NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Financial Report

December 31, 2023

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

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and the fiduciary activities of the Power Authority of the State of New York (the Authority), a component unit of the State of New York, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of the Authority, as of December 31, 2023, and the changes in financial position and, where applicable, cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

New York, New York
March 28, 2024

March 28, 2024

Management Report (Unaudited)

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

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

The Authority maintains an internal auditing program to independently assess the effectiveness of internal controls and to report findings and recommend possible improvements to management. This program includes a comprehensive assessment of internal controls to ensure that the system is functioning as intended. Additionally, as part of its audit of the Authority's consolidated financial statements, KPMG LLP, the Authority's independent auditors, considers internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls over financial reporting. Management has considered the recommendations of its internal auditors, the Office of the State Comptroller ("OSC"), and the independent auditors concerning the system of internal controls and has taken actions that it believed to be cost-effective in the circumstances to respond appropriately to these recommendations. Based on its structure and related processes, management believes that, as of December 31, 2023, the Authority's system of internal controls provides reasonable assurance related to material items, as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting.

The members of the Authority's Board of Trustees (the "Authority's Trustees") are appointed by the Governor, by and with the advice and consent of the Senate. The Authority's Trustees' Audit Committee meets with the Authority's management, its Senior Vice President of Internal Audit, and its independent auditors periodically, throughout the year, to discuss internal controls and accounting matters, the Authority's financial statements, the scope and results of the audit by the independent auditors and the periodic audits by the OSC, and the audit programs of the Authority's internal auditing department. The independent auditors and the Senior Vice President of Internal Audit have direct access to the Audit Committee.

Adam Barsky
Executive Vice President and Chief Financial Officer

Management's Discussion and Analysis (Unaudited)

Overview of the Consolidated Financial Statements

The New York Power Authority (the "Power Authority") is considered a special-purpose government entity engaged in business-type activities. Effective January 1, 2017, the New York State Canal Corporation (the "Canal Corporation") became a subsidiary of the Power Authority, and the Power Authority assumed certain powers and duties relating to the Canal System to be exercised through the Canal Corporation. In May 2023, NYPA Captive Insurance Company (the "Captive") was established as a wholly-owned subsidiary of the Power Authority. The Power Authority and its subsidiaries (collectively the "Authority") follow financial reporting for enterprise funds. The consolidated financial statements of the Authority are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). Under the criteria outlined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus--an amendment of GASB Statements No. 14 and No. 34*, the Authority considers its relationship to the State to be that of a related component unit. The Power Authority and its subsidiaries, the Canal Corporation and the Captive are referred to collectively as the "Authority" in the consolidated financial statements, except where noted.

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

Management's discussion and analysis provide an overview of the Authority's financial information for the year ended December 31, 2023, with comparative information as of and for the year ended December 31, 2022. The Authority adopted GASB Statement No. 96 ("GASB No. 96"), *Subscription-Based Information Technology Arrangements*, in 2023, effective January 1, 2023. The financial information presented in the MD&A as of and for the year ended December 31, 2022, has not been restated to reflect the adoption of GASB No. 96. If restated, the amount would have been immaterial.

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

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Governance

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

The members of the Power Authority Board of Trustees also serve as board members of the Canal Corporation and the Captive.

Trustee Member	**Term Expiration**
Chair, John Koelmel	5/6/21
Trustee, Michael J. Cusick	5/6/25
Trustee, Bethaida González	5/6/24
Trustee, Cecily L. Morris	6/22/27
Trustee, Dennis G. Trainor	5/6/22
Trustee, Lewis M. Warren, Jr.	5/6/28
Trustee, Laurie Wheelock	6/22/28

Forward-Looking Statements

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

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Summary of Consolidated Revenues, Expenses and Changes in Net Position

The following is a summary of the Authority's consolidated financial information for 2023 and 2022:

	2023	2022	2023 vs. 2022 favorable (unfavorable)	
	($ In Millions)		($ In Millions)	(In Percentages)
Operating revenues	$3,034	$4,007	($973)	(24)
Operating expenses:				
Purchased power	605	839	234	28
Fuel oil and gas	176	470	294	63
Transportation and delivery	1,107	1,304	197	15
Operations and maintenance	723	756	33	4
Depreciation and amortization	307	411	104	25
Total operating expenses	2,918	3,780	862	23
Operating income	116	227	(111)	(49)
Nonoperating revenues, gains and (losses)	94	(11)	105	>100
Nonoperating expenses	80	86	6	7
Net income and change in net position	130	130	0	0
Net position - beginning	4,945	4,815		
Net position - ending	$5,075	$4,945	$130	3

The Power Authority issued two series of bonds, as Separately Financed Projects ("SFP"), under its General Resolution Authorizing Transmission Project Revenue Obligations, adopted on December 7, 2021, as supplemented (the "Transmission Bond Resolution"). In April 2022, the Power Authority issued $608 million of Green Transmission Project Revenue Bonds, Series 2022A (the "2022A Bonds") to fund the Smart Path and Central East Energy Connect ("CEEC") transmission construction projects. In November 2023, the Power Authority issued $734 million of Green Transmission Project Revenue Bonds, Series 2023A to fund the Smart Path Connect ("SPC") Project (the "2023A Bonds", together with the "2022A Bonds", are referred to as "Transmission Resolution Revenue Bonds"). Proceeds of the bonds are being used to fund capital and other expenditures, including reimbursing expenses related to Transmission Resolution Revenue Bond project costs; and to pay financing and other costs relating to the issuance of the Transmission Resolution Revenue Bonds.

Transmission Resolution Revenue Bonds are secured and payable separate and apart from the Power Authority's General Bond Resolution (Refer to Note 5 of notes to the consolidated financial statements for more information on Bond Resolutions and Related Matters). The CEEC, Smart Path, and SPC Projects are collectively referred to as "Separately Financed Projects" or "SFP".

Continued

Consolidated Financial Statements, as presented above, represent the Authority's consolidated results. Financial information relating to the SFP and Captive has been disclosed separately in relevant notes to the Consolidated Financial Statements and such notes should be read together with other financial information disclosed in the notes. Refer to section SFP in MD&A and Notes 2, 3, and 17 in Notes to the Consolidated Financial Statements for detailed disclosures on SFP and Captive. For the year ended 2023, financial information relating to the SFP shows operating revenue of $97 million and net income of $53 million. For the year ended 2023, financial information relating to Captive shows operating revenue of $2 million and net income of $6 million.

The Authority had a net income and change in net position of $130 million for the year ended December 31, 2023, compared to $130 million net income in 2022, remaining unchanged year over year. Operating income decreased by $111 million due to lower prices on market-based sales of energy and capacity. Operating expenses were $862 million lower, primarily due to the $528 million decrease in purchased power and fuel and oil and gas costs related to lower prices. The transportation and delivery expenses were $197 million lower primarily due to lower prices. Depreciation and amortization expenses were $104 million lower as the arrangement with Astoria Energy II ("AEII") no longer met the definition of a lease with the adoption of GASB Statement No. 87("GASB No. 87") in 2022.

Operating Revenues

Operating revenues of $3,034 million in 2023 were $973 million lower than the $4,007 million in 2022, primarily due to lower market energy prices, and lower pass-through transmission revenues partially offset by higher hydro production.

Purchased Power and Fuel and Oil and Gas

Purchased power and fuel and oil and gas costs decreased by $234 million and $294 million, respectively in 2023. The decrease was primarily due to lower fuel costs resulting from lower gas prices partially offset by higher volumes.

Operations and Maintenance (O&M)

O&M expenses decreased by $33 million primarily driven by higher OPEB expense credit.

Nonoperating Revenues, Gains and (Losses)

Nonoperating revenues increased by $105 million primarily due to higher investment income and an increase in the market value of the investment portfolio.

Nonoperating Expenses

Nonoperating expenses decreased by $6 million primarily due to the Astoria Energy II ("AEII") arrangement no longer meeting the definition of a lease with the adoption of GASB No. 87 in 2022.

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EBIDA

Reconciliation of Net Income to EBIDA

	2023	2022
	($ In Millions)	
Net Income	$ 130	$ 130
Add:		
Interest (w/o AEII)	80	57
Interest (AEII)	-	29
Depreciation and amortization (w/o AEII)	307	257
Depreciation and amortization (AEII)	-	154
EBIDA (w/AEII)	$ 517	$ 627
EBIDA (w/o AEII)	$ 517	$ 444

See note below and Note 15 of the Notes to the Consolidated Financial Statements for further information on AEII

Note: AEII represents the arrangement with Astoria Energy II

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

In 2022, with the adoption of GASB No. 87, the arrangement with Astoria Energy II ("AEII") no longer met the definition of a lease under the accounting rule. Year over year EBIDA without AEII impact increased from $444 million to $517 million in 2023.

Net Generation

Net generation was 26.9 million megawatt-hours ("MWhs") in 2023 and 26.4 million MWhs in 2022. Net generation from the Niagara and St. Lawrence hydroelectric plants in 2023 (22.6 million MWhs) was 0.44% higher than in 2022 (22.5 million MWhs) due to the marginally increased hydro flows to the Niagara and St. Lawrence hydroelectric plants. Net hydro generation for 2023 and 2022 were both approximately 111% of the long-term average of 20.3 million MWhs. The combined net generation of the fossil fuel plants for 2023 was 4.3 million MWhs, or 10% higher than in 2022 (3.9 million MWhs).

Summary of Consolidated Statements of Net Position

The following is a summary of the Authority's consolidated statements of net position for 2023 and 2022:

	2023	2022	2023 vs. 2022	
	($ In Millions)		($ In Millions)	(In Percentages)
Current assets	$2,126	$1,963	$163	8
Capital assets	6,908	6,413	495	8
Other noncurrent assets	1,319	1,222	97	8
Deferred outflows of resources	327	477	(150)	(31)
Total assets and deferred outflows	$10,680	10,075	605	6
Current liabilities	1,105	1,091	14	1
Noncurrent liabilities	3,770	2,975	795	27
Total liabilities	4,875	4,066	809	20
Deferred inflows of resources	730	1,064	(334)	(31)
Net investment in capital assets	3,361	3,573	(212)	(6)
Unrestricted	1,714	1,372	342	25
Net position	5,075	4,945		
Total liabilities, deferred inflows and net position	$10,680	$10,075	$605	6

The following summarizes the Authority's consolidated statements of net position variances for the year 2023:

In 2023, current assets increased by $163 million to $2,126 million due to an increase in cash and cash equivalents and investment in securities related to the 2023A Bonds issuance. Capital assets increased by $495 million to $6,908 million, compared to last year, due to increased spending on transmission capital projects. Other noncurrent assets increased by $97 million, compared to last year, primarily due to unspent capital funds related to the 2023A Bonds issuance. Deferred outflows decreased by $150 million primarily due to changes in the deferral of other post-employment benefits other than pension ("OPEB"), as well as the decrease in the outflow of accumulated hedging derivatives. Current liabilities increased by $14 million primarily due to the increase of long-term debt due within one year, partially offset by lower accruals for economic development programs. Other noncurrent liabilities increased by $795 million primarily due to the increase in long-term debt of $751 million due to the issuance of 2023A Bonds (The Power Authority issued $734 million of 2023A bonds at a premium). Deferred inflows of resources decreased by $334 million primarily due to $224 million and $70 million of pension and OPEB valuation, respectively, and the balance due to a decrease in deferred transmission congestion contract ("TCC") auction revenues, $64 million, partially offset by an increase in the cost of removal obligations, $34 million.

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Capital Assets

The Authority estimates that it will expend approximately $4.4 billion ($3.1 billion for various capital improvements, which includes Canal capital projects of approximately $577 million, and $1.3 billion for Energy Services projects) over the four-year period of 2024-2027. The Authority anticipates that these expenditures will be funded using existing construction funds, internally generated funds, separately financed project bond issuances, and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of commercial paper notes and/or the issuance of long-term debt.

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

Projected capital requirements during this period (2024-2027) include (in millions):

Canal Capital *	$577
Smart Path Connect **	344
Workplace of the Future	305
Next Generation Niagara	304
Propel NY Energy	217
IT (Application, Core, Cyber, and Data) Programs	161
Transmission Life Extension & Modernization (T-LEM)	151
Transmission Business Development	134
Strategic EV Charging Station Installations	77
Enterprise Resource Planning (ERP)	56
Niagara & St. Lawrence Crane Replacement Program	48
All Others	746
	$3,120

* Some of this contains amount contingent upon receiving outside grants/funding.
** Separately Financed Projects - Refer to section on SFP under MD&A and Note 3 in Notes to Consolidated Financial Statements.
See Note 19 in Notes to Consolidated Financial Statements, Other Developments, for details on certain projects listed above.

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More detailed information about the Authority's capital assets is presented in Note 4(d) "Summary of Significant Accounting Policies – Capital Assets", Note 7 "Capital Assets" and Note 19 "Other Developments" of the Notes to the Consolidated Financial Statements.

Long-Term Debt Activity

	2023	2022	2023 vs. 2022	
	($ In Millions)		($ In Millions)	(In Percentages)
Long-term debt, net of current maturities				
Senior:				
Revenue bonds	$ 1,519	$ 1,624	($105)	(6)
Subordinated:				
Subordinated Notes, Series 2017 and 2012 (1)	35	36	(1)	(3)
Separate Revenue Bond Obligation:				
Transmission Resolution Revenue Bonds (2)	1,391	659	732	>100
Total long-term debt, net of current maturities	2,945	2,319	626	27
Net Position	5,075	4,945	130	3
Total capitalization	$ 8,020	$ 7,264	756	10

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

(2) The Transmission Resolution Revenue Bonds are limited obligations of the Power Authority payable solely from and secured by the trust estate pledged under the Transmission Bond Resolution. See Note 3 of the Notes to the Consolidated Financial Statements.

To maintain the weighted average cost of capital formula rate, as approved by the Federal Energy Regulatory Commission ("FERC") in a 2016 rate filing, long-term debt cannot exceed equity. Long-term debt to equity (long-term debt/net position) ratio was at 0.58-to-1 as of December 31, 2023 (Long-term debt $2.94 billion and equity $5.07 billion) vs. 0.47-to-1 as of December 31, 2022 (Long-term debt of $2.32 billion and equity of $4.94 billion).

Under the General Bond Resolution, long-term debt to equity (long-term debt/net position) ratio as of December 31, 2023, and 2022, was at 0.32-to-1 (Long-term debt $1.55 billion and equity $4.86 billion) and 0.34-to-1 (Long-term debt $1.66 billion and equity $4.86 billion), respectively. $227 million, consisting of the Series 1, and Series 2 CP Notes is excluded from the long-term debt-to-equity ratio, as it is used by the Authority to finance the Authority's current and future energy efficiency programs on behalf of its customers.

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

(a) Long-term debt includes certain bonds – Series 2007B Revenue Bonds and Series 2003A Revenue Bonds – the principal and interest when due are guaranteed under insurance policies issued by MBIA Insurance Corporation and Assured Guaranty Municipal Corporation, respectively.

(b) Standard & Poor's Ratings Service assigned an insured rating of AA for the Series 2022A and 2023A bonds based on the policy provided by Assured Guaranty Municipal Corporation.

In 2023, Standard & Poor's Ratings Service ("S&P") affirmed the Power Authority's Commercial Paper rating, Senior debt rating, and Subordinated Notes rating (Series 2017) with a stable outlook. In addition, S&P assigned an insured rating of AA to the Power Authority's Transmission Resolution Revenue Bonds based on the policy provided by Assured Guaranty Municipal Corporation ("AGM"). In 2023, Moody's Investors Service ("Moody's") affirmed the Power Authority's Commercial Paper rating and Senior debt rating and revised the outlook to positive from stable. Moody's also upgraded the Transmission Resolution Revenue Bonds to A1 from A2 and changed the outlook to positive from stable. In 2023, Fitch Ratings ("Fitch") affirmed the Power Authority's Commercial Paper rating, Senior debt rating, and Subordinated Notes (Series 2012) with a stable outlook. Fitch also assigned an AA- rating with a stable outlook to the Transmission Resolution Revenue Bonds. In 2023, the Power Authority added the Kroll Bond Rating Agency ("KBRA") to the list of credit ratings. KBRA assigned an 'AA' rating to the General Bond Resolution long-term bonds with a stable outlook. KBRA also assigned an AA- rating with a stable outlook to the Transmission Resolution Revenue Bonds.

Authority's General Resolution Fund Requirements

The Operating Fund, included within the Cash and Cash Equivalents and Investments on the Authority's Statement of Net Position, was created by the General Bond Resolution. A number of internal reserves have been established within the Operating Fund, as follows:

The Operating Reserve, established at $175 million by the Authority's Trustees, includes a reserve for working capital and emergency repairs to the Authority's projects. At December 31, 2023, Operating Reserve had a balance of $510 million.

The Debt Service Reserve is funded at maximum annual debt service (principal and interest payments) to ensure that sufficient amounts are available to pay debt service obligations when due. At December 31, 2023, the Debt Service Reserve balance was $90 million.

The Energy Hedging Reserve was established to have funds available for use as collateral that may be required to support the Authority's authorized fuel and energy hedging transactions. At December 31, 2023, the Energy Hedging Reserve balance was $90 million.

The Spent Fuel Reserve was created to maintain funds to match the Department of Energy's obligation to pay for the processing and final disposition of spent nuclear fuel burned by the Authority when it owned the Indian Point #3 and James A. FitzPatrick nuclear plants. At December 31, 2023, the Spent Fuel Reserve balance was $245 million.

The Capital Project Reserve is utilized to partially fund major new investments by the Authority in its energy infrastructure. The Authority funds major investments with a portion of debt and a portion of equity. This Reserve has been established to provide the equity portion. At December 31, 2023, the Capital Project Reserve balance was $222 million.

In addition, the Authority holds committed funds in separate portfolios that have been earmarked for economic development and relicensing programs ("Committed Funds", see Note 18). At December 31, 2023, the Authority held $66 million in Committed Funds in the Operating Fund.

