PROPOSED AGENDA
JOINT FINANCE AND RISK COMMITTEE MEETING
Videoconference – November 16, 2021 at 8:00 A.M.

1. Adoption of the November 16, 2021 Proposed Meeting Agenda

2. Motion to Conduct an Executive Session

3. Motion to Resume Meeting in Open Session

4. DISCUSSION AGENDA:
   a. Financial Operations
      i. Chief Risk & Resilience Officer Report – NYPA Risk Management Benchmark (Adrienne Lotto Walker)
      ii. Chief Financial Officer Report (Adam Barsky)
         1. Proposed Issuance of Transmission Project Revenue Bonds
         2. Release of Funds in Support of Separately Financed Projects
      v. Release of Funds in Support of the New York State Canal Corporation (Q1 2022) (Adam Barsky)
      vi. Release of Funds in Support of the Residential Consumer Discount Program Created in Connection with the Recharge New York Power Program (Adam Barsky)
   b. Utility Operations
      i. Digital Utility Strategic Partnership Aggregate Funding and Extension of Value Contracts (Ricardo DaSilva)
   c. Strategy & Corporate Development
      i. VISION2030 Foundational Pillar Update – Resilience (Adrienne Lotto Walker)
      ii. VISION2030 Foundational Pillar Update – Digitalization (Robert Piascik)
5. **CONSENT AGENDA:**

   a. **Utility Operations**
      
      i. Transmission Life Extension & Modernization Program Tower Coating Upgrades WNY Contract Award (Andrew Boulais)

   b. Approval of the Joint Meeting Minutes of the Finance and Risk Committee held on September 21, 2021

   c. Approval of the Joint Special Meeting Minutes of the Finance and Risk Committee held on October 6, 2021

6. **Next Meeting**
November 16, 2021

**Motion to Conduct an Executive Session**

I move that the Committee conduct an executive session to discuss the financial and credit history of a particular corporation (pursuant to §105 of the Public Officers Law).
November 16, 2021

Motion to Resume Meeting in Open Session

I move to resume the meeting in Open Session
Chief Risk & Resilience Officer Report – NYPA Risk Management Benchmark

Adrienne Lotto Walker
VP, Chief Risk & Resilience Officer

November 16, 2021
NYPAs Risk Maturity Today and Tomorrow

NYPAs Risk Management Maturity

Key Highlights:

- Overall maturity is 2.3
- Energy and Utility Industry benchmark is 2.7
- Target to reach 3 by EOY 2023

• Transition from a Compliance and Control based to a Tolerance and Performance based maturity level

• Increased maturity level mandates the evaluation of risk considering the reward

• Enhanced risk/reward informed decision making
2021 Risk and Resilience Accomplishments

Resilience & Emerging Threats
- Refreshed all Corporate Business Continuity Plans and deployed new training
- Initiated a Climate Resilience and Adaptation Study
- Completed the EPRI Supplemental for Insider Threat Programs
- Deployed EGRC modules for Risk, Business Controls, Internal Audit, and Corporate Insurance

Enterprise & Operational Risk
- Created Risk Appetite Statement
- Completed Annual Enterprise Risk Assessments
- Updated and established new Risk Governance
- Completed Business Unit Operational Risk Training
- Establishing new Helicopter Services Oversight Committee

Corporate Insurance
- Finalized Policy Renewals
- Supported Strategic Supply Management on Supplier Diversity Initiatives
- Updated and established new Governance
- OCIP Program
  - 21 projects enrolled, combined value of $734M (99.1% capacity)
  - Avoided costs through 8/2023 of $4.2M
  - Projected additional avoided costs through 6/2023 of $11.5M

Market, Commodities, & Credit Risk
- Established governance and monitoring on new Blended Power Program
- Energy commodity strategy on target, with layered hedges over the next 4 years
- Establishing new Enterprise Credit Risk Committee
Risk and Resilience Roadmap

Upcoming Target Activities

2022
- EGRC Module Go Live (BCP/DR, Legal Compliance, Key Risk Indicators)
- Integration of Controls and Risk
- Credit Desk Operational
- Climate Study Results
- Kick-off Integrated Assurance with Audit

2023
- EGRC Incident Module Go Live
- Risk Appetite Cultural and Process Integration

2024
- Mature Integrated Assurance
- Phase 2 Climate Study Explored
- Integration of Audit Findings and Risk
- Fully Integrated Assurance Model
- Maturity Benchmark Assessment

2025
- Climate Study Results
- Integration of Audit Findings and Risk
- EGRC Incident Module Go Live
- Risk Appetite Cultural and Process Integration
- Kick-off Integrated Assurance with Audit
## YEAR-TO-DATE Actuals Through September 30th

### Operating Revenue
- **Customer Revenue**: $1,394,392 (2021 Budget), $1,383,578 (2021 Current), ($10,814)
- **Market-Based Power Sales**: 338,453 (2021 Budget), 382,524 (2021 Current), 44,071
- **Non Utility Revenue**: 19,580 (2021 Budget), 19,698 (2021 Current), 118
- **Ancillary Service Revenue**: 20,469 (2021 Budget), 24,164 (2021 Current), 3,695
- **NTAC and Other**: 179,785 (2021 Budget), 195,247 (2021 Current), 15,462

**Operating Revenue Total**: $1,952,679 (2021 Budget), $2,005,210 (2021 Current), $52,531

### Operating Expense
- **Purchase Power**: $(483,436) (2021 Budget), $(459,346) (2021 Current), 24,090
- **Ancillary Service Expense**: $(47,527) (2021 Budget), $(39,906) (2021 Current), 7,621
- **Fuel Consumed**: $(94,026) (2021 Budget), $(141,495) (2021 Current), $(47,469)
- **Wheeling**: $(504,336) (2021 Budget), $(517,078) (2021 Current), $(12,742)
- **Operations & Maintenance**: $(448,983) (2021 Budget), $(419,398) (2021 Current), 29,585
- **Other Expense**: $(96,694) (2021 Budget), $(124,569) (2021 Current), $(27,875)
- **Allocation to Capital**: 44,986 (2021 Budget), 32,556 (2021 Current), $(12,430)

**Operating Expense Total**: $(1,630,016) (2021 Budget), $(1,669,236) (2021 Current), $(39,220)

### EBIDA Total
- **EBIDA Total**: $322,663 (2021 Budget), $335,975 (2021 Current), $13,312

### Non Operating
- **Interest & Other Expenses**: $(97,326) (2021 Budget), $(91,171) (2021 Current), 6,155
- **Investment and Other Income**: 14,880 (2021 Budget), 13,945 (2021 Current), (934)
- **Mark to Market Adjustments**: 0 (2021 Budget), (249) (2021 Current), (249)
- **Depreciation**: $(193,790) (2021 Budget), $(204,847) (2021 Current), $(11,057)

**Interest and Other Expenses Total**: $(276,226) (2021 Budget), $(282,322) (2021 Current), $(6,096)

**Non-Operating Net**: $(6,096)

### NET INCOME
- **NET INCOME**: $46,437 (2021 Budget), $53,653 (2021 Current), $7,216

**EBIDA**: Earnings Before Interest Depreciation & Amortization
FULL-YEAR Forecast

YEAR END PROJECTION (JANUARY - DECEMBER 2021)

<table>
<thead>
<tr>
<th>In $ Thousands</th>
<th>2021 Budget ($)</th>
<th>2021 Current ($)</th>
<th>Variance ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Operating Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>$1,817,582</td>
<td>$1,852,225</td>
<td>$34,643</td>
</tr>
<tr>
<td>Customer Revenue</td>
<td>430,499</td>
<td>568,847</td>
<td>138,348</td>
</tr>
<tr>
<td>Market-Based Power Sales</td>
<td>27,375</td>
<td>27,005</td>
<td>(370)</td>
</tr>
<tr>
<td>Non Utility Revenue</td>
<td>27,662</td>
<td>31,543</td>
<td>3,881</td>
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<tr>
<td>Ancillary Service Revenue</td>
<td>237,488</td>
<td>260,868</td>
<td>23,380</td>
</tr>
<tr>
<td>Operating Revenue Total</td>
<td>2,540,607</td>
<td>2,740,489</td>
<td>199,882</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>(2,131,619)</td>
<td>(2,309,891)</td>
<td>(178,272)</td>
</tr>
<tr>
<td>Purchase Power</td>
<td>(629,343)</td>
<td>(683,622)</td>
<td>(54,279)</td>
</tr>
<tr>
<td>Fuel Consumed</td>
<td>(119,206)</td>
<td>(222,215)</td>
<td>(103,009)</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>(607,911)</td>
<td>(599,076)</td>
<td>8,835</td>
</tr>
<tr>
<td>Other Expense</td>
<td>(129,657)</td>
<td>(154,744)</td>
<td>(25,087)</td>
</tr>
<tr>
<td>Covid-19 Expense*</td>
<td>0</td>
<td>317</td>
<td>317</td>
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<tr>
<td>Allocation to Capital</td>
<td>59,143</td>
<td>59,144</td>
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<tr>
<td>Operating Expense Total</td>
<td>(2,131,619)</td>
<td>(2,309,891)</td>
<td>(178,272)</td>
</tr>
<tr>
<td>EBIDA Total</td>
<td>408,989</td>
<td>430,598</td>
<td>21,609</td>
</tr>
</tbody>
</table>

Non Operating

<table>
<thead>
<tr>
<th>Interest and Other Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest &amp; Other Expenses</td>
</tr>
<tr>
<td>Investment and Other Income</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Interest and Other Expenses Total</td>
</tr>
</tbody>
</table>

**NET INCOME**

| Low Case | $40,980 | $54,794 | $58,195 | $72,137 | $17,215 |

*Covid-19: Expected incremental expenses into the forecast.
EBIDA: Earnings Before Interest Depreciation & Amortization
Low/High Cases: Taken from Risk's Merchant Portfolio Daily Performance Summary

Margins - Generation** $14,417
Margins - Transmission 29,312
Margins - Non Utility (6,186)

** Includes Merchant Gross Margin Variance of $11,841
Budget @ $272,411 vs Current @ $264,252

Operating Expenses (15,934)
Non-Operating Net (4,394)

NET INCOME $17,215
Date: November 16, 2021
To: THE FINANCE AND RISK COMMITTEE
From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER
Subject: New York Power Authority and New York State Canal Corporation Filing of the 2022 Budget and 2022-2025 Financial Plan Pursuant to Regulations of the Office of the State Comptroller

SUMMARY

In accordance with regulations of the Office of the State Comptroller (“OSC”), the Board of Trustees (the “Trustees”), at their December 7, 2021 meeting, will be requested to approve the 2022 Budget and 2022-2025 Financial Plan (in the form approved, the “Budget and Financial Plan”) and authorize: (i) submitting the Budget and Financial Plan to OSC, (ii) posting the Budget and Financial Plan on the website of the New York Power Authority (the “Power Authority”), and (iii) making the Budget and Financial Plan available for public inspection at not less than five convenient public places throughout New York State.

The Board of Trustees will be requested to approve the 2022 Budget for the Power Authority and New York State Canal Corporation (“Canal Corporation”) specifically including the expenditures for (A) the 2022 Power Authority Budget, including (i) Operations & Maintenance (“O&M”) Budget, (ii) Capital Budget, (iii) Energy Services Budget; (B) the 2022 Canal Corporation Budget, including (i) Canal Corporation Operations & Maintenance (“O&M”) Budget encompassing the Canal Development Fund (“CDF”), and (ii) Canal Corporation Capital Budget, (collectively “2022 Budgets”).

The 2022 Budgets set forth the Power Authority and the Canal Corporation recommended expenditures in the following amounts:

<table>
<thead>
<tr>
<th>2022 Power Authority Budgets</th>
<th>($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>O&amp;M</td>
<td>$ 549.9</td>
</tr>
<tr>
<td>Capital</td>
<td>$ 844.0</td>
</tr>
<tr>
<td>Energy Services</td>
<td>$ 302.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2022 Canal Corporation Budgets</th>
<th>($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>O&amp;M (Inc. CDF)</td>
<td>$ 85.2</td>
</tr>
<tr>
<td>Capital</td>
<td>$ 39.7</td>
</tr>
</tbody>
</table>

The Budget and Financial Plan comprises Exhibit “A”.

BACKGROUND

The Power Authority is committed to providing clean, low-cost, and reliable energy consistent with its commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables and innovation, for the benefit of our customers and all New Yorkers. The mission statement of the Authority is to power the
economic growth and competitiveness of New York State by providing customers with low-cost, clean, reliable power and the innovative energy infrastructure and services they value.

The Canal Corporation became a subsidiary of the Power Authority effective January 1, 2017. Pursuant to Section 1005-b(5) of Article 5, Title 1 of the Public Authorities Law, the members of the Canal Corporation are the same persons holding the offices of Trustees of the Authority. Assumptions that were used by staff to prepare the 2022 Power Authority and Canal Corporation Budgets, and for forward periods, have been incorporated in the Budget and Financial Plan.

The 2022 Power Authority Budget is intended to provide the Power Authority’s operating facilities with, and support organizations by providing, the resources needed to meet the Power Authority’s overall mission and the Power Authority’s strategic objectives. The 2022 Canal Corporation budget is intended to fund the expenses of the Canal Corporation which is authorized to operate, maintain, construct, improve, develop, finance and promote the New York State Canal System and the overall Canal Corporations’ mission and objectives. Any transfers of funds from the Power Authority to the Canal Corporation would be subject to compliance with the Power Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented (the “Revenue Bond Resolution”). CDF expenses are expected to be reimbursed to the Authority by the State Comptroller with monies held in the New York State Canal System Development Fund as discussed in the attached Canal Corporation Budget memorandum.

The OSC implemented regulations in March 2006 addressing the preparation of annual budgets and four-year financial plans by “covered” public authorities, including the Authority. (See 2 NYCRR Part 203 (“Part 203”)). These regulations, which are discussed below, establish various procedural and substantive requirements relating to the budgets and financial plans of public authorities. The Budget and Financial Plan has been prepared in accordance with these regulations.

DISCUSSION

For a detailed breakdown of the following sections please reference the attached “Exhibit A”.

2022 NEW YORK POWER AUTHORITY BUDGET

In approving the 2022 Power Authority Budgets, the Trustees will be authorizing spending for 2022 operations, capital projects, and general plant purchases of $1.5 million or less. The requested headcount in the 2022 Power Authority Budgets will remain unchanged.

In accordance with the Power Authority’s Expenditure Authorization Procedures, the President and Chief Executive Officer may, during the year, authorize up to 15 new positions, new capital projects of $10.0 million or less, or an increase in spending of no more than $10.0 million to a capital project previously approved by the Trustees. All other spending authorizations must be approved by the Trustees.

Operations & Maintenance ("O&M")

The 2022 O&M Budget of $549.9 million reflects a continued concentration on the effective operation and maintenance of the Power Authority’s critical investments in New York State’s electric infrastructure and the continued support of Power Authority’s strategic investments. The 2022 O&M Budget for Operations provides $341.8 million which includes Operations Sites, Operations Headquarters, Commercial Operations and Clean Energy Solutions Business Units.
Capital

The 2022 Capital Budget totals $844.0 million, which is a 10.3% increase over the 2021 Budget. Of this amount $692.2 million – or 82.0% of the total – represents planned investments in the Power Authority’s generation facilities as well as in the Power Authority’s statewide transmission network.

Energy Services

The 2022 Energy Services Budget totals $302.9 million, an increase of $11.5 million – or 3.9% increase over the 2021 Budget. These expenditures will be subsequently recovered over time from the benefiting customers. The 2022 Energy Services budget includes funding for energy efficiency projects for Power Authority customers and other eligible entities as the Power Authority strives to support the State’s improved energy efficiency and clean, renewable energy goals.

2022 CANAL CORPORATION BUDGET

Operations & Maintenance

The 2022 Total Canal O&M Budget for Operations includes $85.2 million for the Canal Corporation. This figure, $85.2 million, is made up of $83.0 million in O&M for Canal Corporation and $2.2 million for the Canal Development Fund in 2022.

Canal Development Fund

The 2022 Canal Development Fund Budget totals $2.2 million, representing ongoing costs associated with the New York State Canal System Development Fund.

The Canal Development Fund, created by State Finance Law §92-u, is a fund established in the joint custody of the State Comptroller and the Commissioner of Taxation and Finance. The Canal Development Fund consists largely of revenues received from the operation of the Canal System. Monies of the Canal Development Fund, following appropriation by the legislature, is made available to the Authority, and may be expended by the Authority or the Canal Corporation for the maintenance, construction, reconstruction, development, or promotion of the Canal System. In addition, monies of the Canal Development Fund may be used for the purposes of interpretive signage and promotion for appropriate historically significant Erie Canal lands and related sites. Monies from the Canal Development Fund are paid out by the State Comptroller on certificates issued by the Director of the Budget.

Capital

The 2022 Canal Corporation Capital Budget is $39.7 million, which is a 1.5% decrease over the 2021 Budget. Of this amount $31.8 million – or 79.9% of the total – represents planned investments in the Canalway infrastructure.

Budget and Financial Plan

Under Part 203 of the OSC Regulations, the Trustees are required to adopt a Budget and Financial Plan. The approved Budget and Financial Plan must be available for public inspection not less than seven days before the commencement of the next fiscal year for a period of not less
than 45 days and in not less than five convenient public places throughout the State. The approved Budget and Financial Plan must also be submitted to OSC, via electronic filing through the Public Authorities Reporting Information System, within seven days of approval by the Trustees. The regulations also require the Authority to post the approved Budget and Budget Financial Plan on its website.

Under Part 203, each Budget and Financial Plan must be shown on both an accrual and cash basis and be prepared in accordance with generally accepted accounting principles; be based on reasonable assumptions and methods of estimation; be organized in a manner consistent with the public authority’s programmatic and functional activities; include detailed estimates of projected operating revenues and sources of funding; contain detailed estimates of personal service expenses related to employees and outside contractors; list detailed estimates of non-personal service operating expenses and include estimates of projected debt service and capital project expenditures.

Other key elements that must be incorporated in each Budget and Financial Plan are a description of the budget process and the principal assumptions, as well as a self-assessment of risks to the budget and financial plan. Additionally, each Budget and Financial Plan must include a certification by the Chief Operating Officer.

The first year of the Budget and Financial Plan is based on the 2022 Power Authority and Canal Corporation Budgets which are being brought to the Board for approval at this time. The remaining three years are indicative forecasts.

FISCAL INFORMATION

Payment of O&M expenses will be made from the Operating Fund. The Canal Corporation’s O&M (inclusive of Canal Development Fund), and Capital expenses are expected to be funded by transfers of funds from the Power Authority. Any transfers of funds from the Power Authority for payment O&M expenses of the Canal Corporation would be subject to approval by the Power Authority’s Board of Trustees and compliance with the Authority’s Revenue Bond Resolution.

Canal Development Fund expenses are expected to be reimbursed to the Power Authority by the State Comptroller with monies held in the Canal Development Fund as discussed above.

Payment for Capital and Energy Services expenditures will be made from the Capital Fund and the Energy Conservation Construction and Effectuation Fund, respectively. Monies of up to $883.7 million from the Operating Fund will be transferred to the Capital Fund for capital expenditures, subject to compliance with the Revenue Bond Resolution.

The 2022 Operating Budget shows adequate earnings levels so that the Power Authority may maintain its financial goals for cash flow and reserve requirements.

The first year of the Budget and Financial Plan is based on the 2022 Power Authority and Canal Corporation Budgets which are being brought to the Board for approval at this time. The remaining three years are indicative forecasts. The Trustees are not being asked to approve any revenue and expenditure amounts for years 2023-2025 at this time.
RECOMMENDATION

The Chief Financial Officer requests the Finance and Risk Committee recommend that the Trustees approve the Budget and Financial Plan, specifically including the expenditures for the (i) 2022 Power Authority Budgets and (ii) 2022 Canal Corporation Budgets, each as discussed herein.

In connection with the 2022 Capital Budget, the Chief Financial Officer and Finance Committee recommend that the Trustees authorize the transfer of up to $883.7 million from the Operating Fund to the Capital Fund, subject to compliance with the Revenue Bond Resolution.

The Chief Financial Officer and Finance and Risk Committee further recommend the Trustees to (1) approve the Budget and Financial Plan, and (2) authorize (i) submitting the Budget and Financial Plan to the OSC in the prescribed format, (ii) posting the Budget and Financial Plan on the Authority’s website, and (iii) making the Budget and Financial Plan available for public inspection at not less than five convenient public locations throughout New York State.

For the reasons stated, I recommend the approval of the above-requested actions by adoption of a resolution in the form of the attached draft resolution.

Justin E. Driscoll
Interim President and Chief Executive Officer
RESOLUTION

RESOLVED, That the Finance and Risk Committee hereby recommends that the Board of Trustees (on behalf of the Power Authority and the Canal Corporation) approve the 2022 Budgets, specifically including the expenditures for the (i) 2022 Power Authority Budgets and (ii) 2022 Canal Corporation Budgets, each as discussed in the attached memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance and Risk Committee hereby further recommends that the Board of Trustees authorize up to $883.7 million of monies in the Operating Fund to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations as amended and supplemented, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further

RESOLVED, That the Finance and Risk Committee hereby further recommends that the Board of Trustees (on behalf of the Power Authority and the Canal Corporation), pursuant to 2 NYCRR Part 203, approve the Budget and Financial Plan, including the certification by the Chief Operating Officer, in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance and Risk Committee hereby further recommends that the Board of Trustees (on behalf of the Power Authority and the Canal Corporation) pursuant to 2 NYCRR Part 203, authorize the Corporate Secretary to submit the Budget and Financial Plan to the Office of the State Comptroller in the prescribed format, post the Budget and Financial Plan on the Power Authority’s website and make the Budget and Financial Plan available for public inspection at not less than five convenient public places throughout New York State.
RESOLVED, That the Finance and Risk Committee hereby further recommends that the Board of Trustees authorize the Chairman, the Vice Chairman, the President and Chief Executive Officer and all other officers of the Power Authority on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.
# Proposed 2022 Budget and 2022–2025 Financial Plan

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Mission of the Power Authority of the State of New York

The mission of the Power Authority of the State of New York (“NYPA” or the “Authority,”) which was ratified by our Trustees in their December 2020 meeting, 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 NYPA’s core operating businesses while also moving to support the energy goals of New York State, codified in the Clean Energy Standard, New York State Climate Leadership and Community Protection Act (“CLCPA”), our Enhanced Authority under the Power Authority Act as a result of the changes enacted in 2019, and the Accelerated Renewable Energy Growth and Community Benefit Act.

The Authority’s financial performance goal is to maintain a strong financial position to have the resources necessary to achieve its mission.

VISION2030: 10-Year Strategic Outlook

NYPA is currently executing VISION2030, the ten-year strategic plan approved by the Trustees in December 2020. VISION2030 is organized around five strategic priorities and five foundational pillars. The five priorities are: Preserving the value of hydropower, Decarbonizing natural gas plants, Growing transmission, Partnering with customers and the state, and Reimagining the Canals. The five pillars are: Digitalization, Environmental, Social, and Governance (ESG), Diversity, Equity, and Inclusion (DEI), Enterprise Resilience, and Resource Alignment.

Sustainability

Sustainability encompasses the environmental, social and governance (“ESG”) performance of a company that contributes to long-term value creation.

The 2021-2025 Sustainability Plan serves as a roadmap to help bring our ESG ambition to life over the next five years. The plan outlines the ESG goals, strategies, and initiatives that we are committed to across each of our 15 material ESG focus areas, that align with and support VISION2030 objectives. The Sustainability Plan is an integrated, cross functional, and collaborative living document that will be revisited and refreshed as our sustainability journey evolves, our targets are achieved, and our ambitions grow.

In reporting our ESG progress and doubling down on our commitments, annual sustainability reports provide the platform to transparently communicate and disclose our performance in alignment with leading ESG reporting and disclosure framework standards. To reinforce our commitment to transparency and accountability, we are adopting the Integrated Reporting (<IR>) framework and will issue our first <IR> report in 2023, combining our Annual Report (with financial disclosures) and our Sustainability Report into one comprehensive report. Annual reports provide the platform to transparently communicate and disclose our performance in alignment with leading ESG reporting and disclosure frameworks and standards.

Background of the Power Authority of the State of New York

The Authority is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”) created in 1931 by Title 1, Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended from time to time (the “Act”), and has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425.

The Authority’s customers include: municipal and rural electric cooperatives, investor-owned utilities, high load factor industrial customers, commercial/industrial and not-for-profit businesses, public entities and Community Choice Aggregation Communities located throughout New York State, local towns, villages, school districts, fire departments, etc. located in Southeastern New York within the metropolitan area of New York City (“SENY governmental customers”), and certain neighboring states.

The Authority owns and operates five major generating facilities within the state, eleven small electric generating units located at seven facilities, and four small hydroelectric facilities, with a total installed capacity of approximately 6,051 megawatts (“MW”), and a number of transmission lines, including major 765-kilovolt (“kV”) and 345kV transmission facilities. The Authority’s major generating facilities consist of two large hydroelectric facilities (the Niagara Power
Project and St. Lawrence-FDR Power Project), a large pumped-storage hydroelectric facility (the Blenheim-Gilboa Power Project) and two gas-and-oil-fired facilities (the Flynn Power Plant located in Holtsville, New York and a combined-cycle electric generating plant, the Eugene W. Zeltmann Power Project, located in Queens, New York, previously known as the 500-MW Plant).

Effective January 1, 2017, the New York State Canal Corporation (the “Canal Corporation” or “NYCC”) became a subsidiary of the Authority. The Canal Corporation is responsible for a 524-mile canal system consisting of the Erie, Champlain, Oswego, and Cayuga-Seneca canals (the “Canal System”). The Board of Trustees of the Authority (the “Board of Trustees”) is the governing board of the Canal Corporation and the Authority has assumed certain powers and duties relating to the New York State Canal System to be exercised through the Canal Corporation.

Documentation and Exhibits Supporting the Budget and Financial Plan

(a) NYPA’s Relationship With New York State Government

The Authority is a corporate municipal instrumentality and political subdivision of the State created in 1931 by the Public Authorities Act (“the Act”), to help provide a continuous and adequate supply of dependable electric power and energy to the people of the state.

The Authority’s operations are overseen by a Board of Trustees. NYPA’s trustees are appointed by the Governor of the State with the advice and consent of the State Senate. The Authority is a fiscally independent public corporation whose operations are not supported by state tax revenues. NYPA generally finances construction of new projects through internally generated funds and the sale of bonds and notes to investors, and it pays related debt service with revenues from the generation and transmission of electricity. Income of the Authority and properties acquired by it for its projects are exempt from taxation.

(b) Budget Process

NYPA operates in a capital-intensive industry where operating revenues and expenses are significant and highly variable due to the volatility of electricity prices and fuel costs. NYPA’s operations are subject to electric market price and fuel cost variability, and volatility in water flows have a direct effect on the Authority’s hydroelectric generation levels. This Proposed 2022 Budget and 2022-2025 Financial Plan (“Four-Year Financial Plan”) relies on data and projections developed throughout the following time frame:

- July 2021–November 2021, develop preliminary forecasts of electric prices (both energy and capacity), ancillary services revenue and expenses, and fuel expenses, customer power and energy use; customer rates; Annual Transmission Revenue Requirement; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy and power requirements and sources
- November 1, 2021, post this Proposed 2022 Budget and 2022–2025 Financial Plan for public inspection at five convenient locations and on NYPA’s website
- October 2021–November 2021, update and finalize all forecasts and cost estimates
- November 2021–December 2021, integrate input data to produce the final 2022 Budget and 2022-2025 Financial Plan
- Seek authorization of NYPA’s Board of Trustees to approve the final 2022 Budget and 2022-2025 Financial Plan at their meeting scheduled for December 8, 2021
- Submit the then Approved 2022 Budget and 2022-2025 Financial Plan to the State Comptroller’s Office; and make the approved document available for public inspection at five convenient locations and on NYPA’s website.
NYPA’s Four-Year Projected Income Statements  
(In $ Millions)

<table>
<thead>
<tr>
<th>NYPA &amp; CANALS</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Revenue</td>
<td>$1,898.6</td>
<td>$1,919.4</td>
<td>$1,921.7</td>
<td>$1,946.7</td>
</tr>
<tr>
<td>Market-Based Power Sales</td>
<td>628.0</td>
<td>565.1</td>
<td>608.1</td>
<td>662.7</td>
</tr>
<tr>
<td>Ancillary Service Revenue</td>
<td>29.3</td>
<td>29.6</td>
<td>29.8</td>
<td>30.2</td>
</tr>
<tr>
<td>NTAC and Other</td>
<td>256.9</td>
<td>263.3</td>
<td>289.1</td>
<td>337.4</td>
</tr>
<tr>
<td>Non Utility Revenue</td>
<td>256.9</td>
<td>263.3</td>
<td>289.1</td>
<td>337.4</td>
</tr>
<tr>
<td>Operating Revenue Total</td>
<td>2,842.3</td>
<td>2,809.0</td>
<td>2,882.6</td>
<td>3,014.0</td>
</tr>
</tbody>
</table>

| Operating Expense |          |          |          |          |
| Purchase Power | (789.5) | (760.4) | (763.5) | (815.7) |
| Ancillary Service Expense | (61.3) | (63.3) | (63.1) | (64.5) |
| Fuel Consumed | (235.2) | (196.6) | (208.7) | (227.0) |
| Wheeling | (643.8) | (643.8) | (643.7) | (643.8) |
| Operations & Maintenance | (558.5) | (577.4) | (605.1) | (631.2) |
| Other Expense | (98.2) | (87.2) | (86.9) | (81.8) |
| Operating Expense Total | (2,386.5) | (2,328.7) | (2,371.0) | (2,464.0) |

| EBIDA | 455.8 | 480.3 | 511.6 | 550.0 |
| Compounded Annual Growth Rate (CAGR) | 5% | 6% | 6% |

| Non Operating Income & Expenses |          |          |          |          |
| Depreciation & Amortization | (288.8) | (315.7) | (338.0) | (356.5) |
| Investment and Other Income | 18.0 | 21.8 | 25.1 | 28.9 |
| Mark to Market Adjustments | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest & Other Expenses | (123.6) | (117.4) | (125.1) | (127.8) |
| Non Operating Income & Expenses Total | (394.4) | (411.3) | (438.0) | (455.4) |

| CONSOLIDATED NET INCOME (NYPA & CANALS) | $61.4 | $69.0 | $73.6 | $94.6 |

NYPA’s Gross Margin Analysis  
(In $ Millions)

<table>
<thead>
<tr>
<th>NYPA &amp; CANALS</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchant Margin</td>
<td>$275.1</td>
<td>$274.1</td>
<td>$286.6</td>
<td>$307.0</td>
</tr>
<tr>
<td>Customer Margin</td>
<td>586.8</td>
<td>609.0</td>
<td>621.5</td>
<td>599.9</td>
</tr>
<tr>
<td>Transmission Margin</td>
<td>214.4</td>
<td>219.6</td>
<td>246.0</td>
<td>296.7</td>
</tr>
<tr>
<td>Other Margin</td>
<td>36.1</td>
<td>42.3</td>
<td>49.7</td>
<td>59.4</td>
</tr>
<tr>
<td>TOTAL MARGIN</td>
<td>1,112.4</td>
<td>1,145.0</td>
<td>1,203.8</td>
<td>1,263.0</td>
</tr>
</tbody>
</table>

| Operations & Maintenance | (558.5) | (577.4) | (605.1) | (631.2) |
| Other Expenses | (98.1) | (87.3) | (87.1) | (81.8) |

| EBIDA | $455.8 | $480.3 | $511.6 | $550.0 |
2022 NYPA’s Budget – Sources
(In $ Millions)

- Investment Income, $18.0, 1%
- NYISO Market Revenues, $657.3, 23%
- Customer Revenues, $1,898.6, 66%
- Other Revenue, $286.4, 10%

2022 NYPA’s Budget – Uses
(In $ Millions)

- Purchased Power, $850.8, 30%
- Fuel Oil and Gas, $235.2, 8%
- *O&M Expenses, $558.5, 20%
- Other Expenses, $98.2, 4%
- Interest & Other Expenses, $123.6, 5%
- Wheeling Expenses, $643.8, 23%
- Depreciation and Amortization, $288.8, 10%

* Reflects NYPA’s base O&M expenses plus administrative expenses less the Allocation to Capital.
NYPAs Statement of Cash Flows*
(In $ Millions)

<table>
<thead>
<tr>
<th>NYPA</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of Power, Use of Transmission Lines, Wheeling Charges and other receipts</td>
<td>$2,205.6</td>
<td>$2,680.2</td>
<td>$2,838.2</td>
<td>$2,813.4</td>
<td>$2,896.3</td>
<td>$3,037.5</td>
</tr>
<tr>
<td>Earnings on Investments and Time Deposits</td>
<td>30.0</td>
<td>14.8</td>
<td>18.0</td>
<td>21.8</td>
<td>25.1</td>
<td>28.9</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>2,235.6</td>
<td>2,695.0</td>
<td>2,856.2</td>
<td>2,835.2</td>
<td>2,921.4</td>
<td>3,066.4</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operation and Maintenance, including Transmission of Electricity by others, Purchased Power and Fuel Purchases</td>
<td>(2,009.8)</td>
<td>(2,371.9)</td>
<td>(2,587.8)</td>
<td>(2,534.6)</td>
<td>(2,583.8)</td>
<td>(2,683.9)</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Bonds and Notes</td>
<td>(60.2)</td>
<td>2.5</td>
<td>(28.2)</td>
<td>(46.9)</td>
<td>(65.6)</td>
<td>(64.7)</td>
</tr>
<tr>
<td>Bonds and Notes Retired</td>
<td>(342.9)</td>
<td>(1.4)</td>
<td>(1.5)</td>
<td>(1.5)</td>
<td>(17.5)</td>
<td>(18.4)</td>
</tr>
<tr>
<td><strong>Total Debt Service</strong></td>
<td>(403.1)</td>
<td>1.1</td>
<td>(29.7)</td>
<td>(48.4)</td>
<td>(83.1)</td>
<td>(83.1)</td>
</tr>
<tr>
<td><strong>Total Requirements</strong></td>
<td>(2,412.9)</td>
<td>(2,370.8)</td>
<td>(2,617.5)</td>
<td>(2,583.0)</td>
<td>(2,666.9)</td>
<td>(2,767.0)</td>
</tr>
<tr>
<td><strong>Net Operations</strong></td>
<td>(177.3)</td>
<td>324.2</td>
<td>238.7</td>
<td>252.2</td>
<td>254.5</td>
<td>299.4</td>
</tr>
<tr>
<td><strong>Capital Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of Bonds, Promissory Notes &amp; Commercial Paper</td>
<td>1,277.4</td>
<td>0.0</td>
<td>0.0</td>
<td>288.6</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Less: Repayments</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Earnings on Construction Funds</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>DSM Recovery Receipts</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Temporary Asset Transfer Return from NYS</td>
<td>0.0</td>
<td>86.0</td>
<td>43.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>57.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total Capital Receipts</strong></td>
<td>1,334.4</td>
<td>86.0</td>
<td>43.0</td>
<td>288.6</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Capital Additions &amp; Refunds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions to Electric Plant in Service and Construction Work in Progress, and Other costs</td>
<td>(507.1)</td>
<td>(762.2)</td>
<td>(892.1)</td>
<td>(666.9)</td>
<td>(521.6)</td>
<td>(463.5)</td>
</tr>
<tr>
<td>Construction Funds - Net Transfer</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total Capital Additions &amp; Refunds</strong></td>
<td>(507.1)</td>
<td>(762.2)</td>
<td>(892.1)</td>
<td>(666.9)</td>
<td>(521.6)</td>
<td>(463.5)</td>
</tr>
<tr>
<td><strong>Net Capital</strong></td>
<td>827.3</td>
<td>(676.2)</td>
<td>(849.1)</td>
<td>(378.3)</td>
<td>(521.6)</td>
<td>(463.5)</td>
</tr>
<tr>
<td><strong>Net Increase/(Decrease)</strong></td>
<td>$650.0</td>
<td>$(352.0)</td>
<td>$(610.4)</td>
<td>$(126.1)</td>
<td>$(267.1)</td>
<td>$(164.1)</td>
</tr>
</tbody>
</table>

* This Statement of Cash Flows follows the format prescribed by §2801 of New York State Public Authorities Law and does not follow GASB financial statement standards.
(c) Budget Assumptions

NYISO Revenue and Expenses

Based on scheduled customer power needs and available electricity generated by NYPA’s operating assets, the Authority buys and sells capacity and energy through markets operated by the NYISO. Various NYISO-purchased power charges, in combination with generation-related fuel expenses, comprise a large portion of NYPA’s operating expenses. A significant amount of the Authority’s revenues results from sales of its generation into the NYISO market. The energy and capacity revenues are projected based on published forward prices, exchanges, broker information and/or internal pricing models.

Customer and Project Revenue

The customers served by the Authority and the rates they pay vary within the NYPA Power Programs designated to serve such loads. NYPA’s power supply customers are served under contracts and tariffs approved by the Board of Trustees.

St. Lawrence-FDR and Niagara Customers

Energy from the St. Lawrence-FDR and Niagara facilities are sold under contract to municipal electric systems, rural electric cooperatives, industrial and other business customers, 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 Authority, as applicable to the 51 municipal electric systems, rural electric cooperatives in New York State, two public transportation agencies, two investor-owned utilities for the benefit of rural and domestic customers, and seven out-of-state public customers have been established based on the cost to serve these loads. This Four-Year Plan, models Board of Trustee-approved rate changes and prospective rate changes for these customers.

Niagara and St. Lawrence-FDR’s Expansion & Replacement Power, ReCharge New York and Preservation Power customers are allocated over 30 percent of the average generation capacity of the plants. Sale of Expansion and Replacement Power historically had been handled on a sale-for-resale basis through National Grid and New York State Electric and Gas. However, the direct sale of low-cost hydropower to these customers commenced July 1, 2013. As a result, NYPA is now the load-serving entity for these transactions.

Legislation enacted in March 2011, effective July 2012, created a new economic development power program, the ReCharge New York Power Program (“RNYPP”), to replace two other economic development programs. RNYPP is a permanent power program administered by the Authority and the Economic Development Power Allocation Board (“EDPAB”). RNYPP utilizes up to 455 MW of hydropower from the Authority’s Niagara and St. Lawrence-FDR projects combined with up to 455 MW of other power procured by the Authority from other sources. The 910 MW of power is available for allocations to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years.

The RNYPP legislation also authorizes the Authority, as deemed feasible and advisable by the Board of Trustees, to provide annual funding of $30 million for a Residential Consumer Discount Program (“RCDP”) for those customers that had previously received this hydropower. Revenues earned from the sale of unused RNYPP power into the wholesale market may be used to offset the cost of these residential discounts.

The Board of Trustees have authorized the release of a total $624 million for the period from August 2011 to December 2021 in support of this residential discount program. The Authority supplemented the market revenues used to fund the residential discount program with internal funds, totaling cumulatively $54 million from August 2011 through June 30, 2021.

In March 2019, the Board of 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 upon 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 240 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 NYPA purchases which are attributable to Alcoa’s load. The contract specifies a sharing mechanism for the CES charges between Alcoa, New York State and NYPA, whereby Alcoa’s share increases as the aluminum price increases. The Authority has entered into aluminum contracts to mitigate potential downside risk in that market and intends to continue to do so based upon prevailing economic conditions as appropriate.

The Authority estimates that the total costs associated with the relicensing of the St. Lawrence-FDR Project in 2003 for a period of 50 years will be an approximate total of $227 million, of which approximately $215 million has already been spent as of June 30, 2021. These total costs could increase in the future because of authorities reserved by the Federal Energy Regulatory Commission (“FERC”) in the license for the St. Lawrence-FDR Project issued in 2003. The Authority is collecting in its rates for the sale of St. Lawrence-FDR power amounts necessary to fund such relicensing costs.

The Authority has also executed the relicensing of the Niagara Project in 2005 for a period of 50 years. The total approximate cost of $520 million, of which approximate of $479 million has already been spent as of June 30, 2021. The Authority is collecting in its rates for the sale of Niagara power amounts necessary to fund such relicensing costs.

Chapter 545 of the laws of 2014 enacted the “Northern New York Power Proceeds Act” (“NNYPPA.”) NNYPPA authorizes the Authority, as deemed feasible and advisable by the Board of 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 known as the Northern New York Economic Development Fund (“NNYED Fund”) administered by the Authority, and to make awards to eligible applicants that propose eligible projects that satisfy applicable criteria. NNYPPA established a five-member allocation board appointed by the governor to review applications seeking NNYED Fund benefits and to make recommendations to the Authority concerning benefits awards.

SLCEDP consists of up to 20 MW of hydropower from the 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 (the “Authority-MED Contract”).

NNYPPA defines “net earnings” as the aggregate excess of revenues received by the Authority from the sale of energy associated with SLCEDP sold 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 five 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. The Authority’s estimates of payments from the Authority to the NNYED Fund have been incorporated into this Proposed 2022 Budget and 2022-2025 Financial Plan.

The Western New York Power Proceeds Act (“WNYPPA”), which was enacted on March 30, 2012, authorizes the Authority to deposit net earnings from the sale of unused Expansion Power and Replacement Power from the Authority’s Niagara project into the Western New York Economic Development Fund (“WNY Fund”) as deemed feasible and advisable by the Board of Trustees.

“Net earnings” are defined as any excess revenue earned from such power sold into the wholesale market over the revenue that would have been received had the power been sold at the Expansion Power and Replacement Power rates. Proceeds from the WNY Fund may be used to support eligible projects undertaken within a 30-mile radius of the Niagara project that qualify under the applicable criteria. The WNYPPA established a five-member allocation board appointed by the governor. NYPs’s estimates of payments from the Authority to the WNY Fund have been incorporated into this Proposed 2022 Budget and 2022-2025 Financial Plan.

**SENY (Southeastern New York) Customers**

Various municipalities, school districts and public agencies in New York City are served by the 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 Authority in the NYISO markets.
In 2017 and 2018, the 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, and the New York State Office of General Services. Under these Supplemental LTAs, the NYC Governmental Customers agreed to purchase their electricity from the Authority through December 31, 2027, with the NYC Governmental Customers having the right to terminate at any time upon at least 12 months’ notice. Both the Authority and the NYC Governmental Customers may also terminate effective December 31, 2022, upon at least six months’ notice. Under the Supplemental LTAs, fixed costs were contractually set for each customer and are subject to renegotiation after five years. Variable costs, including fuel, purchased power and NYISO related costs, are to be set on a pro-forma cost of service basis and reconciled as a pass-through to each customer by an energy charge adjustment.

In 2008, NYPA entered into a long-term power purchase agreement with Astoria Energy II LLC for the purchase of the output of Astoria Energy II, a 550 MW plant, which commenced commercial operations on July 1, 2011, in Astoria, Queens, for the sole benefit of the NYC Governmental Customers. Although the Astoria Energy II power purchase contract goes through to 2031 and is beyond the electricity supply agreement under the Supplemental LTA’s, the Authority’s contract with the NYC Governmental Customers served by the output of Astoria Energy II is coterminous with the power purchase agreement with Astoria Energy II LLC.

The energy generated by the Zeltmann and Astoria Energy II plants is sold into the NYISO market, and the proceeds are used to offset the cost associated with the production of energy and capacity from the plants. All net costs and benefits to the Authority for both facilities are directly passed through to the NYC Governmental customers. Approximately 35 percent and 23 percent of the NYC Governmental Customer load requirements are covered by Astoria Energy II and Zeltmann plants respectively, while the remainder – more than 41 percent -- remain open to be sourced from the open market.

The Authority’s other SENY customers are Westchester County and numerous municipalities, school districts and other public agencies located in Westchester County (collectively, the “Westchester Governmental Customers.”) NYPA 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 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 NYPA’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.

**Blenheim-Gilboa Customers**

The Blenheim-Gilboa project operates as a merchant plant, with all energy sold to the NYISO markets generally at the market-clearing price. This forecast assumes Blenheim-Gilboa will operate as a merchant plant for the upcoming years.

**Small Clean Power Plants (“SCPPs”)**

In the summer of 2001, NYPA placed into operation 11 natural-gas-fueled SCPPs – ten (10) units in New York City and one (1) unit on Long Island, with a total nameplate rating of 47 MW. These units were put into operation to address a potential local reliability deficiency in the New York City metropolitan area and its potential impact on statewide reliability.

As a result of litigation relating to the Vernon Blvd., Queens, NY SCPP, the Authority has agreed under the settlement agreement to cease operations at the Vernon location, which houses two units, under certain conditions and if the mayor of New York City directs such cessation. No such cessation direction has occurred. The settlement agreement also allows a landowner adjacent to the Vernon Blvd. SCPP to “put” their real property to the Authority under certain conditions. To date, no formal “put” notice has been received. The Authority and the adjacent landowner may enter into buy, sell or other types of agreements outside the terms of the settlement agreement.
For this Proposed 2022 Budget and 2022-2025 Four-Year Plan, it is assumed that the capacity of the SCPPs may be used to meet NYPA’s customers’ capacity requirements, sold to other users via bilateral arrangements and/or sold into the NYISO capacity auctions. NYPA sells the energy produced by the SCPPs into the NYISO energy markets.

Flynn
The Flynn plant currently operates as a merchant plant, with capacity and energy output sold into the NYISO market. As of October 2021, NYPA is in the process of finalizing an agreement with the Long Island Power Authority (“LIPA”) to attain at-cost reimbursement for the rewind of the combustion turbine generator and a power purchase agreement in which revenues will be shared.

Transmission Projects
The Authority owns approximately 1,400 circuit-miles of high-voltage transmission lines and associated substations operating at voltages of 115kV, 230kV, 345kV and 765kV. The Authority’s Backbone Transmission System consists of a large subset of these transmission facilities, with major circuits such as:

765kV
- MSU1 (Marcy-Massena)
- MSC-7040 (Massena-Chateauguay)

345kV
- UE1-7 (Marcy-Edic)
- UNS-18 (Marcy-New Scotland)
- VU19 (Volney-Marcy)
- NR-2 (Niagara-Rochester)
- NS-1 (Niagara-Somerset)
- Y-49 (Long Island Sound Cable)
- Q-35L&M (Queens-Manhattan)

230kV
- MA-1/MA-2 (Moses-Adirondack)
- MMS-1/MMS-2 (Moses-Massena)
- MW-1/MW-2 (Moses-Willis)

Cost Recovery for NYPA’s Backbone Transmission System
Since the formation of the NYISO in November 1999, cost recovery for the Authority’s provision of transmission service over its facilities has been governed by the NYISO tariff, which included an annual transmission revenue requirement (“TRR”) for NYPA of $165.4 million. The Authority receives cost recovery through the NYISO tariff mechanism known as the NYPA Transmission Adjustment Charge (“NTAC”) recovering NYPA’s Backbone Transmission System costs on a statewide basis after accounting for NYPA’s revenues received from pre-existing customer transmission service contracts, Transmission Service Charge (“TSC”) assessed on customers in NYPA’s upstate load zone, and other sources.

In July 2012, the Authority filed for its first TRR increase with FERC. The Authority’s filing resulted in an uncontested settlement approved by FERC for a new, $175.5 million TRR applicable to the Authority, effective August 1, 2012. The increased TRR was necessary to cover increased operating and maintenance expenses of NYPA’s bulk transmission system, and to make necessary capital improvements.

In January 2016, the Authority filed for a TRR formula rate with FERC. In March 2016, FERC accepted the filing and made it effective April 1, 2016, as requested, subject to hearing and settlement judge procedures. The Authority requested a formula rate to more efficiently recover its increased capital and operating expenditures needed to maintain the reliability of its transmission system.

The Authority filed an unopposed Offer of Settlement on Sept. 30, 2016, that fully resolved the issues raised by interested parties in settlement negotiations concerning the formula rate. Separately, the annual TRR under the formula
of $190 million initially made effective April 1 was updated on July 1, 2016, to $198.2 million pursuant to the formula rate annual update process.

Effective July 1, 2021, the Transmission Revenue Requirement is $278.9 million, which includes the revenue requirements for the Marcy South Series Compensation and AC Transmission (renamed as Central East Energy Connect) projects. Annual updates commensurate with projected costs are assumed to continue throughout the forecast period.

**Smart Path Reliability Project**

NYPA is replacing a major section of the Moses Adirondack line, one of the Authority’s Backbone Transmission System lines. This project is known as The Smart Path Reliability Project, and it covers 78 circuit-miles of 230kV transmission line from Massena to the Town of Croghan in Lewis County. The project includes the replacement of obsolete wood pole structures with higher, steel pole structures, as well as replacement of failing conductors with new conductors and insulators. The line will initially operate at its current 230kV level, but the conductors and insulators will accommodate for 345kV operation.

In July 2017, the Authority received authorization under the NYISO tariff to include the costs of this replacement project in its NTAC mechanism for cost recovery, which means the costs will be allocated to all ratepayers in the state. On November 14, 2019, the PSC granted the Authority’s Article VII certificate for the project. The Authority estimates a total project cost of $484 million. This Proposed Budget and Four-Year Plan includes revenues and costs associated with this project.

**Smart Path Connect Project**

In October 2020, the PSC adopted criteria for identifying urgently needed transmission projects to meet the renewable energy goals of the Climate Leadership and Community Protection Act. The PSC identified the Authority’s proposed Northern New York Project (renamed the Smart Path Connect Project) as a high-priority project and referred it to NYPA for development and construction in accordance with the Accelerated Energy Growth and Community Benefit Act.

The Smart Path Connect Project is a multi-faceted project that includes completion of the second phase of NYPA’s 86-mile Smart Path Moses-Adirondack rebuild, rebuilding approximately 45 circuit miles of transmission eastward from Massena to the Town of Clinton, rebuilding approximately 55 circuit miles of transmission southward from Croghan to Marcy, and rebuilding and expanding several substations along the impacted transmission corridor.

The work falls largely within NYPA’s existing transmission rights of way. NYPA identified the multi-pronged Smart Path Connect Project earlier this year as work that is urgently needed to help unbottle existing renewable energy in the region.

The project is estimated to result in a reduction of more than 1.16 million tons of carbon dioxide emissions annually on a statewide basis, and an annual reduction of approximately 160 tons of nitrogen oxide emissions from downstate emissions sources. NYPA estimates that this project will result in more than $447 million in annual congestion savings in Northern New York and it is estimated to create hundreds of jobs in the North Country during construction. The costs and revenues associated with the Smart Path Connect Project are included as part of this proposed budget and four-year plan.

**Central East Energy Connect**

On August 1, 2014, the Public Policy Transmission Planning Process administered by the NYISO invited solicitations to address the AC Transmission Public Policy need for new transmission lines to relieve the congested Central East and UPNY/SENY transmission interfaces. In June 2018, the Authority and North America Transmission (“NAT”) entered into a Participation Agreement which granted the Authority the option to secure an ownership interest of up to 37.5 percent in the projects that they jointly proposed.

In April 2019, the NYISO board selected the project proposed by LS Power Grid New York, LLC (“LS Power”) (formerly known as NAT) and the Authority for Segment A (also known as the Marcy to New Scotland Upgrade Project and AC Transmission) to increase transfer capability from central to eastern New York. The project proposed by NYPA, and LS Power includes the construction of more than 90 circuit-miles of new 345kV and 115kV transmission lines and two substations.
In August 2019, LS Power and the Authority submitted an Article VII application to the PSC. If the PSC authorizes the project, construction is targeted to begin early 2021. The transmission lines to be rebuilt as part of the Segment A project are expected to be energized as part of New York State’s electrical system by the end of 2023.

NYPA originally funded 33 percent of the Segment A project development costs and exercised its 37.5 percent purchase option in July 2021, bringing the Authority’s total estimated project costs to $276 million.

FERC authorized NYPA’s recovery of a facility charge for Central East Energy Connect project costs, adopted per a NYISO filling made on behalf of NYPA. The Authority is recovering its costs associated with Segment A of the project through its FERC-approved cost-recovery mechanisms in its TRR formula rate, which include an incentive rate of return applied to the Authority’s “Construction Work in Progress” balances for the project. This Proposed Budget and Four-Year Plan models estimated revenues and costs associated with the project.

Y-49 Transmission Line

In October of 2021, the NYPA Board of Trustees authorized the Y-49 Transmission Line (Long Island Sound Cable) – Nassau Reconductoring Project.

The Long Island Sound Cable traverses Westchester County, the Long Island Sound, and Nassau County, delivering 600 MW of power from upstate regions to Long Island communities. The circuit was commissioned in 1991 and throughout its near 30-year operating history has seen minimal investment outside of normal operational, maintenance, and emergent expenditures. Given the history of cable faults seen within the past few years, an effort was put into place to mitigate future faults by reconductoring.

The Reconductoring Project’s priority consists of the replacing the Y-49 cable segment in Nassau County, approximately 10 miles from Port Washington to East Garden City. This will alleviate the risk of cable faults. In addition to the reconductoring, the project includes enhancement of the cable system’s ancillary cable components and substation equipment, including upgrades to steel-pipe protection, fiber-optic replacements, manhole refurbishment, and replacement, or refurbishment of the oil-pump plants at two substation locations on the Nassau segment. This project’s estimated cost is $141.7M and will be recovered through NYPA’s Transmission Revenue Requirement.

Hudson Transmission Project

In 2011 the Board of Trustees authorized NYPA to enter into an agreement with Hudson Transmission Partners, LLC (“HTP”). The agreement known as the Firm Transmission Capacity Purchase Agreement (“FTCPA”) was entered into 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. The agreement is meeting this need through the transmission rights associated with HTP’s transmission line. The line extends from Bergen County, New Jersey at the PJM Interconnection, LLC (“PJM”) transmission system, to the Consolidated Edison Company of New York, Inc.’s (“Con Edison”) West 49th Street substation.

Under the FTCPA, the Authority received entitlement to 75% of the line’s 660 MW capacity for 20 years while reimbursing HTP for the cost of interconnection and transmission upgrades in New York and New Jersey associated with the line. These upgrades have been completed at a total cost to the Authority of $335 million. NYPA’s obligations under the FTCPA also include payment of the Regional Transmission Enhancement Plan (“RTEP”) charges allocated to HTP, which are significant.

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 and (b) increase the Authority’s leased portion of the line’s capacity to from 75% to 87.12% 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.

PJM’s RTEP cost allocation methodology for certain upgrades was challenged at FERC in numerous proceedings by Con Edison, the Authority, HTP and other New York parties. These challenges are pending before the D.C. Circuit Court of Appeals.

It is estimated that the revenues derived from NYPA’s rights under the FTCPA will not be sufficient to cover the Authority’s costs during the 20-year term of the FTCPA. The Authority estimates HTP to be approximately $100 million per year net cost.
Renewable Energy Certificate (RECs) Purchase Agreement

The CLCPA and NYPA’s VISION2030 establish the goal to meet 70% of electricity demand from renewable resources by 2030. To meet this goal NYPA has engaged with the New York State Energy Research and Development Authority (NYSERDA) to procure RECs. Both NYPA and NYSERDA executed an agreement for purchase of RECs on August 30, 2021. On an annual basis, NYSERDA and NYPA will communicate the available REC supply and offtake ratios. NYPA will continue to evaluate its forecasted annual customer load and adjust the REC ratio appropriately. The initial REC offtake under the agreement will be for compliance year 2024.

Energy Efficiency - Bond Conduit Program

Long Term Financing Supplements (“LTFS”) have been prepared to conform with existing documentation for bond financing. Six customers have been identified for round one of this program, and the customers are working through their own processes to either repay their long-term debt obligations via their own financing or agree to proceed with the conduit financing program introduced. One on one customer discussions are ongoing. Potential round one offtake is sizing up to $250 million dependent on customer interest. Bond conduit rates are in line with market for each customer’s respective credit rating allowing for 10-, 20-, or 30-year amortizations tied to the remaining useful life of the project assets plus a NYPA servicing fee of 0.25%. Notice of discontinuance of NYPA’s previous post construction financing program has been distributed to all customers in line with the introduction of this fixed-rate replacement option. A conversion of those loans on our balance sheet to a rate aligned with NYPA’s long-term cost of borrowing is expected to be implemented in Q1 2022 when the long-term variable rate of financing is scheduled to reset. The targeted first issuance will be for Q1 2022.

Purchased Power Expenses

Energy, capacity, and ancillary service purchases made on behalf of customers (except for those made through previously approved purchased power agreements) are assumed to be transacted at the market clearing price in the wholesale market. For purposes of developing this Proposed Budget and Four-Year Plan, projected energy rates are based on published forward price curves, while capacity rates are based on internally developed capacity curves using external pricing sources such as broker quotes and trading platforms.

Fuel Expenses

Fossil-fuel purchases in this Proposed Budget and Four-Year Plan are based on expected net generation levels determined with an economic dispatch model for the Authority’s plants and on available forward fuel price curves. Fuel expenses also include the costs associated with emission credit requirements under the Regional Greenhouse Gas Initiative (“RGGI”). RGGI requires the Authority to buy emission credits for its fossil-fuel plants, and the Authority also purchases such credits for the contracted Astoria Energy II plant. The projections for RGGI costs are based on projected emission rates and forecasted consumption of natural gas and oil, with such costs recovered either through specific customer contract pass-through provisions or from the wholesale market.

Wheeling Expenses

Wheeling (i.e., the transmission and/or delivery of power and energy to customers over the lines of a third party) expenses are based on contractual and/or tariff rates of the service provider and are recovered through pass-through provisions in customer contracts.

Canal Corporation

Effective January 1, 2017, the Canal Corporation became a subsidiary of the Authority, and the Authority assumed certain powers and duties relating to the Canal System to be exercised through the Canal Corporation.

The Canal Corporation operates at a loss and is expected to require substantial operating and maintenance support and capital investment. The Canal Corporation’s expenses are expected to be funded by transfers of funds from the Authority. Any transfer of funds would be subject to approval by the Authority’s Board of Trustees and compliance with the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented. Certain
expenses eligible for reimbursement are expected to be reimbursed to the Authority by moneys held in the Canal Development Fund maintained by the State Comptroller and the Commissioner of Taxation and Finance.

Given the age of the Canal System, the Authority expects significant maintenance and capital investments will be required to assure the Canal System’s continuing operation. The Authority’s budget and financial plan for 2022-2025 includes Canal-related operating expenditures of approximately $80-$90 million per year and capital expenditures of approximately $40 million per year. The Authority will continue to evaluate the condition of the Canal System and expects to allocate additional funding if deemed necessary through its annual budgeting process or reduce funding if efficiencies are found.

**Reimagine the Canals Initiative**

On Jan. 29, 2020, the Board of Trustees authorized an investment of up to $300 million over five years for the Reimagine the Canals Initiative (“Reimagine the Canals”) and approved $30 million to fund Reimagine the Canals in 2020. Reimagine the Canals encompasses three prongs: (1) funding for economic development projects in communities along the Canal System, (2) funding for projects that will help prevent ice jams and related flooding, and (3) funding for projects related to mitigation of drought impacts on agriculture, expansion of fishing opportunities, flood mitigation, invasive species prevention and ecosystem restoration.

