the Owners of all of the SFP Transmission Obligations waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium on any of the SFP Transmission Obligations. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

*(Resolution, Art. X)*

## **Defeasance**

If the Authority shall pay or cause to be paid to the Owners of all SFP Transmission Obligations then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Transmission Bond Trustee, the covenants, agreements and other obligations of the Authority to the Owners of SFP Transmission Obligations shall be discharged and satisfied. In such event, the Transmission Bond Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of SFP Transmission Obligations not theretofore surrendered for such payment or redemption.

Outstanding SFP Transmission Obligations or any portion thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid pursuant to the Transmission Bond Resolution and shall cease to be entitled to any lien, benefit or security under the Transmission Bond Resolution if the following conditions are met: (i) in the case of SFP Transmission Obligations to be redeemed, the Authority shall have given to the Transmission Bond Trustee irrevocable instructions to mail the notice of redemption therefor, (ii) there shall have been irrevocably deposited with the Transmission Bond Trustee in trust either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited at the same time, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or Redemption Price, if applicable, and interest due and to become due on such SFP Transmission Obligations on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such SFP Transmission Obligations are not maturing or subject to redemption within the next succeeding 60 days, the Authority shall have given the Transmission Bond Trustee irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such SFP Transmission Obligations

that the above deposit has been made with the Transmission Bond Trustee and that such SFP Transmission Obligations are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, of such SFP Transmission Obligations.

Neither Defeasance Securities nor moneys deposited with the Transmission Bond Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said SFP Transmission Obligations; provided that any moneys on deposit with the Transmission Bond Trustee, (i) to the extent such moneys will not be required at any time for such purpose, shall be paid over to the Authority as received by the Transmission Bond Trustee, free and clear of any trust, lien or pledge securing said SFP Transmission Obligations or otherwise existing under the Resolution, and (ii) to the extent such moneys will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient, together with any moneys available to the Transmission Bond Trustee for such purpose, to pay when due the principal or Redemption Price, if applicable, and interest to become due on said SFP Transmission Obligations on and prior to such redemption date or maturity date thereof, as the case may be.

*(Resolution, Sec. 1101)*

### **Unclaimed Moneys**

Any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the SFP Transmission Obligations which remain unclaimed for two years after the date when such principal, Redemption Price or interest, respectively, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary after such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such principal, Redemption Price or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of SFP Transmission Obligations shall look only to the Authority for the payment of such principal, Redemption Price or interest, respectively. Any moneys held by a Fiduciary in trust for the payment and discharge of any SFP Transmission Obligations which remain unclaimed after such moneys were to be applied to the payment of such SFP Transmission Obligations in accordance with the Transmission Bond Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of SFP Transmission Obligations shall look only to the Authority or the Comptroller of the State for the payment of such SFP Transmission Obligations. Before being required to make any such payment to the Authority or to apply such moneys in accordance with the Abandoned Property Law of the State, the Fiduciary shall, at the expense of the Authority, cause to be mailed to the Owners entitled to receive such moneys a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law of the State, as the case may be.

*(Resolution, Sec. 1101)*

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**FORMS OF APPROVING OPINION  
OF CO-BOND COUNSEL**

*Upon delivery of the 2022A Bonds in definitive form, each of Hawkins Delafield & Wood LLP and Pearlman Miranda, LLC, Co-Bond Counsel to the Authority, proposes to render its final approving opinion in substantially the following form:*

\_\_\_\_\_, 2022

Power Authority of the State of New York  
123 Main Street  
White Plains, New York 10601

Ladies and Gentlemen:

We have examined a copy of a record of proceedings relating to the issuance of Green Transmission Project Revenue Bonds, Series 2022A (Tax-Exempt) in the principal amount of \$608,310,000 (“2022 Bonds”) of the Power Authority of the State of New York (the “Authority”), a body corporate and politic constituting a corporate municipal instrumentality and political subdivision of the State of New York (the “State”).

The 2022 Bonds are issued under and pursuant to the Constitution and statutes of the State, including the Power Authority Act, being 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 (herein called the “Act”), and under and pursuant to proceedings of the Authority duly taken, including a resolution of the Authority adopted on December 7, 2021, entitled “General Resolution Authorizing SFP Transmission Project Revenue Obligations” (the “Transmission Project General Resolution”), as supplemented by a First Supplemental Resolution adopted on December 7, 2021, as amended and restated on January 25, 2021 (the “First Supplemental Resolution” and, together with the Transmission Project General Resolution, the “Transmission Project Resolution”).

The 2022 Bonds are dated, mature, are subject to redemption, are payable and bear interest, all as provided in the Transmission Project Resolution.