Separately Financed Projects ("SFP")

a) Overview

As referred to in the "Summary of Consolidated Revenues, Expenses and Changes in Net Position" section in the MD&A and further in the Notes to the Consolidated Financial Statements (See Note 3), the proceeds, $608 million and $ 734 million from the issuance of the Transmission Resolution Revenue Bonds are being used to fund capital and other expenditures of SFP, including reimbursing expenses related to Transmission Resolution Revenue Bond project costs; and to pay financing and other costs relating to the issuance of the Transmission Resolution Revenue Bonds.

The Power Authority contributed $74 million and $75 million in equity to fund the balance of costs not covered by the 2022A and 2023A Bonds, respectively.

b) Smart Path

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

As of December 31, 2023, the Power Authority had a capital spend of $453 million (excluding capitalized interest) for the Smart Path project, and the remaining amount to close out the project which is not expected to exceed $484 million will be accounted for as incurred. Construction commenced in 2020 and as of December 31, 2023, all 6 segments for Smart Path have been placed into Electric Plant In

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Service ("EPIS") and are part of the Authority's Annual Transmission Revenue Requirement ("ATRR"). Project closeout and site restoration are ongoing with expected completion in 2024.

The Smart Path project was funded with proceeds from the 2022A Bonds as mentioned above. See Note 3 on Separately Financed Projects for further information.

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

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

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

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

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

As of December 31, 2023, the Power Authority had a capital spend of $224 million for CEEC. The CEEC project was funded with proceeds from the 2022A Bonds as mentioned above. As of December 31, 2023, the project is 100% complete and placed in service. See Note 3 on Separately Financed Projects for further information.

d) Smart Path Connect

In meeting the advancement of the State's energy goals and supporting the Authority's VISION2030 goals, in 2020, the NYSPSC approved the Smart Path Connect Project ("SPC Project") as a Priority Transmission Project with an in-service date of December 2025. The SPC Project is being developed in cooperation with National Grid. The SPC Project consists of rebuilding approximately 100 linear miles of existing 230 kV transmission lines in northern and central New York to 345 kV, along with associated substation construction and upgrades, to address existing congestion and curtailment issues by establishing, together with other projects currently under development by the Power Authority, a continuous 345 kV transmission path from areas of planned renewable generation to New York's load centers. The SPC Project includes rebuilding all or parts of the following transmission lines: the remaining 8-mile section of the Authority's Moses-Adirondack 1&2, the Authority's Moses-Willis 1&2, the Authority's Willis-Patnode and the Authority's Willis-Ryan; and National Grid's Adirondack to Porter (Chases Lake-Porter Line 11, Adirondack-Porter Line 12, and Adirondack-Chases Lake Line 13), as well as connecting to the Authority's Moses-Adirondack 1&2 transmission facilities. The SPC Project will be built primarily within existing rights-of-way. The goal of the SPC Project is to allow for renewable generation from northern New York regions to be transmitted downstate, improving the NYS renewable energy consumption, as well as the efficiency of energy pricing throughout the state. Construction is underway along the right of way and within substations. 38 miles of transmission line upgrades have been completed as of December 2023.

As of December 31, 2023, the Power Authority had a capital spend of $462 million (excluding capitalized interest) for the SPC Project. The Power Authority estimates it will expend $344 million on the SPC Project over the four-year period 2024-2027. In 2023, the Power Authority issued $734 million of 2023A bonds (net proceeds totaling $751 million, which includes $17 million of premium) to support the SPC Project. The Power Authority doesn't expect to exceed $830 million which was approved by the Authority's Trustees as of December 31, 2023.

e) Revenue Recovery

The Authority's total cost of providing electric transmission services throughout New York State is expressed in its ATRR. The ATRR is determined by a FERC-regulated formula that calculates the total annual revenue that the Authority may earn for providing transmission service on its system, which is included in the NYISO tariff. The Authority's regulated transmission formula rate year spans from July 1st – June 30th and utilizes prior calendar year actual costs to set its upcoming rate year ATRR.

The Authority recovers its full transmission system costs under its formula rate, but for internal purposes, the Authority recognizes that certain projects are separately financed, i.e. the SFP and the revenue requirements for those projects can be tracked under the formula rate. To determine the revenues pledged to SFP, the Authority annually separates and reports the transmission revenue requirement for each project housed within the SFP (Smart Path, Smart Path Connect, and CEEC). The annual revenue requirements for the SFP projects follow the existing FERC-approved formula Rate, which allocates the appropriate share of depreciation and amortization expense, return on rate base, and Operating Expenses (Transmission Operation & Maintenance, Allocated Administrative & General, and Allocated General Plant Depreciation & Amortization) to the SFP.

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

Clean Energy Solutions

The Authority offers energy efficiency services to New York State public and other statutorily eligible entities to reduce energy consumption and cut energy costs. The Authority has been implementing energy efficiency projects since the early 1990s and has invested over $3.9 billion in energy efficiency projects, yielding over 1,800 GWH estimated annual savings statewide. The Authority offers comprehensive energy efficiency services tailored to each participant's needs. Services include but are not limited to energy audits, advisory services, metering, data analytics, lifecycle cost analysis, engineering/design services, procurement, project management, construction management, and project close-out. The Authority manages all aspects of the project for the customer so the customer can focus their attention on their core responsibilities while major projects are being implemented. The Authority recovers all costs incurred on such projects with no material impact on its financial results.

On an annual basis, the Authority implements an average of $250 million in energy efficiency and clean energy technology projects. As of December 31, 2023, the outstanding balance for energy efficiency and clean energy technologies projects in the Authority's balance sheet was a total of $476 million, with $247 million of the loan balance and $229 million of energy efficiency program cost that will be billed to the customers.

Economic Conditions

In December 2020, the Authority's Trustees approved its new strategic plan, VISION2030. VISION2030 provides a roadmap for transforming the state's energy infrastructure to a clean, reliable, resilient, and affordable system over the next decade. VISION2030 focuses on five strategic priorities to achieve the clean energy goals of the Authority's customers and the state. They include the Authority's intention to preserve the value of hydroelectric generation; facilitate the rapid development of transmission assets; pioneer the path to decarbonization while ensuring reliability, resilience, and affordability of the state's electric grid; partner with customers to deliver clean and affordable energy solutions and adaptively reimagine the New York State canal system. Five foundational pillars: digitalization, best-in-class environmental, social, and governance ("ESG") performance and reporting; leadership in diversity, equity, and inclusion ("DEI") priorities; enterprise resilience; and resource alignment (i.e., process excellence, workforce planning, and knowledge management initiatives) support VISION2030. The costs and revenues with respect to the plan are reflected in the Authority's 2024-2027 financial plan.

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

Climate Leadership and Community Protection Act

New York State's climate plan is one of the most ambitious climate and clean energy initiatives in the nation, calling for an orderly and just transition to clean energy that creates jobs and continues fostering a green economy in New York State. Enshrined into law through the Climate Leadership and Community Protection Act ("CLCPA"), New York is on a path to achieving its mandated goal of a zero-emission electricity sector by 2040, including 70 percent renewable energy generation by 2030, and to reach economy-wide carbon neutrality. CLCPA's targets for decarbonizing power generation include bringing 45 GW (26 GW of land-based renewables, 9 GW of offshore wind, and 10 GW of distributed solar) of renewables to market by 2035; accelerating transmission network investment to integrate renewables and alleviate load pockets; and ensuring grid reliability and flexibility through an integrated set of solutions including 3 GW of energy storage (subsequently increased to 6 GW through Gubernatorial action), dispatchable clean generation, and demand-side solutions. Targets for decarbonizing beyond the power sector include the reduction of statewide energy use by 185 trillion British thermal units ("TBtu"); electrification of transportation; and coordinated electrification of building heating and industrial processes. Fundamental to the CLCPA and Authority's participation in achieving its goals is ensuring an equitable transition to thriving clean energy.

Accelerated Renewable Energy Growth and Community Benefit Act

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

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

On October 15, 2020, the New York Public Service Commission, acting through its authority under the Renewable Energy Act, designated the Smart Path Connect Project ("SPC") (discussed in the SFP section above) as a priority transmission project that should move forward expeditiously under the Renewable Energy Act. The SPC project will complete the transmission upgrades in the Moses–Marcy corridor and enable greater integration of renewable energy in the New York Grid. On November 16, 2023, the Power Authority issued $734 million of the 2023A Bonds at a premium. Proceeds of the 2023A

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Bonds, together with other funds being provided by the Power Authority, will be used to (i) pay for capital expenditures related to the SPC Project, including reimbursement for prior capital spending, (ii) fund a debt service reserve fund, (iii) pay capitalized interest, (iv) fund an operating reserve account and (v) pay the costs of issuance.

Sustainability

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

In 2021 and 2022, the Authority issued annual reports and sustainability reports for calendar years 2020 and 2021 respectively that describe its progress in achieving its VISION2030 and 2021-25 Sustainability Plan goals. In 2023, the Authority issued its first integrated report for the 2022 calendar year that strives to apply the Integrated Reporting Framework principles and combines the Authority's annual report and sustainability report in one. The 2022 Integrated Report details the operations and activities carried out by the Power Authority and the Canal Corporation and presents our view of the progress made in achieving the priorities set by the Authority in VISION2030 and the goals outlined in the 2021-25 Sustainability Plan. The report takes an integrated approach to communicating the Authority's performance, bringing together environmental, social, and governance data and audited financial information, and aims to present a more comprehensive view of the Authority's value creation process. It also strives to align with the Global Reporting Initiative Standards, the Sustainability Accounting Standards Board ("SASB") Electric Utilities and Power Generators Standard, and the Task Force on Climate-Related Financial Disclosures ("TCFD") reporting framework. The 2022 report can be accessed at nypa-2022-integrated-report.pdf and the Authority expects to issue the 2023 Integrated Report during the 3rd quarter of 2024.

Regional Greenhouse Gas Initiative

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

Competitive Environment

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

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

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

In line with the mission, the Authority implements energy efficiency services for the benefit of its power supply customers and various other public entities throughout the State. Refer to the section "Clean Energy Solutions" in MD&A. The Authority finances the installation of energy-saving greenhouse gas measures and equipment which are owned by the customers and public entities to focus on the reduction of the demand for electricity and the efficient use of energy.

The Authority operates in a competitive market environment. Through its participation in the NYISO and commodity markets, the Authority is subject to price uncertainty in electric energy, fuel, electric capacity, and non-energy commodities that impact the revenue of its facilities and customer market areas. Such market volatility can potentially have adverse effects on the Authority's financial condition.

To moderate impacts to the Authority, many of the Authority's customer contracts provide for the complete or partial pass-through of these costs, and at times, the Authority hedges market risks through the use of financial instruments and physical contracts.

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

Clean Path NY Project

In September 2021 Governor Hochul announced the award of the Clean Path NY project in the Tier 4 solicitation by NYSERDA which sought projects that would deliver a significant increase of renewable energy into the NYISO Zone J area (New York City). Forward Power – a joint venture between EnergyRe, LLC and Invenergy, LLC, and the Power Authority are collaborating on the transmission line portion of the project. The proposal Forward Power submitted to NYSERDA included an estimated project cost of $11 billion, $3.5 billion of which is for the construction of a new 175-mile High Voltage Direct Current transmission line. As described in Forward Power's filing under Article 7 of the New York State Public Service Law, the transmission line rating is estimated at approximately 1300 MW. The northern section of the proposed transmission line will be constructed within the Authority's existing rights of way. The remaining sections of the project will utilize existing rights of way owned by New York State Electric & Gas Corporation (NYSEG), Metropolitan Transportation Authority (MTA), Metro-North Railroad, New York State Department of Transportation (NYSDOT), and New York City Department of Transportation (NYCDOT). It will also include a submarine transmission line in the Hudson, Harlem, and East River. The construction of a converter station located in Astoria, Queens will be built on existing Authority property. The four-year plan period of 2024-2027 doesn't include any funds for the project as no capital expenditure is expected at this time. The NYSERDA contract was approved by the New York State Public Service Commission in April 2022. As of December 31, 2023, the project was in the Permitting & Article VII process for review. Preparation of other permitting applications, engineering, and procurement, as well as definitive agreements are ongoing.

ConnectALL Project

ConnectALL is New York State's $1 billion initiative, the largest public investment in broadband in the state's history that aims to transform New York's digital infrastructure and expand broadband access, affordability, and equity statewide. The Authority successfully conducted a pilot (costing approximately $10 million) by deploying fiber-to-the-home leveraging its existing fiber optic infrastructure for "middle mile" services, as authorized by the state legislature. This pilot deployment will enable reliable and affordable high-speed internet access to more than 3,000 previously unserved or underserved households and businesses in four municipalities – the Village of Sherburne in Chenango County (Authority's customer), the Town of Nichols in Tioga County, the Town of Diana in Lewis County, and the Town of Pitcairn in St. Lawrence County. The Authority provided, through this pilot, support to Empire State Development ("ESD") to develop a robust implementation plan for the Municipal Infrastructure Program leveraging both state and federal grant funding. The Authority will not make any investment in the project, however, will provide advisory services as part of the State's Broadband Deployment Advisory Committee (BDAC).

Propel

On June 20, 2023, the New York Independent System Operator ("NYISO") publicly announced the selection of Propel NY Alternative Solution 5 ("Propel Project") as the project that will meet the identified Long Island Public Policy Transmission Need to deliver at least 3,000 megawatts (MW) from offshore wind projects into the New York State Control Area. The Propel Project is being collaboratively developed by the Power Authority and New York Transco and will meet the transmission need through new electric transmission lines, new substations, and existing substation upgrades. The Propel Project will also establish a continuous 345kV path that greatly expands the deliverability of renewable offshore wind. More specifically, the Propel Project consists of the following electric transmission facilities: (i) East Garden City – Tremont 345 kV PAR-controlled line; (ii) Shore Road – Sprain Brook two (2) 345 kV PAR-controlled lines; (iii) Barrett – East Garden City 345 kV PAR-controlled line; (iv) Ruland Road – Shore Road 345 kV line; (v) Ruland Road – East Garden City 345 kV PAR-controlled line; (vi) Shore Road – East Garden City 345 kV line; and (vii) Syosset – Shore Road 138 kV PAR-controlled line. As of December 31, 2023, the Federal Energy Regulatory Commission has approved the Power Authority's filing for project abandonment. The Propel Project's in-service date is scheduled for May 2030. The Propel Project is estimated to cost $3.3 billion which is to be funded by the Propel Project sponsors, the Power Authority, and New York Transco. The Power Authority has committed $500 million towards this project.

Drone Program

The Authority's unmanned aircraft system has expanded beyond capturing photographs of and inspecting its transmission lines with the ability to now respond to operational emergencies. Today, with more than 100 people part of the program, and a fleet of 63 drones, the Drone Program's mission runs include transmission inspection, and other projects, and has increased the safety and reliability of the Authority's equipment with more than 757 missions last year.

The next steps for the Drone Program include a 5-year multi-phased plan to develop advanced Unmanned Aerial System ("UAS") capabilities. It will follow a two-phased approach, beginning with foundational measures needed to enable current and future capabilities. The Authority is planning to expend approximately $37 million over the next five years to support the Drone Program.

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On July 27, 2023, the Authority's Trustees authorized a Capital Expenditure Authorization of $10 million for the implementation of foundational measures for a UAS Drone Program. Additionally, the Authority's Trustees provided concurrence with the five-year implementation plan of the UAS Drone Program with a total program cost of $37 million, and a remaining estimated balance of $26 million after the $10 million authorization and the $1 million initial expenditure, recognizing that release of any of the remaining balance is subject to future authorization.

Rate Actions

Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold under contract to municipal electric systems, rural electric cooperatives, commercial and industrial and other business customers, non-profit corporations, certain public bodies, investor-owned utilities, and out-of-state customers. The remaining available energy is sold into the NYISO market.

The charges for firm power, firm peaking power and associated energy sold by the Power Authority, as applicable, to the fifty-one municipal electric utility systems and rural electric cooperatives in New York State, two public transportation agencies, three investor-owned utilities for the benefit of rural and domestic customers, nine host communities and seven out-of-state public customers have been established based on the costs to serve these loads.

Niagara's Expansion & Replacement Power, St. Lawrence-FDR's Preservation Power, and ReCharge New York's customers are dedicated 45% and currently allocated over 30% of the average generation capacity of the plants and the allocation varies as we allocate more power to the customers. Their rates are subject to annual adjustment based on the average of three contractually agreed-upon economic indices reflecting changes in industrial energy prices.

In 2019, the Authority's Trustees approved a seven-year extension of an agreement for the sale of firm hydroelectric power and energy from the St. Lawrence-FDR project to the Aluminum Company of America ("Alcoa") at its West Plant facilities. The existing contract with Alcoa, for an aggregate of 240 MW, has been executed effective April 1, 2019, through March 31, 2026, replacing prior long-term contracts. The contract extension provides for monthly Base Energy Rate adjustments based on the price of aluminum on the London Metal Exchange and contains provisions for employment (450 jobs) and capital commitments ($14 million). Changes from the previous contract include a reduced allocation of 245 MW, with the additional 5 MW being allocated to Arconic, a business independent of Alcoa, sold under a separate Preservation Power sale agreement; a monthly Clean Energy Standard ("CES") charge relating to Zero Emission Credits ("ZEC") and Renewable Energy Credits ("REC") that the Power Authority purchases which are attributable to Alcoa's load. The contract specifies a sharing mechanism for the CES charges between Alcoa, New York State, and the Power Authority, whereby Alcoa's share increases as the aluminum price increases. The Power Authority has entered into aluminum contracts to mitigate potential downside risk in that market, with future activities based upon prevailing economic conditions as appropriate.

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

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Various municipalities, school districts, and public agencies in New York City are served by the Power Authority's combined-cycle Eugene W. Zeltmann Power Project ("Zeltmann"), the contracted output of the Astoria Energy II plant, and capacity and energy purchased by the Power Authority in the NYISO markets. In 2017 and 2018, the Power Authority executed new supplemental long-term electricity supply agreements (Supplemental LTAs) with its eleven NYC Governmental Customers, including the Metropolitan Transportation Authority, the City of New York, the Port Authority of New York and New Jersey (Port Authority), the New York City Housing Authority, the New York State Office of General Services and remaining six Key Governmental Customers. Under these Supplemental LTAs, the NYC Governmental Customers agreed to purchase their electricity from the Power Authority through December 31, 2027, with the NYC Governmental Customers having the right to terminate at any time upon at least 12 months' notice during the first five years of the agreement (December 31, 2022). Thereafter, both the Power Authority and the NYC Governmental Customers may terminate the agreement upon at least six months' notice. Under the Supplemental LTAs, fixed costs were contractually set for each customer. Variable costs, including fuel, purchased power, and NYISO-related costs, are to be set on a pro-forma cost-of-service basis and reconciled monthly as a pass-through to each customer by an energy charge adjustment. For years 2023-2025, a fixed-price energy option is available for the NYC Governmental customers for procurement of a limited amount of energy, which allows for price certainty. The NYC Governmental customers have an ability to extend this fixed-price energy option for years 2026-2027.

