



PROPOSED AGENDA

JOINT AUTHORITY AND CANAL AUDIT COMMITTEE MEETING

March 25, 2025 –8:30 a.m.

Members: Chair Dennis Trainor, John Koelmel, Michael Cusick, Lewis Warren, Jr., Laurie Wheelock

1. Adoption of the March 25, 2025 Proposed Meeting Agenda

2. DISCUSSION AGENDA:

- a. New York Power Authority and Canal Corporation Internal Audit Update (**Salman Ali**)
 - i. 2024 Internal Audit Update
 - ii. 2025 Internal Audit Plan and Strategy
- b. 2024 Financial Reports Pursuant to Section 2800 of the Public Authorities Law and Regulations of the Office of the State Comptroller (**Adam Barsky**)
- c. New York Power Authority Discussion with Those Charged with Governance (**Chris L D'Angelo, KPMG**)

3. CONSENT AGENDA:

- a. Approval of the New York Power Authority and Canal Corporation Audit Committee Charter
- b. Approval of the New York Power Authority Internal Audit Charter (Corporate Policy 5-1)
- c. Approval of the Joint Minutes of the Regular Meeting held on December 10, 2024

4. Motion to Conduct an Executive Session

5. Motion to Resume Meeting in Open Session

6. Next Meeting



Audit Committee

New York Power Authority and Canal Corporation
2024 Internal Audit Update

Salman Ali

SVP Internal Audit

March 25, 2025

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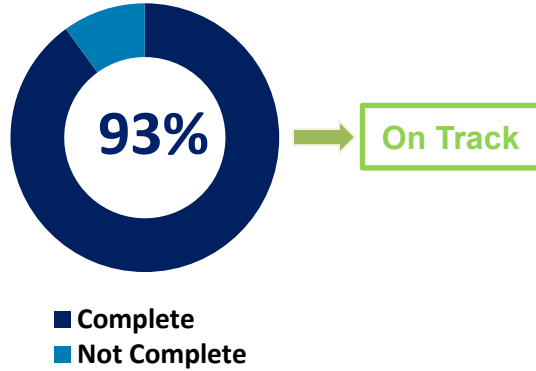


Executive Summary

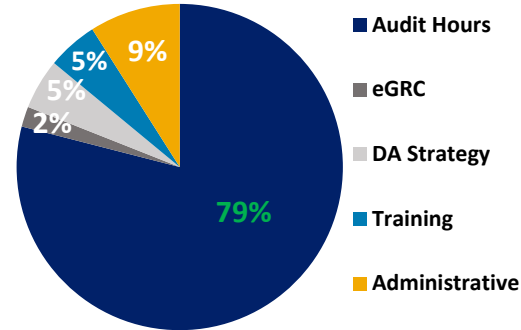
Audit Execution Scorecard – As of March 13, 2025

2024 Audit Plan Completion % *

Internal Target = 100% by YE



Department Utilization for All Available Hours



Audit Hours Internal Target = 75% ✓

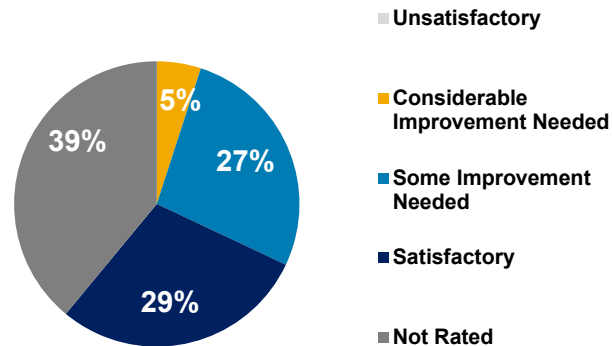
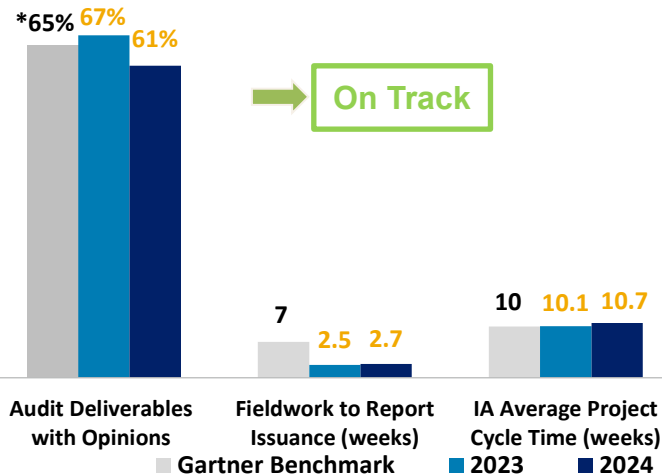
Key Highlights

- The audit plan* is **on track** to complete by March 2025.
- **46 audit deliverables** on the NYPA Audit plan, includes 4 EH&S deliverables.
- **38 deliverables issued** (27 reports, 11 memos) achieving 93% audit plan completion.
- On target to meet auditor **utilization target of 75%**.
- Audit Cycle time continues to be consistent with prior year.
- Three high-rated observations have been identified in 2024, with two (5%) related to reports rated as **Considerable Improvement**, compared to 10% with same opinion in 2023.
- Audit deliverables with opinions is tracking to **target (65%)**.
- Action items for **Quality Assurance Improvement Program (QAIP)** assessment remain on track. See *Appendix B* for detailed status.

***See Appendix A for detailed Audit Plan Status**

2024 IA Operational Excellence

% of Audit Deliverables with Opinions

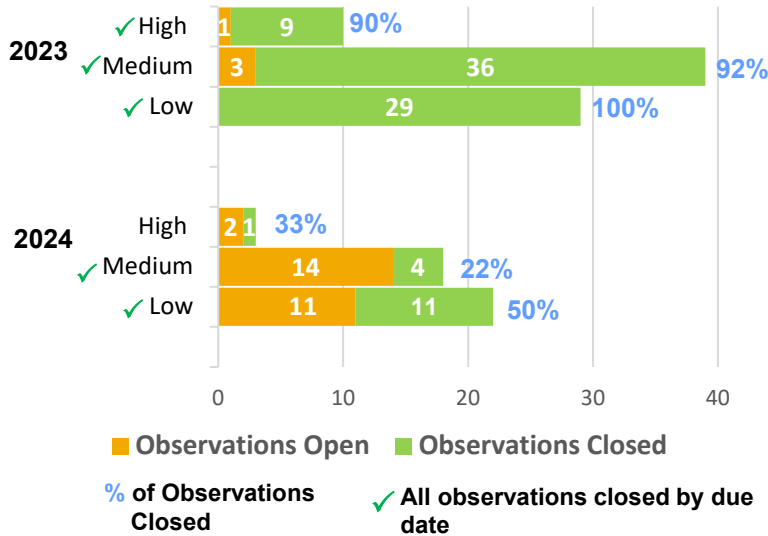


* Internal Target

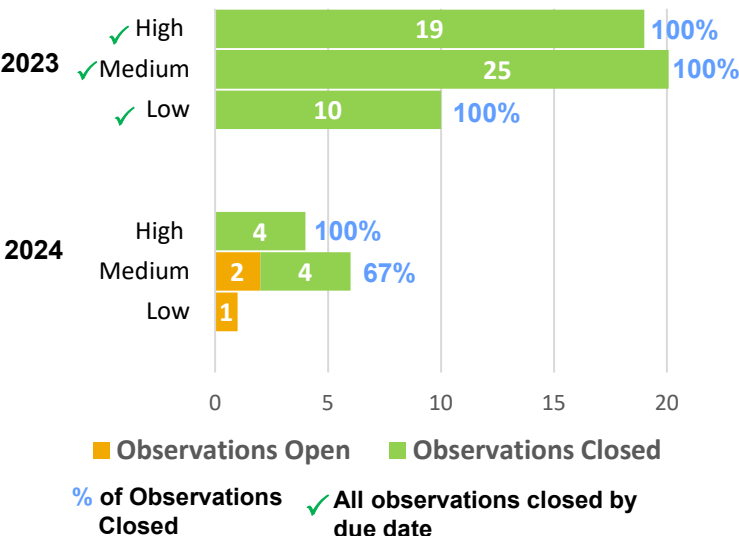
¹The audit year follows an April - March schedule, reflecting the timeline established for Internal Audit's planning and execution cycle.

Audit Observation Scorecard – As of March 13, 2025

NYPA Observation Status*



EH&S Observation Status*

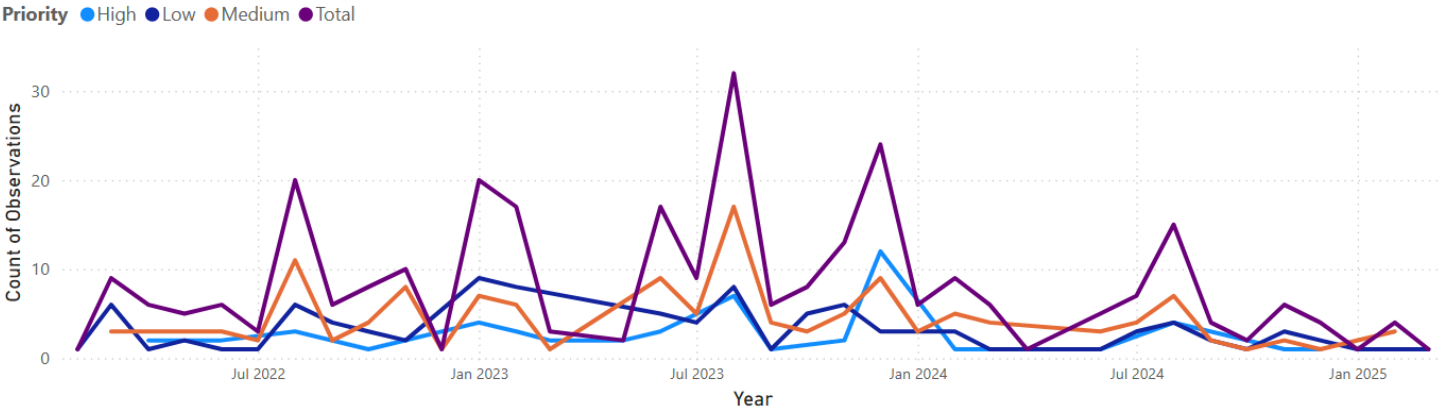


Key Highlights*

- Observation closure rates remains strong, reflecting a **proactive risk culture** and effective issues management.
- 2024 NYPA Observations: 43 identified, 37% closed, **all on track** to meet due dates with no extensions.
- 2023 NYPA Observations: 95% closed, four remain open, **all scheduled for closure by Q3 2025**.
- EH&S Observations: 11 identified in 2024, 8 closed, remaining 3 **on track for timely closure**.
- Strong **collaboration** between IA and Management has improved closure rates in 2024.

NYPA and EH&S Observations Trends by Priority

Count of Audit Observations by Month and Priority



***See Appendix C for detailed observation summary**



2024 Thematic Observations Update

Nishita Mody

Director, Internal Audit

Ignacio Bullrich

Director, Internal Audit

1 Environmental Health and Safety (EH&S)

▪ Operational Management

- Strengthening inspection protocols, materials storage management, and secondary containment.
- Enhancing oversight of 3rd party service provider's safety and environmental compliance practices.

▪ Training

- Bolstering training program to including increasing awareness of regulatory requirements and compliance best practices.

Management Action Summary: Several actions related to technical training and developing communications on material storage has been completed. Management continues to enhance training program, emergency response protocols, and overall oversight to further drive improved safety and environmental compliance.

2 Third Party Management Monitoring (Suppliers, Contractors)

▪ Supply Chain

- Enhancing the SOC program to improve governance, streamlines procedures, and bolster financial and operational oversight.
- Expanding data visibility and risk monitoring to strengthen supplier performance and operational stability.
- Strengthening reporting mechanisms to improve supplier evaluations, reduce disruptions, and optimize supply planning.

▪ Third Party Contractor

- Enhancing contractor oversight with strengthened financial controls and operational risk monitoring.

Action Summary: A multi-phase approach is underway, with key programmatic and framework updates targeted for Q2 2025, and full implementation of enhanced third-party oversight measures by Q1 2026.



CAE Required Communications to the Audit Committee

CAE Required Communications to the Audit Committee

Internal Audit – NYPA and Canal Corporation

Communication Requirement	Form	Audit Communication
<p>Standard 6.1 - IA Mandate: Periodically, the chief audit executive must assess whether changes in circumstances justify a discussion with the board and senior management about the internal audit mandate. If so, the chief audit executive must discuss the internal audit mandate with the board and senior management to assess whether the authority, role, and responsibilities continue to enable the internal audit function to achieve its strategy and accomplish its objectives.</p>	<p>Audit Committee Meetings and Private Sessions Internal Audit Charter</p>	<p>The IA mandate was presented for review and approval during the March 25, 2025 Audit Committee meeting and to discuss whether the IA mandate's authority, role and responsibilities continue to enable the IA function to achieve its strategy and accomplish its objectives.</p>
<p>Standard 6.2 – IA Charter: The chief audit executive must discuss the proposed charter with the board and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function.</p>	<p>Internal Audit Charter</p>	<p>The Internal Audit charter was amended and presented to senior management and the Audit Committee for review and approval at the March 25, 2025 Audit Committee Meeting.</p> <p><i>Proposed updates to Internal Audit Charter align with the new Global Internal Audit Standards, which took effect January 2025.</i></p>
<p>Standard 7.1 – Organizational Independence: The chief audit executive must confirm to the board the organizational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired, or any current or proposed roles and responsibilities that have the potential to impair the IA function's independence, and the types of actions or safeguards used to address or manage actual, potential or perceived impairments.</p>	<p>Audit Committee Meetings and Private Sessions</p>	<p>At the March 25, 2025 Audit Committee meeting, Internal Audit confirmed that the function remains independent and free from undue influence. No impairments to independence were identified in the past year. Additionally, mechanism to safeguard independence, such as direct reporting to the Audit Committee and adherence to IIA standards, remain in place. Any potential threat to independence should they arise, will be promptly communicated to the Audit Committee.</p>
<p>Standard 8.2 - Resources: The chief audit executive must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed.</p>	<p>Audit Committee Meetings & Private Sessions Monthly Activity Report</p>	<p>At the March 25, 2025 Audit Committee Meeting, Internal Audit reported that there were no audits on the Proposed 2025 Audit Plan for which there are resource constraints. There have been no significant interim changes in resource requirements. Accordingly, there were no material impacts associated with resource limitations. Communication of the status of resource requirements is reported to the Audit Committee on a monthly basis.</p>
<p>Standard 9.2 – IA Strategy: The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders. The chief audit executive must review the internal audit strategy with the board and senior management periodically.</p>	<p>Audit Committee Meetings and Private Sessions Monthly Activity Report</p>	<p>Discussions were held at the March 25, 2025 Audit Committee Meeting related to the review and approval of the internal audit strategy with strategic objectives that support NYPA's success and align with the expectations of the board and senior management.</p>

CAE Required Communications to the Audit Committee

Internal Audit – NYPA and Canal Corporation

Communication Requirement	Form	Audit Communication
<p>Standard 9.4 – IA Plan: The chief audit executive must review and revise the internal audit plan as necessary and communicate timely to the board and senior management: ·The impact of any resource limitations on internal audit coverage.</p> <p>·The rationale for not including an assurance engagement in a high-risk area or activity in the plan.</p> <p>·Conflicting demands for services between major stakeholders, such as high-priority requests based on emerging risks and requests to replace planned assurance engagements with advisory engagements. ·Limitations on scope or restrictions on access to information. -significant interim changes.</p> <p>The plan and significant changes to the plan must be approved by the board.</p>	<p>Annual Internal Audit Plan</p> <p>Monthly Activity Report</p>	<p>Discussions were held at the March 25, 2025 Audit Committee Meeting related to review and approval of the 2025 Internal Audit plan.</p> <p>Communication of status of the internal audit plan, any interim changes and resource requirements was reported to the Audit Committee on a monthly basis. All communications included the required disclosures.</p>
<p>Standard 10.1 – Financial Resource Management: The chief audit executive must seek budget approval from the board and must communicate promptly the impact of insufficient financial resources to the board and senior management. If significant additional resources are needed due to unforeseen circumstances, the chief audit executive should discuss the circumstances with the board and senior management promptly.</p>	<p>Annual Audit Plan</p> <p>Monthly Activity Report</p>	<p>Discussions were held at the December 10, 2024 Audit Committee Meeting related to the review and approval of the 2025 Internal Audit Budget. Adequate resources were noted, accordingly there were no material impacts associated with insufficient financial resources.</p>
<p>Standard 10.3 – Technological Resources: The chief audit executive must communicate the impact of technology limitations on the effectiveness or efficiency of the internal audit function to the board and senior management.</p>	<p>Audit Committee Meetings</p> <p>Monthly Activity Report</p>	<p>Discussions were held at the March 25, 2025 Audit Committee Meeting related to review and approval of the 2025 IA Strategy, including the use of technology solutions. As the CAE, I confirm that are no technology limitations on the IA function. Accordingly there was no impact on the effectiveness and efficiency of internal audit due to technology limitations.</p>
<p>Standard 11.3 – Communicating Results: The chief audit executive must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate. The chief audit executive must understand the expectations of the board and senior management regarding the nature and timing of communications. The results of internal audit services can include: -Engagement conclusions, -Themes such as effective practices or root causes, -Conclusions at the level of the business unit or organization.</p>	<p>Directors Desk</p> <p>Monthly Activity Report</p>	<p>Results of each internal audit engagement were communicated to the board and senior management upon completion, including engagement conclusions and root causes. Summary engagement results were reported to the Audit Committee monthly.</p>