**AGILe**

The Authority, in collaboration with the State utilities, NYSERDA and NYISO, developed the Advanced Grid Innovation Laboratory for Energy (“AGILe”) to create tools to better monitor, control, accommodate and respond to the evolving energy sector. On July 25, 2017, the Board of Trustees authorized capital expenditures of $20 million for the initial phase of AGILe, which has since commenced.

Costs to the Authority are not expected to exceed $50 million through final buildout of the facility. Upon completion, operating and maintenance costs are expected to be shared among the AGILe participants. As of June 30, 2021, approximately $6.6 million has been spent by the Authority.

**Electric Vehicle Acceleration Initiative**

In May 2018, the Authority’s Board of Trustees approved an allocation of up to $250 million to be used through 2025 for an electric vehicle acceleration initiative called EVolve NY and authorized $40 million for the first phase of the initiative. The Authority will own and operate a charging network of 800 DC fast chargers across the state, the first of which became operational in September 2020. As of June 30, 2021, approximately $11.5 million has been spent.

**Investment Income**

Investment of the Authority’s funds is administered in accordance with the applicable provisions of the Bond Resolution and within 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.

The Authority’s investments include, but are not limited to (a) collateralized certificates of deposit, (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.

The Authority’s investments in the debt securities of Federal Home Loan Bank rated AAA by Moody’s Investors Services and AA+ by Standard & Poor’s; Federal National Mortgage Association, Federal Farm Credit Bank and Federal Home Loan Mortgage Corp. were rated AAA by Moody’s Investors Services, AAA by Fitch Ratings, and AA+ by Standard & Poor’s. All of the Authority’s investments in U.S. debt instruments are issued or explicitly guaranteed by the United States government.
**Interest**

After languishing for much of 2020 at multi-year lows, U.S. Treasury market rates have begun to creep ahead in recent months, driven by strong inflation, job gains and the fading of delta variant concerns. The Federal Open Market Committee is expected to raise the target range of the Federal Funds rate as early as late 2022, according to committee member projections.

<table>
<thead>
<tr>
<th>US Treasury Yield Curve Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>2 Year</strong></td>
</tr>
<tr>
<td>Current</td>
</tr>
<tr>
<td>4Q '21</td>
</tr>
<tr>
<td>1Q '22</td>
</tr>
<tr>
<td>2Q '22</td>
</tr>
<tr>
<td>3Q '22</td>
</tr>
<tr>
<td>4Q '22</td>
</tr>
</tbody>
</table>

*Source: Goldman Sachs Global Investment Research, Bloomberg*
### Operations and Maintenance Expenses

NYPA’s O&M plan for 2022-2025 is as follows:

#### Operations and Maintenance Forecast by Cost Element

*In $ Millions*

<table>
<thead>
<tr>
<th>NYPA</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payroll</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Regular Pay</td>
<td>$250.1</td>
<td>$256.6</td>
<td>$263.3</td>
<td>$270.2</td>
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<td>Overtime</td>
<td>12.8</td>
<td>13.2</td>
<td>13.6</td>
<td>14.1</td>
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<tr>
<td>Other Payroll</td>
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<td>6.3</td>
<td>6.4</td>
<td>6.5</td>
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<tr>
<td><strong>Total Payroll</strong></td>
<td><strong>269.1</strong></td>
<td><strong>276.1</strong></td>
<td><strong>283.3</strong></td>
<td><strong>290.8</strong></td>
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<tr>
<td><strong>Benefits</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Employee Benefits</td>
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<td>51.8</td>
<td>53.0</td>
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<tr>
<td>Pension</td>
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<td>32.9</td>
<td>34.0</td>
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<tr>
<td>OPEB</td>
<td>21.8</td>
<td>27.6</td>
<td>28.8</td>
<td>29.9</td>
</tr>
<tr>
<td>FICA</td>
<td>18.5</td>
<td>18.9</td>
<td>19.4</td>
<td>19.9</td>
</tr>
<tr>
<td><strong>Total Benefits:</strong></td>
<td><strong>122.6</strong></td>
<td><strong>131.2</strong></td>
<td><strong>135.2</strong></td>
<td><strong>139.3</strong></td>
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<tr>
<td><strong>Materials/Supplies</strong></td>
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<td>29.4</td>
<td>30.1</td>
<td>30.8</td>
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<tr>
<td><strong>Fees</strong></td>
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<td>11.2</td>
<td>11.5</td>
<td>11.8</td>
</tr>
<tr>
<td><strong>Office &amp; Station</strong></td>
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<td>30.5</td>
<td>31.3</td>
<td>32.2</td>
</tr>
<tr>
<td><strong>Maintenance Repair &amp; Service Contracts</strong></td>
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<td>141.1</td>
<td>147.9</td>
<td>154.4</td>
</tr>
<tr>
<td><strong>Consultants</strong></td>
<td>53.7</td>
<td>54.8</td>
<td>55.2</td>
<td>55.7</td>
</tr>
<tr>
<td><strong>Charges to</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Outside Agencies</td>
<td>18.2</td>
<td>18.6</td>
<td>19.2</td>
<td>19.8</td>
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<tr>
<td>Capital Programs</td>
<td>(59.9)</td>
<td>(61.4)</td>
<td>(63.0)</td>
<td>(64.7)</td>
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<tr>
<td><strong>Total Charges:</strong></td>
<td>(41.7)</td>
<td>(42.8)</td>
<td>(43.8)</td>
<td>(44.9)</td>
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<tr>
<td><strong>Research &amp; Development</strong></td>
<td>13.2</td>
<td>13.2</td>
<td>13.2</td>
<td>13.2</td>
</tr>
<tr>
<td><strong>Total NYPA O&amp;M</strong></td>
<td><strong>$628.8</strong></td>
<td><strong>$644.7</strong></td>
<td><strong>$663.9</strong></td>
<td><strong>$683.3</strong></td>
</tr>
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</table>
Depreciation and Amortization Expenses

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 on Dec. 31, 2020, expressed as a percentage of average depreciable capital assets was 2.6 percent.

Other Expenses

The Other Expenses category largely reflects various accruals and other miscellaneous expenses (e.g., payments to the NNYED and WNY funds) some of which require Board of Trustee authorization on a case-by-case basis.

(d) Self–Assessment of Budgetary Risks

Set forth below is a summary of key risks associated with the Authority’s assets and operations. The following discussion of risks is intended only as a summary and does not purport to identify all of the risk factors that may affect the Authority’s assets and operations. Any one or more of the factors discussed and others could adversely affect the Authority’s operations, assets, revenues, and expenses to an extent that cannot be determined at this time.

Our business units represent the first line of defense in identifying and mitigating risk within each of their verticals. This is complemented by a robust, ongoing assessment process, overseen by the Authority’s Risk group and through legal review.

During the annual budgeting process, the Financial Planning team is responsible for consolidating information received from various departments at NYPA that are input into our financial forecast. The team actively engages and challenges all assumptions as we work toward representing the most likely future financial outcome for the Authority. Additionally, the Board of Trustees authorized an enterprise-wide risk management program through an established Risk Management group that supports the business with the identification, assessment, mitigation and monitoring of risks.

Enterprise Level Risks

Regulatory Environment Risks

Congressional, State, and regulatory action for the increased regulation of air, water and contaminants is periodically considered, and there are potential legislative and regulatory proposals which may affect the electric utility industry, including the Authority. The impact on the Authority’s operations of any such proposals is not predictable or quantifiable.

On July 18, 2019, the state enacted the CLCPA as Chapter 106 of the Laws of 2019 (“Chapter 106”). The date upon which most provisions of Chapter 106 will become effective are dependent on the date that related legislation becomes effective.

Several provisions of Chapter 106 could potentially impact the Authority’s business and operations, such as the following: (1) provisions authorizing the state Department of Environmental Conservation to promulgate regulations establishing limits on statewide greenhouse gas (GHG*) emissions and to ensure compliance with such limits; (2) a requirement that specified state entities, including the Authority, adopt regulations to contribute to achieving statewide GHG emissions; (3) a requirement that state entities, including the Authority, assess and implement strategies to reduce GHG emissions; (4) 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 the enactment; and (5) potential allocation or realignment of resources to support the state’s clean energy and energy efficiency goals for disadvantaged communities.

Many of the provisions of Chapter 106 that could impact the Authority are not likely to be implemented for a number of years, based on deadlines established in the enactment. Therefore, the Authority cannot evaluate the impact of any particular provision of Chapter 106 on the Authority’s business and operations at this point.

Legislative Environment Risks

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. Several bills have been introduced into the State Legislature, some of which propose to limit or restrict the powers, rights, and exemption from regulation which the Authority 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 of such bills or other bills of a similar type which may be introduced will be enacted. In addition, from time to time, legislation is enacted into New York State 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 NYPA 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 NYPA will be immune from the financial obligations imposed by any such provision.

Actions taken by the State Legislature or the Executive Branch to cause voluntary contributions or other obligation upon the Authority and which attempt to constrain the discretion of or bypass the Board of Trustees could negatively affect net income and possibly harm the Authority’s credit ratings.

Hydropower Generation Risk

The Authority’s net income is highly dependent upon generation levels at its Niagara and St. Lawrence-FDR power projects. The generation levels are a function of the hydrological conditions prevailing on the Great Lakes; primarily, Lake Erie (Niagara Project) and Lake Ontario (St. Lawrence-FDR Project). The long-term generation level at the two projects is approximately 20.3 terawatt-hours ("TWH") annually. NYPA’s hydroelectric generation forecast are as follows, 23.0 TWH in 2022, 22.9 TWH in 2023, 23.3 TWH in 2024, and 23.5 TWH in 2025.

Environmental or external factors (e.g., climate change, precipitation, flooding and ice conditions) can cause hydrological conditions to vary considerably from year to year. Hydropower generation may also face risks due to transmission line constraints within the region impacting the ability to generate energy and increased competitiveness of other types of renewable generation.

NYPA conducted high and low hydroelectric generation sensitivities for 2022-2025 that estimated the potential net income that could result over a reasonable range of hydroelectric generation occurrences. The sensitivities were calculated only for merchant generation, the portion of the portfolio that would be most impacted by varying hydroelectric levels. The effects on estimated net income, assuming all other factors remain unchanged, were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Low Generation</th>
<th>High Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>6.6</td>
<td>($18.8)</td>
</tr>
<tr>
<td>2023</td>
<td>6.3</td>
<td>($27.8)</td>
</tr>
<tr>
<td>2024</td>
<td>6.9</td>
<td>($42.7)</td>
</tr>
<tr>
<td>2025</td>
<td>7.2</td>
<td>($57.7)</td>
</tr>
</tbody>
</table>
Sustained Margin Reduction and Commodity Market Volatility Risk

Through its participation in the NYISO and other commodity markets, NYPA is subject to electric energy price, fuel price and electric capacity price risks that impact the revenue and purchased power streams of its facilities and customer market areas. Volatility can have detrimental effects on NYPA’s financial condition.

To moderate cost impacts to its customers and itself, NYPA, at times, hedges market risks via the use of financial instruments and physical contracts. Hedges mitigate the cost of energy or related products needed; to mitigate uncertainty in the price of energy and related products sold by NYPA; to mitigate risk related to electric margins from electric sales versus fuel use where NYPA owns generation or other capacity; and mitigation of geographic cost differentials of energy procured or sold for transmission or transportation to an ultimate location.

Hedges effectuated on behalf of NYPA’s customers are passed through, at cost, as provided for in customer contracts. Commodities able to be hedged include, but are not limited to, natural gas, natural gas basis, electric energy, electric capacity, and congestion costs associated with the transmission of electricity.

On July 21, 2010, President Barack Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (“DF Act”) which addresses, among other things, interest rate and energy related commodity swap transactions of the type in which NYPA engages. The requirements and processes are set forth in regulations promulgated by the Commodities Futures Trading Commission (“CFTC”). Pursuant to CFTC rules, the Authority, as a public entity and electric utility which uses swaps solely to manage its risk, is exempted from posting collateral beyond that of any existing credit support annexes in support of its open over-the-counter hedge positions.

These CFTC rules are not anticipated to have significant impact on NYPA’s liquidity and/or future risk mitigation activities. CFTC and DF Act rules are still being promulgated, and the Authority will continue to monitor their potential impact on its liquidity and/or future risk mitigation activities.

Disruptive Innovation and Customer Energy Choices

Transformative technologies and customer empowerment create uncertainty for the Authority and the electric utility industry that can produce new business opportunities or reduced demand for electric energy. Through its Strategic Planning and Risk Management processes, NYPA regularly evaluates its mission, objectives, and customer needs, and seeks to appropriately position itself to effectively meet the challenges of the transforming electric industry. This is done through initiatives such as a long-term asset management strategy and a suite of customer solutions, including new/modified product offerings. The impact on NYPA’s operations of any such industry transformation is not predictable or quantifiable.

Attract and Retain a Qualified Workforce

Like many other industries, the power and utility sectors are seeing increased competition for, and a general shortage of, talent in high-skilled areas. This is expected to continue and be further impacted by transformations in the industry where new technologies are being developed and deployed.

The Authority recognizes the uncertainty with being able to attract and retain the skills and competencies needed to meet objectives. NYPA regularly evaluates and positions its recruiting, talent development and benefits programs accordingly, through its workforce planning strategic initiative and other ongoing efforts.

Cyber Security

The federal government recognizes the electric utility industry as critical infrastructure and works closely with the industry to ensure awareness of ongoing threats and that appropriate protections are in place against physical and cyber-attacks. NYPA constantly assesses the nature of these risks and adjusts its resources to best anticipate and respond to any threats.

Investments to harden physical and cyber assets, and their related infrastructure, are continually assessed to minimize potential adverse impacts to the bulk electric system, detect and deter sabotage attempts, and protect the Authority and its customer information. NYPA further mitigates its cyber risk through the purchase of insurance.
Business Continuity
A catastrophic natural event such as severe weather, flooding or an earthquake can negatively affect the operations of Authority assets and the bulk electric system. NYPA regularly evaluates the resiliency of its assets. In addition, the Authority has implemented disaster planning programs relating to Emergency Management, Disaster Recovery and Business Continuity. These plans utilize an all-hazards approach to ensure the Authority’s operating facilities and corporate offices are prepared to respond to any natural or manmade threat.

The Authority regularly conducts drills and exercises to ensure advance preparation for these types of events. NYPA maintains close working relationships with local first responders and government agencies to ensure its ongoing preparedness.

An outbreak of disease or similar public health threat, such as the COVID-19 pandemic, or fear of such an event, could have an adverse impact on the Authority's financial condition and operating results.

Canal Corporation
The Authority has identified key risk areas relating to the Canal Corporation and continues to employ and assess risk mitigation options across multiple enterprise risk fronts to manage or reduce potential exposures. As part of the ongoing Canals management strategy, the Authority will adjust and allocate resources accordingly.

COVID-19
The COVID-19 pandemic changed societal and business operation norms and impacted the risk profiles of organizations globally. Despite the uncertainty associated with COVID-19 (i.e., further vaccine development, vaccination status, treatment advancements, or additional COVID-19 variants) NYPA is mitigating its risk through proactive and robust pandemic responses plans. The Authority is well positioned to address future pandemic and business concerns by employing mitigation strategies such as an Incident Command System, Business Continuity Plans, and Return to Work procedural and physical modifications.

Critical Infrastructure
NYPA is exposed to potential critical infrastructure failure that may lead to service disruption, injury and/or degradation of system reliability, all of which could impact financial results. The Authority engages in several activities to mitigate these risks, including ISO 55001 Asset Management certification, the purchase of insurance, redundancy of major equipment, capital investments and a robust operations maintenance program.

Workforce Health and Safety
NYPA is exposed to a variety of health and safety risks. The health and safety of NYPA’s workforce, customers, contractors, and the citizens of New York State are of the highest priority to the Authority. NYPA has multiple levels of controls, policies, procedures, and training programs in place to reduce and/or eliminate health and safety incidents.

Litigation Risk

St. Regis Litigation
In 1982 and 1989, several groups of Mohawk Indians, including a Canadian Mohawk tribe, filed lawsuits (the St. Regis litigation) against the state, the state’s governor, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority, and others. The plaintiffs claimed ownership of certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil islands. The islands are within NYPA’s St. Lawrence-FDR Power Project and Barnhart Island is the location of significant NYPA 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 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 NYPA power for use on the reservation. The legislation required to effectuate the settlement was not enacted and the litigation continued.
In 2013, all claims against NYPA were dismissed and the lawsuit against the Authority was concluded. On May 28, 2014, New York State, 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 NYPA 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.

Any settlement agreement, including the terms endorsed in the St. Regis MOU, would in the first instance need to be negotiated and agreed upon by all parties to the St. Regis litigation, including parties that did not execute the St. Regis MOU, such as the two other Mohawk groups, the federal government, and Franklin County. In addition, before any settlement becomes effective and NYPA would be obligated to make any payments contemplated by the St. Regis MOU, federal and state legislation must be enacted which approves the settlement and extinguishes all Mohawk land claims. NYPA is continuing settlement discussions with some of the parties to the St. Regis litigation.

**Long Island Sound Cable Project**

In January of 2014, one of the Long Island Sound Cable Project’s underwater cables was severely impacted by an anchor and/or anchor chain dropped by one or more vessels, causing the entire electrical circuit to fail and the circuit breaker to trip. Dielectric fluid was released into Long Island Sound.

On December 31, 2019 and December 31, 2018, the consolidated statement of net position includes approximately $19 million and $18 million, respectively, in other long-term assets, reflecting the cost of damages net of insurance recoveries. The Authority believes it can recover the full amount of its damages through legal proceedings, insurance coverage and contractual obligations.

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

In April 2014, NYPA contracted with Northline Utilities, LLC (“Northline”) to install fiber optic ground wire along the Authority’s transmission system. Thereafter, Northline engaged Catalyst Aviation, LLC (“Catalyst”) to provide helicopter services. On October 30, 2018, a Catalyst helicopter was destroyed when it collided with a wooden utility pole and power lines near Beekmantown, N.Y. Some members of the helicopter crew were injured, and two died as a result of their injuries.

NYPA has received two notices of claim arising out of this incident. The Authority has pursued insurance coverage under Northline’s insurance policies that name NYPA 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.

NYPA believes there is 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.

**Miscellaneous**

Additional 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 NYPA’s opinion, be disposed of within the amounts of the Authority’s insurance coverage, where applicable, or the amount which NYPA has available therefore and without any material adverse effect on its business.

**Economic Outlook and View on Energy Markets**

Energy markets indicate an expectation that in 2021 prices will rebound somewhat from 2020’s mild winter and the impact of COVID-19. Achieving long-term CLCPA goals will depress wholesale power prices, so upstate forward power prices are anticipated to be stagnant or decline from 2021 through 2023. Downstate, however, forward markets indicate that in the near-term, wholesale price depression due to CLCPA is not expected to overcome the effects of awaited
unit retirements (Indian Point 3, as well as New York City “peaker” plants retiring due to the DEC’s new nitrogen oxide rule). Downstate energy prices will continue to correlate with natural gas prices.

Capacity prices are expected to remain low for New York City, and to decline off current highs in Upstate New York. Both cases are driven by the quadrennial Demand Curve Reset resulting in lower Reference Points. In 2021 the increase in the Installed Reserve Margin (IRM) raised Rest of State (ROS) prices, while the decrease in NYC’s Locational Capacity Requirement collapsed NYC prices. The current expectation for 2022 is that ROS prices will decline from the current highs, while NYC will recover somewhat.

Ancillary Services prices are expected to decline slightly over the next few years, as more flexible generation replaces Indian Point, and over the longer term as responsive energy storage comes online. Ancillary Services could rebound beyond the next few years as intermittent renewables represent a larger share of supply.

Revenues from NYISO sales are expected to remain fairly static over the next few years. As always, such a statement is subject to the usual fluctuations due to weather. An additional source of energy market uncertainty is the potential for a more robust carbon dioxide price.

The Regional Greenhouse Gas Initiative is a mature program at this point, but efforts by the NYISO to support decarbonization by assessing a carbon dioxide charge commensurate with the social cost of carbon, or a federal assessment at such levels, could shift wholesale power prices upwards. This represents an opportunity for renewable generators and providers of energy efficiency and energy management services.

Customer expectations are continuously evolving, as the needs for improved service levels and movements toward decarbonization, are growing. These increasingly complex needs are not fully met by current offerings and domestic and international entrants into New York State’s energy market are beginning to take share, raising the bar for all players with sophisticated customer solutions.

In addition, through continuous technology improvements, renewable energy sources are becoming more cost-competitive than traditional power sources, such as hydro and gas, and disrupting wholesale markets. New technologies such as electric vehicles, storage and hydrogen are either beginning to scale or starting to emerge and change the landscape. In parallel, players across the power value chain are embracing digitization and automation in pursuit of efficiency and growth, enabling a more decentralized, two-way power ecosystem.

Competition in New York State’s ecosystem is taking shape as offshore wind solicitations are gathering momentum and downstream solar and storage are growing rapidly. The large and well-planned expansion of the transmission grid is widely recognized as a critical need and distribution utilities are taking actions to modernize their grids and provide new services, while new entrants are competing for business.

With the adoption of CLCPA, the state has set one of the most ambitious decarbonization agendas in the U.S., with significant implications for all participants in the state’s energy and cross-sector ecosystems.

Lastly, high uncertainty around a macroeconomic recovery from COVID-19 pandemic remains, while NYPA customers are facing new challenges and financial strains. The ways of working are being redefined and remote working may create substantial value even after COVID-19, in areas such as access to talent and operational efficiencies.
(e) Revised Forecast of 2021 Budget

Revised Forecast of 2021 Budget  
(In $ Millions)

<table>
<thead>
<tr>
<th></th>
<th>Original Budget 2021</th>
<th>Forecast 2021</th>
<th>Variance Favorable / (Unfavorable) 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Revenues</td>
<td>$1,817.8</td>
<td>$1,837.5</td>
<td>$19.7</td>
</tr>
<tr>
<td>NYISO Market Revenues</td>
<td>695.6</td>
<td>827.4</td>
<td>131.8</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>27.4</td>
<td>27.2</td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>2,540.8</td>
<td>2,692.1</td>
<td>151.3</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased Power</td>
<td>691.8</td>
<td>710.7</td>
<td>(18.9)</td>
</tr>
<tr>
<td>Fuel - Oil and Gas</td>
<td>119.2</td>
<td>202.2</td>
<td>(83.0)</td>
</tr>
<tr>
<td>Wheeling Expenses</td>
<td>642.2</td>
<td>659.4</td>
<td>(17.2)</td>
</tr>
<tr>
<td>O&amp;M Expenses</td>
<td>548.8</td>
<td>543.6</td>
<td>5.2</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>129.7</td>
<td>152.4</td>
<td>(22.7)</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>2,131.7</td>
<td>2,268.3</td>
<td>(136.6)</td>
</tr>
<tr>
<td><strong>NET OPERATING INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>409.1</td>
<td>423.8</td>
<td>14.7</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>19.6</td>
<td>17.1</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Other Income</td>
<td>0.0</td>
<td>(1.0)</td>
<td>(1.0)</td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td>19.6</td>
<td>16.1</td>
<td>(3.5)</td>
</tr>
<tr>
<td><strong>Non-Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>258.4</td>
<td>263.1</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Interest &amp; Other Expenses</td>
<td>129.3</td>
<td>119.8</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Total Non-Operating Expense</strong></td>
<td>387.7</td>
<td>382.9</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>$41.0</td>
<td>$57.0</td>
<td>$16.0</td>
</tr>
</tbody>
</table>

(f) Reconciliation of 2021 Budget and 2021 Revised Forecast

As of August 2021, year-end net income is forecasted to be $57 million, which is $16 million above budget. This variance is primarily due to higher than budgeted net generation at the SCPPs, increased value of capacity sales, favorable
energy market prices and ancillary service revenue, which are partially offset by unfavorable hedge settlements, and lower than budgeted net generation at Niagara and St. Lawrence.

In addition, higher than budgeted Flexible Alternating Current Transmission Systems (FACTS) revenue of around $11 million resulting from higher congestion pricing, as well as an increase to NYPA’s ATRR of around $9 million effective with the new rate year beginning July 2021 and higher than budgeted HTP revenue of around $3 million along with a reduction in site operating and maintenance expense of around $18 million are all contributing to this favorable variance. This favorable variance is expected to continue through the remainder of 2021.

(g) Statement of 2020 Financial Performance

Net Income - Actual vs. Budgeted for the Year ended December 31, 2020
(In $ Millions)

<table>
<thead>
<tr>
<th></th>
<th>Actual 2020</th>
<th>Budget 2020</th>
<th>Variance Favorable / (Unfavorable) 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Revenues</td>
<td>$1,594.7</td>
<td>$1,786.5</td>
<td>($191.8)</td>
</tr>
<tr>
<td>NYISO Market Revenues</td>
<td>651.5</td>
<td>763.7</td>
<td>(112.2)</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>18.7</td>
<td>30.1</td>
<td>(11.4)</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>2,264.9</td>
<td>2,580.3</td>
<td>(315.4)</td>
</tr>
<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased Power</td>
<td>483.6</td>
<td>670.7</td>
<td>187.1</td>
</tr>
<tr>
<td>Fuel Consumed - Oil &amp; Gas</td>
<td>109.0</td>
<td>158.7</td>
<td>49.7</td>
</tr>
<tr>
<td>Wheeling</td>
<td>649.9</td>
<td>644.1</td>
<td>(5.8)</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>599.0</td>
<td>612.6</td>
<td>13.6</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>127.5</td>
<td>119.8</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>258.1</td>
<td>262.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Allocation to Capital</td>
<td>(38.7)</td>
<td>(22.2)</td>
<td>16.5</td>
</tr>
<tr>
<td>Asset Impairment Charge</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>2,188.3</td>
<td>2,446.2</td>
<td>257.9</td>
</tr>
<tr>
<td>NET OPERATING INCOME</td>
<td>76.6</td>
<td>134.0</td>
<td>(57.4)</td>
</tr>
<tr>
<td>Other Income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>26.8</td>
<td>28.4</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Other Income</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Other Income</td>
<td>26.8</td>
<td>28.4</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Non-Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution to New York State</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Interest and Other Expenses</td>
<td>120.5</td>
<td>120.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Total Non-Operating Expenses</td>
<td>120.5</td>
<td>120.9</td>
<td>0.4</td>
</tr>
<tr>
<td>NET INCOME:</td>
<td>($17.1)</td>
<td>$41.4</td>
<td>($58.5)</td>
</tr>
</tbody>
</table>
Net Income for the year ended December 31, 2020, was negative $17.1 million, which was $58.5 million lower than the budget of $41.4 million. The decrease in operating income resulted from lower market-based energy sales due to lower market prices and the pass through of lower power costs to customers as well as lower customer consumption. The decrease in operating expenses was primarily due to lower purchase power costs and lower fuel prices, partially offset by RTEP charges allocated to the HTP. The decreases in operations and maintenance expenses were primarily due to lower direct operating costs associated with the decline in operating revenue and cost containment measures initiated by management across broad categories of expenses, partially offset by incremental expenses of $20 million, net related to COVID-19 pandemic.

(h) Employee Data – number of employees, full time, FTEs, and functional classification

### NYPA Headcount Projections 2022-2025

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>639</td>
<td>639</td>
<td>639</td>
<td>639</td>
</tr>
<tr>
<td>Power Generation</td>
<td>1,177</td>
<td>1,177</td>
<td>1,177</td>
<td>1,177</td>
</tr>
<tr>
<td>Transmission</td>
<td>218</td>
<td>218</td>
<td>218</td>
<td>218</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total NYPA:</strong></td>
<td><strong>2,048</strong></td>
<td><strong>2,048</strong></td>
<td><strong>2,048</strong></td>
<td><strong>2,048</strong></td>
</tr>
<tr>
<td>Canals</td>
<td>482</td>
<td>482</td>
<td>482</td>
<td>482</td>
</tr>
<tr>
<td><strong>Total NYPA &amp; CANALS:</strong></td>
<td><strong>2,530</strong></td>
<td><strong>2,530</strong></td>
<td><strong>2,530</strong></td>
<td><strong>2,530</strong></td>
</tr>
</tbody>
</table>

* Authorized positions including vacancies.

(i) Gap-Closing Initiatives – revenue enhancement or cost-reduction initiatives

When building a multiyear operating plan, NYPA has developed a series of contingency plans to adapt to unforeseen changes in its financial results. The Authority projects positive net income for the 2022-2025 period, constructed upon a level of expenses outlined within this preliminary Budget and Financial Plan. If that net income projection materially changes during the forecast period, NYPA will take actions if deemed appropriate.

Moving into 2022, the risk of additional COVID-19 waves does exist. However, it is expected that any impact on finances or operations should be greatly reduced due to the amount of planning conducted in preparation for such an event. However, this plan does not assume another shutdown within the financial forecast.

(j) Material Non-Recurring Resources – source and amount

Except as discussed elsewhere in this report, there are no material non-recurring resources expected in the 2022-2025 period.

(k) Shift in Material Resources

There are no anticipated shifts in material resources from one year to another.
## (I) Debt Service

### New York Power Authority Projected Debt Outstanding (FYE)

*(In $ Thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Bonds</strong></td>
<td>$1,562,240</td>
<td>$1,850,817</td>
<td>$1,835,927</td>
<td>$1,820,182</td>
</tr>
<tr>
<td><strong>Adjustable Rate Tender Notes</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Subordinated Notes</strong></td>
<td>$38,530</td>
<td>$37,010</td>
<td>$35,440</td>
<td>$33,825</td>
</tr>
<tr>
<td><strong>Commercial Paper Notes</strong></td>
<td>$436,771</td>
<td>$436,771</td>
<td>$436,771</td>
<td>$436,771</td>
</tr>
<tr>
<td><strong>Grand Total:</strong></td>
<td><strong>$2,037,541</strong></td>
<td><strong>$2,324,598</strong></td>
<td><strong>$2,308,138</strong></td>
<td><strong>$2,290,778</strong></td>
</tr>
</tbody>
</table>

### Debt Service as Percentage of Pledged Revenues (Accrual Based)

*(In $ Thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Bonds</strong></td>
<td>$28,258 1%</td>
<td>$54,149 2%</td>
<td>$81,360 3%</td>
<td>$81,359 3%</td>
</tr>
<tr>
<td><strong>Adjustable Rate Tender Notes</strong></td>
<td>$0 0%</td>
<td>$0 0%</td>
<td>$0 0%</td>
<td>$0 0%</td>
</tr>
<tr>
<td><strong>Subordinated Notes</strong></td>
<td>$2,999 0%</td>
<td>$2,996 0%</td>
<td>$2,999 0%</td>
<td>$2,996 0%</td>
</tr>
<tr>
<td><strong>Commercial Paper Notes</strong></td>
<td>$4,368 0%</td>
<td>$4,368 0%</td>
<td>$4,368 0%</td>
<td>$4,368 0%</td>
</tr>
<tr>
<td><strong>Grand Total Debt Service</strong>:</td>
<td><strong>$35,625 1%</strong></td>
<td><strong>$61,513 2%</strong></td>
<td><strong>$88,727 3%</strong></td>
<td><strong>$88,723 3%</strong></td>
</tr>
</tbody>
</table>

**Debt Service Coverage Ratio:**

- 2022: 6.8X
- 2023: 7.2X
- 2024: 6.0X
- 2025: 6.7X

*2022-2025 Excludes Capitalized Interest Expense.*
## Scheduled Debt Service Payments (Accrual Basis) Outstanding (Issued) Debt

*(In $ Thousands)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$1,490</td>
<td>$34,135</td>
<td>$35,625</td>
</tr>
<tr>
<td>2023</td>
<td>$3,430</td>
<td>$58,083</td>
<td>$61,513</td>
</tr>
<tr>
<td>2024</td>
<td>$16,576</td>
<td>$72,151</td>
<td>$88,727</td>
</tr>
<tr>
<td>2025</td>
<td>$17,483</td>
<td>$71,240</td>
<td>$88,723</td>
</tr>
</tbody>
</table>

## Proposed Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2023</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2024</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2025</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

## Total Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$1,490</td>
<td>$34,135</td>
<td>$35,625</td>
</tr>
<tr>
<td>2023</td>
<td>$3,430</td>
<td>$58,083</td>
<td>$61,513</td>
</tr>
<tr>
<td>2024</td>
<td>$16,576</td>
<td>$72,151</td>
<td>$88,727</td>
</tr>
<tr>
<td>2025</td>
<td>$17,483</td>
<td>$71,240</td>
<td>$88,723</td>
</tr>
</tbody>
</table>
New York Power Authority Planned Use of Debt Issuances
(In $ Thousands)

<table>
<thead>
<tr>
<th>TYPE</th>
<th>Amount</th>
<th>Interest Rate</th>
<th>Project / Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Period January 1, 2022 - December 31, 2022:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Exempt Commercial Paper</td>
<td>$0</td>
<td>0%</td>
<td>Energy Efficiency Program</td>
<td></td>
</tr>
<tr>
<td>Taxable Commercial Paper</td>
<td>$0</td>
<td>0%</td>
<td>Energy Efficiency Program</td>
<td></td>
</tr>
<tr>
<td>Tax Exempt Revenue Bonds</td>
<td>$0</td>
<td>0%</td>
<td>Transmission</td>
<td></td>
</tr>
<tr>
<td>Taxable Revenue Bonds</td>
<td>$0</td>
<td>0%</td>
<td>Robert Moses Power Plant / Lewiston Pump Generating Plant</td>
<td></td>
</tr>
<tr>
<td>Total Issued 2022</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Period January 1, 2023 - December 31, 2023:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Exempt Revenue Bonds</td>
<td>$249,089</td>
<td>4%</td>
<td>Transmission</td>
<td></td>
</tr>
<tr>
<td>Taxable Revenue Bonds</td>
<td>$39,488</td>
<td>5%</td>
<td>Robert Moses Power Plant</td>
<td></td>
</tr>
<tr>
<td>Total Issued 2023</td>
<td>$288,577</td>
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<td></td>
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<tr>
<td><strong>Period January 1, 2024 - December 31, 2024:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Exempt Commercial Paper</td>
<td>$0</td>
<td>0%</td>
<td>Energy Efficiency Program</td>
<td></td>
</tr>
<tr>
<td>Taxable Commercial Paper</td>
<td>$0</td>
<td>0%</td>
<td>Energy Efficiency Program</td>
<td></td>
</tr>
<tr>
<td>Tax-Exempt Revenue Bonds</td>
<td>$0</td>
<td>0%</td>
<td>Transmission</td>
<td></td>
</tr>
<tr>
<td>Taxable Revenue Bonds</td>
<td>$0</td>
<td>0%</td>
<td>Robert Moses Power Plant / Lewiston Pump Generating Plant</td>
<td></td>
</tr>
<tr>
<td>Total Issued 2024</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Period January 1, 2025 - December 31, 2025:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Exempt Commercial Paper</td>
<td>$0</td>
<td>0%</td>
<td>Energy Efficiency Program</td>
<td></td>
</tr>
<tr>
<td>Taxable Commercial Paper</td>
<td>$0</td>
<td>0%</td>
<td>Energy Efficiency Program</td>
<td></td>
</tr>
<tr>
<td>Tax-Exempt Revenue Bonds</td>
<td>$0</td>
<td>0%</td>
<td>Transmission</td>
<td></td>
</tr>
<tr>
<td>Taxable Revenue Bonds</td>
<td>$0</td>
<td>0%</td>
<td>Robert Moses Power Plant / Lewiston Pump Generating Plant</td>
<td></td>
</tr>
<tr>
<td>Total Issued 2025</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The full faith and credit of the Authority are pledged for the payment of bonds and notes in accordance with their terms and provisions of their respective resolutions. The Authority has no taxing power, and its obligations are not debts of the State or any political subdivision of the State other than the Authority. The Authority's debt does not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority.
(m) Capital Commitments and Sources of Funding

The Authority’s commitments for various capital improvements are approximately $2.5 billion over the financial period 2022-2025. NYPA anticipates these improvements will be funded with existing construction funds, internally generated funds, and additional borrowings. Additionally, the Authority is projecting to spend approximately $1.3 billion in Energy Efficiency Services projects for our customers, which will be separately financed. Projected capital commitments during this period include those listed in the table below.

### 2022-2025 Capital Commitments by Function

(In $ Millions)

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NYPA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robert Moses LEM (NextGen Niagara)</td>
<td>$43.5</td>
<td>$62.1</td>
<td>$73.2</td>
<td>$53.1</td>
</tr>
<tr>
<td>St. Lawrence 90T &amp; 300T Crane Replacements</td>
<td>$0.8</td>
<td>$0.6</td>
<td>$13.1</td>
<td>$13.1</td>
</tr>
<tr>
<td>Long Sault Dam Capital Program</td>
<td>$0.2</td>
<td>$5.0</td>
<td>$5.0</td>
<td>$5.0</td>
</tr>
<tr>
<td>Lewiston Pump Generating Plant LEM</td>
<td>$14.1</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>R-22 Inlet Chiller System Replacement</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$6.2</td>
<td>$6.1</td>
</tr>
<tr>
<td>Licensing Programs</td>
<td>$11.0</td>
<td>$0.6</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>Other Generation</td>
<td>$79.0</td>
<td>$55.1</td>
<td>$42.9</td>
<td>$46.2</td>
</tr>
<tr>
<td>Transmission</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smart Path Connect</td>
<td>$164.1</td>
<td>$165.0</td>
<td>$165.0</td>
<td>$89.0</td>
</tr>
<tr>
<td>Transmission Life Extension &amp; Modernization</td>
<td>$52.2</td>
<td>$57.6</td>
<td>$45.7</td>
<td>$32.8</td>
</tr>
<tr>
<td>Smart Path</td>
<td>$121.7</td>
<td>$39.5</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>Central East Energy Connect</td>
<td>$92.2</td>
<td>$41.8</td>
<td>$0.0</td>
<td>$0.0</td>
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<tr>
<td>Y-49 Life Extension &amp; Modernization</td>
<td>$60.8</td>
<td>$0.0</td>
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<td>$0.0</td>
</tr>
<tr>
<td>Convertible Static Compensator</td>
<td>$3.6</td>
<td>$15.3</td>
<td>$20.1</td>
<td>$5.0</td>
</tr>
<tr>
<td>Other Transmission</td>
<td>$67.3</td>
<td>$25.5</td>
<td>$10.4</td>
<td>$63.7</td>
</tr>
<tr>
<td>HQ</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimagine Canals</td>
<td>$18.9</td>
<td>$40.5</td>
<td>$41.5</td>
<td>$53.0</td>
</tr>
<tr>
<td>Digital, Network &amp; Cyber</td>
<td>$56.6</td>
<td>$27.5</td>
<td>$22.3</td>
<td>$23.4</td>
</tr>
<tr>
<td>Decarbonization (Evolve, EGT Hybrid &amp; Battery)</td>
<td>$36.9</td>
<td>$38.7</td>
<td>$20.6</td>
<td>$22.2</td>
</tr>
<tr>
<td>White Plains Office Infrastructure</td>
<td>$10.4</td>
<td>$44.2</td>
<td>$10.9</td>
<td>$3.7</td>
</tr>
<tr>
<td>Other HQ</td>
<td>$17.6</td>
<td>$6.6</td>
<td>$3.5</td>
<td>$6.0</td>
</tr>
<tr>
<td>Canals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canals</td>
<td>$41.2</td>
<td>$41.2</td>
<td>$41.2</td>
<td>$41.2</td>
</tr>
<tr>
<td><strong>Total NYPA &amp; Canals Funded:</strong></td>
<td>$892.1</td>
<td>$666.9</td>
<td>$521.6</td>
<td>$463.5</td>
</tr>
</tbody>
</table>

**Energy Efficiency Services - Separately Financed:**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$294.5</td>
<td>$315.2</td>
<td>$326.6</td>
<td>$317.0</td>
</tr>
</tbody>
</table>
2022-2025 NYPA & Canals Capital Commitments by Function
(In $ Millions)

2022-2025 Energy Efficiency Services Capital Commitments
(In $ Millions)
(n) Credit Agency Rating Discussion

Maintaining a strong relationship with the capital markets is critical to how NYPA operates. Fitch Ratings and S&P Global Ratings assign a AA rating to the Authority’s long-term bonds, while Moody’s Investor Services assigns a Aa2 rating to the Authority’s long-term bonds, which is among the highest rating given to public electric utilities. This allows us to borrow money for capital projects at competitive rates, and to continue to offer low-cost financing to qualified customers to help fund impactful energy initiatives. The Authority’s long-term bonds are issued pursuant the “General Resolution Authorizing Revenue Obligations” (as amended and supplemented up to the present time, the Bond Resolution). The Bond Resolution covers all of NYPA’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 Authority, including any output in which NYPA 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 Bond Resolution.

NYPA has covenanted with bondholders under the Bond Resolution that at all times the Authority shall maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission, or distribution of power shall contain rates, fees or charges sufficient together with other monies available therefor (including the anticipated receipt of proceeds of sale of Obligations, as defined in the Bond Resolution, issued under the Bond Resolution or other bonds, notes or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued under the 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 Bond Resolution.

NYPA’s revenues (excluding revenues attributable directly or indirectly to the ownership or operation for Separately Financed Projects and 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 Bond Resolution and the payment of Parity Debt issued under the Bond Resolution.

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

To support our Aa2/AA/AA bond ratings and all of the advantages it offers the Authority and its customers, NYPA sets certain targets which are consistent with other peer-rated organizations. In May 2011, the Authority’s Board of 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, NYPA 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 Board of Trustees.
Date: November 16, 2021

To: THE FINANCE AND RISK COMMITTEE

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Proposed Issuance of Transmission Project Revenue Bonds

SUMMARY

The Trustees will be requested at their December 7, 2021 meeting to approve and adopt a resolution authorizing the Proposed Issuance of One or More Series of Transmission Project Revenue Bonds and Related Actions and Approvals (the “Board Resolution”), a form of which is attached as Exhibit 1. The Transmission Project Revenue Bonds will not constitute a general obligation of the Authority but will be limited obligations of the Authority secured and payable solely from the Trust Estate established by the General Resolution authorizing Transmission Project Revenue Obligations (the “Transmission Project Bond Resolution”), a form of which is attached as Exhibit 1-A, as described below. The Board Resolution will permit certain officers of the Authority to make amendments, supplements, changes, insertions and omissions to the form of the Transmission Project Bond Resolution.

“Transmission Projects,” as defined in and financed under the Transmission Project Bond Resolution, will constitute Separately Financed Projects in accordance with Section 203 of the Authority’s General Resolution Authorizing Revenue Obligations, adopted February 24, 1998, as amended and supplemented (the “General Resolution”). As Separately Financed Projects, the Authority will pay the debt service of obligations issued to finance the Transmission Projects and the Authority’s share of any operating expenses related to the Transmission Projects solely from revenues of such projects or from funds withdrawn by the Authority from the General Resolution Operating Fund pursuant to section 503(1)(e) of the General Resolution; furthermore, revenues of such projects will be pledged exclusively to the indebtedness and operating expenses of each such project and such revenues will not be pledged to General Resolution creditors.

The Transmission Project Bond Resolution requires that the issuance of each series of Transmission Project Revenue Bonds by the Authority be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance. The Trustees will also be requested to approve and adopt the First Supplemental Resolution to the Transmission Project Bond Resolution (the “First Supplemental Resolution”), a form of which is attached as Exhibit 1-B, which authorizes the issuance of one or more series of Transmission Project Revenue Bonds for the purpose of funding the Central East Energy Connect Project and
costs in connection with such bonds as described in the First Supplemental Resolution. The Board Resolution will permit certain officers of the Authority to make amendments, supplements, changes, insertions and omissions to the form of the First Supplemental Resolution.

The Trustees will also be requested to approve and authorize the designation of the Central East Energy Connect Project as a Separately Financed Project under Section 203 of the General Resolution and to approve related determinations and findings as described below.

The Transmission Project Revenue Bonds will be issued to finance Transmission Projects the Authority is authorized by the Power Authority Act (the “Act”) or by other State statutory provisions to finance, operate and maintain which transmission projects are eligible to collect a transmission revenue requirement (“TRR”) through the New York Independent System Operator (“NYISO”), including the Central East Energy Connect Project.

Issuance of Transmission Project Revenue Bonds to fund such projects will improve the Authority’s liquidity, will allow for additional capital for the Authority’s existing and future programs across New York State, and will improve the Authority’s General Resolution credit metrics.

The Finance and Risk Committee is requested to recommend to the Trustees the approval of the aforementioned resolution.

BACKGROUND

As deemed feasible and advisable by the Trustees, the Authority has been authorized to finance, design, develop, construct, implement, and administer certain transmission facilities. See, e.g., Public Authorities Law §1005(8)(c) and §1005(26)(a). Under the Act, the Authority is authorized to issue bonds for the purpose of financing any authorized project and to issue notes in the same manner as bonds. See, e.g., Public Authorities Law §1010 and §1009-a. The proceeds of such bonds may be used to finance new and existing transmission projects that have regulated rates of return. The issuance of Transmission Project Revenue Bonds under the Transmission Project Bond Resolution will further improve NYPA’s liquidity, allow for additional capital for existing and future programs across New York State, and improve the Authority’s General Resolution credit metrics.

The projects authorized under the Transmission Project Bond Resolution will be authorized for the Authority’s new and existing transmission projects that have regulated rates of return. The regulated return transmission projects are expected to be derived from three different regulated return cost recovery options: the NYPA Transmission Adjustment Charge (“NTAC”), Federal Energy Regulatory Commission (“FERC”) Order 1000 projects and New York State Public Service Commission (“PSC”) Priority Transmission projects. Prior to being deemed a Transmission Project under the Transmission Project Bond Resolution, it will have received a FERC-approved rate recovery. Other transmission projects that do not have a regulated rate of return will not be included in this financing facility and will be financed via other financing structures.
Pursuant to a development agreement, approved by the Board of Trustees in January 2020, the Central East Energy Connect Project is to be jointly developed by the Authority with LS Power Grid New York Corporation I. The Central East Energy Connect Project, which has received a FERC-approved rate of recovery, includes replacement of two existing 80-mile 230 kV transmission lines, owned by Niagara Mohawk Power Corporation d/b/a National Grid, with a new 86-mile double-circuit 345 kV line from the Edic substation in Oneida County, New York, to the New Scotland 345 kV substations, and the addition of a new Princetown 345 kV switchyard in between Edic and New Scotland to connect to the Rotterdam substation. Once completed, the Central East Energy Connect Project will increase transfer capability from central to eastern New York.

**DISCUSSION**

Section 203 of the General Resolution permits the Authority to issue bonds, notes, or other obligations or evidences of indebtedness, other than Obligations (as defined in the General Resolution), for any project authorized by the Act or by other applicable State statutory provisions, and permits the Authority to finance any such project from other available funds as “Separately Financed Projects” if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Authority’s share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other funds withdrawn by the Authority pursuant to paragraph (e) of subsection 1 of Section 503 of the General Resolution.

To ensure that Transmission Projects are Separately Financed Projects under the General Resolution, the Transmission Project Bond Resolution sets forth several determinations and requirements to ensure the separateness from projects financed under the General Resolution, including the following:

(i) the Authority will approve and adopt the Transmission Project Bond Resolution which will create a separate stand-alone bond resolution providing for the issuance of Transmission Project Revenue Bonds which will be separately secured bonds;

(ii) Transmission Project Revenue Bonds will be issued under the Transmission Project Resolution and by a supplemental resolution or resolutions adopted at or prior to the time of issuance;

(iii) the Authority will pay the debt service issued to finance the Transmission Projects and the Authority’s share of any operating expenses related to the Transmission Projects solely from revenues of such Transmission Projects or from funds withdrawn by the Authority from the General Resolution Operating Fund pursuant to section 503(1)(e) of the General Resolution; and
(iv) the Authority will be required to keep the funds and accounts established under the Transmission Project Bond Resolution separate and distinct from those established under the General Resolution or any other bond resolution.

As noted above, the Trustees are requested to approve and authorize the designation of the Central East Energy Connect Project by designated officers as a Separately Financed Project and to authorize the determinations described above. Additionally, the Authority will determine that the designation of the Transmission Projects as Separately Financed Projects will not adversely affect the ability of the Authority to comply with the requirements of the General Resolution.

In connection with projects funded under the Transmission Project Bond Resolution, the Authority will receive revenue, pay costs and finance the construction and/or acquisition of transmission projects identified by the Trustees that are approved by FERC and part of the NYISO Open Access Transmission Tariff (“OATT”). The Transmission Project Revenue Bonds will be backed solely by the net revenue of designated Transmission Projects, liquidity and reserves within the Transmission Project Bond Resolution which will constitute the Trust Estate under the Transmission Project Bond Resolution.

Concurrently with the issuance of each series of the Transmission Project Revenue Bonds, proceeds of such bonds will be applied by the Authority (i) to reimburse the Authority for all costs of the Transmission Project previously paid which amounts will be deposited into the Operating Fund under the General Resolution pursuant to Section 503 of the General Resolution and (ii) pay all subsequent costs of the Transmission Project along with other expenses as more fully described in the attachments hereto.

Staff is preparing for the issuance and sale of Transmission Project Revenue Bonds through a either a negotiated sale or pursuant to a direct placement to one or more of the prequalified investment banking firms approved by the Board of Trustees in March 2020. Staff anticipates up to $300 million in Transmission Project Revenue Bonds may be sold in this manner on or before June 30, 2022.

FISCAL INFORMATION

Staff believes that authorization of the Transmission Project Resolution, the First Supplemental Resolution and issuance of Transmission Project Revenue Bonds will improve the Authority’s liquidity, allow for additional capital for the Authority’s transmission projects across New York State and improve the Authority’s General Resolution credit metrics. Transmission Project Revenue Bonds being separately secured obligations will also permit the Authority to issue bonds and provide financing to customers without requiring such bonds to be backed by the general credit of the Authority thereby providing additional bonding capacity under the Authority’s General Resolution.

RECOMMENDATION
The Executive Vice President and Chief Financial Officer requests that the Finance and Risk Committee recommends that the Trustees adopt the attached authorizing resolution.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolutions below.

Justin E. Driscoll  
Interim President and Chief Executive Officer
RESOLUTION

RESOLVED, that the Finance and Risk Committee hereby recommends that the Trustees approve and adopt the resolution authorizing the Proposed Issuance of One or More Series of Transmission Project Revenue Bonds and Related Actions and Approvals (attached hereto as Exhibit 1), with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the Chairman or the President and Chief Executive Officer, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby, to provide for the issuance of special obligations of the Authority for the purpose of financing transmission projects and related costs; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, or Treasurer be authorized and directed by the Trustees, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel.
POWER AUTHORITY OF THE STATE OF NEW YORK

PROPOSED ISSUANCE OF ONE OR MORE SERIES OF TRANSMISSION PROJECT REVENUE BONDS AND RELATED ACTIONS AND APPROVALS

WHEREAS, the Authority wishes to provide for the issuance of special obligations of the Authority for the purpose of financing transmission projects and related costs, and the duly authorized officers of the Authority have prepared and submitted to the Trustees a form of General Resolution Authorizing Transmission Project Revenue Obligations (the “Transmission Project Bond Resolution”), a copy of which has been attached to this resolution as Exhibit A, which, consistent with the Power Authority Act, 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, authorizes special obligations of the Authority (hereinafter “Bonds”), in accordance with the terms thereof for any of the lawful purposes specified therein;

WHEREAS, the Transmission Project Bond Resolution requires that the issuance of each series of Obligations (as defined therein) by the Authority shall be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance, subject to further delegation to certain officers to establish the details of the terms of such Obligations;

WHEREAS, duly authorized officers of the Authority have caused to be prepared and submitted to the Trustees a form of the First Supplemental Resolution to the Transmission Project Bond Resolution (the “First Supplemental Resolution”), attached to this resolution as Exhibit B, which authorizes the issuance of one or more series of Transmission Project Revenue Bonds for the purposes described below;

WHEREAS, the Authority proposes to issue Transmission Project Revenue Bonds (the “Series 2022A Transmission Bonds”) pursuant to the First Supplemental Resolution, in an aggregate principal amount of not more than $300,000,000, in one or more series or subs series and simultaneously or at different times, for the following purposes: [(i) to finance and reimbursing of all capital costs (including any preparatory legal, administrative, engineering, consulting and technical services) and other costs incurred but not yet recovered by the Authority in connection with the Central East Energy Connection Transmission Project (the “Series 2022A Transmission Project”); (ii) to fund the Operating Reserve Account,
if necessary or desirable; and (iii) to pay financing costs related to the issuance of such obligations, including underwriters’ discount, structuring fees, any insurance premiums, credit enhancement or liquidity fees related to obtaining any municipal bond insurance policy, other credit enhancement or liquidity facilities determined to be necessary or desirable and other costs incurred by the Authority in connection therewith];

WHEREAS, implementation of the proposed plan of finance will depend upon market conditions and other factors, and as a result thereof, the Authority may issue the Series 2022A Transmission Project Bonds as fixed rate or variable rate bonds, as tax-exempt or taxable bonds, or as combinations thereof, or may issue bond anticipation notes to be repaid with the Series 2021 Transmission Project Bonds;

WHEREAS, to the extent that Series 2022A Transmission Project Bonds are issued bearing fixed rates, such Series 2022A Transmission Project Bonds, at the date of their issuance, shall have a true interest cost not to exceed 5 percent, and to the extent that any Series 2022A Transmission Project Bonds are issued bearing variable rates, the initial rate or rates applicable to such Series 2022A Transmission Project Bonds at the date of their issuance shall not exceed 5 percent;

WHEREAS, it is anticipated that one or more contracts of purchase may be entered into with underwriters selected by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, or Treasurer (each a “Designated Officer”) from a prequalified underwriting pool of Senior Managers, Co-Managers and Selling Group members approved by the Trustees at the March 31, 2020, Board Meeting (the “Prequalified Underwriting Pool”) which contracts of purchase will be in substantially the form of the Contract of Purchase presented to this meeting and attached hereto as Exhibit C, and in the event that one or more placement, financing, or forward purchase or delivery agreements may be entered into, with such changes, insertions, deletions, amendments and supplements as any Designated Officer may approve, subject to the requirements of the First Supplemental Resolution;

WHEREAS, it is anticipated that one or more series of the Series 2022A Transmission Project Bonds may be issued as green bonds;

WHEREAS, a Preliminary Official Statement relating to the Series 2022A Transmission Project Bonds is expected to be made available to potential purchasers of the Series 2022A Transmission Project Bonds, a draft form of which is attached to this resolution as Exhibit D; and
WHEREAS, the Finance Committee of the Trustees has reviewed and considered the proposed issuance of the Series 2022A Transmission Project Bonds and the associated plan of finance and has recommended the approval thereof.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

Section 1. The Transmission Project Bond Resolution in the form presented to this meeting (attached hereto as Exhibit A) and made a part of this resolution as though set forth in full herein, is hereby approved and adopted. The Designated Officers shall be, and each of them hereby is, authorized on behalf of the Authority to deliver the Transmission Project Bond Resolution to the Trustee (as defined in the Transmission Project Bond Resolution), with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the Chairman or the President and Chief Executive Officer, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.

Section 2. The First Supplemental Resolution in the form presented to this meeting (attached hereto as Exhibit B) and made a part of this resolution as though set forth in full herein, is hereby approved and adopted. The Designated Officers shall be, and each of them hereby is, authorized on behalf of the Authority to deliver the First Supplemental Resolution to the Trustee (as defined in the Transmission Project Bond Resolution), with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the Chairman or the President and Chief Executive Officer, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.

Section 3. One or more series of the Series 2022A Transmission Project Bonds shall be sold, subject to the limitations described below, to underwriters selected by a Designated Officer from the Prequalified Underwriting Pool, or privately placed with one or more investors or financial institutions, at such prices, with accrued interest, if any, on such Bonds from the date of issue of said Bonds to the date of delivery and payment for said Bonds, as any Designated Officer may approve and as will be in compliance with the requirements of the Eleventh Supplemental Resolution, and pursuant to a Contract of Purchase or a placement, financing, or forward purchase or delivery agreement, and upon the basis of the representations therein set forth.

Section 4. The following determinations are hereby made:
(a) The operation of the Series 2022A Transmission Projects as Projects under the General Resolution Authorizing Projects adopted on February 24, 1998 (the “General Resolution”) is not essential to the maintenance and continued operation of the rest of the Authority's Projects.

(b) The Central East Connection Transmission Project constitutes, and is hereby designated as, and shall be, a Separately Financed Project, as defined in the General Resolution and a Transmission Project as defined in the Transmission Project Resolution. In furtherance of and consistent with the foregoing:

(i) Any General Resolution funds spent by the Authority on the Central East Connection Transmission Project (including, but not limited to, any preparatory legal, administrative, engineering, consulting and technical services, Capital Costs or Operating Expenses) not yet recovered by the Authority or funded with moneys withdrawn from the lien of the General Resolution by the Authority pursuant to paragraph (e) of subsection 1 of Section 503 of the General Resolution shall be fully reimbursed by the proceeds of the Series 2022A Transmission Project Bonds; and

(ii) Following such reimbursement, any costs related to construction, maintenance or operation of the Series 2022A Transmission Projects or otherwise allocable to the Series 2022A Transmission Project shall be paid from proceeds of Obligations issued under this Resolution, from Revenues (as defined in the Transmission Project Resolution), or from other funds of the Authority withdrawn from the lien of the General Resolution by the Authority pursuant to paragraph (e) of subsection 1 of Section 503 of the General Resolution.

(c) The designation of the Series 2022A Transmission Projects as Separately Financed Project will not adversely affect the ability of the Authority to comply with the requirements of the General Resolution, including, without limitation the rate covenant contained therein.

(d) Revenues derived from the operation of the Central East Connection Transmission Project are revenues derived from the operation of a Separately Financed Projects and are not part of Revenues as defined in the General Resolution.

(e) Expenses associated with the operation of the Series 2022A Transmission Projects and debt service on Obligations issued under the Transmission Project Bond Resolution shall not be payable from Revenues
as defined under the General Resolution, unless such funds are released from
the lien of the General Resolution pursuant to the terms thereof.

Section 5. The Designated Officers shall be, and each of them hereby is,
authorized on behalf of the Authority, subject to the limitations described below, to
execute one or more Contracts of Purchase substantially in the form attached
hereto as Exhibit C, providing for the sale of one or more series of the Bonds to
said purchasers, and in the event that one or more placement, financing, loan, or
forward purchase or delivery agreements with one or more investors or financial
institutions may be entered into, with such changes, insertions, deletions,
amendments and supplements as any Designated Officer may approve, subject to
the requirements of the Transmission Project Bond Resolution and the First
Supplemental Resolution, and to deliver it to said purchasers; and that said officers
and all other officers of the Authority are each hereby authorized and directed to
carry out or cause to be carried out all obligations of the Authority set forth in said
Contracts of Purchase or placement, financing, loan or forward purchase or
delivery agreements upon execution thereof and that the execution of the Contracts
of Purchase or placement, financing, loan or forward purchase or delivery
agreements relating to the Series 2022A Transmission Project Bonds by any of
said authorized officers be conclusive evidence that any conditions imposed by the
Trustees have been satisfied and the sale and issuance of the Series 2022A
Transmission Project Bonds has been authorized by the Authority’s board of
Trustees.

