

New York Power Authority

Type of Engagement: Green Bond Pre-Issuance Review

Date: March 18, 2022

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Introduction

In May 2020, New York Power Authority (“NYPA”) developed the New York Power Authority Green Bond Framework¹ (the “Framework”) under which it may issue green bonds aimed at financing or refinancing projects to refurbish, upgrade, and modernize power transmission systems in the state of New York. Sustainalytics provided a Second Party Opinion² of the Framework.

In March 2022, NYPA engaged Sustainalytics to review the projects (the “Nominated Projects”) that will be funded through the Green Transmission Revenue Bond (herein referred to as the “2022 Green Bond”) and to provide an assessment as to whether the projects would comply with the Use of Proceeds, Project Selection, and Management of Proceeds sections of the Framework.

Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the 2022 Green Bond issuance for compliance based on whether:

1. The Nominated Projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the New York Power Authority Green Bond Framework; and
2. The commitments to select projects, manage proceeds, and report on allocation and impact in order to ensure that these commitments are aligned with the ones described in the Framework.

The Use of Proceeds Eligibility Criteria is summarized in Appendix 1, the Nominated Projects are listed in Appendix 2 and Sustainalytics’ findings are summarized in Appendix 3.

Issuing Entity’s Responsibility

NYPA is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of the eligible projects within each eligible category. This information was provided to Sustainalytics to support its review. NYPA is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the 2022 issuance will remain aligned with the commitments described in the Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of 2022 Green Bond issuance. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from relevant employees of NYPA that the use of proceeds, processes for project selection, management of proceeds, and reporting for the upcoming green bond issuance will remain aligned with the commitments described in the Framework.

¹ The New York Power Authority Green Bond Framework is available on NYPA website at: <https://www.nypa.gov/-/media/nypa/documents/document-library/financials/nypa-green-bond-framework.pdf?la=en>

² Sustainalytics’ “New York Power Authority Green Bond Framework Second-Party Opinion” is available at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/new-york-power-authority/new-york-power-authority-green-bond-framework-second-party-opinion/nypa-green-bond-framework-second-party-opinion-pdf>

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

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

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, NYPA's 2022 Green Bond is not aligned with their existing New York Power Authority Green Bond Framework.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: New York Power Authority's Use of Proceeds Eligibility Criteria

The New York Power Authority Green Bond Framework defines eligible projects in the area of electric transmission infrastructure which are intended to support the State's clean energy and climate goals, including the mandate to obtain 70% of the State's electricity from renewable sources by 2030.⁴ Specifically, NYPA has defined the following five transmission lines, as well as their associated switching facilities, as eligible:

1. The 765-kV line south from the Canadian border to Marcy, New York;
2. Two 345-kV lines from the Niagara Project east to Niagara Mohawk's Edic Substation in central New York;
3. Two 345-kV lines from Marcy, New York, connecting to other utility substations in southeastern New York;
4. Three 345-kV lines from the Blenheim-Gilboa Project extending to substations near Athens, New Scotland, and Delhi, respectively;
5. Two 230-kV lines extending east from the St. Lawrence Project to Plattsburgh, New York, and to the Vermont border;

Appendix 2: Summary of the Nominated Projects to be financed through the 2022 Green Bond

Use of Proceeds Category	Number of Projects
Electric transmission infrastructure	2

Details of the projects

1. Smart Path Project (formally known as MA1 & MA2 Transmission Line Upgrade)

WBS: CMC-AAC-00

Geographic Location: Northern NY

Completion Date: Targeted 2023

Project description:

A project to extend the file of the Moses-Adirondack lines (MA-1 and MA-2) by rebuilding the lines at 345 kV on double-circuit steel monopoles with 1033 ACSR conductor. These lines were built by the Department of Defense in 1942 to transmit power from hydro generating facilities at Taylorville on the Beaver River just north of the Adirondack Substation to Alcoa in Massena. In the early 1950s, the Authority purchased the two 115kv lines and later upgraded the lines to 230kV during the construction of the St. Lawrence – F.D.R. Power Project in the late 1950s. The lines were also extended from Alcoa to Barnhart Island (North Extension) and from Taylorville to the new Adirondack Substation (South Extension). This project is part of NYPA's backbone transmission system in New York State.

2. Central East Energy Connect (formally known as Marcy to New Scotland Transmission Line Upgrade)

WBS: CAT-PAA

Geographic Location: Central NY

Completion Date: Targeted 2023

⁴ NYPA is subject to the goals and legislation of New York's climate policies. Specifically, Chapter 106 of the New York State Climate Leadership and Community Protection Act of 2019 mandates that 70% of electricity be from renewable sources by 2030 and that by 2040 the electricity sector be zero emission. New York State, Climate Leadership and Community Protection Act, at: <https://www.dec.ny.gov/energy/99223.html>

Project Description:

New 345kV double circuit line ~86mi from existing Edic (E) to existing New Scotland (NS) station -2 new 345 kV lines ~5 miles single-circuit looping the existing 345 kV E to NS #14 line to new Rotterdam (R) 345kV station. R 230kV station to be retired -2 new 345/115 kV transformers connecting R 115kV yard to the new 345kV yard -rebuild ~6 miles of the R to NS 345 kV Tline to -Remove R to NS 115kV Tline -New Princetown 345kV yard -Terminal upgrades E and Marcy -Decom. Porter and R 230kV lines. This project is being developed in conjunction with LS Power, as a public private partnership.

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2022 Green Bond issuance (Appendix 2) to determine if the projects aligned with the Use of Proceeds Eligibility Criteria outlined in the New York Power Authority Green Bond Framework and in Appendix 1.	All projects reviewed (Appendix 2) complied with the Use of Proceeds Eligibility Criteria.	None
Project Selection and Management of Proceeds Criteria	Verification of the projects funded by the 2022 Green Bond to determine if the commitments under processes for project selection and management of proceeds were consistent with New York Power Authority Green Bond Framework.	New York Power Authority has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the 2022 issuance are consistent with the commitments described in the Framework.	None

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