

## **New York Power Authority**

### **Green Bond and Green Commercial Paper Notes Framework – September 2024**

#### **Introduction:**

The Power Authority of the State of New York (the “Authority” or “NYPA”) is a corporate municipal instrumentality and political subdivision of the State of New York created in 1931. The Authority owns and operates five major generating facilities, eleven small electric generating units located at seven facilities, a 20MW/20MWh battery energy storage facility in the North Country, and four small hydroelectric facilities in the State, with a total installed capacity of approximately 6,051 megawatts (“MW”), and more than 1,550 circuit miles of transmission lines, including major 765 kilovolt (“kV”) and 345 kV transmission facilities. The Authority’s major generating facilities consist of two large hydroelectric facilities (Niagara Power Project and St. Lawrence-Franklin D. Roosevelt Power Project a large pumped-storage hydroelectric facility (Blenheim-Gilboa) and two gas-and-oil-fired facilities (Flynn and Eugene W. Zeltmann). The Authority’s customers include municipal and rural electric cooperatives located throughout the State and local governments, investor-owned utilities, high load factor industrial customers, commercial/industrial and not-for-profit businesses, and various public corporations located within the metropolitan area of The City of New York (the “City”), including the City, and entities in certain neighboring states. The 2023-24 Enacted State Budget included four new areas of responsibility for NYPA, one of which expanded our authority to develop, own and operate renewable energy generation projects to help meet the state’s clean energy targets.

Our vision is a thriving, resilient New York State powered by clean energy. Our mission is to lead the state’s transition to a carbon-free, economically vibrant New York through customer partnerships, innovative energy solutions and the responsible supply of affordable, clean and reliable energy. VISION2030, NYPA’s 10-year strategic plan, guides our work and prioritizes investments and activities to mitigate and adapt to climate change.

New York State’s Climate Leadership and Community Protection Act (CLCPA) sets forth a plan to decarbonize the state’s electricity grid by 2040 and reach a carbon-neutral economy by 2050. The legislation aims to ensure the availability of sustainable, reliable and affordable power for all New Yorkers and to promote growth in clean energy technology and electrification.

NYPA’s VISION2030 aligns with and supports the goals of the CLCPA. It also reinforces our commitment to put the people of New York first, stimulating job creation and capital investment, and contributing to a stronger economy.

## **NYPA's Goals & Targets:**

- a) Preserve Hydropower: Maintain hydropower's annual contribution to the grid by generating at least 21 TWh of carbon-free electricity, providing capacity and critical ancillary services
- b) Decarbonize Electricity Generation: Cease production of electricity from our carbon-emitting small natural gas power plants (SNGPPs), by 2030, provided certain safety and reliability conditions are met
- c) Lead Transmission Expansion: Grow transmission rate base by three to five times by 2030
- d) Partner with Customers & the State: Enable 325 MW of distributed solar at customers sites by 2028. Enable 450MW of storage by 2030. Conserve 11 TBtu of state facility energy use by 2025. Grow the contracted supply business by 15% by 2025. Respond to CLCPA goals to provide available and relevant resources to disadvantaged communities
- e) Reimagine Canals: Execute the Reimagine the Canals priority capital projects by 2025

## **Framework Overview:**

This Green Bond and Green Commercial Paper Notes Framework (the "Framework") sets out how NYPA proposes to use the proceeds of Green Bonds or Green Commercial Paper Notes for the construction of Eligible Green Projects in a manner consistent with the NYPA's sustainable values and to accelerate progress toward the State's clean energy and climate goals, including the mandate to obtain 70% of the State's electricity from renewable sources, as identified under Chapter 106 of the New York State Climate Leadership and Community Protection Act of 2019 and NY State Executive Order 22's requirement that NYPA must obtain 100% of its electricity consumed from Clean Energy Standard ("CES") eligible renewable resources by 2030.

## **Use of Proceeds:**

The Authority intends to allocate an amount equal to the net proceeds from the issuance of its Green Bonds and Commercial Paper Notes to finance and/or re-finance, in whole or in part, new and/or existing Eligible Green Projects that meet the eligibility criteria in this Framework. A maximum three (3) year look-back period would apply for operating expenditures, with no limit on capital expenditures. Full allocation of the outstanding net proceeds from the Green Bond will, on a best-efforts basis, be finalized within three (3) years from the issuance of the Green Bond. As much as 20% of any issuance may include project-supporting operational expenses.

The Authority will issue Green Bonds or Green Commercial Paper Notes for the following project categories of its current business, as related to the Renewable Energy, Energy Efficiency, and Green Buildings categories in the ICMA Green Bond Principles.

## **Renewable Energy**

**Hydropower Generation:** Hydropower is a source of reliable, renewable, low-cost electricity for New York State. It supports a cleaner, more resilient grid by providing a baseload electricity supply that can balance the fluctuations of other renewable energy sources and adjust to daily and seasonal changes in supply and demand. Hydropower also contributes significant economic benefits to the state by powering public services and supporting job creation and retention. We preserve our hydropower assets by implementing comprehensive upgrades, maintaining a competitive market presence and investing in new research and development for hydropower technologies.

In 2023, this work included the continued modernization of assets at our Niagara hydropower plant through Next Generation Niagara, expansion of asset monitoring equipment at our Integrated Smart Operations Center (iSOC) and the provision of affordable power to New York-based businesses.

For hydropower projects related to facilities that became or will become operational after the end of 2019, NYPA intends that such projects will be Run-of-river without artificial reservoir or low storage capacity OR intends to achieve a life-cycle carbon intensity below 50 gCO<sub>2</sub>e/kWh OR power density greater than 10 W/m<sup>2</sup>.