Section 6. As and to the extent that the Designated Officers determine that
it would be advantageous in current market conditions to issue bond anticipation
notes, such officer is hereby authorized to execute a Note Certificate and deliver
the same to the trustees. Such Note Certificate may include such amendments and
modifications to the provisions of this resolution as such officer shall determine
necessary and appropriate to effectuate such determinations and details. A copy of
such Note Certificate also shall be filed with this resolution into the records of the
Authority and, upon such filing, shall be deemed to be a part of this resolution as if
set forth in full herein.

Section 7. The Designated Officers shall be, and each of them hereby is,
authorized to make such changes, insertions, deletions, amendments and
supplements, to or from the draft form of the Preliminary Official Statement
relating to the Series 2022A Transmission Project Bonds (attached hereto as
Exhibit D) as may be approved by any such officer, and upon the completion of
any such modifications, such officer is authorized to execute such certificates as
may be requested by the underwriters to certify on behalf of the Authority that
such Preliminary Official Statement is “deemed final” for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, subject to the omission of such information as is permitted by such Rule. The distribution of one or more Preliminary Official Statements relating to the Series 2022A Transmission Project Bonds to all interested persons in connection with the sale of such Bonds is hereby approved.

Section 8. The Designated Officers shall be, and each of them hereby is, authorized to adopt and execute on behalf of the Authority one or more final Official Statements or private placement memoranda of the Authority relating to the Series 2022A Transmission Project Bonds, in such form and substance as such officer deems necessary or desirable, and the delivery of each said Official Statement or placement memorandum to the purchasers of said Bonds is hereby authorized, and the Authority hereby authorizes each said Official Statement or placement memorandum and the information contained therein to be used in connection with the sale and delivery of the Series 2022A Transmission Project Bonds.

Section 9. If it is determined to be necessary or advisable, the Designated Officers shall be, and each of them hereby is, authorized on behalf of the Authority to obtain one or more bond insurance policies, credit enhancement facilities or liquidity facilities for each series of the Series 2022A Transmission Project Bonds with such terms and conditions as such officer deems necessary or advisable, and which a Designated Officer may select, covering scheduled payments of principal of and interest on such Bonds, including mandatory sinking fund redemption payments.

Section 10. If it is determined to be necessary or advisable, the Designated Officers shall be, and each of them hereby is, authorized on behalf of the Authority to enter into one or more interest rate exchange agreements relating to any Series 2022A Transmission Project Bonds in a notional amount not greater than the principal amount of the related Series 2022A Transmission Project Bonds, with such terms and conditions and with such counterparties as such officer deems necessary or advisable.

Section 11. The Designated Officers and all other officers of the Authority shall be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those actions, certificates, agreements and other documents described in the Transmission Project Bond Resolution, the First
Supplemental Resolution, the Contracts of Purchase, any placement, financing, loan or forward purchase or delivery agreements, and the other documents approved today or required in connection with the obtaining of one or more bond insurance policies, credit enhancement facilities, or liquidity facilities, which they, or any of them, may deem necessary or advisable in order to (i) consummate the lawful sale, issuance and delivery of the Series 2022A Transmission Project Bonds; (ii) implement any action permitted to be taken by the Authority under the First Supplemental Resolution; the Contracts of Purchase; any placement, financing, or forward purchase or delivery agreements; and the other agreements and documents approved today following the issuance of the Series 2022A Transmission Project Bonds; and (iii) effectuate the purposes of the transactions and documents approved today.

Section 12. [Bank of New York Mellon] is hereby appointed as Registrar and Paying Agent for the Series 2022A Transmission Project Bonds under the Transmission Project Bond Resolution and as escrow agent for the Refunded Bonds if an escrow account is established for such Refunded Bonds.

Section 13. The Designated Officers shall be, and each of them hereby is, authorized to execute one or more Continuing Disclosure Agreements relating to the Series 2022A Transmission Project Bonds between the Authority and [Bank of New York Mellon], as Trustee under the Transmission Project Bond Resolution, in substantially the form of the continuing disclosure agreement executed by the Authority in connection with the issuance of the Series 2015 Bonds, each with such changes, insertions, deletions, and supplements, as such authorized executing officer deems in his or her discretion to be necessary or appropriate, including, without limitation, such changes as are necessary to conform to recent amendments to Rule 15c2-12 under the Securities Exchange Act of 1934, such execution to be conclusive evidence of such approval.

Section 14. The Designated Officers, and all other officers of the Authority shall be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to effectuate the foregoing resolutions.
EXHIBITS

Exhibit A: General Resolution Authorizing Transmission Project Revenue Obligations

Exhibit B: First Supplemental Resolution to the Transmission Project Bond Resolution

Exhibit C: Draft of Purchase Contract relating to Series 2022A Transmission Project Bonds

Exhibit D: Draft of Preliminary Official Statement relating to the Series 2022A Transmission Project Bonds
POWER AUTHORITY OF THE STATE OF NEW YORK

_________________________________________

GENERAL RESOLUTION

authorizing

TRANSMISSION PROJECT REVENUE OBLIGATIONS

_________________________________________

Adopted on ________, 2021
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GENERAL RESOLUTION

authorizing

TRANSMISSION PROJECT REVENUE OBLIGATIONS

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

101. Definitions. The following terms shall, for all purposes of the Resolution, have the following meanings:

“Act” means Power Authority Act, 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.

“Authority” means Power Authority of the State of New York, the instrumentality organized and existing under the Act.

“Authorized Investments” means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority’s funds pursuant to any law, to the extent permitted under any applicable regulation, guideline and policy of the Authority, as each is in effect from time to time:

(i) any security which is (a) a direct obligation of, or is unconditionally guaranteed by, the United States of America or the State for the payment of which the full faith and credit of the United States of America or the State is pledged or (b) an obligation of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America;

(ii) any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision (“Municipal Bond”) which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest Rating Category by at least two Rating Agencies and provided, however, that such Municipal Bond is accompanied by (1) a Counsel’s Opinion to the effect that such Municipal Bond is not subject to redemption prior to the date the proceeds of such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified accountant verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond;

(iii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates),
Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, Federal Housing Administration, Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, or any other agency controlled by or supervised by and acting as an instrumentality of the United States government;

(iv) obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which shall be rated at the time of the investment in any of the three highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency;

(v) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on Municipal Bonds, provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee under Section 710 of the Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which at the date of investment shall have an outstanding, unsecured, uninsured and unguaranteed debt issue rated in the highest Rating Category by a Rating Agency or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on Municipal Bonds, such insurance policy shall result in such Municipal Bonds being rated in the highest Rating Category by a Rating Agency;

(vi) certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i) or (ii), provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee under Section 710;

(vii) certificates of deposit, whether negotiable or non-negotiable, and banker’s acceptances of the 25 largest Banks (measured by aggregate capital and surplus) in the United States or commercial paper issued by the parent holding company of any such Bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short-term Rating Category by a Rating Agency (including the Trustee and its parent holding company, if any, if it otherwise qualifies);

(viii) any repurchase agreement or other investment agreement with any Bank as defined in clause (i) or (ii) of the definition thereof or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clause (i) or (iii) above which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another such Bank, as custodian;

(ix) any agreement or investment agreement with any insurance company or reinsurance company or investment affiliates thereof the obligations of which are rated by a Rating Agency in one of the two highest Rating Categories, which agreement is continuously secured by any one or more of the securities described in clause (i) or (iii) above, which securities shall at all times have a market value of not less than the full amount held or invested
pursuant to the agreement and be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian;

(x) obligations of any domestic corporation which shall be rated at the time of the investment in either of the two highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; and

(xi) any other investment in which the Authority is permitted to invest under applicable law, notwithstanding any limitations set forth in clauses (i) through (x) above.

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

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

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

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

“Capital Fund” means the fund by that name established in Section 502.

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

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

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

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

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

“Debt Service Fund” shall mean the fund by that name established pursuant to Section 502.

“Debt Service Reserve Fund” means any fund established pursuant to Section 508.
“Decommissioning Reserve Account Requirement” means, as of any time of calculation, the amount determined by the Authority to be held in the Decommissioning Reserve Account pursuant to Section 503.2.

“Defeasance Security” means

(a) an Authorized Investment as specified in clause (i) of the definition thereof, which is not callable or redeemable at the option of the issuer thereof,

(b) any depositary receipt issued by a Bank as custodian with respect to any Defeasance Security which is specified in clause (a) above and held by such Bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Security which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Security or the specific payment of principal or interest evidenced by such depositary receipt,

(c) any certificate of deposit specified in clause (vii) of the definition of Authorized Investments in Section 101, including certificates of deposit issued by the Trustee or by a Paying Agent,

(d) an Authorized Investment as specified in clause (ii) of the definition thereof, and

(e) any other security designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the Obligations authorized by such Supplemental Resolution.

“Events of Default” means the events defined as such in Section 1001.

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

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

“Financial Contract” shall mean, to the extent from time to time permitted by law, any financial arrangement entered into by the Authority with respect to Obligations or Subordinated Indebtedness, and any financial arrangement entered into by the Authority for the purpose of moderating interest rate fluctuations or any other purpose relating to a Transmission Project, (i) which is entered into with an entity that is a Qualified Counterparty at the time the arrangement is entered into, and (ii) which is any of the following, or any combination thereof, or any option with respect thereto: a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations or Subordinated Indebtedness); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; or other similar transaction (however designated).
“Fiscal Year” shall mean the twelve-month period commencing on January 1 of each year; provided, however, that the Authority may at any time adopt a different twelve-month period as the Fiscal Year, in which case January 1, when used herein with reference to Fiscal Year, shall be construed to mean the first day of the first calendar month of such different Fiscal Year.


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

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

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

“Operating Expenses” means the Authority’s expenses for operation, maintenance, ordinary repairs and ordinary replacements of any Transmission Project, including without limiting the generality of the foregoing, the costs of supplies, assemblies and components required by the Authority for the operation of any Transmission Project, administrative expenses, insurance premiums, legal and engineering expenses, consulting and technical services, payments for energy conservation and load management programs, payments relating to electricity hedging instruments, payments for employee benefits, including payments to savings, pension, retirement, health and hospitalization funds, charges payable by the Authority pursuant to any licenses, orders or mandates from any agency or regulatory body having lawful jurisdiction, any payments in lieu of taxes or other payments to municipal governments agreed to be paid by the Authority and any taxes, governmental charges, and any other expenses required to be paid by the Authority, all to the extent properly and directly attributable to any Transmission Project; financing costs of any Series of Obligations; the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Resolution or pursuant to any agreement executed by the Authority; all costs and expenses associated with or arising out of the research, development (including feasibility and other studies) and/or implementation of any project, facility, system, task or measure relating to any Transmission Project deemed desirable or necessary by the Authority; and all other costs and expenses arising out of or in connection with the conduct of Authority business, including those expenses the payment of which is not immediately required, such as those expenses referenced in subsection 2 of Section 503. Notwithstanding the foregoing, Operating Expenses shall not include (i) any costs and expenses attributable to a General Resolution Project or any Separately Financed Project (other than Transmission Projects) (ii) any costs or expenses for new construction or for reconstruction other than restoration of any part of a Transmission Project to the condition of serviceability thereof when new.

“Operating Fund” means the fund by that name established in Section 502.

“Operating Reserve Account” means the account by that name established in Section 502.
“Operating Reserve Account Minimum Requirement” means the greater of the amount specified in any Supplemental Resolution and the amount equal to one-half of the projected Operating Expenses as set forth in the most recently adopted Transmission Projects Budget.

“Outstanding,” when used with reference to Obligations or Obligations of a Series, means, as of any date, Obligations or Obligations of such Series theretofore or thereupon being delivered under the Resolution except:

(i) Any Obligations cancelled at or prior to such date;

(ii) Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof;

(iii) Obligations in lieu of or in substitution for which other Obligations shall have been delivered pursuant to Article III or Section 406 or Section 906;

(iv) Obligations deemed to have been paid as provided in subsection 2 of Section 1101; and

(v) Put Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Obligations on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

“Owner” or any similar terms, means the registered owner of any Obligation as shown on the books for the registration and transfer of Obligations maintained in accordance with Section 305.

“Parity Contract Obligation” has the meaning provided in subsection 7 of Section 310.

“Parity Debt” means any Parity Contract Obligation, Parity Reimbursement Obligation or Parity Swap Obligation. For purposes of Section 1003, any Parity Debt shall specify, to the extent applicable, the interest and principal components of, or the scheduled payments corresponding to interest under, such Parity Debt.

“Parity Reimbursement Obligation” has the meaning provided in subsection 4 of Section 310.

“Parity Swap Obligation” has the meaning provided in subsection 6 of Section 310.

“Paying Agent” means any paying agent for the Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Resolution.

“Person” means any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company, or other legal entity or group of entities, including a governmental entity or any agency or subdivision thereof.
“Principal Installment” shall mean, as of any date of calculation and with respect to any Outstanding Obligations, (i) the principal amount of such Obligations (including (x) any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the “principal amount” with respect to any Obligations which do not pay full current interest for all or any part of their term and (y) the principal amount of any Parity Reimbursement Obligation) due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for such Obligations, or (iii) if such future dates coincide as to different Obligations, the sum of such principal amount of Obligations and of such unsatisfied balance of Sinking Fund Installments due on such future date.

“Principal Office of the Trustee” means the designated corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by the Resolution is ______, New York, New York ______.

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

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

“Qualified Counterparty” means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Counterparty, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

“Qualified Swap” means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Counterparty at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated) relating to Obligations; or any combination thereof; or any option with respect thereto, executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Swap with respect to such Obligations.

“Rating Agency” means each nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of the Authority.
“Rating Category” means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

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

“Refunding Obligation” means an Obligation issued pursuant to and in accordance with Section 203.

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

“Reimbursement Obligation” has the meaning provided in subsection 4 of Section 310.

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

“Resolution” means this Resolution as from time to time amended or supplemented by Supplemental Resolutions.

“Responsible Officer” means any officer assigned to the corporate trust office of the Trustee, including any managing director, principal, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Resolution, and also, with respect to a particular matter, any other officer, to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“Revenue Fund” shall mean the fund by that name established pursuant to Section 502.

“Revenues” means all revenues, rates, fees, charges, rents, proceeds from the sale of Transmission Project assets, proceeds of insurance, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from the ownership or operation of any Transmission Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose and not including Revenues or Transition Charges, each as defined in the General Resolution; provided, however, that Revenues shall not include any Transmission Securitization Charge or any amounts held in the Decommissioning Reserve Account.

“Separately Financed Project” has the meaning assigned to such term in the General Resolution.

“Series” means all of the Obligations delivered on original issuance pursuant to a single Supplemental Resolution and denominated therein a single series, and any Obligations thereafter
delivered in lieu of or in substitution therefor pursuant to Article III or Section 406 or Section 906, regardless of variations in maturity, interest rate, or other provisions.

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

“State” means the State of New York.

“Subordinated Contract Obligation” means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated as constituting a “Subordinated Contract Obligation” for purposes of the Resolution in a certificate of an Authorized Officer delivered to the Trustee, (b) any Qualified Swap which has been designated as constituting a “Subordinated Contract Obligation” for purposes of the Resolution in a certificate of an Authorized Officer delivered to the Trustee, and (c) any other contract, agreement or other obligation relating to Parity Debt or Subordinated Indebtedness or a Transmission Project authorized by resolution of the Authority and designated as constituting a “Subordinated Contract Obligation” for purposes of the Resolution in a certificate of an Authorized Officer delivered to the Trustee. Each Subordinated Contract Obligation shall be payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in Sections 503 and 604, and shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate herein created for the payment of the Obligations and Parity Debt.

“Subordinated Indebtedness” means any bond, note or other indebtedness issued or incurred to finance costs associated with or related to a Transmission Project authorized by resolution of the Authority and designated as constituting “Subordinated Indebtedness” for purposes of the Resolution in a certificate of an Authorized Officer delivered to the Trustee, which shall be payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in Sections 503 and 604, and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate herein created for the payment of the Obligations and Parity Debt.

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

“Taxable Obligations” means any Obligations which are not Tax-Exempt Obligations.

“Tax-Exempt Obligations” means any Obligations the interest on which is intended by the Authority to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Obligations in the Supplemental Resolution authorizing such obligations.

“Transmission Project” means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the transmission or distribution of electric energy, whether owned or leased jointly or singly by the Authority, including any transmission capacity.
in which the Authority has an interest or which it has a contractual right to use, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions which has been designated by Authority pursuant to a Supplemental Resolution as a Separately Financed Project under the General Resolution and a Transmission Project for purposes of the Resolution; provided, however, that the term “Transmission Project” shall not include any Separately Financed Project not also constituting an Transmission Project or any General Resolution Project.

“Transmission Project Budget” means the budget adopted by the Authority for the Transmission Projects in accordance with Section 608.3.

“Transmission Securitization Charge” shall mean any rates, fees, charges or surcharges relating to a Transmission Project or the customers thereof established by irrevocable rate order or other action or instrument, and applicable to or by the Authority, in conjunction with the issuance of debt or other securities under a separate resolution, indenture or similar instrument (other than the Resolution) to the extent such rates, fees, charges or surcharges are pledged or otherwise encumbered or conveyed as security for such debt or other securities.

“Trust Estate” means, collectively:

(i) all Revenues;

(ii) the proceeds of sale of Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations;

(iii) all funds, accounts and subaccounts established by the Resolution other than the Decommissioning Reserve Account, including investment earnings thereon; and

(iv) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Obligations by the 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.

“Trustee” means the trustee appointed in accordance with Section 701, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Resolution.

“Variable Rate Bonds” shall mean, as of any date of determination, any Obligation on which the interest rate borne thereby may vary during any part of its remaining term.


(a) The singular form of any word used herein, including the terms defined in Section 101, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders.

(b) All references herein to “Articles,” “Sections” and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of the Resolution; and the words “herein,”
“hereof,” “hereunder” and other words of similar import refer to the Resolution as a whole and not to any particular Article, Section or subdivision hereof.

(c) The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not limit or otherwise affect the meaning, construction or effect of the Resolution or describe the scope or intent of any provisions hereof.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with applicable generally accepted accounting principles as in effect from time to time.

(e) All references herein to agreements or contracts shall be deemed to include any amendments to such agreements or contracts that are approved in accordance with the terms thereof.

(f) Every “request,” “order,” “demand,” “application,” “appointment,” “notice,” “statement,” “certificate,” “consent,” or similar action hereunder by any party shall, unless the form thereof is specifically provided, be in writing signed by a duly authorized representative of such party with a duly authorized signature.

103. **Authority for the Resolution.** The Resolution is adopted pursuant to the provisions of the Act.

104. **Resolution to Constitute Contract.** In consideration of the purchase and acceptance of any and all of the Obligations authorized to be issued under the Resolution by those who shall own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Obligations; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of any and all of the Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Obligations over any other thereof except as expressly provided in or permitted by the Resolution.
ARTICLE II

AUTHORIZATION AND ISSUANCE OF OBLIGATIONS

201. **Authorization of Obligations.** The Resolution hereby authorizes Obligations of the Authority to be designated as “Transmission Project Revenue Obligations,” “Transmission Project Revenue Bonds,” “Transmission Project Revenue Notes,” or such other designation as determined by the Authority in the Supplemental Resolution authorizing the Obligations, which Obligations, if and when authorized by the Authority pursuant to one or more Supplemental Resolutions, may be issued in one or more Series, and the designation thereof shall include such further or different appropriate particular designations added to or incorporated in such title for the Obligations of any particular Series, as the Authority may determine. Obligations may be issued as Tax-Exempt Obligations, as Taxable Obligations, as obligations which convert on a particular date or dates from Taxable Obligations to Tax-Exempt Obligations, or as Taxable Obligations which are mandatorily exchangeable on a particular date or dates for Tax-Exempt Obligations, or otherwise as determined by Supplemental Resolution and not contrary to the Resolution as then in effect. Obligations may be issued for any purpose of the Authority relating to Transmission Projects authorized by the Act or by other, then applicable, State statutory provisions and the aggregate principal amount of the Obligations which may be executed and delivered under the Resolution is not limited except as provided in the Resolution or as may be limited by law.

202. **General Provisions for Issuance of Obligations.** 1. Obligations may be issued pursuant to a Supplemental Resolution in such principal amount or amounts for each Series as may be specified in such Supplemental Resolution. Obligations shall be authorized by a Supplemental Resolution which shall specify:

   (a) The purpose or purposes for which such Obligations are being issued;

   (b) The authorized principal amount and designation (including Series designation) of such Obligations;

   (c) The date or dates, and the maturity date or dates, of the Obligations;

   (d) Whether the Obligations bear interest, and if so, the interest rate or rates of the Obligations, or the manner of determining such rate or rates and the interest payment dates therefor;

   (e) The denominations of, and the manner of numbering and lettering, the Obligations;

   (f) The Paying Agent or Paying Agents and the place or places of payment of the principal and Redemption Price, if any, of, and interest on, the Obligations;

   (g) The Redemption Price or Prices, if any, and, subject to Article IV, the redemption terms, if any, for the Obligations; and

   (h) The forms of the Obligations and if Obligations are Put Obligations, provisions regarding tender for purchase or redemption thereof and payment of the Purchase or Redemption Price thereof.
2. The Obligations may be sold in one or more installments (each of which shall contain a designation distinguishing it from other installments), and shall be delivered by the Authority under the Resolution but only upon receipt by the Trustee of:

(1) A Counsel’s Opinion to the effect that (a) the Authority has the right and power under the Act as amended to the date of such Opinion (or, if the Obligations are issued pursuant to other then applicable State statutory provisions, under such provisions) to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, and is valid and binding upon the Authority, and enforceable in accordance with its terms, and no other authorization for the Resolution is required; (b) the Resolution creates the valid pledge which it purports to create of the Trust Estate in the manner and to the extent provided in Section 501; (c) the Obligations are valid, binding, special obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Act as amended to the date of such Opinion (and, if the Obligations are issued pursuant to other then applicable State statutory provisions, under such provisions), and such Obligations have been duly and validly authorized and issued in accordance with law and the Resolution; and (d) the Authority has good right and lawful authority under the Act (or, if the Obligations are issued pursuant to other then applicable State statutory provisions, under such provisions) to effectuate the purposes for which the proceeds of such Obligations will be utilized, subject, in the case of Obligations issued for other than refunding purposes, to obtaining such licenses, orders or other authorizations, if any, as, at the date of such Opinion, may be required to be obtained from any agency or regulatory body having lawful jurisdiction in order to effectuate such purposes;

(2) A copy of the Supplemental Resolution authorizing such Obligations and setting forth a description of the Transmission Project to be financed with such Obligations, which Supplemental Resolution shall set forth the Authority’s determination that such project is being or has been designated a Transmission Project and that, on and after the issuance of such Obligations such Transmission Project is and will be a Separately Financed Project, certified by an Authorized Officer;

(3) Except in the case of Refunding Obligations, a certificate of an Authorized Officer to the effect that the costs of the Transmission Project to be financed with such Obligations are (a) eligible to be recovered either (i) under a FERC approved tariff as part of the Authority’s transmission revenue requirement (the “TRR”) or (ii) to the extent that no approval by FERC is required for such tariff, under a tariff approved by the applicable regulatory body, if any, (b) are expected to be eligible to be so recoverable;

(4) Except in the case of Refunding Obligations, the Certificate referred to in either subparagraph (A) or (B), as follows:

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

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

(C) For purposes of this subsection (4), (i) Revenues shall include any amounts withdrawn in any Fiscal Year from the Operating Reserve Account which were on deposit therein prior to such Fiscal Year, to the extent the amount remaining in the Operating Reserve Account after such withdrawal at least equals the Operating Reserve Account Minimum Requirement, (ii) Revenues shall not include any proceeds from the sale of Transmission Project assets or proceeds of insurance, and (iii) any Debt Service, Parity Debt payments and other Required Payments shall not include any amounts thereof expected by the Authority to be paid from any funds, other than Revenues, reasonably expected by the Authority to be available therefor (including without limitation the anticipated receipt of proceeds of sale of Obligations or Subordinated Indebtedness, or moneys not a part of the Trust Estate, expected by the Authority to be used to pay the principal of Obligations, Parity Debt or Subordinated Indebtedness), which expectations, if included in a resolution of the Authority or Certificate of an Authorized Representative of the Authority filed with the Trustee, shall be conclusive.

(5) A written order of the Authority as to the delivery of the Obligations, signed by an Authorized Officer;

(6) Such further documents and moneys as are required by the provisions of Section 203 or Article VIII; and
(7) A certificate of an Authorized Officer to the effect that, upon the delivery of the Obligations, the Authority will not be in default in the performance of the terms and provisions of the Resolution or of any of the Obligations.

3. If Obligations are to be listed on a domestic or foreign stock exchange, the Supplemental Resolution authorizing such Obligations shall delegate to Authorized Officers the authority to take all such actions as they deem necessary or appropriate to comply with the listing requirements of such exchange, including without limitation the appointment of a member of such exchange as listing agent, the publication where required by such exchange of all redemption notices, the appointment of a special clearing agent and paying agent, and the execution of an undertaking letter with such exchange.

203. **Refunding Obligations.** Refunding Obligations shall be executed by the Authority for issuance and delivered to the Trustee, and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon the receipt by the Trustee of:

(i) the documents required by Section 202 other than paragraphs (3) and (4) thereof;

(ii) A Certificate of Authorized Representative of the Authority evidencing that after the issuance of the Refunding Obligations and the application of the proceeds thereof to the redemption or defeasance of the Obligation to be refunded, the Debt Service payable in any Fiscal Year (or portion thereof) during which Obligations were scheduled to be outstanding prior to the issuance of such Refunding Obligations will be no higher than the Debt Service payable prior to the issuance of such Refunding Obligations; and

(iii) such documents, instructions, moneys and securities as are required by the provisions of Section 1101 or any Supplemental Resolution adopted pursuant to Article VIII to cause the Obligations or portions thereof to be refunded to be paid or deemed to have been paid within the meaning and with the effect expressed in Section 1101(a).

For the avoidance of doubt, nothing in this Section 203 shall preclude or limit the issuance of Obligations for the purpose of refunding other Obligations if such refunding Obligations are issued in compliance with the provisions of Section 202, including, without limitation, paragraphs (3) and (4) thereof.
ARTICLE III

GENERAL TERMS AND PROVISIONS OF OBLIGATIONS

301. **Medium of Payment; Form and Date.** 1. Except as otherwise provided in a Supplemental Resolution authorizing particular Obligations, the Obligations shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

2. Except as may otherwise be provided in a Supplemental Resolution authorizing particular Obligations, Obligations shall be issued in the form of fully registered Obligations without coupons. Obligations, the certificate of authentication, if any, and the form of assignment shall be in substantially the form specified in the Supplemental Resolution authorizing such Obligations with such appropriate variations, omissions, substitutions and insertions as are permitted or required hereby or thereby or are required by law, and may have such letters, numbers or other marks of identification and such legends and endorsements placed thereon as may be required to comply with any applicable laws or rules or regulations, or as may, consistent herewith, be determined by the officers executing such Obligations, as evidenced by their execution of the Obligations. Any portion of the text of any Obligation may be set forth on the reverse thereof, with an appropriate reference thereto on the face of such Obligation, or as multiple pages (with or without such a reference). Obligations may be typewritten, printed, engraved, lithographed or otherwise produced.

3. Obligations shall be dated, and shall bear or not bear interest, as provided in the Supplemental Resolution authorizing such Obligations.

302. **Legends.** Obligations may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Authority.

303. **Execution and Authentication.** 1. The Obligations shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman or its Vice Chairman and its corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced, and attested by the manual or facsimile signature of its Secretary, Deputy Secretary, or an Assistant Secretary, or in such other manner as may be required by law or specified in a Supplemental Resolution. In case any one or more of the officers who shall have signed or sealed any of the Obligations shall cease to be such officer before the Obligations so signed and sealed shall have been actually delivered, such Obligations may, nevertheless, be delivered as herein provided, and may be issued as if the Persons who signed or sealed such Obligations had not ceased to hold such offices. Any Obligation may be signed and sealed on behalf of the Authority by such Persons as at the actual time of the execution of such Obligation shall be duly authorized or hold the proper office in the Authority, although at the date of the Obligations such Persons may not have been so authorized or have held such office.

2. Except as may be otherwise provided in a Supplemental Resolution, Obligations of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Obligations, executed manually by the Trustee. Except as may otherwise be provided in a Supplemental Resolution, only such Obligations as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Resolution and no
Obligation shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Obligation executed on behalf of the Authority shall be conclusive evidence that the Obligation so authenticated has been duly authenticated and delivered under the Resolution and that the Owner thereof is entitled to the benefits of the Resolution.

304. **Interchangeability of Obligations.** Obligations, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or his duly authorized attorney, may, at the option of such Owner, be exchanged for an equal aggregate principal amount of Obligations of the same Series, maturity and interest rate of any other authorized denomination.

305. **Negotiability, Transfer and Registry.** All the Obligations issued under the Resolution shall be negotiable, subject to the provisions for registration and transfer contained in the Resolution and in the Obligations. So long as any of the Obligations shall remain Outstanding, the Authority shall maintain and keep, at the office of the Registrar, books for the registration and transfer of Obligations; and, upon presentation thereof for such purpose at said office, the Authority shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Registrar may prescribe, any Obligation entitled to registration or transfer. So long as any of the Obligations remain Outstanding, the Authority shall make all necessary provision to permit the exchange of Obligations at the office of the Registrar.

306. **Transfer of Obligations.** 1. Except as may be otherwise provided in a Supplemental Resolution authorizing Obligations in book-entry-only form, each Obligation shall be transferable only upon the books of the Authority, which shall be kept for that purpose at the office of the Registrar, by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or his duly authorized attorney. Upon the transfer of any such Obligation, the Authority shall issue in the name of the transferee a new Obligation or Obligations of the same aggregate principal amount, Series, maturity and interest rate as the surrendered Obligation.

2. The Authority and each Fiduciary may deem and treat the Person in whose name any Outstanding Obligation shall be registered upon the books of the Authority as the absolute owner of such Obligation, whether such Obligation shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Obligation and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Obligation to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary. The Authority agrees to indemnify and save each Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence under the Resolution, in so treating such registered owner.

307. **Regulations With Respect to Exchanges and Transfers.** In all cases in which the privilege of exchanging Obligations or transferring Obligations is exercised, the Authority shall execute and the Registrar shall deliver Obligations in accordance with the provisions of the Resolution. All Obligations surrendered in any such exchanges or transfers shall forthwith be cancelled by the Registrar. For every such exchange or transfer of Obligations, whether temporary or definitive, the Authority or the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. The
Authority shall not be obliged to make any such exchange or transfer of Obligations during the 20 days next preceding an interest payment date on such Obligations or, in the case of any proposed redemption of such Obligations, next preceding the mailing of notice of such redemption.

308. **Obligations Mutilated, Destroyed, Stolen or Lost.** In case any Obligation shall become mutilated or be destroyed, stolen or lost, the Authority shall execute, and thereupon the Registrar shall deliver, a new Obligation of like Series, maturity, interest rate and principal amount as the Obligation so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Obligation, upon surrender and cancellation of such mutilated Obligation, or in lieu of and substitution for the Obligation destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Authority and the Registrar that such Obligation has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Authority and the Registrar with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Registrar may prescribe and paying such expenses as the Authority and Registrar may incur. All Obligations so surrendered to the Registrar shall be cancelled by it. If any such Obligation shall have matured, or if such Obligation shall have been called for redemption or a redemption date pertaining thereto shall have passed, instead of issuing a new Obligation the Authority may cause the same to be paid without surrender thereof upon indemnity satisfactory to the Authority and the Trustee. Any such new Obligations issued pursuant to this Section in substitution for Obligations alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Obligations so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Obligations issued under the Resolution, in any moneys or securities held by the Authority or the Fiduciary for the benefit of the Owners of Obligations.

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

310. **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt.** 1. The Authority may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Obligations secured by a Credit Facility as the Authority deems appropriate, and no such provisions shall be deemed to constitute an amendment to the Resolution requiring action under Section 801, 802 or 803, including:

   (a) So long as a Credit Facility providing security (but not liquidity) is in full force and effect, and payment on the Credit Facility is not in default and the issuer of the Credit Facility is qualified to do business, then, in all such events, the issuer of the Credit Facility shall be deemed to be the sole Owner of the Outstanding Obligations the payment of which such Credit Facility secures when the approval, consent or action of the Owners for such Obligations is required or may be exercised under the Resolution, or, in the alternative, that the approval, consent or action of the issuer of the Credit Facility shall be required in addition to the approval, consent or action of the applicable percentage of the Owners of the Outstanding Obligations including, without limitation, Section 803 hereof, and following an Event of Default under Section 1001 hereof.
(b) In the event that the principal, sinking fund installments, if any, and Redemption Price, if applicable, and interest due on any Outstanding Obligations shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Authority to the Owners of such Obligations shall continue to exist and such issuer of the Credit Facility shall be subrogated to the rights of such Owners in accordance with the terms of such Credit Facility.

2. In addition, such Supplemental Resolution may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the issuer of the Credit Facility, (iii) to provide a mechanism for paying principal installments and interest on Obligations secured by the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the issuer of a Credit Facility.

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

4. The Authority may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, the “Reimbursement Obligation”); provided, however, that no Reimbursement Obligation shall be created, for purposes of this Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by Section 501 to secure the Obligations (a “Parity Reimbursement Obligation”), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Obligations, without acceleration, or may constitute a Subordinated Contract Obligation, as determined by the Authority. In addition, the Authority may enter into a Reimbursement Obligation with respect to a Credit Facility securing Parity Debt, and any such Reimbursement Obligation may be a Parity Reimbursement Obligation (but only to the extent principal amortization requirements with respect to such reimbursement are substantially equal to the amortization requirements including principal payments in connection with any optional or mandatory tender for purchase for such related Parity Debt, without acceleration) or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Obligations or Parity Debt, which payments shall be Subordinated Contract Obligations.

5. Any such Credit Facility shall be for the benefit of and secure such Obligations or portion thereof as specified in the applicable Supplemental Resolution.
6. In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Authority may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Authority’s obligation to pay any amount under any Qualified Swap may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by Section 501 to secure the Obligations (a “Parity Swap Obligation”), or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

7. The Authority’s obligation to pay that portion of any rates, fees, charges or payments which the Authority is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of meeting principal or interest or both on that entity’s obligations directly associated with such contract and payable to such entity regardless of whether fuel or energy is delivered or made available for delivery, may be secured by a pledge of, and lien on, the Trust Estate on a parity with the lien created by Section 501 to secure the Obligations (a “Parity Contract Obligation”), or may constitute a Subordinated Contract Obligation or an Operating Expense, as determined by the Authority.

8. Parity Debt shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Debt be payable out of any funds other than those of the Authority pledged therefor pursuant to the Resolution.
ARTICLE IV

REDEMPTION OF OBLIGATIONS

401. **Privilege of Redemption and Redemption Price.** Obligations subject to redemption prior to maturity pursuant to a Supplemental Resolution shall be redeemable, upon written notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms (in addition to and consistent with the terms contained in this Article IV) as may be specified in the Supplemental Resolution authorizing such Obligations.

402. **Redemption at the Election of the Authority.** In the case of any redemption of Obligations at the election of the Authority, the Authority shall give written notice to the Trustee of its election so to redeem, of the redemption date, of the Series, of the principal amounts of the Obligations of each maturity and interest rate of such Series to be redeemed (which Series, maturities, interest rates and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in any Supplemental Resolution). Such notice shall be given at least 45 days prior to the redemption date or such shorter period as may be provided in the Supplemental Resolution or as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, the Authority shall on or prior to the redemption date cause to be paid out to the appropriate Paying Agent or Paying Agents out of moneys available therefor an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, all of the Obligations to be redeemed.

403. **Redemption Otherwise Than at the Authority’s Election.** Whenever by the terms of the Resolution, Obligations are required to be redeemed otherwise than at the election of the Authority, the Trustee shall select the Obligations to be redeemed, give the notice of redemption and pay out of moneys available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of this Article IV.

404. **Selection of Obligations to be Redeemed.** In the event of redemption of less than all the Outstanding Obligations of like Series, maturity and interest rate, the Trustee shall select, in such manner in its discretion as it shall deem appropriate and fair, the numbers of the Obligations to be redeemed and portions of any thereof to be redeemed in part. Obligations of denominations equal or less than the minimum authorized denomination thereof may be redeemed only as a whole. Obligations of denominations of more than the minimum authorized denomination thereof may be redeemed either as a whole or in part (which part must be an authorized denomination). For the purposes of this Section 404, Obligations, or portions thereof, which have theretofore been selected for redemption shall not be deemed Outstanding.

405. **Notice of Redemption.** When the Trustee shall receive notice from the Authority of its election to redeem Obligations pursuant to Section 402, and when redemption of Obligations is required by the Resolution pursuant to Section 403, the Trustee shall give notice, in the name of the Authority, of the redemption of such Obligations, which notice shall specify the Series, maturities and, if any maturity shall include Obligations bearing different interest rates and all Obligations of such maturity are not being redeemed, interest rate of the Obligations to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Obligations of any like Series, maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Obligations so to be redeemed, and, in
the case of Obligations to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed, and, if applicable, that such notice is conditional and the conditions that must be satisfied. Such notice shall further state that on such date there shall become due and payable upon each Obligation to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Obligations to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by first class mail, postage prepaid, not less than 30 days nor more than 45 days, or for such other period as may be specified in a Supplemental Resolution authorizing a particular Series, before the redemption date, to the Owners of any Obligations or portions of Obligations which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure so to mail any such notice to any particular Owner shall not affect the validity of the proceedings for the redemption of Obligations not owned by such Owner and failure of any Owner to receive such notice shall not affect the validity of the proposed redemption of Obligations.

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

Notice of redemption of any Series of Obligations shall also be sent by the Trustee to such additional Persons as may be specified in the Supplemental Resolution authorizing such Series.

406. Payment of Redeemed Obligations. Notice having been given in the manner provided in Section 405, the Obligations or portions thereof so called for redemption shall, subject to the second paragraph of Section 405, become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Obligations, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of an Obligation, the Authority shall execute and cause to be delivered, upon the surrender of such Obligation, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Obligation so surrendered, at the option of the owner thereof, Obligations of like Series, maturity and interest rate in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Obligations or portions thereof of any like Series, maturity and interest rate to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date interest on the Obligations or portions thereof of such Series, maturity and interest rate so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Obligations or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.
ARTICLE V

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

501. The Lien Created by the Resolution. 1. The Trust Estate is hereby pledged for the payment of the principal and Redemption Price of, and interest on, the Obligations and, on a parity basis, the Parity Debt, in accordance with their terms and the provisions of the Resolution.

2. The pledge shall be valid and binding from and after the date of adoption of the Resolution, and the Trust Estate shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

502. Establishment of Funds. The following funds are hereby established:

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

An Operating Reserve Account and a Decommissioning Reserve Account are each hereby established in the Operating Fund, each to be held by the Authority. A Debt Service Reserve Fund or Funds may be established as provided in Section 508, to be held by Authority or Trustee as shall be specified in the Supplemental Resolution establishing such fund or funds.

The Authority may establish one or more additional funds, accounts or subaccounts by delivering to the Trustee a certificate of an Authorized Officer. The Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of written investment direction from the Authority.

503. Revenue Fund. 1. The Authority shall, as promptly as practicable after receipt thereof by the Authority and in all events within 2 Business Days of receipt, deposit all Revenues in the Revenue Fund, unless required by the Resolution to be deposited to any other Fund or Account. There shall also be deposited in the Revenue Fund all other amounts required by the Resolution to be so deposited.

Amounts on deposit from time to time in the Revenue Fund shall be withdrawn and deposited as follows, except as otherwise provided below, on or prior to the last Business Day of each calendar month in the following order of priority and in the following amounts:

(a) to the Operating Fund, the amount determined by the Authority from time to time to be deposited thereto which amount shall be not less than the aggregate amount of Operating Expenses expected to be payable in the next succeeding calendar month less the amount then held in the Operating Fund to pay Operating Expenses;
(b) to the Debt Service Fund in an amount equal to not less than the amount payable as Debt Service payable in the next succeeding calendar month on Obligations or other Parity Debt less the amount then held in the Debt Service Fund to pay such Debt Service payable in such next calendar month;

(c) to the Operating Reserve Account to fund any shortfall in the Operating Reserve Account, determined in accordance with subsection 2 of this Section 503.2;

(d) to the Debt Service Reserve Fund to fund any shortfall in the Debt Service Reserve Fund in the event there is a deficiency therein in accordance with Section 507 and the applicable Supplemental Resolution;

(e) to the payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due in the next succeeding calendar month under any Subordinated Contract Obligation;

(f) to the Decommissioning Reserve Account to fund any shortfall in such account in the event that the amount held therein less than the Decommissioning Reserve Account Requirement;

(g) to the Capital Fund in the amount, if any, determined by the Authority; and

(h) on any Business Day during the last calendar month of any Fiscal Year, withdrawal in the amount and for any lawful corporate purpose, each as determined by the Authority, including, but not limited to, transfer to the General Resolution Operating Fund and the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any withdrawal pursuant to this paragraph (h), the Authority shall have transferred the amounts required to be transferred by the last Business Day of such month pursuant to paragraphs (a), (b), (c), (d), (e) or (f) and shall have determined, taking into account, among other considerations, anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that (i) the funds to be so withdrawn are not expected to be needed for any of the purposes set forth in paragraphs (a), (b), (c), (d), (e), or (f) above in any future Fiscal Year, and (ii) the Authority is not in default under this Resolution and (iii) the Authority was in compliance with Section 607(a) hereof (without giving effect to clause (d) of Section 607) in the most recently completed Fiscal Year and in the most recently completed twelve calendar month period ending on the last day of the ninth month of such Fiscal Year (initially, the period ending September 30), a copy of which determination shall be set forth in a written certificate of an Authorized Officer delivered to the Trustee.

Amounts paid out, or withdrawn pursuant to paragraph (h) of this subsection 1, shall be free and clear of the lien and pledge created by the Resolution.

2. The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Revenue Fund pursuant to paragraph (h) of subsection 1 of this Section 503, determine (i) the amount, to be held in the Operating Reserve Account, which in the judgment of the Authority is adequate for the purpose of providing for the costs of emergency repairs or replacements essential to restore or prevent physical damage to, and prevent loss of Revenues from, any Transmission Project and to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to any Transmission Project necessary to keep the same in
operating condition or required by any governmental agency having jurisdiction over such Transmission Project, which amount shall be no less than the Operating Reserve Account Minimum Requirement and (ii) the amount, to be held Decommissioning Reserve Account, which in the judgment of the Authority is adequate to provide a reserve for the retirement from service, decommissioning or disposal of facilities comprising either a Transmission Project or a part of a Transmission Project.

Amounts in the Revenue Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Revenue Fund shall be deposited in the Revenue Fund. The Authority may sell any such Authorized Investments at any time and the proceeds of such sale and of all payments of principal or interest received at maturity or upon redemption or otherwise of such Authorized Investments shall be deposited in the Revenue Fund.

504. Operating Fund. 1. The Authority shall pay into the Operating Fund all amounts transferred thereto from the Revenue Fund. The Authority shall also pay into the Operating Fund such portion of the proceeds of any Series of Obligations which may have been issued to pay Operating Expenses as shall be specified pursuant to the Supplemental Resolution authorizing such Series. Amounts in the Operating Fund shall be paid out, accumulated or withdrawn from time to time for the payment of reasonable and necessary Operating Expenses or accumulation in the Operating Reserve Account as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, including but not limited to amounts determined by the Authority to be required to be deposited in the Operating Reserve Account and the Decommissioning Reserve Account in accordance with subsection 2 of Section 503, or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction;

2. Purchases of Obligations or Subordinated Indebtedness from amounts in the Operating Fund shall be made at the direction of the Authority, with or without advertisement and with or without notice to other holders of Obligations or Subordinated Indebtedness. Such purchases shall be made at such price or prices as determined by the Authority. If sinking fund installments have been established for the maturities of Obligations purchased by the Authority, then the Authority shall direct the Trustee to credit the principal amount purchased against the applicable sinking fund installments in such order and amounts as determined by the Authority.

3. That amount, if any, set aside by the Authority in the Operating Reserve Account may be used by the Authority at such time or times and in such amounts as determined by the Authority for the purpose of paying all or a portion of the interest on and the principal or Redemption Price of the Obligations and payment of Parity Debt, on a parity basis, on their respective due dates or redemption dates, as the case may be. Amounts set aside in the Decommissioning Reserve Account shall be applied solely to the payment of expenses of retirement from service, decommissioning or disposal of facilities comprising either a Transmission Project or a part of a Transmission Project and may not be applied to the payment of Obligations, Parity Debt or Subordinated Indebtedness.

4. Amounts in the Operating Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Operating Fund shall be deposited in the Revenue Fund. The Authority may sell any such Authorized Investments at any time and the proceeds of such sale and of all payments of principal or interest received at maturity or upon redemption or otherwise of such Authorized Investments shall be deposited in the Operating Fund.
505. **Capital Fund.** 1. The Authority shall pay into the Capital Fund the amounts required to be so paid by the provisions of the Resolution and any Supplemental Resolution authorizing the issuance of any Series of Obligations for the purpose of financing Capital Costs, including, without limitation, the portion of the proceeds of any such Obligations specified in such Supplemental Resolution, except as may be otherwise provided in a Supplemental Resolution with respect to those Capital Costs referenced in clauses (iv) or (v) of the definition thereof.

2. Amounts in the Capital Fund shall be applied solely to the Capital Costs of the Authority. Any amounts in the Capital Fund which are in excess of the amounts required to pay for such costs may at the direction of the Authority be transferred to the Revenue Fund. Amounts in the Capital Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Capital Fund shall be deposited in the Capital Fund. The Authority may, and to the extent required for payments from the Capital Fund shall, sell any such obligations at any time, and the proceeds of such sale, and of all payments of principal or interest received at maturity or upon redemption or otherwise of such obligations shall be deposited in the Capital Fund.

3. When amounts are deposited in the Capital Fund to pay the capitalized cost of interest on Obligations of the Authority, the Authority shall pay from the Capital Fund to the Paying Agent, on or before the date or dates on which interest on such Obligations becomes due and payable, an amount equal to such interest.

4. Notwithstanding the above provisions of this Section, amounts in such Capital Fund must be applied to the payment of principal and Redemption Price of and interest on the Obligations and the payment of Parity Debt, on a parity basis, when due at any time that other moneys are not available therefor.

506. **Debt Service Fund.** (a) The Trustee shall for all Outstanding Obligations and Parity Debt, pay (i) on each date on which interest or principal is due on any Obligation or Parity Debt, (1) from the moneys on deposit in the Debt Service Fund the amounts required for the payment of the Principal Installments, if any, due on such payment date and (2) from the moneys on deposit in the Debt Service Fund the interest due on or Obligations or Parity Debt on such payment date, and (ii) on any redemption date or date of purchase, the amounts required for the payment of accrued interest on Obligations to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided.

(b) As soon as practicable after the forty fifth day preceding the due date of any Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to Section 503, on such due date, Obligations of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Obligations of such Series and maturity. The Trustee shall so call such Obligations for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the redemption date. The Trustee shall apply to the redemption of the Obligations on each such redemption date the amount required for the redemption of such Obligations.

(c) In the event of the refunding of any Obligations, the Trustee shall, upon the written direction of the Authority, withdraw from the Debt Service Fund all or any portion of amounts accumulated therein with respect to the Obligations to be refunded.
and deposit such amounts as provided in such written direction; provided, however, that such withdrawal shall not be made unless immediately thereafter the Obligations being refunded shall be deemed to have been paid pursuant to Section 1101.

In the event that there are not sufficient moneys available to pay Obligations payable on any date, then moneys shall be paid out of any available Debt Service Reserve Fund to the extent permitted and available under the applicable Supplemental Resolution.

Amounts in the Debt Service Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Debt Service Fund shall be deposited in the Debt Service Fund. The Authority may sell any such Authorized Investments at any time and the proceeds of such sale and of all payments of principal or interest received at maturity or upon redemption or otherwise of such Authorized Investments shall be deposited in the Debt Service Fund.

507. **Cancellation and Disposition of Obligations.** All Obligations that have been paid (whether at maturity or by acceleration, call for redemption, purchase by the Authority, or otherwise) or delivered to the Registrar for cancellation shall be cancelled and not reissued, except as otherwise provided in a Supplemental Resolution with respect to Put Obligations. Unless otherwise directed by the Authority, the Trustee shall treat cancelled Obligations in accordance with its document retention policies.

508. **Debt Service Reserve Fund and other Funds.** 1. The Authority may establish a reserve fund, and/or any other fund or funds pursuant to the provisions of the applicable Supplemental Resolution for the purpose of paying or securing a particular issue or series of Obligations and the amounts once deposited in said funds shall be held solely for the benefit of the Owners of the particular issue or series or group of issues or series of Obligations for which such fund was established. Each such fund shall be designated in such manner as is necessary to identify the Obligation it secures and to distinguish such fund from any other funds created for the benefit of any other Obligations. Any such funds shall be established in or pursuant to the Supplemental Resolution related to such series or issue of Obligations and amounts deposited therein shall be available to pay such series of issue of Obligations in accordance with the terms of such Supplemental Resolution. The Authority agrees to keep and maintain any such Funds at a Depository while any particular issue or series of Obligations is Outstanding to which such Fund or Funds relate.

2. Subject to any limitations set forth in the Supplemental Resolution establishing a reserve fund, amounts in any such reserve fund may in the discretion of the Authority be invested in Authorized Investments. The Supplemental Resolution establishing any such reserve fund may also authorize additional investments as authorized investments for any such reserve fund and may provide for the deposit of surety bonds or other similar facilities in such reserve fund in lieu of or in addition to Authorized Investments. Earnings on moneys and investments in any such reserve fund shall be deposited in the Revenue Fund. The Authority may sell any such Authorized Investments at any time and the proceeds of such sale and of all payments of principal or interest received at maturity or upon redemption or otherwise of such Authorized Investments shall be deposited in such reserve fund.
ARTICLE VI

PARTICULAR COVENANTS OF THE AUTHORITY

The Authority covenants and agrees as follows:

601. **Payment of Obligations.** The Authority shall duly and punctually pay or cause to be paid from the Trust Estate the principal or Redemption Price, if any, of every Obligation and the interest thereon, at the dates and places and in the manner mentioned in the Obligations, according to the true intent and meaning thereof.

602. **Offices for Servicing Obligations.** The Authority shall at all times maintain one or more offices or agencies in the State, where Obligations may be presented for payment, redemption, registration, transfer or exchange, and where notices, demands and other documents may be served upon the Authority in respect of the Obligations or of the Resolution. The Authority hereby appoints the Registrar as its agent to maintain such office or agency for the registration, transfer or exchange of Obligations, and for the service upon the Authority of such notices, demands and other documents. The Authority hereby appoints the Paying Agents in the State as its respective agents to maintain such offices or agencies for the payment or redemption of Obligations. The Authority may also maintain one or more offices or agencies outside of the State for the same purposes.

603. **Power to Issue Obligations and Create a Lien.** The Authority is duly authorized under all applicable laws to create and issue the Obligations and to adopt the Resolution and to pledge the Trust Estate in the manner and to the extent provided in the Resolution. The Trust Estate, except to the extent provided in Sections 501 and 604, is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, and all corporate action on the part of the Authority to that end has been and will be duly and validly taken. The Obligations and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge created by this Resolution and all the interests of the Owners of Obligations under the Resolution against all claims and demands of all Persons whomsoever.

604. **Creation of Liens, Issuance of Subordinated Indebtedness, Subordinated Contract Obligations and Debt.** The Authority shall not issue any bonds or other evidences of indebtedness, other than the Obligations and Parity Debt as provided herein, secured by a pledge of the Trust Estate and shall not create or cause to be created any lien or charge on the Trust Estate except to the extent provided in Section 501; provided, however, that the Authority may, at any time, or from time to time, incur Subordinated Indebtedness or enter into Subordinated Contract Obligations payable out of, and which may be secured by a pledge of, such amounts as may from time to time be available for the purpose of the payment thereof in accordance with paragraph (d) of subsection 1 of Section 503 and such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for payment of the Obligations and provided further, however, that nothing contained in the Resolution shall prevent the Authority from issuing (i) bonds, notes, or other obligations or evidences of indebtedness under another separately financed project, (ii) Obligations, Parity Obligations and Subordinated Indebtedness, each as defined in the General Resolution, or (iii) other bonds, notes, or other obligations or evidences of indebtedness under another and separate resolution payable from, among other sources not constituting
Revenues under this Resolution, those moneys withdrawn by the Authority from the Operating Fund pursuant to paragraph (f) of subsection 1 of Section 503.

605. Maintenance of Transmission Projects as Separately Financed Projects under General Resolution. 1. The Authority shall pay all the debt service on all Obligations and all such other bonds, notes, or other obligations or evidences of indebtedness, if any, issued to finance the Transmission Projects and the Authority’s share of any operating expenses related to such Transmission Projects (including, without limitation, Operating Expenses), solely from Revenues or from funds withdrawn by the Authority from the General Resolution Operating Fund pursuant to paragraph (e) of subsection 1 of Section 503 of the General Resolution. Nothing in this Resolution shall be read to require that any funds be withdrawn from the General Resolution Operating Fund to pay any costs related to the Transmission Projects or that the Authority has any obligation to withdraw such funds even if they are available to be withdrawn under the terms of the General Resolution.

2. The Authority shall keep the Funds and Accounts established under this Resolution separate and distinct from those established under the General Resolution and any other bond resolution.

3. All contracts expected to require payments by the Authority of an amount greater than $_______ in any Fiscal Year entered into on and after the initial issuance of Obligations under this Resolution solely for the purpose of constructing and operating Transmission Projects, for paying Operating Expenses or Capital Costs of Transmission Projects, or in connection with any Obligations, Subordinated Indebtedness or Subordinated Contract Obligations shall expressly provide that amounts payable by the Authority thereunder shall be payable solely from Revenues and from other moneys available under the terms of this Resolution and that such amounts are not payable from Revenues (as defined in the General Resolution) except in accordance with Section 501.1(e) of the General Resolution and then solely to the extent that the Authority’s Trustees determine that such moneys are available in accordance with such Section 501.1(e).

4. No Obligations, Parity Debt, Financial Contract or Subordinated Indebtedness shall permit the acceleration of such Obligations, Parity Debt, Financial Contract or Subordinated Indebtedness by reason of an event of default under the General Resolution or under any other bond resolution or indebtedness of the Authority other than this Resolution.

5. Nothing in this Section 605 shall be deemed to limit the authority of the Authority to take any actions authorized by the Act or other applicable law to the extent that the associated costs are payable from moneys held and available under the General Resolution or any other bond resolution.

606. Operation and Maintenance. The Authority shall at all times operate or cause to be operated each Transmission Project in a sound and economical manner and shall maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted; provided, however, that nothing herein contained shall be construed to prevent the Authority from ceasing to operate or maintain, or from leasing or disposing of, all or part of any Transmission Project if, in the judgment of the Authority it is advisable to lease, dispose of, or not to operate and maintain the same and the operation thereof shall not be essential to the maintenance and continued operation.
of the rest of the Authority’s Transmission Projects, and provided further, however, the sale-leaseback or the lease-leaseback of any Transmission Project or other similar contractual arrangements, the effect of which is that the Authority continues to retain as part of the Trust Estate the Revenues from such Transmission Project, shall not constitute a lease or disposition of such Transmission Project for purposes of this Section 606.

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

(b) The Authority shall review the adequacy of Transmission Project fees, rates, rents, charges and surcharges at least annually. If such annual or more frequent review indicates that the rates, fees, rents, charges and surcharges are, or will be, insufficient to meet the requirements of this Section 607, the Authority shall promptly take or cause to be taken the necessary action to cure or avoid any such deficiency except as otherwise may be provided by subsection (d) of this Section.

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

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

608. **Accounts and Reports: Annual Transmission Projects Budget.** 1. The Authority shall keep proper books of record and account of its operations, including operation of its Transmission Projects. Such books of account are to be audited at least annually by independent certified public accountants experienced in public finance and electric utility accounting selected by the Authority. A copy of each audit report, annual balance sheet and income and expense statement shall be filed with the Trustee and sent to any Owner filing with the Authority a written request therefor.

2. The Authority shall annually, within six months after the close of each Fiscal Year (or, if not available by such date, when and if available), file with the Trustee, and otherwise as provided by law, a copy of an annual report for such Fiscal Year relating to the Transmission Projects of the Authority, accompanied by the audit report of the accountants specified in subsection 1 of this Section.

3. On or prior to the last day of each Fiscal Year, the Authority shall adopt a budget for the next succeeding Fiscal Year setting forth the estimated Operating Expenses, Debt Service, the amount payable as principal of and interest on any Subordinated Indebtedness or payment of amounts due under any Subordinated Contract Obligation and other amounts expected to be payable by the Authority in connection with Transmission Projects for such next succeeding Fiscal Year, including an estimate as to the amount of each payable in each calendar month of such Fiscal year.

609. **General.** 1. The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under law and the Resolution, in accordance with the terms of such provisions.

2. Upon the date of issuance of any of the Obligations, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Obligations shall exist, have happened and have been performed and the issuance of such Obligations, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by the laws of the State.
ARTICLE VII

CONCERNING THE TRUSTEE, PAYING AGENTS AND THE REGISTRAR

701. Trustee; Appointment and Acceptance of Duties. Prior to the delivery of any Obligations, the Authority shall appoint a Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Authority a written acceptance thereof.

702. Duties and Liability of the Trustee.

(a) Prior to the occurrence of an Event of Default of which a Responsible Officer of the Trustee has written notice hereunder, and after the curing of any Event of Default which may be occurred:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Resolution, and no implied covenants or obligations shall be read into the Resolution against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Resolution; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine same to determine whether or not they conform to the requirements of the Resolution.

(b) In case an Event of Default of which a Responsible Officer of the Trustee has written notice hereunder has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use in the conduct of such Person’s own affairs.