The Power Authority's other Southeastern New York ("SENY") customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the "Westchester Governmental Customers"). The Power Authority has entered into an evergreen supplemental electricity supply agreement with all 103 Westchester Governmental Customers. Among other things provided by the agreement, customers can partially terminate service from the Power Authority with at least two months' notice prior to the start of the NYISO capability periods. Full termination is allowed with at least one year's notice, effective no sooner than January 1 following the one-year notice. Westchester Governmental Customers are partially served by the Power Authority's four small hydroelectric plants. The remainder of the Westchester Governmental Customers' load requirements are supplied through energy and capacity purchased from the NYISO markets. Sales of energy generated by the small hydroelectric resources into the NYISO markets, as well as grandfathered and historic fixed-priced transmission congestion contracts, all help to offset the cost of the energy purchased, with an energy charge adjustment mechanism in place for cost reconciliation.

Cost recovery for the Power Authority's provision of transmission service over its facilities has been governed by the NYISO tariff since the formation of the NYISO in November 1999. The Power Authority receives cost recovery through the NYISO tariff mechanism known as the NYPA Transmission Adjustment Charge ("NTAC"), recovering the Power Authority's Backbone Transmission System costs on a statewide basis after accounting for the Power Authority's revenues received from pre-existing customer transmission service contracts, Transmission Service Charge ("TSC") assessed on customers in the Power Authority's upstate load zone, and other sources. In January 2016, the Power Authority filed with FERC to convert from a stated rate to a formula rate to ensure recovery of its ATRR based upon operating and maintenance expenses as well as the capital spending necessary to maintain the reliability of its transmission system. FERC accepted the filing and made it effective April 1, 2016, as requested, subject to hearing and settlement judge procedures. The Power Authority filed an unopposed Offer of Settlement on September 30, 2016, that fully resolved the issues raised by interested parties in settlement negotiations concerning the formula rate. The settlement was approved by FERC on January 19, 2017. The ATRR is updated annually prior to the start of each rate year (July 1st - June 30th).

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In November 2022, the Power Authority filed to amend its Administrative and General ("A&G") expense allocator under the formula rate to no longer use a labor ratio to allocate these expenses, but instead adopt a 3-factor allocation method that uses equal parts direct labor, net plant, and net revenue. Per the terms of an uncontested settlement agreement filed at FERC in December 2023, which is still pending, the Power Authority will be permitted to use this A&G expenses allocator effective January 2023.

Effective July 1, 2023, the Transmission Revenue Requirement is $371 million, which includes revenue requirements for the NTAC, Marcy South Series Compensation, and AC Transmission (renamed as Central East Energy Connect) projects.

Certain New Legislation Affecting the Authority

Bills are periodically introduced or passed in the New York State Legislature that propose to limit, restrict, or expand the powers, rights, and exemptions from regulation that the Authority currently possesses under the Power Authority Act and other laws, or could otherwise affect the Authority's financial condition or its ability to conduct its business, activities, or operations in the manner presently conducted or contemplated hereby. It is not possible to predict whether any such bills or other bills of a similar type which may be introduced or passed in the future, will be enacted.

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

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

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

Continued

realignment of resources to support State clean energy and energy efficiency goals for disadvantaged communities.

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

As part of the 2020-2021 Enacted State Budget, legislation was enacted that is expected to expedite the construction of clean energy projects to combat climate change in an effort to improve the State's economic recovery from the COVID-19 health crisis. The Renewable Energy Act will improve and streamline the process for environmentally responsible and cost-effective siting of large-scale renewable energy projects across the State while delivering significant benefits to local communities. The Renewable Energy Act will accelerate progress toward the State's clean energy and climate goals, including the goal to obtain 70% of the State's electricity from renewable sources by 2030.

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

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

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

The above actions, as described in the enactment, are executable as deemed advisable and feasible by the Authority's Trustees.

Labor Contracts

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

The Canal Corporation reached an agreement with the Civil Service Employees Association Unit III on a labor contract that covers over 350 represented employees at the Canal Corporation. This agreement, which is retroactive to July 1, 2022, runs through June 30, 2027.

The Canal Corporation reached an agreement with the Public Employees Federation on a labor contract that covers over 80 represented employees at the Canal Corporation. This agreement, which is retroactive to July 1, 2022, runs through June 30, 2027.

The Power Authority reached an agreement with the Utility Workers Union of America on a labor contract that covers over 20 represented employees at Zeltmann. This agreement, which is retroactive to January 1, 2023, runs through April 30, 2028.

The impact due to the change in agreements, considered immaterial, has been reflected appropriately in the Authority's financials for the reported period.

Commitments and Contingencies

The Authority's commitments and contingencies are more fully detailed in Note 18 "Commitments and Contingencies" of the notes to the Consolidated Financial Statements.

Continued

Canal Corporation

The Canal Corporation continues to require substantial operating and maintenance support and capital investment. The Canal Corporation's expenses are funded by transfers of funds from the Authority. Any transfer of funds is subject to approval by the Authority's Trustees and compliance with the Authority's General Bond Resolution. Certain expenses eligible for reimbursement are reimbursed to the Authority by funds held in the Canal Development Fund maintained by the State Comptroller and the Commissioner of Taxation and Finance. For the year ended December 31, 2023, the Canal Corporation recognized $2 million in revenues, $74 million in operations and maintenance expenses, and $41 million in depreciation expenses.

By resolution adopted December 12, 2023, the Canal Corporation's Board of Directors adopted a budget for 2024-2027 that consisted of expenditures for operations and maintenance expenses and capital expenses. The Authority's budget and financial plan for 2024-2027 includes Canal-related operating expenditures averaging approximately $103 million per year and capital expenditures of approximately $144 million per year and $2.5 million per year for Canal Development Fund expenses.

Contacting the Authority

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

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Consolidated Statement of Net Position
(In millions)

Consolidated Statement of Net Position

	December 31, 2023
Assets and Deferred Outflows	
Current assets:	
Cash and cash equivalents	
Unrestricted	$ 438
Restricted	1
Capital Fund	41
Investment in securities	1,110
Receivables - customers	269
Materials and supplies:	
Plant and general	75
Fuel	51
Miscellaneous receivables and other	141
Total current assets	2,126
Noncurrent assets:	
Restricted funds:	
Investment in securities	13
Capital funds:	
Investment in securities	410
Capital assets:	
Non-Utility Assets, net of accumulated depreciation	77
Assets, not depreciated	1,028
Assets, net of accumulated depreciation	5,803
Total capital assets	6,908
Other long-term assets	896
Total noncurrent assets	8,227
Total assets	10,353
Deferred outflows of resources:	
Asset retirement obligation	19
Accumulated decrease in fair value of derivatives	40
Pensions	140
Postemployment benefits other than pensions	128
Total deferred outflows of resources	327
Total assets and deferred outflows of resources	$ 10,680

**See accompanying notes to the consolidated financial statements.

Continued

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Consolidated Statement of Net Position

(In millions)

Liabilities, Deferred Inflows and Net Position	December 31, 2023
Current liabilities:	
Accounts Payable and accrued liabilities	$ 845
Short-term debt	227
Long-term debt due within one year	33
Total current liabilities	1,105
Noncurrent liabilities:	
Long-term debt:	
Senior:	
Revenue bonds	1,519
Subordinated:	
Subordinated Notes	35
Separate Revenue Bond Obligation:	
SFP Bonds 2022	640
SFP Bonds 2023	751
Total long-term debt	2,945
Other noncurrent liabilities:	
Nuclear fuel disposal	245
Relicensing	223
Other long-term liabilities	357
Total other noncurrent liabilities	825
Total noncurrent liabilities	3,770
Total liabilities	4,875
Deferred inflows of resources:	
Unearned revenue	45
Cost of removal obligations	435
Accumulated increase in fair value of derivatives	4
Pensions	11
Lease revenue	45
Postemployment benefits other than pensions	190
Total deferred inflows of resources	730
Net Position:	
Net investment in capital assets	3,361
Unrestricted	1,714
Total net position	5,075
Total liabilities, deferred inflows of resources and net position	$ 10,680

**See accompanying notes to the consolidated financial statements.

(In millions)

Consolidated Statement of Revenues, Expenses and Changes in Net Position

	Year Ended December 31, 2023
Operating revenues:	
Power sales	$1,773
Transmission	473
Transportation and delivery	747
Other	41
Total operating revenues	3,034
Operating expenses:	
Purchased power	605
Fuel oil and gas	176
Transportation and delivery	1,107
Operations and maintenance	723
Depreciation and amortization	307
Total operating expenses	2,918
Operating income	116
Nonoperating revenues, gains and expenses:	
Nonoperating revenues and gains:	
Investment income	84
Other	10
Total nonoperating revenues and gains	94
Nonoperating expenses:	
Interest on long-term debt	111
Interest - other	28
Interest capitalized	(58)
Amortization of debt premium	(1)
Total nonoperating expenses	80
Net income and change in net position	130
Net position, January 1	4,945
Net position, December 31	$5,075

**See accompanying notes to the consolidated financial statements.

NEW YORK POWER AUTHORITY

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

Consolidated Statement of Cash Flows

(In millions)

Consolidated Statement of Cash Flows

	Year Ended December 31, 2023
Cash flows from operating activities:	
Customer sales	$3,045
Disbursements for:	
Purchased power	(601)
Fuel oil and gas	(192)
Transportation and delivery	(1,089)
Operations and maintenance	(742)
Net cash provided by operating activities	421
Cash flows from capital and related financing activities:	
Gross additions to capital assets	(699)
Proceeds from issuance of Series 2023 Green Bonds	751
Issuance costs paid on debt	(10)
Repayment/defeasance of bonds	(108)
Repayment of notes	(2)
Interest paid, net	(95)
Net cash used in capital and related financing activities	(163)
Cash flows from noncapital-related financing activities:	
Energy conservation program payments received from participants	334
Energy conservation program costs	(269)
Proceeds from issuance of commercial paper	138
Repayment of commercial paper	(91)
Interest paid on commercial paper	(6)
Margin Deposits with Brokers	37
Net cash provided by noncapital-related financing activities	143
Cash flows from investing activities:	
Earnings received on investments	53
Purchase of investment securities	(4,550)
Maturities/sale of investment securities	4,223
Net cash used in investing activities	(274)
Net increase in cash	127
Cash and cash equivalents, January 1	353
Cash and cash equivalents, December 31	480
Reconciliation to net cash provided by operating activities:	
Operating income	116
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets, deferred outflows, liabilities, and deferred inflows:	
Provision for depreciation and amortization	307
Net (increase) in miscellaneous prepayments and other	(49)
Net decrease in receivables and materials and supplies	109
Net (decrease) in accounts payable/accrued liabilities and other	(62)
Net cash provided by operating activities	$ 421

**See accompanying notes to the consolidated financial statements.

(In millions)

Statement of Fiduciary Net Position (OPEB)

	June 30, 2023
Assets:	
Cash and cash equivalents	$ 56
Receivables:	
Due from broker for investments sold	17
Investment income	1
Total receivables	18
Investments at fair value:	
Domestic equity	171
International equity	89
Global Index Fund	190
International contrarian value fund	42
Real Estate (REIT)	39
Fixed Income	152
Total investments at fair value	683
Total assets	757
Liabilities:	
Payables:	
Accrued liability	10
Total liabilities	10
Net position available for postemployment benefits other than pensions	$ 747

**See accompanying notes (Note 13) to the consolidated financial statements.

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Statement of Changes in Fiduciary Net Position (OPEB)

(In millions)

Statement of Changes in Fiduciary Net Position (OPEB)

Total additions, gains, and (losses)	**June 30, 2023**
Additions, gains and (losses):	
Employer contributions	$ 30
Investment income:	
Net increase in fair value of investments	62
Interest and dividend income	12
Less: investment and administrative expenses	(10)
Net investment	64
Total additions and gains	94
Deductions:	
Benefits payments	30
Total deductions	30
Changes in net position	64
Net position available for postemployment benefits other than pensions - beginning of year	683
Net position available for postemployment benefits other than pensions - end of year	$747

**See accompanying notes (Note 13) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

(1) General

The Power Authority is a corporate municipal instrumentality and political subdivision of the State of New York (the "State") created in 1931 by Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the "Power Authority Act" or the "Act"), and has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. The mission of the Power 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 Power Authority has aligned its mission with the clean energy goals of New York State set forth in the New York State Climate Leadership and Community Protection Act ("CLCPA") enacted in 2019 and the Accelerated Renewable Energy Growth and Community Benefit Act enacted in 2020 ("AREGCBA"). The 2023-2024 Enacted State Budget amended the Act to, among other things, expand the Power Authority's authority to plan, design, develop, finance, construct, own, operate, maintain, and improve renewable energy generation projects.

The Power Authority generates, transmits, purchases, and sells electric power and energy as authorized by law. The Power 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 6,000 MW, and approximately 1,550 circuit miles of transmission lines, including major 765 kV and 345 kV transmission facilities. The Power Authority's five major generating facilities consist of two large hydroelectric facilities (Niagara and St. Lawrence-FDR), a large pumped-storage hydroelectric facility (Blenheim-Gilboa), the Eugene W. Zeltmann (Zeltmann or 500-MW Plant) combined cycle electric generating plant located in Queens, New York and the Richard M. Flynn combined cycle plant located in Holtsville, out in Long Island, New York. The Power Authority's customers include municipal and rural electric cooperatives located throughout the State, local governments, investor-owned utilities ("IOUs"), high load factor industrial customers, commercial/industrial and not-for-profit businesses, various public corporations located within the metropolitan area of The City of New York (the "City"), including the City, and entities in certain neighboring states. The Power 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 Power Authority sells and purchases capacity, energy, and ancillary services in the NYISO wholesale energy markets.

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

Legislation enacted in May of 2022 (Chapter 193 of the Laws of 2022) amended the State insurance law to provide the Power Authority with the authority to form a pure captive insurance company enabling the Power Authority to effectively provide coverage for risks that are not currently insured, not insurable on the traditional commercial markets, or prohibitively expensive to insure through the commercial markets and to provide the Power Authority with related tax exemptions. Refer to Note 17 for further information on captive insurance. In May 2023, the NYPA Captive Insurance Company was established as a wholly-owned subsidiary of the Power Authority.

(2) NYPA, SFP, and Captive Financial Information

A. Consolidated Statement of Net Position (In millions)

	NYPA	SFP	Captive	Dec. 31, 2023
Current assets	$ 1,862	$ 154	$ 110	$ 2,126
Capital assets	5,721	1,187	-	6,908
Other noncurrent assets	976	343	-	1,319
Total assets	8,559	1,684	110	10,353
Deferred outflows of resources	327	-	-	327
Total assets and deferred outflows of resources	$ 8,886	$ 1,684	$ 110	$ 10,680
Current liabilities	$ 1,023	$ 78	$ 4	$ 1,105
Noncurrent liabilities	2,379	1,391	-	3,770
Total liabilities	3,402	1,469	4	4,875
Deferred inflows of resources	730	-	-	730
Net position	4,754	215	106	5,075
Total liabilities, deferred inflows of resources and net position	$ 8,886	$ 1,684	$ 110	$ 10,680

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

	NYPA	SFP	Captive	Dec. 31, 2023
Operating revenues	$ 2,935	$ 97	$ 2	$ 3,034
Operating expenses:				
Purchased power	605	-	-	605
Fuel oil and gas	176	-	-	176
Transportation and delivery	1,107	-	-	1,107
Operations and maintenance	707	16	-	723
Depreciation and amortization	299	8	-	307
Total operating expenses	2,894	24	-	2,918
Operating income	41	73	2	116
Nonoperating revenues and gains	81	9	4	94
Nonoperating expenses	51	29	-	80
Net income	$ 71	$ 53	$ 6	$ 130

C. Consolidated Statement of Cash Flow (In millions)

	NYPA	SFP	Captive	Dec. 31, 2023
Net cash provided by operating activities	$ 339	$ 81	$ 1	$ 421
Net cash (used in)/provided by capital and related financing activities	(525)	262	100	(163)
Net cash provided by non-capital related activities	143	-	-	143
Net cash (used in)/provided by investing activities	44	(248)	(70)	(274)
Net increase in cash	1	95	31	127
Cash and cash equivalents, January 1	314	39	-	353
Cash and cash equivalents, December 31	$ 315	$ 134	$ 31	$ 480

(3) Separately Financed Projects ("SFP")

Overview

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

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

In January 2022, the Authority's Trustees authorized the issuance of Green Transmission Project Revenue Bonds, Series 2022A (the "2022A Bonds") which were issued pursuant to the Transmission Bond Resolution in an aggregate principal amount of approximately $608 million during April of 2022. The proceeds from the issuance of the 2022A Bonds are being used to fund capital and other expenditures related to the Smart Path and CEEC transmission construction projects; reimburse expenses related to such projects; and pay financing and other costs relating to the issuance of the 2022A Bonds.

On November 16, 2023, the Power Authority issued $734 million of Green Transmission Project Revenue Bonds, Series 2023A (the "2023A Bonds") at a premium. Proceeds of the 2023A Bonds, together with other funds being provided by the Power Authority, will be used to (i) pay for capital expenditures related to the SPC Project, including reimbursement for prior capital spending, (ii) fund the 2023A debt service reserve fund, (iii) pay capitalized interest on the 2023A Bonds through November 15, 2025, (iv) fund an operating reserve account and (v) pay the costs of issuance. The CEEC, Smart Path, and Smart Path Connect Projects are collectively referred to as "Separately Financed Projects" or "SFP".