For hydropower projects related to facilities that became operational before the end of 2019 and are being refinanced, NYPA intends that such projects will be Run-of-river without artificial reservoir or low storage capacity OR intends to achieve a life-cycle carbon intensity below 100 gCO<sub>2</sub>e/kWh OR power density greater than 5 W/m<sup>2</sup>.

**Transmission Expansion:** One of our strategic priorities under VISION2030 is to be the leading developer, owner and operator of New York State's transmission assets. We aim to expand and optimize our transmission network to relieve congestion and efficiently deliver electricity from where it is generated to areas in the state with the highest demand for power. Transmission expansion will enhance the resilience of the grid, integrate more renewables, and connect customers to these new clean energy sources. In the past year, we made progress on projects such as Propel and Smart Path Connect and completed three major transmission development projects: Smart Path, reconductoring for a segment of the Y-49 transmission line (also known as the Long Island Sound Cable) and Central East Energy Connect. Transmission projects include research, planning, design, permitting and construction.

NYPA Transmission-related projects are intended to support the integration of >90% renewable energy. Projects integrating <90% renewable energy will be financed through a pro-rata approach to determine the green allocation.

**Renewable Generation:** New York State's 2023-24 Enacted Budget amended the Power Authority Act to enable NYPA to plan, design, finance and operate renewable energy generating projects. Projects under evaluation are PV Solar or Concentrated Solar Power that derive at least 85% from solar sources, Wind, Green Hydrogen, and Geothermal with an intended direct emissions threshold at or below 100gCO<sub>2</sub>/kWh; facilities that store and discharge power and energy; and facilities, including generator lead lines, for interconnection of renewable energy generating projects to delivery points within New York State.

## **Energy Efficiency**

**Clean Energy Solutions:** NYPA helps eligible government entities, businesses and not-for-profits in New York State with energy efficiency projects and services pursuant to Section §1005(17)(b)(2) of the Public Authorities Law. These projects and services include conversion to energy-efficient LED street lighting, HVAC upgrades, air handling systems, boiler and chiller replacements, wastewater treatment systems, and electric vehicle infrastructure, as well as strategic planning, advisory, site audit and installation services for these projects.

## **Green Buildings**

**Green Buildings:** Newly constructed facilities should meet LEED "Gold" or above equivalent certification or be among the top 15% of area buildings based on primary energy demand or emissions density performance. NYPA is required to comply with requirements in Executive Order 22 which includes requirements related to waste reduction, use of green infrastructure to manage stormwater, climate risk incorporation, and biodiversity protection.

## **Selection and Evaluation of Eligible Green Projects:**

The Authority's annual Capital Budget consists of strategic initiatives focused on business diversification and growth, including investment in the NYPA's preservation and modernization of our hydropower assets, expansion and optimization of transmission assets, expansion of clean energy services offerings and development of renewable assets. It focuses on cash flow, return on investment and maintaining credit metrics consistent with an "AA" rating.

Green Bond eligible projects are selected through joint coordination of NYPA's Operations group, Budgets (via annual Capital Plan development), Enterprise Portfolio Management Office, with assistance from the Treasury and Legal departments. Projects are approved in the Capital Plan by Authority Trustees, and bond issuances approved by the Finance Committee and Authority Trustees.

Through this process, projects are analyzed for their environmental and social impacts on communities in which we operate. Additionally, we conduct extensive due diligence when evaluating potential new opportunities and including them in our annual Capital Plan.

The Authority anticipates that these capital improvements and energy efficiency initiatives will be funded by internally generated funds, additional borrowings, including commercial paper and fixed rate debt, energy efficiency customer receipts and existing construction funds. NYPA continually monitors the use of internally generated funds versus debt financing in order to achieve a desired capital structure and financial metrics. At the present time, NYPA intends to finance its capital plan initiatives with approximately 50% debt and 50% equity, and estimates that no more than 50% of its capital plan will be funded with additional borrowing.

In respect of subsequent issuance of green bonds or green commercial paper notes, similar assessment and approval processes would be carried out by NYPA in accordance with the Green Bond and Green Commercial Paper Notes Framework.

### **Management of Proceeds:**

NYPA has established and will continue to maintain one or more separate bank account(s) for the proceeds received from the issue of Green Bonds or Green Commercial Paper Notes and allocated to the forward spend identified in the project types discussed herein and in the Authority's Official Statements and Commercial Paper Offering Memorandum. The Authority also maintains internal tracking systems to monitor and account for the allocation of these proceeds.

Unallocated proceeds will be held in temporary liquid and readily available investment instruments that may include cash, term deposits with commercial banks, mutual funds and/or government securities permitted as per NYPA Investment Guidelines.

### **Reporting:**

For the duration of NYPA's Green Bonds and Commercial Paper issuance programs, NYPA will annually monitor and track (i) its use of proceeds (project type, capacity and location) for each green bond issued (ii) the current allocated and outstanding amounts and contractual maturity dates and (iii) that the use of proceeds of the Green Bonds and Green Commercial Paper Notes are in alignment with NYPA's Green Bond and Green Commercial Paper Notes Framework until full allocation and in case of any material development, afterward. iv) NYPA will include impact reporting on its progress toward climate goals by project or in aggregate. The Authority will be working internally to report and disclose the result of each issuance and ongoing efforts to work within the State's clean energy and climate goals. Reports will be posted and available to the public on NYPA.gov.

### **Assurance:**

NYPA's Green Bond and Green Commercial Paper Notes Framework will be reviewed and monitored internally and tracked in accordance with the guidelines discussed herein. If requested, NYPA may also engage outside firm(s) to further certify or audit the use of proceeds from the issuance of these Green Bonds and Green Commercial Paper Notes.