CAE Required Communications to the Audit Committee

Internal Audit – NYPA and Canal Corporation

Communication Requirement	Form	Audit Communication
<p>Standard 11.4 – Errors and Omissions: If a final engagement communication contains a significant error or omission, the chief audit executive must communicate corrected information promptly to all parties who received the original communication. Significance is determined according to criteria agreed upon with the board.</p>	<p>Audit Committee Meetings and Private Sessions</p>	<p>As the CAE, I confirm that for the 2024 audit plan year, there were no final engagement communications with a significant error or omission.</p>
<p>Standard 11.5 – Communicating the Acceptance of Risks: The chief audit executive must communicate unacceptable levels of risk. When the chief audit executive concludes that management has accepted a level of risk that exceeds the organization’s risk appetite or risk tolerance, the matter must be discussed with senior management. If the chief audit executive determines that the matter has not been resolved by senior management, the matter must be escalated to the board. It is not the responsibility of the chief audit executive to resolve the risk.</p>	<p>Audit Committee Meetings and Private Sessions</p>	<p>As the CAE, I confirm that there were no situations where I concluded management had accepted an inappropriate level of risk.</p>
<p>Standard 12.1 – Internal Quality Assessment: The chief audit executive must establish a methodology for internal assessments, as described in Standard 8.3 Quality, that includes:</p> <ul style="list-style-type: none"> ·Ongoing monitoring of the internal audit function’s conformance with the Standards and progress toward performance objectives, ·Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards, ·Communication with the board and senior management about the results of internal assessments. <p>The chief audit executive must develop action plans to address instances of nonconformance with the Standards and opportunities for improvement, including a proposed timeline for actions and communicate the results of periodic self-assessments and action plans to the board and senior management.</p>	<p>Audit Committee Meetings and Private Sessions</p> <p>Monthly Activity Reports</p>	<p>Results of ongoing monitoring of performance were reported to the Audit Committee as a component of the monthly internal activity reports.</p>



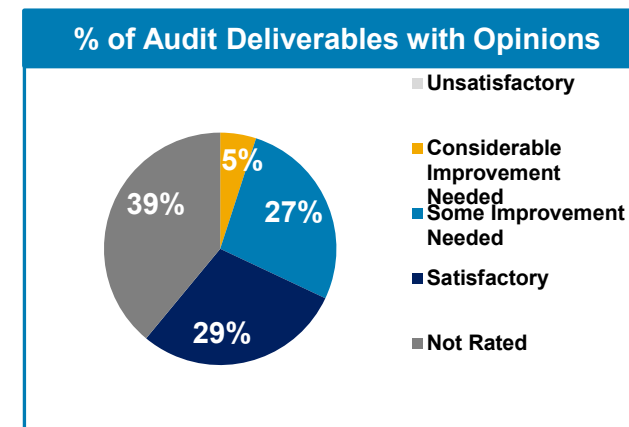
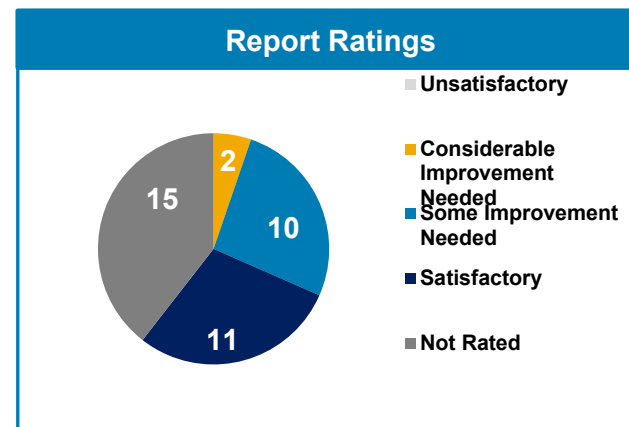
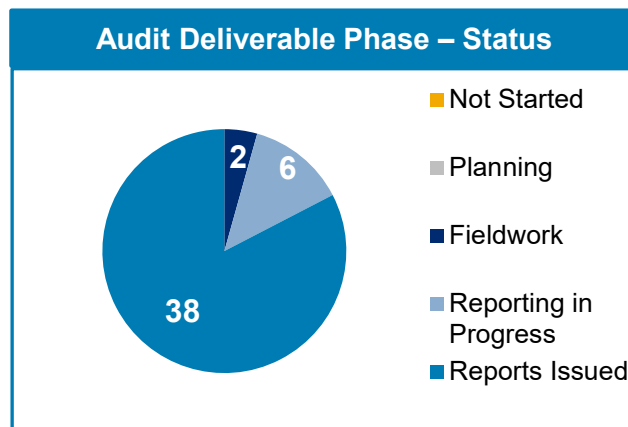
APPENDICES



APPENDIX A

2024 Audit Plan Status

- 41 audit projects are included in the NYPA Audit Plan. 38 deliverables (27 reports and 11 memos) have been issued to date associated with the NYPA Audit Plan, including EH&S deliverables. 46 deliverables will be issued by the audit year end as three audit engagements have more than one deliverable for ongoing advisory work.
- We have reached 93% audit plan completion. Details of audit plan status can be found in Appendix A.
- Six reports are in the reporting phase and two reports in the fieldwork phase and expected to be issued by the end of March. The audit plan is on track for completion in March 2025.
- Report opinions were 29% Satisfactory, 27% Some Improvement Needed, 5% Considerable Improvement Needed and 39% not rated of the 38 reports/memos issued.
- Three high-rated observations have been identified for 2024 to date where two high-rated observations were associated with Considerable Improvement Needed opinion reports. The one other high-rated observation is from assessment report. In comparison to 2023, 10% of the opinion reports issued were Considerable Improvement Needed (i.e., 4 reports) associated with 10 high-rated observations identified.
- Management continues to elevate the control environment through various internal control mechanisms and promotes its importance by executing planned actions to ensure remediation for observations identified to mitigate risk.



Appendix A – 2024 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
Deliverables Issued: 36							
1	NYPA	2024-AU-03	Budgets (NYPA & Canals)	Business Services	Audit	Satisfactory	4/30/2024
2	NYPA	2024-AV-24	IT Disaster Recovery Tests	Information Technology & Cyber Security	Advisory	N/A	5/2/2024
3	NYPA	2024-AU-22	White Plains Office Data Center Cloud Migration Project	Information Technology & Cyber Security	Audit	N/A	5/21/2024
4	NYPA	2024-AV-10	NextGen ERP Readiness Controls Evaluation	Business Services	Advisory	N/A	6/7/2024
5	NYPA	2024-AU-14	NYPA Fleet Operations	Operations	Audit	Considerable Improvement Needed	6/28/2024
6	NYPA	2024-AU-35	North Country Energy Storage	Operations	Audit	Some Improvement Needed	7/12/2024
7	NYPA	2024-AU-41	Western New York and Preservation Power Customer Compliance	Operations	Audit	N/A	7/19/2024
8	NYPA	2024-AU-37	Project and Program Controls	Operations	Audit	Some Improvement Needed	7/19/2024
9	NYPA	2024-AS-06	Enterprise Portfolio Management Office (NYPA & Canals) – Investment Committee	Business Services	Assessment	N/A	8/1/2024
10	NYPA	2024-AU-16	Digital Certificate Management (NYPA & Canals)	Information Technology & Cyber Security	Audit	Some Improvement Needed	8/8/2024
11	NYPA	2024-AU-07	GASB 96 – IT Subscription Services (NYPA & Canals)	Business Services	Audit	Satisfactory	8/12/2024
12	NYPA	2024-AU-20	IT Governance	Information Technology & Cyber Security	Audit	Satisfactory	8/29/2024
13	NYPA	2024-AU-05	Debt Management (NYPA & Canals)	Business Services	Audit	Satisfactory	8/30/2024
14	NYPA	2024-AU-22	White Plains Office Data Center Cloud Migration Project 2	Information Technology & Cyber Security	Audit	N/A	8/30/2024
15	NYPA	2024-AU-11	Climate Leadership and Community Protection Act (CLCPA) Program Review	Chief Innovation Office	Audit	Some Improvement Needed	9/20/2024
16	NYPA	2024-AU-32	Energy Management System Implementation	Operations	Audit	N/A	9/30/2024
17	NYPA	2024-AU-40	Western and Northern NY Power Proceeds Program	Operations	Audit	Satisfactory	10/25/2024
18	NYPA	2024-AU-21	Technology Change Management	Information Technology & Cyber Security	Audit	Some Improvement Needed	10/31/2024
19	NYPA	2024-AV-24	IT Disaster Recovery Tests 2	Information Technology & Cyber Security	Advisory	N/A	10/31/2024
20	NYPA	2024-AS-02	System & Organization Control Report Program (NYPA & Canals)	Business Services	Assessment	N/A	11/1/2024
21	NYPA	2024-AU-25	NYPA Real Estate Management	Legal Affairs	Audit	Some Improvement Needed	11/20/2024
22	NYPA	2024-AS-12	Model Risk Management (NYPA & Canals)	Enterprise Risk & Resilience	Assessment	N/A	11/20/2024
23	Canals	2024-AU-28	Canal System Development Fund	Operations	Audit	Some Improvement Needed	7/19/2024
24	NYPA	2024-AU-39	Reliability Standards Compliance	Operations	Audit	N/A	12/9/2024
25	NYPA	2024-AS-01	Grant Management (NYPA & Canals)	Business Services	Assessment	N/A	12/11/2024
26	NYPA	2024-AU-04	Captive Insurance Management (NYPA & Canals)	Business Services	Audit	Satisfactory	12/23/2024

Appendix A – 2024 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
27	NYPA	2024-AU-42	Third Party Service Contract Review – NAES	Operations	Audit	Considerable Improvement Needed	12/31/2024
28	NYPA	2024-AV-10	Project Luminate	Business Services	Advisory	N/A	1/24/2025
29	NYPA	2024-AU-38	ReCharge New York Customer Compliance	Operations	Audit	N/A	2/7/2025
30	NYPA	2024-AU-22	White Plains Office Data Center Cloud Migration Project 3	Information Technology & Cyber Security	Audit	Satisfactory	2/7/2025
31	NYPA	2024-AU-09	Supply Chain Management (NYPA & Canals)	Business Services	Audit	Some Improvement Needed	2/24/2025
32	NYPA	2024-AV-23	Artificial Intelligence Governance (NYPA & Canals)	Information Technology & Cyber Security	Advisory	N/A	2/25/2025
33	NYPA	2024-AU-15	Canals Tenant Migration and IT Shared Services Follow-up	Information Technology & Cyber Security	Audit	Satisfactory	3/10/2025
34	NYPA	2024-AU-34	Load Forecasting	Operations	Audit	Some Improvement Needed	3/10/2025
35	Canals	2024-AU-28	Canal System Development Fund	Operations	Audit	Some Improvement Needed	7/19/2024
36	Canals	2024-AU-29	Canal Law Compliance	Legal Affairs	Audit	Satisfactory	1/17/2025
Reporting in Progress – Fieldwork Complete: 4							
37	NYPA	2024-AU-08	Project Hub (NYPA & Canals)	Business Services	Audit		
38	NYPA	2024-AU-27	Asset Management Governance – ISO5501 Requirement Changes	Operations	Audit		
39	NYPA	2024-AU-39	Reliability Standards Compliance 2	Operations	Audit		
40	Canals	2024-AU-30	Canals Post Integration Follow up	Operations	Audit		
Fieldwork in Progress: 2							
41	NYPA	2024-AU-19	Identity and Access Management	Information Technology & Cyber Security	Audit		
42	NYPA	2024-AU-26	Third Party Management – Generation and Transmission Construction Co-Developers	NYPA Development	Audit		
Planning in Progress: 0							
Planning Not Started: 0							
Audit Projects Canceled: 5							
1	NYPA	2024-AU-18	Data Governance Program	Information Technology & Cyber Security	Audit		
2	NYPA	2024-AU-31	Generation and Transmission Portfolio Management	Operations	Audit		
3	NYPA	2024-AU-33	Enblon System Implementation	Operations	Audit		
4	NYPA	2024-AU-36	Operations Technology General Controls	Operations	Audit		
5	NYPA	2024-AS-13	Expanded Authority Operating Model Recommendations	Executive Office	Assessment		

Appendix A – 2024 Environmental, Health & Safety Compliance Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
Deliverables Issued: 2							
1	EH&S	2024-EHS-01	Training Compliance	Operations	Audit	Some Improvement Needed	8/22/2024
2	EH&S	2024-EHS-02	Construction Management – EV Charging Stations	Operations	Audit	Satisfactory	2/18/2025
Reporting in Progress – Fieldwork Complete: 2							
3	EH&S	2024-EHS-03	Small Clean Power Plants (SCPP)	Operations	Audit		
4	EH&S	2024-EHS-04	Y49 Transmission	Operations	Audit		
Fieldwork in Progress: 0							
Planning in Progress: 0							
Planning Not Started: 0							
Audit Projects Canceled: 0							



APPENDIX B

Quality Assurance Improvement Program (QAIP) Assessment - Remediation Status

2024 External Assessment

Standard	Description	Status
1220: Due Professional Care	Update onboarding procedures for new IA hires to demonstrate awareness of due professional care responsibilities.	Completed
1230: Continuing Professional Development	Develop an onboarding checklist and track required actions to consistently and effectively onboard co-sourced staff.	Completed
2060: Reporting to Senior Management and the Board	Update the Required Communications Checklist to ensure that all communication requirements associated with the Global Internal Audit Standards are met and documented timely.	Completed
1000: Purpose Authority & Responsibility	Consider introducing an IA Charter Matrix to monitor IA Charter requirements for reporting to the Audit Committee as part of the 2025 assessment. Revise the IA and Audit Committee charters.	Completed
1311: Internal Assessments	Consider introducing the Principles Effectiveness Framework to demonstrate the effectiveness and maturity of Internal Audit related to Internal Auditing principles, as part of the 2025 assessment.	Completed
2000: Managing the Internal Audit Activity	Review and update the current IA infrastructure and methodology to align with the Global Internal Audit Standards which became effective January 9, 2025.	In Progress 20% Target: 3/31/2025

2023 Internal Assessment

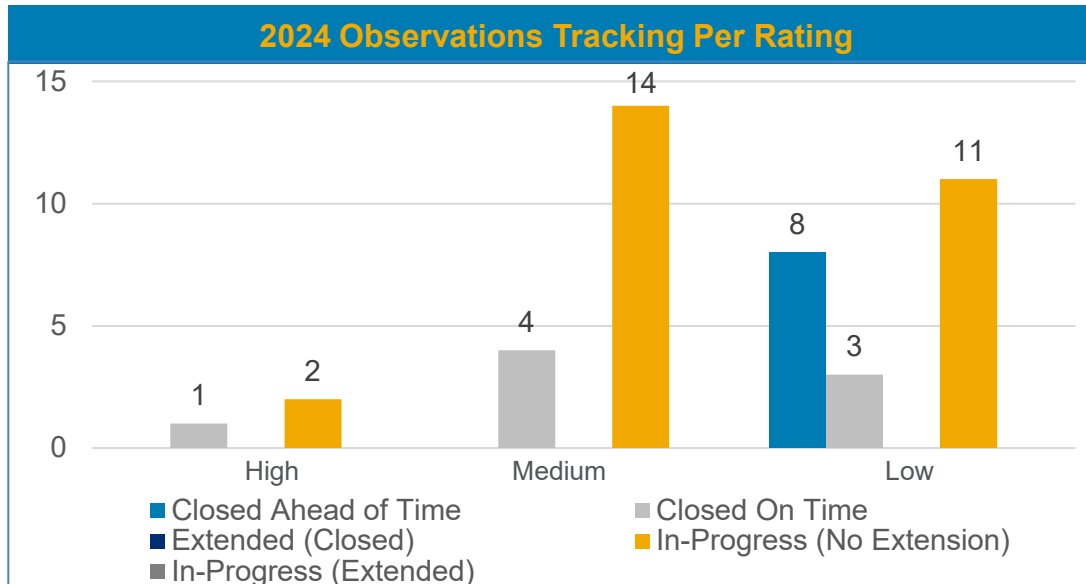
Standard	Description	Status
1100: Independence and Objectivity	Update procedures and documentation to further demonstrate Internal Audit's conformance with the standard.	Completed
2050: Coordination and Reliance	Strategically align enterprise-wide risk and assurance to map and catalog assurance activities and create an assurance map for NYPA. Socialize the map within the organization.	In Progress 10% Target: 6/30/2026



APPENDIX C

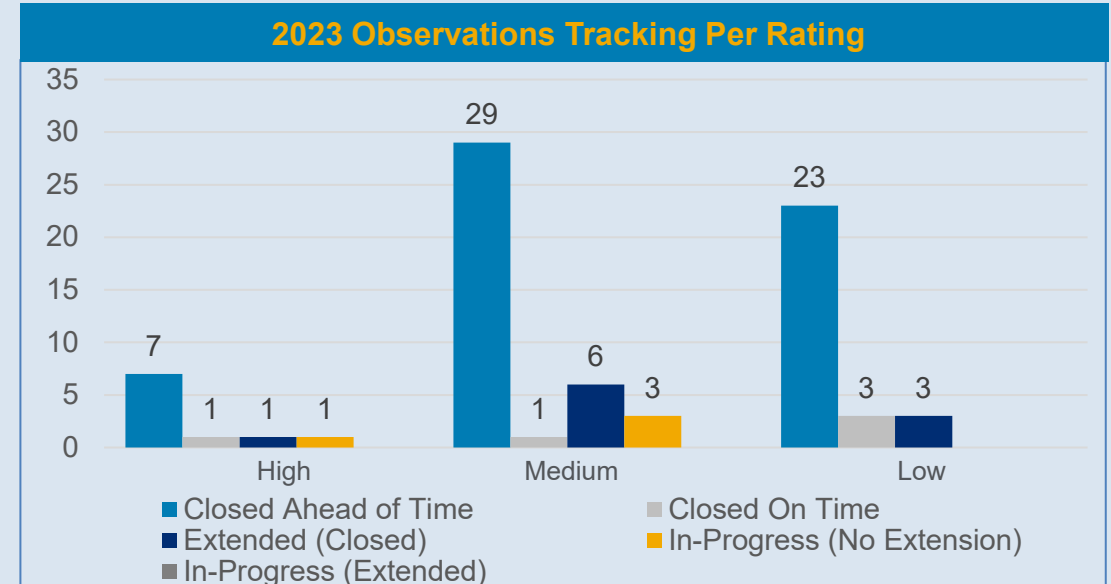
2024 Observation Summary Status – NYPA & Canals

- 43 observations have been identified to date for 2024. 16 observations (one high, four medium and 11 low) have been closed and 27 2024 observations are open for NYPA and Canals.
- The below bar chart shows 2024 observations tracking by rating. To date, 37% (16 out of 43) of the 2024 open observations have been either closed ahead time or on time indicating management efforts towards risk mitigation, with no observation extensions.
- Open observations and associated recommendations are on track to close within their due dates and no observations are overdue to date.