(c) No provision of the Resolution shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this subsection (c) shall not be construed to limit the effect of subsection (a) of this section 702;

(2) the Trustee is not liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it is proven that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of the applicable percentage of Obligations then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Resolution;
(4) no provision of the Resolution shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it;

(5) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(6) the Trustee shall not be charged with knowledge of an Event of Default unless a Responsible Officer or the Trustee shall have received written notice from an Owner or the Authority;

(7) the Trustee shall not be under any obligation to take any action that is discretionary hereunder absent written direction from the Authority;

(8) neither the Trustee nor any of its directors, officers, employees or agents shall be personally liable for any action taken, suffered or omitted by the Trustee in good faith and believed by it to be authorized or within the discretion or rights of powers conferred upon the Trustee by this Resolution; and

(9) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians, or nominees and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney, custodians or nominees appointed with due care by it hereunder.

(d) Whether or not expressly so provided, every provision of the Resolution relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of this Section 702.

(e) In the event that the Trustee is also acting as Paying Agent or Registrar hereunder, the rights and protections afforded to the Trustee pursuant to this Article VII shall also be afforded to the Paying Agent and Registrar.

703. Paying Agents and Registrars; Appointment and Acceptance of Duties.
1. The Authority shall appoint one or more Paying Agents and Registrars for the Obligations of any Series in the Supplemental Resolution authorizing such Obligations, and may at any time or from time to time appoint one or more other Paying Agents and Registrars in the manner and subject to the conditions set forth in Section 713 for the appointment of a successor Paying Agent or Registrar. The Trustee or Authority may be appointed a Paying Agent or Registrar. Unless otherwise provided in a Supplemental Resolution, the Trustee shall also serve as Registrar.

2. Each Paying Agent and Registrar shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Authority and to the Trustee a written acceptance thereof.
704. **Responsibilities of Fiduciaries.** The recitals of fact contained in the Resolution and in the Obligations shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Obligations issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Obligations for value or the application of the proceeds thereof or the application of any moneys paid to the Authority. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to or held in any Fund under the Resolution, except in each case for its own willful misconduct, negligent action or negligent failure to act.

705. **Evidence on Which Fiduciaries May Act.** 1. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

2. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

3. Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Authority to any Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer.

706. **Compensation.** The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Resolution. The Authority further agrees to indemnify and save each Fiduciary and its officers, directors, agents, and employees harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its willful misconduct, negligence or bad faith. The obligations of this Section 706 shall survive the discharge of this Resolution.

707. **Certain Permitted Acts.** Any Fiduciary may become the owner of any Obligations or any other obligations of the Authority, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations or the holders of any other obligations of the Authority or to effect or aid in any reorganization growing out of the enforcement of the Obligations
or any other obligations of the Authority or the Resolution, whether or not any such committee shall represent the Owners of a majority in principal amount of the Obligations then Outstanding.

708. **Resignation of Trustee.** The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than 60 days' written notice to the Authority and mailing notice thereof to the Owners of the Obligations, specifying the date when such resignation shall take effect, at least 45 days prior to the effective date, provided that such resignation shall take effect upon the later of (i) the day specified in such notice and (ii) the day a successor shall have been appointed by the Authority or the Owners of Obligations as provided in Section 710.

709. **Removal of Trustee.** The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Obligations then Outstanding or their attorneys-in-fact duly authorized, excluding any Obligations held by or for the account of the Authority. In addition, so long as no Event of Default shall have occurred and be continuing hereunder and the Trustee is not pursuing any right or remedy available to it pursuant to Section 1001, the Trustee may be removed by the Authority at any time for failure to provide reasonably acceptable services, failure to charge reasonably acceptable fees or any other reasonable cause, all as determined by a certificate of an Authorized Officer filed with the Trustee. Any such removal shall not be effective until a successor shall have been appointed by the Authority or the Owners of Obligations as provided in Section 710.

710. **Appointment of Successor Trustee.**

1. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Obligations then Outstanding, excluding any Obligations held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners of Obligations or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee; provided, nevertheless, that unless a successor Trustee shall have been appointed by the Owners of Obligations as aforesaid, the Authority by a duly executed written instrument signed by an Authorized Officer of the Authority shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Owners of Obligations as authorized in this Section 710. The Authority shall mail notice of any such appointment made by it to all Owners within 20 days after such appointment. Any successor Trustee appointed by the Authority shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of Obligations.

2. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the Authority written notice as provided in Section 708 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Owner of any Obligation may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

3. Any Trustee appointed under the provisions of this Section 710 in succession to the Trustee shall be a Bank, as defined in clause (i) or (ii) of the definition thereof, doing business and having its principal office in the State and maintaining an office in The City of New York, and
having a capital and surplus aggregating at least $500,000,000, if there be such a Bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

711. **Transfer of Rights and Property to Successor Trustee.** Any successor Trustee appointed under the resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Authority, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any successor Trustee shall promptly notify the Registrar and the Paying Agents of its appointment as Trustee.

712. **Merger or Consolidation.** Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a Bank as defined in clause (i) or (ii) of the definition thereof, and, in the case of any successor Trustee, shall meet the requirements of paragraph 3 of Section 710, in the case of a successor Paying Agent, shall meet the requirements of paragraph 1 of Section 713, and shall be authorized by law to perform all the duties imposed upon it by the Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

713. **Resignation or Removal of Paying Agent or Registrar and Appointment of Successor.** 1. Any Paying Agent or Registrar may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days’ written notice to the Authority, the Trustee, and the other Paying Agents or Registrar, as the case may be. Any Paying Agent or Registrar may be removed at any time by an instrument filed with such Paying Agent or Registrar and the Trustee and signed by the Authority. Any successor Paying Agent or Registrar shall be appointed by the Authority, with the approval of the Trustee, and (subject to the requirements of Section 602) shall be a Bank as defined in clause (i) or (ii) of the definition thereof, having a capital and surplus aggregating at least $10,000,000, or a clearing agency, registered with the Securities and Exchange Commission, which is willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

2. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.
3. In the event of the resignation or removal of any Registrar, such Registrar shall transfer and deliver all records, certificates and documents held by it as Registrar to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Registrar, the Trustee shall act as such Registrar.
ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

801. Supplemental Resolutions Effective Upon Filing with the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted without the consent of or notice to any Owner, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer or, if adopted prior to the appointment of a Trustee pursuant to Section 701, upon its adoption, shall be duly effective in accordance with its terms:

(1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the delivery on original issuance of Obligations or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Authority in the Resolution other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Resolution other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Authority by the Resolution;

(5) To authorize Obligations of a Series and, in connection therewith, specify and determine the matters and things mentioned or referred to in Section 202, and also any other matters and things relative to such Obligations which are not contrary to or inconsistent with the Resolution as theretofore in effect (including, without limitation, to provide in the Supplemental Resolution authorizing such Obligations that either all or certain specified references in the Resolution to principal or Redemption Price of such Obligations shall be deemed to include reference, on a parity basis, to the Purchase Price of such Obligations) or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Obligations;

(6) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of any additional security other than that granted or pledged under the Resolution;

(7) To modify, amend or supplement the Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Obligations for sale under the securities laws of any of the states of the United States of America, and, if the Authority so determines, to add hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute;

(8) To comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system; or
To modify any of the provisions of the Resolution in any other respect whatever, provided that (a) such modification is to be effective prior to the issuance of any Obligations, or (b) (i) such modification shall be, and be expressed to be, effective only after all Obligations Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Obligations delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Obligations issued in exchange therefor or in place thereof.

802. Supplemental Resolutions Effective Upon Consent of Trustee. For any one or more of the following purposes and at any time or from time to time a Supplemental Resolution may be adopted without the consent of or notice to any Owner, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer and (ii) the filing with the Trustee and the Authority of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

1. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

2. To insert such provisions, or to make such other amendments to the Resolution, as are necessary or desirable which are not materially adverse to the rights under the Resolution of the Owners of Obligations.

803. Supplemental Resolutions Effective with Consent of Owners of Obligations. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Owners of Obligations in accordance with and subject to the provisions of Article IX, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer and upon compliance with the provisions of said Article IX, shall become fully effective in accordance with its terms as provided in said Article IX.

804. General Provisions. 1. The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article VIII and Article IX. Nothing in this Article VIII or Article IX contained shall affect or limit the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

2. Any Supplemental Resolution referred to and permitted or authorized by Sections 801 and 802 may be adopted by the Authority without the consent of any of the Owners of Obligations, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by a Counsel’s Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms.

3. The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 801, 802 or 803 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a
Counsel’s Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

4. No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.
ARTICLE IX

AMENDMENTS

901. Mailing. Any provision in this Article for the mailing of a notice or other paper to Owners of Obligations shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of Obligations then Outstanding at his address, if any, appearing upon the registry books of the Authority, and (ii) to the Trustee.

902. Powers of Amendment. Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Owners, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 903, (i) of the Owners of a majority in principal amount of the Obligations Outstanding at the time such consent is given, and (ii) in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under this Section. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Obligation, (b) reduce the percentages or otherwise affect the classes of Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise affect any such modification or amendment, (c) create a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, without the consent of the Owners of all such Obligations, (d) create a lien prior to or on parity with the lien of the Resolution, without the consent of the Owners of all of the Obligations then Outstanding, or (e) change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, an Obligation shall be deemed to be affected by a modification or amendment of the Resolution if the same materially and adversely affects the rights of the Owner of such Obligation. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment particular Obligations would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Owners of Obligations.

903. Consent of Owners of Obligations. The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 902, to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to the Owners (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of Owners of the percentages of Outstanding Obligations specified in Section 902 and (ii) a Counsel’s Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (b) a notice shall have been mailed to Owners as hereinafter in this Section 903 provided. Any
such consent, including without limitation any consent provided by the initial purchaser of an Obligation from the Authority, shall be binding upon the Owner of the Obligations giving such consent and, anything in Section 1102 to the contrary notwithstanding, upon any subsequent Owner of such Obligations and of any Obligations issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof). At any time after the Owners of the required percentages of Obligations shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Owners of such required percentages of Obligations have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Obligations and will be effective as provided in this Section 903, may be given to Owners of Obligations by the Authority by mailing such notice to Owners of Obligations (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section 903 provided). The Authority shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section 903 to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Owners of all Obligations at the expiration of 40 days after the filing with the Trustee of the proof of the mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 40-day period; provided, however, that any Fiduciary and the Authority during such 40-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

904. **Modifications by Unanimous Consent.** The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Owners of Obligations may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Resolution and the consent of the Owners of all of the Obligations then Outstanding, such consent to be given as provided in Section 903 except that no notice to Owners of Obligations shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Owners of Obligations.

905. **Exclusion of Obligations.** Obligations owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Obligations provided for in this Article, and the Authority shall not be entitled with respect to such Obligations to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Authority shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Obligations so to be excluded.

906. **Notation on Obligations.** Obligations delivered after the effective date of any action taken as in Article VIII or this Article may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Owner of any Obligation Outstanding at such effective date and presentation of his Obligation for the purpose at the Principal Office of the Trustee suitable
notation shall be made on such Obligation by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Obligations so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared and delivered, and upon demand of the Owner of any Obligation then Outstanding shall be exchanged, without cost to such Owners of Obligations for Obligations of the same Series, maturity and interest rate then Outstanding, upon surrender of such Obligations.
ARTICLE X

EVENTS OF DEFAULT; REMEDIES ON DEFAULT

1001. Events of Default. If one or more of the following events (“Events of Default”) shall happen, that is to say,

(i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Obligation when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise,

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Obligation, when and as such interest installment shall become due and payable, and such default shall continue for a period of 30 days,

(iii) if default shall be made by the Authority in the performance or observance on its part of any other of the covenants, agreements or conditions contained in the Resolution or in the Obligations, and such default shall continue for a period of 60 days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Owners of a majority in principal amount of the Obligations Outstanding, provided, however, that if such default shall be such that it cannot be corrected within such 60 day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected,

(iv) if the Authority (1) files a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) consents to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or any substantial portion of its property; (3) makes any assignment for the benefit of creditors; (4) admits in writing its inability generally to pay its debts generally as they become due; or (5) takes action in furtherance of any of the foregoing, or

(v) if (1) a decree or order for relief is entered by a court having jurisdiction of the Authority adjudging the Authority a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Authority in an involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days,

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Obligations shall have already become due and payable, either the Trustee (by notice in writing to the Authority), or the Owners of twenty-five percent (25%) in principal amount of the Obligations then Outstanding (by notice in writing to the Authority and the Trustee), may declare the principal of all the Obligations then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Obligations contained to the contrary
notwithstanding. The right of the Trustee or of the Owners of twenty-five percent (25%) in principal amount of the Obligations to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Obligations shall have matured by their terms, all overdue installments of interest upon the Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under the Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Obligations due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Obligations or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Owners of a majority in principal amount of the Obligations Outstanding, by written notice to the Authority and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted without a direction from the Owners, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Owners of a majority in principal amount of the Obligations then Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default and its consequences shall ipso facto be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

1002. Accounting and Examination of Records after Default. 1. The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Authority and all other records relating to all projects and facilities of the Authority shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, including the engineer or firm of engineers appointed pursuant to Section 1003.

2. The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for the Trust Estate for such period as shall be stated in such demand.

1003. Application of Revenues and Other Moneys after Default. 1. The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee shall pay over to the Trustee (i) forthwith, all moneys, securities and funds then held by the Authority in any fund or account under the Resolution, and (ii) as promptly as practicable after receipt thereof, the Revenues.

2. During the continuance of an Event of Default, the Trustee shall apply such Revenues and the income therefrom as follows and in the following order:

(i) to the payment of the reasonable and proper charges and expenses of the Trustee (including legal fees and expenses) and of any engineer or firm of engineers selected by the Trustee pursuant to this Article;

(ii) to the payment of the amounts required for reasonable and necessary Operating Expenses, including reasonable and necessary reserves and working capital, and for the reasonable repair and replacement of the Transmission Projects, and to the extent necessary to prevent loss of Revenues, as may be certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the Authority for other purposes) selected by the Trustee. For this purpose the books of record
and account of the Authority shall at all times be subject to the inspection of such engineer or firm of engineers during the continuance of such Event of Default;

(iii) to the payment of the interest and principal or Redemption Price then due on the Obligations, and the interest and principal components of Parity Debt, as follows:

(b) unless the principal of all of the Obligations shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Obligations and the interest component of Parity Debt, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Obligations and the principal component of Parity Debt, which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Obligations and the principal component of Parity Debt, due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference;

(c) if the principal of all of the Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Obligations and the principal and interest components of Parity Debt, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation or Parity Debt over any other Obligation or Parity Debt, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference;

3. If and whenever all overdue installments of interest on all Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Authority under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Obligations which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all such Revenues then remaining unexpended in the hands of the Trustee, and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution, and all Revenues shall thereafter be applied as provided in Article V. No such payment over to the Authority by the Trustee or resumption of the application of Revenues as provided in Article V shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.
1004. **Proceedings Brought by Trustee.** 1. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, if the Trustee shall deem it advisable, may proceed to protect and enforce its rights and the rights of the Owners of Obligations under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

2. All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Obligations or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

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

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

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

1005. **Restriction on Action by the Owners of Obligations.** 1. No Owner shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Owners of at least twenty-five
percent (25%) in principal amount of the Obligations then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Section or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request within a reasonable time; it being understood and intended that no one or more Owners of Obligations shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Owners of the Outstanding Obligations.

2. Nothing in the Resolution or in the Obligations shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Obligations to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of his Obligation.

1006. Remedies not Exclusive. No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Owners of Obligations is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution.

1007. Effect of Waiver and Other Circumstances. 1. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or to be an acquiescence therein and every power and remedy given by this Article to the Trustee or to the Owners of Obligations may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of Obligations.

2. Prior to the declaration of maturity of the Obligations as provided in Section 1001, the Owners of a majority in principal amount of the Obligations at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Obligations waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium on any of the Obligations. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.
ARTICLE XI

MISCELLANEOUS

1101. **Defeasance.** 1. If the Authority shall pay or cause to be paid to the Owners of all Obligations then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Authority to the Owners of Obligations shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Obligations not theretofore surrendered for such payment or redemption.

2. Outstanding Obligations or any portion thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section either (A) as provided in the Supplemental Resolution authorizing their issuance or (B) if (a) in case any of said Obligations are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article IV of the Resolution notice of redemption on said date of such Obligations, (b) there shall have been irrevocably deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or Redemption Price, if applicable, and interest due and to become due on such Obligations on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Obligations are not by their terms maturing or are not subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Obligations that the deposit required by (b) above has been made with the Trustee and that said Obligations are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on such Obligations. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Obligations; provided that any moneys on deposit with the Trustee, (i) to the extent such moneys will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Obligations or otherwise existing under the Resolution, and (ii) to the extent such moneys will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient, together with any moneys available to the Trustee for such purpose, to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Obligations on and prior to such redemption date or maturity date thereof, as the case may be.

3. Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Obligations which remain unclaimed for 2 years after the date when such principal,
Redemption Price, or interest, respectively, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for 2 years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such principal, Redemption Price, or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Authority for the payment of such principal, Redemption Price, or interest, respectively. Notwithstanding the foregoing or anything in the Resolution to the contrary, any moneys held by a Fiduciary in trust for the payment and discharge of any Obligations which remain unclaimed after such moneys were to be applied to the payment of such Obligations in accordance with the Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Authority or the Comptroller of the State for the payment of such Obligations. Before being required to make any such payment to the Authority or to apply such moneys in accordance with the Abandoned Property Law of the State, the Fiduciary shall, at the expense of the Authority, cause to be mailed to the Owners entitled to receive such moneys a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law of the State, as the case may be.

1102. Evidence of Signatures of Owners of Obligations and Ownership of Obligations. 1. Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Owners of Obligations may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners of Obligations in Person or by their attorneys-in-fact appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any Person of the Obligations shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(1) The fact and date of the execution by any Owner or his attorney-in-fact of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a Bank or of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership such certificate or affidavit shall also constitute sufficient proof of his authority;

(2) The ownership of Obligations and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(3) Any request or consent by the Owner of any Obligation shall bind all future owners of such Obligation in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.
1103. **Moneys Held for Particular Obligations.** The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Obligations shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of Obligations entitled thereto.

1104. **General Regulations as to Moneys and Funds.** 1. Each of the Funds established by the Resolution shall be a trust fund for the purposes thereof.

2. All Revenues and other moneys of the Authority held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Authority in its name, on demand or time deposit, in such Banks as shall be selected by the Authority. Any Revenues and other moneys held by any Fiduciary under the Resolution shall be deposited in such Banks as the Authority may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Authority, or shall be otherwise held as the Authority and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

3. Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Obligations, all moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Authority and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

1105. **Preservation and Inspection of Documents.** All documents received by a Fiduciary under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, and any Owners of Obligations and their agents and their representatives, any of whom may make copies thereof.

1106. **Parties Interested Herein.** Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give to any Person or corporation, other than the Authority, the Fiduciaries, and the Owners of Obligations, any right, remedy or claim under or by reason of the Resolution or any covenant, condition or stipulation thereof, and all the covenants, stipulations, promises and agreements in the Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Fiduciaries, and the Owners of Obligations.
1107. **No Recourse on the Obligations.** No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Obligations or for any claim based thereon or on the Resolution against any member, officer, or employee of the Authority or any Person executing the Obligations.

1108. **Successors and Assigns.** Whenever in the Resolution the Authority is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Authority shall bind and ensure to the benefit of its successors and assigns whether so expressed or not.

1109. **Business Days.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Resolution, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in the Resolution and no interest shall accrue on the payment so deferred during the intervening period.

1110. **Severability of Invalid Provisions.** If any provisions of the Resolution is held to be in conflict with any applicable statute or rule of law, or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other part or circumstance, or of rendering any other provisions or provisions herein contained invalid, inoperative or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses or Sections of the Resolution shall not affect the remaining portions of the Resolution, or any part hereof.

1111. **Governing Law.** The Resolution shall be governed by and interpreted in accordance with internal laws of the State without regard to conflicts of laws principles.
POWER AUTHORITY OF THE STATE OF NEW YORK

FIRST SUPPLEMENTAL RESOLUTION

authorizing

TRANSMISSION PROJECT REVENUE OBLIGATIONS

Adopted on December __, 2021
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FIRST SUPPLEMENTAL RESOLUTION

authorizing

REVENUE OBLIGATIONS

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York (the “Authority”) as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

101. Supplemental Resolution; Authority. This resolution, adopted on December __, 2021 (“First Supplemental Resolution”), is supplemental to, and is adopted in accordance with Article VIII of a resolution adopted by the Authority on December __, 2021, entitled “General Resolution Authorizing Transmission Project Revenue Obligations” (“Transmission Project Resolution” and, as heretofore amended and supplemented and collectively with the First Supplemental Resolution, the “Resolution”), and is adopted pursuant to the provisions of the Act.

102. Definitions. (a) All terms which are defined in Section 101 of the Transmission Project Resolution shall have the same meanings for purposes of this First Supplemental Resolution.

(b) In this First Supplemental Resolution:

“Beneficial Owner” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

“Bonds,” “Bonds of a Series,” or “Bonds of any Series” and words of like import shall mean each or all of a Series of Bonds issued pursuant hereto collectively, as the context may require.

“Central East Energy Connect Transmission Project” means Authority’s rights and interests in the Central East Energy Connect project to be jointly developed with LSPG-NY, which includes replacement of National Grid’s two existing 80-mile 230 kV transmission lines with a new 86-mile double-circuit 345 kV line from the Edic substation in Oneida County, New York, to the New Scotland 345 kV substations, and the addition of a new Princetown 345 kV switchyard in between Edic and New Scotland to connect to the Rotterdam substation, as may be more particularly described in a Certificate of Determination.

“Certificate of Determination” means any certificate of the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer of
the Authority delivered pursuant to Section 204 of this First Supplemental Resolution, setting forth certain terms and provisions of the Bonds.

“Commercial Paper Rate,” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“Commercial Paper Rate Mode” means the mode during which Bonds of a Series bear interest at a Commercial Paper Rate in accordance with the applicable Certificate of Determination.

“Credit Facility” means, with respect to any Series of the Bonds, a Credit Facility as defined in the Transmission Project Resolution.

“Credit Facility Issuer” means the issuer of the Credit Facility specified in Section 308 hereof.

“Daily Rate,” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“Daily Rate Mode” means the mode during which Bonds of a Series bear interest at a Daily Rate in accordance with the applicable Certificate of Determination.

“Depository Participant” means any Person for which the Securities Depository holds Bonds as securities depository.

“DTC” means The Depository Trust Company, New York, New York, or its successors.

“Fiduciary” or “Fiduciaries” means any Fiduciary (as defined in the Transmission Project Resolution) and any Tender Agent, or any or all of them, as may be appropriate.

“Fixed Rate” means an interest rate fixed to the Maturity Date of the Bonds of a Series.

“Fixed Rate Mode” means the mode during which Bonds of a Series bear interest at a Fixed Rate in accordance with the applicable Certificate of Determination.

“Interest Period,” with respect to a Series of Bonds, has the meaning set forth in the applicable Certificate of Determination.

“Liquidity Facility” means any standby bond purchase agreement, letter of credit or similar obligation, arrangement or instrument issued or provided by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Purchase Price (including accrued interest) of the Bonds of any Series that may be obtained by the Authority pursuant to Section 308 hereof.

“Liquidity Facility Issuer” means the issuer of a Liquidity Facility.
“**Mandatory Purchase Date**” for any Series of Bonds, means any date specified as such in the applicable Certificate of Determination.

“**Maturity Date**” means, with respect to any Bond, the final date specified therefor in the applicable Certificate of Determination, which shall not be later than fifty years after the date of issuance.

“**Maximum Rate**” means for Bonds of a Series, such rate as may be specified in the applicable Certificate of Determination; provided, however, that in no event shall the Maximum Rate exceed the maximum rate permitted by applicable law.

“**Mode**” means the Daily Rate Mode, Term Rate Mode, the Weekly Rate Mode, the Fixed Rate Mode or any other method of determining the interest rate applicable to Bond of a Series permitted under the applicable Certificate of Determination.

“**Mode Change Date**” means, with respect to Bonds of a Series, the date one Mode terminates and another Mode begins.

“**Purchase Date**” for Bonds of a Series shall have the meaning set forth in the applicable Certificate of Determination.

“**Purchase Fund**” means a fund by that name that may be established by a Certificate of Determination pursuant to Section 303 hereof.

“**Purchase Price**” means the price at which Bonds subject to optional or mandatory tender for purchase are to be purchased as may be provided in the Certificate of Determination.

“**Remarketing Agent**” means the remarketing agent at the time serving as such for the Bonds of a Series (or portion thereof) pursuant to Section 402 hereof.

“**Series 2022 Bonds**” shall mean all the Bonds delivered on issuance in a transaction as identified pursuant to Sections 201 and 203 hereof or as identified in the Certificate of Determination regardless of variations in maturity, interest rate, or other provisions.

“**Securities Depository**” shall mean DTC as the Securities Depository appointed pursuant to Section 203(f) hereof, or any substitute Securities Depository, or any successor to DTC or any substitute Securities Depository.

“**Tender Agent**” means the Trustee as tender agent appointed for the Bonds pursuant to Section 403 hereof.

“**Term Rate**,” with respect to Bonds of a Series (or portion thereof), has the meaning set forth in the applicable Certificate of Determination.

“**Term Rate Mode**” means the mode during which Bonds of a Series (or portion thereof) bear interest at a Term Rate in accordance with the applicable Certificate of Determination.
“Weekly Rate,” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“Weekly Rate Mode” means the mode during which Bonds of a Series bear interest at a Weekly Rate in accordance with the applicable Certificate of Determination.
ARTICLE II

AUTHORIZATION OF BONDS

201. Principal Amount, Designation and Series. Pursuant to the provisions of the Transmission Project Resolution, one or more Series of Obligations entitled to the benefit, protection and security of such provisions are hereby authorized with the following designations, or such other designations as shall be set forth in the Certificate of Determination: the “Transmission Project Revenue Obligations, Series 2022”. The aggregate principal amount of each Series of Bonds shall be set forth in the Certificate of Determination relating to the respective Bonds; provided that the aggregate principal amount of such Bonds outstanding at any time shall not exceed $300,000,000. Individual maturities of the Bonds or portions thereof may bear such additional designations, if any, as may be set forth in the related Certificate of Determination. To the extent so provided in the applicable Certificate of Determination, any such Obligations may alternatively be designated as “Notes” and any reference herein to a Series of Bonds shall also refer to Obligations designated as Notes. In the event that any Series of Bonds is not issued in calendar year 20__, the applicable Certificate of Determination may (i) redesignate the year and Series of such Bonds and (ii) make any other conforming changes deemed necessary or appropriate to reflect the year of issuance. Each Series shall initially bear interest in accordance with the Mode as may be provided by the applicable Certificate of Determination.

202. Purposes. (a) The purposes for which the Bonds of any Series are to be issued shall include such of the following as shall be specified in the applicable Certificate of Determination:

(i) financing and reimbursing of all Capital Costs (including any preparatory legal, administrative, engineering, consulting and technical services) and other costs incurred but not yet recovered by the Authority in connection with the Central East Energy Connect Transmission Project,

(ii) funding the Operating Reserve Account, if necessary or desirable,

(iii) funding a debt service reserve fund, if necessary or desirable, and

(iv) paying financing costs related to the issuance of the Authority’s debt obligations, including underwriters’ discount, structuring fees, any insurance premiums, credit enhancement or liquidity fees related to obtaining any municipal bond insurance policy, other credit enhancement or liquidity facilities determined to be necessary or desirable, swap terminations and other costs incurred by the Authority in connection therewith

(b) Such portion of the proceeds of any Series of Bonds as may be specified in the applicable Certificate of Determination shall be applied for the purposes specified in subsection (a). All such proceeds shall be deposited and applied in accordance with the applicable Certificate of Determination.
203. **Details of the Bonds.** The following provisions set forth the details of the Bonds.

(a) **Dates, Maturities and Interest.** The Bonds of each Series shall be dated, shall mature and shall bear interest from the date as may be specified by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or the Treasurer of the Authority in the applicable Certificate of Determination pursuant to Section 204 hereof. Interest on the Bonds shall be payable semiannually (or at such other frequency as may be specified in the applicable Certificate of Determination) on the interest payment dates and at the respective rates per annum specified in the applicable Certificate of Determination. The Bonds shall be Tax-Exempt Obligations or Taxable Obligations, as specified in the Certificate of Determination. Interest on the Bonds shall be calculated as provided in the applicable Certificate of Determination.

The interest rates for the Bonds of a Series contained in the records of the Trustee shall be conclusive and binding, absent manifest error, upon the Authority, the Remarketing Agent, the Tender Agent, the Trustee, the Liquidity Facility Issuer, the Credit Facility Issuer, and the Owners.

The interest rate applicable during any Mode (other than a Fixed Rate determined on or prior to the date of issuance of the related Bonds) shall be determined in accordance with the applicable Certificate of Determination. Except as otherwise provided in the applicable Certificate of Determination, any such rate shall be the minimum rate that, in the sole judgment of the Remarketing Agent, would result in a sale of the Bonds of the Series at a price equal to the principal amount thereof on the date on which the interest rate on such Bonds is required to be determined in accordance with the applicable Certificate of Determination, taking into consideration the duration of the Interest Period, which shall be established by the Authority.

(b) **Denominations.** Except as otherwise provided in the applicable Certificate of Determination, the Bonds shall be issued in the form of fully registered Bonds in the denomination of $5,000 or any integral multiple of $5,000.

(c) **Designations.** Unless the Authority shall otherwise direct, the Bonds shall be issued in series, and shall be labeled as follows: The Bonds shall be lettered “2021 A”, “2021 B”, “2021 C” and “2021 D” depending on their respective series, and numbered consecutively from one upward as more particularly set forth in the applicable Certificate of Determination. Alternatively, any Bonds issued after calendar year 2021 pursuant to this Supplemental Resolution may labeled to reflect the calendar year in which they are issued.

(d) **Payment of Principal and Interest.** Principal and Redemption Price of each Bond shall be payable at the Principal Office of the Trustee upon presentation and surrender of such Bond.
The Trustee shall indicate on the Bonds the date of their authentication as provided in Section 205 hereof. Interest on the Bonds shall be payable from the interest payment date next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an interest payment date, in which case from such date if interest has been paid to such date; provided, however, that interest shall be payable on the Bonds from such date as may be specified by the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority pursuant to Section 204 hereof, if the date of authentication is prior to the first interest payment date therefor. Interest on the Bonds shall be payable on the interest payment dates specified in the applicable Certificate of Determination to the registered owner as of the close of business on the Record Date specified in the applicable Certificate of Determination, such interest to be paid by the Trustee by check mailed to the registered owner at his or her address as it appears on the books of registry; provided, however, that upon redemption of any Bond, the accrued interest payable upon redemption shall be payable at the Principal Office of the Trustee upon presentation and surrender of such Bond, unless the redemption date is an interest payment date, in which event the interest on such Bond so redeemed shall be paid by the Trustee by check mailed to the registered owner at his address as it appears on the books of registry.

The principal or Redemption Price of and interest on the Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Transmission Project Resolution.

The foregoing provisions of this subsection (d) shall be subject to the provisions of subsection (f) of this Section.

The principal of and premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

(e) **Trustee, Registrar, and Paying Agent.** [The Bank of New York Mellon] is the Trustee for the Obligations pursuant to Section 712 of the Transmission Project Resolution. The Trustee is also hereby appointed as the Registrar and Paying Agent for the Bonds.

(f) **Securities Depository.** The Bonds when initially issued shall be registered in the name of Cede & Co., as nominee of DTC, in the form of a single fully registered Bond for each maturity of the Bonds with a different interest rate applicable thereto. DTC is hereby appointed initial Securities Depository for the Bonds, subject to the provisions of subsection (g) of this Section. So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, individual purchases of beneficial ownership interests in Bonds may be made only in book-entry form by or through DTC participants, and purchasers of such beneficial ownership interests in Bonds will not receive physical delivery of bond certificates representing the beneficial ownership interests purchased.
So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, payments of principal of and premium, if any, and interest on such Bonds will be made by wire transfer to DTC or its nominee, or otherwise as may be agreed upon by the Authority, the Trustee and DTC. Transfers of principal, premium, if any, and interest payments to DTC participants will be the responsibility of DTC. Transfers of such payments to Beneficial Owners of Bonds by DTC participants will be the responsibility of such participants and other nominees of such Beneficial Owners.

So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, the Authority shall send, or cause the Trustee to send, or take timely action to permit the Trustee to send, to DTC notice of redemption of such Bonds and any other notice required to be given to registered owners of such Bonds pursuant to the Resolution, in the manner and at the times prescribed by the Resolution, except as may be agreed upon by the Authority, the Trustee (if applicable) and DTC.

Neither the Authority nor any Fiduciary shall have any responsibility or obligation to the DTC participants, Beneficial Owners or other nominees of such Beneficial Owners for (1) sending transaction statements; (2) maintaining, supervising or reviewing the accuracy of, any records maintained by DTC or any DTC participant or other nominees of such Beneficial Owners; (3) payment or the timeliness of payment by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owner, of any amount due in respect of the principal of or redemption premium, if any, or interest on Bonds; (4) delivery or timely delivery by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owners, of any notice (including notice of redemption) or other communication which is required or permitted under the terms of the Resolution to be given to holders or owners of Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Bonds; or (6) any action taken by DTC or its nominee as the registered owner of the Bonds.

Notwithstanding any other provisions of this First Supplemental Resolution to the contrary, the Authority, the Registrar, Paying Agent, and the Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the books of registry as the absolute owner of such Bond for the purpose of payment of principal, Redemption Price, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal and Redemption Price of and interest on the Bonds only to or upon the order of the respective owners, as shown in the books of registry as provided in this First Supplemental Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority’s obligations with respect to payment of principal and Redemption Price of and interest on such Bonds to the extent of the sum or sums so paid.

Notwithstanding any other provisions of this First Supplemental Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal and Redemption Price of, and interest on such Bond and all
notices with respect to such Bond shall be made and given, respectively, pursuant to DTC’s rules and procedures.

Payments by the DTC participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such DTC participant and not of DTC, the Trustee or the Authority, subject to any statutory and regulatory requirements as may be in effect from time to time.

Provisions similar to those contained in this subsection (f) may be made by the Authority in connection with the appointment by the Authority of a substitute Securities Depository, or in the event of a successor to any Securities Depository.

Authorized Officers are hereby authorized to enter into such representations and agreements as they deem necessary and appropriate in furtherance of the provisions of this subsection (f).

(g) Replacement Bonds. The Authority shall issue Bond certificates (the “Replacement Bonds”) directly to the Beneficial Owners of the Bonds, or their nominees, in the event that DTC determines to discontinue providing its services with respect to the Bonds, at any time by giving notice to the Authority, and the Authority fails to appoint another qualified Securities Depository to replace DTC. In addition, the Authority also shall issue Replacement Bonds directly to the Beneficial Owners of the Bonds, or their nominees, in the event the Authority discontinues use of DTC as Securities Depository at any time upon determination by the Authority, in its sole discretion and without the consent of any other person, that Beneficial Owners of the Bonds shall be able to obtain certificated Bonds.

(h) Notices. In connection with any notice of redemption provided in accordance with Section 405 of the Transmission Project Resolution, notice of such redemption shall also be sent by the Trustee by first class mail, overnight delivery service or other secure overnight means, postage prepaid, to the appropriate Credit Facility Issuer, to any Rating Agency and to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system, in each case not later than the mailing of notice required by the Resolution.

204. Delegation of Authority. (a) There is hereby delegated to the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and the Treasurer of the Authority, and each of them hereby is authorized, subject to the limitations contained herein, with respect to the Bonds of each Series to determine and effectuate the following:

(i) the principal amount of the Bonds to be issued, provided that the aggregate principal amount of the Bonds to be issued shall not exceed $300,000,000;
(ii) the date or dates, Maturity Date or dates and principal amount of each maturity of the Bonds, the interest payment date or dates of the Bonds, and the date or dates from which the Bonds shall bear interest;

(iii) the interest rate or rates of the Bonds, which may include Commercial Paper Rates, Daily Rates, Term Rates, Fixed Rates, Weekly Rates, index-based rates, or other interest rate methodologies, provided, however, that (i) to the extent that fixed rate Bonds are issued, such Bonds, at the date of their issuance, shall have a true interest cost not to exceed five percent 5.00%), and (ii) to the extent that any variable rate Bonds are issued, the initial rate or rates applicable to such Bonds at the date of their issuance shall not exceed five percent 5.00%);

(iv) the sinking fund installments for any term Bond and the methodology to be applied to reduce such installments upon redemption by the Authority, if any, of any such term Bond;

(v) the portions of the proceeds of the Bonds of each Series and the amounts to be deposited and applied in accordance with Section 202 hereof;

(vi) the redemption provisions of the Bonds;

(vii) the tender provisions, if any, of the Bonds;

(viii) whether each Series of such Bonds shall be Tax-Exempt Obligations or Taxable Obligations;

(ix) whether each Series of such Bonds shall be sold by public sale or by placement of such Bonds with one or more investors or financial institutions;

(x) the definitive form or forms of the Bonds and the definitive form or forms of the Trustee’s certificate of authentication thereon;

(xi) additional or different designations, if any, for particular maturities of Bonds or portions thereof intended to distinguish such maturities or portions thereof from other Bonds;

(xii) provisions that are deemed necessary or advisable by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or the Treasurer of the Authority in connection with the implementation and delivery to the Trustee of any Credit Facility or Liquidity Facility;

(xiii) obtaining municipal bond insurance or other Credit Facility or Liquidity Facility related to the Bonds of a Series or any portion thereof, and complying with any commitment therefor including executing and delivering any related agreement with any Credit Facility Issuer or Liquidity Facility Issuer, to the extent that the Chairman, President and Chief Executive Officer, Executive Vice
President and Chief Financial Officer or the Treasurer of the Authority determines that to do so would be in the best interest of the Authority;

(xiv) whether to deposit funds into the Operating Reserve Account, and the amount of such funds, if any;

(xv) whether to establish a Debt Service Reserve Fund for the purpose of paying or securing all or any portion of the Series 2022 Bonds, and the amount of such fund, if any, and the application and investment of moneys therein, in accordance with paragraph 1 of Section 508 of the Transmission Project Resolution;

(xvi) how any funds released from the lien of the General Resolution pursuant to a resolution of the Board of Trustees of the Authority in connection with the Central East Energy Connect Transmission Project shall be applied; and

(xvii) any other provisions deemed advisable by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or the Treasurer of the Authority, not in conflict with the provisions hereof or of the Transmission Project Resolution.

(b) As and to the extent that the Chairman, President and Chief Executive Officer, Executive Vice President or Chief Financial Officer determines that it would be advantageous or desirable to issue bond anticipation notes ("Notes") relating to any of the Series 2022 Bonds instead of issuing Series 2022 Bonds as longer term Bonds, such Designated Officer is hereby authorized to arrange for the sale and delivery of Notes in the same manner and on the same terms as Series 2022 Bonds may be sold and delivered hereunder and under this First Supplemental Resolution. In the event that Notes are issued, the details thereof shall be set forth in a Certificate of Determination relating thereto, executed by such officer and delivered to the trustee under the Transmission Project Resolution. Any Note issued pursuant hereto shall mature no later than five years from the date of issue thereof and may be renewed or refunded from time to time with the proceeds of additional Notes and may be refunded with the issuance of Series 2022 Bonds and the principal amount of any Notes so renewed or refunded shall be ignored in determining the principal amount of Series 2022 Bonds for purposes of this First Supplemental Resolution.

(c) The Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer of the Authority shall execute one or more certificates evidencing determinations or other actions taken pursuant to the authority granted herein, an executed copy of which shall be delivered to the Trustee. Each such certificate shall be deemed a Certificate of Determination and shall be conclusive evidence of the action or determination of such officer as to the matters stated therein. The provisions of each Certificate of Determination shall be deemed to be incorporated in Article II hereof. No such Certificate of Determination shall, nor shall
any amendment to this First Supplemental Resolution, change or modify any of the rights or obligations of the Credit Facility Issuer without its written assent thereto.

205. **Form of Bonds and Trustee’s Authentication Certificate.** Subject to the provisions of the Transmission Project Resolution and to any amendment or modifications thereto or insertions therein as may be approved by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or the Treasurer of the Authority pursuant to Section 204 hereof, the form of the Bonds, form of assignment, and the Trustee’s Certificate of Authentication shall be in substantially the form set forth in Appendix A hereto, with necessary or appropriate variations, omissions and insertions as are incidental to their series, numbers, denominations, maturities, interest rate or rates, registration provisions, redemption provisions, status of interest to owners thereof for Federal income tax purposes, and other details thereof and of their form or as are otherwise permitted or required by law or by the Resolution, including this First Supplemental Resolution. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of such Bond. Bonds may be typewritten, printed, engraved, lithographed or otherwise reproduced.

206. **Execution and Authentication of Bonds.** Notwithstanding the first sentence of paragraph 1 of Section 303 of the Transmission Project Resolution, the Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer, and its corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced, and attested by the manual or facsimile signature of its Vice President and Corporate Secretary, a Deputy Corporate Secretary, or an Assistant Corporate Secretary, or in such other manner as may be required by law.
ARTICLE III

REDEMPTION AND TENDER OF BONDS

301. **Optional and Sinking Fund Redemption.** Bonds of a Series shall be subject to optional and mandatory redemption as and to the extent and at the times and subject to such conditions, if any, as shall be specified in the applicable Certificate of Determination.

302. **Optional and Mandatory Purchase of Bonds.** The Bonds of a Series shall be subject to optional and mandatory tender for purchase to the extent, at the times and subject to such conditions as shall be set forth in the applicable Certificate of Determination.

303. **Purchase Fund.** A Purchase Fund may be established in a Certificate of Determination in connection with the delivery to the Trustee of a Liquidity Facility, which fund, if established, shall be held by the Tender Agent and may have such separate accounts as shall be established in such Certificate of Determination. Such Purchase Fund and accounts therein may be established for the purpose of depositing moneys obtained from (i) the remarketing of Bonds of a Series which is subject to tender for purchase in accordance with the applicable Certificate of Determination, (ii) draws under a Liquidity Facility and (iii) the Authority. Such deposited moneys shall be used solely to pay the Purchase Price of Bonds of such Series or to reimburse a Liquidity Facility Issuer.

304. **Remarketing of Bonds of a Series; Notices.** The Remarketing Agent for Bonds of a Series shall offer for sale and use its best efforts to find purchasers for all Bonds of such Series required to be tendered for purchase. The applicable Certificate of Determination shall prescribe provisions relating to the notices which shall be furnished by the Remarketing Agent in connection with such remarketing and as to the application of the proceeds of such remarketing.

305. **Source of Funds for Purchase of Bonds of a Series.** (a) Except as may otherwise be provided in the applicable Certificate of Determination, the Purchase Price of the Bonds of a Series on any Purchase Date shall be payable solely from proceeds of remarketing of such Series or proceeds of a related Liquidity Facility (including moneys that are borrowed by the Authority pursuant to a Liquidity Facility), if any, and shall not be payable by the Authority from any other source.

(b) As may be more particularly set forth in the applicable Certificate of Determination, on or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Bonds of a Series, the Tender Agent shall purchase such Bonds from the Owners at the Purchase Price. Except as otherwise provided in a Certificate of Determination, funds for the payment of such Purchase Price shall be derived in the order of priority indicated:

(i) immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of the Bonds; and
(ii) immediately available funds transferred by the Liquidity Facility Issuer (or the Authority to the Tender Agent, if the Liquidity Facility permits the Authority to make draws thereon), including, without limitation, amounts available under the Liquidity Facility.

306. **Delivery of Bonds.** Except as otherwise required or permitted by the book-entry only system of the Securities Depository and in the applicable Certificate of Determination, the Bonds of a Series sold by the Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those Bonds at the times and dates prescribed by the applicable Certificate of Determination. The Bonds of a Series purchased with moneys provided by the Authority shall be delivered at the direction of the Authority. The Bonds of a Series purchased with moneys drawn under a Liquidity Facility shall be delivered as provided in such Liquidity Facility.

307. **Delivery and Payment for Purchased Bonds of a Series; Undelivered Bonds.** Each Certificate of Determination shall provide for the payment of the Purchase Price of purchased bonds of the related Series and shall also make provision for undelivered Bonds.

308. **Credit Facility and Liquidity Facility.** (a) At any time and subject to such limitations and other provisions as may be set forth in the applicable Certificate of Determination, the Authority may obtain or provide for the delivery to the Trustee of a Liquidity Facility and/or a Credit Facility from a Liquidity Facility Issuer and/or Credit Facility Issuer as may be selected by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or the Treasurer of the Authority and specified in the applicable Certificate of Determination with respect to the Bonds of any Series.

(b) Each Liquidity Facility shall provide for draws thereon or borrowings thereunder, in the aggregate, in an amount at least equal to the amount required to pay the Purchase Price for the related Bonds of a Series. Except as may otherwise be provided in the applicable Certificate of Determination, the obligation of the Issuer to reimburse the Liquidity Facility Issuer or to pay the fees, charges and expenses of the Liquidity Facility Issuer under the Liquidity Facility shall constitute a Parity Reimbursement Obligation within the meaning of the Resolution and shall be secured by the pledge of and lien on the Trust Estate created by Section 501 of the Transmission Project Resolution.
ARTICLE IV

ADDITIONAL AUTHORIZATIONS; MISCELLANEOUS

401. **Tax Covenant.** (a) The Authority shall not take or omit to take any action which would cause interest on any Series 2022 Bonds which are designated Tax-Exempt Obligations in an applicable Certificate of Determination to be included in the gross income of any Owner thereof for Federal income tax purposes by reason of subsection (b) of Section 103 of the Internal Revenue Code of 1986 (Title 26 of the United States Code) as in effect on the date of original issuance of such Obligations. Without limiting the generality of the foregoing, no part of the proceeds of any Tax-Exempt Obligations or any other funds of the Authority shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Series of Bonds to be an “arbitrage bond” as defined in section 148 of the Internal Revenue Code of 1986 (Title 26 of the United States Code) as then in effect and to be subject to treatment under subsection (b)(2) of Section 103 of the Code as an obligation not described in subsection (a) of said section. The Authority shall pay to the United States any amounts that are necessary for the purpose of compliance with the provisions of Section 148 of the Code.

(b) Notwithstanding any other provision of the Resolution to the contrary, upon the Authority’s failure to observe, or refusal to comply with, the above covenant in paragraph (a), the Owners, or the Trustee acting on their behalf, shall be entitled only to the right of specific performance of such covenant, and shall not be entitled to any of the other rights and remedies provided under Article X of the Transmission Project Resolution.

402. **Remarketing Agent.** The Authority shall appoint and employ the services of a Remarketing Agent prior to any Purchase Date or Mode Change Date while the Bonds of any Series are in the Daily Rate Mode, Weekly Rate Mode, the Term Rate Mode, or the Commercial Paper Mode. The Authority shall have the right to remove the Remarketing Agent as provided in the Remarketing Agreement.

403. **Tender Agent.** The Authority shall be authorized to and shall appoint and employ the services of the Trustee as Tender Agent pursuant to a Tender Agency Agreement prior to any Purchase Date or Mode Change Date while the Bonds of any Series are in the Daily Rate, Weekly Rate, the Term Rate Mode, or the Commercial Paper Mode. The Authority shall have the right to remove the Tender Agent as provided in the Tender Agency Agreement.

404. **Remarketing Agreements and Tender Agency Agreements.** The Authority hereby authorizes one or more Remarketing Agreements and Tender Agency Agreements with respect to the Bonds of any Series with such modifications and with such Remarketing Agents and such Tender Agents as any Authorized Officer, upon the advice of counsel to the Authority, approves. Any Authorized Officer of the Authority is hereby authorized to execute and deliver such Remarketing Agreements and such Tender Agency Agreements in connection with the original issuance of the Bonds of any Series or remarketing.
thereof, which execution and delivery shall be conclusive evidence of the approval of any such modifications.

405. **Certain Findings and Determinations.** The Trustees hereby find and determine:

(a) The Transmission Project Resolution has not been amended, supplemented, or repealed since the adoption thereof. This First Supplemental Resolution supplements the Transmission Project Resolution as heretofore amended and supplemented, constitutes and is a “Supplemental Resolution” within the meaning of such quoted term as defined and used in the Transmission Project Resolution, and is adopted under and pursuant to the Transmission Project Resolution.

(b) The Bonds constitute and are “Obligations” within the meaning of the quoted word as defined and used in the Resolution.

(c) Any municipal bond insurance policy issued by such municipal bond insurance issuer as may be selected by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer of the Authority and specified in the applicable Certificate of Determination, dated the Closing Date, shall constitute and shall be required to be a “Credit Facility” within the meaning of the quoted words as defined and used in the Resolution. Furthermore, any such municipal bond insurance policy, including any charges, fees, costs and expenses that the Credit Facility Issuer may for any Series of Bonds reasonably incur in the administration of the Credit Facility, respectively, or in the pursuit of any remedies under the Resolution or otherwise afforded by law or equity, shall constitute and shall be required to be a “Subordinated Contract Obligation” within the meaning of the quoted words as defined and used in the Resolution, provided, however, the Credit Facility Issuer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Credit Facility.

(d) The Trust Estate is not encumbered by any lien or charge thereon or pledge thereof, other than the parity lien and charge thereon and pledge thereof securing the Outstanding Obligations and Parity Debt, and the subordinate liens and charges thereon and subordinated pledge thereof created by the existing Subordinated Indebtedness and Subordinated Contract Obligations.

(e) There does not exist an “Event of Default” within the meaning of such quoted term as defined in Section 1001 of the Transmission Project Resolution, nor does there exist any condition which, after the giving of notice or the passage of time, or both, would constitute such an “Event of Default.”
(f) The operation of the Series Central East Energy Connect Transmission Project is not essential to the maintenance and continued operation of the rest of the Authority's Projects (as defined in the General Resolution).

(g) The Central East Energy Connect Transmission Project constitutes, and is hereby designated as, and shall be, a Separately Financed Project, as defined in the General Resolution and a Transmission Project as defined in the Transmission Project Resolution:

(i) Any General Resolution funds spent by the Authority on the Central East Energy Connect Transmission Project (including, but not limited to, any preparatory legal, administrative, engineering, consulting and technical services, Capital Costs or Operating Expenses) shall be fully reimbursed by the proceeds of the Series 2022 Bonds;

(ii) Following such reimbursement, any costs related to construction, maintenance or operation of the Central East Energy Connect Transmission Project shall be paid from proceeds of Obligations issued under this Resolution, from Revenues (as defined in the Transmission Project Resolution), or from other funds of the Authority withdrawn from the lien of the General Resolution by the Authority pursuant to paragraph (e) of subsection 1 of Section 503 of the General Resolution.

(h) The designation of the Central East Energy Connect Transmission Project as a Separately Financed Project will no adversely affect the ability of the Authority to comply with the requirements of the General Resolution, including, without limitation the rate covenant contained therein.

(i) Revenues derived from the operation of the Central East Energy Connect Transmission Project are revenues derived from the operation of a separately financed project and are not part of Revenues as defined in the General Resolution.

(j) Expenses associated with the operation of the Central East Energy Connect Transmission Project and debt service on Obligations issued hereunder shall not be payable from Revenues as defined under the General Resolution, unless such funds are released from the lien of the General Resolution pursuant to the terms thereof.

406. Notice to Owners upon Event of Default. (a) If an Event of Default occurs of which the Trustee has or is deemed to have notice under Section 702(c)(6) of the Transmission Project Resolution, the Trustee shall give by teletypewriter or other electronic means or by telephone (promptly confirmed in writing) notice thereof to the Authority. Within two Business Days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each Owner, provided, however, that except in the instance of an Event of Default under Section 1001(i) or (ii) of the Transmission Project Resolution, the Trustee may withhold such notice to Owners if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of Owners, and
provided, further, that notice to Owners of any Event of Default under Section 1001(ii) or (iii) of the Transmission Project Resolution shall not be given until the grace period has expired.

(b) For so long as the Bonds are registered solely in the name of the Securities Depository or its nominee, where the Transmission Project Resolution provides for notice to the Owners of the Bonds of the existence of, or during the continuance of, any Event of Default, the Trustee shall: (i) establish a record date (the “Record Date”) for determining the identity of the Persons entitled to receive such notice; (ii) request a securities position listing from the Securities Depository showing the Depository Participants holding positions in the Bonds affected by such notice as of the Record Date for such notice; (iii) send by first-class, postage prepaid mail, copies of the notice as provided above to each Depository Participant identified in the securities position listing as holding a position in the Bonds as of the Record Date for the notice, to the Municipal Securities Rulemaking Board, and to any Person identified to the Trustee as a non-objecting Beneficial Owner (a non-objecting Beneficial Owner is a Person for whom a Depository Participant acts as nominee, and who has not objected to the disclosure of his or her name and security position) pursuant to the immediately following clause; (iv) request that the Depository Participant retransmit the notice to all Persons for which it served as nominee on the Record Date, including non-objecting Beneficial Owners, or retransmit the notice to objecting Beneficial Owners and provide a listing of non-objecting Beneficial Owners for whom the Depository Participant served as nominee on the Record Date to the Trustee and (v) provide as many copies of the notice as may be requested by any nominee owner of the Bonds. Any default in performance of the duties required by this paragraph shall not affect the sufficiency of notice to Owners given in accordance with the provisions of the Transmission Project Resolution, nor the validity of any action taken under the Transmission Project Resolution in reliance on such notice to Owners.

407. **Further Authority.** The Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Treasurer, Executive Vice President and Corporate Secretary, Deputy Corporate Secretary or Assistant Corporate Secretary of the Authority, or any Authorized Officer (as defined in the Transmission Project Resolution) are each hereby authorized to execute and deliver to the Trustee appointed pursuant to the Transmission Project Resolution such documents and certifications, including, without limitation, any Credit Facility or Liquidity Facility, as may be necessary to give effect to this First Supplemental Resolution and the transactions contemplated hereby.

408. **Effective Date.** This First Supplemental Resolution shall be fully effective in accordance with its terms upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.
APPENDIX A

[FORM OF BONDS]

No. 2021[A][B] - _______ $_________

POWER AUTHORITY OF THE STATE OF NEW YORK

Revenue Obligations, Series 202_ [A][B]

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>CUSIP</th>
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</table>

Registered Owner: CEDE & CO.

Principal Amount: _________________________________ Dollars

POWER AUTHORITY OF THE STATE OF NEW YORK (herein called the “Authority”), a body corporate and politic, a political subdivision and a corporate municipal instrumentality of the State of New York, organized and existing under and by virtue of the laws of the State of New York, acknowledges itself indebted to, and for value received hereby promises to pay, but solely from the Trust Estate and not otherwise, to the registered owner specified above or registered assigns, the Principal Amount specified above on the Maturity Date specified above (subject to the right of prior redemption hereinafter mentioned) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay to the registered owner hereof interest on such principal sum in like coin or currency and at the rate of interest per annum specified above. This Bond is dated as of ________, 202_, interest on this Bond shall be payable from the______ __ or ______ __ next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a ______ __ or ______ __, in which case from such date if interest has been paid to such date; provided, however, that such interest shall be payable on this Bond from ________, 202_, if the date of authentication is prior to the first interest payment date therefor. Interest on this Bond shall be payable on ________, 20__ and semi-annually thereafter on ________ and ________, in each case to the registered owner as of the close of business on the first day (whether or not a Business Day) of the calendar month in which the interest payment date occurs, such interest to be paid by the Trustee by check mailed to the registered owner at his address as it appears on the books of registry; provided, however, that upon redemption of this Bond, the accrued interest payable upon redemption shall be payable at the Principal Office of the Trustee upon presentation and surrender of this Bond, unless the redemption date is an interest payment date, in which event the interest on this Bond so redeemed shall be paid by the Trustee by check mailed to the registered owner at his address as it appears on the books of registry.
[Description of interest rate determination methodology for any Bonds issued as variable rate Bonds, as specified in the applicable Certificate of Determination, to be inserted here.]

This Bond is one of a duly authorized issue of obligations of the Authority designated as its “Obligations” issued and to be issued in various series under and pursuant to the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (herein called the “Act”), and under and pursuant to a resolution of the Authority adopted on December __, 2021, entitled “Transmission Project Resolution Authorizing Transmission Project Revenue Obligations”, and a supplemental resolution of the Authority adopted on December __, 2021, and entitled “First Supplemental Resolution Transmission Project Revenue Obligations” (herein called the “First Supplemental Resolution”). Said resolutions are herein collectively called the “Resolution”. Capitalized terms used herein and not otherwise defined herein shall have the meanings provided in the Resolution.

This Bond is one of a series of Obligations of various maturities designated as “Revenue Obligations, Series 202_ [A][B]” (herein called the “Bonds”) issued in the aggregate principal amount of $__________ under the Resolution. Copies of the Resolution are on file at the office of the Authority and at the Principal Office of The Bank of New York Mellon, as Trustee under the Resolution, or its successor as Trustee (herein called the “Trustee”), in the Borough of Manhattan, City and State of New York. The Trustee is also the Registrar and Paying Agent for the Bonds.

The Obligations are special obligations of the Authority, payable as to principal, Redemption Price, and interest solely from and are equally and ratably secured solely by the Trust Estate, subject to the provisions of the Resolution permitting the application of such Trust Estate to the purposes and on the terms and conditions set forth in the Resolution, including, without limitation, the prior application of Revenues to the payment of Operating Expenses. The principal and Redemption Price of, and interest on, the Obligations shall not be payable from the general funds of the Authority nor shall the Obligations constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the property or upon any of the income, receipts, or revenues of the Authority, except the Trust Estate.

Reference is hereby made to the Resolution, copies of which are on file in the Principal Office of the Trustee, and to all of the provisions of which any holder of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the pledge and covenants securing the Obligations, including this Bond; the Revenues and other moneys and securities constituting the Trust Estate pledged to the payment of the principal of and interest on the Obligations issued thereunder; the nature and extent and manner of enforcement of the pledge; the conditions upon which Obligations may hereafter be issued thereunder, payable on a parity from the Trust Estate and equally and ratably secured therewith; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Owners of the Obligations; the rights and remedies of the Owner hereof with respect hereto and thereto, including the limitations therein contained upon the right of an Owner hereof to institute any suit, action or proceeding in equity or at law with respect hereto and
thereto; the rights, duties and obligations of the Authority and the Trustee thereunder; the terms and provisions upon which the pledges and covenants made therein may be discharged at or prior to the maturity or redemption of this Bond, and the Bond thereafter no longer be secured by the Resolution or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Trustee sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

As provided in the Resolution, Obligations may be issued from time to time pursuant to supplemental resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Resolution provided. The aggregate principal amount of Obligations which may be issued under the Resolution is not limited except as provided in the Resolution, and all Obligations issued and to be issued under the Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Resolution.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by the Authority, with the written consent of the Owners of a majority in principal amount of the Obligations then Outstanding, and, in case less than all of the Obligations will be affected thereby, with such consent of the Owners of at least a majority in principal amount of the Obligations so affected then Outstanding, at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under the Resolution.