The 2023A Bonds will be supported by the 2023A Debt Service Reserve Fund which, at the time of issuance of the 2023A Bonds, will be funded with a Municipal Bond Debt Service Reserve Insurance

Policy issued by Assured Guaranty Municipal Corporation. ("AGM") in the amount of $46 million, which is equal to the 2023A Debt Service Reserve Requirement as of the issuance date of the 2023A Bonds.

The Series 2022A and 2023A Transmission Resolution Revenue Bonds, together with any other bonds issued under the Transmission Bond Resolution ("Transmission Resolution Revenue Bonds") are neither payable from nor secured by revenues pledged directly or indirectly under the General Bond Resolution. Owners of the Transmission Resolution Revenue Bonds will neither have any rights to nor be secured by any Power Authority revenues pledged to the payment of obligations issued under the General Bond Resolution. Transmission Resolution Revenue Bonds are limited obligations of the Power Authority payable solely from and secured by the SFP Transmission Trust Estate pledged under the Transmission Bond Resolution. Transmission Resolution Revenue Bonds bondholders have a lien only on revenue streams generated by the assets that are funded by the bond proceeds.

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

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

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

2. Debt Service Fund in the amount payable in the succeeding calendar month for Debt Service payable on SFP Transmission Obligations. On November 16th, 2023, the day of close for the Series 2023A Bonds, the Debt Service Fund was funded with Capitalized Interest for $42 million, which partially covers debt service payments through May 2025. As of December 31, 2023, there is a balance of $45 million in the Debt Service Fund.

3. Operating Reserve Account to fund any shortfalls in the Operating Reserve Account. The reserve should be in the amount of 50% of the succeeding calendar year's operation and maintenance budget. The balance as of December 31, 2023, was $14 million.

4. Debt Service reserve fund to fund any shortfall in accordance with the Debt Service Reserve Fund Requirement. For the 2022A and 2023A Bonds, this account was funded by depositing Assured Guaranty Municipal Corporation (AGM) insurance policies and is not funded by any SFP Transmission Revenues. For the 2022A and 2023A bonds, the AGM issued a policy in the amount of $35 million and $46 million, respectively, which is 125% of the average annual debt service.

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

6. Capital fund for any expected capital improvements.

Any remaining values after each fund is adequately funded, per the Transmission Bond Resolution, are eligible for distribution to the General Bond Resolution pending an annual Debt Service Coverage ratio test and other required certifications. The SFP Transmission Project fees, rates, rents, charges, and surcharges must at least equal 120% of Debt Service payable in the most recently completed fiscal year and in the most recently completed 12 calendar months period ending on the last day of the ninth month of such fiscal year, net of all O&M and required payments. If such a test is not met, the cash is unavailable to the General Bond Resolution bondholders. The Power Authority was in compliance of all necessary criteria for distribution in 2023, and on December 29, 2023, a $25 million distribution was made from SFP to the Authority. The debt service coverage ratio for 2023 was 3.06x (excluding capitalized interest) and 6.12x (including capitalized interest) for the bond year ending November 15, 2023.

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

The CEEC Project was placed in service in December 2023. The project is currently in the closeout phase and site restoration is ongoing.

As of December 31, 2023, all 6 segments for Smart Path have been placed into Electric Plant In Service ("EPIS"). The project is currently in the closeout phase and site restoration is ongoing.

As of December 31, 2023, the Power Authority has capital spend of $462 million (excluding capitalized interest) for the Smart Path Connect project and completed 38 miles of transmission line upgrades.

(4) Summary of Significant Accounting Policies

(a) *Basis of Reporting*

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

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

(b) *Regulatory Accounting*

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

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

(c) ***Estimates***

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

(d) ***Capital Assets***

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

The related depreciation provisions at December 31, 2023, expressed as a percentage of average depreciable capital assets on an annual basis are:

	Average depreciation rate 2023
Type of plant:	
Production	
Hydro	2.3 %
Gas turbine/combined cycle	2.3
Transmission	2.0
General	4.8
Energy Storage	10.0
Canals	3.9
	4.2 %

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

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

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

In addition to asset retirement obligations, the Authority has other cost of removal obligations that are being collected from customers and accounted for under the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements, paragraphs 476-500*. These cost of removal obligations are reflected in deferred inflows of resources in the statement of net position.

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

	ARO Amounts	Cost of removal obligation
	(in millions)	
Balance - December 31, 2022	$ 18	$ 401
Other Expense	1	34
Balance - December 31, 2023	$ 19	$ 435

(f) ***Long-Lived Assets***

The Authority applies GASB Statement No. 42 ("GASB No. 42"), *Accounting and Financial Reporting for Impairment of Capital Assets*, and for Insurance Recoveries, which states that asset impairments are generally recognized only when the service utility of an asset is reduced or physically impaired. There were no material impairments during 2023.

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

(g) ***Leases***

During 2022, the Authority adopted GASB Statement No. 87 ("GASB No. 87"), *Leases*. GASB No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The Authority was required to recognize a lease liability and an intangible right-to-use lease asset for certain of its leases that were reported as operating and capital leases under the previous accounting standards. Refer to Note 18(e) on Leases.

(h) ***Subscription-based information Technology Arrangements ("SBITA")***

During 2023, the Authority adopted GASB Statement No. 96 ("GASB No. 96"), *Subscription-Based Information Technology Arrangements ("SBITA").* GASB No.96 requires recognition of certain subscription assets and liabilities for SBITA which were previously either capitalized or expensed. It establishes that an SBITA results in a right-to-use subscription asset and a corresponding subscription liability. Refer to Note 18(f) on SBITA for the impact on the Authority's 2023 financial statements.

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

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

(j) ***Derivative Instruments***

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

(k) ***Accounts Receivable***

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

(l) ***Materials and Supply Inventory***

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

(m) ***Debt Refinancing Charges***

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

(n) *Other Long-Term Assets*

Other long-term assets as of December 31, 2023, consist of the following:

	December 31, 2023 (in millions)
Other long-term assets:	
Regulatory assets (a):	
Allowance for funds used during construction (AFUDC) (b)	$145
Other regulatory assets	44
Total regulatory assets	189
Energy efficiency program costs (c)	229
Other long-term receivables	116
Transmission line interconnection costs	167
Other postemployment employee benefits (OPEB)	112
Lease receivable	51
Other	32
Total other long-term assets	$896

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

(b) This amount includes interest capitalized net of depreciation. For the current year, $58 million of interest was capitalized.

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

(o) *Other Long-Term Liabilities*

The Authority has other long-term liabilities of $357 million which include pension liability of $175 million, compensated absences accrual of $60 million, Asset Retirement Obligations of $44 million, and others of $78 million on December 31, 2023.

(p) *Net Position*

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

a. Net investment in capital assets – This consists of capital assets (including right of use lease assets and right to use subscription assets), net of depreciation reduced by related outstanding debt and accounts. This indicates that these assets are not accessible for other purposes.

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

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

(q) ***Operating Revenues***

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

The principal operating revenues are generated from the sale, transmission, transportation and delivery of power. Revenues are recorded when power is delivered, or service is provided. Customers’ meters are read, and bills are rendered, monthly. Transportation and delivery of power charges are for costs the Authority incurred for the transmission and/or delivery of power and energy to customers over transmission lines owned by other utilities. Sales to the Power Authority’s five largest customers operating in the State accounted for approximately 46% of the Authority’s operating revenues in 2023.

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

New York Independent System Operator (“NYISO”)

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

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

(r) ***Operating Expenses***

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

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

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

Right-to-use subscription assets recognized on account of the implementation of GASB No. 96 are being amortized over the subscription term, using the straight-line method.

(s) ***Pension Plans***

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

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

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

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

The Authority's net OPEB liability was measured as of June 30, 2023. Actuarial valuations are performed every two years. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Trust and additions to/deductions from OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the Authority OPEB Plan as of the same measurement date. For this purpose, the Authority OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

(u) ***Accounting Pronouncements***

GASB issued GASB Statement No. 87 ("GASB No. 87"), *Leases*, which were effective for fiscal years beginning after June 15, 2021, before issuance of GASB Statement No.95 ("GASB No. 95"). GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority adopted GASB No. 87 at January 1, 2022, and recognized a lease liability and an intangible right-to-use lease asset for certain of its leases that were reported as operating and capital leases under the previous accounting standards (Refer to Note 18(e)).

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

GASB Issued GASB Statement No. 94 ("GASB No. 94"), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which was effective for fiscal years beginning after June 15, 2022. GASB No. 94 governs transactions wherein a government and another entity (government or private) enter into an arrangement wherein the other entity is given rights to use an underlying capital asset to provide public service for a determined amount of time, in exchange for consideration. The Authority, based on its evaluation, believes GASB No. 94 has no material impact on its consolidated financial statements.

GASB Issued GASB Statement No. 96 ("GASB No. 96"), *Subscription-Based Information Technology Arrangements*, which was effective for reporting periods beginning after June 15, 2022. GASB No. 96 requires recognition of certain subscription assets and liabilities for Subscription-based information Technology Arrangements (SBITA) which were previously either capitalized or expensed. GASB No. 96 defines a subscription-based technology arrangement as a contract that conveys control of the right to use a vendor's software, alone or in combination with tangible capital assets. It establishes that an SBITA results in a right-to-use subscription asset and a corresponding subscription liability. The Authority adopted GASB No. 96 on January 1, 2023. Refer to Note 18(f) of notes to the consolidated financial statements on SBITA for the impact on the Authority's financial statements.

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

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

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

(5) Power Authority's Bond Resolutions and Related Matters

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

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

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

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

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

Under the 2020 Revolving Credit Agreement and 2020 Note Purchase Agreement (together, the "2020 Hybrid Credit Agreement") supporting the Power Authority's Commercial Paper Notes Series 3B and 4 and/or Direct Purchase Note(s), in the case of an Event of Default (as defined in the 2020 Hybrid Credit Agreement), the sole lender under the 2020 Hybrid Credit Agreement holding 100% of the commitment thereunder will be able to: terminate its commitment; direct the Power Authority to cease issuing Commercial Paper Notes; and declare the principal and accrued interest on obligations under the 2020 Hybrid Credit Agreement due and immediately payable. There were no events of default during 2023.

Transmission Bond Resolution Related Matters (SFP)

Collateral - Under the Power Authority's Transmission Bond Resolution, a Trust Estate was created and pledged for the payment of the principal and redemption price of, and interest on, the SFP Obligations issued under the Transmission Bond Resolution, and on a parity basis, other Parity Debt as defined in the Transmission Bond Resolution. The Trust Estate means, collectively: (i) all SFP Transmission Revenues; (ii) the proceeds of the sale of SFP Transmission Obligations until expended for the purposes authorized by Supplemental Resolution authorizing such SFP Transmission Obligations; (iii) all funds, accounts, and subaccounts established by the Resolution, including investment earnings thereon; and (iv) all funds, money, and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned, or transferred as and for additional security hereunder for the SFP Transmission Obligations by the Power Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times, and to hold and apply the same subject to the terms hereof.

(6) Cash and Investments

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

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

Investment of the Captive is administered in accordance with the applicable provisions of the Captive Insurance Investment Policy Statement.

(a) *Investment Credit Risk*

The Authority's investments under the General Bond Resolution and Guidelines for the Investment of Funds are restricted to (a) authorized collateralized certificates of deposit, Certificate of Deposit Account Registry Service ("CDARS") program or similar FDIC-insured, reciprocal products, time deposits and money market funds (money market funds shall not exceed 40% of the Authority's invested funds and no more than $50 million invested in any one fund), (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies, (e) Repurchase and reverse repurchase agreements ("Repurchase Agreements"), including "gestation" repurchase agreements of treasury or agency-backed collateral with a physical trust certificate from a FINRA-licensed broker dealer, and (f) Guaranteed Investment Contracts or GIC Funds issued by creditworthy insurance companies and collateralized by issuer's general or separate account assets, with no more than $50 million invested in any one contract or fund. The Authority's investments in the senior debt securities of Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) Federal Agricultural Mortgage Corporation (FAMC) and Federal Home Loan Mortgage Corporation (FHLMC) were rated Aaa by Moody's Investors Services (Moody's), AAA by Fitch Ratings (Fitch) and AA+ by Standard & Poor's (S&P).

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

Permitted investments for Captive under the NYPA Captive Insurance Investment Policy Statement are similar to those types stated for the Authority with the additional inclusion of Collateralized Loan Obligations ("CLOS") with a rating of AA or higher; Corporate equity investments in domestic common and preferred stocks and publicly traded REIT funds; and Mortgage-backed securities and Collateralized Mortgage Obligations with a rating of AA or higher.

Investments are reported in the consolidated statements of net position at fair value, using quoted market prices.

(b) *Interest Rate Risk*

Securities that are the subject of repurchase agreements or reverse repurchase agreements must have a market value at least equal to the cost of the investment. The agreements are limited to a maximum fixed term of 30 days and may not exceed $250 million and $50 million with any one dealer or bank. Monies will not be invested for terms in excess of the projected use of funds. As of December 31, 2023, the Authority had $45 million invested in repurchase agreements.

Provisions applicable to the Authority apply to both SFP and Captive for interest rate risk coverage.

(c) *Concentration of Investment Credit Risk*

There is no limit on the amount that the Authority may invest in any one issuer; however, investments in authorized certificates of deposit shall not exceed 25% of the Authority's invested funds and shall not exceed $25 million from any one bank. On December 31, 2023, the Authority's (excluding SFP and Captive) total investment portfolio of $1,118 million, includes investments of $111 million (10%), $119 million (11%), $140 million (13%), $161 million (14%) and $587 million (52%) in securities of FNMA, FHLMC, FHLB, GNMA, and other various U.S. Treasuries, Guaranteed Investment Contracts, and Municipal securities, respectively.

At December 31, 2023, the SFP's total investment portfolio of $341 million, includes investments of $285 million (84%) and $56 million (16%) in securities of FHLB and U.S. Treasuries, respectively.

On December 31, 2023, the Captive's total investment portfolio of $74 million includes investments of $13 million (18%), $10 million (14%), $8 million (11%), and $43 million (57%) in securities of FHLMC, FHLB, GNMA, and taxable Municipal bonds and other securities, respectively.

(d) ***Cash and Cash Equivalents***

All investments are held by designated custodians in the name of the Authority. The Authority had $45 million invested in a Repurchase Agreement and $315 million invested in money market funds.

The SFP had $134 million invested in money market funds.

All investments are held by designated custodians in the name of the Captive. The Captive had $31 million invested in money market funds.

Total Cash and Investments of the Authority on a consolidated basis is $2 billion at December 31, 2023:

Investments (NYPA and Canals)

December 31, 2023	Total	Restricted	Capital fund	Unrestricted
			(in millions)	
Cash and investments:				
Cash and cash equivalents	$ 315	$ 1	$ 3	$ 311
U.S. government:				
U.S. Treasury bills	221	13	-	208
U.S. Treasury notes	132	-	-	132
	353	13	-	340
Other debt securities:				
FNMA	111	-	23	88
FHLMC	119	-	-	119
FHLB	140	-	31	109
GNMA	161	-	19	142
All other	234	-	10	224
	765	-	83	682
Total investments	1,118	13	83	1,022
Total cash and investments	$1,433	$14	$86	$1,333
Summary of maturities (years):				
0 - 1	445	$13	$ 7	$ 425
1 - 5	281	-	34	247
5 - 10	144	-	-	144
10+	248	-	42	206
	$1,118	$13	$83	$1,022

I. The Authority's General Bond Resolution authorized the establishment of an Operating Reserve in an amount necessary to support the Authority's operations. The Trustees established the Operating Reserve level and Debt Service Reserve by resolution. As of December 31, 2023, the Power Authority's total cash and investments of $1.4 billion included a $175 million Operating Reserve for working capital and emergency repairs and a $90 million Debt Service Reserve to pay debt service on General Bond Resolution obligations. See the section "Authority's General Resolution Fund Requirements" in MD&A for detailed note on the Authority's Fund Requirements.

II. As of December 31, 2023, restricted funds include primarily the Petroleum Overcharge Restitution (POCR) fund ($7 million), ConnectALL Fund ($1 million), and Others ($6 million).

Investments (SFP)

December 31, 2023	Total	Capital fund	Unrestricted
		(in millions)	
Cash and investments:			
Cash and cash equivalents	$134	$ 38	$ 96
U.S. government:			
U.S. Treasury bills	-	-	-
U.S. Treasury notes	56	56	-
	56	56	-
Other debt securities:			
FNMA	-	-	-
FHLMC	-	-	-
FHLB	285	271	14
GNMA	-	-	-
All other	-	-	-
	285	271	14
Total investments	341	327	14
Total cash and investments	$475	$365	$110
Summary of maturities (years):			
0 - 1	220	220	-
1 - 5	121	107	14
5 - 10	-	-	-
10+	-	-	-
	$341	$327	$ 14

Investments (Captive)

December 31, 2023	Total	Capital fund	Unrestricted
		(in millions)	
Cash and investments:			
Cash and cash equivalents	$ 31	$ -	$ 31
U.S. government:			
U.S. Treasury bills	-	-	-
U.S. Treasury notes	-	-	-
	-	-	-
Other debt securities:			
FNMA	-	-	-
FHLMC	13	-	13
FHLB	10	-	10
GNMA	8	-	8
All other	43	-	43
	74	-	74
Total investments	74	-	74
Total cash and investments	$105	$ -	$105
Summary of maturities (years):			
0 - 1	-	-	-
1 - 5	-	-	-
5 - 10	54	-	54
10+	20	-	20
	$ 74	$ -	$ 74

(7) Capital Assets

The following schedule summarizes the capital assets activity of the Authority for the year ended December 31, 2023.