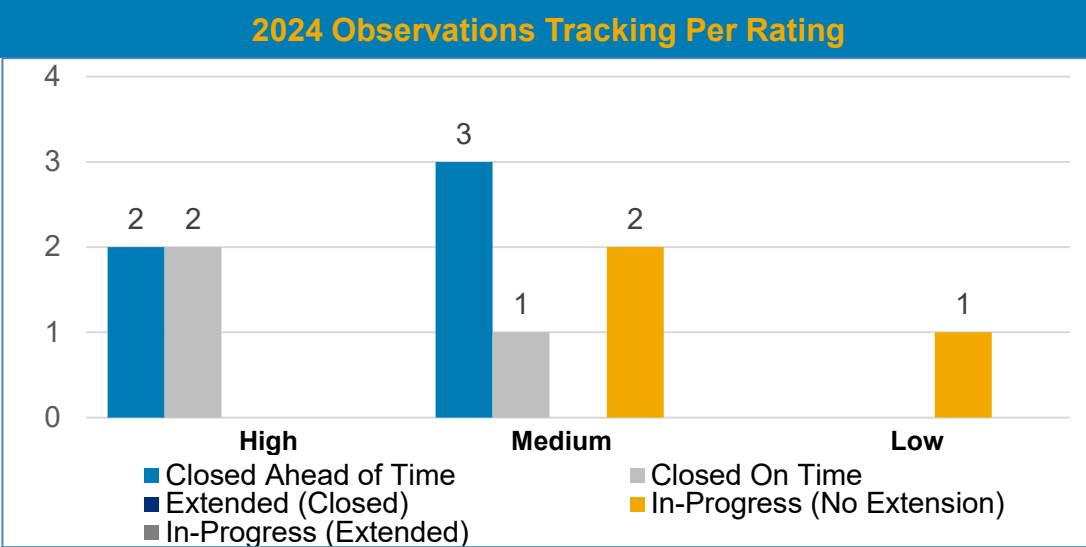
2023 Observation Summary Status – NYPA & Canals

- 78 observations were identified for 2023. 74 observations (nine high, 36 medium and 29 low) have been closed (95%) and four 2023 observations remain open for NYPA and Canals.
- The below bar chart shows 2023 observations tracking by rating. To date, 82% (64 out of 78) of the 2023 open observations have been either closed ahead time or on time indicating management efforts towards risk mitigation, with minimal observation extensions.
- Open observations and associated recommendations are on track to close within their due dates and no observations are overdue to date.










2024 Observation Summary Status – Environmental, Health & Safety Compliance

- 11 observations have been identified to date for 2024. Eight observations (four high and four medium) have been closed and three 2024 observations are open.
- The below bar chart shows 2024 observations tracking by rating. To date, 73% (8 out of 11) of the 2024 open observations have been either closed ahead time or on time indicating management efforts towards risk mitigation, with no observation extensions.
- The open observations and associated recommendations are on track to close within their due dates.



2023 NYPA & Canals Open Observation Summary Status

Audit	Report Issued	Rating	Observation Details	Due Date	EMC	Status
Canals Capital Planning	3/12/2024	High	<p>Implementation of Key Capital and Long-Range Planning Process Changes</p> <p>Remediation progress 82% complete. Short Term Update: Transition Plan is complete. Sign off previously expected in February but now expected in March due to addressing final comments. Thereafter, Canals RAMP will be updated in accordance with AMO guidance. Approximately 90% complete. Long Term Update: Long-term action item for long-range planning for Canals, which is fully coordinated with NYPA EPMO and supported by new governance, is approximately 75% complete and expected to be completed by due date.</p>	9/30/2025	Kessler	
Asset Management Governance – Asset Management Plan Review	3/7/2024	Medium	<p>Critical Asset Information Captured in the Maximo System</p> <p>Remediation progress 85% complete. 1. Update the Asset Creation portion of the AMM to denote that the installation dates, etc. are only required for assets created after 1/1/2020 (this is done and has been approved by the AWMC). Document in Escribe. 2. Create a data quality report to look for missing critical data and distribute to the sites to remediate. Completion expected by the due date.</p>	3/31/2025	Kessler	
Canals Design and Construction Management	2/20/2024	Medium	<p>Adequately Defined Governance for Canals-Owned Projects</p> <p>Remediation progress 80% complete. A draft plan to satisfy the long-term management response has been completed and finalization is expected by due date.</p>	3/31/2025	Kessler	
e-Mobility Program Governance	3/21/2024	Medium	<p>Data Management Processes for the Evolve NY Program</p> <p>Remediation progress 85% complete. The implementation of the automated solution for billing data reconciliation is underway. In addition, solutions to formalize options to obtain data for performance monitoring are under consideration. Completion is expected by the due date.</p>	3/31/2025	Kessler	

On Track	
Caution	
At Risk	



**NY Power
Authority**

**Canal
Corporation**



Audit Committee

New York Power Authority and Canal Corporation
2025 Internal Audit Plan and Strategy

Salman Ali

SVP Internal Audit

March 25, 2025

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Internal Audit Plan – Approval Request

Executive Summary

Risk Assessment and Audit Plan Approach

1

Internal Inputs

- 2024 Audit Plan Results
- Deferred Audits
- Last Audit Year
- Prior Audit Results
- Strategic Priorities/Pillars
- Top Enterprise Risks/Snapshots

3

External Inputs

- Gartner 2025 Audit Plan Hot Spots
- Benchmarking against Industry Best Practices

5

2025 Audit Plan

- 41 Audits prioritized to address strategic priorities, key risks, and emerging trends

2

Key Stakeholders Input

- 90+ stakeholder discussions
- Board materials
- Various committees (Asset Management, ERRMC, EH&S Subcommittee, IT, Cyber)

4

Audit Universe

- 56 Auditable Entities
- Risk Scored all Auditable Entities using IA's Risk Assessment framework

6

- EMC & Stakeholder Review
- **Audit Committee Approval**

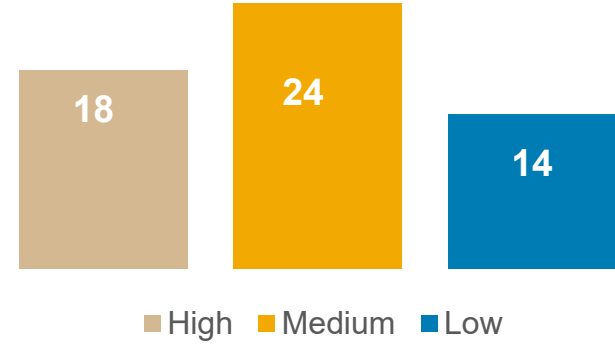
Executive Summary

Audit Universe & Cycle Approach

Audit Universe & Entities

- The Audit Universe comprises of **56 Audit Entities*** including NYPA, Canals Corporation, and Environment Health and Safety (EH&S) Compliance.
- Each audit entity is evaluated for risk using **IA's Risk Assessment Methodology**.
- Each entity is **risk rated** factors such as Financial Risk, Legal & Compliance, Operational, Reliability, Technology, Reputation, Strategic, Safety, Cyber Security, Control Risk.
- Risk is adjusted for **new entities, organization changes** and **strategic priorities**, and **current utility industry landscape**.

Audit Entities Risk (56 Total)



Audit Entity Coverage

- Audit projects included in each year's plan will continue to focus on the **high-rated and medium-rated audit entities** within the Audit Universe.
- The audit coverage period follows a **five-year cycle for NYPA** and Canals, **six-year cycle for EH&S**, and considers the last year audited, business needs, strategic initiatives, emerging risks and degree of change.
- **100% of high and medium-rated** audit entities are within cycle.
- **Low-rated entities are audited selectively** based on changing risks and Gartner Audit Leadership Council benchmarks.

Audit Entity	NYPA/Canals	EH&S
High	1 - 2 years	1 - 3 years
Medium	2 - 4 years	3 - 5 years
Low	4 - 5 years	5 - 6 years

***See Appendix A for list of Audit Entities / Universe (Slide 15-17)**

Executive Summary

Internal Audit Plan Summary

The **Proposed 2025 Audit Plan** delivers risk-based, comprehensive coverage, aligned with Strategic priorities while remaining flexibility to address emerging risks and evolving business needs.

- Supports NYPA and the Canal Corporation's **Strategic Priorities** and **Top Enterprise Risks**
- The Audit Universe includes **56 entities**, including NYPA, Canals, and EH&S, with **41 audits prioritized** based on risk, prior coverage, and strategic initiatives
- Developed in **collaboration** with executive and stakeholders for alignment with enterprise priorities
- Focused on **continuous improvement** through data-driven insights, automation, and innovation
- Designed for ongoing adaptability, ensuring timely updates to address **emerging risks and dynamic business needs**



**NY Power
Authority**

**Canal
Corporation**

Executive Summary

Internal Audit Plan Summary

Audit Plan Thematic Highlights - 41 Projects*



Critical Infrastructure & Operations: Focus on critical infrastructure including asset management, transmission, Canals infrastructure, Utility Operations to assess reliability and compliance.



Employee Health and Safety: Review of high-risk sites to ensure compliance with regulation (e.g., OSHA) and strengthen workplace safety enhancements.



Project Execution & Financial Oversight: Evaluation of Project Hub, procurement strategy and financial controls to enhance efficiency and governance.



Renewable Energy Expansion: Audit of NYPA's clean energy transition renewable portfolio, ensuring alignment with Operating Model and long-term sustainability goals.



Enterprise Technology & Digital Transformation: Ongoing assessment of Project Luminare (new ERP platform) and broader digital transformation initiatives to enhance operational efficiency and resilience.



Cybersecurity & Digital: Comprehensive cyber audit with a focus on governance, risk management, and safeguarding NYPA against evolving threats.



Workforce Development Program: Review of workforce development initiative geared toward disadvantaged communities.

* See Appendix B for the detailed Proposed 2025 Audit Plan (Slides 19-31)

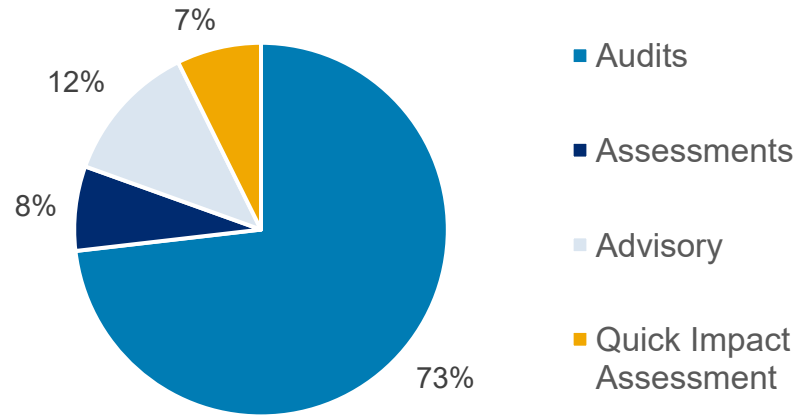


Audit Plan Overview

Planned Audit Activities

2025 Planned Activities

41 audit projects in the 2025 Internal Audit Plan*



Comparison to Prior Years

Type	2025 Plan	2024 Actual
Audits	30	33
Assessments	3	5
Advisory	5	3
Quick Impact Review	3	-
Total	41	41

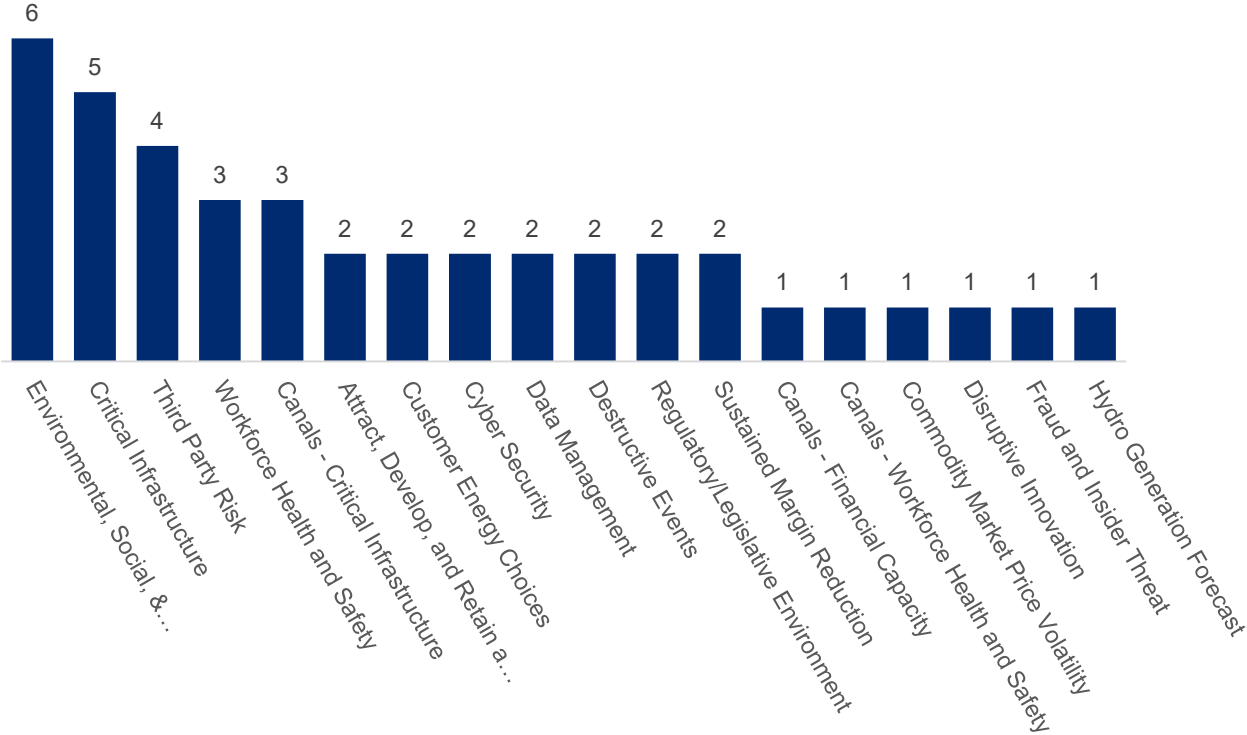
* See Appendix B for the Proposed 2025 Audit Plan (Slides 19-31)

Key Highlights

- **Strategic Alignment:** The audit portfolio is structured to align with NYPA’s strategic priorities and emerging risks.
- **Comprehensive Coverage:** 73% of the plan is dedicated to audits, exceeding the 65% benchmark while maintaining a balance across.
- **Quick Impact Reviews** evaluate risks that have not been evaluated in the past to determine whether further audit coverage is necessary.
- **Strategic Advisory:** Advisory engagements enhance governance, risk management, and operational resilience supporting transformation efforts.

Alignment to Top Enterprise Risks

Enterprise Risks - # of Audit Projects



Key Highlights

- Audit coverage is **strategically aligned with Enterprise Risk’s Risk Appetites**, enhancing assurance over key controls mitigating risks across NYPA and Canals.
- The plan prioritized enterprise risks based on **risk appetite scores** and **emerging trends**, with a focus on **critical infrastructure, workforce health and safety**, strategic investments and other key areas.
- Internal Audit will continuously monitor **emerging enterprises risks** to proactively incorporate potential threats and opportunities.