This Bond is transferable, as provided in the Resolution, only upon the books of the Authority kept for that purpose at the above-mentioned office of the Registrar by the Owner hereof in person, or by his attorney duly authorized in writing, upon surrender of the Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or his duly authorized attorney, and thereupon a new registered Bond or Bonds, and in the same aggregate principal amount, Series, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Resolution, and upon payment of the charges therein prescribed. The Authority and each Fiduciary may deem and treat the Person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary.

[Description of the applicable redemption provisions, as specified in the applicable Certificate of Determination, to be inserted here.]
When the Trustee shall receive notice from the Authority of its election to redeem Obligations pursuant to the Resolution, and when redemption of Obligations is required by the Resolution, the Trustee shall give notice, in the name of the Authority, of the redemption of such Obligations, which notice shall specify the Series, maturities and, if any maturity shall include Obligations bearing different interest rates and all Obligations of such maturity are not being redeemed, interest rate of the Obligations to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Obligations of any like Series, maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Obligations so to be redeemed, and, in the case of Obligations to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed, and, if applicable, that such notice is conditional and the conditions that must be satisfied. Such notice shall further state that on such date there shall become due and payable upon each Obligation to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Obligations to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by first class mail, postage prepaid, not less than 30 days nor more than 45 days before the redemption date, to the Owners of any Obligations or portions of Obligations which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure so to mail any such notice to any particular Owner shall not affect the validity of the proceedings for the redemption of Obligations not owned by such Owner and failure of any Owner to receive such notice shall not affect the validity of the proposed redemption of Obligations.

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

The principal of the Bonds may be declared due and payable before the maturity thereof, and such declaration may be annulled, as provided in the Resolution.

The Act provides that neither the members of the Authority nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Pursuant to Section 1011 of the Act, the Authority, as agent for the State of New York, does hereby pledge to and agree with the holder of this Bond that the State of New York will not limit or alter the rights vested in the Authority by the Act, as amended, until this Bond and each of the other Bonds, together with the interest hereon and thereon, have been fully met and
discharged or adequate provisions have been made by law for protection of the holders of all such Bonds.

The Bonds shall not be a debt of the State of New York, and the State shall not be liable thereon.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issuance of the Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the laws of the State of New York.

This Bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee’s Certificate hereon.

IN WITNESS WHEREOF, POWER AUTHORITY OF THE STATE OF NEW YORK has caused this Bond to be signed in its name and on its behalf by the facsimile signature of its [INSERT TITLE], and its corporate seal (or facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the facsimile signature of its Vice President and Corporate Secretary, a Deputy Corporate Secretary, or an Assistant Secretary.

POWER AUTHORITY OF THE  
STATE OF NEW YORK

By: ________________________________  
[President and Chief Executive Officer]  

[SEAL]  
Attest:

______________________________  
Secretary
[FORM OF CERTIFICATE OF AUTHENTICATION FOR BONDS]

AUTHENTICATION DATE:

Trustee’s Certificate

The Bond is one of the bonds, of the Series designated therein, described in the within-mentioned Resolution.

THE BANK OF NEW YORK MELLON
Trustee

By: __________________________
   Authorized Officer
FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

______________________________________________________________________________
(Please insert Social Security or Taxpayer Identification Number of Transferee)

______________________________________________________________________________
(Please print or typewrite name and address, including zip code of Transferee)

______________________________________________________________________________
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

______________________________________________________________________________
attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: ______________

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member or participant of a signature guarantee program.

NOTICE: The signature above must correspond with the name of the Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or change whatsoever.
STATEMENT OF INSURANCE [if any]

__________________________________________________________________________ New York, New York, has delivered its municipal bond insurance policy (the “Policy”) with respect to the scheduled payments due of principal of and interest, including principal and interest due by operation of scheduled mandatory sinking fund redemption, on this Bond to The Bank of New York Mellon, New York, New York, or its successor, as paying agent for the Bonds (the “Paying Agent”). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from ___________ or the Paying Agent.
POWER AUTHORITY OF THE STATE OF NEW YORK
Transmission Project Revenue Bonds Series 2021A

CONTRACT OF PURCHASE

[Sale Date]

POWER AUTHORITY OF THE
STATE OF NEW YORK
123 Main Street
White Plains, New York 10601

Dear Ladies and Gentlemen:

The undersigned, Goldman Sachs & Co. LLC, on behalf of itself and the underwriters named in Schedule I hereto, as said schedule may from time to time be changed by the Representative as defined below prior to the Closing, as defined below (herein collectively called the “Underwriters”), offer to enter into the following agreement with the Power Authority of the State of New York (the “Authority”) relating to the $[Par Amount] aggregate principal amount of the Authority’s Transmission Project Revenue Bonds Series 2021A (the “Bonds”). Under the circumstances described herein, Goldman Sachs & Co. LLC will serve as the representative (the “Representative”) for the other Underwriters. The offer made hereby is subject to acceptance by the Authority by execution of this Contract of Purchase and delivery thereof to the undersigned at or prior to 10:00 P.M., New York time, on the date first above written. Upon acceptance of such offer by the Authority, this Contract of Purchase will be binding upon the Authority and the Underwriters.

1. Purchase, Sale and Closing

(a) Bonds. In reliance on the representations and warranties of the Authority contained herein and subject to the satisfaction of the terms and conditions which can be performed at or prior to the Closing (as defined herein) set forth herein to which the obligations of the Underwriters are subject, the Underwriters will, jointly and severally, purchase from the Authority, and the Authority will sell to the Underwriters, all (but not less than all) of the Bonds. The Bonds shall be as described in the Official Statement and the Resolution (as hereinafter described) and shall be issued pursuant to the Resolution and the Act, all as hereinafter defined. The aggregate price to be paid by the Underwriters for the Bonds is $__________ (which price reflects the principal amount of the Bonds of $[Par Amount], less an aggregate underwriting discount of $__________, plus an aggregate premium (net of discount) of $__________). The Bonds shall be as described in, and shall be issued pursuant to, the General Resolution authorizing Transmission Project Revenue Obligations (the “General Resolution”), adopted on __________, as amended and supplemented to the date hereof by Supplemental Resolution 2021-1 (the “Supplemental Resolution” and, collectively with the General Resolution, the “Resolution”), adopted on __________, authorizing the issuance and sale of the Bonds, in the forms heretofore delivered to the Representative, all as described in the Official Statement (as defined herein) and on Exhibit A attached hereto. Pursuant to the Resolution, [Trustee], [New York, New York], has been appointed trustee with respect to the Bonds (the “Trustee”). Capitalized terms used herein and not otherwise defined herein shall have the meaning set forth in the Resolution.
The proceeds of the Bonds are expected to be used to finance or refinance the development, construction, improvement, operation, maintenance or ownership of certain electrical transmission facilities in the State of New York.

(b) Closing and Delivery. The Closing will be held at such time and place on [Closing Date], or such other date as shall have been mutually agreed upon by the Representative and the Authority (the “Closing”). No extension of the Closing date beyond [Closing Date] will be permitted without the written approval of both the Representative and the Authority. At the Closing, the Authority will deliver, or cause to be delivered, to the Representative for the account of the Underwriters, the Bonds, in fully registered form, bearing proper CUSIP numbers, duly executed by the Authority and authenticated by the Trustee, together with the other documents hereinafter mentioned, and the Representative, on behalf of the Underwriters, will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1(a) hereof by delivering to the Authority a check or wire payable in federal funds or other immediately available funds to the order of the Authority, in the amount of such purchase price.

The Bonds will be delivered in registered form in denominations of [$5,000 or any integral multiple thereof] and registered in the name of Cede & Co., as nominee of The Depository Trust Company, and will be made available to the Representative for inspection not less than 24 hours prior to the Closing.

It shall be a condition to the Underwriters’ obligation to purchase and accept delivery of the Bonds that all the Bonds be sold and delivered by the Authority at the Closing. It shall be a condition to the Authority’s obligation to sell and deliver the Bonds to the Underwriters that all of the Bonds be accepted and paid for by the Underwriters at the Closing.

2. Commitment

(a) Upon execution of this Contract of Purchase by the Authority and the Representative, on behalf of itself and the other Underwriters, this Contract of Purchase shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriters.

(b) If the Underwriters shall fail to pay for and accept delivery of the Bonds other than for a reason permitted hereunder, they jointly and severally shall owe the Authority liquidated damages in the aggregate amount of 1% of the aggregate principal amount of the Bonds (the “Liquidated Damages”). The parties acknowledge and agree that the payment to the Authority of the Liquidated Damages is agreed upon compensation for the Authority’s lost bargain upon such failure, and that the Liquidated Damages (i) are not unconstitutional or otherwise prohibited by law, (ii) do not and will not constitute a conversion or unjust enrichment of the Authority, (iii) are unequivocal, fair and reasonable under the circumstances, (iv) shall constitute the Authority’s sole and exclusive compensation for such failure, and (v) were bargained for and derived through mutual negotiations among the parties and constitute a material and integral part of this Contract of Purchase.

3. Documents

As soon as practicable after its preparation, the Authority shall deliver to the Representative two counterparts of the Official Statement of the Authority relating to the Bonds, together with such changes as shall have been approved by the Representative (which, together with all exhibits, appendices, diagrams, reports and statements included or incorporated by specific cross reference therein or attached thereto, is herein called the “Official Statement”), dated [Sale Date], and executed by conformed signature on behalf of the Authority by its Chairman or President and Chief Executive Officer. The Official Statement shall be substantially in the form of the Preliminary Official Statement, dated [POS
Within seven (7) business days hereof (but not later than three (3) business days prior to the delivery of the Bonds), the Authority shall deliver to the Representative copies of the Official Statement in sufficient quantity as may reasonably be requested by the Representative in order to comply with the rules of the Securities and Exchange Commission (the “SEC”), including, without limitation, Rule 15c2-12 (“Rule 15c2-12”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Municipal Securities Rulemaking Board (“MSRB”), and conformed copies of a final Official Statement in “designated electronic format” (as defined in MSRB Rule G-32), with only such changes as shall have been approved by the Representative, which approval shall not be unreasonably withheld. The Authority authorizes the use of any and all such material (including specifically copies of the Preliminary Official Statement, the Official Statement, the Resolution and the information therein contained) in connection with the public offering and sale of the Bonds.

The Authority hereby authorizes the Underwriters to file the Official Statement with the MSRB’s Electronic Municipal Market Access (EMMA) system.

The Authority agrees that it will cooperate in qualifying the Bonds for offering and sale under the “Blue Sky” or other securities laws of those jurisdictions designated by the Underwriters; provided, however, that the Authority shall not be required to qualify to do business in any jurisdiction nor shall the Authority be required to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject.

4. **Representations of the Authority**

The Authority acknowledges that the Bonds will be sold to the Underwriters and that the Underwriters will purchase the Bonds in reliance upon the representations and warranties set forth herein and upon the information contained in the Official Statement. Accordingly, the Authority represents and warrants to each of the Underwriters that:

(a) **Organization; Power.** The Authority is and will be at the Closing a duly organized and existing body corporate and politic constituting a corporate municipal instrumentality and political subdivision of the State under the laws of the State with the powers and authority set forth in the Power Authority Act of the State of New York, Title I of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (the “Act”), and as such has and will have at the Closing the legal right to adopt and engage in the transactions contemplated by the Resolution, the Continuing Disclosure Agreement (as defined herein), the Official Statement and this Contract of Purchase.

(b) **Action by the Authority.** The Authority has authorized by appropriate action (i) the issuance and sale of the Bonds upon the terms herein and as set forth in the Official Statement and the Resolution, (ii) the use of the proceeds from the sale of the Bonds as described in the Official Statement, (iii) the execution, delivery, performance, acceptance, approval and receipt, as the case may be, of this Contract of Purchase, the Bonds, the Resolution, the Continuing Disclosure Agreement and the Official Statement, and (iv) the taking of any and all such action as may be required to carry out, give effect to and consummate the transactions contemplated therein and herein.
(c) **Valid Obligations.** When delivered to and paid for by the Representative on behalf of the Underwriters at the Closing in accordance with the provisions of this Contract of Purchase, the Bonds will have been duly authorized, executed, issued and delivered and will constitute valid, binding and enforceable obligations of the Authority in conformity with the Act and the Resolution and will be entitled to the benefit and security thereof.

(d) **No Defaults.** The Authority is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any bond, debenture, note or other evidence of indebtedness of the Authority or any mortgage, deed of trust, indenture or other agreement or instrument pursuant to which indebtedness of the Authority was incurred. Neither the adoption of the Resolution, the execution and delivery of this Contract of Purchase, the Bonds, the Continuing Disclosure Agreement and the Official Statement, the consummation by the Authority of the transactions contemplated thereby and hereby, nor the compliance by the Authority with the provisions thereof and hereof, will result in any breach of the terms, conditions or provisions of, conflict with, or constitute a breach of or a default (or any event which with the passage of time or the giving of notice, or both, would become a default) under (i) the Act, any currently effective resolution of the Authority, or any contract, agreement or instrument pursuant to which the Authority is a party, (ii) the constitution of the United States or of the State, or (iii) any existing law, administrative regulation, court order or consent decree to which the Authority is subject.

(e) **Security.** Upon their due issuance and sale as contemplated herein, the Bonds will be payable solely from and secured by a pledge of the Trust Estate. In addition, other than the other liens and encumbrances described in the Preliminary Official Statement and the Official Statement, there are no liens or encumbrances on the Trust Estate, and, other than as described in the Preliminary Official Statement and the Official Statement, the Authority has not entered into any contract or arrangement of any kind, and, to the knowledge of the Authority, there is no existing, pending, threatened or anticipated event or circumstance, which might give rise to any such lien or encumbrance.

(f) **Offering Documents.** The Authority has authorized and hereby ratifies the use of the Preliminary Official Statement and authorizes the use of the Official Statement and the information contained therein furnished by or on behalf of the Authority and the use of copies of the Resolution, in connection with the public offering and sale of the Bonds by the Underwriters. Prior to the date hereof, the Authority delivered to the Representative the Preliminary Official Statement together with a certificate of the Authority stating that the Preliminary Official Statement is deemed final as of its date for purposes of Rule 15c2-12, except for the information not required to be included therein under Rule 15c2-12, and in form and substance as attached hereto as Schedule II.

(g) **Preliminary Official Statement.** As of its date and at the time of the Authority’s acceptance hereof, the statements and information contained in the Preliminary Official Statement, excluding any information about book-entry or DTC, were and are true, correct and, except for the information not required to be included in the Preliminary Official Statement under Rule 15c2-12, complete, and such Preliminary Official Statement did not and does not contain any untrue statement of a material fact or, except for the information not required to be included in the Preliminary Official Statement under Rule 15c2-12, omit to state any material fact necessary in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading.
(h) **Official Statement.** Both at the time of the Authority’s acceptance hereof and at the Closing, the statements and information contained in the Official Statement (as the same may be supplemented or amended with the approval of the Representative, which approval shall not be unreasonably withheld), excluding any information about book-entry or DTC, are and will be true, correct and complete and such Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading. If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and (unless subsequently supplemented or amended pursuant to Section 10 hereof), at all times during the period from the date of such supplement or amendment to the end of the period described in Section 10 hereof, the Official Statement (except for any information about book-entry or DTC, as to which no representation or warranty is made) as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary, in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(i) **Litigation.** Except for the matters disclosed in the Preliminary Official Statement and the Official Statement, there is no pending, or to the knowledge of the Authority threatened, legal, administrative or judicial proceeding to which the Authority is or would be a party: (i) contesting the official existence or powers of the Authority; (ii) contesting or affecting the authority for the issuance of the Bonds, or seeking to restrain or enjoin the issuance or the delivery of the Bonds; (iii) contesting or affecting the validity of the Bonds, the Resolution, the Continuing Disclosure Agreement or this Contract of Purchase; (iv) contesting the use of the proceeds of the Bonds as contemplated in the Official Statement; (v) seeking to restrain or enjoin the collection of the Revenues available for or pledged to the Bonds under the Resolution; or (vi) involving the possibility of any judgment or uninsured liability which may result in any material adverse change in the business, properties, assets or financial condition of the Authority.

(j) **Filings or Approvals.** All approvals, consents or orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to, or the absence of which would materially adversely affect, the lawful performance by the Authority of its obligations hereunder and under the Resolution and the Bonds have been obtained and are in full force and effect, except for the approval of the Comptroller of the State provided for in Section 1010-a of the Public Authorities Law of the State of New York.

(k) **Additional Certificates.** Any certificates signed by any authorized officer of the Authority and delivered to the Underwriters pursuant to this Contract of Purchase shall be deemed a representation and warranty by the Authority to the Underwriters as to the statements made therein with the same effect as if such representation and warranty were set forth by the Authority herein.

(l) **Continuing Disclosure Agreement.** At or prior to the Closing, the Authority shall have duly authorized, executed and delivered a continuing disclosure agreement (the “Continuing Disclosure Agreement”) substantially in the form of [Appendix G] to the Official Statement. Except as described in the Preliminary Official Statement and the Official Statement, the Authority has been in compliance with all of its continuing disclosure obligations under Rule 15c2-12.
5. **Underwriters’ Representations Regarding “Issue Price”**

(a) The underwriters agree to assist the Authority in establishing the issue price of the Bonds and the Representative shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, substantially in the form attached hereto as Exhibit B (the “Issue Price Certificate”), together with the supporting pricing wires or equivalent communications, with such modifications as may be deemed appropriate or necessary, in the reasonable judgment of the Representative and the Authority, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the Public (as defined below) of the Bonds.

(b) The Authority represents that it will treat the first price at which 10% of each maturity of the Bonds (the “10% Test”) is sold to the Public as the issue price of that maturity. At or promptly after execution of this Contract of Purchase, the Representative shall report to the Authority the price or prices at which the Underwriters have sold to the Public each maturity of the Bonds that have satisfied the 10% Test. If at that time, the 10% Test has not been satisfied as to any maturity of the Bonds, the Representative agrees to promptly report to the Authority the prices at which Bonds of that maturity have been sold by the underwriters to the Public. That reporting obligation shall continue whether or not the Closing has occurred until either (i) all Bonds of that maturity have been sold or (ii) the 10% Test has been satisfied as to the Bonds of that maturity, provided that, the underwriters’ reporting obligation after the Closing may be at reasonable periodic intervals or otherwise upon the request of the Representative or the Authority. For purposes of this Section 5, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of Bonds.

(c) For purposes of paragraphs (a), (b) and (c) of this Section 5, (i) the term “Public” shall mean any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an underwriter or a related party to an underwriter and the term “related party” for purposes of such paragraphs of this Section 5 means any two or more persons who have greater than 50 percent common ownership, directly or indirectly and (ii) the term “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the Representative to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public.

6. **Conditions to the Underwriters’ Obligations**

The obligations of the Underwriters to purchase the Bonds are subject to the fulfillment by the Authority of the following conditions at or before the Closing. Should any of the following conditions not be fulfilled, the obligations of all the Underwriters under this Contract of Purchase shall terminate and neither the Authority nor the Underwriters shall have any further obligations hereunder except as provided in Sections 2(b) and 9 hereof.

(a) The Authority’s representations contained in Section 4 hereof shall be true, correct and complete as of the Closing and shall be confirmed at the Closing by certificates, signed by authorized officers of the Authority, in form and substance satisfactory to the Underwriters and their counsel.

(b) On or prior to the Closing: (i) this Contract of Purchase, the General Resolution and the Supplemental Resolution shall each be valid, binding and in full force and effect; (ii) the Bonds shall have been duly authorized, issued, executed, attested and authenticated in accordance with the provisions of the Resolution and the Act, and delivered; and (iii) the Authority shall have duly adopted and there shall be in
force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(c) At or prior to the Closing, unless otherwise agreed to by the Representative in writing, the Representative shall receive the following:

(i) The opinion of Hawkins Delafield & Wood LLP, as Bond Counsel, dated the date of the Closing and addressed to the Authority, substantially in the form of [Appendix F] to the Official Statement, together with reliance letters addressed to the Underwriters and the Trustee.

(ii) The supplemental opinion of Hawkins Delafield & Wood LLP, as Bond Counsel, dated the date of the Closing and addressed to the Authority and the Underwriters, and in form and substance as attached hereto as Schedule III.

(iii) The opinion of Nixon Peabody LLP, Disclosure Counsel to the Authority, dated the date of the Closing and addressed to the Authority and the Underwriters, and in form and substance as attached hereto as Schedule IV.

(iv) An opinion of the General Counsel of the Authority, dated the date of Closing and addressed to the Underwriters, in form and substance as attached hereto as Schedule V.

(v) The opinion of Orrick, Herrington & Sutcliffe LLP, as counsel to the Underwriters, dated the date of Closing and addressed to the Underwriters, and in form and substance as attached hereto as Schedule VI.

(vi) A certificate executed by a duly authorized officer of the Authority, dated the date of the Closing, to the effect that (a) the conditions set forth in Section 202 of the General Resolution have been satisfied and (b) there has been no material adverse change in the affairs or financial condition of the Authority from that described in the Official Statement.

(vii) A certificate, dated the date of the Closing, executed by a duly authorized officer of the Authority, to the effect that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(viii) One copy of the General Resolution and the Supplemental Resolution, each duly certified by the General Counsel or Secretary of the Authority.

(ix) Evidence of the approval of the Comptroller of the State provided for in Section 1010-a of the Public Authorities Law of the State of New York.

(x) A copy of the Authority’s Blanket Letter of Representations.

(xi) The Bonds shall have received ratings from Moody’s Investors Service, Inc. (“Moody’s”) of “[_]”.

(xii) At or prior to the Closing, the Authority shall have duly authorized, executed and delivered the Continuing Disclosure Agreement.

(d) At the Closing, the Representative shall receive such additional certificates, instruments or opinions as Bond Counsel or counsel to the Underwriters may reasonably request to evidence the due
authorization, execution, authentication and delivery of the Bonds and the Resolution, the exclusion from gross income for federal income tax purposes of interest on the Bonds, the truth, accuracy and completeness as of the closing of the Authority’s representations and warranties contained herein, in the Official Statement and in any of certificates or documents of the Authority or officers of the Authority delivered pursuant thereto.

(c) The Official Statement, including the Appendices thereto, shall not have been amended or supplemented without the approval of the Representative, which shall not be unreasonably withheld.

7. Events Permitting the Underwriters to Terminate

The Underwriters may terminate their obligation to purchase the Bonds at any time before the Closing if any of the following should occur:

(a) (i) Legislation shall have been enacted by the House of Representatives or the Senate of the Congress of the United States, or recommended to the Congress for passage by the President of the United States or favorably reported for passage to either House of Congress by any committee of such House or by any conference committee of the two Houses of Congress or legislation shall have been proposed, or an authorized release or other written public announcement describing proposed legislation or proposing legislation shall have been issued, by the President of the United States, the Secretary of the Treasury or the Chairman or ranking minority member of the House Ways and Means Committee or the Senate Finance Committee, all subsequent to the date hereof, or (ii) a decision shall have been rendered by the United States Tax Court or by a court established under Article III of the Constitution of the United States or (iii) an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or any other agency of the United States, or (iv) an authorized release or official statement shall have been issued by the Treasury Department of the United States or by the Internal Revenue Service, the effect of which in any such case described in clause (i), (ii), (iii) or (iv) would be to impose, directly or indirectly, Federal income taxation upon interest received on obligations of the general character of the Bonds or upon income received by entities of the general character of the Authority in such a manner as in the sole reasonable judgment of the Representative would materially impair the marketability or materially reduce the market price of the Bonds.

(b) Any action shall have been taken by the SEC or by a court including, without limitation, the issuance or making of a stop order, release, regulation, or no-action letter by or on behalf of the SEC, or by any other governmental agency having jurisdiction of the subject matter, or legislation shall have been enacted by the House of Representatives or the Senate of the Congress of the United States, or recommended to the Congress for passage by the President of the United States or favorably reported, subsequent to the date hereof, for passage to either House of the Congress by any Committee of such House, which would require registration of any security under the Securities Act of 1933, as amended, or the Exchange Act, or qualification of any indenture under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Bonds, or would cause the issuance, offering, or sale of the Bonds, including all the underlying obligations as contemplated hereby or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, to be in violation of any provision of the federal securities laws at the Closing date, including any of the above-mentioned Acts, or any action shall have been taken by any court or by any governmental authority suspending the use of the Official Statement, or any amendment or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority.

(c) (i) There shall exist any event described in Section 10 hereof which in the opinion of the Representative requires a supplement or amendment to the Official Statement; provided, however, that
the Underwriters shall, if requested by the Authority, circulate to purchasers a supplement or amendment to the Official Statement reflecting such event, and if such supplement or amendment is so circulated the Underwriters shall only be entitled to terminate this Contract of Purchase pursuant to this clause, if, as a result of such circulation, the marketability of the Bonds or the market price thereof, in the opinion of the Representative, has been materially adversely affected; or (ii) the ratings for the Bonds shall have been lowered below the ratings specified in Section 6(c)(xi) hereof, or withdrawn, by Moody’s, and in the opinion of the Representative, the marketability of the Bonds or the market price thereof has been materially adversely affected thereby.

(d) The marketability of the Bonds, the market price thereof, or the ability of the Underwriters to enforce contracts for the sale of the Bonds shall have been materially and adversely affected, in the judgment of the Representative, by (i) an amendment to the Constitution of the United States or of the State or by Federal or State legislation, (ii) a declaration of a general banking moratorium by authorities of the United States or the State, or (iii) the establishment of any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the New York Stock Exchange, the SEC, any other federal or state agency or the Congress of the United States, or by Executive Order.

(e) (i) A general suspension of trading in securities shall have occurred on the New York Stock Exchange, or (ii) there shall have occurred any outbreak or escalation of hostilities or any calamity or crisis (or material escalation in any calamity or crisis), or (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred that, in the judgment of the Representative, is material and adverse and, in the case of any of the events specified in clauses (i) - (iii), due to such event singly or together with any other such events, the market for the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds shall have been materially and adversely affected, in the judgment of the Representative.

(f) The market for the Bonds shall have been materially and adversely affected, in the judgment of the Representative, by an action, suit, or proceeding described in Section 4(i) hereof.

(g) There shall have occurred, after the execution and delivery hereof, either a financial crisis or a default with respect to the debt obligations of the Authority or proceedings under the bankruptcy laws of the United States or of the State shall have been instituted by the Authority, in either case the effect of which, in the reasonable judgment of the Underwriters, is such as to materially and adversely affect the market price or the marketability of the Bonds or the ability of the Underwriters to enforce contracts of the sale of the Bonds.

8. Notices and Other Actions

All notices, demands and formal actions hereunder will be in writing, mailed, telegraphed or delivered to:

The Authority: Power Authority of the State of New York
123 Main Street
White Plains, New York 10601
Attention: Adam Barsky, Executive Vice President, Chief Financial Officer
9. **Expenses**

All costs and expenses of the Authority in connection with the authorization, issuance, sale and delivery of the Bonds and other items herein specified to be delivered to the Underwriters shall be paid for, or provision for payment made by, the Authority. Such provision for payment may include payment from the proceeds of the Bonds. Said costs and expenses shall include: the costs of printing the Bonds, the Resolution, the Preliminary Official Statement, the Official Statement and this Contract of Purchase, and all other underwriting documents required in connection with the distribution of the Preliminary Official Statement, in all cases in reasonable quantities; the fees and charges of any consultants, financial advisors, fiscal advisors, verification agents, accountants, auditors and the rating agencies employed by the Authority in connection with the issuance and sale of the Bonds; any expenses incurred in connection with qualification of the Bonds for sale and determination of their eligibility for investment under the laws of such jurisdictions as the Underwriters may designate (including reasonable fees and disbursements of counsel to the Underwriters relating thereto) and the preparation and printing of surveys in connection therewith; and the fees and expenses of Bond Counsel and Disclosure Counsel in connection with the transactions herein contemplated. The Underwriters shall have no responsibility to pay for expenses incurred on behalf of the Authority’s employees which are incidental to implementing this Contract of Purchase, including, but not limited to, meals, transportation and lodging of those employees. Except as indicated above, all expenses of the Underwriters, including specifically the fees and expenses of counsel to the Underwriters not described in the second preceding sentence, shall be paid by the Underwriters.

10. **Official Statement Amendments**

If, during the period from the date hereof to and including the date which is twenty-five (25) days from the end of the underwriting period, there shall exist any event which, in the opinion of the Representative and counsel to the Underwriters, requires a supplement or amendment to the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, when it is delivered to a potential investor, the Authority will supplement or amend the Official Statement in a form and in a manner approved by the Representative and the Authority. The Authority hereby agrees to notify the Representative if, during the period from the date hereof to and including the date which is twenty-five (25) days from the end of the underwriting period, there shall exist any event which may require a supplement or amendment to the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Unless otherwise notified in writing by the Representative on or prior to the date of Closing, the Authority may assume that the “end of the underwriting period” for the Bonds for all purposes of Rule 15c2-12 is the date of the Closing. In the event such notice is given in writing by the Representative, the Representative shall notify the Authority in writing following the occurrence of the “end of the underwriting period” for the Bonds as defined in Rule 15c2-12. Except as otherwise specifically provided herein, the “end of the underwriting period” for the Bonds as used in this Contract of Purchase shall mean the date of the Closing or such later date as to which notice is given by the Representative in accordance with the preceding sentence.
11. **No Advisory or Fiduciary Role**

The Authority acknowledges and agrees that (i) the purchase of the Bonds pursuant to this Contract of Purchase is an arm’s-length commercial transaction between the Authority and the Underwriters; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, each Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor, fiduciary, financial advisor or Municipal Advisor (as defined in Section 15B of the Exchange Act) of the Authority; (iii) none of the Underwriters has assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority on other matters) and none of the Underwriters has any obligation to the Authority with respect to the offering contemplated hereby except the obligations expressly set forth in this Contract of Purchase; (iv) the Underwriters have financial and other interests that differ from those of the Authority; and (v) the Authority has consulted its own legal, financial and other advisors to the extent it has deemed appropriate in connection with the offering of the Bonds.

12. **Miscellaneous**

No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon, on the Resolution, or on this Contract of Purchase against any member, officer or employee of the Authority or any person executing the Bonds or this Contract of Purchase.

This Contract of Purchase when accepted by the Authority in writing as heretofore specified shall constitute the entire agreement between the Authority and the Underwriters.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]
This Contract of Purchase may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all of such counterparts shall together constitute one and the same instrument. This Contract of Purchase will inure to the benefit of and be binding upon the parties and their successors, and will not confer any rights upon any other person. This Contract of Purchase shall not be binding until executed by the parties hereto. All representations, warranties and agreements by the Authority and the Underwriters in this Contract of Purchase shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters and shall survive the delivery of and payment for the Bonds. This Contract of Purchase shall be governed by, and construed in accordance with, the laws of the State. Section headings have been inserted in this Contract of Purchase as a matter of convenience of reference only, and it is agreed that such section headings are not part of this Contract of Purchase and will not be used in the interpretation of any provisions of this Contract of Purchase.

GOLDMAN SACHS & CO. LLC,
as Representative

By: _____________________________
    Joseph Natoli
    Managing Director

Accepted as of the date first set forth above

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____________________________
    Adam Barsky
    Executive Vice President, Chief Financial Officer
BOND PRICING
POWER AUTHORITY OF THE STATE OF NEW YORK
Transmission Project Revenue Bonds

$[Par Amount] Series 2021A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Goldman Sachs & Co. LLC (the “Representative”), acting on behalf of itself and [__________], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) pursuant to the Contract of Purchase, dated [Sale Date] (the “Purchase Contract”) between the Underwriters and the Power Authority of the State of New York (the “Authority”).

1. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed on Schedule 1 attached to this Certificate.

2. Defined Terms.

   (a) Authority means the Power Authority of the State of New York.

   (b) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

   (c) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

   (d) Underwriter means (i) any person that agrees pursuant to a written contract with the Authority (or with the Representative to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

   (e) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [Sale Date].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriters’ interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury Regulations thereunder. The Underwriters understand that the foregoing information will be relied upon by the Authority with respect to certain of the representations set forth in the [name of Tax Certificate] and with respect to compliance with the federal income tax rules affecting the Bonds, and by Hawkins Delafield & Wood LLP, Bond Counsel, in connection with rendering their opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice they may give to the Authority from time to time.
relating to the Bonds. The representations set forth herein are not necessarily based on personal knowledge.

[signature page follows]
GOLDMAN SACHS & CO. LLC
[

BY: GOLDMAN SACHS & CO. LLC
as Representative on behalf of the Underwriters,
including itself

By: 

Name:
Title:

Dated: [Closing Date]
SCHEDULE 1

SALE PRICES OF THE BONDS

(Attached)
LIST OF UNDERWRITERS

GOLDMAN SACHS & CO. LLC
FORM OF RULE 15c2-12 CERTIFICATE OF THE AUTHORITY

I, Adam Barsky, Executive Vice President, Chief Financial Officer of the Power Authority of the State of New York (the “Authority”), hereby certify that the Authority’s Preliminary Official Statement, dated [POS Date] (the “Preliminary Official Statement”), with respect to the Authority’s Transmission Project Revenue Bonds Series 2021A (the “Bonds”), is deemed final as of its date for purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”), except for the information not required under such paragraph of the Rule to be included therein.

As you are aware, the Preliminary Official Statement is “deemed final” (to the extent described above) for purposes of the Rule, but is subject to revisions, amendment and completion in a final Official Statement of the Authority to be issued in conjunction with the sale of the Bonds.

Dated: [POS Date]

POWER AUTHORITY OF THE STATE OF NEW YORK

By:

Adam Barsky
Executive Vice President,
Chief Financial Officer
FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[**To be provided by Bond Counsel**]
FORM OF OPINION OF DISCLOSURE COUNSEL

[**To be provided by Disclosure Counsel**]
FORM OF OPINION OF GENERAL COUNSEL OF THE AUTHORITY

[**To be provided by General Counsel**]
FORM OF OPINION OF UNDERWRITERS COUNSEL

[**To be provided by Underwriters Counsel**]
Preliminary Official Statement Dated [______], 2022

In the opinions of Co-Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, [to come]. See “TAX MATTERS” herein.

$000,000,000*

Power Authority of the State of New York
Transmission Project Revenue Bonds, Series 2022A

Dated: Date of Delivery

Due: As shown on the inside cover

The Power Authority of the State of New York (the “Authority”), a corporate municipal instrumentality and political subdivision of the State of New York (the “State”), is issuing its Transmission Project Revenue Bonds, Series 2022A (the “2022A Bonds”), to finance capital expenditures related to the Authority’s Central East Energy Connect Transmission Project (as defined herein), including reimbursement for prior capital spending, [to pay capitalized interest], [to fund a deposit to the Debt Service Reserve Fund[,] to fund the Operating Reserve Account, if necessary, and to pay the costs of issuance of the 2022A Bonds.

The 2022A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest on the 2022A Bonds, due each ______ 1 and _______ 1, commencing ______ 1, 2022, will be payable by check or draft mailed to the registered owner of the 2022A Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a registered owner of at least $1,000,000 in principal amount of the 2022A Bonds, by wire transfer to the wire transfer address within the continental United States to which the registered owner has instructed the Trustee to make such payment at least five (5) days prior to the fifteenth (15th) day of the month next preceding an interest payment date. The principal and Redemption Price of the 2022A Bonds will be payable at the principal corporate trust office of [The Bank of New York Mellon], the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a registered owner of at least $1,000,000 in principal amount of the 2022A Bonds, by wire transfer to the owner of such 2022A Bonds, as more fully described herein.

The 2022A Bonds will be issued initially under a Book-Entry-Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Individual purchases of beneficial interests in the 2022A Bonds will be made in Book-Entry form without certificates. So long as DTC or its nominee is the registered owner of the 2022A Bonds, payments of the principal and interest on such 2022A Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See “THE 2022A BONDS – Book-Entry-Only System” herein.

The 2022A Bonds are payable solely from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), after the payment of Operating Expenses, including all revenues [(except the Transmission Securitization Charge)] derived directly or indirectly from the Authority’s Transmission Project designated to be financed pursuant to the Transmission Resolution, and all funds and accounts (other than the Decommissioning Reserve Account) established under the Authority’s General Resolution Authorizing Transmission Project Revenue Obligations, adopted December ___, 2021 (the “2021 Resolution”), as supplemented by the Authority’s First Supplemental Resolution Authorizing Transmission Project Revenue Obligations, adopted December ___, 2021 authorizing such Series (the “First Supplemental Resolution”). The 2021 Resolution and the First Supplemental Resolution are herein collectively referred to as the “Transmission Resolution.” The 2022A Bonds will be the first Series of Bonds issued under the Transmission Resolution. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2022A BONDS” herein.

The financing of the Transmission Project under the Transmission Resolution will be undertaken by the Authority as a Separately Financed Project, as described herein, as permitted under the Authority’s General Resolution Authorizing Revenue Obligations, dated February 24, 1998, as amended and supplemented (the “1998 Resolution”) and the 2022A Bonds are not payable from nor secured by revenues pledged directly or indirectly under the Authority’s 1998 Resolution.

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

The 2022A Bonds are subject to redemption prior to maturity as more fully described herein.

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

Goldman Sachs & Co. LLC

[________, 2022]
$000,000,000*

Power Authority of the State of New York
Transmission Project Revenue Bonds, Series 2022A

$__________
Serial Bonds

<table>
<thead>
<tr>
<th>Maturity*</th>
<th>Principal Amount†</th>
<th>Interest Rate</th>
<th>Price</th>
<th>CUSIP‡</th>
</tr>
</thead>
</table>

$______ % Term Bonds due __________, 20___*, Yield _____% CUSIP† __________

* Preliminary, subject to change.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority or the Underwriters and are included solely for the convenience of the registered owners of the applicable 2022A Bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2022A Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2022A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2022A Bonds.
No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations, other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2022A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

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

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

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


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

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

Issuer......................... Power Authority of the State of New York (the “Authority”) is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”). The Authority generates, transmits, purchases and sells electric power and energy as authorized by law. The Authority’s customers include municipal and rural electric cooperatives located throughout the State, local governments, investor-owned utilities, high load factor industrial customers, commercial/industrial and not-for-profit businesses, and various public corporations located within the metropolitan area of The City of New York (the “City”) and certain neighboring states.

The 2022A Bonds ............... The Transmission Project Revenue Bonds, Series 2022A (the “2022A Bonds”) are being offered in the principal amount per maturity and bearing the interest rates set forth on the inside cover page of this Official Statement. The 2022A Bonds will be issued pursuant to the Authority’s General Resolution Authorizing Transmission Project Revenue Obligations, adopted [_______], 2021 (the “2021 Resolution”), as supplemented by the Authority’s First Supplemental Resolution, adopted [______] authorizing the 2022A Bonds (the “First Supplemental Resolution”). The 2021 Resolution and the First Supplemental Resolution are herein collectively referred to as the “Resolution.”

Purpose of Issue ................ The 2022A Bonds are being issued to finance capital expenditures related to the Authority’s Central East Energy Connect Transmission Project (as defined herein), including reimbursement for prior capital spending, [to pay capitalized interest], [to fund a debt service reserve fund], to fund the Operating Reserve Account, if necessary, and to pay the costs of issuance of the 2022A Bonds.

Denominations ................. The 2022A Bonds are issuable in the denominations of $5,000 or any integral multiple thereof.

Interest Payment Dates ........ Interest on the 2022A Bonds is due each [____] 1 and [____] 1, commencing [____] 1, 2022.

Redemption ..................... The 2022A Bonds are subject to optional and mandatory redemption or tender prior to maturity on the dates and at the redemption prices described herein under the caption “THE 2022A BONDS – Redemption Provisions.”

Central East Energy Connect Transmission Project............... In accordance with the authorization provided in the Authority’s General Resolution Authorizing Revenue Obligations, dated February 24, 1998, as amended and supplemented (the “1998 Resolution”), the Authority is designating a transmission project as a Separately Financed Project (as defined in the 1998 Resolution) to be known at the “Central East Energy Connect Transmission Project.”

Separately Financed Transmission Project.......... The 1998 Resolution provides that bonds may be issued under the 2021 Resolution for the purpose of financing, operating and maintaining any project, facility, system, equipment, or material related to or necessary or desirable in connection with the transmission or distribution of electric energy, whether owned or leased jointly or singly by the Authority, including any transmission capacity in which the Authority has an interest or which it has a contractual right to use,
heretofore or hereafter authorized by the Act or by other applicable State statutory provisions which has been designated by Authority as a “Separately Financed Project” under the 1998 Resolution. The Central East Energy Connect Transmission Project is being designated as a Separately Financed Project in accordance with the 1998 Resolution and designated as a Transmission Project for purposes of the Transmission Resolution that is eligible to collect a transmission revenue requirement (“TRR”) through the New York Independent System Operator (the “NYISO”). See “TRANSMISSION REVENUE REQUIREMENT” herein.

Security for the 2022A Bonds

The 2022A Bonds will be payable solely from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), after the payment of Operating Expenses, including all revenues [(except the Transmission Securitization Charge)] derived directly or indirectly from the Authority’s Transmission Project and all funds and accounts (other than the Decommissioning Reserve Account) established under the Transmission Resolution. [A Debt Service Reserve will be funded for the 2022A Bonds[to be confirmed] The Transmission Resolution an Operating Reserve Account to be funded in an amount equal to 50% of annual budgeted Operating Expenses. That amount, if any, set aside by the Authority in the Operating Reserve Account may be used by the Authority at such time or times and in such amounts as determined by the Authority for the purpose of paying all or a portion of the interest on and the principal or Redemption Price of the Obligations on their respective due dates or redemption dates, as the case may be. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2022A BONDS.”

The Transmission Project to be financed with the proceeds of the 2022A Bonds constitutes a Separately Financed Project (herein defined) under the Authority’s 1998 Resolution and the 2022A Bonds are not payable from nor secured by revenues pledged directly or indirectly under the Authority’s 1998 Resolution (herein defined). Owners of the 2022A Bonds will not have any rights to nor be secured by any Authority revenues pledged to the payment of obligations issued under the Authority’s 1998 Resolution. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2022A BONDS.”

Plan of Finance

The proceeds of the 2022A Bonds will be used to finance capital expenditures related to the Central East Energy Connect Transmission Project (as defined herein), including reimbursement for prior capital spending, [to pay capitalized interest], [to fund a debt service reserve fund], to fund the Operating Reserve Account, if necessary, and to pay the costs of issuance of the 2022A Bonds. See “PLAN OF FINANCE.”

Additional Indebtedness

Except for certain refunding bonds, the Authority may issue Additional Obligations pursuant to the Transmission Resolution, payable and secured on a parity with the 2022A Bonds, provided that the costs of a Transmission Project to be financed with such Obligations are eligible or expected to be eligible to be recovered as part of the Authority’s TRR or under a another approved tariff and subject to an additional bonds test establishing that Revenues are at least equal to 120% of Debt Service and 100% of Operating Expenses and any Required Payments on a historical basis for any 12 consecutive month period months out of the 18 months immediately preceding the date of issue of such Obligations on estimated basis for the five-year period beginning with the Fiscal Year in which such Obligations are issued and ending with the fifth full Fiscal Year after such date, in either calculated in accordance with the requirements of the Transmission Resolution. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2022A BONDS.”
Registration of the Series

2022A Bonds

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

Tax Considerations

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

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

Trustee

[The Bank of New York Mellon]

Authority’s Financial Advisor

PFM Financial Advisors LLC. See “MUNICIPAL ADVISOR.”

Ratings

[Moody’s Investors Service, Inc., S&P Global Ratings, a division of Standard & Poor’s Financial Services, LLC, and Fitch Ratings have assigned ratings of “[__]”, “[__]”, and “[__]”, respectively, to the 2022A Bonds][Confirm]. See “RATINGS.”
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OFFICIAL STATEMENT
of the
POWER AUTHORITY OF THE STATE OF NEW YORK

$[__________]$*
TRANSMISSION PROJECT REVENUE BONDS, SERIES 2022A

This Official Statement provides certain information concerning the Power Authority of the State of New York (the “Authority”) in connection with the issuance of the Authority’s Transmission Project Revenue Bonds, Series 2022A (the “2022A Bonds”). The 2022A Bonds are authorized to be issued pursuant to the Power Authority Act of the State of New York, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the "Act"), and the Authority’s General Resolution Authorizing Transmission Project Revenue Obligations, adopted on December [__], 2021 (the “2021 Resolution”), as supplemented by the Authority’s First Supplemental Resolution Authorizing Transmission Project Revenue Obligations, adopted on December [__], 2021, authorizing such Series (the “First Supplemental Resolution”). The 2021 Resolution and the First Supplemental Resolution are herein collectively referred to as the “Resolution.” All words and terms which are defined in the Transmission Resolution are used herein as so defined.

INTRODUCTION

The Authority is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”) created in 1931 by the Act, and has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. The mission of the Authority is to power the economic growth and competitiveness of the State by providing customers with low-cost, clean, reliable power and the innovative energy infrastructure and services they value. The Authority generates, transmits, purchases and sells electric power and energy as authorized by law. The Authority’s customers include municipal and rural electric cooperatives located throughout the State, local governments, investor-owned utilities, high load factor industrial customers, commercial/industrial and not-for-profit businesses, and various public corporations located within the metropolitan area of The City of New York (the “City”), including the City, and certain neighboring states.

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

The Authority is designating and establishing the Central East Energy Transmission Project as a “Separately Financed Project” under the 1998 Resolution for the purpose of financing, operating and maintaining any project, facility, system, equipment, or material related to or necessary or desirable in connection with the transmission or distribution of electric energy, whether owned or leased jointly or singly by the Authority, including any transmission capacity in which the Authority has an interest or which it has a contractual right to use, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions which has been designated by Authority as a “Separately Financed Project” under the 1998 Resolution and a “Transmission Project” for purposes of the Transmission Resolution that is eligible to collect a transmission revenue requirement (“TRR”) through the New York

* Preliminary, subject to change.
Independent System Operator (the “NYISO”) (the “Transmission Project). See “TRANSMISSION REVENUE REQUIREMENTS” herein.

The Authority is authorizing the issuance of the 2022A Bonds to finance costs of the Central East Energy Connect Transmission Project that will be designated as a “Transmission Project” under the Transmission Resolution as more particularly described in “APPENDIX A – THE 2022A TRANSMISSION PROJECTS.” Accordingly, the 2022A Bonds are not payable from nor secured by 1998 Resolution Revenues and owners of the 2022A Bonds will not have any rights to nor be secured by any Authority revenues pledged to the payment of obligations issued under the Authority’s 1998 Resolution.

The 2022A Bonds will be issued pursuant to the 2021 Resolution, the First Supplemental Resolution and the Act.

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

Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for Obligations, including the 2022A Bonds, issued under the 2021 Resolution. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the 2021 Resolution and the First Supplemental Resolution for a more complete description of such provisions. Copies of the Act, the 2021 Resolution and the First Supplemental Resolution are on file with the Authority and the Trustee. See also “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION RESOLUTION” for a more complete statement of the rights, duties and obligations of the parties thereto.

The 2021 Resolution authorizes the issuance of Obligations to finance, operate and maintain transmission projects that are eligible to collect a TRR through the NYISO. All Obligations, including the 2022A Bonds, issued under the 2021 Resolution are payable from Revenues and secured by a pledge of the Trust Estate, subject to no prior pledge or lien.

**General**

The Authority has no taxing power, and its obligations are not debts of the State or of any political subdivision of the State, other than the Authority. The 2022A Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority. The issuance of the 2022A Bonds will not obligate the State or any of its political subdivisions to levy or pledge the receipts from any form of taxation for the payment of the 2022A Bonds.

For a description of other provisions of the 2021 Resolution related to the security for Obligations, including the 2022A Bonds, see “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION RESOLUTION.”

**Revenues**

Revenues consist of all revenues, rates, fees, charges, rents, proceeds from the sale of Transmission Project assets, proceeds of insurance, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from the ownership or operation of any Transmission Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose and not including 1998 Resolution Revenues or Transition Charges (as defined in the 1998 Resolution); provided, however, that Revenues shall not include any Transmission Securitization Charge or any amounts held in the Decommissioning Reserve Account.

Revenues received by the Authority in respect of the Transmission Project will be deposited upon receipt into a segregated account held by the Authority and the Authority shall, as promptly as practicable after receipt thereof and in all events within two Business Days of receipt, deposit all Revenues in the Revenue Fund, unless required by the Transmission Resolution to be deposited to any other Fund or Account.
Trust Estate

The Trust Estate consists of, collectively, (i) all Revenues; (ii) the proceeds of sale of Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the 2021 Resolution other than the Decommissioning Reserve Account, including investment earnings thereon; and (iv) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security for Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee.

The Trust Estate does not include any real property, structures, facilities, or equipment owned by the Authority nor does the Trust Estate include the 1998 Resolution Revenues.

Application of Revenues

The 2021 Resolution requires that the Authority, as promptly as practicable and in all events within two Business Days of receipt, deposit all Revenues in the Revenue Fund, unless required by the Transmission Resolution to be deposited to any other Fund or Account. Amounts in the Revenue Fund are to be withdrawn on or prior to the last Business Day of each calendar month and deposited in the following order of priority and in the following amounts:

(a) to the Operating Fund, the amount determined by the Authority from time to time to be deposited thereto which amount shall be not less than the aggregate amount of Operating Expenses expected to be payable in the next succeeding calendar month less the amount then held in the Operating Fund to pay Operating Expenses;

(b) to the Debt Service Fund in an amount equal to not less than the amount payable as Debt Service payable in the next succeeding calendar month on Obligations or other Parity Debt less the amount then held in the Debt Service Fund to pay such Debt Service payable in such next calendar month;

(c) to the Operating Reserve Account to fund any shortfall in the Operating Reserve Account;

(d) to the Debt Service Reserve Fund to fund any shortfall in the Debt Service Reserve Fund in the event there is a deficiency therein;

(e) to the payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due in the next succeeding calendar month under any Subordinated Contract Obligation;

(f) to the Decommissioning Reserve Account to fund any shortfall in such account in the event that the amount held therein less than the Decommissioning Reserve Account Requirement;

(g) to the Capital Fund in the amount, if any, determined by the Authority; and

(h) on any Business Day during the last calendar month of any Fiscal Year, withdrawal in an amount and for any lawful corporate purpose, each as determined by the Authority, including, but not limited to, transfer to the 1998 Resolution Operating Fund and the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any such withdrawal, the Authority shall have transferred the amounts required to be transferred by the last Business Day of such month pursuant to paragraphs (a), (b), (c), (d), (e) or (f) above and shall have determined, taking into account, among other considerations, anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that (i) the funds to be so withdrawn are not expected to be needed for any of the purposes set forth in paragraphs (a), (b), (c), (d), (e), or (f) above in any future Fiscal Year, and (ii) the Authority is not in default under the Transmission Resolution and (iii) the Authority was in compliance with the Authority’s rate covenant (as described under the subheading “– Rate Covenant” herein, but without giving effect to failures not causing an Event of Default under the Transmission Resolution as further discussed in the fourth paragraph under such subheading) in the most recently completed Fiscal Year.
and in the most recently completed twelve calendar month period ending on the last day of the ninth month of such Fiscal Year (initially, the period ending September 30) (“Withdrawn 1998 Resolution Funds”).

Withdrawn 1998 Resolution Funds shall be free and clear of the lien and pledge created by the Transmission Resolution. [The Authority has authorized the release of $35 million of Withdrawn 1998 Resolution Funds to be used for Separately Financed Projects, including the Central East Energy Connect Project.]

**Rate Covenant**

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

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

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

The failure in any Fiscal Year to comply with the rate covenant shall not constitute an Event of Default if the Authority retains a Consultant for the purpose of reviewing Transmission Project fees, rates, rents, charges and surcharges and reviewing the Transmission Projects Budget. If the Consultant shall be of the opinion, as shown by a certificate filed with the Trustee, that a schedule of fees, rates, rents, charges and surcharges for the Transmission Project and such changes to the Transmission Project Budget which would provide funds to meet the requirements specified in such covenant is impracticable at that time and the Authority therefore cannot comply with such covenant, then the Authority shall seek to have such schedule of Transmission Project fees, rates, rents, charges and surcharges as is recommended in such certificate by the Consultant to comply as nearly as practicable with such covenant be established by the appropriate regulatory authority or authorities and implement such changes to the Transmission Projects Budget as may be recommended in such Certificate by the Consultant, and in such event the failure of the Authority to comply with the rate covenant shall not constitute an Event of Default.
The rates for power generated and transmission service provided by the Authority are subject neither to the provisions of the New York Public Service Law (the “Public Service Law”) nor to regulation by the New York Public Service Commission (the “PSC”). The rates of any Transmission Project financed or refinanced from proceeds of bonds issued under the Transmission Resolution, including the Central East Energy Transmission Project, will be subject to approval by FERC. See “[section reference]” herein.

The Authority, being engaged in the wholesale transmission, sale and purchase of electricity, is a “Market Participant” in the NYISO. The NYISO collects charges associated with the use of transmission facilities for wholesale transactions, including the Authority’s transmission facilities, and remits the proceeds of such charges to the transmission owners in accordance with its tariff. Similarly, the NYISO collects charges associated with the sale of energy, capacity and ancillary services in the NYISO markets and remits the proceeds of such charges to the sellers of the electricity in accordance with their respective bids and applicable NYISO market procedures (see “NEW YORK INDEPENDENT SYSTEM OPERATOR”).

**Covenant Regarding Transmission Projects**

The Transmission Resolution also requires the Authority to operate or cause to be operated each Transmission Project in a sound and economical manner and to maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, in good repair, working order and condition, and from time to time to make all necessary and proper repairs, replacements and renewals so that at all times the operations thereof may be properly and advantageously conducted. The Transmission Resolution permits the Authority to cease operating or maintaining, and to lease or dispose of, any Transmission Projects if, in the judgment of the Authority, it is advisable to lease, dispose of, or not to operate and maintain the same and the operation thereof is not essential to the maintenance and continued operation of the rest of the Authority’s Transmission Projects. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION RESOLUTION.”

**Maintenance of Transmission Projects as Separately Financed Projects Under the 1998 Resolution**

The Authority has covenanted in the Transmission Resolution to pay all the debt service on all Obligations and all such other bonds, notes, or other obligations or evidences of indebtedness, if any, issued to finance Transmission Projects and the Authority’s share of any operating expenses related to such Transmission Projects (including, without limitation, Operating Expenses), solely from Revenues or Withdrawn 1998 Resolution Funds. The Authority has also covenanted to keep the Funds and Accounts established under the Transmission Resolution separate and distinct from those established under the 1998 Resolution and any other bond resolution of the Authority.

All contracts expected to require payments by the Authority of an amount greater than $_______ in any Fiscal Year entered into on and after the initial issuance of Obligations under the Transmission Resolution solely for the purpose of constructing and operating Transmission Projects, for paying Operating Expenses or Capital Costs of Transmission Projects, or in connection with any Obligations, Subordinated Indebtedness or Subordinated Contract Obligations shall expressly provide that amounts payable by the Authority thereunder shall be payable solely from Revenues and from other moneys available under the terms of this Resolution and that such amounts are not payable from Revenues (as defined in the 1998 Resolution) except in accordance with the provisions of the 1998 Resolution and then solely to the extent that the Authority’s Trustees determine that such moneys are available in accordance with such provisions.

**Additional Obligations and Parity Debt**

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

Additional Obligations may be issued provided that, in addition to satisfying certain other requirements, the Authority delivers a certificate that evidences the Authority’s compliance with the additional bonds test set forth in the Transmission Resolution. The additional bonds test requires that, except in the case of Refunding Obligations, the Authority certify that the costs of the Transmission Projects to be financed with such Obligations are eligible or expect
to be eligible to be recovered under a FERC approved tariff as part of the Authority’s TRR and that either (i) on a historical basis Revenues for any 12 consecutive months of out the 18 calendar months immediately preceding the issuance of such Obligations is at least 120% of Debt Service, and amounts under all Parity Debt, 100% of the Operating Expenses payable in such Fiscal Year, and any required payments in such Fiscal Year, or (ii) on a projected basis net Revenues for the five fiscal years following the date of issuance of the Obligations will be at 120% of the amount of estimated Debt Service, 100% of the Operating Expenses payable in each such Fiscal Year, and any required payments, in either case calculated in accordance with the requirements of the Transmission Resolution.

For the requirements relating to the issuance of Refunding Bonds under the Transmission Resolution, see “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION RESOLUTION”.

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

THE 2022A BONDS

Description of the 2022A Bonds

The 2022A Bonds will be dated their date of delivery and will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. Interest on the 2022A Bonds is due each [_____] 1 and [_____] 1, commencing [_____] 1, 2022.

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

Interest on the 2022A Bonds will be payable by check or draft mailed to the registered owners thereof at the address thereof as it appears on the registration books held by the Trustee, or, at the option of a registered owner of at least $1,000,000 in principal amount of the 2022A Bonds by wire transfer to the wire transfer address within the continental United States to which the registered owner has instructed the Trustee to make such payment at least five (5) days prior to the fifteenth (15th) day of the month next preceding an interest payment date. The principal or Redemption Price of the 2022A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of [The Bank of New York Mellon], the Trustee and Paying Agent. As long as the 2022A Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “– Book-Entry-Only System” herein.

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

Redemption Provisions*

The 2022A Bonds are subject to optional and mandatory redemption as described below.

Optional Redemption

The 2022A Bonds maturing on or before [______], 20[_____] are not subject to optional redemption prior to maturity. The 2022A Bonds maturing after [______], 20[_____] are subject to redemption prior to maturity on or after

* Preliminary, subject to change.
[______], 20[__] in any order of maturity, at the option of the Authority, as a whole or in part at any time, at a Redemption Price of 100% of the principal amount of such 2022A Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

**Mandatory Redemption**

The 2022A Bonds maturing on [______], 20[__] are subject to mandatory sinking fund redemption, in part, on each of the dates and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amounts of 2022A Bonds specified for each of the dates shown on the following page:

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<th>Maturing [____<strong>], 20[</strong>]</th>
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<tr>
<td><img src="dollar" alt="Sinking Fund Installment" /></td>
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†

† Stated maturity.

**Notice of Redemption**

Whenever the 2022A Bonds are to be redeemed, the Trustee will give notice of the redemption of the 2022A Bonds in the name of the Authority. Such notice will be given by mailing a copy of such notice not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date. Such notice will be sent by first class mail, postage prepaid, to the registered owners of the 2022A Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee will promptly certify to the Authority that it has mailed or caused to be mailed such notice to the registered owners of the 2022A Bonds to be redeemed in the manner provided in the Transmission Resolution. Such certificate will be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Owner of a 2022A Bond to be redeemed to receive such notice will not affect the validity of the proceedings for the redemption of the 2022A Bonds.

Any notice of redemption, unless moneys are received by the Trustee prior to giving such notice sufficient to pay the principal of and premium, if any, and interest on the 2022A Bonds to be redeemed, may state that such redemption is conditional upon the receipt of such moneys by the Trustee by 1:00 P.M. (New York time) on the date fixed for redemption. If such moneys are not so received said notice will be of no force and effect, the Authority will not redeem such 2022A Bonds and the Trustee will give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

**Book-Entry-Only System**

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

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

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

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

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

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

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

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

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

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

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

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

Each person for whom a Participant acquires an interest in the 2022A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2022A BONDS.