Capital Assets (NYPA and Canals)

	Beginning balance	Additions	Retirements/Transfers	Ending balance
			(in millions)	
Capital assets, not being depreciated:				
Land	$ 193	$ -	$ -	$ 193
Construction in progress	834	670	(966)	538
Total capital assets not being depreciated	1,027	670	(966)	731
Capital assets, being depreciated:				
Production - Hydro	2,449	31	-	2,480
Production - Gas turbine/combined cycle	1,251	12	-	1,263
Transmission	2,715	223	(69)	2,869
General	1,653	143	(100)	1,696
Energy Storage	-	35	-	35
Canal System	977	27	-	1,004
Total capital assets being depreciated	9,045	471	(169)	9,347
Less accumulated depreciation for:				
Production - Hydro	1,030	51	-	1,081
Production - Gas turbine/combined cycle	893	33	-	926
Transmission	1,413	48	(69)	1,392
General	609	88	(100)	597
Energy Storage	-	3	-	3
Canal System	311	47	-	358
Total accumulated depreciation	4,256	270	(169)	4,357
Net value of capital assets being depreciated	4,789	201	-	4,990
Net value of all assets	$ 5,816	$ 871	$ (966)	$ 5,721

Capital Assets (SFP)

Capital Assets, $1,187 million, consisting of Construction Work in progress of $270 million for Smart Path Connect and transmission assets in service of $917 million (Central East Energy Connect $224 million, Smart Path $477 million, and Smart Path Connect $216 million).

(8) Long-Term and Short-Term Debt

	Amount 2023 (in millions)	Interest Rate (a)	Maturity		Earliest redemption date prior to maturity
Senior debt:					
Revenue Bonds (Tax-Exempt):					
Series 2020A Revenue Bonds:					
Term Bonds	$1,121	3.250% to 4.000%	11/15/2045 - 2060	**	5/15/2030
Revenue Bonds (Taxable):*					
Series 2003A Revenue Bonds:					
Term Bonds	117	5.649% to 5.749%	11/15/2028 - 2033	**	Any date
Series 2007B Revenue Bonds:					
Term Bonds	122	5.905%	11/15/2037	**	Any date
Series 2020B Revenue Bonds:					
Term Bonds	114	2.818%	11/15/2039	**	Any date
	1,474				
Add: unamortized premium and discount	60				
Long-term senior debt	1,534				
Less: due within one year	15				
Long-term senior debt, net of due within one year	$1,519				

(a) interest rate at issuance

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

** Bonds are subject to sinking fund provisions

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

On December 27, 2023, the Power Authority deposited with The Bank of New York Mellon, as Trustee for its $88 million Series 2007B Revenue Bonds maturing November 15, 2043 (the "Defeased Bonds") issued under Authority's General Bond Resolution, $108 million consisting of cash and non-callable direct obligations of the United States the principal of and interest on which when due, together with any portions of such money held, are sufficient to pay when due the maturing principal of and interest due on the Defeased Bonds. The securities were acquired with only existing resources and deposited in an irrevocable trust fund ("Escrow Fund") with the Trustee. The Defeased Bonds are deemed to have been paid with the establishment of the Escrow Fund and having complied with the other applicable provisions of the General Bond Resolution. The defeasance generated $16.8 million of present value savings or 19%. In total, the Power Authority eliminated $181 million of future principal and interest at a cost of $108 million.

	Amount 2023 (in millions)	Interest Rate (a)	Maturity	Earliest redemption date prior to maturity
Subordinate debt:*				
Subordinated Notes, Series 2017	$21	3.466% to 4.272%	2027 to 2041**	N/A
Subordinated Notes, Series 2012	16	2.850% to 4.050%	2024 to 2037**	N/A
	37			
Less: due within one year	2			
Long-term subordinate debt, net of due within one year	$35			

(a) interest rate at issuance
* All outstanding subordinated notes are taxable
** Bonds are subject to sinking fund provisions

The Revenue Bonds outstanding as of December 31, 2023, have an average coupon rate of 4.18% (average yield rate of 3.64%) and mature through 2060.

As indicated in Note 5 “Authority’s Bond Resolutions and Related Matters” of the notes to the consolidated financial statements, the Power Authority has pledged future revenues to service the Obligations and Parity Debt (Revenue Bonds) issued under the General Bond Resolution. The total principal and interest remaining to be paid on the Revenue Bonds is $3 billion as of December 31, 2023. Interest paid in 2023 was $66 million.

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

Maturities and Interest Expense:

	Long-Term Debt (in millions)		
	Principal	**Interest**	**Total**
Years ending December 31:			
2024	$17	$63	$80
2025	17	62	79
2026	18	61	79
2027	19	60	79
2028 - 2032	114	281	395
2033 - 2037	150	248	398
2038 - 2042	147	219	366
2043 - 2047	249	184	433
2048 - 2052	298	128	426
2053 - 2057	299	68	367
2058 - 2060	183	14	197
	1,511	1,388	2,899
Plus: unamortized bond premium	60	0	60
Total	$1,571	$1,388	$2,959

Capitalized Interest

On issuance of the Series 2020A bonds the Power Authority raised $114 million for interest payments related to these bonds. These interest payments are capitalized against specific assets under construction funded utilizing the bond offerings.

Long-Term Debt (Separately Financed Projects)

	Amount 2023 (in millions)	Interest Rate (a)	Maturity	Earliest redemption date prior to maturity
Series 2022A Transmission Revenue Bonds:				
Serial bonds	$337	4.000% to 5.000%	11/15/2024 to 11/15/2042	11/15/2031
Term bonds	271	3.875% to 4.000%	11/15/2047 to 11/15/2061*	11/15/2031
Principal amount outstanding	608			
Series 2023A Transmission Revenue Bonds:				
Serial bonds	367	5.000% to 5.250%	11/15/2026 to 11/15/2043	11/15/2033
Term bonds	367	5.000% to 5.125%	11/15/2048 to 11/15/2063*	11/15/2033
Principal amount outstanding	734			
Add: unamortized premium and discount	65			
Long-term SFP debt	1,407			
Less: due within one year	16			
Long-term SFP debt, net of due within one year	$1,391			

(a) interest rate at issuance
* Bonds are subject to sinking fund provisions

The Transmission Resolution Revenue Bonds outstanding as of December 31, 2023, have an average coupon rate of 4.74% (average yield rate of 3.92%) and mature through 2063. As indicated in the "Transmission Bond Resolution Related Matters" section in Note 5 of the notes to the consolidated financial statements, the Power Authority has pledged future revenues generated by the assets that are funded by the bond proceeds to service the Obligations issued under the Transmission Bond Resolution. The total principal and interest remaining to be paid on the Transmission Resolution Revenue Bonds is $2.6 billion as of December 31, 2023. On issuance of the Series 2022A Bonds, the Power Authority raised $28 million for interest payments related to these bonds. On the issuance of the Series 2023A Bonds, the Power Authority raised $42 million for interest payments related to these bonds. For 2023, interest expense was $31 million for the Transmission Resolution Revenue Bonds.

Maturities and Interest Expense:

	Long-Term Debt (in millions)		
	Principal	**Interest**	**Total**
Years ending December 31:			
2024	$16	$64	$80
2025	20	63	83
2026	34	62	96
2027	57	60	117
2028 - 2032	204	263	467
2033 - 2037	178	218	396
2038 - 2042	176	176	352
2043 - 2047	172	136	308
2048 - 2052	166	97	263
2053 - 2057	159	60	219
2058 - 2063	160	25	185
	1,342	1,224	2,566
Plus: unamortized bond premium	65	0	65
Total	$1,407	$1,224	$2,631

Subordinate Debt:

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

(b) **Commercial Paper** – Under the Extendible Municipal Commercial Paper ("EMCP") Note Resolution, adopted December 17, 2002, and as subsequently amended and restated, the Power Authority may issue a series of notes, designated EMCP Notes, Series 1, maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of $200 million ("EMCP" Notes). There are no outstanding notes under the EMCP program as of December 31, 2023.

Under the provisions of the Second Amended and Restated Resolution Authorizing Commercial Paper Notes, adopted by the Power Authority on March 30, 2021, and the Certificate of Determination dated June 28, 2022, the Power Authority may issue from time to time a separate series of notes ("CP Notes") maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of $225 million (Series 1 CP Notes), $275 million (Series 2 CP Notes), $450 million (Series 3A ($300 million) & 3B ($150 million) CP Notes), and Series 4 (which currently has zero allocation). There were no Series 3A, Series 3B, and Series 4 CP Notes outstanding as of December 31, 2023. The Power Authority intends to use the proceeds of the Series 1, certain Series 2, and Series 3A and 3B CP Notes to finance the Authority's current and future energy efficiency programs and for other corporate purposes.

The Power Authority determines the rate for each rate period which is the minimum rate necessary to remarket the notes at par in the Dealer's opinion.

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

The Power Authority has a line of credit under a 2019 Revolving Credit Agreement (the "2019 RCA"), with a syndicate of banks, to provide liquidity support for the Series 1, Series 2, and Series 3A CP Notes, under which the Power Authority may borrow up to $700 million in aggregate principal amount outstanding at any time for certain purposes, including the repayment of the Series 1, Series 2, and Series 3A CP Notes. The 2019 RCA was extended by amendment for a three-year period to January 12, 2026. As of December 31, 2023, there were no outstanding borrowings under the 2019 RCA.

The Power Authority has a Revolving Credit Agreement (the "2020 RCA") and Note Purchase Agreement (the "Note Purchase Agreement") effective April 22, 2020, each between the Power Authority, and a single bank as Administrative Agent and sole lender thereunder (collectively the "Hybrid Credit Agreement"). The Power Authority is able to borrow up to $250 million in aggregate principal amount outstanding at any time under the Hybrid Credit Agreement. The Power Authority is able to borrow amounts under the 2020 RCA for the repayment of the Series 3B and Series 4 CP Notes. Under the Note Purchase Agreement, the Power Authority may issue Direct Purchase Notes to the lender thereunder or request the issuance of Letters of Credit, subject to a sublimit of up to $150 million. As of December 31, 2023, the Power Authority had no outstanding amount under its Hybrid Credit Agreement. The Power Authority and JPMorgan have executed an amendment to extend the Hybrid Credit Agreements for an additional three-year period. The Revolving Credit Agreement and Note Purchase Agreement expire on April 10, 2026.

As of December 31, 2023, the Power Authority had no outstanding balance on account of Direct Purchase Note under its Note Purchase Agreement connected to its Hybrid Credit Agreements.

The CP Notes, EMCP Notes, and Direct Purchase Notes are subordinate to the Revenue Bonds Series 2003A, Series 2007B, Series 2020A, and 2020B.

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

CP Notes (short-term portion) outstanding were as follows:

	December 31, 2023	
Authorized	**Allocated**	**Outstanding**
	(in millions)	
CP Notes (Series 1)	$225	$100
CP Notes (Series 2)	275	127
CP Notes (Series 3A)	300	-
CP Notes (Series 3B)	150	-
CP Notes (Series 4)	-	-

The changes in short-term debt are as follows:

	Beginning Balance	Increases	Decreases	Ending balance
		(in millions)		
Year:				
2023	$179	139	91	$227

Debt Service coverage (“DSCR”)

The Power Authority calculates the debt service coverage ratio based on EBIDA. All debt-related principal and interest payments are included for coverage.

For 2023, interest of $19 million was funded with proceeds from the Series 2020A Revenue Bonds.

Also, for 2023, interest of $13 million was funded with proceeds from Series 2022A Green Transmission Project Revenue Bonds.

DSCR for the Power Authority’s General Bond Resolution for 2023 (excluding capitalized interest) was 6.15x excluding Separately Financed Project (“SFP”).

DSCR for the Power Authority’s General Bond Resolution for 2023 (including capitalized interest) was 8.48x excluding Separately Financed Project (“SFP”).

For the Transmission Bond Resolution, DSCR (excluding capitalized interest) is 3.06x for the bond year ending November 15, 2023.

For the Transmission Bond Resolution, DSCR (including capitalized interest) is 6.12x for the bond year ending November 15, 2023.

(9) Changes in Noncurrent Liabilities

Changes in the Authority's noncurrent liabilities for the year ended December 31, 2023, are comprised of the following:

	Beginning balance	Additions	Maturities/ refundings and other	Ending balance	Due within one year
			(in millions)		
Senior debt:					
Revenue bonds	$ 1,562	$ -	$ 103	$ 1,459	$ 15
Subtotal	1,562	-	103	1,459	15
Subordinate debt:					
Subordinated Notes, Series 2017	20	-	2	18	1
Subordinated Notes, Series 2012	18	-	1	17	1
Commercial paper	-	-	-	-	-
Subtotal	38	-	3	35	2
Net unamortized discounts/premiums and deferred losses	62	-	2	60	-
Total debt, net of unamortized discounts/premiums and deferred losses	1,662	-	108	1,554	17
Other noncurrent liabilities:					
Disposal of nuclear fuel	233	12	-	245	-
Relicensing	225	-	2	223	-
Other	198	192	33	357	-
Total other noncurrent liabilities	656	204	35	825	-
Total noncurrent liabilities (excluding SFP)	2,318	204	143	2,379	17
Separate Revenue Bonds (SFP):					
Series 2022A Transmission Revenue Bonds	608	-	16	592	16
Series 2023A Transmission Revenue Bonds	-	734	-	734	-
Subtotal	608	734	16	1,326	16
Net unamortized discounts/premiums and deferred losses	51	14	-	65	-
Total debt, net of unamortized discounts/premiums and deferred losses	659	748	16	1,391	16
Total noncurrent liabilities (including SFP)	$ 2,977	$ 952	$ 159	$ 3,770	$ 33

(10) Risk Management of Commodity Hedging Activities

Overview

The Authority deploys a robust risk management program spanning its enterprise and operational risk profile. Using well-defined governance processes, the escalation of risks and the corresponding risk informed decisions to mitigate, transfer, accept, or avoid risks are consistent with the execution of its strategic vision. For example, the transfer of risk is generally executed through the purchase of insurance coverage for its operations, and in certain instances, is self-insured. Property insurance protects the various real and personal property owned by the Authority and the property of others while in its care, custody, and control for which it may be held liable. Liability insurance protects the Authority from third-party liability related to its operations, including general liability, automobile, aircraft, marine and its officers and directors. The Authority pursues subrogation claims as appropriate against any entities that cause damage to its property.

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

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

The fair values of all Authority derivative instruments are reported in current and noncurrent assets or liabilities on the consolidated statement of net position as risk management activities. For designated hedging derivative instruments, changes in the fair values are deferred and classified as deferred outflows or inflows on the consolidated statement of net position. The fair value for over the counter and exchange-traded energy, fuel, capacity, and non-energy commodity derivative instruments are determined by using the prices published by Standard & Poor's Global Platt's ("Platts"), market sources and observative market pricing and information.

Derivative Instruments

The following table shows the fair value of outstanding derivative instruments for 2023:

Derivative instrument description	Fair value balance December 31, 2022	Net change in fair value (in millions)	Fair value balance December 31, 2023	Type of hedge or transaction	Financial statement classification for changes in fair value	Notional amount December 31, 2023	Unit of measure
Energy swaps/futures (sales)	$ (105)	$ 72	$ (33)	Cash flow	Deferred outflow	(5,143,633)	MWh
Energy swaps (purchases)	(1)	(1)	(2)	Cash flow	Deferred outflow	63,716	MWh
Energy capacity futures	(15)	10	(5)	Cash flow	Deferred outflow	(945,000)	KWm
Fuel forwards/swaps	(1)	1	-	Cash flow	Deferred inflow	0	MMBTU
Non-energy commodity swaps	5	(1)	4	Cash flow	Deferred inflow	(39,000)	MT
Non-energy options	22	(16)	6	Cash flow	Deferred inflow	(45,600)	MT
Totals	$ (95)	$ 65	$ (30)				

Energy swaps and futures –The Authority transacts energy swaps and futures to manage the revenue stream from forecasted generation. Net settlement receipts were $1 million in 2023.

Energy capacity futures – The Authority transacts forward installed capacity futures intended to mitigate the volatility of market prices for transactions in the NYISO markets. Net settlement payments were $20 million in 2023.

Fuel futures/swaps – The Authority, at times, has outstanding natural gas forward contracts. Net settlement payments were $1 million in 2023.

Non-energy commodities swaps – The Authority transacts certain non-energy commodities swaps to mitigate volatilities of specific commodity market prices affecting electric rates received from certain customers' energy supply contracts. Net settlement receipts were $5 million in 2023.

Non-energy commodities options – The Authority transacts certain non-energy options to mitigate volatilities of specific commodity market prices affecting revenues received from certain customers' energy supply contracts. Premium payments were $3 million during 2023. Settlement Receipts were $15 million in 2023.

Other – Over the lifetime of each outstanding energy derivative instrument certain derivative instruments may become ineffective due to changes in the hedged item. The change in fair market value of such derivative instruments would be recognized as other nonoperating charges or credits in the statements of revenues, expenses, and changes in net position. In 2023, derivative instruments were determined to be effective.

Counterparty Credit Risk

The Authority imposes thresholds, based upon agency-published credit ratings and/or analysis, for unsecured credit that can be extended to counterparties to the Authority's commodity derivative transactions. The thresholds are established in bilateral credit support agreements with counterparties and require collateralization of mark-to-market values in excess of the thresholds. In addition, the Authority regularly monitors each counterparty's market-implied credit ratings, and the Authority may restrict transactions with counterparties on the basis of that monitoring, even if the applicable unsecured credit threshold is not exceeded.

Based upon the fair values as of December 31, 2023, the Authority's individual or aggregate exposure to derivative instrument counterparty credit risk is not significant.

Other Considerations

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

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

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

Dodd Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (DF Act) was enacted to address swap transactions in which the Authority engages. The requirements and processes are set forth in regulations promulgated by the Commodities Futures Trading Commission (CFTC). Pursuant to CFTC rules, the Authority has policies authorizing the use of financial derivatives solely to manage its commercial risk, and in certain instances, the risk of its customers. These CFTC rules are not anticipated to have significant impact on the Authority's liquidity and/or future risk mitigation activities. CFTC DF Act rules are continually reviewed for updates and the Authority will continue to monitor their potential impact on the Authority's liquidity and/or future risk mitigation activities.

(11) Fair Value Measurements

GASB Statement No. 72 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

The fair value hierarchy prioritizes the inputs used to measure fair value into three broad Levels (Levels 1, 2, and 3), moving from quoted prices in active markets in Level 1 to unobservable inputs in Level 3. A financial instrument's level within the fair value hierarchy (where Level 1 is the highest and Level 3 is the lowest) is based on the lowest level of any input that is significant to the fair value measurement. The categorization of a financial instrument within the fair value hierarchy is based upon pricing transparency and is not necessarily an indication of the Authority's perceived risk of that financial instrument.