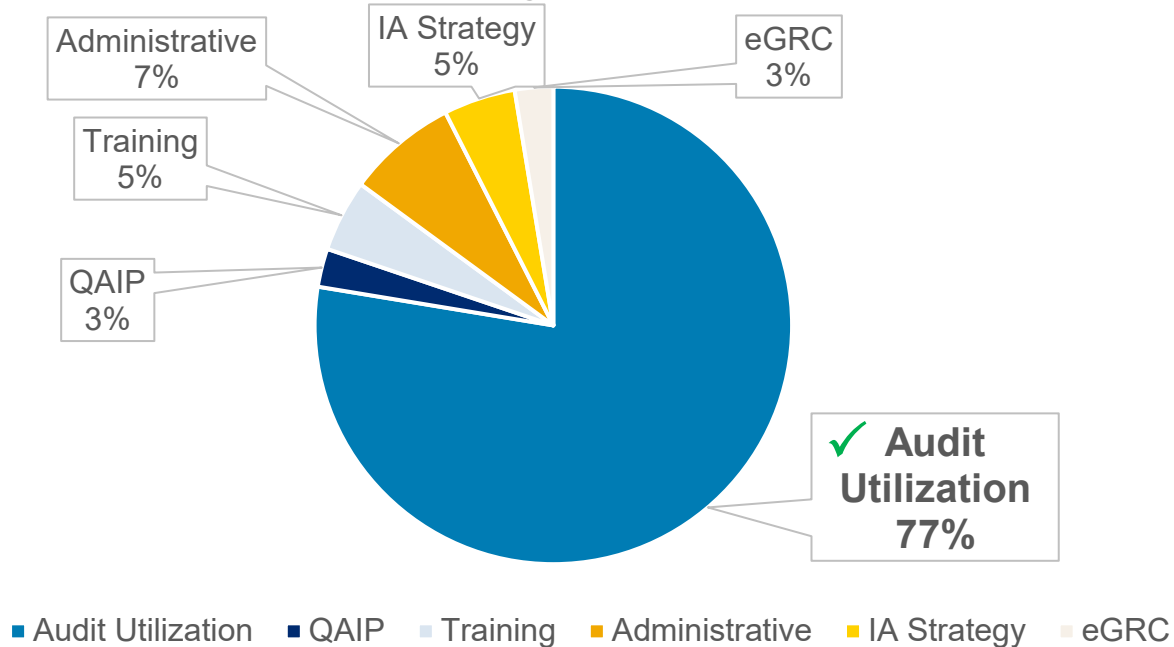
Audit Plan Resource Allocation & Utilization

Audit Plan Allocation	Business	Technology	Plan Hours	%
Internal Staff Hours	14,600	3,900	18,500	87.5%
Third Party Co-Source Hours	1,150	1,500	2,650	12.5%
Total for 2025 Audit Plan	15,750	5,400	21,150	

Key Highlights

- **Total required hours:** 34,450 hours – covering Audit Execution, Strategy, and required support.
- **Total available capacity:** 30,800 hours (based on current headcount of 20 staff).
- **Co-sourcing:** 3,650 hours will be supplemented through co-sourcing – 2,650 for direct Audit Execution and SME support, 1,000 hours for Data Analytics & Strategy Support.
- **Resource Allocation:** Exceeds the industry benchmark for Audit Utilization (77% vs 75%) enabling more comprehensive audit coverage.
- **Audit Plan Buffer:** Includes 500 additional hours for unexpected work (e.g., special projects).

Capacity Allocation*



* See Appendix C for the detailed Internal Audit Capacity allocation



Internal Audit Strategic Priorities

2025 Internal Audit Strategic Priorities

A strategic plan built around **value** and **purpose**

Our Priorities

Support Strategic Priorities

Continue to embrace technology

Align on a unified view on risk

Optimize our talent model

Simplify reporting

01 — Innovation



Drive innovation through technology (AI, Machine Learning, Automation)



Increase speed to execute audits



Cost reduction and increased efficiencies



02 — Aligned Assurance Shared Priority (IA, Risk, IBC)



Optimize assurance activities to enhance efficiency



Align with Enterprise Risk taxonomy



Leverage digital tools to augment alignment and reporting



03 — People Development



Optimize resource allocation



Expand IA capabilities and skillsets



Elevate IA's presence and visibility



04 — Reporting & Stakeholder Communication



Enhance thematic risk and issue analysis



Standardize communication to stakeholders



Reduce complexity in reporting



Foundational Pillars to Ensure Success



Digitalization



Partnerships across Business Units



Resource alignment



APPENDICES



APPENDIX A

Audit Universe

Audit Universe Entities by Risk Rating

BUSINESS UNIT	DEPARTMENT NAME	AUDIT ENTITY	RISK RATING H-M-L	LAST AUDIT YEAR	WITHIN AUDIT CYCLE YES/NO
Business Services	Controller	Controller	H	2024	Yes (1)
Business Services	Finance	Finance (inc. EPMO)	H	2024	Yes (1)
Business Services	Strategic Supply Management	Strategic Supply Management	H	2024	Yes (1)
Chief Innovation Office	Strategy	Strategy	H	2024	Yes
Human Resources	Human Resources	Human Resources	H	2023	Yes (1)
Information Technology & Cyber Security	Critical Secure Services & CISO	Cyber Security	H	2024	Yes (1)
Information Technology & Cyber Security	Operations	Digital Service Delivery	H	2024	Yes (1)
NYPA Development	Project & Business Development	Project Development and Licensing	H	2022	Yes (1)
Operations	Power Generation & Waterways	Canals – Engineering & Maintenance	H	2023	Yes (1)
Operations	Power Generation & Waterways	EHS – Hydro Generating Facilities	H	2022	Yes (1)
Operations	Transmission	EHS – NYPA – Transmission	H	2024	Yes
Operations	Central Support Services	EHS – Utility Operations Construction Projects	H	2022	Yes (1)
Operations	Customer Solutions	Energy Resource Management	H	2023	Yes (1)
Operations	Power Generation & Waterways	Environmental Health & Safety (EH&S)	H	2023	Yes
Operations	Power Generation & Waterways	Power Generation & Waterways	H	2024	Yes (1)
Operations	Project Delivery	Project Delivery	H	2023	Yes (1)
Operations	Central Support Services	Strategic Operations	H	2024	Yes (1)
Operations	Transmission	Transmission	H	2024	Yes (1)
Total High Entities			18		

Note: (1) The 2025 Internal Audit Plan includes coverage of this audit entity.

Audit Universe Entities by Risk Rating

BUSINESS UNIT	DEPARTMENT NAME	AUDIT ENTITY	RISK RATING H-M-L	LAST AUDIT YEAR	WITHIN AUDIT CYCLE YES/NO
Business Services	Budgets and Business Controls	Budgets (inc. IBC)	M	2024	Yes
Business Services	Corporate Insurance	Corporate Insurance	M	2024	Yes
Business Services	Treasury	Treasury	M	2024	Yes
Chief Innovation Office	DTO	Chief Innovation Office	M	-	N/A (1)(2)
Communications & Public Affairs	Community & Government Relations	Communications & Public Affairs	M	2023	Yes
Enterprise Risk & Resilience	Enterprise & Operational Risk	Enterprise & Operational Risk Management	M	2024	Yes (1)
Enterprise Risk & Resilience	Enterprise Resilience	Enterprise Resilience	M	2022	Yes
Enterprise Risk & Resilience	Market & Credit Risk	Market and Commodity Risk	M	2021	Yes
Enterprise Risk & Resilience	Sustainability	Sustainability	M	2023	Yes
Information Technology & Cyber Security	Product Development Data Mgmt.	Product Development Data Management	M	2021	Yes (1)
Information Technology & Cyber Security	Strategy, Planning & Governance	Technology Business Management Office	M	2023	Yes
Operations	Power Generation & Waterways	Canals – Admin Services	M	2024	Yes (1)
Operations	Power Generation & Waterways	Canals – Technical Services	M	2022	Yes
Operations	Customer Solutions	Economic Development and Key Account Management	M	2024	Yes (1)
Operations	Power Generation & Waterways	EHS – Canals – Sections	M	2023	Yes (1)
Operations	Central Support Services	EHS – Customer Project Delivery Construction Projects	M	2022	Yes
Operations	Power Generation & Waterways	EHS – SENY Power Generating Stations	M	2024	Yes
Operations	Customer Solutions	Marketing & Product Development	M	2023	Yes
Operations	Customer Solutions	NYPA Ventures - e-Mobility	M	2023	Yes
Operations	Central Support Services	O&M Services & Technical Compliance	M	2024	Yes
Operations	Central Support Services	Project and Program Controls	M	2024	Yes
Operations	Central Support Services	Security and Crisis Management	M	2023	Yes
Operations	Central Support Services	System Planning and Analysis	M	2022	Yes
Canal Headquarters	Canal Design	EHS – Canals Construction Projects	M	2023	Yes
Total Medium Entities			24		

Note: (1) The 2025 Internal Audit Plan includes coverage of this audit entity.
(2) New audit entity due to organizational restructuring.

Audit Universe Entities by Risk Rating

BUSINESS UNIT	DEPARTMENT NAME	AUDIT ENTITY	RISK RATING H-M-L	LAST AUDIT YEAR	WITHIN AUDIT CYCLE YES/NO
Communications & Public Affairs	Environmental Justice	Environmental Justice	L	-	No (2)
Executive Office	Liaison to Governor's Office	Executive Office & Policy	L	-	No (2)
Human Resources	Civil Rights & Inclusion	Civil Rights & Inclusion	L	2023	Yes
Legal Affairs	Corporate Secretary	Corporate Secretary Office	L	2023	Yes
Legal Affairs	Legal Affairs	Law Department	L	-	Yes (1)
Legal Affairs	Ethics, Compliance & Risk	Office of Ethics and Compliance	L	2019	Yes
Legal Affairs	Public & Regulatory Affairs	Public and Regulatory Affairs	L	-	No (2)
Legal Affairs	Real Estate	Real Estate	L	2024	Yes
Operations	Power Generation & Waterways	Canals - Policy & Program Development / Community Economic Development / Public Affairs	L	-	No (2)
Operations	Continuous Process Improvement	Continuous Process Improvement	L	-	No (2)
Operations	Power Generation & Waterways	EHS – Canals – Administrative and Other Facilities	L	2023	Yes
Operations	Ops Administration	EHS – NYPA – Administrative and Other Facilities	L	2024	Yes
Operations	Ops Administration	Support Services & Travel	L	-	No (2)
Operations	Central Support Services	Technical Training	L	-	No (2)
Total Low Entities			14		
Total Audit Universe Entities			56		

Note: (1) The 2025 Internal Audit Plan includes coverage of this audit entity.

(2) Low-rated audit entities indicated as “No” for within audit cycle have not been audited since low-rated entities are audited as needed or as risks change.



APPENDIX B

Proposed 2025 Internal Audit Plan

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
1	Business Services	Finance	Finance (inc. EPMO)	High	Project Luminare	The Enterprise Resource Planning (ERP) replacement Systems implementation may not be effectively managed and governed, leading to disruptions in business operations, cost overruns, delays, and potential failure to achieve the anticipated benefits.	Evaluate project management processes, adherence to established timelines and budgets, quality of deliverables, and alignment with organizational goals and strategic objectives. Key areas of focus will include project governance, risk management, resource allocation, stakeholder engagement, and change management practices.	Yes	Environmental, Social, & Governance and Diversity, Equity, & Inclusion	Ongoing
2	Business Services	Strategic Supply Management	Strategic Supply Management	High	Strategic Sourcing System Implementation	The strategic sourcing system implementation may not be effectively executed, leading to potential disruptions in procurement processes, supplier management and chain issues, cost overruns, and failure to achieve anticipated efficiencies.	Examine all phases of the Strategic Sourcing System Implementation including initial planning and requirements gathering to system deployment and post-implementation support. The audit will assess project management practices, including governance, risk management, and resource utilization. Key focus areas will include accuracy and completeness of data migration, integration with existing procurement and financial systems, and the robustness of user access controls and security protocols. Additionally, Internal Audit will examine compliance with organizational policies, industry standards, and regulatory requirements.	Yes	Third Party Risk	Ongoing
3	Business Services	Finance	Finance (inc. EPMO)	High	Core ERP System Implementation	The core ERP system implementation may not be effectively managed, leading to potential disruptions in financial operations, inaccuracies in financial reporting, cost overruns, and failure to achieve the anticipated benefits.	Examine all phases of the Core ERP System Implementation Project from planning and design to deployment and the post implementation support. Specific areas of focus will include the accuracy and completeness of financial data migration, the integration of financial modules with other ERP components, user access controls, and the adequacy of training provided to end-users.	Yes	Data Management	Ongoing

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
4	Business Services	Controller	Controller	High	Accounts Payable	Payments may not be appropriate or processed accurately, completely, and timely, which can have cash flow implications, harm vendor relationships and damage financial integrity.	Assess controls to ensure that payments are appropriate and processed accurately, completely, and timely.	Yes	Fraud and Insider Threat	Q2
5	Business Services	Finance	Finance (inc. EPMO)	High	Operating Forecast Development	The collection and use of data within the newly implemented system may be inaccurate, incomplete or inconsistent, leading to incorrect calculations and unreliable forecast outputs that do not reflect actual business conditions.	To evaluate the accuracy, completeness, and consistency of data collection and usage within the newly implemented system to ensure that calculations and forecast outputs are reliable and accurately reflect actual business conditions.	Yes	Data Management	Q2
6	Business Services	Finance	Finance (inc. EPMO)	High	Project Hub Implementation	Ineffective system implementation, project management and functionality including business controls may not be appropriately designed to assure adequate portfolio, program and project management capabilities within Project Hub resulting in ineffective portfolio, program and project management and misalignment with NYPA's initiatives.	To assess the effectiveness of system implementation, project management, and functionality, including the design of business controls, within Project Hub to ensure adequate portfolio, program, and project management capabilities.	Yes	Environmental, Social, & Governance and Diversity, Equity, & Inclusion	Ongoing
7	Business Services	Controller	Controller	High	Site Finance - Cash Forecasting	Inaccurate or inconsistent cash forecasting from improper assumptions, data integrity, or lack of coordination between sites.	To evaluate the accuracy and consistency of cash forecasting by reviewing the assumptions, data integrity, and coordination between sites to ensure reliable financial planning and decision-making.	Yes	Data Management	Q3
8	Chief Innovation Office	Enterprise Change Management & Engagement	Chief Innovation Office	Medium	Organizational Change Management	Ineffective organizational change management (OCM) processes may lead to resistance to change, decreased employee morale, reduced productivity, and failure to achieve the desired outcomes of change initiatives. This could result in not meeting strategic objectives, inefficient process, and reputational damage.	Evaluate organizational change management processes employed during recent major transformations within the organization. The audit will review the effectiveness of change management frameworks, including stakeholder engagement, communication strategies, training and support programs, and resistance management techniques.	Yes	Environmental, Social, & Governance and Diversity, Equity, & Inclusion	Q3

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
9	Chief Innovation Office	Chief Innovation Office	Chief Innovation Office	High	AGILe Lab	Inaccurate simulations could lead to undetected vulnerabilities (including cybersecurity), resulting in unreliable service and technical complexity, financial risks related to cost overruns and revenue generation, and reputational risks stemming from potential customer dissatisfaction and negative research outcomes.	To evaluate the effectiveness, efficiency, and security of the AGILe Lab's operations, ensuring that it meets its intended goals of enhancing grid reliability, integrating new technologies, and maintaining cybersecurity standards.	Yes	Cyber Security	Q3
10	Enterprise Risk & Resilience	Enterprise & Operational Risk	Enterprise and Operational Risk Management	Low	Enterprise Risk Management	The inconsistent application of the enterprise risk assessment framework may result in the inappropriate identification, assessment, response, and reporting of the top enterprise risks.	To evaluate the accuracy and completeness of risk data collection and the effectiveness of identifying and assessing risk mitigants to ensure consistent measurement and reporting of NYPA's enterprise risks.	Yes	Environmental, Social, & Governance and Diversity, Equity, & Inclusion	Q3
11	Human Resources	Human Resources	Human Resources	High	Resource Management	Ineffective resource management practices may not be effectively optimized or aligned with strategic objectives, potentially leading to inefficient allocation and utilization of resources. Potentially creating increased operational cost, missed project deadlines, and inequitable work loads.	Assess the adequacy of Human Resource strategies and how they optimize the organization's human resource management framework to support a productive and efficient workforce.	Yes	Attract, Develop, and Retain a Qualified and Diverse Workforce	Q4
12	Human Resources	Human Resources	Human Resources	High	Human Capital Management System Implementation	The Human Capital Management system implementation may not be effectively managed, leading to potential disruptions in HR operations, inaccuracies in employee data, cost overruns, and failure to achieve the anticipated benefits.	Examine all phases of the Human Capital Management (HCM) System implementation including initial planning and requirements gathering to system deployment and post-implementation support. The audit will assess project management practices, including governance, risk management, and resource utilization. Key focus areas will include the accuracy and completeness of data migration, the integration of HCM modules with other organizational systems, and the effectiveness of user access controls and security measures.	Yes	Attract, Develop, and Retain a Qualified and Diverse Workforce	Ongoing

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
13	Information Technology & Cyber Security	Critical Secure Services & CISO	Cyber Security	High	Cyber Security Program	Insufficient controls to protect the organization's information assets from unauthorized access, data breaches, and other cyber threats which could result in data and financial losses, reputational damages, and operations disruptions.	Evaluate the effectiveness of current cyber security measures to enhance the overall security posture. The audit includes identifying vulnerabilities, assessing security controls, ensuring compliance, evaluating risk, and assessing incident readiness.	Yes	Cyber Security	Q3
14	Information Technology & Cyber Security	Product Development Data Management	Product Development Data Management	Medium	Data Management	Inadequately structured or implemented data management practices may not ensure the integrity, availability, and confidentiality of data. This may lead to poor decision making, loss of data, regulatory issues and reputational damage.	Assess the effectiveness, integrity, and security of the organization's data management practices and ensure compliance with relevant regulations and standards. Our focus is to evaluate the processes that ensure data accuracy and consistency, data protection and privacy, and compliance with legal requirements.	Yes	Data Management	Q3
15	Information Technology & Cyber Security	Product Development Data Management	Product Development Data Management	Medium	Artificial Intelligence	Use of Artificial Intelligence (AI) within the organization may not be adequately governed or controlled, leading to potential violations of regulatory requirements, data privacy breaches, ethical concerns, and suboptimal decision-making.	Determine whether practices align with industry standards and regulatory requirements by evaluating AI project intake and model development processes, data quality and governance, algorithmic fairness and bias, system security, and compliance with ethical guidelines.	Yes	Disruptive Innovation	Q1
16	Information Technology & Cyber Security	Digital Architecture/Eng & Operations	Digital Service Delivery	High	Digital Service Delivery	IT service delivery processes may not be effectively managed or governed, leading to potential service disruptions, unmet service level agreements (SLAs), operational disruptions and diminished user satisfaction.	Assess the efficiency, effectiveness, and user experience of the organization's digital services, ensuring they meet quality standards and user expectations by evaluating the digital service lifecycle, including service design and user support.	Yes	Environmental, Social, & Governance and Diversity, Equity, & Inclusion	Q4