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

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

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

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

Principal and Interest Requirements

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

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>2022A Bonds</th>
<th>Aggregate Debt Service ($ in thousands)$¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

TOTAL $ $ $

(1) Totals may not add due to rounding.

THE PLAN OF FINANCE

A portion of the proceeds of the 2022A Bonds will be used to finance capital expenditures related to the Central East Energy Connect Transmission Project (described in Appendix A hereto), including reimbursement for
prior capital spending, [to pay capitalized interest], [to fund a debt service reserve fund], to fund the Operating Reserve Account, if necessary, and to pay the costs of issuance of the 2022A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

<table>
<thead>
<tr>
<th>Estimated Sources of Funds</th>
<th>2022A Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount</td>
<td>$</td>
</tr>
<tr>
<td>[Release from 1998 Resolution]</td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td></td>
</tr>
<tr>
<td>Total Estimated Sources</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Estimated Uses of Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit to the Capital Fund</td>
<td>$</td>
</tr>
<tr>
<td>Deposit to the Operating Reserve Account</td>
<td></td>
</tr>
<tr>
<td>[Deposit to the Debt Service Reserve Fund]</td>
<td></td>
</tr>
<tr>
<td>Costs of Issuance</td>
<td></td>
</tr>
<tr>
<td>Underwriter’s Discount</td>
<td></td>
</tr>
<tr>
<td>Total Estimated Uses</td>
<td>$</td>
</tr>
</tbody>
</table>

THE AUTHORITY

Introduction

The Authority is a corporate municipal instrumentality and a political subdivision of the State created in 1931 by the Act, and has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. The mission of the Authority is to power the economic growth and competitiveness of the State by providing customers with low-cost, clean, reliable power and the innovative energy infrastructure and services they value. The Authority generates, transmits, purchases and sells electric power and energy as authorized by law. The Authority’s customers include municipal and rural electric cooperatives located throughout the State, local governments, 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, including the City, and certain neighboring states.

The financing of the Transmission Projects under the Transmission Resolution will be undertaken by the Authority as Separately Financed Projects, as permitted under the 1998 Resolution. The 2022A Bonds are not payable from nor secured by revenues pledged directly or indirectly under the 1998 Resolution.

Management

Board of Trustees

The governing board of the Authority consists of seven Trustees (the “Board of Trustees”) appointed by the Governor of the State, with the advice and consent of the State Senate. A member whose term has expired continues to serve on a holdover basis until confirmed for an additional term or a new Trustee is appointed by the Governor. The current Trustees are:

<table>
<thead>
<tr>
<th>Trustees</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>John R. Koelmel, Chairman</td>
<td>May 6, 2021</td>
</tr>
<tr>
<td>Hon. Eugene L. Nicandri</td>
<td>May 6, 2018*</td>
</tr>
<tr>
<td>Tracy B. McKibben</td>
<td>January 11, 2017*</td>
</tr>
<tr>
<td>Anthony Picente, Jr.</td>
<td>May 6, 2020</td>
</tr>
</tbody>
</table>
Senior Management [to be updated]

The senior management staff of the Authority includes the following:

Justin E. Driscoll, Interim President and Chief Executive Officer;
Joseph Kessler, Executive Vice President and Chief Operating Officer;
Kristine Pizzo, Executive Vice President and Chief Human Resources and Administration Officer;
Lori Alesio, Acting Executive Vice President and General Counsel;
Adam Barsky, Executive Vice President and Chief Financial Officer;
Sarah Orban Salati, Executive Vice President and Chief Commercial Officer;
Robert Piascik, Senior Vice President and Chief Information Officer;
Yves E. Noel, Senior Vice President of Strategy and Corporate Development;
Soubhagya Parija, Senior Vice President and Chief Risk Officer;
Sundeep Thakur, Vice President and Controller;
Christina Reynolds, Treasurer; and
Daniella Piper, Chief of Staff and Vice President Digital Transformation Officer.

Executive Management Committee

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

Legislation Affecting the Authority

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

As part of the 2020-2021 Enacted State Budget, legislation was enacted that is expected to significantly speed up the siting and 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 Accelerated Renewable Energy Growth and Community Benefit Act (the “Renewable Energy Act”) will create an Office of Renewable Energy Siting to 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 CBA Act, which will be implemented by the Authority and New York State Department of State, New York State Energy Research Development Authority, the Department of Public Service, the New York State Department of Environmental Conservation (“NYDEC”) and the Empire State Development Corporation, will accelerate progress towards the State’s clean energy and climate goals, including the goal to obtain 70% of the State’s electricity from renewable sources by 2030.
[Note for discussion and potential change in future drafts- should this description more explicitly tie planned transmission projects to legislative and regulatory initiatives? Or maybe just refer to later discussion?]

**Regulation**

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

**New York State Comptroller**

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

**State Inspector General**

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

**Authorities Budget Office**

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

**THE TRANSMISSION PROJECT**

[FOR DISCUSSION]

**General**

The Authority undertakes transmission projects as authorized by its governing statute (New York Public Authorities Law §§ 1000 et. seq.) at the request of and in coordination with other transmission owners to meet New York State electric reliability and economic needs. When a potential Authority transmission project is identified, the facilities are planned according to standards and criteria set forth by the NYISO, the New York State Reliability Council (the “Reliability Council”), the Northeast Power Coordinating Council and the North American Electric Reliability Corporation (“NERC”).

The Accelerated Renewable Energy Growth and Community Benefit Act (the “Renewable Energy Act”), enacted on April 1, 2020, seeks to accelerate renewable development in the State. As part of such legislation, the State recognized the need for streamlined transmission siting and required the PSC to identify bulk transmission
projects that need to be developed expeditiously (“Priority Transmission Projects”) in order for the State to meet the environmental goals for renewable energy under the Climate Leadership and Community Protection Act (“CLCPA”). The Renewable Energy Act authorizes the Authority, by itself or in collaboration with other parties, to develop those bulk transmission investments designated as “Priority Transmission Projects” that are needed to achieve CLCPA targets. The Renewable Energy Act also authorizes the Authority, through a public process, to solicit interest from potential co-participants in each Priority Transmission Project it has agreed to develop and assess whether any joint development would provide for significant additional benefits in achieving the CLCPA targets, and thereafter determine to undertake the development of the Priority Transmission Project on its own, or undertake the Priority Transmission Project jointly with one or more other parties and enter into such agreements and take such other actions the Authority determines to be necessary in order to develop the Priority Transmission Project. For Priority Transmission Projects 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.

Existing Transmission Facilities

The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, more than any other utility in the State (230-kV and above), with the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edie transmission line, and the 345-kV Long Island Sound Cable. With the implementation of the NYISO as the operator of the State’s bulk electric grid and administrator of the State’s wholesale electric markets in November 1999, all transmission service over the Authority’s facilities is either pursuant to the NYISO tariffs or pre-existing Authority contracts.

Revenues of the Transmission Project

The Transmission Project has been established by the Authority in order to provide for the financing of new and existing transmission projects of the Authority that have regulated rates of return. The regulated return transmission projects will be derived from three different regulated return cost recovery options: the NYPA Transmission Adjustment Charge (“NTAC”), FERC Order 1000 projects, and New York State PSC Priority Transmission projects. Prior to any transmission project being financed or refinanced from the proceeds of bonds issued under the Transmission Resolution, the Authority will have received a FERC-approved rate of recovery. Other transmission projects that do not have a regulated rate of return are not expected to be designated as a “Transmission Project” and will be financed via other financing structures. The Authority currently intends to use issue bonds under this Resolution only for new transmission projects and specific additional projects. The Authority does not intend to transfer to this Resolution existing assets whose revenues are pledged under the 1998 Resolution.

[Additional information to come – rates, collection; discussion of timing of receipts from NYISO]

Central East Energy Connect Project

The Central East Energy Connect Transmission Project will improve electric transmission facilities within existing utility corridors between the Towns of Marcy and New Scotland, New York. These upgrades will help relieve bottlenecks on the New York power grid, support renewable energy, replace aging infrastructure to improve reliability, and provide many other benefits to businesses and residents across the State. See APPENDIX A for a detailed description of such project.

The Authority’s cost of the Central East Energy Connect Transmission Project is approximately $[281 million] and the project is expected to be placed in service in late 2023. Under the FERC rate approval for the Central East Energy Connect Transmission Project, the Authority received an abandonment incentive and will be permitted to receive up to 50% of the costs of the project regardless of the cause of the project not being completed and 100% of the costs of the project if the project is stopped for reasons not related to actions of the Authority.

Future Additional Transmission Projects

Transmission-related projects represent approximately 50% of the expenditures expected to be made pursuant to the Authority’s capital plan over the next [___] years. The Authority expects to invest approximately $1.1 billion
in transmission in the next four years, consisting of approximately $409.4 million in 2021, $549.2 million in 2022, $428.0 million in 2023 and $182.1 million in 2024. New investments are expected to be focused on new build-out of transmission, life extension and modernization programs, maintenance of capital expenses, and digitalization.

[Note for future drafts - Discuss portion of transmission projects currently expected to be funded under Transmission General Resolution]

TRANSMISSION REVENUE REQUIREMENT

[FOR DISCUSSION]

The NYISO is responsible for scheduling the use of the bulk transmission system in the State, which normally includes all of the Authority’s transmission facilities, and for collecting related transmission fees from customers. Each investor owned utility (“IOU”), the Long Island Power Authority (“LIPA”) and the Authority retains ownership, and is responsible for maintenance, of its respective transmission lines. All wholesale customers served under the NYISO pay the local utility’s transmission service charge, which is included in the NYISO OATT, plus the NYISO’s fees for ancillary services, losses and congestion for use of the transmission system. Each such transmission customer also pays, as part of its NYISO charges, a separate fee to compensate the Authority for the use of its transmission system which is designed to ensure the Authority’s recovery of its annual transmission revenue requirement (“ATRR”). If the NYISO does not maintain a FERC-accepted tariff which provides for full recovery by the Authority of its ATRR, the Authority is permitted to withdraw from the NYISO on 90-days’ notice to the other parties. In addition, any of the IOUs, LIPA and the Authority may withdraw from the NYISO on 90-days’ notice to the Board of Directors of the NYISO, but, in the case of an IOU, such withdrawal is conditioned upon the effectiveness of an “open access” transmission facilities tariff on file with FERC. In 1996 the Authority adopted an OATT, which was accepted by FERC.

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

Formula Rate. In March 2016, the Authority applied to FERC to establish a formula rate in the NYISO OATT to recover its ATRR. This proceeding resulted a settlement agreement approved by FERC in January 2017, and established an Authority formula rate template and formula rate implementation protocols within the NYISO tariff for the recovery of the ATRR. The ATRR includes the NTAC mechanism applicable to the Authority’s legacy transmission infrastructure (much of which is over forty-five years old), plus any other project-specific revenue requirements (e.g. Marcy South Series Compensation Project) whose cost allocation may be done differently than the NTAC. Under the formula rate, the Authority updates the ATRR annually, effective July 1st of each year. The effective ATRR for the year ending December 31, 2020 under the formula rate was $278.9 million. The formula to calculate the ATRR is based on a debt to equity ratio of 50%, a rate of return of 7.44% on invested capital, inclusive of a return on equity of 9.45%. [The Authority expects the ATRR to be $238.7 million in 2020, $267.5 million in 2021, $301.2 million in 2022 and $320.9 million in 2023.]

Incentives. Following the NYISO Board of Directors’ recommendation that the Authority’s proposal for Segment A of the Central East Energy Connect Transmission Project be selected, the Authority filed a Petition for Declaratory Order with FERC requesting that FERC grant it certain incentive rates treatments for the project. Specifically, the Authority requested that FERC provide it with (i) recovery of 100% of prudently-incurred costs in the event the Project must be abandoned for reasons outside of the Authority’s reasonable control; (ii) inclusion of 100% of Construction Work in Progress in Progress in rate base; and (iii) a 50-basis point return on equity adder (“ROE Adder”)
to reflect the risks and challenges associated with the development of the Central East Energy Connect Transmission Project. On November 21, 2019, FERC granted the Authority’s request for incentive rate treatment, however, it conditioned its award of the ROE Adder on the Authority incorporating a cost containment provision for the project in its formula rate. On December 31, 2019, the Authority submitted such a cost containment provision to FERC which resulted in a settlement with a cost cap and containment mechanism. The cost containment mechanism consisted of a requirement that (i) 20% of any prudently incurred Authority project costs above the cost cap not earn any ROE (although associated depreciation and debt cost would be allowed), (ii) 80% of any prudently incurred Authority project costs above the cost cap not earn any ROE incentive adders (although ROE, associated depreciation, and debt cost would be allowed), and (iii) the project receive an additional ROE incentive adder when actual project costs are below an adjusted cost cap. On September 29, 2021 FERC accepted the settlement and the Authority’s cost cap tariff modifications. The Authority agrees to develop, construct, and maintain the Central East Connection Project in a sound, businesslike manner and in accordance with prudent utility practice.

Settlements. The NYISO processes transmission service, ancillary service, DAM, and RTM settlements daily for the preceding day’s activity. Settlements are invoiced on a weekly basis and subject to subsequent resettlement based on adjustments to metering data and estimates used in previous invoices. However, invoices for transmission service to LSE’s serving load within the City and transmission customers with energy exports or wheel throughs out of the City are issued by the respective Transmission Owners and are, therefore, not invoiced by the NYISO. Payments due to the NYISO must be deposited in the NYISO’s clearing account by the close of business on the first banking day common to all customers that falls on or after the second business day after the date on which the weekly invoice is issued by the NYISO. Resettlements or true-ups are performed four months after the issuance of the initial invoice for each service month. Customers generally have a five-month period after the posting of a service month’s initial invoice to review and challenge their settlements. The NYISO is to remit payments to the Transmission Owners in a timely manner.

NEW YORK INDEPENDENT SYSTEM OPERATOR

[under review]

The 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 Authority’s transmission facilities, and collects ancillary services, losses and congestion fees from customers.

New York Independent System Operator Arrangement

In 1999, two not-for-profit organizations, the NYISO and the Reliability Council, were established. The NYISO assumed control of the State’s bulk electric power grid pursuant to tariffs and market rules approved by FERC.

The NYISO dispatches power from generating facilities, including the Authority’s units, based on the bid curves submitted by each of the generators. The NYISO coordinates the reliable dispatch of power and operates markets for the sale of electricity and ancillary services within the State. The NYISO collects charges associated with the use of the transmission facilities, including the Authority’s facilities, and the sale of energy, capacity, and services through the markets that it operates and remits those proceeds to the owners of the facilities in accordance with its tariffs and to the sellers of the electricity and services in accordance with their respective offers and applicable NYISO market procedures. The NYISO currently manages approximately 11,000 miles of transmission lines, 760 generation units, and serves 20.2 million New Yorkers. See “NYISO Market Procedures” below.

The mission of the Reliability Council is to promote and preserve the reliability of electric service on the NYISO’s system by developing, maintaining, and, from time to time, updating the reliability rules relating to the transmission system (the “Reliability Rules”), to be complied with by the NYISO and all entities engaging in electric transmission, ancillary services, energy and capacity transactions. The Authority, each of the current IOUs, and a subsidiary of the Long Island Power Authority are among the many “Market Participants” (which includes any entity engaged in the wholesale sale, transmission or purchase of electric energy) in the NYISO and members of the Reliability Council.
The Authority is represented on each of the NYISO’s several committees, which are subject to the oversight of the NYISO Board of Directors, and on the Executive Committee of the Reliability Council, which consists of thirteen members and governs the Reliability Council.

Under the NYISO OATT, certain charges for ancillary services (which include NYISO operating costs), congestion, losses, and a portion of the Authority’s transmission costs are assessed against the Authority and other entities, known as Load Service Entities (“LSEs”), responsible for serving ultimate customers. Because such costs are currently passed through to most Authority customers, the Authority remains an active participant in the governance of the NYISO markets.

NYISO Market Procedures

Under NYISO procedures, LSEs represent electricity end-users in dealings with the NYISO. The Authority is an LSE for large segments of its load in the State and must ensure it has sufficient installed capacity to meet its customers’ needs and NYISO and Reliability Council reliability rules, either through ownership of such capacity, bilateral installed capacity purchase contracts or auction purchases conducted by the NYISO (for a discussion of these installed capacity requirements relating to the City and Long Island, see “NYISO Capacity Requirements Matters,” below, and “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY AND THE AUTHORITY”).

As an LSE, the Authority is also obligated to ensure that it has enough energy and capacity to meet its customers’ load requirements. The energy needs can be met in the NYISO regime through the Authority’s own generation, bilateral purchases from others, or purchases of energy in the NYISO “day-ahead” market (the “DAM”) (wherein bids are submitted for energy to be delivered the next day) or in the NYISO “real time” market (the “RTM”). The capacity needs can be met in the NYISO regime through the Authority’s own generation, bilateral purchases from others, or purchases of capacity in the NYISO auctions before and during each NYISO designated capability period, including monthly and spot auctions.

Generators may bid their energy into the DAM and/or the RTM. However, generators whose installed capacity has been sold in the NYISO’s installed capacity (“ICAP”) market must then bid the energy from such claimed capacity into the DAM. To satisfy this requirement, the Authority bids into the DAM all of the Authority generation it claims to meet ICAP requirements, which consists of virtually all of its generation. The Authority also bids the generation into the RTM in such amounts and at such offers as the Authority deems appropriate.

The NYISO evaluates the offers and bids submitted in the DAM and the RTM by generators and dispatches the units on the basis of economic and reliability considerations to meet load needs at any point in time. Unless governed by a bilateral arrangement between a generator or power marketer and an LSE, the price a generator is paid and the price paid to the NYISO by an LSE purchasing energy is dependent upon the results of the offer/bidding process and system conditions (for a discussion of certain NYISO rules having an impact on the offer/bidding procedures, see “NYISO Energy and Capacity Market Mitigation Measures” below). A significant feature of the NYISO energy markets is that prices are determined on a location-specific basis taking into account local generating bids submitted and the effect of transmission congestion and electrical losses between regions of the State.

The Authority, being an LSE and a generator owner and operator, may choose to meet its LSE load and capacity requirements by a combination of (1) bilateral arrangements, which, in the Authority’s case, would mean specified Authority generation and energy purchased under contractual arrangements, linked to specified Authority loads, and (2) purchases in the DAM or the RTM. The Authority’s ownership of certain transmission-related rights serves to reduce uncertainty concerning congestion costs to the Authority of such bilateral arrangements and energy market transactions.

NYISO Energy and Capacity Market Mitigation Measures

Wholesale electric energy markets that are generally competitive may occasionally cease to be competitive if conditions arise that temporarily give Market Participants an ability to raise prices significantly by economically withholding energy or ancillary services. High loads, facility outages, binding transmission constraints, or other
factors can cause such instances, either singly or in combination. Pursuant to its Market Administration and Control Area Services Tariff ("Services Tariff"), the NYISO implements manual mitigation measures that it can apply manually throughout the New York Control Area to remedy conduct that the NYISO determines could distort or impair competition within the DAM or RTM. In addition, the NYISO has established an automated mitigation procedure, which automates the manual energy market mitigation measures within certain transmission-constrained areas identified by the NYISO. However, the NYISO currently applies automatic mitigation measures only to the “City” capacity zone for the detection and mitigation of energy and other offers in the NYISO DAM and RTM that exceed certain established criteria within that zone. These mitigation rules could result in a Market Participant’s bid being mitigated if specified conduct and impact thresholds are exceeded.

With respect to the capacity market, FERC ordered the NYISO in 2011 to revise its Services Tariff language to establish mitigation rules intended to protect the City and Lower Hudson Valley capacity zones against unjustifiably high market prices and uneconomic entry of new resources that would cause unjustifiably low market prices. The rules to prevent unjustifiably high capacity market prices, commonly known as Supplier-Side Mitigation, provide that the offers of “Pivotal Suppliers” are subject to caps under certain circumstances. Pivotal Suppliers are those that control more than a set amount of capacity, which is necessary to meet the applicable locational capacity requirement. The Authority has been and has the potential to be a Pivotal Supplier in the future depending on market conditions. As such, the Authority may potentially be subject to NYISO Services Tariff provisions that require all its capacity be offered in each ICAP spot market auction and prohibit certain instances of capacity sales outside of the NYISO markets.

The rules to prevent uneconomic entry of new resources, commonly referred to as Buyer-Side Mitigation, require the NYISO to evaluate new entry and determine if the new entry is an economic decision. If the NYISO determines a new entrant into the City or Lower Hudson Valley capacity zone is not economic, an offer floor price is established and the new entrant is required to offer into the spot market at a level no lower than the mitigation offer floor. Such a floor can result in the new resource not receiving capacity revenues for certain months. Capacity from new entrants is relieved of the offer floor requirement after clearing the spot market for 12 monthly spot auctions, which need not be consecutive months.

NYISO Capacity Requirements Matters

The ICAP market in New York was created administratively to ensure the reliability of the electricity system. The Reliability Council annually sets the State’s minimum capacity requirement which is currently 118.9% of the State’s peak load, and the NYISO has set the current City, Lower Hudson Valley and Long Island locational ICAP requirements at 86.6%, 90% and 103.4% of their peak load levels, respectively. The ICAP requirements related to the City, Lower Hudson Valley and Long Island capacity zones must be met with resources electrically located within those areas, while the ICAP quantities above these locational ICAP requirement levels can be procured from anywhere in the State and from external resources. The requirements are allocated among LSEs in proportion to the load they serve.

Pursuant to its Services Tariff, the NYISO employs an ICAP demand curve which provides payments to ICAP providers for ICAP above the minimum level required for reliability in order to support the construction and retention of needed generating facilities in the State. Generally, these provisions have increased the amount of ICAP an LSE will be obligated to obtain to meet NYISO requirements, including separate requirements applicable to the City, Lower Hudson Valley and Long Island capacity zones. The Authority has been able, as an LSE, to meet these revised requirements through its own units, contracts with other generators, and purchases in the NYISO-administered ICAP market, and expects to be able to do so in the future.

Potential NYISO Budget Shortfalls and Bad Debt Losses

NYISO’s annual budget is approximately $150 million which is collected via a volumetric charge to NYISO market participants. The NYISO forecasts the volume of electricity it expects to flow through its markets for a given year, and divides the annual budget amount by that volume, to produce a rate of dollars per MWh of electricity. If the actual amount of electricity that flows through the NYISO is significantly less than the forecasted amount, there is potential for a significant shortfall in NYISO collecting the $150 million. In such case, the Authority, as one of approximately 350 NYISO market participants, could have to shoulder a portion of that shortfall. In its twenty-one
year history, NYISO has never had to ask market participants to shoulder such a burden. While energy demand has increased in recent months and appears likely to return to near pre-pandemic levels, the potential reemergence of the COVID-19 virus and the associated reductions in electricity load, make this a risk worth noting.

NYISO has a procedure for collecting “bad debt losses” in the case of a market participant payment default. In such cases, remaining market participants shoulder those defaults via a dollar volume methodology allocation. NYISO has a rigorous credit policy to manage non-payment risks by market participants. Depending on a market participant’s creditworthiness, NYISO collects collateral and other forms of security from the market participant to liquidate in the event of a payment default by that market participant. Bad debt losses are only declared after any posted collateral and NYISO collections efforts fail to satisfy the non-payment. Historically, NYISO bad debt losses shouldered by market participants have been very low, but the potential exists in the unprecedented COVID-19 environment for increased payment defaults resulting from depressed electricity consumption.

Consistent with FERC’s Order No. 1000, the NYISO conducts a Comprehensive System Planning Process (“CSPP”). The CSPP includes a local transmission planning process, a reliability planning process, a congestion assessment and resource integration study, and the public policy transmission planning process (“PPTPP”). The local transmission planning process requires that each Transmission Owner post its transmission plans for interested parties to review. These plans are then used to assess the needs of the broader NYISO system, including reliability, economic, and public policy needs. The PPTPP is the newest component of NYISO’s CSPP and it allows the NYISO to evaluate and select transmission solutions that are driven by public policy considerations. The Authority was recommended for Segment A of the Central East Energy Connect Transmission Project by the NYISO Board of Directors through the PPTPP on December 27, 2018.

Due to the Coronavirus and COVID-19 pandemic and the associated reductions in energy load, the total amount of electricity flowing through the NYISO may be significantly less than forecasted, or that certain other market participants in the NYISO may not be able to make required payments to NYISO. If either such event occurs, the Authority may be required to pay additional amounts to NYISO as a market participant.

FERC REGULATION

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

General

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

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

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

In response to the directives in the Energy Policy Act of 2005 and in furtherance of Order Nos. 888 and 890’s goals of fostering competitive bulk power markets and ensuring that transmission customers have transmission access to such markets, FERC has encouraged, although never required, transmitting utilities to join either independent system organizations (“ISOs”) or regional transmission organizations (“RTOs”). RTOs/ISOs are independent entities that coordinate and provide open access transmission service, along with other wholesale power or transmission related service, over transmission facilities turned over to their operational control by transmission owning public utilities, cooperatives, and state and municipal-owned utilities. RTOs/ISOs must be approved by FERC, have certain characteristics, including independence and operational authority, and provide certain minimum functions like tariff administration and planning.

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

Retail Wheeling

The authority to order retail wheeling, which allows a retail customer to be located in one utility’s service area and to obtain power from another utility or non-utility source, is specifically excluded from the enhanced authority granted to the FERC under the Energy Policy Act. However, while individual states may have authority to determine whether retail wheeling will be permitted, FERC has determined that it has jurisdiction over the rates, terms and conditions of the transmission portion of retail wheeling.

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

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

FERC stated that its overall objective is to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. FERC also indicated that it intends to apply the principles set forth in the FERC Rules to the maximum extent to
municipal and other non-FERC regulated utilities, both in deciding cases brought under the Federal Power Act and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs.

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

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

RTOs/ISOs. On December 20, 1999 FERC adopted rules to establish RTOs/ISOs. The rules contemplate RTOs/ISOs as voluntary participation associations of electric transmission owning entities, comprising public and non-public utility entities, which would more efficiently address operational and reliability issues confronting the industry in particular by improving grid reliability, increasing efficiencies in transmission grid management, preventing discriminatory practices and improving market performance. On July 12, 2001, FERC directed the formation of four large RTOs. However, such directive was never implemented and participation in RTOs or ISOs remains voluntary.

FERC has issued two notices of proposed rulemakings within the last two years that would either (i) double the current incentive for a Transmission Owner’s participation in an ISO/RTO or (ii) remove the incentive entirely after a Transmission Owner had participated in an ISO/RTO for more than three years. As a Transmission Owning member of the NYISO that receives a 50-basis point adder for its participation in the NYISO, the outcome of these orders and proposals could affect (in a negative or positive way) the Authority’s ATRR and return the Authority receives on its investment in the Central East Energy Connect Transmission Project.

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

In the last several years, FERC has issued a series of orders requiring that NERC implement new standards relating to cybersecurity and risks associated with the supply chain for the bulk-electric system. In Order No. 848, FERC directed NERC to promulgate a new rule requiring users to report incidents that both compromise or attempt to compromise the bulk-electric system. FERC followed this up with Order No. 850 in which it approved supply chain risk management reliability standards submitted by NERC. The Order No. 850 standards included requirements that covered entities develop plans to address cybersecurity risks from vendor supplied products and services, vendor remote access sessions, and the integrity of software and patches. In Order No. 851, FERC approved enhanced requirements related to geomagnetic disturbances. On the incentives side of cybersecurity, FERC has proposed to
provide incentive-based rate treatments (i.e. 200-basis point ROE adder and regulatory asset treatment) for public utility cybersecurity investments made in the bulk-electric system.


CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY AND THE AUTHORITY

Regulation Generally

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

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

Environmental

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

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

For a discussion of the additional environmental regulatory issues that may affect the Authority, see the 2020 Financial Statements, “Note 13(i) – Proposed Affordable Clean Energy Rule and Air Pollution Rule” on pages 68-69.

Other Factors

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

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

Industry Transformation

Transformative technologies are creating uncertainty for the electric utility industry and the Authority. While the Authority regularly evaluates its mission, objectives, and customer needs, the impact on the Authority’s operations of any such industry transformation is not presently predictable or quantifiable.

Workforce Challenges

Like many other industries, the power and utility sector is facing increased competition for, and a general shortage of, talent in high skilled areas. This trend is expected to continue and be further impacted by transformations in the industry as new technologies are being developed and deployed. The ability of the Authority to meet stated objectives is dependent upon the ability to attract and retain the necessary skills and competencies in its workforce, among other factors.

Physical and Cyber Security

The federal government recognizes the electric utility industry as critical infrastructure for the United States and works closely with the industry to ensure awareness of ongoing threats and that appropriate protections are in place against both physical and cyber-attacks. With over 1,400 circuit-miles of high voltage transmission lines across the State, the Authority will need to make significant investments to harden both physical and cyber assets and their related infrastructure. In the event of a cyber-attack that the Authority is unable to defend against or mitigate, the Authority may experience information system outages, data theft, discontinuity of services, damage to facilities or equipment, substantial loss of revenues or other financial impacts and may face increased regulation, litigation and damage to the Authority’s reputation.

Catastrophic Natural Events

A catastrophic natural event such as severe weather, flooding or earthquake can negatively affect the operability of Authority assets and the bulk electric system. While the Authority regularly evaluates the resiliency of its assets and has implemented disaster planning programs, weather and natural events directly influence the demand for electricity and can substantially and negatively affect the Authority’s operations. An outbreak of disease or similar public health threat, such as the COVID-19 pandemic, or fear of such an event, could have an adverse impact on the Authority’s transmission operations.

Critical Infrastructure Failure

As a transmission business, the Authority is exposed to potential critical infrastructure failure that may lead to service disruption, injury and degradation of system reliability.

Other Factors

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

[Construction and Project Development Risks – For discussion/updates]

Scale and Scope of Project

The Central East Energy Connect Transmission Project, as proposed by NYPA/LSPG-NY, is a $750 million
undertaking, which together with Segment B’s construction that would form the entirety of the AC Projects, may cost
upwards of approximately $1.230 billion. The AC Projects are intended to address critical congestion, reliability, and
other public policy needs that affect New York’s electric customers. The scale of the AC Projects is unprecedented in
the New York State area and is the largest FERC Order No. 1000 project nationally known to the Authority.

The AC Projects are comprised of two interdependent sets of upgrades requiring nearly 34073 circuit miles
of new 345 kV transmission line segments and significant replacement, retirement, or modification to existing
transmission facilities over existing rights-of-way. Segment A alone accounts of over 163 circuit miles of new
transmission line segments, the construction of two new substations, and the retirement, rebuild, or decommissioning
of other existing substation and transmission line facilities.

The impacted transmission corridor provides a significant amount of power to downstate New York through
the Central East and UPNY/SENY interfaces. As a result, Central East Energy Connect Transmission Project
construction requires a high degree of outage coordination among existing transmission facilities and
coordination with NY Transco concerning the construction of Segment B. These activities will likely receive
significant oversight by regulatory bodies to mitigate any reliability concerns. Moreover, the wide array of land uses,
and diverse demographics in the region, pose unique challenges. For example, the Segment A facilities that constitute
the Central East Energy Connect Transmission Project will traverse agricultural communities but also higher
density residential areas. Moreover, because Segments A and B are slated to be developed by two different developers, the
Central East Energy Connect Transmission Project will face additional hurdles, including coordinating outages,
construction schedules, and reliability mitigation measures with the second, unaffiliated developer.

FERC has acknowledged that “no single utility [is] obligated to build” new high voltage lines and upgraded
infrastructure necessary to support the wholesale power markets, large new fossil generating stations, and remotely-
sited renewable energy projects in the region. The reason is due, at least in large part, to the inherent risks and
challenges associated with constructing one or more new major bulk power transmission lines, particularly where the
benefit may not go to the developing utility’s service customers. As a result, and exacerbated by the fact that the region
is composed of numerous segregated franchise territories, there has been limited transmission development in New
York in the past 30 years, even in historically constrained areas. Accordingly, NYPA’s investment in the Project is by
definition an effort that “exceed[s] the normal risks undertaken by a utility.”

Financial Challenges

The AC Projects will represent the largest competitive public policy project approved by the NYISO through
the NYISO PPTPP. The Authority has already expended significant sums in the development phase of the Central
East Energy Connect Transmission Project, and will be responsible for its portion of the estimated $750 million in
Project construction costs. Given the long lead time before the Central East Energy Connect Transmission Project is
expected to be energized, as well as the size of the proposed investment compared to the Authority’s current average
annual transmission investment, the Authority will face considerable financial risk as a result of its development of
the Central East Energy Connect Transmission Project.
The Authority’s anticipated investment in the Project is the single largest capital projected expenditure in the Authority’s capital plan, representing an 8.5% increase in the total capital commitments identified in the Authority’s 2019-2022 Approved Budget and Financial Plan, which was filed with the State of New York in December 2018. In terms of all transmission capital projects undertaken by the Authority, just one exceeds the Authority’s anticipated investment of about $281 million for the Central East Energy Connect Transmission Project, and 75% of those capital projects are less than $30 million. To the extent the Central East Energy Connect Transmission Project faces regulatory or legal challenges, as described in more detail below, the costs associated with the Project could increase dramatically. The incentive rate treatments requested from FERC will significantly enhance the Authority’s overall financial strength with respect to the execution of the Central East Energy Connect Transmission Project and ensure continued access to capital markets on reasonable terms.

Regulatory and Site Control Challenges and Risks

There are a number of known environmental, regulatory, and siting risks associated with the development of the Central East Energy Connect Transmission Project. Most significantly, although the NYPSC played a key role in identifying transmission needs addressed by the NYISO PPTPP, the NYPSC’s participation did not obviate the need for developers to obtain any necessary permits and approvals, such as siting approvals required under Article VII of the New York Public Service Law (“Article VII”).

Under Article VII, the Central East Energy Connect Transmission Project qualifies as a “major utility transmission facility,” and as a result will require a Certificate of Environmental Compatibility and Public Need (“Certificate”) and an approved Environmental Management and Construction Plan from the NYPSC before Central East Energy Connect Transmission Project construction may begin. Article VII requires the NYPSC to conduct a full environmental, public health, and safety impact review of the siting, design, construction, and operation of all major transmission facilities in New York State. Generally, the Article VII approval process may take from 18-24 months to complete. The governing statute does not require the NYPSC to complete its review of an Article VII application within a particular timeframe, and the NYPSC has broad authority and discretion to impose in the Certificate any terms, conditions, limitations, or modifications of the proposed project that it deems appropriate. The NYPSC imposes numerous affirmative obligations and restrictive conditions in the Certificate. These Certificate conditions can include facility location requirements, construction activity restrictions, required environmental or agricultural inspections, and applicant reporting requirements to regulators.

Further, as the NYISO has acknowledged, “final project design and visual impact identification and mitigation will be addressed by the [NYPSC] in the . . . Article VII siting proceedings.” Moreover, public opposition to the construction of these new facilities by affected landowners, elected officials, and other stakeholders may be particularly challenging and could play a significant role in the Article VII permitting process. An Article VII application potentially triggers an administrative evidentiary hearing phase, in which interested parties may submit challenges to the Central East Energy Connect Transmission Project.

If a party challenges the Authority’s Article VII application, the Authority must offer evidentiary proof in support of its application, defend its positions, and demonstrate compliance with applicable statutes and regulations. Often, these evidentiary hearings do not proceed day to day, but extend over weeks until complete. Administrative law judges (“ALJs”) often require post-hearing briefs (initial and responsive/rebuttal briefs) from the parties and the briefing schedule may take months to complete. Generally, the ALJ makes a recommended decision and the NYPSC makes a final determination. This adjudicatory process could take months or years, resulting in significant construction delays, or, ultimately, abandonment of the Central East Energy Connect Transmission Project.

In addition to meeting the Article VII requirements, prior to construction the Central East Energy Connect Transmission Project will need to apply to the U.S. Army Corps of Engineers (“USACE”) for sections 10 and 404 permits for wetlands and waterbody crossings. USACE requires that wetlands and waterbody impacts be mitigated or minimized. Finally, several other stand-alone permits will need to be obtained prior to the Central East Energy Connect Transmission Project’s construction, including but not limited to: New York State Department of Environmental Conservation State Pollution Discharge Elimination System General Permit for Stormwater Discharge During Construction Activities; Utility Work Permit from the New York State Department of Transportation; Work Permit from the New York State Thruway Authority; and Use and Occupancy of Lands Underwater Easement from the New York State Office of General Services.
The NYPSC strongly encourages the use of existing rights-of-way for projects addressing a Public Policy Transmission Need to minimize costs and environmental impacts. Accordingly, NYPA and LSPG-NY propose to develop the Project within existing rights-of-way owned by incumbent utilities or government entities.

Consequently, the Authority and LSPG-NY will need to engage in good faith negotiations with incumbent utilities and government entities to secure the majority of property rights necessary to construct the Central East Energy Connect Transmission Project. Although the Authority has experience in negotiating and obtaining easements, including from other incumbent utilities and private landowners, it is possible that NYPA and LSPG-NY’s efforts to obtain the existing rights of way may result in disputes or challenges that could, at a minimum, jeopardize the Project’s in service date or require a material modification to the Project as proposed.

To the extent the Project must be modified as a result of any of these processes, the Central East Energy Connect Transmission Project could be significantly delayed or could be jeopardized entirely pursuant to the Development Agreement NYPA and LSPG-NY are required to execute with the NYISO. As discussed above, and in the NYPA Panel testimony, the Project Developers are required to meet certain “Critical Path Milestones,” and a “Required Project In-Service Date,” which cannot be modified absent NYISO consent. Moreover, the Authority and LSPG-NY, as the Project Developers, cannot make any change constituting a “Significant Modification” to the Project without prior written consent from the NYISO. This could include any “material change to the project information submitted by the Developer . . . for use by the NYISO in evaluating the Transmission Project,” such as project modifications required as a condition of the NYPSC’s Article VII certification. Such modifications would need to be negotiated with and approved by the NYISO prior to beginning construction on the Project, which may result in additional delays. However, failure to meet these milestone dates, or implementing a material change to the project without consent constitutes a breach of the Development Agreement and can result in the agreement’s termination.

Risk of Multiple Developers

Because the AC Projects have been awarded to two different project developers— NYPA/LSPG-NY for Segment A and the NY Transco for Segment B—the regulatory risks discussed herein will only be exacerbated. In the event Segment B is unable to be completed, there is a risk that the NYISO and the NYPSC will conclude that Segment A (i.e., the Project) should not proceed. As the NYPSC explained in its December 2015 Order, “Segment A depends upon Segment B being in place, Segment A would not be constructed without certainty that Segment B would be constructed.” Thus, any risk to the completion of Segment B—a project outside the control of NYPA/LSPG-NY—directly threatens Segment A, and puts the Authority’s investment at risk.

Second, the NYISO’s decision to engage multiple developers for the AC Projects imposes significant added costs that create more risk. The NYISO’s initial June 2018 award to NYPA/LSPG-NY of both Segments A and B was in part attributable to a “5% discount for cost efficiency synergies of having a single developer for both projects.” In its latest report, the NYISO acknowledged that the “synergy cost savings” of using a single developer would be lost. Just as important, and as noted below, is the increased need for the two developers to coordinate schedules and avoid unnecessary, and potentially costly, competition for contractors.

Other Risks and Challenges

In addition, other risks include (i) the potential lack of available transmission line contractors due to the large amount of transmission construction underway or planned that could impact schedule and cost; (ii) delays due to coordination of planned outages needed to accommodate the volume of construction of additional transmission projects across the State; and (iii) price risks for key raw materials in light of the volatile political environment that has led to the imposition of new trade tariffs.

Finally, the Project will have to be evaluated under NYISO’s new Transmission Interconnection Procedures (“TIPs”), which itself may enlarge the project scope, and present added financial risk which could be manifested in directives to perform facilities studies required under the new TIPs.
Proposed Federal and State Legislation

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

Cybersecurity

[To Come]

Effects on the Authority

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

TAX MATTERS

Opinions of Co-Bond Counsel

[To be updated when tax status determined]

LEGALITY FOR INVESTMENT AND DEPOSIT

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization and issuance of the 2022A Bonds are subject to the approval of Hawkins Delafield & Wood LLP and _________, each Co-Bond Counsel to the Authority. The approving opinions of Co-Bond Counsel to be delivered with such 2022A Bonds will be in substantially the form[s] attached to this Official Statement as APPENDIX C. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP. Certain legal matters are subject to the approval of Nixon Peabody LLP [and _________], each [Co-]Special Counsel to the Authority.

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

The underwriters listed on the cover page of this Official Statement (collectively, the “Underwriters”) have jointly and severally agreed, subject to certain conditions, to purchase the 2022A Bonds from the Authority at an aggregate purchase price of $__________ (which represents the par amount of the 2022A Bonds, less the underwriters’ discount of $__________ [plus]/[less] net original issue [premium]/[discount] of $__________) and to make a public offering of the 2022A Bonds at prices that are not in excess of the public offering prices corresponding to the yields stated on the inside cover page of this Official Statement.

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

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

The following paragraphs have been provided by the Underwriters:

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. In addition, certain of the Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the 2022A Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

CONTINUING DISCLOSURE

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

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

[Continuing Disclosure compliance language to come]
RATINGS

Moody’s Investors Service, Inc. (‘Moody’s’), S&P Global Ratings, a division of Standard & Poor’s Financial Services, LLC (‘S&P’), and Fitch Ratings (‘Fitch’) have assigned their ratings of “[____]”, “[____]” and “[____]”, respectively, to the 2022A Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody’s Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; S&P Global Ratings, 55 Water Street, New York, New York 10041; and Fitch Ratings, Hearst Tower, 300 W. 57th Street, New York, New York 10019. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the 2022A Bonds.

LITIGATION

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

MUNICIPAL ADVISOR

PFM Financial Advisors LLC is acting as municipal advisor (the “Municipal Advisor”) to the Authority in connection with the issuance of the 2022A Bonds. The Municipal Advisor has not audited, authenticated, or otherwise verified the information set forth in this Official Statement or the other information available from the Authority with respect to the appropriateness, accuracy, and completeness of the disclosure of such information, and the Municipal Advisor makes no guarantee, warranty, or other representation on any matter related to such information. The Municipal Advisor is an independent municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading of municipal securities or any other negotiable instruments.

MISCELLANEOUS

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

The agreements with the Owners of the 2022A Bonds are fully set forth in the Transmission Resolution. This Official Statement does not constitute and is not intended to constitute a contract between the Authority and any Owner of any 2022A Bond.
All inquiries to the Authority relating to this Official Statement should be addressed to Treasurer, Power Authority of the State of New York, 123 Main Street, White Plains, New York 10601 (telephone number: (914) 681-6200)).

The delivery of this Official Statement has been duly authorized by the Authority.

POWER AUTHORITY OF THE STATE OF NEW YORK

By: [______________________]
   President and Chief Executive Officer

[_______], 20[___]
APPENDIX A

DESCRIPTION OF
THE 2022A TRANSMISSION PROJECTS

[UNDER REVIEW – FOR DISCUSSION]

The Central East Energy Connect Transmission Project

Background

On August 1, 2014, the Public Policy Transmission Planning Process administered by the NYISO invited solicitations for new transmission lines to relieve the congested Central East and UPNY/SENY transmission interfaces (together, the “AC Projects”). In March 2016, the Authority executed a Memorandum of Understanding (the “NAT MOU”) with North America Transmission (“NAT”) to develop and submit proposals to the solicitation. The NAT MOU provided that, if any of the Authority/NAT proposals are accepted, the 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 Board of Trustees approved funding in the amount of approximately $1 million for the Authority’s share of expenses pursuant to the NAT MOU.

In June 2018, the Authority and NAT entered into a Participation Agreement that supersedes the NAT MOU, which granted the 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 (“LS Power”, formerly known as NAT) and the Authority for Segment A (also known as the Marcy to New Scotland Upgrade Project) to increase transfer capability from central to eastern New York.

The NYISO estimated the total cost of the Segment A project to be about $750 million (in 2018 dollars, including 30 percent contingency). In August 2019, LS Power and the Authority submitted an Article VII application to the PSC and the Authority filed a petition for incentive rate treatment with the Federal Energy Regulatory Commission (“FERC”) pursuant to FERC’s regulations Section 219 of the Federal Power Act. FERC granted the Authority’s its requested incentive rates effective November 21, 2019 inclusive of a 9.45% return on equity. The Commission approved the Article VII Certificate and first EM&CP on January 21, 2021. Ultimately, the upgraded transmission lines and new substations as part of the Segment A project are expected to be energized as part of the New York electrical system by the end of 2023. In January 2021, the Authority’s Trustees approved a capital expenditure of approximately $208.3 million for Segment A. Prior to this the Trustees approved a total of $31 million in capital expenditures for the Project. In December 2019, the Authority’s Trustees approved a capital commitment of $275 million for the Segment A project. As of December 31, 2020, the Authority has spent approximately $11.2 million.

In July 2020, the Trustees approved the Authority’s request to exercise its 37.5% purchase option. LS Power 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 Authority was executed on February 3, 2020, filed with FERC on March 4, 2020 and accepted for filing by FERC on April 16, 2020. The Authority expects its costs of the Segment A project to be recovered through its Annual Transmission Revenue Requirement (“ATRR”) contained in the NYISO tariff.

The Central East Energy Connect Transmission Project’s rate was approved by FERC as applied for on September 29, 2021 and the rate process is complete.

Project Description

The Central East Energy Connect Transmission Project consists of:

(1) A new 345 kV Princetown switching station designed to terminate six 345 kV transmission lines;
(2) Two new approximately 67-mile, 345 kV transmission lines constructed principally in a double-circuit design between the existing Edic and the new Princetown 345 kV substations, replacing the two existing Porter to Rotterdam 230 kV transmission circuits;

(3) A new 345 kV Rotterdam yard with 345/115 kV transformers and 345/230 kV transformers, allowing for retirement of the existing Rotterdam 230 kV yard;

(4) Reconfiguration of the existing Edic to New Scotland 345 kV transmission line to loop it into Rotterdam by replacing the two existing Porter to Rotterdam 230 kV transmission circuits east of the Princetown area with two new 345kV transmission line, creating an Edic to Rotterdam 345 kV transmission line and a Princetown to Rotterdam 345 kV transmission line;

(5) Two new 19-mile, 345kV transmission lines constructed principally in a double-circuit design between the new Princetown and the existing New Scotland substations; and

(6) Other system modifications, including terminal upgrades at the Marcy and Edic substations, rebuilding approximately 6 miles of the Edic to New Scotland 345 kV transmission line, and the retirement of the existing Rotterdam to New Scotland 115 kV transmission line, as well as any network transmission upgrades that have been or are later identified as required through the NYISO interconnection process.

These Segment A upgrades are expected to substantially increase the transfer capability over the Central East interfaces by 875 MW. The AC Projects will provide over 20 years combined production cost savings of up to $1.191 billion and upwards of $9.633 billion in total demand congestion costs savings. Moreover, the AC Projects will result in an avoided transmission refurbishment cost savings of approximately $839 million and capacity benefits of upwards of $1.936 billion.

The estimated total capital cost of Segment A is estimated at $750 million, which includes a 30% contingency, but does not include any potential system upgrades not already identified in the NYISO study process. Together, the AC Projects are estimated by the NYISO to cost $1.230 billion.

[Construction and Project Timeline]

LS Power responsible for the construction of the Central East Energy Transmission Project and has entered into three engineering, procurement and construction (“EPC”) contracts with MYR P&C for the transmission lines and with Siemens Energy Inc for the Princeton substation and the Gordon Road substation. [Add description of contract terms, including protections]

The Authority will be responsible for all operations and maintenance of its portion of the facility and was awarded its tariff based on its own distinct portion of the Central East Connect Transmission Project. LS Power’s performance with respect to their portion of the transmission facility during operations will not affect the Authority’s return/tariff. The Authority will be responsible for proving maintenance and emergency response services to LS Power’s portion of the line under renewing 5-year terms from the in-service date further extending the Authority’s operational control across the whole transmission facility.

[Description of Other Transmission Project financed with proceeds of 2022A Bonds, if any]
APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE TRANSMISSION RESOLUTION

[TO BE UPDATED]

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

Definitions

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

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

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

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

Capital Costs means the Authority’s costs of (i) physical construction of or acquisition of real or personal property or interests therein for any Transmission Project, together with incidental costs, working capital and reserves relating to a Transmission Project deemed necessary or desirable by the Authority and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any Transmission Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its Transmission Project business; (iv) any other purpose relating to any Transmission Project for which bonds, notes or other obligations of the Authority may be issued under the Act or under other applicable State statutory provisions (whether or not also classifiable as an Operating Expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of any (a) Obligations issued by the Authority for the payment of any of the costs specified above, (b) any Obligations issued to refund such Obligations, or (c) Obligations issued to pay Capitalized Interest; provided, however, that the term Capital Costs shall not include any costs of the Authority relating to a 1998 Resolution Project.

Capital Fund means the fund by that name established pursuant to the Transmission Resolution.

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

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

Central East Energy Connect Transmission Project means the Authority’s rights and interests in the Central East Energy Connect project to be jointly developed with LSPG-NY, which includes replacement of National
Grid’s two existing 80-mile 230 kV transmission lines with a new 86-mile double-circuit 345 kV line from the Edic substation in Oneida County, New York, to the New Scotland 345 kV substations, and the addition of a new Princetown 345 kV switchyard in between Edic and New Scotland to connect to the Rotterdam substation, as may be more particularly described in a Certificate of Determination.

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

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

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

Debt Service Fund means the fund by that name established pursuant to the Transmission Resolution.

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

Decommissioning Reserve Account Requirement means, as of any time of calculation, the amount determined by the Authority to be held in the Decommissioning Reserve Account pursuant to the Transmission Resolution.

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

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

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

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

**1998 Resolution** means the Power Authority of the State of New York General Resolution authorizing Revenue Obligations adopted on February 24, 1998, as from time to time amended or supplemented by any Supplemental Resolutions.

**1998 Resolution Operating Fund** means the fund by that name established in Section 502 of the 1998 Resolution.

**1998 Resolution Project** means any Project as defined in the 1998 Resolution.

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

**Operating Expenses** means the Authority’s expenses for operation, maintenance, ordinary repairs and ordinary replacements of any Transmission Project, including, without limiting the generality of the foregoing, the costs of supplies, assemblies and components required by the Authority for the operation of any Transmission Project, administrative expenses, insurance premiums, legal and engineering expenses, consulting and technical services, payments for energy conservation and load management programs, payments relating to electricity hedging instruments, payments for employee benefits, including payments to savings, pension, retirement, health and hospitalization funds, charges payable by the Authority pursuant to any licenses, orders or mandates from any agency or regulatory body having lawful jurisdiction, any payments in lieu of taxes or other payments to municipal governments agreed to be paid by the Authority and any taxes, governmental charges, and any other expenses required to be paid by the Authority, all to the extent properly and directly attributable to any Transmission Project; financing costs of any Series of Obligations; the expenses, liabilities and compensation of the fiduciaries required to be paid under the Transmission Resolution or pursuant to any agreement executed by the Authority; all costs and expenses associated with or arising out of the research, development (including feasibility and other studies) and/or implementation of any project, facility, system, task or measure relating to any Transmission Project deemed desirable or necessary by the Authority; and all other costs and expenses arising out of or in connection with the conduct of Authority business as related to any Transmission Project, including those expenses the payment of which is not immediately required, such as those expenses referenced in the second paragraph of the discussion of Revenue Fund. Notwithstanding the foregoing, Operating Expenses shall not include (i) any costs and expenses attributable to a 1998 Resolution Project (other than Transmission Projects) or (ii) any costs or expenses for new construction or for reconstruction other than restoration of any part of a Transmission Project to the condition of serviceability thereof when new.

**Operating Fund** means the fund by that name established pursuant to the Transmission Resolution.

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

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

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

**Parity Debt** means any Parity Contract Obligation or Parity Reimbursement.

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

**Paying Agent** means any paying agent for the Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Transmission Resolution.

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

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

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

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

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

**Rating Category** means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.
Redemption Price means, with respect to any Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the Transmission Resolution.

Refunding Obligation means an Obligation issued pursuant to and in accordance with the Transmission Resolution.

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

Resolution means the Power Authority of the State of New York General Resolution authorizing Transmission Project Revenue Obligations adopted on December [__], 2021, as from time to time amended or supplemented by any Supplemental Resolutions.

Revenues means all revenues, rates, fees, charges, rents, proceeds from the sale of Transmission Project assets, proceeds of insurance from such Transmission Projects, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from the ownership or operation of any Transmission Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose and not including Revenues or Transition Charges, each as defined in the 1998 Resolution; provided, however, that Revenues shall not include any Transmission Securitization Charge or any amounts held in the Decommissioning Reserve Account

Separately Financed Project means any project described as such pursuant to the 1998 Resolution.

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

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

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

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

Supplemental Resolution means any resolution supplemental to or amendatory of the Transmission Resolution, adopted by, or adopted pursuant to authorization granted by, the Authority in accordance with the Transmission Resolution.
Transmission Project means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the transmission or distribution of electric energy, whether owned or leased jointly or singly by the Authority, including any transmission capacity in which the Authority has an interest or which it has a contractual right to use, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions which has been designated by Authority pursuant to a Supplemental Resolution as a Separately Financed Project under the 1998 Resolution and a Transmission Project for purposes of the Transmission Resolution; provided, however, that the term “Transmission Project” shall not include any Separately Financed Project not also constituting an Transmission Project or any 1998 Resolution Project.

Transmission Project Budget means the budget adopted by the Authority for the Transmission Projects in accordance with the Transmission Resolution. Trust Estate means, collectively: (i) all Revenues; (ii) the proceeds of the sale of Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the Transmission Resolution other than the Decommissioning Reserve Account, including investment earnings thereon; and (iv) all funds, moneys, and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security pursuant to the Transmission Resolution for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times, and to hold and apply the same subject to the terms of the Transmission Resolution.

Trustee means the trustee appointed in accordance with the Transmission Resolution, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Transmission Resolution.

(Resolution, Sec. 101)

Conditions for Issuance of Obligations

General Provisions for Issuance of Obligations. Obligations may be issued pursuant to a Supplemental Resolution for the Transmission Project to be financed with such Obligations in such principal amount or amounts for each such Series as may be specified in such Supplemental Resolution. A Supplemental Resolution shall specify, among other things, the purpose or purposes for which such Obligations are being issued, the authorized principal amount and Series of such Obligations, the maturity date or dates and interest rate or rates of the Obligations and the forms of the Obligations which shall specify terms with respect to tender or redemption, if any. Such Obligations shall be delivered by the Authority under the Transmission Resolution, which upon the delivery of, among other things, a Supplemental Resolution authorizing such Obligations, a Counsel’s Opinion with respect to the validity of the Obligations and a certificate of an Authorized Officer to the effect that the costs of the Transmission Project to be financed with such Obligations are eligible to be recovered or expected to be eligible to be recovered from a FERC approved or other applicable Tariff, Revenues will be at least the amount specified in paragraph (4) of Section 202 of the Transmission Resolution, and that upon delivery of the Obligations, the Authority will not be in default in the performance of the terms and provisions of the Transmission Resolution or of any of the Obligations.

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

(A) A Certificate of an Authorized Representative of the Authority setting forth (i) the Revenues for any 12 consecutive calendar months out of the 18 calendar months immediately preceding the month in which such Obligations are to be issued, (ii) the Debt Service and the amount payable under all Parity Debt, during such 12 month period for which Revenues are set forth pursuant to clause (i), excluding in each case any amount thereof paid from sources other than Revenues, and (iii) the sum of the Required Payments for such 12 month period (excluding Required Payments for the payment of Outstanding Obligations and Parity Debt), and showing that the amount set forth in clause (i) is at least equal to the sum of (i) 120% of Debt Service, and amounts under all Parity Debt, payable by the Authority in such Fiscal Year, (ii) 100% of the Operating Expenses payable in such Fiscal Year and all other payments required pursuant to the Transmission Resolution and all other payments required for the Transmission Projects for such 12 month period; or
(B) A Certificate of an Authorized Representative of the Authority setting forth (i) the estimated Revenues for each of the full Fiscal Years in the period beginning with the Fiscal Year in which such Bonds are authenticated and delivered and ending with the fifth full Fiscal Year after such date of authentication and delivery, (ii) the estimated Debt Service and estimated amounts payable under all Parity Debt during each Fiscal Year for which Revenues are estimated, (iii) the projected Debt Service and projected amounts payable under Parity Debt projected to be issued for any purpose during each Fiscal Year for which Revenues are estimated, and (iv) the sum of the estimated and projected Required Payments for each such Fiscal Year (excluding Required Payments for the payment of Outstanding Obligations and Parity Debt), and showing that for each such Fiscal Year the amount set forth in clause (i) is at least equal to the sum of (x) 120% of estimated Debt Service and amounts estimated to be payable under all Parity Debt, payable by the Authority in each such Fiscal Year, (y) 100% of the Operating Expenses payable in each such Fiscal Year and (z) all other Required Payments and all other payments required for the Transmission Projects for each such Fiscal Year. The Authorized Representative of the Authority may base his or her estimates and projections upon historical Revenues, Debt Service and Operating Expense, the amounts reflected in the Transmission Projects budget and such other factors as he or she shall consider reasonable, a statement to which effect shall be included in such Certificate.

(Resolution, Sec. 202)

Refunding Obligations. Nothing in the Transmission Resolution shall preclude or limit the issuance of Obligations for the purpose of refunding other Obligations if such refunding Obligations are issued in compliance with the Transmission Resolution. The Authority will execute Refunding Obligations and deliver them to the Trustee for authentication upon receipt by the Trustee of documents including, among others, Bond Counsel’s Opinion, Supplemental Resolution, and Certificate that the Authority will not be in default in the performance of the terms and provisions of the Transmission Resolution or of any of the Obligations and a Certificate of Authorized Representative of the Authority evidencing that after the issuance of the Refunding Obligations and the application of the proceeds thereof to the redemption or defeasance of the Obligation to be refunded, the Debt Service payable in any Fiscal Year (or portion thereof) during which Obligations were scheduled to be outstanding prior to the issuance of such Refunding Obligations will be no higher than the Debt Service payable prior to the issuance of such Refunding Obligations.

(Resolution, Sec. 203)

Book-Entry-Only System

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

(Resolution, Sec. 309)

Credit Facilities and Other Similar Arrangements; Parity Debt

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

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

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

(Resolution, Sec. 310)

Pledge of Revenues and Funds

The Trust Estate is pledged for the payment of the principal and Redemption Price of, and interest on, the Obligations and, on a parity basis, the Parity Debt, in accordance with their terms and the provisions of the Transmission Resolution.