The following describes the fair value hierarchy of inputs used by the Authority to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 – quoted prices for identical assets or liabilities in active markets that the Authority can access at the measurement date.
- Level 2 – quoted prices other than quoted prices included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.
- Level 3 – pricing inputs are unobservable for the asset or liability and may rely on inputs using the best available data under the circumstances, including the Authority's own data.

The following describes the valuation methodologies used by the Authority for assets and liabilities measured at fair value:

- U.S. government obligations – The fair value is based on institutional bond quotes and evaluations based on various market data/inputs.
- U.S. government agencies and instrumentalities – The fair value of government agencies and instrumentalities are based on institutional bond quotes and evaluations based on various market and industry inputs.
- Corporate obligations – The fair value is based on institutional bond quotes and evaluations on various market and industry inputs.
- Derivative instruments – The Authority hedges market risks through the use of derivative instruments. Derivative instruments are traded on both exchange-based and non-exchange-based markets. A detailed disclosure on derivatives is included in Note 10 "Risk Management and Hedging Activities" of notes to the consolidated financial statements.
    - The fair values for over the counter and/or exchange-traded derivative instruments are determined by the latest end-of-trading-month forward prices over the lifetime of each outstanding derivative instrument using prices published by Platts, market sources and/or internal pricing models.

The following tables summarize the Authority's outstanding assets and liabilities, of which there are no Level 3, within the fair value hierarchy at December 31, 2023:

Fair Value Measurements (NYPA and Canals)

		Fair Value Measurements (in millions)		
December 31, 2023	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 315	$ 315	$ -	$ -
Treasury bills	221	155	66	-
Treasury notes	132	132	-	-
Federal agency securities:				
FNMA	111	-	111	-
FHLMC	119	-	119	-
FHLB	140	15	125	-
GNMA	161	-	161	-
Municipal bonds	10	-	10	-
All other	224	158	66	-
Total cash and investments at fair value	1,433	775	658	-
Derivative instruments (a):				
Energy swaps/futures	35	-	35	-
Energy capacity futures	5	-	5	-
Total derivative assets at fair value	40	-	40	-
Total assets at fair value	1,473	775	698	-
Liabilities				
Derivative instruments (a):				
Non-energy swaps/options	10	-	10	-
Total derivative liabilities at fair value	10	-	10	-
Total liabilities at fair value	$ 10	$ -	$ 10	$ -

(a) The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At December 31, 2023, the Authority determined that nonperformance risk would have no material impact on the financial position or results of operations.

Fair Value Measurements (SFP)

December 31, 2023	Total	Fair Value Measurements (in millions) Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 134	$ 134	$ -	$ -
Treasury notes	56	56	-	-
Federal agency securities:				
FHLB	285	-	285	-
Total cash and investments at fair value	$ 475	$ 190	$ 285	$ -

Fair Value Measurements (Captive)

December 31, 2023	Total	Fair Value Measurements (in millions) Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 31	$ 31	$ -	$ -
Treasury bills	-	-	-	-
Federal agency securities:				
FNMA	-	-	-	-
FHLMC	13	-	13	-
FHLB	10	-	10	-
GNMA	8	-	8	-
Municipal bonds	23	-	23	-
All other	20	-	20	-
Total cash and investments at fair value	$ 105	$ 31	$ 74	$ -

(12) Pension Plans

General Information

Substantially all of the Authority's employees participate in the New York State and Local Employees Retirement System (NYSLERS) and the Public Employees' Group Life Insurance Plan (the Plan). These are cost-sharing multiple-employer defined benefit retirement plans.

The NYSLERS uses a tier concept to distinguish membership classes (i.e., tiers 1 through 6) with tier membership based on the date an employee joins the System. The ERS is non-contributory for tiers 1 and 2 employees who joined the NYSLERS on or prior to July 27, 1976. Tiers 3 and 4 employees, who joined the NYSLERS between July 28, 1976, and December 31, 2009, and have less than ten years of service, contribute 3% of their salary. Tier 5 employees who joined the NYSLERS on or after January 1, 2010, contribute 3% of their salary during their entire length of service. Tier 6 employees who joined the NYSLERS on or after April 1, 2012, contribute 3% of their salary through March 31, 2013, and up to 6% thereafter, based on their annual salary, during their entire length of service. Members become vested in the plan after five years of service and generally are eligible to receive benefits at age 55. The benefit is generally 1.67% of final average salary (FAS) times the number of years of service, for members who retire with less than 20 years of service, and 2% of FAS for members who retire with 20 or more years of service. The NYSLERS provides an annual automatic cost of living adjustment to members or surviving spouses based on certain eligibility criteria.

The NYSLERS and the Plan provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLERS and the Plan. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the NYSLERS and the Plan, and for the custody and control of their funds. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers.

The Authority is required to contribute at an actuarially determined rate. The average contribution rate relative to payroll for the NYSLERS fiscal year ended March 31, 2023, was 11%. The average contribution rates relative to payroll for the NYSLERS fiscal years ending March 31, 2024, and 2025 have been set at approximately 13% and 15%, respectively. The required contributions for 2023 were $32 million. The Authority's contributions to the NYSLERS were equal to 100% of the required contributions for each year.

The NYSLERS and the Plan issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244 or may be found on the internet at www.osc.state.ny.us/retire/publications/index.php.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the Authority reported a liability of $175 million for its proportionate share of the net pension liability within other long-term liabilities. The NYSLERS total pension liability, which was used to calculate the NYSLERS net pension liability, was measured by NYSLERS as of March 31, 2023 (measurement date). The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability was 0.81% as of March 31, 2023.

For the year ended December 31, 2023, the Authority recognized a pension expense of $62 million. At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	**Deferred Inflows**
	(in millions)	
Difference between expected and actual experience	$ 18	$ 5
Net difference between projected and actual earnings on investments	-	1
Change of assumptions	85	1
Difference between employer contributions and proportionate share of contributions	5	4
date	32	-
Total	$140	$11

The $32 million reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended December 31, 2024. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a debit to pension expense as follows (in millions):

Year Ending December	**Pension Expense Debit (in millions)**
2024	$ 23
2025	(9)
2026	36
2027	47
Total	$ 97

Actuarial Assumptions

The NYSLERS total pension liability at March 31, 2023, was determined by using the NYSLERS actuarial valuation as of April 1, 2022, with updated procedures to roll forward the NYSLERS total pension liability to March 31, 2023. The following actuarial assumptions were used for the April 1, 2022, NYSLERS actuarial valuation:

Actuarial cost method:	Entry age normal
Inflation rate:	2.9%
Salary increases:	4.4% annually
Investment rate of return:	5.9% compounded annually, net of investment expenses
Cost of living adjustments:	1.5% annually

The NYSLERS Annuitant mortality rates are based on April 1, 2015 – March 31, 2020, NYSLERS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

Long-Term Expected Rate of Return

The NYSLERS long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Type	Target Allocation	Long-term Expected Real Rate
Domestic Equity	32%	4.30%
International Equity	15%	6.85%
Private Equity	10%	7.50%
Real Estate	9%	4.60%
Credit	4%	5.43%
Opportunistic/ ARS Portfolio	3%	5.38%
Real Asset	3%	5.84%
Fixed Income	23%	1.50%
Cash	1%	0.00%
	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 5.9 percent. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the NYSLERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 5.9 percent, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (4.9 percent) or one percentage point higher (6.9 percent) than the current rate:

	1% Decrease	Current Assumption	1% Increase
Discount rate	4.9%	5.9%	6.9%
The Authority's proportionate share of the net pension liability	$422 million	$175 million	$(32) million

The NYSLERS actuary has not recommended any future changes to the actuarial assumptions used in the NYSLERS August 2023 actuarial valuation report.

(13) Postemployment Benefits Other Than Pensions, Deferred Compensation and Savings

The Power Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer noncontributory (except for certain optional life insurance coverage) health care plan (Power Authority OPEB Plan). Employees and/or their dependents become eligible for these benefits when the employee has reached 55 years of age and has at least 10 years of service and retires or dies while working at the Power Authority. Salaried employees hired after December 31, 2015, and IBEW employees hired after October 15, 2015, become eligible after 15 years of service. In addition, they will be required to contribute 50% of the active plan contribution; there will be no contribution once the transition takes place to the Medicare advantage plan.

The Power Authority has an established trust for OPEB obligations ("OPEB Trust"), with the trust to be held by an independent custodian. Plan members are not required to contribute to the OPEB Trust. The OPEB Trust is set up to pay for the exclusive benefit of the OPEB Trust plan participants. The funding of the Power Authority's OPEB Trust is at the discretion of management. Changes to the Power Authority OPEB Plan or OPEB Trust agreement are approved by the Authority's Trustees. The Power Authority made contributions on a pay-as-you-go basis in 2023 and did not contribute any amount beyond these contributions to the OPEB Trust.

The Canal Corporation provides health care and death benefits for eligible retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Canal Corporation. The Canal Corporation participates, pursuant to the provision of Section 163(4) of the New York State Civil Service Law, in the New York State Health Insurance Program ("NYSHIP"). NYSHIP does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. To be eligible an employee must (1) retire as a member of Canal Corporation or be at least 55 years old at time of termination; (2) be enrolled in the NYSHIP on date of retirement; and (3) complete at least 5 years of service for the retiree and dependent to have coverage while the employee is living. Ten years of service are needed for continued dependent coverage upon death of the employee. The Plan currently pays a portion of the medical premium cost for retired employees and covered dependents. Additionally, the Plan reimburses retirees and covered dependents for their Medicare Part B premiums.

As of June 30, 2023, measurement date (using December 31, 2021, census information), the following current and former employees were covered by the benefit terms, under the Power Authority Plan. It is assumed that 100% of future retirees who meet the eligibility requirements will participate in the Power Authority OPEB plan.

Active employees	1,964
Inactive employees and beneficiaries, receiving and/or entitled to benefits	2,755
Total	4,719

As of June 30, 2023, measurement date (using census information as of May 1, 2022), the following current and former employees were covered by the benefit terms, under the Canal Retiree Health Plan. It is assumed that 100% of future retirees who meet the eligibility requirements will participate in the OPEB plan.

Active employees, including opt-out (actives not in medical plan)	423
Inactive employees and beneficiaries, receiving and/or entitled to benefits	661
Total	1,084

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the Authority recognized OPEB expense credit of $(25) million. At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows	Deferred inflows
	(in millions)	
Differences between expected and actual experience	$ 7	$ 2
Changes in assumptions	5	122
Net differences between projected & actual investment earnings	105	66
Employer contributions subsequent to the measurement date	11	-
Total	$ 128	$190

The $11 million reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year. The remaining $73 million reported as net inflows of resources related to OPEB will be recognized as a credit in OPEB expense as follows:

Year Ending December	OPEB Expense Credit (in millions)
2024	(36)
2025	(25)
2026	-
2027	(11)
2028	(1)
Total	$ (73)

Net OPEB Liability

The Authority's net OPEB liability (asset) was measured as of June 30, 2023, based on valuation results as of December 31, 2021, for the Power Authority's plan and May 1, 2022, for the Canal plan, projected to the measurement date on a no gain/loss basis. The Authority's net OPEB asset of $112 million is recorded in other long-term assets in the Authority's consolidated statement of net position.

The following table shows the components of the Authority's changes in its total OPEB liability, the OPEB fiduciary net position, and the net OPEB (asset) during the measurement period ending June 30, 2023.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (asset)
	Increase (Decrease) (in millions)		
Balance - beginning of year	$ 609	$ 683	$ (74)
Service cost	14	-	14
Interest	43	-	43
Change of benefit terms	-	-	-
Differences between expected and actual experience	(1)	-	(1)
Changes of assumptions	-	-	-
Contributions - employer	-	29	(29)
Net investment income	-	74	(74)
Benefit payments	(30)	(30)	-
Administrative expense	-	(9)	9
Net changes	26	64	(38)
Balance - end of year	$ 635	$ 747	$ (112)

The components of the net OPEB asset at June 30, 2023, were as follows (in millions):

Total OPEB liability	$ 635
Plan fiduciary net position	$ (747)
Net OPEB asset	$ (112)
Plan fiduciary net position as a percentage of the total OPEB liability	118%

Actuarial Assumptions

The total OPEB liability in the June 30, 2023, measurement was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return:	7.00%
Healthcare Cost Trend Rates:	Pre-Medicare Medical – 6.50 percent for 2022, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2030 and later years. Post-Medicare Medical – 5.50 percent for 2022, decreasing to an ultimate rate of 4.50 percent for 2030. Prescription drugs (Rx) – 7.50 percent for 2022, decreasing to an ultimate rate of 4.50 percent for

2030. Medicare Advantage – 4.0 percent for gross costs, 3.0 percent for Medicare reimbursements, reimbursement assumed to cover a minimum of 85 percent of gross costs.

Salary increases:	Varies by service, average of 8.80 percent for first year of service, 4.95 percent for 5 years of service, 4.18 percent for 10 years of service, 3.63 percent for 15 years of service, and 3.30 percent for 20 years or more of service.
Mortality:	The General Pub-2010 headcount weighted tables were used for active employees and healthy retirees and dependents, while the corresponding Contingent Survivor mortality tables were used for surviving spouses and the corresponding Disabled Retiree mortality tables were used for disabled participants. To project mortality improvement for years after 2010, the MP-2021 Projection Scale is applied on a fully generational basis to the base rates.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Type	Target Allocation	Long-term Expected Real Rate
Domestic Equity	30%	7.0%
International Equity	20%	6.9%
Fixed Income	20%	4.6%
Real Estate & Infrastructure	13%	7.0%
Private Equity	10%	10.1%
Private Debt	5%	9.1%
Cash	2%	3.4%
	100%	

Rate of Return

For the Power Authority OPEB Plan year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 10.3 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to calculate the total OPEB liability was 7%, the long-term rate of return on the OPEB Trust assets. The projection of cash flows used to determine the discount rate assumed that the Authority will contribute at a rate equal to the average of contributions made over the most recent five-year period (2018 through 2023), and that contributions apply first to service cost of current and future plan members and then to past service costs. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees for the foreseeable future.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

Changes in the discount rate affect the measurement of the total OPEB liability. The following table depicts the Authority's Net OPEB liability / (asset), as well as the sensitivity of using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current discount rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB Liability / (Asset)	$(28) million	$(112) million	$(181) million

Sensitivity of the Net OPEB Liability / (Asset) to Changes in the Healthcare Cost Trend Rates

Changes in the healthcare cost trends affect the measurement of the total OPEB liability. The table below shows the sensitivity of the net OPEB liability / (asset) to the changes in the healthcare cost trends:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Net OPEB Liability / (Asset)	$(189) million	$(112) million	$(16) million

Deferred Compensation and Savings Plans

The Power Authority offers union employees and salaried employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. This plan permits participants to defer a portion of their salaries until future years. Amounts deferred under the plan are not available to employees or beneficiaries until termination, retirement, death or unforeseeable emergency.

The Power Authority also offers salaried employees a savings plan created in accordance with Internal Revenue Code, Section 401(k). This plan also permits participants to defer a portion of their salaries. The Power Authority matches the contributions of employees up to limits specified in the plan. Matching annual contributions was $6 million for 2023.

Both the deferred compensation plan and the savings plan have a loan feature.

Independent trustees are responsible for the administration of the 457 and 401(k) plan assets under the direction of a committee of union representatives and nonunion employees and a committee of nonunion employees, respectively. Various investment options are offered to employees in each plan. Employees are responsible for making the investment decisions relating to their savings plans.

(14) Nuclear Plant Divestiture and Related Matters

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

In accordance with the Nuclear Waste Policy Act of 1982, in June 1983, the Power Authority entered into a contract with the U.S. Department of Energy (DOE) under which DOE, commencing not later than January 31, 1998, would accept and dispose of spent nuclear fuel. In conjunction with the sale of the nuclear plants, the Power Authority's contract with the DOE was assigned to Entergy. Entergy assigned the portion of the pre-1983 spent fuel obligation applicable to JAF to Exelon in connection with the sale of JAF to Exelon. The Power Authority remains liable for the pre-1983 spent fuel obligation to Exelon for JAF and to Entergy for IP3 which as of December 31, 2023, was $245 million.

(15) Power Purchase Agreements ("PPA's")

The Authority does not have any PPA's that have a fixed charge provision or fixed cost. As and when such PPA's are executed, they will be reflected in the Notes to the Authority's Consolidated Financial Statements.

The Authority executed a PPA with Ameresco, Inc. (the "developer") on July 7, 2023, requiring the Authority to pay the developer for electricity received from the renewable facilities and recover the payments from the City Of New York (the "Purchaser"), acting through its Department of Citywide Administrative Services ("DCAS") via the Power Sales Contract (the "PSC"). In the case of non-payment from DCAS, there is a cure period of 1-year, in which the Authority will cover the payments to the developer. If there is no cure, the developer has no claim to the Authority so long as the Authority or developer is pursuing recovery from DCAS under the terms of the PSC. The total value of the PPA with Ameresco, Inc. is $200 million.

The Authority has also entered into various other PPAs, $100 million, with developers that require the Authority to pay the developers for the electricity received from renewable facilities and recover the payments from the New York Convention Center Operating Corporation, the County of Westchester, and the Port Authority via Power Sales Contracts.

All projects are in the construction phase and the Authority is not paying for or recovering for energy under the agreements that are cost-neutral to the Authority.

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

(16) Purchased Power Cost

The Authority purchased power for $605 million in 2023 in the open market, the entire cost was passed through to its customers. Power purchased in the open market is a function of customer demand and, as such, varies month to month. The Authority is under no obligation to purchase power unless customer demands require such purchases, in which case the entire cost is recovered. No purchase was made under any Power Purchase Agreement. See Note 15 above for any Power Purchase agreement ("PPA") prospectively.

(17) Captive Insurance

On September 29, 2022, the Authority's Trustees approved the formation of a subsidiary corporation called the NYPA Captive Insurance Company (the "Captive"), and the Authority filed its application for a license with the New York State Department of Financial Services (the "DFS"). On May 2, 2023, the DFS issued the Certificate of Incorporation for the Captive, and the Captive's Board of Directors held an organization meeting on May 25, 2023. On May 25, 2023, the Authority also contributed $250,000 as its initial capital contribution to the Captive. An additional $99,750,000 of capital contribution was made on August 8, 2023, bringing the total contribution to $100 million. The DFS issued the requisite license to operate, to the Captive, on July 25, 2023.