The Authority reserves the right to issue additional bonds, notes and other obligations as parity obligations under the Transmission Project Resolution (collectively with the 2022 Bonds and all other outstanding parity obligations under the Transmission Project Resolution, the “Revenue Obligations”) on the terms and conditions, and for the purposes, stated in the Transmission Project Resolution. Under the provisions of the Transmission Project Resolution, all such Revenue Obligations will rank equally as to security and payment with the 2022 Bonds.

We are of the opinion that:

1. The Authority is duly created and validly existing under the provisions of the Act.
2. The Authority has the right and power under the Act to adopt the Transmission Project Resolution, and the Transmission Project Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Transmission Project Resolution is required. The First Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Transmission Project General Resolution, is authorized or permitted by the Transmission Project General Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. The Transmission Project Resolution creates the valid pledge which it purports to create of the SFP Trust Estate (as defined and to the extent provided in the Transmission Project Resolution), subject only to the provisions of the Transmission Project Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Transmission Project Resolution.

3. The 2022 Bonds have been duly and validly authorized and issued in accordance with law and in accordance with the Transmission Project Resolution, and are valid, binding and limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Transmission Project Resolution and entitled to the benefits of the Act, payable solely from the SFP Transmission Trust Estate as and to the extent provided in the Transmission Project Resolution. The Authority has good right and lawful authority under the Act to effectuate the purposes for which the proceeds of such Bonds will be utilized, subject to obtaining such licenses, orders or other authorizations, if any, as, at the date hereof, may be required to be obtained from any agency or regulatory body having lawful jurisdiction in order to effectuate such purposes. The Authority has no taxing power, the 2022 Bonds are not debts of the State or of any political subdivision of the State, other than the Authority, and the 2022 Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof.

4. Under existing statutes, interest on the 2022 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York.

5. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2022 A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2022 A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering the opinions in this paragraph 5, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the 2022 A Bonds, and we have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2022 Bonds from gross income under Section 103 of the Code.

The opinions expressed in paragraphs 2 and 3 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the 2022 Bonds, or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the 2022 Bonds.

In rendering the foregoing opinions, we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the 2022 Bonds. In rendering the foregoing opinions, we have not been requested to examine any document or financial or other information concerning the Authority, other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy, sufficiency or completeness of any financial or other information which has been or will be supplied to purchasers of the 2022 Bonds.

This letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material or matters of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. Our services did not include financial or other non-legal advice.

Very truly yours,

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (this “Agreement”) dated April \_\_, 2022 by and between the Power Authority of the State of New York (the “Issuer”) and The Bank of New York Mellon, as Transmission Bond Trustee (the “Transmission Bond Trustee”), under a resolution adopted by the Issuer on December 7, 2021, entitled “General Resolution Authorizing Transmission Project Revenue Obligations” (the “Transmission Bond Resolution”), as supplemented by the First Supplemental Resolution Authorizing Transmission Project Revenue Obligations, adopted by the Issuer on December 7, 2021, as amended and restated on January 25, 2022 (the “First Supplemental Resolution” and, together with the Transmission Bond Resolution (the “Transmission Resolution”), is executed and delivered in connection with the issuance of the Issuer’s \$608,310,000 principal amount of Green Transmission Project Revenue Bonds, Series 2022A (the “2022A Bonds”). Capitalized terms used in this Agreement which are not otherwise defined in the Transmission Resolution shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

**ARTICLE I****The Undertaking**

Section 1.1. *Purpose.* This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. *Annual Financial Information.* (a) The Issuer shall provide Annual Financial Information with respect to each Fiscal Year of the Issuer, commencing with the fiscal year ending December 31, 2022, by no later than nine months after the end of the respective Fiscal Year, to the MSRB.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. *Audited Financial Statements.* If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. *Notice Events.* (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Transmission Bond Trustee.

(b) Any such notice of a defeasance of 2022A Bonds shall state whether the 2022A Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Transmission Bond Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Transmission Bond Trustee under the Transmission Resolution, the Transmission Bond Trustee has actual notice of an occurrence which would require the Issuer to provide notice of a Notice Event hereunder; provided, however, that the failure of the Transmission Bond Trustee so to advise the Issuer shall not constitute a breach by the Transmission Bond Trustee of any of its duties and responsibilities under this Agreement or the Transmission Resolution.

(d) Each notice concerning a Notice Event relating to the 2022A Bonds shall include the CUSIP numbers of the 2022A Bonds to which such Notice Event relates or, if the Notice Event relates to all bond issues of the Issuer including the 2022A Bonds, such notice need only include the CUSIP number of the Issuer.

Section 1.5. *Additional Disclosure Obligations.* The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this

Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.6. *Additional Information.* Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.7. *No Previous Non-Compliance.* The Issuer represents that it has previously entered into written contracts or agreements of the type referenced in paragraph (b)(5)(i) of the Rule and, except as set forth in the Official Statement is in material compliance with such agreements.