(Resolution, Sec. 501)

The Transmission Resolution establishes the following funds:

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

An Operating Reserve Account and a Decommissioning Reserve Account are established in the Operating Fund, each to be held by the Authority. A Debt Service Reserve Fund or Funds may be established as provided in Section 508 of the Transmission Resolution, to be held by Authority or Trustee as shall be specified in the Supplemental Resolution establishing such fund or funds. The Authority may establish one or more additional funds, accounts or subaccounts by delivering to the Trustee a certificate of an Authorized Officer. The Trustee shall have no obligation to invest or reinvest any amounts held thereunder in absence of written investment direction from the Authority.

(Resolution, Sec. 502)

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

Amounts deposited into the Revenue Fund shall be withdrawn on or prior to the last Business Day of each calendar month unless provided otherwise. The amounts withdrawn shall be paid in the following order of priority: (a) to the Operating Fund in the amount determined by the Authority but which shall not be less than the aggregate amount of the Operating Expenses expected to be payable in the next succeeding calendar month minus the amount then held in the Operating Fund to pay Operating Expenses; (b) to the Debt Service Fund in the amount not less than the amount payable as Debt Service in the next succeeding calendar month on Obligations or other Parity Debt minus the amount then held in the Debt Service Fund to pay such Debt Service in the next calendar month; (c) to the Operating Reserve Account to fund any shortfall in the Operating Reserve Account as determined by the Transmission Resolution; (d) to the Debt Service Fund to fund any shortfall in the Debt Service Reserve Fund in the event there is a deficiency as described in the Transmission Resolution and the applicable Supplemental Resolution; (e) on the principal of and interest on any Subordinated Indebtedness or payments of amounts due in the next succeeding calendar month under any Subordinated Contract Obligation; (f) to the Decommissioning Reserve Account to fund any shortfall in such account; (g) to the Capital Fund in the amount, if any, determined by the Authority; and (h) during the last calendar month of any Fiscal Year, amounts may be applied for any lawful corporate purpose as determined by the Authority, so long as the Authority has determined that the amounts withdrawn are not expected to be needed for any of the above purposes, with the exclusion of the Capital Fund.

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

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

(Resolution, Sec. 503)

Operating Fund

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

The Transmission Resolution provides that purchases of Obligations or Subordinated Indebtedness from amounts in the Operating Fund shall be made at the direction of the Authority, with or without advertisement and with or without notice to other holders of Obligations or Subordinated Indebtedness Any amounts set aside by the Authority in the Operating Reserve Account may be used by the Authority as determined by the Authority for the purpose of
paying all or a portion of the interest, principal or Redemption Price of Obligations and payment of Parity Debt, on a parity basis. Amounts set aside in the Decommissioning Reserve Account shall be applied solely to the payment of expenses of retirement from service, decommissioning or disposal of facilities comprising either a Transmission Project or a part of a Transmission Project and may not be applied to the payment of Obligations, Parity Debt or Subordinated Indebtedness. Amounts in the Operating Fund may in the discretion of the Authority be invested in Authorized Investments with earnings thereon deposited in the Revenue Fund.

(Resolution, Sec. 504)

Capital Fund

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

(Resolution, Sec. 505)

Debt Service Fund

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

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

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

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

(Resolution, Sec. 506)
Debt Service Reserve Fund and other Funds

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

(Resolution, Sec. 508)

Maintenance of Transmission Projects as Separately Financed Projects under 1998 Resolution

The Authority shall pay all the debt service on all Obligations and all such other bonds, notes, or other obligations or evidences of indebtedness, if any, issued to finance the Transmission Projects and the Authority’s share of any operating expenses related to such Transmission Projects (including, without limitation, Operating Expenses), solely from Revenues or from funds withdrawn by the Authority from the 1998 Resolution Operating Fund pursuant to the 1998 Resolution. However, nothing in this Resolution shall require that any funds be withdrawn from the 1998 Resolution Operating Fund to pay any costs related to the Transmission Projects. The Authority shall keep the Funds and Accounts established under this Resolution separate and distinct from those established under the 1998 Resolution and any other bond resolution and all contracts expected to require payments by the Authority greater than $[___] for the purpose of constructing and operating Transmission Projects, paying Operating Expenses or Capital Costs, or in connections with any Obligations, Subordinated Indebtedness or Subordinated Contract Obligations shall expressly provide that amounts payable by the Authority shall be payable solely from Revenues.

(Resolution, Sec. 605)

Operation and Maintenance Covenant

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

(Resolution, Sec. 606)

Rate Covenant

The Authority shall establish and maintain or cause to be established and maintained Transmission Project fees, rates, rents, charges and surcharges, sufficient, in each Fiscal Year so that Revenues reasonably expected to be produced in such Fiscal Year, will be at least equal to the sum of (i) 120% of Debt Service, and amounts payable under all Parity Debt, payable by the Authority in such Fiscal Year, (ii) 100% of the Operating Expenses payable in such Fiscal Year and (iii) all other payments required pursuant to the Transmission Resolution and all other payments required for the Transmission Projects for such Fiscal Year. However, if such fees, rates, rents, charges and surcharges are insufficient but the Authority promptly takes action reasonably expected by the Authority to cure or avoid any
such deficiency or to cause the same to be cured or avoided, or if the Authority complies with the provisions of subsection (d) of this Section, it will not constitute a violation of this Section.

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

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

(Resolution, Sec. 607)

Supplemental Resolutions; Amendments

Any of the provisions of the Transmission Resolution may be amended by the Authority, upon the written consent of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given, and in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under the Transmission Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Obligation, or shall reduce the percentages or otherwise affect the classes of Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise affect any such modification or amendment, create a preference or priority of any Obligation or Obligations over any other Obligation or Obligations (without the consent of the Owners of all such Obligations), create a lien prior to or on a parity with the lien of the Transmission Resolution, without the consent of the Owners of all of the Obligations then Outstanding, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For purposes of this paragraph, an Obligation shall be deemed to be affected by a modification or amendment of the Transmission Resolution if the same materially and adversely affects the rights of the Owner of such Obligation.

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

(Resolution, Secs. 801, 802, and 902)
Event of Default; Remedies Upon Default

Pursuant to the Transmission Resolution, any of the following events set forth in clauses (i) through (v) constitutes an “Event of Default” if the Authority defaults (i) in the payment of principal or Redemption Price of any Obligation, or (ii) in the payment of interest thereon and such default continues for 30 days, or (iii) in the performance or observance of any other covenant, agreement or condition in the Transmission Resolution or the Obligations, and such default continues for 60 days after written notice thereof, provided, however, that if such default shall be such that it cannot be corrected within such 60 day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or (iv) if the Authority (1) files a petition seeking a composition of indebtedness under the federal bankruptcy laws, or any other applicable law or statute of the United States of America or of the State; (2) consents to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or any substantial portion of its property; (3) makes any assignment for the benefit of creditors; (4) admits in writing its inability generally to pay its debts generally as they become due; or (5) takes action in furtherance of any of the foregoing or (v) if (1) a decree or order for relief is entered by a court having jurisdiction of the Authority adjudging the Authority a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Authority in an involuntary case under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order remains unstayed and in effect for a period of sixty (60) consecutive days. Upon an Event of Default so long as such Event of Default shall not have been remedied, unless the principal of all the Obligations shall have already become due and payable, either the Trustee or the Owners of 25% in principal amount of the Obligations then Outstanding may declare the principal and accrued interest on the Obligations then Outstanding due and payable immediately, subject, however, to rescission of such declaration and annulment of the default upon the remedying thereof.

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

(Resolution, Art. X)

Defeasance

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

*(Resolution, Sec. 1101)*

**Unclaimed Moneys**

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

*(Resolution, Sec. 1101)*

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APPENDIX C

FORMS OF APPROVING OPINION
OF [CO-]BOND COUNSEL

[TO BE PROVIDED BY [CO-]BOND COUNSEL]
FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated _____, 2022 by and between the Power Authority of the State of New York (the “Issuer”) and [_____________], as trustee (the “Trustee”), under a resolution adopted by the Issuer on December __ entitiled “General Resolution Authorizing Transmission Project Revenue Obligations” (the “2021 Resolution”), as supplemented by the First Supplemental Resolution adopted on December __, 2021, (the “First Supplemental Resolution” and, together with the 2021 Resolution, (the “Resolution”), is executed and delivered in connection with the issuance of the Issuer’s $____ principal amount of Transmission Project Revenue Bonds, Series 2022A (the “2022A Bonds”). Capitalized terms used in this Agreement which are not otherwise defined in the Transmission Resolution shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

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

Section 1.2. Annual Financial Information. (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2021, by no later than nine months after the end of the respective fiscal year, to the MSRB.

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

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

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

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

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

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

Section 1.5. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.
Section 1.6.  **Additional Information.** Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

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

**ARTICLE II**

**Operating Rules**

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

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

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

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

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

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

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

**ARTICLE III**

**Effective Date, Termination, Amendment and Enforcement**

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

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

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the 2022A Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.
Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the 2022A Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee) and acceptable to the Issuer, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the 2022A Bonds or (ii) the holders of the 2022A Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Transmission Resolution with consent of holders of 2022A Bonds pursuant to the Transmission Resolution as in effect at the time of the amendment, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

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

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

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

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

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

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

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

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

ARTICLE IV

Definitions

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

1. “Annual Financial Information” means, collectively, (I)(a) the following financial information and operating data contained in the Official Statement for each fiscal year of the Issuer, as follows: [to come]; and (II) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

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

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

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


5. “Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Exchange Act) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.
6. “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

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

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

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

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

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

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

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

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


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


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

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

ARTICLE V

Miscellaneous

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

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives all as of the date first above written.

POWER AUTHORITY OF THE STATE OF NEW YORK

By: ____________________________
   An Authorized Representative

THE BANK OF NEW YORK MELLON, as Trustee

By: ____________________________
   An Authorized Representative
Date: November 16, 2021

To: THE FINANCE AND RISK COMMITTEE

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Release of Funds in Support of Separately Financed Projects

SUMMARY

The Trustees will be requested at their December 7, 2021 meeting to authorize the release of up to $35 million in funding to support Separately Financed Projects, one of which, the Central East Energy Connect Project, is being presented for consideration at today’s meeting. A Separately Financed Project, under the Authority’s General Resolution Authorizing Revenue Obligations, adopted February 24, 1998, as amended and supplemented (the “General Bond Resolution”) is essentially one in which the indebtedness and the Authority’s share of any operating and other expenses related to such Separately Financed Project, are payable solely from the revenues of such Separately Financed Project or from funds released from the lien of the General Bond Resolution in accordance with its terms. If the Committee determines to recommend the proposed Central East Energy Connect Project be designated and financed as a Separately Financed Project, it would be appropriate to release funds as described below given that the Central East Energy Connect Project is not yet complete and has no revenues to support its current expenses so as to assure that such expenses are paid in a manner consistent with the General Bond Resolution.

The Finance and Risk Committee is requested to recommend to the Trustees the release of this funding.

BACKGROUND

The General Bond Resolution is, and has been since 1998, the Authority’s primary financing vehicle through which it issues its bonds, notes and certain other forms of indebtedness and secures its bondholders, noteholders and certain other creditors (collectively, “General Resolution Creditors”). The Authority’s General Resolution Creditors benefit from a broad pledge of virtually all of the Authority’s resources:

“...all revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, proceeds of insurance, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority’s operations, including but not limited to the ownership or operation of any Project...”
The breadth of this pledge is a substantial factor in the high degree of creditworthiness attributed to the Authority’s bonds. Most recently, in the Spring of 2020, the Authority issued approximately $1.2 billion of revenue bonds under the General Bond Resolution which were rated AA/Aa1/AA by S&P, Moody’s and Fitch, respectively.

The General Bond Resolution includes two exceptions to the broad pledge described above:

“…but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose.”

There is a proposal before the Committee to designate and finance (through the issuance of bonds) the Central East Energy Connect Project as a Separately Financed Project. The General Bond Resolution defines a Separately Financed Project and establishes the conditions under which such a project may be financed by the Authority:

Nothing in the Resolution shall prevent the Authority from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Obligations [incurred under the Resolution], for any project authorized by the Act or by other then applicable State statutory provisions, or from financing any such project from other available funds (such project being referred to herein as a “Separately Financed Project”), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Authority’s share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other funds withdrawn by the Authority pursuant to [the terms of the Resolution]

If the Committee is determined to proceed with designating and financing the Central East Energy Connect Project as a Separately Financed Project, the revenues of that project will be pledged exclusively to the indebtedness and operating expenses of that project and such revenues will not be pledged to General Resolution Creditors. If the Committee does so proceed, in order to comply strictly with the terms of the General Bond Resolution, it is appropriate to release funds from the lien of the General Bond Resolution to pay the expenses of that project (including any reserves associated with its bond financing) until that project has the proceeds of such financing available to it or otherwise generates revenues of its own. To do otherwise would contravene the General Bond Resolution by burdening cashflow available to General Resolution Creditors with the expenses of such project without the subsequent benefit of revenues associated with such project being available to pay amounts owed to General Resolution Creditors.

The General Bond Resolution (Section 503(1)) permits the Authority to withdraw monies free and clear of the lien and pledge created by the General Bond Resolution provided that (a)
such withdrawals must be for a ‘lawful corporate purpose as determined by the Authority,’ and (b) 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 (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve in amounts determined by the Authority to be adequate for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt. In addition, as set forth in the Trustees’ Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 is to be used as a reference point in considering any such release of funds.

**DISCUSSION**

Staff has reviewed the effect of releasing up to an additional $35 million in funding at this time (along with the $21.3 million proposed release relating to NYS Canal Corporation and the $30 million proposed release relating to the RNY Residential Discount Program) on the Authority’s expected financial position and reserve requirements. In accordance with the Board’s Policy Statement adopted May 24, 2011, staff calculated the impact of this release, together with the last 12 months releases including (i) the release of $30 million in Recharge New York Discounts for 2020, (ii) the release of up to $91.0 million in Canal-related operating expenses for 2020, (iii) the release of up to $2 million in Western NY Power Proceeds net earnings, and (iv) the release of up to $1 million in Northern NY Power proceeds net earnings, on the Authority’s debt service coverage and determined it would not fall below the 2.0 reference level. Based on the Authority’s Four-Year Budget and Financial Plan, the 2.0 reference point level is forecasted to be met at each year-end of the forecast period 2022-2025 Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release such amounts from the trust estate created by the General Bond Resolution consistent with the terms thereof.

**FISCAL INFORMATION**

Staff has determined that sufficient funds are available in the Operating Fund to release an additional amount of up to $35 million in funding to support Separately Financed Projects, including the Central East Connect Project. Staff has further determined that the amounts presently held in reserves in the Operating Fund are adequate for the purposes specified in Section 503(2) of the Authority’s General Bond Resolution and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Bond Resolution.

**RECOMMENDATION**
It is requested that the Finance and Risk Committee recommend that the Trustees authorize the release an amount of up to $35 million in funding to support Separately Financed Projects of the Authority. The Chief Financial Officer further recommends that the Trustees affirm that such release is feasible and advisable, that the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503(2) of the Authority’s General Bond Resolution, and that the amount of $35 million is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Bond Resolution.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Justin E. Driscoll  
Interim President and Chief Executive Officer
RESOLUTION

RESOLVED, That the Finance and Risk Committee hereby recommends that the Trustees authorize the release of an additional amount of up to $35 million in funding to support Separately Financed Projects of the Authority, as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Trustees affirm the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503(2) of the Authority’s General Bond Resolution, that the amount of up to $35 million in funding as described in the foregoing report is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Bond Resolution, and that the release of such amount is feasible and advisable; and be it further

RESOLVED, That Finance and Risk Committee recommends that the Trustees affirm that as a condition to making the payments specified in the foregoing report, on the day of such payments, the Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Bond Resolution; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Trustees affirm that the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution, subject to approval as to the form thereof by the Executive Vice President and General Counsel.
Without limiting the generality of the foregoing, any amount released from the General Bond Resolution may, at the direction of any such officer, be transferred to any account or fund established pursuant to a bond resolution authorizing the issuance of bonds for any Separately Financed Project.
Date: November 16, 2021

To: THE FINANCE AND RISK COMMITTEE

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Release of Funds in Support of the New York State Canal Corporation

SUMMARY

The Trustees will be requested at their December 7, 2021 meeting to authorize the release of an additional up to $21.3 million in funding to the New York State Canal Corporation ("Canal Corporation") to support the operations of the Canal Corporation in calendar year 2022. The amount requested is 25% of the Canal Corporation’s 2022 O&M Budget.

The Finance and Risk Committee is requested to recommend to the Trustees the release of this additional funding.

BACKGROUND

The Authority has been authorized to provide financial support for the Canal Corporation. See, e.g., Public Authorities Law § 1005-b(2). However, certain expenditures associated therewith do not constitute Capital Costs or Operating Expenses (‘Operating Expenses’) as defined in the Authority’s General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented (‘Bond Resolution’). Expenditures for the Canal Corporation’s operating purposes that do not constitute Capital Costs or Operating Expenses must satisfy the requirements of the Authority’s Bond Resolution relating to the release of funds from the trust estate created by the Bond Resolution for lawful corporate purposes. In addition, as set forth in the Trustees’ Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 is to be used as a reference point in considering any such release of funds.

The Bond Resolution permits the Authority to withdraw monies ‘free and clear of the lien and pledge created by the [Bond] Resolution’ provided that (a) such withdrawals must be for a ‘lawful corporate purpose as determined by the Authority,’ and (b) 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 (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve in amounts determined by the Authority to be adequate for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

Under the Bond Resolution, Capital Costs (which includes capital costs related to the Canal Corporation) may be paid without satisfying the provision described above.
DISCUSSION

With this authorization, the Trustees will have authorized the release of a cumulative $21.3 million, an amount equal to 25% of the Canal Corporation’s 2022 O&M Budget.

Staff has reviewed the effect of releasing up to an additional $21.3 million in funding at this time (along with the $30 million proposed release relating to the RNY Residential Discount Program and the $35 million proposed release relating to Separately Financed Projects) on the Authority’s expected financial position and reserve requirements. In accordance with the Board’s Policy Statement adopted May 24, 2011, staff calculated the impact of this release, together with the last 12 months releases including (i) the release of $30 million in Recharge New York Discounts for 2021, (ii) the release of up to $91.6 million in Canal-related operating expenses for 2021, (iii) the release of up to $2 million in Western NY Power Proceeds net earnings, and (iv) the release of up to $1 million in Northern NY Power proceeds net earnings, on the Authority’s debt service coverage and determined it would not fall below the 2.0 reference level. Based on the Authority’s Four-Year Budget and Financial Plan, the 2.0 reference point level is forecasted to be met at each year-end of the forecast period 2022-2025. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release such amounts from the trust estate created by the Bond Resolution consistent with the terms thereof.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to release an additional up to $21.3 million in funding to support the operation of the Canal Corporation in calendar year 2022. Staff has further determined that the amounts presently held in reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority’s Bond Resolution and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution.

The expenses associated with the operations of the Canal Corporation for calendar year 2022 were included in the Canal Corporation’s 2022 O&M Budget and the Authority’s 2022 Budget.

RECOMMENDATION

It is requested that the Finance and Risk Committee recommend that the Trustees authorize the release of an additional up to $21.3 million in funding to the Canal Corporation to support the operations of the Canal Corporation in calendar year 2022. The Chief Financial Officer further recommends that the Trustees affirm that such release is feasible and advisable, that the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority’s Bond Resolution, and that the amount of up to $21.3 million is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Justin E. Driscoll
Interim President and Chief Executive Officer
RESOLVED, That the Finance and Risk Committee hereby recommends that the Trustees authorize the release of an additional up to $21.3 million in funding to the Canal Corporation to support operations of the Canal Corporation in calendar year 2022, as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Trustees affirm the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority’s Bond Resolution, that the amount of up to $21.3 million in funding as described in the foregoing report is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented, and that the release of such amount is feasible and advisable; and be it further

RESOLVED, That Finance and Risk Committee recommends that the Trustees affirm that as a condition to making the payments specified in the foregoing report, on the day of such payments, the Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Trustees affirm that the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the
foregoing resolution, subject to approval as to the form thereof by the Executive Vice President and General Counsel.
Date: November 16, 2021  

To: THE FINANCE AND RISK COMMITTEE  

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER  

Subject: Release of Funds in Support of the Residential Consumer Discount Program Created in Connection with the Recharge New York Power Program

SUMMARY

The Trustees will be requested to approve the release of $30.0 million in funds during 2022 in support of the monthly Residential Consumer Discount Program created in connection with the Recharge New York (“Recharge NY”) Power Program, as authorized by Chapter 60 of the Laws of 2011 (“Chapter 60”). The funds are to be released monthly at a level of $2.5 million per month. It is estimated that the $30.0 million authorized for the Residential Discounts in 2022 will be entirely off-set from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market.

The Finance and Risk Committee is requested to recommend that the Trustees approve the release of $30 million in funds during 2022 in support of the Residential Consumer Discount Program.

BACKGROUND

The Authority is requested, from time to time, to make financial contributions and transfers of funds to the State or to otherwise provide financial support for various State programs including the Residential Consumer Discount Program related to Recharge NY.

Any such contribution or transfer of funds must (1) be authorized by the Legislature; (2) be approved by the Trustees “as feasible and advisable,” and (3) satisfy the requirements of the Authority’s General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented (“Bond Resolution”). Further, as set forth in the Trustees’ Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 shall be used as a reference point in considering any such payments or transfers.

The Bond Resolution’s requirements to withdraw monies “free and clear of the lien and pledge created by the [Bond] Resolution” are such that withdrawals (a) must be for a “lawful corporate purpose as determined by the Authority,” and (b) 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 (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.
DISCUSSION

In March 2011, Governor Cuomo signed into law legislation creating the Recharge NY Power Program. The Program utilizes 455 megawatts ("MW") of the firm power from the Authority’s Niagara and St. Lawrence hydroelectric facilities, combined with market-based power purchases, forming a new, 910-megawatt economic development power program to replace and expand upon the Power For Jobs ("PFJ") and Energy Cost Savings Benefits ("ECSB") economic development programs.

As part of the Recharge NY Power Program, the Authority, on August 1, 2011, withdrew all 455 MW of the firm hydroelectric power previously sold to certain utility companies for the benefit of their residential consumers. To mitigate the price impacts of this withdrawal on the residential consumers, the Authority was authorized by Chapter 60, as deemed feasible and advisable by the Trustees, to fund monthly “Residential Consumer Discount Program” payments for the benefit of such consumers on a declining schedule. For each of the first three years following the withdrawal, the Authority is authorized to provide $100 million per year to fund the discounts. In years four and five following the withdrawal, the Authority is authorized to fund discounts of $70 million and $50 million, respectively. Beginning in year six following the withdrawal, and for each year thereafter, the Authority is authorized to fund discounts of $30 million per year.

The Authority is authorized to use the revenues from the sale of the withdrawn power, together with any other funds of the Authority as the Trustees may deem feasible and advisable, to support the Residential Consumer Discount Program. The net cost to the Authority of the Residential Discounts after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market during 2022. Given the volatility in market prices, however, there is no assurance that the sale of this power will produce sufficient revenues to cover this amount of the residential discounts.

The Trustees have previously approved the release of funds in support of the Residential Consumer Discount Program, the most recent action being taken at the December 2020 meeting. Under consideration today are payments for 2022. Staff intends to return to the Trustees with a recommendation as to the release of any future amounts related to the Residential Consumer Discount Program based on how the overall program is progressing as well as the financial circumstances of the Authority at the time such payments are to be considered.

Staff has reviewed the effects of the $30.0 million in anticipated payments of the Residential Consumer Discount Program (along with the $21.3 million proposed release relating to NYS Canal Corporation and the $35 million proposed release relating to Separately Financed Projects) on the Authority’s projected financial position and reserve requirements. In addition, in accordance with the Board’s Policy Statement, staff calculated the impact of this release, together with the last 12 months’ releases, including (i) the release of up to $91.6 million in Canal-related operating expenses for 2021, (iii) the release of up to $2 million in Western NY Power Proceeds net earnings, and (iv) the release of up to $1 million in Northern NY Power proceeds net earnings, on the Authority’s debt service coverage and determined it would not fall below the 2.0 reference level. Based on the Authority’s Four-Year Budget and Financial Plan, the 2.0 reference point level is forecasted to be met at each year-end of the forecast period.
2022-2025. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to provide $30.0 million of the Residential Consumer Discount Program at this time.

**FISCAL INFORMATION**

Staff has determined that sufficient funds are available in the Operating Fund to provide $30.0 million in support for the Residential Consumer Discount Program authorized by Chapter 60 at this time, and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution. The release of $30.0 million associated with the Residential Consumer Discount Program payments was anticipated and reflected in the Power Authority’s 2022 Operating Budget approved by the Trustees at their December 7, 2021 meeting. The net cost to the Authority of the Residential Consumer Discounts, after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from Recharge NY hydropower allocated and sold to Recharge NY customers and unallocated Recharge NY hydropower sold into the wholesale market during 2020. These monthly payments will be recorded as an expense at the time of payment.

**RECOMMENDATION**

It is requested that the Finance and Risk Committee recommend that the Trustees authorize the release of $30.0 million during 2021 to support the Residential Consumer Discount Program.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Justin E. Driscoll  
Interim President and Chief Executive Officer
RESOLVED, That the Finance and Risk Committee hereby recommends that the Trustees authorize the release of $30.0 million from the Operating Fund during 2022 to support the monthly Residential Consumer Discount Program as authorized by Chapter 60 of the Laws of 2011 and as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the amount of $30.0 million to be used for the Residential Consumer Discount Program described herein is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That as a condition to making the payments specified in the foregoing resolutions, on the day of such payment the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel.
Date: November 16, 2021

To: THE FINANCE AND RISK COMMITTEE

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Digital Utility Strategic Partnership Aggregate Funding and Extension of Value Contracts

SUMMARY

The Trustees will be requested at their December 7, 2021 meeting to increase funding and extend to the term of the Value contracts awarded under Inquiry No. Q17-6236MH / Q18-6470MB Digital Utility Strategic Partnership / Data Analytics by adding $16,000,000 over an additional 3-year period through 2025.

The Trustees approved the award of five-year personal services value contracts to ten vendors under Q17-6236MH, in the aggregate amount of $50,000,000 at the September 25, 2017, meeting. At the October 2, 2018, meeting the Trustees approved personal services value contracts to an additional ten vendors under Q18-6470MB under a four-year term, which are all aligned to an expiration date in 2022, to be funded under the previously approved $50 million. In December 2020, an increase in the aggregate funding in the amount of $9,000,000 for a total aggregate amount to $59,000,000 in accordance with the Authority’s Expenditure Authorization Procedure.

This request will increase the total aggregate amount to $75,000,000 for a total of eight (8) years. The Finance and Risk Committee is requested to recommend that the Trustees approve the additional aggregate funding and extension to the term of these Value Contracts for the purposes stated herewith.

BACKGROUND

The Authority solicited proposals for Digital Utility Strategic Partnership Consulting Services under RFP inquiry Q17-6236MH. It’s stated purpose was to solicit companies to provide expertise in the areas of management consulting, technology implementation, and iSOC and NYEM support and training. In 2018 the Digital Utility Strategic Partnership-Data Analytics was added under Q18-6470MB in the following five focus areas. 1. Data Analytics, Artificial Intelligence, Industrial IoT and Cloud Based Services, 2. Synchrophasor Applications, 3. Robotics Process Automation, 4. Digital Logbook and Shift Turnovers, 5. Augmented Reality, Virtual Reality, Mobile App Creation and Support. To date, $58.5 million has been released against the value contracts for the Digital Utility Strategic Partnership.

DISCUSSION

The Digital Utilities Strategic Partnership enable NYPA to partner with prequalified vendors to support us on our digitization efforts across multiple departments and use cases. There is critical ongoing work and cloud-based service(s) that need to be maintained to continue
to realize benefits with these supplier(s). These services need additional time and funding to complete the effectiveness of the engagement. Over the course of this extension each service will be evaluated as it moves into production to determine if there is opportunity for an alternative procurement options such as GSA or OGS. A new technology RFP is planned to be issued in 2022 for multiple upcoming digitization projects, which will need a significant amount of time on behalf of multiple impacted departments to develop, evaluate and award, therefore it is in the best interest of the Authority at this time to extend these existing agreements accordingly.

The Value contracts awarded under Inquiry No. Q17-6236MH / Q18-6470MB Digital Utility Strategic Partnership / Data Analytics include the following firms:

(1) Accenture LLP of Walnut Creek, CA; (2) C3.ai, Inc. of Redwood City, CA; (3) General Electric International, Inc. of Cincinnati, OH; (4) Indigo Advisory Group of Brooklyn, NY; (5) Lockheed Martin Corporation of Grand Prairie, TX; (6) Mars Discovery District of Toronto, ON, Canada; (7) Talisen Technologies Inc. of Saint Louis, MO; (8) GP Strategies Corporation of Columbia, MD; (9) PA Consulting Group, Inc. of Arlington, VA; (10) Siemens Industry, Inc. of Alpharetta, GA; (11) ChaiOne Inc of Houston, TX; (12) Digital Engineering Ltd of Bristol, United Kingdom; (13) Doble Engineering Company of Watertown, MA; (14) Electric Power Group, LLC of Pasadena, CA; (15) Hexagon PPM / Intergraph Corporation of Madison, AL; (16) mPrest inc of Wilmington, DE; (17) Trove Predictive Data Science, LLC of Buffalo, NY; (18) Uptake Technologies Inc of Chicago, IL; (19) Utegration LLC of Houston, TX; (20) Vrinda Inc. of New York, NY 10028.

This request for additional funding and time will support ongoing and new initiatives requiring services, including, but not limited to the following:

General Electric International – Asset Performance Management

To continue to realize benefits from GE’s Unified Asset Performance solution, an annual SaaS subscription renewal is required to ensure continued access to cloud-based services. The subscription renewal will allow for continued access to APM Health & Reliability, APM Strategy Optimization and GE’s acceleration Plan program which offers the highest level of support for APM.

As the APM software and its associated program continue to be implemented, it will enable NYPA to achieve outcomes such as:

- Increased visibility for better decision making through user specified dashboards and unified date views that provide operational insights to drive business outcomes.
- Cost optimization, based on NYPA's action and use, by better maintenance planning.
- Detecting and diagnosing asset performance issues.
- Predicting potential failures, thus reducing unplanned downtime.
- Determining the appropriate approach to perform maintenance, inspection, or redesign activities while balancing risks and cost.
- Ability to deploy different strategies in various work management and control systems for integration and enhanced productivity.

FISCAL INFORMATION
There is no fiscal impact associated with this time and ceiling extension, any assignments will be subject to the Authority’s Expenditure Authorization Procedures.

RECOMMENDATION

It is requested that the Finance and Risk Committee recommend that the Trustees approve the increased funding and duration of the Value Contracts awarded under Inquiry No. Q17-6236MH / Q18-6470MB Digital Utility Strategic Partnership / Data Analytics by $16,000,000 for an additional 3-year period, in the total amount of $75,000,000 for a total duration of eight-years.

For the reasons stated, I recommend the approval of the above-requested actions by the adoption of the resolution below.

Justin E. Driscoll
Interim President and Chief Executive Officer
RESOLUTION

RESOLVED, That the Finance and Risk Committee recommend that the Trustees authorize the President and Chief Executive Officer and the Vice President and or such officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and the recommended participants of RFP No. Q17-6236MH / Q18-6470MB Digital Utility Strategic Partnership / Data Analytics Master Services Agreement Contract Awards.

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.
VISION2030 Foundational Pillar Update – Resilience

Adrienne Lotto Walker
VP, Chief Risk & Resilience Officer

November 16, 2021
Resilience is the ability to prepare for, anticipate, and adapt to changing conditions and withstand and recover rapidly from disruptions. Risk Management and Resilience is accelerating the adoption of an enterprise-wide resilience strategy to prepare for a more distributed and uncertain operating environment, one with constantly evolving threats.
Tactic A – Develop an empowered enterprise-wide resilience function
A selection of key 2021 accomplishments and 2022 goals

2021 Year-end Accomplishments

- Published Business Continuity governance, deployed new training, and enhanced Corporate Business Continuity Plans
- Completed the EPRI Supplemental for Insider Threat Programs, resulting in a sector specific guidebook, risk personas, and technology case studies
- Implemented the AllWays Resilience Campaign to foster a resilient-mindset

2022 focuses include operationalizing the Climate Resilience and Adaptation Study results, digitizing and exercising Business Continuity Plans, and advancing BCP and IT Disaster Recovery collaboration
Tactic B – Pro-actively identify strategic enterprise risks and enable employees to take action
A selection of key 2021 accomplishments and 2022 goals

2021 Year-end Accomplishments

✓ Created a **Risk Appetite Statement** to foster transparency and formalize risk tolerances

✓ Established **governance and monitoring** on a new Blended Power Program

✓ Completed Annual **Enterprise Risk Assessments**

✓ Completed Business Unit **Operational Risk Training**

• Establishing a new **Helicopter Services Oversight Committee**

• Establishing a new **Enterprise Credit Risk Committee**

2022 focuses include expanding level 2 oversight capabilities, quantifying the Risk Appetite Statement, leveraging EGRC to conduct the annual Enterprise Risk Assessment, and formalizing an Emerging Risk Program
Goals

• Provide a common platform to manage policies, controls, risks, and assessments across lines of business
• Automate business processes, streamline workflows and deliver real-time reports across the enterprise
• Provide improved accessibility for personnel to proactively identify, manage, and escalate risks

Tactic C – Establish, maintain, and utilize the eGRC tool to enhance risk decision making
A selection of key 2021 accomplishments and 2022 goals

2021 Year-end Accomplishments

✓ Completed the deployment of eGRC modules for:
  ✓ Risk Management
  ✓ Business Controls
  ✓ Internal Audit
  ✓ Corporate Insurance

✓ Completed eGRC Training for Risk Owners and Delegates:
  ✓ Risk 101: How to develop an operational risk register
  ✓ eGRC Technical Training: Entering risk registers
  ✓ Workshops: Aspects in the risk lifecycle (identify, assess, respond)

✓ Published an eGRC Governance Policy to codify processes, roles and responsibilities to drive consistency across the enterprise

2022 focuses include enhancing existing modules, deploying Business Resiliency + Ethics and Compliance modules, and strengthening the second line of defense
VISION2030 Foundational Pillar Update – Digitalization

Robert Piascik
SVP, Chief Information & Technology Officer

November 16, 2021
## Digitalization Pillar: Overview

**Objectives:** Enhance critical IT services, Deliver BU capabilities that support VISION2030, and Incubate tech innovation

### 3 Tactics

| A | Embed Strategic Fundamentals to drive efficiencies & effectiveness for operational sustainability (“keep the lights on”) |
| B | Enable BU and enterprise capabilities needed to reach VISION2030 strategic priority objectives |
| C | Develop and deploy emerging and innovative technologies needed to meet longer-term VISION2030 goals |

### 10 Strategic Initiatives

1. Cyber Resiliency Program  
2. End-to-End Connectivity  
3. Risk & Resilience IT Services  
4. Asset Performance  
5. Customer Enablement  
6. Financial Digitalization  
7. Next Generation ERP Platform  
8. Enterprise Project Portfolio Management  
9. Enterprise Content Management  
10. Technology Innovation

### Outcome Metrics

- Cyber security tool coverage index (%)  
- Material cyber security incidents (#)

- Data sets in enterprise data quality program (%)  
- Data quality index (%)  
- SW release of VISION2030 aligned apps & enhancements (# of SW releases)

- Automation CoE Minimum Viable Products (MVPs) (#)
Digitalization Pillar: 2021 Progress

- On-track to deliver 2021 Digitalization Pillar commitments
- Realizing Business Value…
  - Rapid deployment of COVID apps to ensure employee safety in dynamic pandemic conditions
  - Maintaining secure, reliable, and available digital services to realize greater productivity and efficiency
  - Increased speed, agility and quality to deliver business outcomes
  - Applying efficient foundational capabilities to identify/deploy software/apps and innovative technologies
  - Improved and maturing governance/priority setting process by BU leaders on digital prioritization and alignment with VISION2030
  - Benefits of prior digital foundational investments facilitated 2021 results
Digitalization Pillar: 2022 Priorities - 16 Major Deliverables

Planned Outcomes:

► Protect digital assets with greater cyber and business continuity resiliency
► Expand connectivity services across sites to ensure access to business applications
► Improve asset management/performance
► Enhance customer and enterprise software platforms
► Modernize finance and Enterprise Resource Planning business processes
► Leverage innovative technology to promote open innovation and co-development

<table>
<thead>
<tr>
<th>Digitalization Pillar: 2022 Tactics and Major Deliverables</th>
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<td>Executive Sponsor: Rob Piacik</td>
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<th>Tactics</th>
<th>2022 Major Deliverables</th>
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<td>A</td>
<td>Embed Strategic Fundamentals to drive efficiencies and effectiveness for operational sustainability</td>
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<tr>
<td>B</td>
<td>Enable BU and enterprise capabilities needed to reach VISION2030 strategic priority objectives</td>
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<td>C</td>
<td>Develop and deploy emerging and innovative technologies needed to meet longer-term VISION2030 goals</td>
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<td>8</td>
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<td>Enterprise Project Portfolio Management - Project Risk delivery</td>
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<td>Adapts – Service model refactoring/implementation (promote open innovation/development)</td>
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<td>5</td>
<td>Digital Workforce – Digital technology rollout</td>
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Date: November 16, 2020

To: THE FINANCE AND RISK COMMITTEE

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Transmission Life Extension & Modernization Program
        Tower Coating Upgrades WNY
        Contract Award

SUMMARY

The Trustees will be requested at their December 7, 2021 meeting to approve a
competitively bid, five-year construction contract in the amount of $12,082,780 to Public Utilities
Maintenance, Inc., Queens Village, NY, for the Transmission Life Extension and Modernization
Program - Tower Coating Upgrades Project for the Western NY Region ("Project").

The Finance Committee is requested to recommend to the Trustees the approval of
construction contract in the amount of $12,082,780 for the implementation of the Project.

BACKGROUND

In accordance with the Authority’s Guidelines for Procurement Contracts and
Expenditure Authorization Procedures, capital expenditures in excess of $10 million and
exceeding one year require Trustee approval.

The Transmission Life Extension and Modernization Program (“TLEM”) is a multiyear
program that will upgrade the Authority’s existing transmission system to maintain availability,
increase reliability, and ensure regulatory compliance. The TLEM Program encompasses
transmission assets in the Central, Northern, and Western Regions and has been divided into
several projects at an estimated cost of $726 million.

The Authority’s transmission assets require continued field assessment and recoating to
extend the longevity of critical components, achieve compliance with regulatory requirements
and maintain system reliability. Existing coating conditions on steel towers supporting the
Western Region transmission lines, warrant a new program of recoating to protect painted and
galvanized steel surfaces.

DISCUSSION

The scope of work under this contract includes surface preparation and recoating towers
on approximately 1,411 transmission structures. The transmission lines affected are: Pannel to
Clay Substations (PC); Clay to Edic Substations (CE).
Project execution is planned to occur over a five-year period, with targeted completion in 2026, subject to approved outages. In support of the Project schedule, the Trustees approval of a five-year construction contract award is sought at their December 7, 2021 meeting.

The Authority issued RFP Q21-7160DK-1 through Ariba to the six qualified suppliers. On July 16, 2021, two (2) proposal(s) were received electronically via Ariba and were evaluated:

<table>
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<tr>
<th>SUPPLIER (Use the W9 Form)</th>
<th>M/W OR SDVOB OR NYSSBE</th>
<th>Un-evaluated Price</th>
<th>Evaluated Negotiated Price</th>
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<tr>
<td>Public Utilities Maintenance, Inc.</td>
<td>NYSSBE</td>
<td>$12,082,780.00</td>
<td>$12,082,780.00</td>
</tr>
<tr>
<td>Commodore Construction Corp.</td>
<td>WBE</td>
<td>$26,973,000.00</td>
<td>$26,973,000.00</td>
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The proposals were evaluated on the basis of relevant criteria: service capability, experience, safety record, meet technical specifications; quality assurance and control requirements; pricing; and if the Supplier took exceptions to the Authority’s contract terms and conditions. The Evaluation Committee comprised of Transmission Project Management, Health & Safety, Quality Assurance (QA), Strategic Supply Management (SSM), Sustainability, Environmental, Estimating, Construction Management, Civil Transmission, Maintenance Resource Management and Real Estate.

Commodore Construction Corp. (Commodore) provided a proposal that was 214% over the (FCE) and therefore was not given further consideration.

Public Utilities Maintenance (PUM) was found to be the most competitive technically qualified supplier and would provide the best value for the Authority. They have demonstrated a robust Safety Program and history of safe execution of work.

Public Utilities Maintenance, Inc. (PUM): PUM took no exceptions to the commercial terms and conditions of the agreement, however, did request a total MBE waiver, partial WBE waiver and total SDVOB waiver.

**FISCAL INFORMATION**

Payment associated with this project will be made from the Authority’s Capital Fund and will be recovered under the Authority’s FERC approved formula rate. This project is included in the 2021 approved budget and has been included in the approved Four-Year Capital Plan.

**RECOMMENDATION**

It is requested that the Finance and Risk Committee recommend that the Trustees approve capital expenditures in the amount of $12,082,780 for implementation of the Transmission Life Extension and Modernization Program - Tower Coating Upgrades Project for the Western NY Region.
For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Justin Driscoll
Interim President and Chief Executive Officer
RESOLVED, That the Finance and Risk Committee recommends that the Trustees, pursuant to the Authority’s Capital Planning and Budgeting Procedures, approve the award of a five-year contract to Public Utilities Maintenance Inc., of Queens Village, NY in the amount of $12,082,780 for the Transmission Life Extension and Modernization Program - Tower Coating Upgrades Project for the Western NY Region, in accordance with, and as recommended in, the foregoing memorandum of the President and Chief Executive Officer;

RESOLVED, That the Authority will use Capital Funds, which may include proceeds of debt issuances, to finance the costs for the Transmission Life Extension and Modernization Program - Tower Coating Upgrades Project for the Western NY Region.

<table>
<thead>
<tr>
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<th>Expenditure Authorization</th>
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<td>TLEM - Tower Coating Upgrades</td>
<td>$12,082,780</td>
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<tr>
<td>Western NY Region</td>
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<td>RFP# Q21-7160DK-1</td>
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Minutes of the joint meeting of the New York Power Authority and Canal Corporation’s Finance and Risk Committee held via videoconference at approximately 8:35 a.m.

Members of the Finance Committee present were:

- Tracy B. McKibben - Chair
- John R. Koelmel
- Eugene Nicandri
- Dennis Trainor
- Michael Balboni
- Anthony Picente, Jr.
- Bethaida Gonzalez

Also in attendance were:

- Gil Quiniones - President and Chief Executive Officer
- Justin Driscoll - Executive Vice President and General Counsel
- Adam Barsky - Executive Vice President and Chief Financial Officer
- Joseph Kessler - Executive Vice President and Chief Operating Officer
- Kristine Pizzo - Executive Vice President and Chief Human Resources & Administrative Officer
- Sarah Salati - Executive Vice President and Chief Commercial Officer
- Phil Toia - President – NYPA Development
- David Mellen - Regional Manager - Canals
- Daniella Piper - Regional Manager and CTO
- Saul Rojas - Regional Manager – Site Administration - SENY
- Yves Noel - Senior Vice President and Chief Strategy Officer
- Robert Plascik - Senior Vice President and Chief Information & Technology Officer
- Patricia Lombardi - Senior Vice President – Product Delivery
- Scott Tettenman - Senior Vice President – Finance
- Karen Delince - Vice President and Corporate Secretary
- Adrienne Lotto Walker - Vice President and Chief Risk & Resilience Officer
- Andrew Boulais - Vice President & Construction Management
- John Canale - Vice President – Strategic Supply Management
- Steven Kalashian - Vice President – Human Resources & Organizational Development
- Eric Meyers - Vice President – Chief Information Security Officer
- Anne Reasoner - Vice President – Budgets and Business Controls
- Andy Boulais - Acting Vice President – Project Management
- Thakur Sundeen - Controller
- Earl Faunlagui - Senior Director – Market & Commodities Risk
- Christopher Fry - Director – Business Development
- Kerry-Jane King - Director – Sustainability
- James Levine - Assistant General Counsel – Finance and Bonds
- Steven Weiner - Senior Director – OM & Capital Budgets
- Lawrence Mallory - Senior Director – Security & Crisis Management
- Randy Crissman - Senior Reliability & Resilience Specialist
- Thomas McDonald - Manager – Waterways Dam Safety
- Carley Hume - Deputy Chief of Staff
- Christopher Vitale - Finance Performance & Reporting Manager
- Richard Goldsmith - Finance Project Manager
- Mary Cahill - Manager – Executive Office
- Lorna Johnson - Senior Associate Corporate Secretary
- Sheila Quatrocci - Associate Corporate Secretary
Chairperson Tracy McKibben presided over the meeting. Corporate Secretary Delince kept the Minutes.
Introduction

Chairperson Tracy McKibben welcomed committee members and the Authority's senior staff to the meeting. She said that the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to Section B(4) of the Finance Committee Charter.
1. **Adoption of the September 21, 2021 Proposed Meeting Agenda**

   On motion made by member Dennis Trainor and seconded by member Eugene Nicandri, the agenda for the meeting was adopted, as amended.

   **Conflicts of Interest**

   Chairperson McKibben and members Koelmel, Nicandri, Picente, Balboni, Trainor and Gonzalez declared no conflicts of interest based on the list of entities previously provided for their review.
2. **Motion to Conduct and Executive Session**

"Mr. Chairman, I move that the Committee conduct an executive session to discuss the financial and credit history of a particular corporation pursuant to Section 105 of the Public Officers Law." On motion made by member Dennis Trainor and seconded by member John Koelmel, the members conducted an executive session.
3. Motion to Resume Motion in Open Session

“I move that the meeting resume in open session.” On motion made by member Michael Balboni and seconded by member Dennis Trainor, the meeting resumed in open session.

Chairperson McKibben said no votes were taken during the executive session.
DISCUSSION AGENDA

a. Financial Operations

i. Chief Risk & Resilience Officer Report

Ms. Adrienne Lotto Walker, Chief Risk & Resilience Officer, provided an update on NYPA’s Climate Resilience and Adaptation Study, which is in partnership with Argonne National Laboratory, Electric Power Research Institute (“EPRI”) and Columbia University, to the Committee (Exhibit “4a i-A”). She said that climate continues to impact the state, most recently, hurricane Henri; however, it had no significant impact on NYPA or Canals’ infrastructure.

Climate Resilience and Adaption Study:

Project Drivers and Participants
The project drivers are NYPA’s goals on sustainability, the Climate Leader and Community Protection Act (“CLCPA”), and others.

The Study is a 14–16 month project and started approximately two months ago. Based on its expertise on climate science, Argonne National Laboratory will lead the climate projection and infrastructure risk and resilience analysis; EPRI will provide subject matter expertise and insight assumptions, and challenge some of the lessons learned in the report; and Columbia University use their climate experts to provide independent insight on the reviews and findings.

Project Overview
The Study will be done in three parts. Part 1 will look at Local-Scale Climate Impacts, i.e., understanding the climate in the State of New York, including inland precipitation flooding, coastal flooding, winter storms, ice changes in extreme temperature; what has occurred in the past; and also understanding the atmosphere of science, today, and projecting it forward into 2040 and 2050 models. Part 2, Infrastructure Risk & Resilience Analysis, overlying NYPA infrastructure and understanding the impacts of extreme weather conditions; and Part 3, Adaptation Options Analysis, which is understanding NYPA’s options from both a capital project perspective and planning to secure and ensure that NYPA’s infrastructure is resilient into the future.
ii. **Chief Financial Officer Report**

Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided highlights of the financial report to the Committee (Exhibit “4a ii-A”).

**Year-to-Date Actuals through July 31, 2021**

- Net Income was $43 million; the budget was $41 million. This is ahead of the Budget Plan.
- EBIDA is tracking $4 million ahead of the Budget Plan. This is due mainly to the fact that Transmission revenues are doing better than originally forecasted, offsetting any decreases in Generation or Non-Utility.
- Expenses are tracking slightly below the original Budget Plan.

**Full-Year Forecast (January – December 2021)**

- Net Income at the end of the year is projected to be approximately $52 million against the Budget Plan of $41 million. The forecast is trending ahead of the Budget Plan.

Mr. Barsky ended that further updates will be provided the members at the next meeting.
iii. Release of Funds in Support of the New York State Canal Corporation

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their October 2021 meeting to authorize the release of an additional up to $22.9 million in funding to the New York State Canal Corporation (‘Canal Corporation’) to support the operations of the Canal Corporation in calendar year 2021. The amount requested is 25% of the Canal Corporation’s 2021 O&M Budget. The Trustees have previously authorized the release of $68.7 million to support the operations of the Canal Corporation for calendar year 2021.

The Finance and Risk Committee is requested to recommend to the Trustees the release of this additional funding.

BACKGROUND

The Authority has been authorized to provide financial support for the Canal Corporation. See, e.g., Public Authorities Law §1005-b(2). However, certain expenditures associated therewith do not constitute Capital Costs or Operating Expenses (‘Operating Expenses’) as defined in the Authority’s General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented (‘Bond Resolution’). Expenditures for the Canal Corporation’s operating purposes that do not constitute Capital Costs or Operating Expenses must satisfy the requirements of the Authority’s Bond Resolution relating to the release of funds from the trust estate created by the Bond Resolution for lawful corporate purposes. In addition, as set forth in the Trustees’ Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 is to be used as a reference point in considering any such release of funds.

The Bond Resolution permits the Authority to withdraw monies ‘free and clear of the lien and pledge created by the [Bond Resolution]’ provided that (a) such withdrawals must be for a ‘lawful corporate purpose as determined by the Authority,’ and (b) 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 (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve in amounts determined by the Authority to be adequate for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

Under the Bond Resolution, Capital Costs (which includes capital costs related to the Canal Corporation) may be paid without satisfying the provision described above.

DISCUSSION

With this authorization, the Trustees will have authorized the release of a cumulative $91.6 million, an amount equal to 100% of the Canal Corporation’s 2021 O&M Budget.

Staff has reviewed the effect of releasing up to an additional $22.9 million in funding at this time on the Authority’s expected financial position and reserve requirements. In accordance with the Board’s Policy Statement adopted May 24, 2011, staff calculated the impact of this release, together with the last 12 months releases including (i) the release of $30 million in Recharge New York Discounts for 2020, (ii) the release of up to $91.0 million in Canal-related operating expenses for 2020, (iii) the release of up to $2 million in Western NY Power Proceeds net earnings, and (iv) the release of up to $1 million in Northern NY Power proceeds net earnings, on the Authority’s debt service coverage and determined it
would not fall below the 2.0 reference level. Based on the Authority’s Four-Year Budget and Financial Plan, the 2.0 reference point level is forecasted to be met at each year-end of the forecast period 2021-2024. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release such amounts from the trust estate created by the Bond Resolution consistent with the terms thereof.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to release an additional up to $22.9 million in funding to support the operation of the Canal Corporation in calendar year 2021. Staff has further determined that the amounts presently held in reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority’s Bond Resolution and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution.

The expenses associated with the operations of the Canal Corporation for calendar year 2021 were included in the Canal Corporation’s 2021 O&M Budget and the Authority’s 2021 Budget.

RECOMMENDATION

The Executive Vice President and Chief Financial Officer requests that the Finance and Risk Committee recommend that the Trustees authorize the release of an additional up to $22.9 million in funding to the Canal Corporation to support the operation of the Canal Corporation in calendar year 2021. The Executive Vice President and Chief Financial Officer further recommends that the Trustees affirm that such release is feasible and advisable, that the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority’s Bond Resolution, and that the amount of up to $22.9 million is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided highlights of staff’s recommendation to the Committee.

On motion made by member Eugene Nicandri and seconded by member Michael Balboni, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance and Risk Committee recommends that the Trustees authorize the release of an additional up to $22.9 million in funding to the Canal Corporation to support operations of the Canal Corporation in calendar year 2021, as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Trustees affirm the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority’s Bond Resolution, that the amount of up to $22.9 million in funding as described in the foregoing report is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s
General Resolution Authorizing Revenue Obligations, as amended and supplemented, and that the release of such amount is feasible and advisable; and be it further

RESOLVED, That Finance and Risk Committee recommends that the Trustees affirm that as a condition to making the payments specified in the foregoing report, on the day of such payments, the Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Trustees affirm that the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution, subject to approval as to the form thereof by the Executive Vice President and General Counsel.
b. Utility Operations

i. Y49 Transmission Line – Nassau Segment Reconductoring Project – Capital Expenditure Authorization Request and Contract Award

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their October 2021 meeting to authorize capital expenditures in the amount of $139,730,600 for the Y49 Transmission Line – Nassau Segment Reconductoring Project (‘Project’). The full project authorization, in the amount $141,730,600, includes $2 million previously approved by the President and Chief Executive Officer.

Additionally, approval of a 10-year, $38,000,000 Value Contract to The Okonite Company of Patterson, NJ, for High-Pressure Fluid Filled (‘HPFF’) Cable will be requested in support of the Project.

The Trustees is also being requested to approve interim approval in the amount of $27,120,800 to secure copper to manufacture the HPFF cable based on current metal market indexes in order to maintain project schedule through September 30, 2021.

The Finance and Risk Committee is requested to recommend to the Trustees approval of the aforementioned capital expenditures and contract award.

BACKGROUND

The Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures require the Trustees’ approval for non-personal services and equipment contracts in excess of $10 million. Additionally, in accordance with the Authority’s Capital Planning and Budgeting Procedures, capital expenditures in excess of $10,000,000 require Trustee approval.

The Long Island Sound Cable (Y49) underground transmission cable traverses Westchester County, the Long Island Sound, and Nassau County, delivering 600 MW of power from upstate regions to Long Island communities. The circuit was commissioned in 1991 and throughout its near 30-year operating history has seen minimal investment outside of normal operational, maintenance, and emergent expenditures. Given the history of HPFF cable faults seen within the past 12 years, an effort will be put into place to mitigate future faults by reconductoring the Nassau segment from East Garden City Substation to South Transition Station and to identify solutions to other pre-existing equipment conditions.

DISCUSSION

The Project’s first priority will consist of the reconductoring of the Y49 cable segment in Nassau County, approximately 10 miles from Port Washington to East Garden City, to alleviate the risk of cable faults. In addition to the reconductoring will be enhancement to the cable system ancillary cable components and substation equipment, including upgrades to steel-pipe protection, fiber-optic replacements, manhole refurbishment, replacement or refurbishment of the oil-pump plants at two substation locations on the Nassau segment.

Pursuant to Section §2879 of Public Authority’s Law (PAL), the Authority issued a Request for Proposal (‘RFP’) for No. Q21-7196AP for 345 KV HPFF Pipe Type Cable via Ariba e-sourcing which was advertised in the New York State Contract Reporter on June 29, 2021. Eight (8) supplier(s) were listed as having been invited to, or requested to participate in the Ariba Event. On July 21, 2021 one proposal was received electronically via Ariba and was evaluated, as further set forth in this Award Recommendation document. The highly specialized specification of the design, manufacture, furnish, test and deliver was determined to be the reason for the one submittal turnout.
SUPPLIER | M/W OR SDVOB OR NYSSBE | Un-evaluated Price | Evaluated Negotiated Price
---|---|---|---
The Okonite Company Inc | NA | $27,100,800 | $27,120,800

The project cost, inclusive of the current capital expenditure authorization request, is comprised of the following:

- Preliminary Engineering/Design $3,540,900
- Procurement $37,301,900
- Construction $72,397,800
- Project Closeout $570,200
- Authority Direct and Indirect Expenses $27,919,800

**TOTAL** $141,730,600

**FISCAL INFORMATION**

The proposed spending for this Project has been included in the 2021 Capital Budget and will be included in the Four-Year Capital plan, moving forward. Payment associated with this Project will be made from the Authority’s Capital Fund. Project cash expenditure shall be limited to $20,000,000, but commitment up to $30,000,000 to facilitate cable procurement until cost recovery mechanisms are secured in accordance with applicable New York Independent Service Operator, Inc. (“NYISO”) tariff requirements.

**RECOMMENDATION**

The Senior Vice President – Project delivery and the Vice President – Project and Construction Management requests that the Finance and Risk Committee recommend that the Trustees approve capital expenditures in the amount of $139,730,600 for the Y49 Transmission Line – Nassau Segment Reconductoring Project at their October 2021 meeting.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

*Mr. Andrew Boulais, Vice President of Project and Construction Management, provided highlights of staff’s recommendation to the Committee.*

On motion made by member Dennis Trainor and seconded by member Michael Balboni, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED,** That the Finance and Risk Committee recommends that the Trustees approve, pursuant to the Authority’s Capital Planning and Budgeting Procedures, capital expenditures in the amount of $139,730,600 for implementation of the Y49 Transmission Line – Nassau Segment Reconductoring Project in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer;
AND BE IT FURTHER RESOLVED, That the Finance and Risk Committee recommends that, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, the Trustees approve a 10-year contract award to The Okonite Company in the amount of $38,000,000, for the aforementioned project;

Contractor
The Okonite Company
Patterson, NJ
RFP #Q21-7196AP
ii. **In-City Gas Turbine Operation and Maintenance – Contract Award**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

The Trustees will be requested at their October 2021 meeting to approve the award of a competitively bid contract to NAES Corporation, Issaquah, Washington, in the amount of $35,000,000, in support of the In-City Gas Turbine Operation and Maintenance, for a five-year term (with the right to renew on an annual basis each year beyond the initial five years, for up to five additional years), effective January 1, 2022 through December 31, 2026.

The Finance and Risk Committee is requested to recommend to the Trustees the approval of award in the amount of $35,000,000 for the implementation of the Project.

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for material contracts involving services to be rendered for a period of more than one year. Additionally, in accordance with the Authority’s Capital Planning and Budgeting Procedures, contract awards more than $10,000,000 require Trustee approval.

The Authority owns seven (7) Small Clean Power Plant (‘SCPP’) facilities located strategically throughout the New York City region and Long Island. Under the Request for Proposal (‘RFP’), the Contractor will perform all operations and maintenance support services for the Authority’s SCPPs which contain 10 General Electric LM6000 Gas Turbines and related plant equipment at the following six (6) locations: Hellgate, Harlem River, Vernon, Gowanus, Kent, and Pouch. The Brentwood SCPP, located in Long Island, is not included as part of this RFP. The SCPPs are designed for remote operation by the Contractor who maintains operational control and provides operational and maintenance services, which includes, but is not limited to, providing management and union personnel, vehicles, tooling, and regulatory compliance support. NAES Corporation’s (the current contract holder) term will expire on December 31, 2021. The new five-year contract will become effective January 1, 2022.