On September 1, 2023, the Captive initially underwrote a TRIA Certified NBCR (Nuclear, Biological, Chemical, Radiological & Cyberterrorism) Terrorism policy with an aggregate limit of $500 million, which policy has a federal backstop, as well as a property deductible reimbursement line in the amount of $5 million per occurrence. On November 1, 2023, the coverage limit for the property deductible reimbursement line was increased to $10 million per occurrence. On January 1, 2024, the Captive also underwrote a cyber deductible reimbursement line in the amount of $5 million per occurrence.

It is anticipated that the existence of this captive insurance company will result in cost savings to the Authority by reducing the need for commercial insurance and creating an efficient and effective claims handling process which will further enable the Authority to manage its overall risk more effectively and economically.

(18) Commitments and Contingencies

a) Power Programs

Recharge New York Power Program

Chapter 60 (Part CC) of the Laws of 2011 (Chapter 60) established the "Recharge New York Power Program" ("RNYPP"), administered by the Authority, which has as its central benefit up to 910 MW of low-cost power comprised of up to 455 MW of hydropower from the Niagara and St. Lawrence-FDR Projects and up to 455 MW of other power procured by the Authority from other sources. The 910 MW of power is available for allocation as provided by Chapter 60 to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years. RNYPP was effective beginning July 1, 2012.

The hydropower used for the RNYPP was power formerly used to provide low-cost electricity to domestic and rural customers of the three private utilities that serve upstate New York. To mitigate the impacts from the redeployment of this hydropower for the RNYPP, Chapter 60 created a "Residential Consumer Discount Program" (RCDP). The RCDP authorizes the Authority, as deemed feasible and advisable by its Trustees, to provide annual funding of $100 million for the first three years following withdrawal of the hydropower from the residential and farm customers, $70 million for the fourth year, $50 million for the fifth year, and $30 million each year thereafter, for the purpose of funding a residential consumer discount program for those customers that had formerly received the hydropower that is utilized in the RNYPP. Chapter 60 further authorizes the Authority, as deemed feasible and advisable by the Authority's Trustees, to use revenues from the sales of hydroelectric power, and such other funds of the Authority, as deemed feasible and advisable by the Authority's Trustees, to fund the RCDP. The Authority's Trustees have authorized the release of a total $660 million for the period from August 2011 to December 2023 in support of the RCDP out of which the Authority paid out $631 million.

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

As referred in "Certain New Legislation Affecting the Authority" section in the MD&A, the Authority is authorized, as deemed feasible and advisable by the Authority's Trustees, to make available an amount up to $25 million annually to the Department of Labor (pursuant to an MOU) to fund programs established or implemented by or within the Department of Labor, including but not limited to the office of just transition and programs for workforce training and retraining, to prepare workers for employment for work in the renewable energy field.

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

Western New York Power Proceeds Allocation Act

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

The Authority's Trustees approved the release of up to $101 million in net earnings calculated for the period August 30, 2010, through December 31, 2023, as provided in the legislation, for deposit into the WNYED Fund. As of December 31, 2023, $84 million has been deposited into the Fund. The Authority has approved awards of $43 million to businesses and made payments of $36 million as of December 31, 2023. Payment of these awards is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

Northern New York Power Proceeds Allocation Act

Chapter 545 of the Laws of 2014 enacted the "Northern New York Power Proceeds Act" (NNYPPA). The NNYPPA authorizes the Authority, as deemed feasible and advisable by the Trustees, to deposit "net earnings" from the sale of unallocated St. Lawrence County Economic Development Power (SLCEDP) by the Authority in the wholesale energy market into an account the Authority would administer known as the Northern New York Economic Development Fund (NNYED Fund), and to make awards to eligible applicants that propose eligible projects that satisfy applicable criteria. The NNYPPA also establishes a five-member Northern New York Power Allocations Board appointed by the Governor to review applications seeking NNY Fund benefits and to make recommendations to the Authority concerning benefits awards.

SLCEDP consists of up to 20 MW of hydropower from the Authority's St. Lawrence-FDR Power Project which the Authority has made available for sale to the Town of Massena Electric Department ("MED") for

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

As of December 31, 2023, the Authority's Trustees approved the release of funds, of up to $19 million, into the NNYED Fund representing "net earnings" from the sale of unallocated SLCEDP into the wholesale energy market for the period December 29, 2014, through December 31, 2023. As of December 31, 2023, approximately $8.5 million has been deposited into the Fund. As of December 31, 2023, the Authority has approved awards of NNYED Fund money totaling approximately $2 million to businesses that have proposed eligible projects and made payments totaling approximately $1.3 million to such businesses. Payment of approved awards of the NNYED Fund money is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

Economic Development Customer Assistance Program ("EDCAP")

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

On December 9, 2020, the Authority's Trustees had authorized a Temporary Power Assistance ("TPA") initiative to make available for sale to Authority customers receiving power under the RNY, Expansion Power, Replacement Power and Preservation Power programs (collectively, EDP Programs) supplemental power increases as part of a TPA initiative. The supplemental power was sold pursuant to the rates and other terms and conditions provided for in the customer's contract, provided that the total amount of supplemental power made available under each EDP Program would not exceed in aggregate 230 megawatts of unallocated EDP Program power and would remain subject to statutory allocation limits. Sales of supplemental power under TPA have not been authorized beyond January 31, 2024. As of December 31, 2023, 220 customers had applied for this program. The revenue earned through the EDCAP initiative was $31 million for the year ended December 31, 2023.

b) Governmental Customers in the New York City Metropolitan Area

In 2017 and 2018, the Power Authority executed new supplemental long-term electricity supply agreements (Supplemental LTAs) with its eleven NYC Governmental Customers, the largest of these customers include the Metropolitan Transportation Authority, the City of New York, the Port Authority, the New York City Housing Authority, and the New York State Office of General Services. Under the Supplemental LTAs, the NYC Governmental Customers agreed to purchase their electricity from the Power Authority through December 31, 2027, with the NYC Governmental Customers having the right to terminate at any time upon at least 12 months' notice during the first five years of the agreement

(December 31, 2022). Thereafter, both the Power Authority and the NYC Governmental Customers may terminate the agreement upon at least six months' notice. Under the Supplemental LTAs, fixed costs were set for each customer. Variable costs, including fuel, purchased power and NYISO related costs, are to be set on a pro-forma cost of service basis and reconciled to actuals as a pass-through to each customer via an energy charge adjustment. For years 2023-2025, a fixed-price energy option is available for the NYC Governmental customers for procurement of a limited amount of energy, which allows for price certainty. The NYC Governmental customers have an ability to extend this fixed-price energy option for years 2026-2027.

The Power Authority's other SENY Governmental Customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the "Westchester Governmental Customers"). The Power Authority has entered into an evergreen supplemental electricity supply agreement with all 103 Westchester Governmental Customers. Among other things provided by the agreement, customers can partially terminate service from the Power Authority with at least two months' notice prior to the start of the NYISO capability periods. Full termination is allowed with at least one year's notice, effective no sooner than January 1 following the one-year notice. Westchester Governmental Customers are partially served by the Power Authority's four small hydroelectric plants. The remainder of the Westchester Governmental Customers' load requirements are supplied through energy and capacity purchased from the NYISO markets. Sales of energy generated by the small hydroelectric resources into the NYISO markets, as well as grandfathered and historic fixed priced transmission congestion contracts, all help to offset the cost of the energy purchased, with an energy charge adjustment mechanism in place for cost reconciliation.

HTP Transmission Line

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

The Authority's payment obligations under the FTCPA include capacity payments, interconnection and transmission upgrades, and Regional Transmission Expansion Plan ("RTEP")/Transmission Enhancement Charges ("TEC") allocated to HTP in accordance with the PJM tariff. Interconnection and transmission upgrades were completed in 2018 at a total cost to the Authority of $335 million. The RTEP charges imposed upon HTP, which are still subject to legal challenge, are discussed in more detail below.

It is estimated that the revenues derived from the Authority's rights under the FTCPA will not be sufficient to fully cover the Authority's costs under the FTCPA during the 20-year term of the FTCPA. As of December 31, 2023, the Authority estimated that its under-recovery of costs for the Line could be in the range of approximately $78 million to $100 million per year over the period from 2024-2027. The under-recovery estimates were based on projections of the capacity payment obligations, the costs of interconnection and transmission upgrades and energy revenues.

The Authority's obligations under the FTCPA include payment of the RTEP charges allocated to HTP. From June 2013 through December 2023, the Authority has paid approximately $163 million in RTEP charges for the Line. Effective 2018, HTP relinquished the FTWRs held by HTP on the Line that were the basis for a significant share of its RTEP allocations. PJM's annual RTEP cost allocation update for 2018 eliminated the Authority's obligation in 2018 and beyond to pay RTEP charges related to the Bergen Linden Corridor ("BLC") project, which accounted for the bulk of the projected RTEP allocations to HTP.

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

While PJM had determined that the Authority had no RTEP payment responsibility starting in 2018 because of HTP's FTWR relinquishment, in 2020, FERC reversed PJM's determination over the Authority's objections, and held that a portion of the RTEP charges assignable to the HTP facility dating back to 2018 had to be reinstated as they were unrelated to whether HTP had retained FTWRs. These reinstated RTEP charges were for projects other than the BLC project. FERC authorized PJM to begin collection for the back periods starting in August 2020. The Authority is accruing approximately $1 million per month through the term of the agreement which ends in 2033. Depending on PJM TO's Annual Revenue Requirement, the RTEP charges could trend downward during the out years. The Authority has contested the 2020 FERC order to the D.C. Circuit Court of Appeals, which heard oral arguments on the matter in December 2023. A decision by the D.C. Circuit is pending.

c) Small Clean Power Plants

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

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

d) Legal and Related Matters

St. Regis Litigation

In 1982 and again in 1989, several groups of Mohawk Indians, including a Canadian Mohawk tribe, filed lawsuits (the St. Regis litigation) against the State, the Governor of the State, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority, and others, claiming ownership to certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil islands. These islands are within the boundary of the Authority's St. Lawrence-FDR Project and Barnhart Island is the location of significant Project facilities. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of all Mohawk plaintiffs.

The parties agreed to a land claim settlement, dated February 1, 2005, which if implemented would have included, among other things, the payment by the Authority of $2 million a year for 35 years to the tribal plaintiffs and the provision of up to 9 MW of low-cost Authority power for use on the reservation. The legislation required to effectuate the settlement was never enacted and the litigation continued.

In 2013, all claims against the Authority were dismissed and the lawsuit against the Authority was concluded. A Notice of Appeal was filed but the appeal was stayed and never perfected. On May 28, 2014, the State of New York, the St. Regis Mohawk Tribe, St. Lawrence County, and the Authority executed a Memorandum of Understanding (St. Regis MOU) that outlined a framework for the possible settlement of all the St. Regis land claims. In the St. Regis MOU, the Authority endorses a negotiated settlement that, among other terms and conditions, would require the Authority to pay the Tribe $2 million a year for 35 years and provide up to 9 MW of its hydropower at preference power rates to serve the needs of the Tribe's Reservation. The St. Regis MOU would require an Act of Congress to forever extinguish all Mohawk land claims prior to such a settlement becoming effective.

In June 2023, the Governor signed legislation (S.7566/A.7759) authorizing the State to execute a land claims settlement agreement consistent with a Memorandum of Understanding, dated May 28, 2014, between the State of New York, the St. Regis Mohawk Tribe, St. Lawrence County, and the Authority ("St. Regis MOU"). The non-settling parties have now reported to the Court that they have resolved their differences and agreed to a framework of a settlement. The settlement must now be reduced to writing and the 2014 St. Regis MOU must be incorporated into it. Lastly, Federal Legislation is still necessary before the settlement takes effect.

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

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

NYPA's outside counsel moved for Summary Judgment which was granted in full by the Trial Court. The plaintiffs have each appealed to the Appellate Division, Second Department. It is expected that the appeal will be heard and decided in early 2024.

Other Actions or Claims

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

e) Leases

Lessee Arrangements

Under the provisions of GASB No. 87, the lease obligations represent the net present value of various contracts including property leases. The value of the asset and the obligation is reduced each month to properly reflect the remaining net present value of the asset and obligation.

Below is a description of these lease arrangements:

(i) Property Leases

The Authority leases properties throughout the New York area in order to serve its customers. These sites include its corporate offices, power facilities and warehouses. While terms vary by lease, each lease provides for a monthly lease payment subject to a fixed escalation on the anniversary date of each agreement. None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources in 2023. At December 31, 2023, the right-to-use lease asset for property leases amounted to approximately $12 million, net of $2 million of accumulated amortization, with a corresponding lease liability of $10 million.

The Authority has $10 million of principal and $1 million of interest requirements to maturity for the Authority's leases from 2024-2035.

Lessor Arrangements

The Authority receives contractually determined revenue related to leasing agreements. While terms vary by lease, each lease provides for lease receipts subject to a fixed escalation on the anniversary date of each agreement. These arrangements do not provide for any variable payments. There were no additional payments received other than the rental payments. The total amount of lease revenue and interest revenue in 2023 was $3 million and $2 million, respectively. At December 31, 2023, the lease asset receivable and the corresponding deferred inflow of resources were approximately $51 million and $45 million, respectively.

Presented below is a summary of future receipts that are included in the measurement of the lease receivable, showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter:

Year	Principal	Interest	Total
		(in millions)	
2024	$ -	$ 1	$ 1
2025	-	1	1
2026	1	1	2
2027	2	1	3
2028	2	1	3
2029-33	10	5	15
2034-38	13	4	17
2039-43	16	2	18
2044-48	7	-	7
Total	$51	$16	$67

f) Subscription-based information Technology Arrangements ("SBITA")

In 2023, the Authority adopted the provisions of GASB No. 96, effective January 1, 2023. As such the Authority recognized a subscription liability of $18 million and a right-to-use subscription asset of $18 million at January 1, 2023, for agreements whereby the Authority has the right to obtain the present service capacity from the use of the underlying IT asset and the right to determine the nature and manner of use of the underlying IT asset for a period greater than one year.

At December 31, 2023, the right-to-use subscription assets amounted to approximately $36 million, net of $6 million of accumulated amortization, included in capital assets, with a corresponding subscription liability of $22 million on the Consolidated Statements of Net Position.

Year	Principal	Interest	Total
		(in millions)	
2024	$14	$1	$15
2025	5	1	$ 6
2026	2	1	$ 3
2027	1	-	$ 1
Total	$22	$3	$25

g) New York State Budget / Other Matters

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

In addition, from time to time, legislation is enacted into New York law that purports to impose financial and other obligations on the Authority, either individually or along with other public authorities or governmental entities. The applicability of such provisions to the Authority would depend upon, among other things, the nature of the obligations imposed and the applicability of the pledge of the State set forth in Section 1011 of the Act to such provisions. There can be no assurance that in the case of each such provision, the Authority will be immune from the financial obligations imposed by such provision. Examples of such legislation affecting only the Authority include legislation, discussed below and elsewhere herein, relating to the Authority's voluntary contributions to the State, the Authority's temporary transfer of funds to the State, and contributions and transfers to fund temporary and permanent programs administered by the Authority and other State entities.

Budget

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

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

Section 17 of Part JJJ of Chapter 59 of the Laws of 2021, part of the 2021-22 State Enacted Budget, provides that notwithstanding any provision of law to the contrary, as deemed feasible and advisable by its trustees, the Power Authority is authorized and directed to transfer to the state treasury to the credit of the general fund up to $20 million for the state fiscal year commencing April 1, 2021, the proceeds of which will be utilized to support energy-related state activities. The Authority contributed in March 2022 $17.5 million to the general fund in connection with the 2021-2022 budget year.

Chapter 56 of the Laws of 2022, part of the 2022-2023 Enacted State Budget, provides that notwithstanding any provision of law to the contrary, as deemed feasible and advisable by the Authority's

Trustees, the Authority is authorized and directed to transfer to the State Treasury to the credit of the general fund up to $20 million for the state fiscal year commencing April 1, 2022, to support energy-related State activities. On March 24, 2023, the Authority made a contribution of $15 million to the State Treasury to the credit of the general fund.

Section 18 of Part PP of Chapter 56 of the Laws of 2023, part of the 2023-2024 Enacted State Budget, provides that notwithstanding any provision of law to the contrary, as deemed feasible and advisable by the Authority's Trustees, the Authority is authorized and directed to transfer to the State Treasury to the credit of the general fund up to $20 million for the State fiscal year commencing April 1, 2023, to support energy-related State activities.

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

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

The Federal Energy Regulatory Commission ("FERC") issued the Authority a new 50-year license for the Niagara project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered by the Authority with various public and private entities. The Authority had estimated that the capital cost associated with the relicensing of the Niagara project would be approximately $495 million of which approximately $455 million has been disbursed. This estimate does not include the value of the power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. As of December 31, 2023, the balance in the recorded liability associated with the Niagara relicensing on the consolidated statement of net position is $189 million ($13 million in current and $176 million in other noncurrent liabilities). In addition to internally generated funds, the Authority had issued additional debt obligations to fund, among other things, Niagara relicensing costs. The costs associated with the relicensing of the Niagara project, including the debt issued, therefore, were incorporated into the cost-based rates of the project.

The Authority executed the Relicensing Settlement Agreement Addressing New License Terms and Conditions ("Settlement Agreement") entered into by several parties to the relicensing of the Niagara Project, including The New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"). The Settlement Agreement provides, among other things, for the establishment of a Relicensing Settlement Agreement State Parks Greenway Fund, which is to be funded by the Authority in the amount of $3 million per year to OPRHP for the term of the 50-year License. In 2012 and 2017, OPRHP requested that the Authority accelerate such payments by making two lump sum payments of approximately $25 million each to pay for authorized projects. In order to make the lump sum payments, the Authority issued (a) $25 million in subordinated notes in 2012 and (b) $25 million in subordinated notes in 2017. The proceeds of those subordinated note issuances were made available to OPRHP. See Note 8 "Long-Term and Short-Term Debt" of the notes to the consolidated financial statements.