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
17	Information Technology & Cyber Security	Digital Architecture/Eng & Operations	Digital Service Delivery	High	IT Disaster Recovery Planning	Evaluate the preparedness, effectiveness, and robustness of the organization's disaster recovery (DR) plans and processes, ensuring the ability to quickly and efficiently recover from disruptions. The audit focus will be on DR plan documentation, data backup and recovery procedures, infrastructure resilience, roles and responsibilities, communication protocols, testing and training practices, and compliance with relevant standards and regulations.	The organization's IT disaster recovery (DR) plan may not be adequately managed, tested, or updated, leading to potential extended service outages, data loss, and inability to restore critical IT services in the event of a disaster.	Yes	Destructive Events	Q2
18	Information Technology & Cyber Security	Digital Architecture/Eng & Operations	Digital Service Delivery	High	IT Disaster Recovery Test	Lack of testing the IT disaster recovery plan could result in delays in recovering systems that support NYPA operations in the event of a disruption.	Attend and observe each scheduled IT disaster recovery test, validate the plan was executed, final report was accurate and issues are effectively resolved.	Yes	Destructive Events	Q4

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
19	NYPA Development	Project & Business Development	Project Development and Licensing	High	Renewable Operating Model and Renewable Project Portfolio Management	<p>NYPA may not effectively implement the Expanded Authority operating model, adjust its current processes, or develop inadequate new processes to meet the requirements of the Expanded Authority to meet its VISION2030 goals. An inadequate governance structure may lead to breach in its arm's length operations that could result in legal recourse, financial, and reputational risks for NYPA as well as risk of not meeting NYPA's renewable goals.</p> <p>Not maintaining a robust pipeline of projects may lead to not meeting strategic goals, reputational impact and public outcry as well as elevated legal, compliance, and financial risks from mismanaged partnerships.</p>	<p>Assess the effectiveness of NYPA's implementation of the Expanded Authority operating model and adjustment to related processes to ensure the requirements of the Expanded Authority are met. Validate appropriate internal processes and controls exist to meet the Expanded Authority requirements and milestones.</p> <p>Review and validate the adequacy of processes and controls that have been established to meet the NYPA Renewables Strategic Plan objectives. Assess the legal structure of New York Renewable Energy Development Holding Company (NYRED), a wholly-owned corporate subsidiary that was established to limit NYPA's legal liability and facility in the raising external capital efficiently. Validate the adequacy of operational and governance controls to ensure the entity maintains arm's length operations to limit legal recourse and continue to benefit from its intended purpose and meet NYPA's renewable goals.</p> <p>Verify management is maintaining a robust pipeline of projects, while also adequately managing associated partnerships and meeting legislative requirements.</p>	Yes	Regulatory/ Legislative Environment	Ongoing

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
20	Operations	Transmission	Transmission	High	Transmission Operator (TOP) Readiness Review	Failing to adhere to NERC reliability standards and requirements as well as inadequate coordination with the NYISO may result in failure to obtain the TOP registration, operational/reliability risks, and lead to damage to NYPA's reputation.	Validate the adequacy of controls over adhere to NERC reliability standards and requirements and the coordination with the NYISO to ensure NYPA earns the TOP registration.	Yes	Critical Infrastructure	Q2
21	Operations	Power Generation & Waterways	Canals - Admin Services	Medium	Canals Portfolio Management - Canals Asset Divestment Working Group	Holding on to assets that are not longer part of the main Canal system may expose NYPA and Canals to legal, safety, and financial risks. Delays or inadequacies in the asset divestment efforts can prolong exposure to these risks.	Review Canals' Divestment working group plans and activities to ensure it meets its objectives and avoid delays or inadequacies in the asset divestment efforts can prolong exposure to these risks.	Yes	Canals - Critical Infrastructure	Q1
22	Operations	Customer Solutions	Energy Resource Management	High	Energy Commodity Risk Management System Pre-implementation	Ineffective system implementation may lead to a misalignment of business needs, data migration and integration issues, delays, cost overruns and challenges in user adoption.	To assess the effectiveness of the system implementation in aligning with the organization's business needs, evaluate the processes and controls in place for data migration and integration to ensure accuracy and completeness, identify any potential delays and cost overruns associated with the system implementation, and examine the strategies and measures taken to facilitate user adoption and address any related challenges.	Yes	Commodity Market Price Volatility	Ongoing
23	Operations	Project Delivery	Project Delivery	Medium	Hydro Generation Forecast Model	Inaccurate hydro generation forecasts can lead to inadequate estimations of future flow conditions and energy demands. The model supporting the hydro volumes may not be functioning as intended.	To ensure the accuracy and reliability of the hydro generation forecast by verifying that the model supporting the forecast is functioning as intended and providing adequate estimations of future flow conditions and energy demands.	Yes	Hydro Generation Forecast	Q2
24	Operations	Central Support Services	Strategic Operations	High	Asset Management Governance	Inadequate implementation and adherence of policies, procedures, and controls related to the asset management system objectives and ISO 55001 requirements could result in sub-optimized asset performance, increased cost and risk, and non-maintenance of the ISO 55001 certification.	Validate adequacy of policies, procedures and controls related to NYPA's asset management system objectives. Validate adherence to the ISO 55001 governance framework and related policies and procedures, objectives and other requirements.	Yes	Critical Infrastructure	Q4



Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
25	Operations	Project Delivery	Project Delivery	High	Project & Construction Management	Inefficient or ineffective project and construction management activities could result with inadequate use of resources, projects do not meet objectives or are delivered with sub-optimal quality, cost overruns, project delays and reporting data is inaccurate leading to improper business decisions.	Verify management has identified project risks and follows adequate project management procedures to ensure projects are on time, within budget and have quality project deliverables. Determine management is aware of projects status and can verify percentage complete, and significant vendors or contractors are performing in accordance with contract terms. Verify the accuracy of project activity reports. Ensure appropriateness of financial management activities including compliance with procurement, cost estimation, quality assurance plan, accounting policies and procedures and budget to actual analysis is maintained.	Yes	Critical Infrastructure	Q3
26	Operations	Project Delivery	Project Delivery	High	Construction Supplier Contract	Mismanagement of third-party high value risk contracts for Transmission construction projects may lead to delays or failure to achieve business objectives, excessive spending, inefficiencies, loss of institutional knowledge, potential fraudulent activities, and impairment of NYPA's reputation or increased litigation.	Identify high-risk third party construction contracts (vendor, service provider, contractors or consultants) and exercise the right to audit clause to confirm performance in accordance with contract terms including accuracy of invoicing and contract deliverables to: - Ensure appropriate governance and adequate controls are in place for selected project contracts and purchase orders. - Verify compliance to contract invoicing and other selected contract terms and conditions. - Validate controls are in place to review and approve third party vendor contracts, purchase orders and related invoices and change orders for selected projects.	Yes	Third Party Risk	Q4

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
27	Operations	Project Delivery	Project Delivery	High	Energy Management System Implementation	Ineffective system implementation, project management and business process controls can result with inadequate system design, non-compliance with NERC standards, project delays, cost overruns, poor system performance, and user dissatisfaction.	Review implementation activities to ensure the Energy Management System has proper business requirements including controls, system configuration, interfaces, systems and user acceptance testing, system security, satisfy NERC standards requirements and overall project management.	Yes	Critical Infrastructure	Ongoing
28	Operations	Power Generation & Waterways	Power Generation & Waterways	High	Inventory and Critical Spares Management	An inadequate inventory and critical spares strategy or poor monitoring, procurement, and management of inventory/critical spares may result in missing inventory, sourcing delays, added expense, quality impacts that could lead to project delays, reliability concerns, cost overruns, theft/fraudulent activities, and overall reputational impacts as well as incorrect or obsolete materials in stock.	Review processes, policies, procedures and controls associated with purchasing and warehousing activities to ensure consistent application of controls for purchasing goods and materials at the sites, effective management of inventory to meet the plant's operational needs and compliance with NYPA's policies and procedures. Validate the adequacy of controls over the monitoring, security, procurement, and management of inventory/critical spares to ensure timely inventory sourcing, cost, and quality management, and prevention of theft and fraudulent activities. Validate annual inventory controls and disposal of obsolete materials in stock.	Yes	Third Party Risk	Q1

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
29	Operations	Power Generation & Waterways	Power Generation & Waterways	High	Site Operations and Maintenance	Ineffective operations and maintenance planning and execution may lead to unexpected operational downtime and costs. Inefficient preventative asset maintenance may result in aging of assets and infrastructure, sub-optimal asset performance, leading to operational, financial, asset management strategy, safety, legal/regulatory and reputational risks.	Assess the effectiveness of processes, procedures and controls used in the day-to-day monitoring and maintenance of the Generation & Transmission Operations, and that they are consistently managed at each site and align with NYPA's Asset Management strategic objectives. Confirm compliance with applicable NERC and FERC compliance requirements as well as adequate mitigation of risks. Review site's operations to ensure plant's production aligns with the demand. Review site's compliance with the Maintenance Resource Management Program, established goals and performance metrics, outage management practices including project scoping, cost estimation, vendor selection and vendor management activities, cost and schedule activities. Review and validate adequacy of maintenance of plant equipment, generation, transmission, and network infrastructure, to ensure physical protection and stewardship over long-lived assets. Review non-recurring Operations and Maintenance (O&M) expenditures and validate that the expenses are appropriate, properly vetted, and classified correctly (capital or O&M). Determine whether the process is robust to identify whether NYPA is spending wisely.	Yes	Critical Infrastructure	Q3

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
30	Operations	Power Generation & Waterways	Canals - Admin Services	Medium	NYS Capital Appropriation Compliance	Mismanagement of NYS capital appropriation may result in misappropriation, mismanagement, misreporting, or inefficient use of funds. Funds not used for activities earmarked by the state, may result in loss of future funding incentives, impacts to the aging infrastructure, and overall financial and reputational risks.	Confirm the adequacy of controls over the management of the NYS capital appropriation to prevent the misuse (not used for earmarked activities) misappropriation, mismanagement, misreporting, or inefficient use of funds.	Yes	Canals - Financial Capacity	Q3
31	Operations	Power Generation & Waterways	Canals - Engineering & Maintenance	High	Water Monitoring System Implementation	An inadequate Canals Water Monitoring program can result in the inability to detect the Canals water flow rates, monitoring rainfall and water level impacts, making water level forecasts, flood extent and impact forecasts, sending alerts and warning messages, and other operational failures. This could lead to financial, operational, legal, reputational, environmental, health and safety risks.	Review implementation activities to ensure the Canals water monitoring system has proper business requirements including controls, system configuration, interfaces, systems and user acceptance testing, system security and overall project management. Assess the Canals Water Monitoring system controls, such as, data collection, data processing, and the dissemination of information as well as the system's ability to identify, monitor, and report critical information such as water level forecasts, water flow rates, and alerts/warnings that will provide critical data for management to make informed decisions on Canals operations and take necessary response actions (e.g. organize support and emergency services in time to prepare for flooding and minimize operational disruptions).	Yes	Canals - Critical Infrastructure	Ongoing
32	Operations	Customer Solutions	Economic Development and Key Account Management	Medium	Western NY and Preservation Power Customer Compliance	Power may be provided to customers that do not comply with the job and capital commitment requirements of the Western NY and Power Preservation programs leading to NY State not realizing the benefits from the increase in jobs or capital commitments	Determine whether Western and Northern NY customers provide accurate compliance reporting as it relates to job and capital commitments.	Yes	Customer Energy Choices	Q2

Proposed 2025 Internal Audit Plan

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
33	Operations	Customer Solutions	Economic Development and Key Account Management	Medium	ReCharge New York Customer Compliance	Power may be provided to customers that do not comply with the job and capital commitment requirements of the ReChargeNY program leading to NY State not realizing the benefits from the increase in jobs or capital commitments.	Determine whether ReCharge NY customers provide accurate compliance reporting as it relates to job and capital commitments.	Yes	Customer Energy Choices	Q4
34	Operations	Central Support Services	Strategic Operations	High	Decommissioning and Decarbonization Planning	Inefficient and ineffective decarbonization and decommissioning planning may lead to inability to meet VISION2030, CLCPA and other state goals, potential cost overruns, and inefficient use of NYPA resources.	Review and validate effectiveness of decarbonization and decommissioning planning, monitoring, executing, and reporting activities to ensure NYPA meets it VISION2030, CLCPA and other state goals.	Yes	Regulatory/ Legislative Environment	Q1
35	Operations	Power Generation & Waterways	Canals - Engineering & Maintenance	High	Canals Asset Management program - Regional Asset Management Plan Review	Inadequate or a lack of Regional Asset Management Plans (RAMP) may lead to poorly defined regional objectives, key milestones, and reporting requirements and result in misalignment with overall strategic and asset management objectives as well as operational inefficiencies and financial impacts.	Validate the adequacy of the established Regional Asset Management Plans (RAMP) to ensure it adequately highlights regional objectives, key milestones, and reporting requirements and validate that it is being followed. In addition, validate the RAMP's alignment to Canals' strategic objectives.	Yes	Canals - Critical Infrastructure	Q2
36	Operations	Customer Solutions	Energy Resource Management	High	Ontario Power Generation Contract Compliance	NYPA or OPG may not be complying with the terms of their agreements related to the sharing of water and expenses resulting in financial loss and reputational damage.	Assess whether NYPA and OPG comply with the contract terms related to the sharing of water and expenses, thereby ensuring that there is no financial harm or reputational damage resulting from non-compliance.	Yes	Third Party Risk	Q2
37	Legal Affairs	Legal Affairs	Law Department	Low	Workforce Development Program	The Clean Energy Workforce Development Program for disadvantaged communities faces risks such as low engagement, training misalignment with job market needs, and financial inefficiencies. It may also be impacted by economic and policy changes, rapid technological advancements, and social barriers for participants.	The program review will evaluate the process to align training with job market research, assessing participant awareness and engagement, funding management, and stakeholder coordination. Also, review how risks are identified related to economic, policy, technological changes, and social barriers.	Yes	Environmental, Social, & Governance and Diversity, Equity, & Inclusion	Q4

Proposed 2025 Internal Audit Plan

Environmental Health & Safety

	Business Unit	Department	Audit Entity	Audit Entity Risk Rating	Plan Entity	Risk Description	Scope / Objectives	Strategic Core Priorities and Foundation Pillars (Yes/No)	Enterprise Risk(s)	Timing
38	Operations	Project Delivery	EHS - Utility Operations Construction Projects	High	1288 JW Massena Canal Dam	NYPA construction projects may not comply with environmental, health, and safety laws and regulations, potentially leading to catastrophic events, accidents, fines, penalties, and damage to NYPA's reputation.	Evaluate NYPA's environmental, health, and safety activities and compliance requirements during the construction phase of the project to validate compliance with applicable laws, regulations, policies, and procedures including, but not limited to, NY State Historic Preservation Office, waste, wetlands, pesticides, and OSHA construction standards.	Yes	Workforce Health and Safety	Q3
39	Operations	Power Generation & Waterways	EHS - Hydro Generating Facilities	High	Environmental Program	NYPA and Canals employees may not comply with environmental, health, and safety regulations, which may lead to catastrophic events, accidents, fines, penalties, and damage to NYPA's reputation.	Evaluate NYPA's environmental program to validate compliance with applicable laws, regulations, policies, and procedures for the following areas: •Oil pollution prevention •Hazardous waste management.	Yes	Workforce Health and Safety	Q2
40	Operations	Power Generation & Waterways	EHS - Hydro Generating Facilities	High	Health & Safety Program	NYPA and Canals employees may not comply with environmental, health, and safety regulations, which may lead to catastrophic events, accidents, fines, penalties, and damage to NYPA's reputation.	Evaluate NYPA's health & safety program to validate compliance with applicable laws, regulations, policies, and procedures for the following areas: •Electrical •Toxic and hazardous substances.	Yes	Workforce Health and Safety	Q4
41	Operations	Power Generation & Waterways	EHS - Canals - Sections	Medium	Canals - Pittsford	Canals facilities may not comply with environmental, health, and safety laws and regulations, potentially leading to catastrophic events, accidents, fines, penalties, and damage to NYPA's reputation.	Evaluate Canals' environmental, health, and safety activities at Canals facilities to validate compliance with applicable laws, regulations, policies, and procedures.	Yes	Canals – Workforce Health and Safety	Q3



APPENDIX C

Audit Plan Resource Capacity (Details)

Detailed Audit Plan Internal Resource Allocation Table

Category	Total Needed	Current Available (30,800 hours) ¹	Gap (to be filled by co-sourcing)
<u>Audit Related (Direct)</u>			
Audit Execution	21,150	18,500	2,650 (Audit Plan – Deloitte) ³
Audit and Client Support ²	5,400	5,400	
<i>Training & Development</i>	1,500	1,500	
<i>Internal Audit Strategy</i> ⁴	2,500	1,500	1,000 (Data Analytics – Deloitte)
<i>eGRC Tool Support</i>	800	800	
<i>Quality Assurance & Improvement Program</i>	800	800	
<i>Administrative</i> ⁵	2,300	2,300	
Total	34,450	30,800	3,650 (Co-sourcing Deloitte)

¹ Hours excludes Non-Audit Time: vacation, sick, and holidays, and assuming 5% attrition rate.

² Hours include continuous auditing, annual risk assessment process, special projects, audit liaison, etc.

³ Hours include backfill until open positions are filled and the use of specialized skill sets.

⁴ Hours include the development and execution of the Internal Audit strategic priorities, modernization and support for data analytics.