## ARTICLE II

### Operating Rules

Section 2.1. *Reference to Other Filed Documents.* It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. *Submission of Information.* Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. *Dissemination Agents.* The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.4. *Transmission of Notices, Documents and Information.* (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. *Fiscal Year.* (a) The Issuer's current fiscal year is January 1 - December 31, and the Issuer shall promptly notify (i) the MSRB and (ii) the Transmission Bond Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

## ARTICLE III

### Effective Date, Termination, Amendment and Enforcement

Section 3.1. *Effective Date; Termination.* (a) This Agreement shall be effective upon the issuance of the 2022A Bonds.

(b) The Issuer's and the Transmission Bond Trustee's obligations under this Agreement shall terminate upon a legal defeasance of all of the 2022A Bonds, prior redemption or payment in full of all of the 2022A Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Transmission Bond Trustee an opinion of Counsel, addressed to the Issuer and the Transmission Bond Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the 2022A Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. *Amendment.* (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the 2022A Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Transmission Bond Trustee an opinion of Counsel, addressed to the Issuer and the Transmission Bond Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Transmission Bond Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel or the Transmission Bond Trustee) and acceptable to the Issuer, addressed to the Issuer and the Transmission Bond Trustee, to the effect that the amendment does not materially impair the interests of the holders of the 2022A Bonds or (ii) the holders of the 2022A Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Transmission Resolution with consent of holders of 2022A Bonds pursuant to the Transmission Resolution as in effect at the time of the amendment, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the 2022A Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have delivered to the Transmission Bond Trustee an opinion of Counsel, addressed to the Issuer and Transmission Bond Trustee, to the effect that performance by the Issuer and the Transmission Bond Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the 2022A Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered to the Transmission Bond Trustee an opinion of Counsel, addressed to the Issuer and the Transmission Bond Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of the SEC or its staff, and (2) the Transmission Bond Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. *Benefit; Third-Party Beneficiaries; Enforcement.* (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the 2022A Bonds, except that beneficial owners of 2022A Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding 2022A Bonds, or by the Transmission Bond Trustee on behalf of the holders of Outstanding 2022A Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Transmission Bond Trustee on behalf of the holders of Outstanding 2022A Bonds; provided, however, that the Transmission Bond Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the 2022A Bonds at the time Outstanding who shall have provided the Transmission Bond Trustee with adequate security and indemnity. The holders' and the Transmission Bond Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of 2022A Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of 2022A Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Transmission Bond Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Transmission Bond Resolution, and the rights and remedies provided by the Transmission Bond Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

## ARTICLE IV

### Definitions

Section 4.1. *Definitions.* The following terms used in this Agreement shall have the following respective meanings:

1. "Annual Financial Information" means, collectively, the following: (I) financial information and operating data contained in the Official Statement for each fiscal year of the Issuer: the Debt Service Coverage Ratio for the most recent year ending November 15; (II) the balance in each of the Debt Service Reserve Fund and the Operating Reserve Account as of the last day of each fiscal year; and (III) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1) of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

2. "Audited Financial Statements" means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Transmission Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Issuer may, if permitted by GAAP, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific provision describing such accounting principles, or other description thereof.

3. "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

4. “Exchange Act” means the Securities Exchange Act of 1934, as amended and in effect on the date hereof.

5. “Financial Obligation” means. a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Exchange Act) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

6. “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

7. “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

8. “Notice Event” means any of the following events with respect to the 2022A Bonds, whether relating to the Issuer or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2022A Bonds or other material events affecting the tax status of the 2022A Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the 2022A Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan

of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional Transmission Bond Trustee or the change of name of a Transmission Bond Trustee, if material;

(xv) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Bondholders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For the purposes of the events identified in clauses (xv) and (xvi) and the definition of “Financial Obligation” in Section 2 hereof, reference to the Rule includes the guidance provided by the SEC in Release No. 34 83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

9. “Official Statement” means the Official Statement dated April 5, 2022, of the Issuer relating to the 2022A Bonds.

10. “Rule” means Rule 15c2-12 promulgated by the SEC under the Exchange Act (17 CFR Part 240, ss.240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

11. “SEC” means the United States Securities and Exchange Commission.

12. “State” means the State of New York.

13. “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

14. “Underwriters” means any of the underwriters of the 2022A Bonds required to comply with the Rule in connection with the offering of the 2022A Bonds.

## ARTICLE V

### Miscellaneous

Section 5.1. *Duties, Immunities and Liabilities of Transmission Bond Trustee.* Article VII of the Transmission Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Transmission Resolution.

Section 5.2. *Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

**IN WITNESS WHEREOF**, the parties have each caused this Agreement to be executed by their duly authorized representatives all as of the date first above written.

**POWER AUTHORITY OF THE STATE OF NEW YORK**

By: \_\_\_\_\_  
An Authorized Representative

**THE BANK OF NEW YORK MELLON**, as Transmission Bond  
Trustee

By: \_\_\_\_\_  
An Authorized Representative

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**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)

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