**DISCUSSION**

Pursuant to Section §2879 of Public Authority’s Law (‘PAL’), the Authority issued RFP No. Q21-7126BSR for In-City Gas Turbine Operation and Maintenance via Ariba e-sourcing which was advertised in the New York State Contract Reporter on April 22, 2021. Seven (7) suppliers were listed as having been invited to, or requested to, participate in the Ariba Event. One proposal was received electronically via Ariba and was evaluated, as further set forth in the Award Recommendation documents.

NYPA originally issued RFP No. Q21-7126BS, with a bid due date of March 30, 2021. Only one proposal was submitted. Strategic Supply Management (‘SSM’) followed up with invited vendors to understand the rationale behind their lack of participation in the RFP. Upon reviewing the feedback, SSM and the Business Unit created a new RFP (Q21-7126BSR - rebid) which addressed vendor concerns regarding specific requirements of the Scope-of-Work and the use of local union labor. After performing due diligence in issuing the rebid, only one proposal was received.

The Evaluation Committee included members from Southeast New York (‘SENY’) Site Administration and Strategic Supply Management.

The proposal was evaluated on the basis of relevant criteria including, but not limited to cost, technical compliance, quality assurance and quality control, prior experience and support to the project delivery schedule.
The proposals were reviewed for compliance with Executive Order (‘EO’) 13920 ‘Securing the United States Bulk Power System.’ After reviewing this EO, it was considered not applicable to this contract.

Requirements for Minority and Women Business Enterprise and Service-Disabled Veteran-Owned Business are waived by the Supplier Diversity Group.

The Committee concluded that NAES Corporation submitted the Best Value proposal to the Authority that met the Authority’s technical requirements, contractual terms and conditions and project delivery schedule.

**FISCAL INFORMATION**

Funding and payments associated with this contract will be budgeted and accounted for under the In-City O&M Recurring Budget.

**RECOMMENDATION**

The Senior Vice President – Power Supply and the Regional Manager – Site Administration – SENY, requests that the Finance Committee recommend that the Trustees approve the contract award to NAES Corporation for a total authorization amount of $35,000,000 for the In-City Gas Turbine Operation and Maintenance.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

Mr. Saul Rojas, Regional Manager – Site Administration - SENY, provided highlights of staff’s recommendation to the Committee.

On motion made by member Eugene Nicandri and seconded by member Dennis Trainor, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED,** That the Finance and Risk Committee recommends that the Trustees, pursuant to the Authority’s Capital Planning and Budgeting Procedures, approve contract award in the amount of $35,000,000 for the In-City Gas Turbine Operation and Maintenance in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer; and be it further

**RESOLVED,** That the Authority will use In-City O&M Recurring Funds to finance the costs of the In-City Gas Turbine Operation and Maintenance.

<table>
<thead>
<tr>
<th>In-City O&amp;M Recurring Budget</th>
<th>Expenditure Authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAES Corporation</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>Issaquah, WA</td>
<td></td>
</tr>
<tr>
<td>Q21-7126BSR</td>
<td></td>
</tr>
</tbody>
</table>
c. Commercial Operations

i. New York City Solar Photovoltaic and Energy Storage Power Purchase Agreements

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their October 2021 meeting to authorize the execution of power purchase agreements (‘PPA’), described below, with Engie North America, (‘Engie’) and Ameresco, Inc (‘Ameresco’), and the City of New York (‘City’ or ‘NYC’). The estimated annual cost of the PPAs will be approximately $11,000,000 per year up to a term of 20 years ($220,000,000 total) based on a preliminary budget analysis, with an option for a 5-year renewal term. These costs, plus an administrative fee, will be directly billed to the City under the resale PPA.

The Finance and Risk Committee is requested to recommend to the Trustees the approval of the aforementioned.

BACKGROUND

Trustee approval is being sought under Public Authorities Law 1005(17), which enables the Authority to finance and design, develop, implement, and administer energy related projects, and provide energy services for its customers. As described below, the Authority will be entering into PPAs with Engie, and Ameresco for the purchase of energy and attributes from solar photovoltaic (‘PV’) and energy storage systems (‘ESS’), and, in turn, selling that energy and attributes to NYC under a separate PPA.

New York State, through the Climate Leadership and Community Protection Act (‘CLCPA’), has identified the increased deployment of renewable distributed energy resources (‘DER’) as a top priority in efforts for the State to achieve its clean energy goals. The Authority has been directed to assist public entities to lead by example. New York City established a Roadmap to reduce greenhouse gases (‘GHG’) eighty percent by 2050 (‘80x50’) and set a target of implementing 100 MW of solar PV systems on City owned properties by 2025. To support the initiative, the City engaged the Authority to procure commercial-scale solar PV and energy storage systems to be installed at fifty-three (53) of their facilities belonging to NYC Department of Education (‘DOE’) and NYC Department of Environmental Protection (‘DEP’).

In support of the State’s and the City’s goals, the Trustees are requested to authorize the execution of PPAs with Engie, Ameresco, and New York City, enabling the completion of the portfolio of projects.

DISCUSSION

The Authority’s Clean Energy Advisory Services team offers subject matter expertise and project management for the procurement and implementation of renewable distributed energy resources, to all Authority customers meeting the eligibility criteria under Public Authorities Law Section 1005(17). The Authority was engaged by NYC Department of Citywide Administrative Services (‘DCAS’) to solicit proposals for solar PV and energy storage systems at forty-seven (47) DOE and six (6) DEP facilities owned by the City including the Wards Island Wastewater Resource Recovery Facility, and support the City’s sustainability and renewable energy goals. These systems will provide the City with approximately 29,566 kilowatts of solar PV capacity and 6,540 kilowatts of energy storage capacity, which are expected to generate more than 33,669,305 kilowatt hours of electricity per year, equating to ~30% of the City’s 100 MW of solar PV by 2025 goal. Using the energy storage systems, the City’s facilities will be able to reduce their local demand costs and potentially be able to participate in demand response and other
energy usage optimization programs, as well as provide resiliency benefits during electric system outages or emergency situations. The final system size and configuration, and the term of the PPA may change these estimates and, accordingly, change the actual annual cost of the PPA agreements. However, because the Authority’s risk is mitigated through resale PPA agreements, the final estimates are not as determinative.

On June 3, 2020, Request for Proposal (‘RFP’) Q20-6973SR was posted in Ariba and advertised in the New York State Contract Reporter, soliciting firms interested in providing solar PV and energy storage systems through a resale PPA structure for the City. Under this contracting structure, the solar PV and energy storage systems are owned, operated, and maintained by a third-party throughout the term of the PPA, with the Authority responsible for purchasing all products and attributes produced by the solar PV and energy storage systems. Those products and attributes are then purchased by the City from the Authority under substantially like terms and conditions in the resale PPA.

In response to the invitation to bid, on August 21, 2020, proposals were received from eight (8) firms. The proposals were reviewed by an evaluation committee comprised of Clean Energy Advisory Services (‘CEAS’), Strategic Supply Management, Legal Affairs, and Corporate Finance along with members of NYC DCAS. At the conclusion of the evaluation process, CEAS requested Engie and Ameresco be released to begin the design development process of the solar PV and energy storage system at DOE and DEP sites, respectively. In concurrence with that request granted on December 24, 2020, Trustee approval is now being sought to proceed with PPA execution because of a successful design development phase.

**FISCAL INFORMATION**

The estimated maximum annual cost of the PPA with Engie and Ameresco will be $11,000,000 per year for up to a 20-year term ($220,000,000 total) based on a preliminary budget analysis, with an option for a 5-year renewal term. Cost is calculated based on best estimates available at this point and actual cost may vary depending on project as built design and total number of sites. These costs, plus an administrative fee, will be directly billed to the City under a separate resale PPA. Additionally, the Authority will receive funds sufficient to fully recover cost incurred by CEAS for its services rendered throughout the procurement and implementation processes.

**RECOMMENDATION**

The Executive Vice President and Chief Commercial Officer, the Vice President of New York Energy Manager, and the Vice President of Grid Flexibility request that the Finance and Risk Committee recommends that the Trustees approve the request to execute PPAs with Engie, Ameresco and the City, for an estimated annual amount of

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

Ms. Sarah Salati, Executive Vice President and Chief Commercial Officer, provided highlights of staff’s recommendation to the Committee.

On motion made by member Dennis Trainor and seconded by member John Koelmel, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the Finance and Risk Committee recommends that the Trustees authorize the execution of resale power purchase agreements with Engie North America, Ameresco Inc, and the City of New York, for an estimated annual amount of**
approximately $11,000,000 for up to a term of 20 years, with an option to renew, as described in the foregoing report of the President and Chief Executive Officer.
d. Human Resources

i. Authority-Wide Contingent Staffing – Multiple Contract Awards

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their October 2021 meeting to approve the award of Authority-wide Human Resources (‘HR’) Contingent Staffing contracts to provide temporary technical staffing services in the cumulative value of $24,000,000 to the following eleven (11) vendors: Allied Staff Augmentation Partners, Inc., Ampcus Inc., Cogent Infotech Inc., Eclaro International Inc., Infojini Inc., LanceSoft Inc., Monroe Staffing Services Inc., Reinhard Madison Approach Staffing Inc., Trigyn Inc., Trifacta, Inc., and Vtech Solutions.

The Finance and Risk Committee is requested to recommend to the Trustees the approval of the aforementioned.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require Trustee approval of procurement contracts involving services to be rendered for a period of more than one year. Also, in accordance with the Authority’s Expenditure Authorization Procedures, the award of personal services contracts more than $10,000,000 require Trustee approval.

This Award replaces the expiring HR contracts effective 2016 to September 2021. NYPA has an immediate need to utilize these new staffing contracts as the current contracts are approaching expiration and NYPA needs to continue to close resource gaps related to attrition and support its workforce growth demand. This increase in demand is driven by digital operations, innovation, and the Authority’s VISION2030 Strategy and its robust strategic initiatives.

DISCUSSION

The Authority issued Request for Proposal (‘RFP’) No. Q21-7161JW, which was advertised in the NYS Contract Reporter on May 18, 2021.

During January and February of 2020, the Evaluation Committee which comprised of Contingent Workforce Program Management reviewed 45 proposals. Bids were evaluated on the quality of proposal, recruitment staff and their qualifications, industry experience, recruitment process, strengths, unique characteristics, prior performance if applicable, and acceptance of the Authority’s commercial terms and conditions. The Minority/Women-Owned Business Enterprise (‘M/WBE’) requirements for these services were waived by the Supplier Diversity Group.

The areas that contingent workers will be assigned include, but are not limited to, the following departments and/or areas of expertise: Administrative and Project Coordination, Audit, Risk Management, Business Process Review, Engineering, Project Management, Communications, Finance, Budget, Accounting, Treasury, Human Resources, Knowledge Management, Strategic Supply Management or procurement and other specialties.

Eleven (11) firms were selected as qualified vendors to provide temporary technical staffing services Authority-wide. The selected vendors have proven to be high performing in the current pools and additional ones were added for quality, reasonable rates and markups, and the understanding of service obligations.
FISCAL INFORMATION

Payments associated with this request will be made from the Authority’s Capital Fund.

RECOMMENDATION

The Vice President of Human Resources and Organizational Development requests that the Finance and Risk Committee recommends that the Trustees approve the Award recommendation of continued Authority-wide contingent staffing service agreements.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

Mr. Steven Kalashian, Vice President of Human Resources and Organizational Development, provided highlights of staff’s recommendation to the Committee.

On motion made by member Dennis Trainor and seconded by member John Koelmel, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, approval is hereby granted to award Authority-wide contingent staffing service agreements for a five-year term, in the amount of $24,000,000, to Allied Staff Augmentation Partners, Inc., Ampcus Inc., Cogent Infotech Inc., Eclaro International Inc., Infojini Inc., LanceSoft Inc., Monroe Staffing Services Inc., Reinhard Madison Approach Staffing Inc., Trigyn Inc., Trifacta, Inc., and Vtech Solutions as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance Committee recommends that the Trustees approve the Authority-wide personal service contracts for contingent staffing in the amount and for the purpose listed below:

<table>
<thead>
<tr>
<th>Contract Award</th>
<th>Value</th>
</tr>
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<tbody>
<tr>
<td>Multiple Vendors:</td>
<td>$24,000,000</td>
</tr>
</tbody>
</table>

Allied Staff Augmentation Partners, Inc.
Ampcus Inc.
Cogent Infotech Inc.
Eclaro International Inc.
Infojini Inc.
LanceSoft Inc.
Monroe Staffing
Reinhard Madison Approach Staffing Inc.
Trigyn Inc.
Trifacta, Inc.
Vtech Solutions

Q21-7161JW
AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.
e. Strategy & Corporate Development

i. VISION2030 Foundational Pillar Update – Environmental, Social, and Governance

Ms. Kerry-Jane King, Director of Sustainability, provided an update on the Environmental, Social and Governance (“ESG”) VISION2030 Foundational Pillar (Exhibit “4e i-A”).

The three ESG tactics identified in VISION2030 are:

1) Bring best-in-class ambitions to life and fully integrate ESG into NYPA’s DNA

An ESG governance structure has been established with Executive Management Committee and Board oversight for ESG, and the Sustainability Department (“Sustainability”) is revising the company’s sustainability policy to reflect the broader ESG scope.

As the Sustainability Department moves forward with integrated reporting, it will continue to integrate ESG through policies, procedures and controls.

Other efforts to embed ESG include ramping-up internal communications and external stakeholder engagements including industry conferences, workshops, and panel events, and increasing employee engagement with Sustainable U, the climate science training program for employees which addresses climate change and climate change solutions.

2) Expand the sustainability function to encompass strategic guidance, oversight and reporting

The Sustainability Department is building out the sustainability function and increasing resourcing and headcount to provide strategic guidance for ESG issues across NYPA. This area of the Department’s work will continue to grow as the group moves forward with its integrated reporting efforts.

The Department is also expanding “Lead by Example” programs to accelerate adoption of sustainability practices. Various assessments are planned or underway across key areas, including BuildSmart 2025, vehicle fleet electrification, materials management and waste reduction, and habitat restoration and biodiversity, and supply chain sustainability. The Sustainability Department is also working with departments on other initiatives such as the climate resilience assessment, and is expanding its greenhouse gas accounting efforts.

3) Demonstrate our commitment by issuing a sustainability plan and annual sustainability reports

In April, NYPA issued the 2021-2025 Sustainability Plan and the 2020 Sustainability Report. These were both aligned with the reporting and disclosure standards of the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate Related Financial Disclosures (TCFD).

NYPA is now embarking on its integrated reporting journey.

Adopting the Integrated Reporting Framework to integrate ESG and Communicate Value

NYPA is building on the Plan and Report and expanding its efforts by adopting the Integrated Reporting framework. In 2023, NYPA will issue its first annual report that accords with the Integrated Reporting (“IR”) framework, combining NYPA’s annual report and sustainability report into one report.
IR is an internationally recognized framework that integrates sustainability and financial reporting. It is designed to be used with sustainability and financial reporting standards, and to build connectivity between ESG and financial disclosures. NYPA’s IR report, like the Sustainability Report, will align with SASB and other standards.

The IR framework serves as both a performance management and a reporting tool. It promotes integrated thinking and decision-making, with a focus on creating value for the company, its stakeholders, and society over the short- and long-term. It also provides a comprehensive approach to reporting, bringing together financial and ESG disclosures to address the needs of all stakeholders, including employees, customers, suppliers, local communities, and financial stakeholders.

**Adopting the IR Framework to Integrate ESG and communicate value**

There is increased momentum towards impact-driven sustainability management and value creation. The IR framework identifies a broad base of capitals, or resources and relationships, from which companies create value. These range from financial and intellectual, to social and relationship, and natural. The framework is designed to build connectivity between these capitals to help manage risks and tradeoffs and identify opportunities to create value. It is also set up to better communicate the value of the business and its stewardship of these capitals across ESG issues.

Sustainability is currently conducting a Gap Analysis and is focusing on those capitals (financial, intellectual and manufactured) that are not directly addressed in the Sustainability Plan and Report.

Sustainability is also benchmarking IR in the utility industry. By year’s end the group will have established the IR approach and identified the IR requirements, including the report scope, metrics, processes and controls.

In January, Sustainability will begin collecting data for the 2022 report to be issued in 2023. To ensure accuracy and completeness, NYPA’s goal is to have the IR report audited once it is completed.
CONSENT AGENDA:

On motion made by member Dennis Trainor and seconded by member Eugene Nicandri, the Consent Agenda was adopted.
a. Utility Operations

i. Transmission Life Extension and Modernization Program – Massena Substation Project – Contract Award

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their October 2021 meeting to approve the award of a competitively bid, five-year engineer/procure/construct contract to O’Connell Electric Co. Inc., of Victor, NY in the amount of $21.88 million, for the design, construction, and commissioning of the Transmission Life Extension and Modernization - Massena Substation Project (‘Project’).

This Project is part of the Transmission Life Extension and Modernization (‘TLEM) Program. Capital expenditures for the Project was previously approved by the Trustees in 2017.

The Finance and Risk Committee is requested to recommend that the Trustees approve interim funding in the amount of $305,202.43 to provide engineering design services in order to maintain the project’s schedule through September 30, 2021.

The Finance and Risk Committee is also requested to recommend to the Trustees the approval of the aforementioned contract award.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval of procurement contracts involving services to be rendered for a period of more than one year. Also, in accordance with the Authority’s Expenditure Authorization Procedures, the award of personal services contracts more than $10 million require the Trustees’ approval.

The Project will replace the two (2) four-pole breakers, six (6) three-pole breakers, and 13.8 kV and 480 V station service systems at the Massena Substation.

DISCUSSION

The existing circuit breakers have been in operation since the 1970s and are beyond their useful life. As part of the TLEM Program, these breakers were identified as requiring replacement. Engineer/Procure/Construct was identified as the most effective project delivery method for the Project scope.

Project execution is planned to occur over a 5-year period to align with required outages. It commenced with the issuance of a Request-for-Proposal for the Project in April 2021. All the circuit breakers have been procured by the Authority under a separate contract. This contract scope includes procurement of the Station Service equipment and other associated equipment. The entire Project is scheduled for completion in 2025, subject to available and approved outages.

The Authority issued Request for Proposal No. Q21-7146DK via ARIBA e-sourcing which was advertised in the New York State Contract Reporter and was posted on the Authority’s Procurement website on April 9, 2021.

Two proposals were received from the following companies on May 14, 2021 via the ARIBA e-sourcing portal:
Proposals submitted were reviewed against established criteria by the evaluation committee (‘Committee’) comprised of Authority staff from Engineering, Strategic Supply Management, Quality, Safety, Project and Construction Management. The criteria included cost, technical compliance, quality assurance and quality control, prior experience of delivering equipment to the Authority, and support to the project delivery schedule. Requirements for Minority and Women Business Enterprise and Service-Disabled Veteran-Owned Business are included in this contract.

The Committee concluded that O’Connell Electric Co. Inc. submitted the best value proposal to the Authority that met the Authority’s technical requirements, contractual terms and conditions and project delivery schedule.

FISCAL INFORMATION

Payment associated with this Project will be made from the Authority’s Capital Fund and will be recovered under the Authority’s FERC approved formula rate. The proposed spending for this Project is included in the approved Four-Year Capital Plan.

RECOMMENDATION

The Senior Vice President – Project Delivery requests that the Finance and Risk Committee recommend that the Trustees approve the award of a competitively bid, five-year engineer/ procure/ construct contract to O’Connell Electric Co. Inc., of Victor, NY in the amount of $21.88 million, for the design, construction, and commissioning of the Transmission Life Extension and Modernization - Massena Substation Project (‘Project’).

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

On motion made and seconded, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance and Risk Committee recommends that the Trustees, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, approve the award of a five-year contract to O’Connell Electric Co. Inc. in the amount of $21.88 million for the Transmission Life Extension and Modernization - Massena Substation Project, in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer;
Contract

O’Connell Electric Co. Inc.
Victor, NY

$21.88 million

RFP #Q21-7146DK

AND BE IT FURTHER RESOLVED, That the Authority will use Capital Funds, which may include proceeds of debt issuances, to finance the costs of the Transmission Life Extension and Modernization – Massena Substation Project.
ii. **Y49 – Spare System Equipment – Contract Award**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY”**

The Trustees will be requested at their October 2021 meeting to award a competitively bid, two-year equipment contract in the amount of $6,451,064 to Royal SMIT Transformers (‘SMIT’) of Nijmegen, Netherlands, for the Y49 – Spare System Equipment (‘Contract’). This Contract will seek to waive requirements of Article 22 – Steel Components from the Authority’s “Agreement” document from this contract.

The Finance and Risk Committee is requested to recommend to the Trustees the approval of the aforementioned contract award.

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for procurement contracts involving services to be rendered for a period in excess of one year.

The Long Island Sound Cable (Y49) underground transmission cable was commissioned in 1991 and traverses Westchester County, the Long Island Sound, and Nassau County, delivering 600 MW of power from upstate regions to Long Island communities. The circuit has several operating devices that are deemed crucial to the grid stability by both the Authority and the Authority’s operating partner, Long Island Power Authority (‘LIPA’). The Authority and LIPA have recognized that long lead equipment critical to the operation of the Y49 or other high voltage lines in the region should have available spares to avoid lengthy interruptions to service, and LIPA has acknowledged its obligation to reimburse NYPA for the costs incurred for this type of spare equipment.

**DISCUSSION**

The proposed equipment contract with Royal SMIT Transformers of Nijmegen (‘SMIT’) would provide for the design, manufacturing, delivery, assembly, and commissioning of a new Y49 System Spare Autotransformer and Shunt Reactor.

The previous spare Autotransformer and Shunt Reactor for the Y49 system have already been placed into service to replace failed units at Shore Road Substation and East Garden City Substation, respectively.

The Authority issued Request for Proposal (‘RFP’) No. Q21-7188SR via Ariba e-sourcing which was advertised in the New York State *Contract Reporter* on May 26, 2021. Twenty (20) supplier(s) were listed as having been invited to or requested to participate in the Ariba Event. On July 9, 2021, two proposals were received electronically via Ariba and were evaluated.

<table>
<thead>
<tr>
<th>Bidder</th>
<th>Location</th>
<th>Unevaluated Bid Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal SMIT Transformers</td>
<td>Nijmegen, Netherlands</td>
<td>$ 6,451,064</td>
</tr>
<tr>
<td>ABB Enterprise Software, Inc.</td>
<td>Ludvika, Sweden</td>
<td>$ 6,863,000</td>
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</tbody>
</table>
The Evaluation Committee, comprised of representatives from Strategic Supply Management, Project Delivery, Quality Assurance, Environmental, Health and Safety, and Program Controls, reviewed and evaluated the proposals based on the evaluation criteria established in the RFP which included: best value, proposal completeness, technical capabilities, ability to meet the schedule, experience in performing this type of work, and safety records. The proposals were also reviewed for compliance with the New York Buy American Act. After review, it was determined that the vendors would need to receive a waiver from the Authority for the Article 22- Steel Components.

SMIT was determined to be the “best value” bidder based on its strength of experience, ongoing support of the existing Autotransformers, a well thought-out project execution plan, high quality manufacturing processes, and ability to address the Authority’s requirements and expectations. SMIT took few exceptions to the commercial terms and conditions which have been negotiated and mutually agreed upon. This best value proposal also provides the most competitive pricing.

This procurement cost is comprised of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autotransformer Furnish and Deliver</td>
<td>$4,071,109</td>
</tr>
<tr>
<td>Shunt Reactor Furnish and Deliver</td>
<td>$2,379,955</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$6,451,064</strong></td>
</tr>
</tbody>
</table>

**FISCAL INFORMATION**

The proposed spending for this Project has been included in the 2021 Capital Budget and will be included in the Four-Year Capital plan, moving forward. Payment associated with this Project will be made from the Authority’s Capital Fund.

**RECOMMENDATION**

The Senior Vice President – Project Delivery requests that the Finance and Risk Committee recommends that the Trustees, at their October 2021 meeting, award a competitively bid, two-year equipment contract in the amount of $6,451,064 to Royal SMIT Transformers of Nijmegen, Netherlands, for the Y49 – Spare System Equipment, which includes a waiver to requirements of Article 22 – Steel Components from the Authority’s “Agreement” document.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

On motion made and seconded, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the Finance and Risk Committee recommends that the Trustees, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, approve the award of a two-year equipment contract to Royal SMIT Transformers in the amount of $6,451,064 for the Y49 – Spare System Equipment, as recommended in the foregoing report of the President and Chief Executive Officer;**
Contractor
Royal SMIT Transformers
Nijmegen, Netherlands

Contract Approval
$6,451,064.00

RFP #Q21-7188SR

AND BE IT FURTHER RESOLVED, that the Finance and Risk Committee recommends that the Trustees waive requirements of the New York Buy America Act for this Contract award as recommended in the foregoing report of the President and Chief Executive Officer
iii. Recommendation for Award and Interim Approval –
State-Wide Canal Dam Safety Engineering Support Services

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their October 2021 meeting to approve the recommendation to award a contract(s) as a result of a competitive bid to the following companies: AECOM USA, Inc.; Bergmann Associates, Architects, Engineers, Landscape Architects and Surveyors, D.P.C.; Henningson, Durham & Richardson P.C.; and Schnabel Engineering of New York.

Interim approval in the amount of $500,000 is also being requested to commence necessary engineering and dam safety evaluations of high risk, critical elevated water impounding Canal embankments along the 60-mile pool between Locks E35/E34 at Lockport, NY to the Genesee River Crossing at Rochester, NY in order to protect public safety and maintain Canal navigation. Additionally, this work will assist in the ongoing assessment of the Reimagine Canals Western Erie Canal pilot fisheries program and potential future irrigation initiative.

The Finance and Risk Committee is requested to recommend to the Trustees the approval of the aforementioned.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority’s and Canal Corporation’s Guidelines for Procurement Contracts require Authority Trustee and Canal Board approval for procurement contracts involving services to be rendered for a period in excess of one year. Also, in accordance with the Expenditure Authorization Procedures (“EAPs”) the award of personal services contracts for more than $10 million require the Boards’ approval.

In order to comply with the Canal Corporation’s Dam Safety Program Policy, regulatory requirements of the NYCRR Part 608 and 673 (Dam Safety Regulations), and Environmental Conservation Law, qualified dam safety engineering consultants were sought to provide expert dam safety engineering support and assistance to the Dam Safety Shared Services Program and Canals Region. Services rendered by consultants may include, but not be limited to, dam safety inspections of the Canals 400+ dam and embankment asset, engineering assessment of the stability and integrity of these structures, hydraulic and hydrologic analysis, emergency action plan development, dam repair design, dam safety program audits and other dam safety engineering tasks.

DISCUSSION

Pursuant to Section §2879 of Public Authority’s Law (‘PAL’), the Authority issued a Request for Proposal (‘RFP’), No. Q21-7139NF, for State-Wide Canal Dam Safety Engineering Support Services via Ariba e-sourcing which was advertised in the New York State Contract Reporter on May 18, 2021. One hundred nine (109) suppliers were listed as having been invited to, or requested to participate in the Ariba Event. Nine (9) proposals were received electronically via Ariba and were evaluated, as further set forth in the Award Recommendation documents. Several firms declined to bid due to their inability to meet the timeframe required for the project.
On June 10, 2021, nine (9) proposals were received from the following suppliers:

<table>
<thead>
<tr>
<th>SUPPLIER</th>
<th>M/WBE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AECOM USA Inc. (AECOM)</td>
<td>N/A</td>
</tr>
<tr>
<td>Bergmann Associates, Architects, Engineers, Landscape Architects and Surveyors, D.P.C. (Bergmann Associates)</td>
<td>N/A</td>
</tr>
<tr>
<td>C.T. Male Associates Engineering, Surveying, Architecture, Landscape Architecture and Geology, D.P.C. (CT Male)</td>
<td>N/A</td>
</tr>
<tr>
<td>Gomez &amp; Sullivan Engineers</td>
<td>N/A</td>
</tr>
<tr>
<td>Greenman Pedersen, Inc.</td>
<td>N/A</td>
</tr>
<tr>
<td>Hatch Associates Consultants, Inc.</td>
<td>N/A</td>
</tr>
<tr>
<td>Henningson, Durham &amp; Richardson P.C., (HDR)</td>
<td>N/A</td>
</tr>
<tr>
<td>LaBella Associates, D.P.C.</td>
<td>N/A</td>
</tr>
<tr>
<td>Schnabel Engineering of New York (Schnabel)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The proposals were evaluated on the basis of relevant criteria: technical requirements, including services capability, relevant experience, quality assurance /quality control process, project team staffing experience, safety, insurance, Minority/Women-Owned Business Enterprise (‘M/WBE’) participation with goals of 15%M, 15%W and 6% Service-Disabled Veteran-Owned Business (‘SDVOB’), and if the Supplier took exceptions to the Authority's terms and conditions.

The Evaluation Committee comprised of representatives from NYPA and Canal Corporation Dam Safety Shared Services Staff and NYPA Strategic Supply Management (‘SSM’).

Considered for Award:

AECOM was found to be most competitive technically qualified supplier and provided the greatest level of expertise and project experience in all aspects of dam safety engineering of the suppliers evaluated. AECOM took several exceptions to the commercial terms and conditions which have been negotiated and mutually agreed upon. Additionally, AECOM has proposed to comply with the M/WBE goal requirements set forth in the RFP.

Schnabel was found to be a competitive and technically qualified supplier and provided the greatest level of expertise in dam geotechnical engineering analysis and design of the suppliers evaluated. Schnabel took some exceptions to the commercial terms and conditions which have been negotiated and mutually agreed upon. Schnabel has proposed to comply with the M/WBE goal requirements set forth in the RFP.

HDR was found to be a competitive and technically qualified supplier and provided the greatest level of expertise in dam safety program audits, hydraulic and hydrologic modeling program development and Canal site hydropower licensing experience of the suppliers evaluated. HDR took some exceptions to the commercial terms and conditions which have been negotiated and mutually agreed upon. HDR has proposed to comply with the M/WBE goal requirements set forth in the RFP.
Bergmann Associates was found to be a competitive and technically qualified supplier and provided the greatest level of Canal dam safety engineering experience from past involvement supporting the Canal Corporation’s Dam Safety Program of the suppliers evaluated. Bergmann Associates took minor exceptions to the commercial terms and conditions which have been negotiated and mutually agreed upon. Bergmann Associates has proposed to comply with the M/WBE goal requirements set forth in the RFP.

FISCAL INFORMATION

Funding will be allocated as projects are assigned based on each firms’ performance and workload, subject to the Approval Limits for Execution of Commitments in the Authority’s Expenditure Authorization procedures.

RECOMMENDATION

The Vice President – O&M Services & Technical Compliance requests that the Finance and Risk Committee recommends that the Trustees approve award personal services contract(s) to provide Dam Safety Consulting Engineering Support Services to the best value, technically qualified Suppliers: AECOM USA, Inc.; Bergmann Associates, Architects, Engineers, Landscape Architects and Surveyors, D.P.C; Henningson, Durham & Richardson P.C. and Schnabel Engineering of New York for a five-year term for a total aggregate amount of $20,000,000. Interim approval in the amount of $500,000 is also being requested to commence necessary engineering and dam safety evaluations of high risk, critical elevated water impounding Canal embankments in order to protect public safety and maintain Canal navigation.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

On motion made and seconded, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance and Risk Committee recommends that the Trustees approve award of personal services contract(s) to provide Dam Safety Consulting Engineering Support Services to the best value, technically qualified Suppliers: AECOM USA, Inc.; Bergmann Associates, Architects, Engineers, Landscape Architects and Surveyors, D.P.C; Henningson, Durham & Richardson P.C. and Schnabel Engineering of New York for a five-year term for a total aggregate amount of $20,000,000; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Trustees approve interim expenditures in the amount of $500,000 to commence necessary engineering and dam safety evaluations of high risk, critical elevated water impounding Canal embankments in order to protect public safety and maintain Canal navigation.
b. **Approval of the Minutes of the Joint Meeting held on July 15, 2021**

   On motion made by member Dennis Trainor and seconded by member John Koelmel, the Minutes of the Joint Meeting held on July 15, 2021 were approved.
6. **Next Meeting**

Chairperson Tracy McKibben said that the next regular meeting of the Finance and Risk Committee is scheduled for November 16, 2021.
Closing

On motion made by member Michael Balboni and seconded by member John Koelmel, the meeting was adjourned by Chairperson McKibben at approximately 11:06 a.m.

Karen Delince
Karen Delince
Corporate Secretary
EXHIBITS

For

September 21, 2021

Meeting Minutes
NYPA’s Climate Resilience and Adaptation Study

Adrienne Lotto Walker
VP, Chief Risk & Resilience Officer

September 21, 2021
Project Drivers and Participants

**Project Drivers**

**Project Participants**

- **NEW YORK STATE OF OPPORTUNITY**
- **NY Power Authority**
- **Argonne National Laboratory**
- **EPRI**
- **Columbia University**
Objective: to apply downscaled climate impact modeling and infrastructure risk and resilience analysis to support our assessment of climate risks and adaptation options for our assets and operations.

Adaptation --- Risk Mitigation --- Capital Expenditure Planning

Sub-Tasks

Estimates of Local-Scale Climate Impacts for NYPA Service Area
Infrastructure Risk & Resilience Analysis
Adaptation Options Analysis
Chief Financial Officer Report

Adam Barsky
EVP & Chief Financial Officer

September 21, 2021
## YEAR-TO-DATE ACTUALS THROUGH JULY 31st

### YTD ACTUALS (JANUARY-JULY 2021)

<table>
<thead>
<tr>
<th>In $ Thousands</th>
<th>2021 Budget ($)</th>
<th>2021 Current ($)</th>
<th>Variance ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Operating income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Revenue</td>
<td>$1,056,372</td>
<td>$1,025,301</td>
<td>($31,071)</td>
</tr>
<tr>
<td>Market-Based Power Sales</td>
<td>261,585</td>
<td>277,623</td>
<td>16,038</td>
</tr>
<tr>
<td>Non Utility Revenue</td>
<td>14,887</td>
<td>15,412</td>
<td>525</td>
</tr>
<tr>
<td>Ancillary Service Revenue</td>
<td>15,724</td>
<td>19,221</td>
<td>3,497</td>
</tr>
<tr>
<td>NTAC and Other</td>
<td>142,520</td>
<td>153,482</td>
<td>10,963</td>
</tr>
<tr>
<td><strong>Operating Revenue Total</strong></td>
<td>$1,491,087</td>
<td>$1,491,040</td>
<td>($48)</td>
</tr>
<tr>
<td>Margins - Generation</td>
<td></td>
<td></td>
<td>($4,869)</td>
</tr>
<tr>
<td>Margins - Transmission</td>
<td></td>
<td></td>
<td>13,038</td>
</tr>
<tr>
<td>Margins - Non Utility</td>
<td></td>
<td></td>
<td>(3,182)</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td>$1,234,298</td>
<td>$1,230,258</td>
<td>4,040</td>
</tr>
<tr>
<td>Purchase Power</td>
<td>(372,941)</td>
<td>(340,023)</td>
<td>32,918</td>
</tr>
<tr>
<td>Ancillary Service Expense</td>
<td>(36,901)</td>
<td>(32,062)</td>
<td>4,839</td>
</tr>
<tr>
<td>Fuel Consumed</td>
<td>(74,457)</td>
<td>(102,112)</td>
<td>(27,655)</td>
</tr>
<tr>
<td>Wheeling</td>
<td>(366,050)</td>
<td>(371,118)</td>
<td>(5,067)</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>(343,774)</td>
<td>(328,576)</td>
<td>15,198</td>
</tr>
<tr>
<td>Other Expense</td>
<td>(75,410)</td>
<td>(80,781)</td>
<td>(5,371)</td>
</tr>
<tr>
<td>Allocation to Capital</td>
<td>35,235</td>
<td>24,413</td>
<td>(10,822)</td>
</tr>
<tr>
<td><strong>Operating Expense Total</strong></td>
<td>($1,234,298)</td>
<td>($1,230,258)</td>
<td>4,040</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
<td>($995)</td>
</tr>
<tr>
<td><strong>EBIDA Total</strong></td>
<td>$256,789</td>
<td>$260,781</td>
<td>3,992</td>
</tr>
<tr>
<td><strong>EBIDA NYPA</strong></td>
<td>307,513</td>
<td>312,565</td>
<td>5,051</td>
</tr>
<tr>
<td><strong>EBIDA Canals</strong></td>
<td>(50,724)</td>
<td>(51,783)</td>
<td>(1,059)</td>
</tr>
<tr>
<td><strong>Non Operating</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Other Expenses</td>
<td>(76,028)</td>
<td>(71,579)</td>
<td>4,449</td>
</tr>
<tr>
<td>Investment and Other Income</td>
<td>11,632</td>
<td>8,512</td>
<td>(3,120)</td>
</tr>
<tr>
<td>Mark to Market Adjustments</td>
<td>0</td>
<td>1,036</td>
<td>(1,036)</td>
</tr>
<tr>
<td>Mark to Market Adjustments</td>
<td>(150,718)</td>
<td>(152,905)</td>
<td>(2,187)</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Other Expenses Total</td>
<td>(215,114)</td>
<td>(217,008)</td>
<td>(1,894)</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>$41,675</td>
<td>$43,774</td>
<td>$2,099</td>
</tr>
</tbody>
</table>

**EBIDA**: Earnings Before Interest Depreciation & Amortization
## FULL-YEAR FORECAST

### YEAR END PROJECTION (JANUARY - DECEMBER 2021)

<table>
<thead>
<tr>
<th>In $ Thousands</th>
<th>2021 Budget ($)</th>
<th>2021 Current ($)</th>
<th>Variance ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Operating Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Revenue</td>
<td>$1,817,582</td>
<td>$1,844,110</td>
<td>$26,528</td>
</tr>
<tr>
<td>Market-Based Power Sales</td>
<td>430,499</td>
<td>510,809</td>
<td>80,310</td>
</tr>
<tr>
<td>Non Utility Revenue</td>
<td>27,375</td>
<td>26,860</td>
<td>(515)</td>
</tr>
<tr>
<td>Ancillary Service Revenue</td>
<td>27,662</td>
<td>32,466</td>
<td>4,804</td>
</tr>
<tr>
<td>NTAC and Other</td>
<td>237,488</td>
<td>257,635</td>
<td>20,147</td>
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<tr>
<td><strong>Operating Revenue Total</strong></td>
<td>2,540,607</td>
<td>2,671,881</td>
<td>131,274</td>
</tr>
<tr>
<td>Operating Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Power</td>
<td>(629,343)</td>
<td>(650,894)</td>
<td>(21,551)</td>
</tr>
<tr>
<td>Ancillary Service Expense</td>
<td>(82,475)</td>
<td>(56,951)</td>
<td>5,524</td>
</tr>
<tr>
<td>Fuel Consumed</td>
<td>(119,206)</td>
<td>(187,261)</td>
<td>(68,056)</td>
</tr>
<tr>
<td>Wheeling</td>
<td>(642,170)</td>
<td>(647,737)</td>
<td>(5,567)</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>(607,911)</td>
<td>(635,664)</td>
<td>(27,753)</td>
</tr>
<tr>
<td>Other Expense</td>
<td>(129,657)</td>
<td>(133,876)</td>
<td>(4,219)</td>
</tr>
<tr>
<td>Covid-19 Expense*</td>
<td>0</td>
<td>286</td>
<td>286</td>
</tr>
<tr>
<td>Allocation to Capital</td>
<td>59,143</td>
<td>59,143</td>
<td>0</td>
</tr>
<tr>
<td><strong>Operating Expense Total</strong></td>
<td>(2,131,619)</td>
<td>(2,252,955)</td>
<td>(121,336)</td>
</tr>
<tr>
<td><strong>EBIDA Total</strong></td>
<td>408,989</td>
<td>418,926</td>
<td>9,937</td>
</tr>
<tr>
<td><strong>EBIDA NYPA</strong></td>
<td>495,601</td>
<td>511,469</td>
<td>15,868</td>
</tr>
<tr>
<td><strong>EBIDA Canals</strong></td>
<td>(85,613)</td>
<td>(92,534)</td>
<td>(5,930)</td>
</tr>
<tr>
<td><strong>Non Operating</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Other Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest &amp; Other Expenses</td>
<td>(129,262)</td>
<td>(119,478)</td>
<td>9,784</td>
</tr>
<tr>
<td>Investment and Other Income</td>
<td>19,626</td>
<td>16,172</td>
<td>(3,454)</td>
</tr>
<tr>
<td>Mark to Market Adjustments</td>
<td>0</td>
<td>(1,036)</td>
<td>(1,036)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(258,373)</td>
<td>(262,510)</td>
<td>(4,237)</td>
</tr>
<tr>
<td><strong>Interest and Other Expenses Total</strong></td>
<td>(368,009)</td>
<td>(366,952)</td>
<td>1,057</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>$40,980</td>
<td>$47,496</td>
<td>$6,517</td>
</tr>
<tr>
<td><strong>Low Case</strong></td>
<td>$47,496</td>
<td>$51,974</td>
<td>$6,813</td>
</tr>
</tbody>
</table>

*Covid-19: Expected incremental expenses into the forecast.

**EBIDA** Cases: Earnings Before Interest Depreciation & Amortization

**Low/High Cases**: Taken from Risk’s Merchant Portfolio Daily Performance Summary
NEW YORK STATE OF OPPORTUNITY

NY Power Authority

Canal Corporation
Environmental, Social, and Governance – VISION2030 Foundational Pillar Update

Kerry-Jane King
Director, Sustainability

September 21, 2021
NYPA delivers best-in-class sustainability strategy to meet the needs of our stakeholders and promote long-term environmental, social, governance, and economic performance

<table>
<thead>
<tr>
<th>Tactic</th>
<th>A - Demonstrate our commitment by issuing a sustainability plan and annual sustainability reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Objectives and Initiatives</td>
<td>Adopt and promote best practice Sustainability reporting standards:</td>
</tr>
<tr>
<td></td>
<td>- Publish NYPA’s first GRI, SASB and TCFD aligned Sustainability Report</td>
</tr>
<tr>
<td></td>
<td>- Publish NYPA’s first GRI, SASB and TCFD aligned five-year Sustainability Plan</td>
</tr>
<tr>
<td></td>
<td>- Publish NYPA’s first Integrated Report in 2023</td>
</tr>
<tr>
<td></td>
<td>B - Bring best-in-class ambitions to life and fully integrate ESG into NYPA’s DNA</td>
</tr>
<tr>
<td></td>
<td>Lead the public power industry in ESG by 2030:</td>
</tr>
<tr>
<td></td>
<td>- Establish ESG governance</td>
</tr>
<tr>
<td></td>
<td>- Implement communications and change management plan</td>
</tr>
<tr>
<td></td>
<td>- Expand ESG engagement efforts - climate science training and other initiatives</td>
</tr>
<tr>
<td></td>
<td>C - Expand the sustainability function to encompass strategic guidance, oversight, and reporting</td>
</tr>
<tr>
<td></td>
<td>Build out the Sustainability function/capability to:</td>
</tr>
<tr>
<td></td>
<td>- Serve as a trusted advisor to business units to meet our ESG goals</td>
</tr>
<tr>
<td></td>
<td>- Expand and accelerate lead-by-example programs across key performance areas</td>
</tr>
</tbody>
</table>
Tactic A – Adopting Integrated Reporting by 2023, further demonstrating ESG leadership

- 2021 has been a milestone year, including publication of our first ESG standards-aligned **Sustainability Report** and **Sustainability Plan**

- We are building on this success by adopting the Integrated Reporting (<IR>) framework, and will issue our first <IR> report in 2023

- <IR> is an internationally recognized framework that **combines sustainability and financial reporting** to:
  - Promote integrated thinking and decision-making for value creation over the short- and long-term
  - Provide a more comprehensive approach to corporate reporting for all stakeholders
Adopting the <IR> Framework to integrate ESG and communicate value

ESG Performance and Reporting

- Establish ESG issues as value drivers to operationalize ESG strategy
- Leverage interconnected information to better manage risks and tradeoffs
- Communicate value of business and NYPA’s stewardship to all stakeholders
- Meet stakeholder expectations for transparency and accountability

<IR> Work Plan

- Benchmarking and gap analysis
- Define scope, disclosures and metrics
- Begin collecting data January 2022

<IR> provides a reporting structure to build connectivity across ESG and financial disclosures

Source: Statement of Intent to Work Together Towards Comprehensive Corporate Reporting, CDP, CDSB, GRI, IIRC, SASB
## Table of Contents

<table>
<thead>
<tr>
<th>Subject</th>
<th>Page No.</th>
<th>Exhibit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Adoption of the October 6, 2021 Proposed Special Meeting Agenda</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>2. Motion to Conduct an Executive Session</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>3. Motion to Resume Meeting in Open Session</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>4. DISCUSSION AGENDA:</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>a. New York State Energy Research and Development Authority Tier 4 Request for Proposals – Clean Path New York Update</td>
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<td>5. CONSENT AGENDA:</td>
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<td>a. Financial Operations</td>
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<td>i. Approval of Budget Report for Submission Pursuant to Section 2801 of the Public Authorities Law and Agency Procedures</td>
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<td>6. Next Meeting</td>
<td>11</td>
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<td>7. Motion to Conduct an Executive Session</td>
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Minutes of the special joint meeting of the New York Power Authority and Canal Corporation’s Finance and Risk Committee held via videoconference at approximately 8:00 a.m.

**Members of the Finance Committee present were:**

Tracy B. McKibben - Chair  
John R. Koelmel  
Eugene Nicandri  
Anthony Picente, Jr.  
Michael Balboni  
Dennis Trainor  
Bethaida González  

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**Also in attendance were:**

Gil Quiniones  
Justin Driscoll  
Adam Barsky  
Joseph Kessler  
Kristine Pizzo  
Sarah Salati  
Phil Toia  
Daniella Piper  
Saul Rojas  
Lee Garza  
Yves Noel  
Robert Plascik  
Scott Tetenman  
Karen Delince  
Adrienne Lotto Walker  
Girish Behal  
John Canale  
Anne Reasoner  
Javier Bucobo  
Peter Casper  
Glenn Haake  
Susan Craig  
Michael Midden  
Carley Hume  
Christopher Vitale  
Lorna Johnson  
Sheila Quatrocci  
Andrea Kelli Higgs  
Michele Stockwell  

Chairperson Tracy McKibben presided over the meeting. Corporate Secretary Delince kept the Minutes.
Introduction

Chairperson Tracy McKibben welcomed committee members and the Authority’s senior staff to the meeting. She said that the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to Section B(4) of the Finance Committee Charter.
1. **Adoption of the October 6, 2021 Proposed Special Meeting Agenda**

   On motion made by member Dennis Trainor and seconded by member Eugene Nicandri, the agenda for the meeting was unanimously adopted.

   **Conflicts of Interest**

   Chairperson McKibben and members Koelmel, Nicandri, Picente, Balboni, Trainor and Gonzalez declared no conflicts of interest based on the list of entities previously provided for their review.
2. **Motion to Conduct and Executive Session**

"Mr. Chairman, I move that the Committee conduct an executive session to discuss the financial and credit history of a particular corporation pursuant to Section 105 of the Public Officers Law." On motion made by member Dennis Trainor and seconded by member Eugene Nicandri, the members conducted an executive session.
3. **Motion to Resume Motion in Open Session**

   "*I move that the meeting resume in open session.*" On motion made by member Eugene Nicandri, seconded by member Bethaida González, the meeting resumed in open session.

   Chairperson McKibben said no votes were taken during the executive session.
4. **DISCUSSION AGENDA:**

   a. **New York State Energy Research and Development Authority**
      **Tier 4 Request for Proposals – Clean Path New York Update**

      Mr. Philip Toia, President of NYPA Development, provided an update on New York State Energy Research and Development Authority’s (“NYSERDA”) Tier 4 Request for Proposals - Clean Path New York (Exhibit “4a-A”).

      **Clean Path NY: Project Overview**
      The Clean Path New York Project is in response to the NYSERDA Tier 4 solicitation for Request for Proposals. On May 12, 2021, NYPA submitted bids jointly with project participants Forward Power, which is a joint venture between EnergyRe and Invenergy. On September 20th, the start of Climate Week in New York, the Governor announced that the project would move forward. To that end, NYPA is working with Forward Power and discussions are continuing with NYSERDA toward the next step, approval by the New York State Public Service Commission to move the project forward.

      The project will be a 175-mile, 1300 MW high-voltage DC transmission line, 105 miles of which will be on NYPA’s existing right-of-way along the Marcy South corridor from Fraser Substation in the Catskills region, travelling along state routes, public rights-of-way and some submarine cables along the Hudson and Holland rivers, to Rainey Substation in New York City.

      The purpose of the solicitation is to get renewables into the New York City area. The bulk of the generation Upstate New York (“Upstate”) is renewables and the bulk of the load in New York State is in New York City therefore, the project will offset fossil generation in New York City.

      Forward Power is also looking at interconnecting approximately 3800 megawatts of new, wind and solar capacity Upstate which will be transmitted over this proposed line into the New York City region. An additional part of the project is wind and solar intermittent; therefore, a portion of the Blenheim-Gilboa Pumped Storage Plant (“B-G”) will be utilized to provide additional storage. The project will provide energy storage capability to optimize the use of solar and wind when there is excess generation that is not able to flow over the line, and use that energy stored at B-G at times when the wind and solar do not fill the lines. Therefore, there are additional benefits for NYPA and the project using its B-G Plant.

      **Project Benefits**
      Based on data from the Clean Path New York modeling:

      - The estimates are that the project will be an $11 billion investment in New York State of which approximately $3.5 billion will be in the Transmission line investment; and approximately $7.5 billion dollars in new, clean energy investment.

      - The addition of the wind and solar farms, as well as the transmission line, will displace and reduce fossil fuel generation across the state, benefitting all of the people of New York State.

      - Over the 25-year period of the NYSERDA contract, the estimates are that it will reduce carbon emissions by 39 million tons. It will also reduce criteria pollutants (NOx, SOx and Particulate Matter (PM2.5)).

      - It is estimated that the project will create 8,300 jobs in New York State.

      - Additional benefits of the project include billions of dollars in avoided social and public health costs due to the emissions reductions over 25 years.
NYPA and the Forward Power team are in discussions with NYSERDA; additional preliminary engineering work is ongoing to advance this project with anticipation of approval by the New York Public Service Commission to start the more detailed project work and execution with Forward Power.

President Quiniones added that one of the unique attributes of the line is that the location of the transmission line will finally resolve the congestion that occurs in the Albany-Utica area because, from the central part of the State going to the east, there has always been congestion in terms of moving power from Upstate to Downstate New York. There has been decades-long congestion along that corridor which has not been resolved. This line, when built, will significantly resolve the congestion in that area, and will enable cleaner, carbon-free power from Upstate down to New York City, a significant change in the way power flow will now be enabled from Upstate to Downstate New York.
5. **CONSENT AGENDA:**

On motion made by member Michael Balboni, seconded by member Eugene Nicandri, and by unanimous vote, the motion was unanimously adopted.
i. Approval of Budget Report for Submission Pursuant to Section 2801 of the Public Authorities Law and Agency Procedures

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Finance and Risk Committee is requested to recommend to the Trustees (a) the approval of the budget report attached as Exhibit '5a i-A' (the 'Budget Report'), and (b) the authorization and ratification of the Authority staff’s submittal of the Budget Report to the State officials identified in Public Authorities Law ('PAL') §2801, and the filing of the Budget Report electronically with the State in accordance with New York State Authorities Budget Office ('ABO') and State Comptroller requirements.

BACKGROUND

PAL §2801 requires each state public authority to submit a budget report annually, not less than 90 days before the commencement of its fiscal year, in the form submitted to its members or trustees, with budget information on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year, and the actual receipts and expenditures for the last completed fiscal year, to the Governor, the Chair and Ranking Minority Member of the Senate Finance Committee, the Chair and Ranking Minority Member of the Assembly Ways and Means Committee and the ABO (collectively, 'State Officials').

The ABO and State Comptroller also require state public authorities to file budget reports electronically with the State through the Public Authorities Reporting Information System ('PARIS') online reporting system. PARIS requires three additional years of forward-looking budget information for a total of six years of budget information.

DISCUSSION

The Finance and Risk Committee is requested to recommend to the Trustees the approval of the Budget Report prepared by staff. The Budget Report reflects information required by PAL §2801 and additional information required by the PARIS system. The Budget Report is inclusive of budget information relating to the Canal Corporation. The Finance and Risk Committee is further requested to recommend that the Trustees authorize and ratify the staff's submittal of the Budget Report to the State Officials identified in PAL §2801, and to file the Budget Report with the State electronically through PARIS.

The Budget Report is prepared solely for the purpose of meeting the requirements of PAL §2801 and Comptroller and ABO requirements. The Budget Report relies on data and projections that were developed during the months of July through September 2021. These data and projections include inputs such as forecasts of electric prices, fuel expenses, customer power and energy use, generation levels and revenues from Authority power projects, operations & maintenance, and capital expense. The Authority is not required to update the Budget Report at any point during the remainder of 2021 or in 2022 prior to submittal of the Budget Report for fiscal year 2022 for the normal annual process outlined in PAL §2801, however it is providing quarterly updates to the State based on a separate request for current year only figures.

Staff is in the process of preparing the Authority's annual budget as well as the Four-Year Budget and Financial Plan. The annual budget and the Four-Year Budget and Financial Plan will be presented to the Trustees for approval at a subsequent meeting. The Four-Year Budget and Financial Plan may include assumptions and figures that are different from those in the Budget Report.
FISCAL INFORMATION

The Budget Report’s estimates for each of the years 2021-2022 are indicative forecasts. The Finance and Risk Committee is not being asked to approve any revenue or expenditure amounts for those years at this time.

RECOMMENDATION

The Chief Financial Officer recommends that the Finance and Risk Committee recommend to the Trustees: (1) the approval of the Budget Report; and (2) authorize and ratify staff’s submittal of the Budget Report to State Officials, and the filing of the Budget Report with the State electronically through the Public Authorities Reporting Information System (‘PARIS’), as discussed herein.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance and Risk Committee recommends that the Trustees, pursuant to Public Authorities Law §2801, approve the Budget Report attached as Exhibit ‘5a i-A’ for the purposes stated in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance and Risk Committee recommends to the Trustees that the Authority staff’s submittal of the Budget Report to the State officials identified in Public Authorities Law §2801, and the filing of the Budget Report with the State electronically in accordance with New York State Authorities Budget Office and State Comptroller requirements be authorized and ratified; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority be authorized by the Trustees on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.
6. **Next Meeting**

Chairperson Tracy McKibben said that the next regular meeting of the Finance and Risk Committee is scheduled for November 16, 2021 at a time to be determined.

*Chairperson McKibben said that the members will conduct an executive session and adourn the meeting at the end of the executive session.*
7. **Motion to Conduct an Executive Session**

“I move that the Committee conduct an executive session, pursuant to Public Officers Law Section 105(f), to discuss the financial and employment history of a particular person and corporation. On motion made by member Michael Balboni and seconded by member Anthony Picente, the members conducted an executive session.

Karen Delince  
Karen Delince  
Corporate Secretary
EXHIBITS

For

October 6, 2021

Special Meeting Minutes
NYSERDA Tier 4 RFP – Clean Path NY Update

Philip Toia
President, NYPA Development

October 6, 2021
Clean Path NY: Project Overview

• Joint bid submitted on May 12th, 2021 in response to NYSERDA Tier 4 solicitation

• Project participants include NYPA and Forward Power (energyRe and Invenergy)

• 175-mile 1300 MW bi-directional HVDC transmission link connecting Fraser Substation in Central NY with Rainey Substation in NYC
  • 105 miles of line to be built in existing NYPA Right-Of-Way along Marcy South corridor

• 3,800 MW of new wind and solar capacity in Upstate New York

• Use of Blenheim-Gilboa for energy storage
Clean Path NY: Project Overview

- Clean Path NY Investment of $11 billion in New York State¹
  - $3.5 billion in Transmission investment
  - $7.5 billion in new clean energy investment

- Reduced fossil fuel generation statewide

- Reduced carbon emissions by 39 million tons over 25 years¹

- Reduced criteria pollutants (NOx, SOx and Particulate Matter [PM2.5])¹

- Creation of 8,300 jobs¹

- Billions of dollars in avoided social and public health costs due to emissions reductions over 25 years¹

Note 1: Data/Statistics are based on Clean Path NY modeling
## Power Authority of the State of New York
### Estimated Receipts and Expenditures
#### 2021 to 2025

#### Actual Receipts and Expenditures 2020

### 2801 Report

<table>
<thead>
<tr>
<th></th>
<th>Last Year</th>
<th>Current Year</th>
<th>Proposed 2022</th>
<th>Proposed 2023</th>
<th>Proposed 2024</th>
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<tr>
<td><strong>Revenue &amp; Financial Sources</strong></td>
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<tr>
<td><strong>Operating Revenues</strong></td>
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<td>Charges for Services</td>
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<td>Other Operating Revenues</td>
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<td><strong>Non-Operating Revenues</strong></td>
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<td>Investment Earnings</td>
<td>29,994,342</td>
<td>13,269,516</td>
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<td>22,059,747</td>
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<td>Federal Subsidies / Grants</td>
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<td>Public Authority Subsidies</td>
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<td>Other Non-Operating Revenues</td>
<td>56,986,599</td>
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<td>43,000,000</td>
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<td><strong>Proceeds from the Issuance of Debt</strong></td>
<td>1,277,420,747</td>
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<td>288,576,821</td>
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<td><strong>Total Revenues &amp; Financing Sources</strong></td>
<td>$3,569,991,067</td>
<td>$2,759,347,323</td>
<td>$2,851,217,696</td>
<td>$3,133,969,323</td>
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<td><strong>Expenditures</strong></td>
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<tr>
<td><strong>Operating Expenditures</strong></td>
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<tr>
<td>Salaries and Wages</td>
<td>264,401,475</td>
<td>239,279,358</td>
<td>244,505,973</td>
<td>250,873,757</td>
<td>257,353,612</td>
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<td>Other Employee Benefits</td>
<td>149,896,563</td>
<td>107,091,208</td>
<td>114,848,626</td>
<td>122,909,079</td>
<td>126,722,206</td>
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<td>Professional Services Contracts</td>
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<td>54,824,146</td>
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<td>Supplies and Materials</td>
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<td>213,039,669</td>
<td>215,782,558</td>
<td>216,058,523</td>
<td>224,621,535</td>
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<td>Payment of Principal on Bonds and Financing Arrangements</td>
<td>342,880,000</td>
<td>1,445,000</td>
<td>1,485,000</td>
<td>1,520,000</td>
<td>17,513,227</td>
<td>18,444,667</td>
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<td>Interest and other Financing Charges</td>
<td>60,229,253</td>
<td>(1,674,575)</td>
<td>30,428,183</td>
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<td>507,109,872</td>
<td>762,234,633</td>
<td>892,073,534</td>
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<td>521,589,923</td>
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<td>Grants and Donations</td>
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<tr>
<td><strong>Capital Contributions</strong></td>
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Next Meeting

The next regular meeting of the Joint Finance & Risk Committee is to be determined.