⁵ Recruiting, Performance & Talent Management, Resource Planning, Team Building, Staff Meetings, Townhalls etc.

2025 Internal Audit Plan – Approval Request

RESOLVED, that the Audit Committee recommends that the New York Power Authority Board of Trustees and New York State Canal Corporation Board of Directors approve the 2025 Internal Audit Plan.

RESOLVED, That the Chair, the President and Chief Executive Officer, and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority and Canal Corporation 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.



**NY Power
Authority**

**Canal
Corporation**



Date: March 25, 2025
To: AUDIT COMMITTEE
From: PRESIDENT and CHIEF EXECUTIVE OFFICER
Subject: 2024 Financial Reports

SUMMARY

The Committee is requested to recommend to the New York Power Authority Board of Trustees ("Board of Trustees") and New York State Canal Corporation Board of Directors ("Board of Directors") approval of Authority's 2024 Financial Reports with 2023 comparative data pursuant to Section 2800 of the Public Authorities Law and Regulations of the Office of the State Comptroller (Exhibit "A") and a report of actual versus budgeted results for the year 2024 (Exhibit "B"). The Committee is also requested to authorize the Corporate Secretary to submit this report to the Governor, legislative leaders, the State Comptroller, and the Authorities Budget Office ("ABO") pursuant to Section 2800 of the Public Authorities Law ("PAL").

In accordance with regulations adopted by the Office of the State Comptroller ("OSC"), the Committee is requested to approve and authorize posting a report of actual versus budgeted results for the year 2024 on the Authority's website.

BACKGROUND

The PAL codifies the State's commitment to maintain public confidence in public authorities by ensuring that the governance principles of accountability, transparency, and integrity are followed. To facilitate these objectives, the State established an independent Authorities Budget Office to monitor and evaluate compliance of State authorities with PAL requirements, including Section 2800 which requires annual financial reports submitted by public authorities thereunder be certified by its chief executive officer and chief financial officer and approved by its board.

In furtherance of the PAL requirements, OSC has regulations that address the preparation of annual budgets and related reporting requirements by covered public authorities, which includes the Authority. These regulations establish procedural and substantive requirements for authority budgets and reporting, including a public report of actual versus budgeted results by the chief financial officer not later than 90 days after the close of each fiscal year.

Pursuant to Section 2800 of the PAL, as amended by the Public Authorities Accountability Act of 2005 ("PAAA"), the Authority is required to file its Annual Report including the Financial Report for the year ended December 31, 2024, and submit this report to the Governor, legislative leaders, the State Comptroller and the ABO.

DISCUSSION

This year-end financial report includes financial statements that present the financial position and result of operations of the Authority as of December 31, 2024, along with 2023 comparative data, under generally accepted accounting principles. The report is prepared by staff and the financial statements are audited by independent accountants from KPMG LLP. As the PAAA requires, the financial report has been certified by the Authority's Chief Executive Officer and Chief Financial Officer.

FISCAL INFORMATION

There is no anticipated fiscal impact.

RECOMMENDATION

The Executive Vice President & Chief Financial Officer and Controller request that the Committee recommend that the Board of Trustees and Board of Directors approve and authorize the submittal of the Authority's financial report for the year ended December 31, 2024, with 2023 comparative data, and the posting of a report of actual versus budgeted financial results for the year 2024 on the Authority's website (Exhibits "A" and "B") as discussed herein.

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

Justin E. Driscoll

President and Chief Executive Officer

RESOLUTION

WHEREAS, pursuant to Section 2800(1) of the Public Authorities Law, the Authority is required to annually submit to the Governor, the Chairman and Ranking Minority Member of the Senate Finance Committee, the Chairman and Ranking Minority Member of the Assembly Ways and Means Committee, the State Comptroller and the Authorities Budget Office, within 90 days after the end of its fiscal year, a complete and detailed report or reports setting forth information regarding, among other things, certain financial information; and

WHEREAS, pursuant to Section 2800(3), financial information submitted under Section 2800 shall be approved by the Authority's Board of Trustees and shall be certified in writing by the Chief Executive Officer and the Chief Financial Officer of the Authority that based on the officer's knowledge the information provided therein (a) is accurate, correct and does not contain any untrue statement of material fact; (b) does not omit any material fact which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statements are made and (c) fairly presents in all material respects the financial condition and results of operations of the Authority as of, and for, the periods presented in the financial statements; and

WHEREAS, on the date hereof, the Chief Executive Officer and Chief Financial Officer have so certified as to the financial information contained within the attached reports for the fiscal year ending December 31, 2024

NOW THEREFORE BE IT RESOLVED, That the Audit Committee hereby recommends the approval of Authority's Financial Statements Pursuant to Section 2800 of the Public Authorities Law, as amended by the Public Authorities Accountability Act of 2005 ("PAAA"); and be it further

RESOLVED, That pursuant to Section 2800 of the Public Authorities Law, the Audit Committee hereby recommends that the Authority's financial reports are adopted and the Corporate Secretary be, and hereby is, authorized to submit to the Governor, the Chairman and Ranking Minority Member of the Senate Finance Committee, the Chairman and Ranking Minority Member of the Assembly Ways and Means Committee, the State Comptroller, and the Authorities Budget Office the attached financial report for the year ending 2024 in accordance with the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, that pursuant to 2 NYCRR Part 203, the Audit Committee hereby recommends that the Authority's report of actual vs. budgeted results for the year 2024 is approved in accordance with the foregoing report of the President and Chief Executive Officer, and the Corporate Secretary is authorized to post the report on the Authority's website; and be it further

RESOLVED, that the Chair, the President and Chief Executive Officer, and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority and Canal Corporation 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.

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Financial Report

December 31, 2024 and 2023

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Financial Report

December 31, 2024 and 2023

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Independent Auditors' Report

TO BE INSERTED

DRAFT

March xx, 2025

Management Report (Unaudited)

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

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

The Authority maintains an internal auditing program to independently assess the effectiveness of internal controls and to report findings and recommend possible improvements to management. This program includes a comprehensive assessment of internal controls to ensure that the system is functioning as intended. Additionally, as part of its audit of the Authority’s consolidated financial statements, KPMG LLP, the Authority’s independent auditors, considers internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal controls over financial reporting. Management has considered the recommendations of its internal auditors, the Office of the State Comptroller (“OSC”), and the independent auditors concerning the system of internal controls and has taken actions that it believed to be cost-effective in the circumstances to respond appropriately to these recommendations. Based on its structure and related processes, management believes that, as of December 31, 2024 and 2023, the Authority’s system of internal controls provides reasonable assurance related to material items, as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting.

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

Executive Vice President and Chief Financial Officer

NEW YORK POWER AUTHORITY
(A Component Unit of the State of New York)
Management's Discussion and Analysis
December 31, 2024 and 2023
(Unaudited)

Management's Discussion and Analysis (Unaudited)

Overview of the Consolidated Financial Statements

The Power Authority of the State of New York ("NYPA") is considered a special-purpose government entity engaged in business-type activities. Effective January 1, 2017, the New York State Canal Corporation ("Canal Corporation") became a subsidiary of NYPA, and NYPA assumed certain powers and duties relating to the Canal System to be exercised through the Canal Corporation. In May 2023, NYPA Captive Insurance Company ("Captive") was established as a wholly owned subsidiary of NYPA. In November 2024, New York Renewable Energy Development Holdings Corporation ("NYREDHC") was established as a wholly owned subsidiary of NYPA to pursue projects under the Expanded Authority (defined in "Expanded Authority" section in MD&A). Refer to Note 18 of notes to the consolidated financial statements for more information on NYREDHC. NYPA and its subsidiaries, the Canal Corporation, the Captive and NYREDHC are referred to collectively as the "Authority" in the consolidated financial statements, except where noted. NYPA and its subsidiaries follow financial reporting for enterprise funds. The consolidated financial statements of the Authority are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). Under the criteria outlined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus--an amendment of GASB Statements No. 14 and No. 34*, the Authority considers its relationship to New York State (the "State") to be that of a related component unit.

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

Management's discussion and analysis provide an overview of the Authority's financial information for the year ended December 31, 2024, with comparative information as of and for the year ended December 31, 2023 and 2022. GASB Statements No. 99, 100, and 101 were evaluated and adopted in 2024, and have been reflected in the financial statements as applicable.

The consolidated financial statements provide summary information about the Authority's overall financial condition. The notes provide an explanation and more details about the contents of the consolidated financial statements. The required supplementary information includes unaudited information required by GASB related to the Authority's other post-employment benefits other than pension ("OPEB") and pension plans and standalone financial disclosures for NYPA including Canal Corporation, SFP (Refer to section SFP in MD&A), Captive and NYREDHC.

NEW YORK POWER AUTHORITY
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Governance

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

The members of NYPA Board of Trustees also serve as board members of Canal Corporation, Captive and NYREDHC with the addition of NYPA's CEO and CFO serving ex-officio on the NYREDHC Board. Trustee members cannot be removed except for cause and their terms are as follows:

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

Forward-Looking Statements

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

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Management's Discussion and Analysis
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(Unaudited)

Summary of Consolidated Revenues, Expenses and Changes in Net Position

The following is a summary of the Authority's consolidated financial information for 2024, 2023 and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2024 vs. 2023</u> <u>favorable</u> <u>(unfavorable)</u>	<u>2023 vs. 2022</u> <u>favorable</u> <u>(unfavorable)</u>
	(\$ In millions)			(\$ in millions)	
Operating revenues	\$3,436	\$3,034	\$4,007	\$402	(\$973)
Operating expenses:					
Purchased power	678	605	839	(73)	234
Fuel oil & gas	214	176	470	(38)	294
Transportation and delivery	1,174	1,107	1,304	(67)	197
Operations and maintenance	771	723	756	(48)	33
Depreciation & amortization	353	307	411	(46)	104
Total operating expenses	<u>3,190</u>	<u>2,918</u>	<u>3,780</u>	(272)	862
Operating income	<u>246</u>	<u>116</u>	<u>227</u>	130	(111)
Nonoperating revenues and gains	85	94	(11)	(9)	105
Nonoperating expenses	<u>172</u>	<u>80</u>	<u>86</u>	(92)	6
Total nonoperating income (expense)	<u>(87)</u>	<u>14</u>	<u>(97)</u>	(101)	111
Net income and change in net position	159	130	130	29	-
Net position - beginning	<u>5,075</u>	<u>4,945</u>	<u>4,815</u>		
Net position - ending	<u>\$5,234</u>	<u>\$5,075</u>	<u>\$4,945</u>	\$159	\$130

In April 2022, NYPA issued \$608 million of Green Transmission Project Revenue Bonds, Series 2022A (the "2022A Bonds") to fund the Smart Path and Central East Energy Connect ("CEEC") transmission construction projects. In November 2023, NYPA issued \$734 million of Green Transmission Project Revenue Bonds, Series 2023A to fund the Smart Path Connect ("SPC") Project (the "2023A Bonds", together with the "2022A Bonds", are referred to as "Transmission Resolution Revenue Bonds"). Proceeds of the bonds are being used to fund capital and other expenditures, including reimbursing expenses related to Transmission Resolution Revenue Bond project costs; and to pay financing and other costs relating to the issuance of the Transmission Resolution Revenue Bonds.

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

In October 2024, the Authority issued \$450 million in Revenue Bonds, Series 2024 A (Green Bonds) ("2024 A Bonds"), marking its second green bond issuance under the General Bond Resolution. These bonds are referred to as Green Bonds as the proceeds are intended to be used to support environmentally beneficial projects. This issuance underscores the Authority's commitment to strong governance practices by supporting its capital plan, maintaining asset integrity, and investing in infrastructure projects. The Authority entered the market with positive momentum, bolstered by two ratings upgrades and attracted significant investor interest. 2024 A Bonds achieved one of the lowest All-In True Interest Costs compared to other bond transactions priced in the same week.

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Consolidated Financial Statements, as presented above, represent the Authority's consolidated results. Financial information relating to the SFP, Captive and NYREDHC has been disclosed separately in relevant notes to the Consolidated Financial Statements and such notes should be read together with other financial information disclosed in the notes. Refer to section SFP in MD&A and Notes 2, 3, 17 and 18 in Notes to the Consolidated Financial Statements and Required Supplementary Information for detailed disclosures on SFP, Captive and NYREDHC. For the year ended 2024, financial information relating to the SFP shows operating revenue of \$192 million and net income of \$107 million. For the year ended 2023, Captive had operating revenue of \$7 million and net income of \$11 million. NYREDHC had no revenue and net income in 2023 (refer note 18 in Notes to the Consolidated Financial Statements). Refer to page 115, Required Supplementary Information for detailed Financials.

The Authority had a net income and change in net position of \$159 million for the year ended December 31, 2024, compared to \$130 million net income in 2023, resulting in a \$29 million increase year over year. Operating income increased by \$130 million due to higher prices on market-based sales of energy and capacity. Operating expenses were \$272 million higher, primarily due to the \$111 million increase in purchased power and fuel and oil and gas costs related to higher prices. The transportation and delivery expenses were \$67 million higher primarily due to higher prices. Depreciation and amortization expenses were \$46 million higher due to an increase in assets placed into service during the year.

The Authority had a net income and change in net position of \$130 million for the year ended December 31, 2023, compared to \$130 million net income in 2022, remaining unchanged year over year. Operating income decreased by \$111 million due to lower prices on market-based sales of energy and capacity. Operating expenses were \$862 million lower, primarily due to the \$528 million decrease in purchased power and fuel and oil and gas costs related to lower prices. The transportation and delivery expenses were \$197 million lower primarily due to lower prices. Depreciation and amortization expenses were \$104 million lower as the arrangement with Astoria Energy II ("AEII") (Refer Note 15 of notes to the consolidated financial statements for more information on AEII) no longer met the definition of a lease with the adoption of GASB Statement No. 87("GASB No. 87") in 2022.

Operating Revenues

Operating revenues were \$402 million higher in 2024 vs 2023, primarily due to higher market energy prices, and higher capacity prices.

Operating revenues were \$973 million lower in 2023 vs 2022, primarily due to lower market energy prices, and lower pass-through transmission revenues partially offset by higher hydro production.

Purchased Power and Fuel and Oil and Gas

Purchased power and fuel and oil and gas costs increased by \$73 million and \$38 million, respectively in 2024 vs 2023. The increase was primarily due to higher pricing throughout the year.

Purchased power and fuel and oil and gas costs decreased by \$234 million and \$294 million, respectively in 2023 vs 2022. The decrease was primarily due to lower fuel costs resulting from lower gas prices partially offset by higher volumes.

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Operations and Maintenance (O&M)

O&M expenses increased by \$48 million in 2024 vs 2023, primarily driven by higher Compensated Absences due to the adoption of a new accounting standard (GASB Statement No. 101) \$24 million and the balance due to increase in repairs and maintenance.

O&M expenses decreased by \$33 million in 2023 vs 2022 primarily driven by lower employee benefit cost.

Nonoperating Revenues, Gains and (Losses)

Nonoperating revenues decreased by \$9 million in 2024 vs 2023 primarily due to a decrease in the market value of the investment portfolio resulting in unrealized mark to market losses.

Nonoperating revenues increased by \$105 million in 2023 vs 2022 primarily due to higher investment income and an increase in the market value of the investment portfolio.

Nonoperating Expenses

Nonoperating expenses increased by \$92 million, 2024 vs 2023, primarily due to the expense related to the settlement of the St. Regis Litigation of \$26 million (Refer to Note 19 (d) of notes), full year impact of interest expense of \$32 million on 2023A Bonds and provision related to workforce training initiatives pursuant to NYPA's Expanded Authority, \$21 million per Memorandum of Understanding between NYPA and the Department of New York State Labor.

Nonoperating expenses decreased by \$6 million in 2023 vs 2022 primarily due to the Astoria Energy II ("AEII") arrangement not meeting the definition of a lease per GASB No. 87 adopted in 2022.

EBIDA

Reconciliation of Net Income to EBIDA

	<u>2024</u>	<u>2023</u>	<u>2022</u>
		(\$ In millions)	
Net Income	\$ 159	\$ 130	\$ 130
Add:			
Interest (w/o AEII)	111	80	57
Interest (AEII)	-	-	29
Depreciation & amortization (w/o AEII)	353	307	257
Depreciation & amortization (AEII)	-	-	154
EBIDA (w/ AEII)	<u>\$ 623</u>	<u>\$ 517</u>	<u>\$ 627</u>
EBIDA (w/o AEII)	<u>\$ 623</u>	<u>\$ 517</u>	<u>\$ 444</u>

Note: AEII represents the arrangement with Astoria Energy II (Refer Note 15 of notes to the consolidated financial statements).

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

In 2022, with the adoption of GASB No. 87, the arrangement with Astoria Energy II ("AEII") no longer met the definition of a lease under the accounting rule. Year over year EBIDA without AEII impact increased from \$444 million to \$517 million in 2023 and \$623 million in 2024.

Net Generation

Authority's generation and power purchases for 2024 was 40.6 million megawatt-hours ("MWhs") with corresponding revenues from power and energy sales of \$3.4 billion (this includes power sales, transmission, transportation & delivery charges, excludes non-utility revenue of \$57 million). For 2023, on a comparative basis, it was 39.8 million MWhs with revenue of \$2.9 billion (this includes power sales, transmission, transportation & delivery charges, excludes non-utility revenue of \$41 million).

Authority's own generation was 27.4 million MWhs in 2024 and 26.9 million MWhs in 2023. Net generation from the Niagara and St. Lawrence hydroelectric plants in 2024 (22.7 million MWhs) was 0.22% higher than in 2023 (22.6 million MWhs) due to the marginally increased hydro flows to the Niagara and St. Lawrence hydroelectric plants. Net hydro generation for 2024 and 2023 were both approximately 106% of the 30-year average of 21.4 million MWhs. The combined net generation of fossil fuel plants for 2024 was 4.8 million MWhs, or 11% higher than in 2023 (4.3 million MWhs).