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

In 2003, FERC approved a Comprehensive Relicensing Settlement Agreement ("Relicensing Agreement") reached by the Authority and numerous parties and issued the Authority a new 50-year license for the St. Lawrence-FDR Project ("St. Lawrence-FDR License").

The St. Lawrence-FDR Power Project No. 2000 Relicensing Agreement ("LGTFSA") between the Authority and the Local Government Task Force ("LGTF") provided for a review of the LGTFSA every ten years to discuss issues not contemplated at the time of relicensing in 2003. The first such review commenced in December 2013. The Authority and the LGTF entered into an agreement in 2015 in which the Authority agreed to commit and the Authority's Trustees authorized up to $45 million over 10 years for certain actions, including to: (1) fund an economic development strategic marketing study (the "Marketing Study"); (2) temporarily reduce electricity costs for certain farms and businesses (the "Discount Program"); (3) initiate an energy efficiency and renewable energy program for the LGTF communities; and (4) enhance certain recreational facilities in the LGTF communities.

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

As of December 31, 2023, the Authority has spent approximately $42 million of the $45 million authorized by the Trustees for the purpose of implementing the commitments in the LGTF 10-Year Review Agreement. As of December 31, 2023, the balance in the recorded liability associated with the St. Lawrence-FDR Project relicensing on the consolidated statement of net position is $31 million ($3 million in current and $28 million in other noncurrent liabilities).

j) Relicensing of Blenheim-Gilboa Pumped Storage Power Project

FERC issued a new 50-year operating license, effective May 1, 2019, to the Power Authority for the Blenheim-Gilboa Pumped Storage Power Project. In 2019, the Authority's Trustees accepted the new license and approved the settlement package with state and federal resource agencies, the towns of Gilboa and Blenheim, and Schoharie County. The Authority's Trustees also authorized $37 million in capital expenditures for the period 2019-2069 for all compliance, implementation, and settlement activities. The Authority has spent $9.5 million through December 31, 2023. The Authority has established a Recreation Fund in the amount of $4 million (total commitment under the settlement package is $6 million) of which $3 million has been disbursed and an Ecological Fund in the amount of $2 million (total commitment under the settlement package is $4 million) of which $1 million has been disbursed. As of December 31, 2023, the balance in the recorded liability associated with the Blenheim-Gilboa Pumped Storage Power Project relicensing on the consolidated statement of net position is $20 million ($1 million in current and $19 million in other noncurrent liabilities).

k) Construction Contracts

Estimated costs to be incurred on outstanding contracts in connection with the Authority's construction programs aggregate to approximately $899 million at December 31, 2023.

(19) Other Developments

Transmission LEM Program

In 2012, the Authority's Trustees approved a $726 million Transmission Life Extension and Modernization Program ("Transmission LEM Program") on the Authority's Transmission system through 2030. As of December 31, 2023, the Authority has spent approximately $541 million: $482 million in capital and $59 million in non-recurring O&M Investment. The Transmission LEM Program encompasses transmission assets in the Central, Northern and Western regions of New York and will include work to be done such as upgrades, refurbishments and replacements associated with switchyards and substations, transmission line structures or towers and associated hardware and replacement of the submarine cable on the PV-20 line. Reinvestment in this strategic component of the Authority's overall mission supports the repair, upgrade and/or expansion of the transmission infrastructure. The Transmission LEM Program will be financed with internal funds and proceeds from debt obligations issued by the Authority. The work on the Transmission LEM Program is underway and is expected to continue through 2030.

Lewiston LEM Program

The Authority's Trustees approved a $460 million Life Extension and Modernization Program at the Niagara project's Lewiston Pump-Generating Plant, (Lewiston LEM Program) of which approximately $394 million has been spent as of December 31, 2023. The work to be done includes a major overhaul of the plant's 12 pump turbine generator units. The Lewiston LEM Program will increase pump and turbine efficiency, operating efficiency, and the peaking capacity of the overall Niagara project. The Lewiston LEM Program will be financed with internal funds and proceeds from debt obligations issued by the Authority. The unit work began in late 2012 and is ongoing, with the final unit expected to be completed in 2025.

Next Generation Niagara

The NextGen Niagara program replaces, overhauls, and/or upgrades the thirteen (13) generating units and their associated auxiliary power generating equipment. Improvements will include replacing aging equipment with the latest machinery that reflects advanced digital technologies for optimizing the hydroelectric project's performance. The program is comprised of four main projects: Controls Upgrade, Mechanical/Electrical Overhauls, Penstock Platform, and 630-ton Gantry Crane Replacement. As of December 31, 2023, the Authority has spent approximately $150 million.

BuildSmart 2025

BuildSmart 2025 is New York State's program for aggressively pursuing energy efficiency savings in New York State-owned and occupied buildings of 11 TBtu by December 31, 2025, while advancing economic growth, environmental protection, and energy security in New York State. BuildSmart 2025 expands and continues the requirements of BuildSmart NY to assist State entities in meeting statutory requirements established by the CLCPA, that "all state agencies shall assess and implement strategies to reduce their greenhouse gas emissions". The Authority manages the BuildSmart 2025 program and monitors New York State agency performance. Since the baseline of state fiscal year (SFY) 2014/15, the program has achieved 8.03 TBtu towards the 11 TBtu goal. This progress puts New York State on track to meet the 11 TBtu goal by the end of the year 2025.

Clean Energy Standard

In 2016, the NYSPSC issued an order establishing a Clean Energy Standard (the "CES Order") to implement the clean energy goals of the State Energy Plan. Pursuant to the CES Order, load-serving entities identified in the order are required to purchase Zero Emission Credits ("ZECs") from the New York State Energy Research Development Authority ("NYSERDA") to support the preservation of existing at-risk zero emissions nuclear generation. The Authority is not subject to NYSPSC jurisdiction for purposes of the CES Order but has assumed an obligation to purchase ZECs consistent with the terms of the CES Order and intends to seek recovery of such costs from the Authority's customers. In January 2017, the Authority's Trustees authorized (a) participation in the NYSPSC's ZEC program and (b) execution of an agreement with NYSERDA to purchase ZECs associated with the Authority's applicable share of energy sales. The Authority and NYSERDA executed an agreement covering a two-year period from April 1, 2017, to March 31, 2019, under which the Authority committed to purchase ZECs in a quantity based on its proportional load in the New York control area. The Authority and NYSERDA executed an additional agreement covering a nine-year period from April 1, 2020, to April 1, 2029, under which the Authority committed to purchase ZECs in a quantity based on its proportional load in the New York control area, subject to certain adjustments. As of December 31, 2023, the Authority has paid $397 million in ZEC purchase costs.

Erie Canal Harbor Development Corporation ("ECHDC")

On March 15, 2007, the FERC approved the Authority's application for a new license for the continued operation and maintenance of the Niagara Project. The Erie County/City of Buffalo Relicensing Agreement originally provided for the Authority to make annual payments of $1 million to ESDC and annual payments of $2.5 million to the Waterfront Development Fund for fifty (50) years to support economic development and revitalization activities within the vicinity of the Buffalo Waterfront.

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

In order to further facilitate the financing of the Canal Side Project and to support other economic development and revitalization activities within the vicinity of the Buffalo Waterfront, ESDC and ECHDC requested that the Authority convert the modified payment schedule referenced above by replacing the final seven (7) outstanding annual payments of $4.7 million, totaling payments of $33 million, with a lump sum payment (net present value) of $27 million. The Authority's Trustees, at the December 13, 2022, meeting, authorized a conversion of the payment schedule, to an equivalent lump sum payment of $27 million to ECHDC. This payment was made on January 10, 2023.

Electric Vehicle Acceleration Initiative

In 2018, the Authority's Trustees approved an overall allocation of up to $250 million to be used through 2025 for an electric vehicle charging acceleration initiative of which to date $116.8 million was authorized for capital expenditure. The Authority will operate a charging network of up to 400 DC fast chargers across the State by 2025. As of December 31, 2023, 156 fast chargers were in operation. As of December 31, 2023, approximately $46 million has been spent.

(20) Canal Corporation

The Canal Transfer Legislation enacted on April 4, 2016, authorized, but does not require, the Authority, to the extent that the Authority's Trustees deem it feasible and advisable, to transfer money, property, and personnel to the Canal Corporation.

The Canal Corporation continues to require substantial operating and maintenance support and capital investment. The Canal Corporation's expenses are funded by transfers of funds from the Authority. Any transfer of funds is subject to approval by the Authority's Trustees and compliance with the Authority's General Bond Resolution. Certain expenses eligible for reimbursement are reimbursed to the Authority by moneys held in the Canal Development Fund maintained by the State Comptroller and the Commissioner of Taxation and Finance. For the year ended December 31, 2023, the Canal Corporation recognized $2 million in revenues, $74 million in operations and maintenance expenses, and $41 million in depreciation expenses.

(21) Inflation Reduction Act

On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was signed into law which aims to reduce U.S. carbon emissions and promote economic development through investments in clean and renewable energy projects. The clean energy tax credits created or expanded by the IRA are intended to drive rapid adoption of energy efficiency, electric transportation, and solar energy. The Authority has undertaken initiatives, as listed below, to take advantage of clean energy tax credits by investing in clean energy such as battery storage, and solar, transitioning our fleet to electric vehicles (“EV”), and placement of EV infrastructure in non-urban, low-income areas. The Authority expects to monetize IRA tax credits via a direct pay option which allows tax-exempted entities to receive cash payments equal to the tax credits.

North Country Energy Storage – The Authority developed and built a 20MW/20MWh battery to be the first of its kind in the North Country. The battery participates in the NYISO wholesale market as a merchant plant. By strategically siting the storage system at the Willis Substation, the project will maximize wholesale market revenue, demonstrate storage integration in a renewable rich area of the state, and position the Authority as a leader in battery storage.

The other projects include 175 KWac rooftop solar installation at the Authority’s Zeltmann facility, development and operation of Direct Current Fast Charger stations, and fleet electrification of light duty assets (Sedans, SUV’s, and light pickups).

Required Supplementary Information
(Unaudited)

Schedule of Changes in the New York Power Authority's Net OPEB Liability and Related Ratios
($ in millions, except percentages)

	June 30,				December 31,		
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	$ 14	$ 14	$ 20	$ 6	$ 13	$ 12	$ 12
Interest	43	43	42	18	39	38	36
Change of benefit terms	-	4	(2)	–	-	-	-
Differences between expected and actual experience	(1)	8	(1)	(2)	2	-	-
Change of assumptions	-	(42)	(153)	(3)	(72)	-	-
Canal transfer to the Power Authority OPEB Plan	-	-	218	-	-	-	-
Benefit payments	(30)	(32)	(34)	(12)	(25)	(25)	(22)
Net change in total OPEB liability	26	(5)	90	7	(43)	25	26
Total OPEB liability – beginning	609	614	524	517	560	535	509
Total OPEB liability – ending	$ 635	$ 609	$ 614	$ 524	$ 517	$ 560	$ 535
Plan Fiduciary Net Position							
Contributions – employer	$ 29	$ 32	$ 34	$ 12	$ 25	$ 25	$ 22
Net investment income	74	(93)	136	(36)	122	(35)	88
Benefit payments	(30)	(32)	(34)	(12)	(25)	(25)	(22)
Administrative expense	(9)	(9)	-	(1)	(2)	(2)	(2)
Net change in plan fiduciary net position	64	(102)	136	(37)	120	(37)	86
Plan fiduciary net position – beginning	683	785	649	686	566	603	517
Plan fiduciary net position – ending	$ 747	$ 683	$ 785	$ 649	$ 686	$ 566	$ 603
Net OPEB liability / (asset) – ending	$ (112)	$ (74)	$ (171)	$ (125)	$ (169)	$ (6)	$ (68)
Plan fiduciary net position as a percentage of the total OPEB liability	118%	112%	128%	124%	133%	101%	113%
Covered-employee payroll	$ 257	$ 257	$ 227	$ 200	$ 200	$ 177	$ 177
Net OPEB liability / (asset) as a percentage of covered-employee payroll	(44%)	(29%)	(75%)	(63%)	(85%)	(3%)	(38%)

Notes to schedule:

The amounts presented for the Authority's 2023 net OPEB liability (asset) were measured as of June 30, 2023, based on valuation results as of December 31, 2021, for the Power Authority's plan and May 1, 2022, for the Canal plan, projected to the measurement date on a no gain/loss basis.

This schedule is intended to present 10 years of data. Additional years will be presented prospectively.

The 2021 amount includes the Canal Corporation transfer to the Power Authority OPEB Plan (merged plan).

Schedule of the New York Power Authority's OPEB Contributions
($ in millions, except percentages)

Measurement Date	(a) Contractually/ Actuarially determined contribution	(b) Contributions made	Contribution deficiency/ (excess) (a) - (b)	(c) Covered employee payroll	Contributions as a percent of covered payroll column (b) ÷ (c)
June 30, 2023	$ 29	$ 29	$ -	$ 257	11%
June 30, 2022	32	32	-	257	12%
June 30, 2021	34	34	-	227	15%
June 30, 2020	12	12	-	200	6%
December 31, 2019	25	25	-	200	13%
December 31, 2018	25	25	-	177	14%
December 31, 2017	40	22	18	177	12%
December 31, 2016	39	24	15	161	15%
December 31, 2015	38	38	-	149	26%
December 31, 2014	33	39	(6)	145	27%

Notes to schedule:

Contributions: The Power Authority made contributions on a pay as you go basis in 2023 and did not contribute any amount beyond the contractually / actuarially required amounts.

Valuation date: December 31, 2021, for the Power Authority; May 1, 2022, for Canal

Methods and assumptions used to determine contributions

Actuarial cost method: Entry Age Normal, Level Percent of Salary

Amortization period: Five-year period for differences between the expected earnings on plan investments and actual returns. Differences in assumptions and experience from expected are recognized over the average remaining service lives of all participants in the plan. Changes in benefit terms are recognized immediately.

Asset Valuation: Market Value

Per Capita Claims: The Power Authority - Developed using 2022 projected funding rates using the Power Authority's claims experience from January 1, 2020, through April 30, 2022.

Canal – Developed using Canal claims experience from 2018 through 2019, and 2021.

Salary increases: Varies by service, average of 8.80 percent for first year of service, 4.95 percent for 5 years of service, 4.18 percent for 10 years of service, 3.63 percent for 15 years of service, and 3.30 percent for 20 years or more of service

Participation rates: Assumed 100% of future retirees who meet the eligibility requirements will participate in the OPEB plan.

Discount rate: 7.0%

Mortality: The General Pub-2010 headcount weighted tables were used for active employees and healthy retirees and dependents, while the corresponding Contingent Survivor mortality tables were used for surviving spouses and the corresponding Disabled Retiree mortality tables were used for disabled participants. To project mortality improvement for years after 2010, the MP-2021 Projection Scale is applied on a fully- generational basis to the base rates.

New York Power Authority

(A Component Unit of the State of New York)

Required Supplementary Information

(Unaudited)

Schedule of Investment Returns for the New York Power Authority OPEB Trust

Measurement Date	Annual money-weighted rate of return, net of investment expense
June 30, 2023	10.30%
June 30, 2022	(11.86%)
June 30, 2021	21.00%
June 30, 2020	(5.30%)
December 31, 2019	21.40%
December 31, 2018	(6.30%)
December 31, 2017	16.70%
December 31, 2016	7.00%
December 31, 2015	0.41%
December 31, 2014	3.99%

Note to schedule:

Average rate of return over ten-year period was 5.7%.

New York Power Authority

(A Component Unit of the State of New York)

Required Supplementary Information

(Unaudited)

Schedule of Changes in the Canal Corporation's Net OPEB Liability and Related Ratios
($ in millions, except percentages)

	June 30,		December 31,		
	2021	**2020**	**2019**	**2018**	**2017**
Change in Net OPEB Liability					
Service cost	$ -	$ 4	$ 8	$ 9	$ 7
Interest	-	3	8	8	8
Differences between expected and actual experience	-	-	(8)	-	-
Change of assumptions	-	16	(30)	(18)	20
Canal transfer to the Power Authority OPEB Plan	(218)	-	-	-	-
Benefit payments	-	(3)	(6)	(7)	(6)
Net change in total OPEB liability	(218)	20	(28)	(8)	29
Net OPEB liability – beginning	218	198	226	234	205
Net OPEB liability – ending	$ -	$ 218	$ 198	$ 226	$ 234
Covered-employee payroll	N/A	$ 27	$ 27	$ 24	$ 24
Net OPEB liability / (asset) as a percentage of covered-employee payroll	N/A	807%	733%	942%	975%

New York Power Authority

(A Component Unit of the State of New York)

Required Supplementary Information

(Unaudited)

Schedules Relating to the Employees' Retirement System Pension Plan

($ in millions, except percentages)

Schedule of Proportionate Share of the Net Pension Liability

As of March 31,	Proportion of the Net Pension Liability (Asset) Percentage	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a percentage of Covered Payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2023	0.81%	$ 175	$ 252	69.2%	90.8%
2022	(0.83%)	(68)	242	(28.1%)	103.7%
2021	0.76%	1	233	0.4%	99.9%
2020	0.77%	203	219	92.8%	86.4%
2019	0.76%	53	214	25.0%	96.3%
2018	0.72%	23	205	11.3%	98.2%
2017	0.72%	67	193	35.0%	94.7%
2016	0.60%	96	166	57.4%	90.7%
2015	0.59%	20	150	13.3%	97.9%
2014	0.60%	27	148	18.2%	97.2%

Schedule of Contributions

Year Ending December 31,	Actuarially Required Contribution	Actual Contribution	Contribution (Excess) Deficiency	Covered Employee Payroll	Contribution as a percentage of Covered Payroll
2023	$ 32	$ 32	$ -	$ 252	13%
2022	27	27	-	242	11%
2021	36	36	-	233	15%
2020	30	30	-	219	14%
2019	29	29	-	214	14%
2018	28	28	-	205	14%
2017	28	28	-	193	15%
2016	24	24	-	166	14%
2015	25	25	-	150	17%
2014	28	28	-	148	19%

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of the Power Authority of the State of New York (the Authority), a component unit of the State of New York, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the year then ended as listed in the table of contents, and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

New York, New York
March 28. 2024