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Summary of Consolidated Statements of Net Position

The following is a summary of the Authority's consolidated statements of net position for 2024, 2023 and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2024 vs.</u> <u>2023</u>	<u>2023 vs.</u> <u>2022</u>
	(\$ In millions)			(\$ In millions)	
Current assets	\$2,703	\$2,549	\$2,223	\$154	\$326
Capital assets	7,298	6,908	6,413	390	495
Other noncurrent assets	1,099	896	962	203	(66)
Deferred outflows of resources	247	327	477	(80)	(150)
Total assets and deferred outflows	11,347	10,680	10,075	667	605
Current liabilities	1,315	1,105	1,091	210	14
Noncurrent liabilities	4,010	3,770	2,975	240	795
Total liabilities	5,325	4,875	4,066	450	809
Deferred inflows of resources	788	730	1,064	58	(334)
Net investment in capital assets	3,463	3,361	3,486	102	(125)
Restricted	453	321	87	132	234
Unrestricted	1,318	1,393	1,372	(75)	21
Net position	5,234	5,075	4,945		
Total liabilities, deferred inflows and net position	\$11,347	\$10,680	\$10,075	\$667	\$605

Investments and Net Position for 2023 and 2022 have been reclassified to align with the 2024 presentation (Refer to Note 4(q) of notes to the consolidated financial statements for more information on reclassification).

The following summarizes the Authority's consolidated statements of net position variances for the year 2024 and 2023:

In 2024, current assets increased by \$154 million to \$2,703 million due to an increase in customers receivables due to the overall increase in revenue. Capital assets increased by \$390 million to \$7,298 million, compared to last year, due to increased spending on transmission capital projects. Other noncurrent assets increased by \$203 million, compared to last year, primarily due to an increase in the other post-employment benefits other than pension ("OPEB") assets and an increase to regulatory assets for Allowance for Funds Used During Construction ("AFUDC"). Deferred outflows decreased by \$80 million primarily due to changes in the deferral of OPEB, as well as the decrease in the outflow of accumulated hedging derivatives. Current liabilities increased by \$210 million primarily due to the issuance of commercial paper. Other noncurrent liabilities increased by \$240 million primarily due to the increase in long-term debt of \$450 million due to the issuance of 2024 A Bonds at a premium of \$62 million offset by the defeasance of prior debt, \$260 million and principal payments of \$32 million. Deferred inflows of resources increased by \$58 million primarily due to an increase of pension valuation.

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In 2023, current assets increased by \$326 million to \$2,549 million due to an increase in cash and cash equivalents and investment in securities related to the 2023A Bonds issuance. Capital assets increased by \$495 million to \$6,908 million, compared to 2022, due to increased spending on transmission capital projects. Other noncurrent assets decreased by \$66 million, compared to 2022, primarily due to a decrease in the pension assets resulting from lower investment market performance. Deferred outflows decreased by \$150 million primarily due to changes in the deferral of other post-employment benefits other than pension ("OPEB"), as well as the decrease in the outflow of accumulated hedging derivatives. Current liabilities increased by \$14 million primarily due to the increase of long-term debt due within one year \$31 million, partially offset by lower accruals for economic development programs, \$25 million. Other noncurrent liabilities increased by \$795 million primarily due to the increase in long-term debt of \$751 million due to the issuance of 2023A Bonds (NYPA issued \$734 million of 2023A bonds at a premium). Deferred inflows of resources decreased by \$334 million primarily due to \$224 million and \$70 million of pension and OPEB valuation, respectively, and the balance due to a decrease in deferred transmission congestion contract ("TCC") auction revenues, \$64 million, partially offset by an increase in the cost of removal obligations, \$34 million.

Capital Assets

The Authority estimates that it will expend approximately \$5.3 billion (\$3.9 billion for various capital improvements, which include \$699 million for renewables development, \$316 million to Revitalize the Canals with a primary focus on maintaining and improving Canal infrastructure), and \$1.4 billion for Energy Efficiency Services projects with a primary objective of helping the State to reduce its energy consumption and cut energy costs over the four-year period of 2025-2028. The Authority anticipates that these expenditures will be funded using existing construction funds, internally generated funds, separately financed project bond issuances, and additional borrowings. Any additional borrowings are expected to be accomplished through the issuance of commercial paper notes and/or the issuance of long-term debt.

The Authority's capital plan includes \$1.4 billion in financing for Energy Efficiency Services projects to be undertaken by the Authority's governmental customers and other public entities in the State which amount will be reimbursed subsequently back to the Authority. All capital expenditures are subject to evaluation and approval of the Authority's Trustees.

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Projected capital requirements during 2025-2028 include (in millions):

Renewables Development	\$699
Transmission Business Development	590
Propel NY Energy	316
Revitalize the Canals*	316
White Plains Office Building Facilities	280
IT Programs (Application, Core, Cyber, Data, Other Key Projects)	260
Stewart Avenue - Uniondale Hub Substation Upgrade	241
Key Transmission Projects	164
SFP Related Projects**	140
Next Generation Niagara	137
Transmission Life Extension and Modernization (T-LEM)	99
Niagara and St. Lawrence Crane Replacement Program	75
Project Luminare (Enterprise Resource Planning - ERP)	68
JW Massena Canal Dam	43
Strategic EV Charging Station Installations	42
All Other	467
	<u>\$3,937</u>

* A portion of total amount is contingent upon receiving outside grants/funding.

**Separately Financed Projects - Refer to section on SFP under MD&A and Note 3 in Notes to Consolidated Financial Statements.

See Note 20 in Notes to Consolidated Financial Statements, Other Developments, for details on certain projects listed above.

The above expenditure excludes \$1.4 billion for Energy Efficiency Services projects over 2025-2028.

More detailed information about the Authority's capital assets is presented in Note 4(d) "Summary of Significant Accounting Policies – Capital Assets", Note 7 "Capital Assets" and Note 20 "Other Developments" of the Notes to the Consolidated Financial Statements.

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Long-Term Debt Activity

Capital Structure

	<u>2024</u>	<u>2023</u>	<u>2022</u>
		(\$ In Millions)	
Long-term debt, net of current maturities			
General Resolution:			
Senior:			
Revenue bonds	\$ 1,805	\$ 1,519	\$ 1,624
Subordinated:			
Subordinated Notes, Series 2017 and 2012	-	35	36
Separate Revenue Bond Obligation:			
Transmission Resolution Revenue Bonds (1)	<u>1,367</u>	<u>1,391</u>	<u>659</u>
Total long-term debt, net of current maturities	3,172	2,945	2,319
Net Position	<u>5,234</u>	<u>5,075</u>	<u>4,945</u>
Total capitalization	<u>\$ 8,406</u>	<u>\$ 8,020</u>	<u>\$ 7,264</u>
Long-term debt to equity ratio	0.61	0.58	0.47
Long-term debt to equity ratio (excluding Transmission Resolution Revenue Bonds)	0.37	0.32	0.34

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

To maintain the weighted average cost of capital formula rate, as approved by the Federal Energy Regulatory Commission ("FERC") in a 2016 rate filing, long-term debt cannot exceed equity. Long-term debt to equity (long-term debt/net position) ratio was at 0.61-to-1 as of December 31, 2024 (Long-term debt \$3.17 billion and equity \$5.23 billion) vs. 0.58-to-1 as of December 31, 2023 (Long-term debt \$2.94 billion and equity \$5.07 billion).

Under the General Bond Resolution, long-term debt to equity (long-term debt/net position) ratio as of December 31, 2024, and 2023, was at 0.37-to-1 (Long-term debt \$1.81 billion and equity \$4.91 billion) and at 0.32-to-1 (Long-term debt \$1.55 billion and equity \$4.86 billion), respectively. \$438 million, consisting of the Series 1, and Series 2 CP Notes is excluded from the long-term debt-to-equity ratio, as it is used by the Authority to finance the Authority's current and future energy efficiency programs on behalf of its customers.

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	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>	<u>KBRA</u>
NYPAs underlying credit ratings:				
General Resolution Revenue Bonds:				
Senior Long-Term Debt	Aa1	AA	AA	AA+
Separate Revenue Bond Obligation				
Transmission Resolution Revenue Bonds	Aa3	See note (a) below	AA-	AA
Commercial Paper	P-1	A-1+	F1+	N/A

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

In 2024, Moody's Investors Service ("Moody's") affirmed NYPA's Commercial Paper rating and upgraded the General Bond Resolution Revenue Bonds Senior Long-Term Rating to 'Aa1' from 'Aa2' with a stable outlook. Moody's also upgraded the Transmission Resolution Revenue Bonds rating to 'Aa3' from 'A1', with a stable outlook. In 2024, Standard & Poor's Ratings Service ("S&P") affirmed NYPA's Commercial Paper rating, General Bond Resolution Revenue Bonds Senior Long-Term Rating, with a stable outlook. In addition, S&P also affirmed the 'AA' insured rating on the Transmission Resolution Revenue Bonds based on the policy provided by Assured Guaranty Municipal Corporation ("AGM"). In 2024, Fitch Ratings ("Fitch") affirmed NYPA's Commercial Paper rating, General Bond Resolution Revenue Bonds Senior Long-Term Rating, with a stable outlook. Fitch also affirmed the 'AA-' rating with a stable outlook to the Transmission Resolution Revenue Bonds. In 2024, Kroll Bond Rating Agency ("KBRA") upgraded the General Resolution Revenue Bonds Senior Long-Term Rating to AA+ from 'AA' with a stable outlook. KBRA also upgraded the Transmission Resolution Revenue Bonds rating to 'AA' from 'AA-'.

Authority's General Resolution Fund Reserves

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

The Operating Reserve, established at \$175 million by the Authority's Trustees, includes a reserve for working capital and emergency repairs to the Authority's projects, and the Authority maintains at least the established amount or higher as necessary.

The Debt Service Reserve is funded at maximum annual debt service (principal and interest payments) to ensure that sufficient amounts are available to pay debt service obligations when due. On December 31, 2024, the Debt Service Reserve balance was \$104 million.

The Energy Hedging Reserve was established to have funds available for use as collateral that may be required to support the Authority's authorized fuel and energy hedging transactions. On December 31, 2024, the Energy Hedging Reserve balance was \$90 million.

The Spent Fuel Reserve was created to maintain funds to match the Department of Energy's obligation to pay for the processing and final disposition of spent nuclear fuel burned by the Authority when it owned the Indian Point #3 and James A. FitzPatrick nuclear plants. On December 31, 2024, the Spent Fuel Reserve balance was \$258 million.

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The Capital Project Reserve is utilized to partially fund major new investments by the Authority in its energy infrastructure. The Authority funds major investments with a portion of debt and a portion of equity. This reserve has been established to provide the equity portion. On December 31, 2024, the Capital Project Reserve balance was \$339 million.

In addition, the Authority holds committed funds in separate portfolios that have been earmarked for economic development and relicensing programs ("Committed Funds", see Note 19). On December 31, 2024, the Authority held \$67 million in Committed Funds in the Operating Fund.

Separately Financed Projects ("SFP")

a) Overview

As referred to in the "Summary of Consolidated Revenues, Expenses and Changes in Net Position" section in the MD&A and further in the Notes to the Consolidated Financial Statements (See Note 3), the proceeds, \$608 million and \$734 million, in 2022 and 2023 respectively, from the issuance of the Transmission Resolution Revenue Bonds are being used to fund capital and other expenditures of SFP, including reimbursing expenses related to Transmission Resolution Revenue Bond project costs and to pay financing and other costs relating to the issuance of the Transmission Resolution Revenue Bonds.

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

b) Smart Path (Moses Adirondack Smart Path Reliability Project)

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

As of December 31, 2024, NYPA had a capital spend of \$456 million (excluding capitalized interest) for the Smart Path project, and the remaining amount to close out the project which is not expected to exceed \$484 million will be accounted for as incurred. Construction commenced in 2020 and as of December 31, 2023, all 6 segments for Smart Path have been placed into Electric Plant In Service ("EPIS") and are part of the Authority's Annual Transmission Revenue Requirement ("ATRR"). Project closeout and site restoration are ongoing with expected completion in 2025.

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

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

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

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

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

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

As of December 31, 2024, NYPA had a capital spend of \$235 million for CEEC. The CEEC project was funded with proceeds from the 2022A Bonds as mentioned above. The project is 100% placed in service with minor closeout and restoration items being completed. See Note 3 on Separately Financed Projects for further information.

d) Smart Path Connect

To meet the advancement of the State's energy goals and to support the Authority's VISION2030 goals, in 2020 the NYSPSC approved the Smart Path Connect Project ("SPC Project") as a Priority Transmission Project. The project is expected to be substantially placed in service by the end of 2025 with a small portion to be placed in service in 2026. The SPC Project is being developed in cooperation

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with National Grid. The SPC Project consists of rebuilding approximately 110 linear miles of existing 230 kV transmission lines in northern and central New York to 345 kV, along with associated substation construction and upgrades, to address existing congestion and curtailment issues by establishing, together with other projects currently under development by NYPA, a continuous 345 kV transmission path from areas of planned renewable generation to New York's load centers. The SPC Project includes rebuilding all or parts of the following transmission lines: the remaining section of the Authority's Moses-Adirondack 1&2, the Authority's Moses-Willis 1&2, the Authority's Willis-Patnode and the Authority's Willis-Ryan; and National Grid's Adirondack to Porter (Chases Lake-Porter Line 11, Adirondack-Porter Line 12, and Adirondack-Chases Lake Line 13), as well as connecting to the Authority's Moses-Adirondack 1&2 transmission facilities. The SPC Project will be built primarily within existing rights-of-way. The goal of the SPC Project is to allow for renewable generation from northern New York regions to be transmitted downstate, improving the NYS renewable energy consumption, as well as the efficiency of energy pricing throughout the state. Construction is underway along the right of way and within substations. As of December 31, 2024, 38 miles of transmission line upgrades have been completed and breakers at the Ryan and Patnode substations have been energized.

As of December 31, 2024, NYPA had a capital spend of \$746 million (excluding capitalized interest) for the SPC Project. In 2023, NYPA issued \$734 million of 2023A bonds (net proceeds totaling \$751 million, which includes \$17 million of premium) to support the SPC Project. The project is approved by the Authority's Trustees for \$877 million. Due to inflation and supply chain challenges, NYPA is currently evaluating the total project cost estimate including contingencies.

e) Revenue Recovery

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

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

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

Clean Energy Solutions

The Authority offers energy efficiency services to the State's public and other statutorily eligible entities to reduce energy consumption and cut energy costs. The Authority has been implementing energy efficiency projects since the early 1990s and has invested over \$4.1 billion in energy efficiency projects, yielding over 1,890 GWH estimated annual savings statewide. The Authority offers comprehensive

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energy efficiency services tailored to each participant's needs. Services include but are not limited to energy audits, advisory services, metering, data analytics, lifecycle cost analysis, engineering/design services, procurement, project management, construction management, and project close-out. The Authority manages all aspects of the project for the customer so the customer can focus their attention on their core responsibilities while major projects are being implemented. The Authority recovers all costs incurred on such projects with no material impact on its financial results.

On an annual basis, the Authority implements an average of \$250 million in energy efficiency and clean energy technology projects. As of December 31, 2024, the outstanding balance for energy efficiency and clean energy technologies projects in the Authority's balance sheet was a total of \$580 million, with \$296 million of the loan balance and \$284 million of energy efficiency program cost that will be billed to the customers.

Economic Conditions

In December 2020, the Authority's Trustees approved its strategic plan, VISION2030. VISION2030 provides a roadmap for transforming the State's energy infrastructure to a clean, reliable, resilient, and affordable system over the next decade. VISION2030 focuses on five strategic priorities to achieve the clean energy goals of the Authority's customers and the State; the Authority's intention to preserve the value of hydroelectric generation; facilitate the rapid development of transmission assets; pioneer the path to decarbonization while ensuring reliability, resilience, and affordability of the state's electric grid; partner with customers to deliver clean and affordable energy solutions and adaptively reimagine the New York State canal system. Five foundational pillars: digitalization, best-in-class environmental, social, and governance ("ESG") performance and reporting; leadership in diversity, equity, and inclusion ("DEI") priorities; enterprise resilience; and resource alignment (i.e., process excellence, workforce planning, and knowledge management initiatives) support VISION2030. The costs and revenues with respect to the plan are reflected in the Authority's 2025-2028 financial plan.

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

Further, the Authority cannot predict at this time whether any laws or regulations will be repealed or amended, or whether any additional legislation or rules will be enacted at the state or federal level that will affect or impact the Authority's operations and if such laws are enacted, what the impact of such actions might be in the future.

Climate Leadership and Community Protection Act

New York has among the most ambitious climate and clean energy goals in the nation, calling for an orderly and just transition to clean energy that creates jobs and fosters the nascent green economy in the State. Enshrined into law through the Climate Leadership and Community Protection Act ("CLCPA"), New York is making progress towards its clean energy goals, including the 70 percent by 2030 renewable energy target, the 100% by 2040 zero-emissions electricity target, and the economy-wide carbon neutrality by 2050 target. Achieving the CLCPA's targets for decarbonizing power generation will require a broad range of investments, including developing 45 GW (26 GW of land-based renewables, 9 GW of offshore wind, and 10 GW of distributed solar) of renewables by 2035; accelerating transmission network upgrades to integrate renewables and alleviate load pockets; and ensuring grid reliability and flexibility through an integrated set of solutions including 3 GW of energy

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storage (subsequently increased to 6 GW through Gubernatorial action), dispatchable clean generation, and demand-side solutions. New York's targets for decarbonizing beyond the power sector include the reduction of statewide energy use by 185 trillion British thermal units ("Tbtu"); electrification of transportation; and coordinated electrification of building heating and industrial processes. The Authority's clean energy programs, projects, and initiatives are crucial in supporting the achievement of the CLCPA goals and ensuring an equitable transition to thriving clean energy.

Accelerated Renewable Energy Growth and Community Benefit Act

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

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

Sustainability

The Authority is committed to developing and implementing sustainable business practices that prioritize economic as well as ESG outcomes that are expected to contribute to long-term value creation for the Authority and its stakeholders. To this end, the Authority has identified ESG as a Foundational Pillar of VISION2030. In 2020, guided by the *Global Reporting Initiative Standards* and the *AA1000 Accountability Principles*, the Authority developed and published the NYPA and Canals' 2021-25 Sustainability Plan, which is intended to serve as a roadmap to help bring the Authority's ESG ambition

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to life. The Plan outlines the goals, strategies, and initiatives the Authority is committed to across each of 15 ESG focus areas which align with and support VISION2030 objectives.

The Authority issued 2020 and 2021 Annual Reports and Sustainability Reports and 2022 and 2023 Integrated Reports that describe its progress in achieving VISION2030 and 2021-25 Sustainability Plan goals. NYPA is currently preparing its 2024 Integrated Report. The annual Integrated Reports aim to apply Integrated Reporting Framework principles and bring together environmental, social, and governance data and audited financial information to present a more comprehensive view of the Authority's value creation process. They also strive to align with the Global Reporting Initiative Standards, the Sustainability Accounting Standards Board ("SASB") Electric Utilities and Power Generators Standard, and the Task Force on Climate-Related Financial Disclosures ("TCFD") reporting framework. The 2023 Integrated Report can be accessed at [NYPA 2023 Integrated Report](#). The 2024 Integrated Report will be issued in the third quarter of 2025.

Regional Greenhouse Gas Initiative

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

Competitive Environment

The Authority's mission statement ratified by the Authority's Trustees in December 2020, is to "Lead the transition to a carbon-free, economically vibrant New York through customer partnerships, innovative energy solutions, and the responsible supply of affordable, clean, and reliable electricity." The Authority's hydro and transmission assets are foundational to achieving a decarbonized grid and the Authority is committed to enhancing their flexibility and ensuring their continued reliability. Additionally, through its Expanded Authority (per the 2023-2024 State Budget) the Authority is expanding its portfolio of clean energy resources.

The Authority operates in a competitive market environment. Through its participation in the NYISO and commodity markets, the Authority is subject to energy, fuel, capacity, and non-energy commodity price

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uncertainty which impacts revenue and costs passed on to customers. Any market volatility can potentially have adverse effects on the Authority's financial condition.

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

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

Clean Path Transmission Project

On December 23, 2024, as a result of the termination of the Tier 4 contract between Clean Path NY and NYSERDA, the Authority filed a petition with the NYSPSC seeking a Priority Transmission Project ("PTP") designation in Case 20-E-0197 related to the Clean Path Transmission Project. The petition describes the Clean Path Transmission Project as the transmission portion of the Clean Path NY Project that was the subject of the Tier 4 contract between Clean Path New York LLC and NYSERDA. The PTP process was first established by Section 7(5) of the Renewable Energy Act. The Renewable Energy Act contains provisions to facilitate new and upgraded distribution and transmission projects that are necessary for the state to avoid congestion and reach the CLCPA targets. The Legislature found that the Authority owns and operates backbone electric transmission assets in the State, has rights-of-way that can support in whole or in part bulk transmission investment projects, and has the financial stability, access to capital, technical expertise and experience to effectuate expeditious development of bulk transmission investments needed to help the State meet its targets under the CLCPA. As such, the Renewable Energy Act grants the Authority the sole authority to petition the NYSPSC to approve PTPs and the ability to develop PTPs which the NYSPSC determines should be pursued expeditiously to promote the State's public policy goals.

Pursuant to the Renewable Energy Act, the Authority is authorized to solicit interest from potential co-participants in each PTP it agrees to develop and assess whether any joint development would provide for significant additional benefits in achieving the CLCPA targets. The Authority may then undertake the development of PTP on its own or undertake the PTP jointly with one or more other parties. A joint development of PTP may be accomplished through agreements on such terms and conditions as the Authority finds to be appropriate and necessary in order to undertake and complete timely development of PTP. Any such PTP could be designated as an SFP Transmission Project and financed with additional Transmission Resolution Revenue Bonds issued pursuant to the Transmission Bond Resolution.

The Clean Path Transmission Project includes the construction of a new approximately 178-mile High Voltage Direct Current transmission line at an estimated cost of \$5.2 billion. Previously, Forward Power—a joint venture between EnergyRe, LLC and Invenergy, LLC—and the Authority, were collaborating on the transmission line portion of the Clean Path Transmission project. However, Forward Power and the Authority are no longer collaborating on this project at this time. Facilitating the rapid development of transmission assets is one of the Authority's strategic priorities to achieve the clean energy goals of the Authority's customers and the State, and the Authority intends to pursue all opportunities to advance this strategic priority. Refer to the section 'Economic Conditions' above for more information on VISION2030.

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Propel New York Energy Project

On June 20, 2023, the NYISO publicly announced the selection of Propel NY Alternative Solution 5 ("Propel Project") as the project that will meet the identified Long Island Public Policy Transmission need to strengthen the Long Island Extra High Voltage Grid and its connections to rest of the New York State. The Propel Project is being collaboratively developed by NYPA and New York Transco ("NYT") pursuant to the Development Agreement and will meet the transmission need through new electric transmission lines, new substations, and existing substation upgrades. On May 3, 2024, NYT, NYPA and NYISO signed a Development Agreement to deliver the project consistent with the NYISO's Open Access Transmission Tariff. The Development Agreement includes a required in-service date for the project of May 31, 2030. The Propel Project will establish a continuous 345kV path that greatly expands the deliverability of renewable offshore wind. More specifically, the Propel Project consists of the following electric transmission facilities: (i) East Garden City – Tremont 345 kV PAR-controlled line; (ii) Shore Road – Sprain Brook two (2) 345 kV PAR-controlled lines; (iii) Barrett – East Garden City 345 kV PAR-controlled line; (iv) Ruland Road – Shore Road 345 kV line; (v) Ruland Road – East Garden City 345 kV PAR-controlled line; (vi) Shore Road – East Garden City 345 kV line; and (vii) Syosset – Shore Road 138 kV PAR-controlled line. The Propel Project, estimated to cost approximately \$3.3 billion, will be funded by the Propel Project sponsors, NYPA, and NYT. NYPA has a right to limit its investment to \$500 million towards this project, however, also has a right to increase its investment to 30% of the total project cost.

On July 22, 2024, NYPA was conditionally awarded (pending contract negotiation) \$44 million by the U.S. Department of Energy ("USDOE") to support community initiatives in certain disadvantaged communities along the proposed Propel project. These community initiatives would include energy audits and energy efficiency projects with local community-based partners, tied to community education and training opportunities. This grant award was from the Inflation Reduction Act's ("IRA") Transmission Siting and Economic Development Grant Program. On January 20, 2025, the Trump Administration issued Executive Order 14154 *Unleashing American Energy*, which put a 90-day freeze on all pending Infrastructure Investment and Jobs Act ("IIJA") and Inflation Reduction Act ("IRA") grant activity so that the new Administration can review all outstanding items. As a result of that Executive Order, this grant opportunity is currently on hold pending Federal review.

NYPA has requested and been awarded FERC incentives applicable to its investment in the Propel Project. On August 28, 2023, NYPA filed a petition for declaratory order seeking authorization to recover 100% of its prudently incurred costs pertaining to the Propel Project, in the event the Project is cancelled or abandoned for reasons beyond NYPA's control ("Abandonment Incentive"). FERC granted NYPA's Abandonment Incentive request on November 6, 2023. On April 25, 2024, NYPA filed a petition for declaratory order seeking incentive rate treatment in the form of a 75-basis point return on equity adder ("ROE Risk Incentive") to recognize the significant risks and challenges associated with NYPA's investment in the Propel Project. FERC conditionally granted NYPA's ROE Risk Incentive request effective July 11, 2024, subject to a compliance filing implementing NYPA's proposed cost containment mechanism. On December 6, 2024, FERC accepted NYPA's compliance filing for Propel NY in full.

Stewart Avenue-Uniondale Hub Substation Upgrade (formerly known as the East Garden City Substation Upgrade)

While Propel NY is the sponsoring developer of Propel Project, under the Open Access Transmission Tariff, incumbent Transmission Owners retain the right to build, own and recover the costs for upgrades to their facilities.

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As identified in NYISO's final report, upgrades to NYPA's existing Stewart Avenue-Uniondale Hub substation in Nassau County, NY (formerly known as the East Garden City 345kV Substation) was deemed a required Designated Public Policy Project. NYPA, as the incumbent Transmission Owner of this substation, has confirmed to NYISO its intention to move forward with the identified upgrades. To date, NYPA has executed a development agreement with NYISO, has placed orders for long-lead power equipment, and continues work on permitting, environmental site investigations, and overall planning for implementation of the substation upgrades. Further, NYPA is currently amending the development agreement with NYISO for change in the substation from Air insulated substation ("AIS") to Gas insulated substation ("GIS"). The substation upgrade is estimated to cost \$341 million.

The targeted in-service date for the Stewart Avenue-Uniondale Hub upgrade is mid-2029.

Robotics and Drone Program

The Authority's Robotics program has expanded its capabilities beyond Unmanned Aerial Systems ("UAS") to include ground-based robotics and other innovative technologies, all while maintaining its commitment to safety and operational excellence. Today, with more than 140 certified pilots and a growing fleet of drones, the Robotics Program supports long-endurance aircraft, confined space drones, and is currently evaluating ground-based solutions such as Wall climbers & Robotic Dogs. The Robotics program is exploring aquatic based systems i.e., submarines and boats for new applications. The program completed over 1,563 arial missions in 2024, enhancing the safety and reliability of the Authority's operations across its transmission, generation, and Canal's infrastructure. Additionally, the program has obtained all necessary FAA waivers to enable full operational capabilities over these assets.

The next steps for the Robotics Program include continuing to expand its capabilities and integrating advanced technologies into NYPA's infrastructure. These advancements will ensure the program remains a national leader in leveraging robotics for utility operations.

On July 27, 2023, the Authority's Trustees authorized a Capital Expenditure Authorization of \$11 million for the implementation of foundational measures for an UAS Drone and Robotics Program. Additionally, the Authority's Trustees provided concurrence with the five-year implementation plan of the UAS Drone and Robotics Program, which has a total program cost of \$37 million. The remaining balance of \$26 million, after the \$11 million authorization, will be requested to continue the advancement and build out of the program.

As of December 31, 2024, the total spend on the Drone and Robotics Program was \$8 million.

Rate Actions

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

The charges for firm power, firm peaking power and associated energy sold by NYPA, as applicable, to the fifty-one municipal electric utility systems and rural electric cooperatives in New York State, two public transportation agencies, three investor-owned utilities for the benefit of their rural and domestic customers, seven Niagara relicensing "host communities," Tuscarora Nation, and public customers in

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seven neighboring states have been established based on the cost of power produced by those hydroelectric facilities, which is considered NYPA's Preference Power rate.

Niagara's Expansion & Replacement Power, St. Lawrence-FDR's Preservation Power, and ReCharge New York's customers are dedicated 45% and currently allocated over 35% of the average generation capacity of the plants and the allocation varies as additional power is awarded to eligible customers. Their rates are subject to annual adjustment based on the average of three contractually agreed-upon economic indices reflecting changes in industrial energy prices.

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

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

Various New York City ("NYC") governmental agencies are served by NYPA's combined-cycle Eugene W. Zeltmann Power Project ("Zeltmann"), the contracted output of the Astoria Energy II plant ("AEII"), and capacity and energy purchased by NYPA in the NYISO markets. In 2017 and 2018, NYPA executed new supplemental long-term electricity supply agreements ("Supplemental LTAs") with its eleven NYC governmental customers, including the Metropolitan Transportation Authority, the City of New York, the Port Authority of New York and New Jersey (Port Authority), the New York City Housing Authority, the New York State Office of General Services, and remaining six key governmental customers. Under these Supplemental LTAs, the NYC governmental customers agreed to purchase their electricity from NYPA through December 31, 2027, with the NYC governmental customers having the right to terminate at any time upon at least 12 months' notice during the first five years of the agreement (December 31, 2022). Thereafter, both NYPA and the NYC governmental customers may terminate the agreement upon at least six months' notice. Under the Supplemental LTA's fixed costs for NYPA's services as well as Zeltmann plant were contractually set for each customer, and the fixed agreed amounts are recovered from the customers regardless of their load usage. Variable costs, including fuel, purchased power and NYISO related costs, are to be set on a pro-forma cost of service basis and reconciled to actuals as a pass-through to each customer via an energy charge adjustment. For years 2023-2027, to

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provide better price certainty, NYPA is offering an annual fixed price energy purchase option to the NYC governmental customers.

The energy generated by the Zeltmann and AEII 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. Net costs and benefits to NYPA for both facilities are directly passed through to the NYC governmental customers. The AEII plant is under contract with the customers until June 30, 2031, while the Zeltmann plant contract expires at the end of 2027. The economic value of the Zeltmann and AEII plants helps to support the NYC governmental customers. Additionally, NYPA retains rights to grandfathered and historic fixed priced transmission congestion contracts on behalf of the customers, which helps to hedge against the fluctuating energy purchase power costs. All net costs of NYPA under the power purchase agreement with Astoria Energy are billed monthly to the NYC governmental customers. An equal amount of revenue is recognized during the period related to reimbursements from the NYC governmental customers.

NYPA's other Southeastern New York governmental 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 terms of the agreement, customers can partially terminate service from NYPA 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.

Cost recovery for NYPA's provision of transmission service over its facilities has been governed by the NYISO tariff since the formation of the NYISO in November 1999. NYPA 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 January 2016, NYPA filed with FERC to convert from a stated rate to a formula rate to ensure recovery of its ATRR based upon operating and maintenance expenses as well as the capital spending necessary to maintain the reliability of its transmission system. FERC accepted the filing and made it effective April 1, 2016, as requested, subject to hearing and settlement judge procedures. NYPA filed an unopposed Offer of Settlement on September 30, 2016, that fully resolved the issues raised by interested parties in settlement negotiations concerning the formula rate. The settlement was approved by FERC on January 19, 2017. The ATRR is updated annually prior to the start of each rate year (July 1st - June 30th).

In November 2022, NYPA filed to amend its Administrative and General ("A&G") expense allocator under the formula rate to no longer use a labor ratio to allocate these expenses but instead adopt a 3-factor allocation method that uses equal parts direct labor, net plant, and net revenue. Per the terms of an uncontested settlement agreement approved by FERC in March 2024, NYPA is permitted to use this A&G expenses allocator effective January 2023.

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In October 2024, NYPA filed to amend its base Return on Equity ("ROE") contained in the formula rate from the existing settled ROE of 8.95% to a proposed ROE of 10.98%. The proposed base ROE rate was determined utilizing FERC Commission methodologies and found to be within their zone of reasonableness. FERC accepted NYPA's filing in December of 2024, made effective November 2024 subject to refund pending hearing and settlement procedures. Settlement discussions between NYPA and its interested parties are currently underway.

Effective July 1, 2024, the Transmission Revenue Requirement is \$527 million, which includes revenue requirements for the NTAC, Marcy South Series Compensation, and AC Transmission (renamed as Central East Energy Connect) projects.

On December 10, 2024, the Authority's Trustees approved the filing of a Notice of Proposed Rulemaking, or NOPR, to increase our Preference Power rates, which initiated a 60-day public comment period as prescribed by State Administrative Procedure Act ("SAPA"). NYPA held two public forums on January 29, 2025, and February 4, 2025, to offer ratepayers the opportunity to comment publicly on the proposed rate action. Based on the comments from the public hearings, various elected officials, including the Governor, the Authority's management has filed a Notice of Withdrawal with the NYS Department of State to officially terminate the NOPR, thus leaving existing Preference Power rates intact for the time being.

Certain New Legislation Affecting the Authority

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

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

On July 18, 2019, the State enacted the CLCPA. The CLCPA sets renewable energy targets for the state, including 70% renewable energy by 2030, a 100% emissions-free grid by 2040, 9,000 Megawatts

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("MW") of offshore wind, 6,000 MW of photovoltaic solar generation and 3,000 MW of energy storage. The CLCPA further directs the New York State Department of Environmental Conservation (the "NYSDEC") to develop regulations to reduce statewide greenhouse gas emissions ("GHG") to 60% of 1990 levels by 2030 and 15% of 1990 levels by 2050. NYSDEC is currently drafting regulations that would implement these and other related goals.

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

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

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

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

Expanded Authority

As more specifically described in the enactment, and subject to the limitations described therein, the 2023-2024 Enacted State Budget amended the Act to, among other things: (a) expand the Authority's authority to plan, design, develop, finance, construct, own, operate, maintain and improve, either alone or jointly with other entities, renewable energy generation projects ("Expanded Authority"); (b) authorize the Authority to develop and implement, with the NYSPSC, the Renewable Energy Access and Community Help or "REACH" Program, that will enable low-income or moderate-income end-use electricity consumers in disadvantaged communities to receive bill credits derived from a portion of the

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revenues generated from new renewable energy generation projects developed or contracted for by the Authority to support the REACH Program; (c) direct the Authority to prepare a plan for ceasing electricity production at its small natural gas-fired power plants by December 31, 2030, and to cease electricity production by such date if certain conditions are satisfied; and (d) authorize the Authority to make available up to \$25 million annually to the New York State Department of Labor ("DOL") to fund programs established or implemented by or within the DOL, including, but not limited to, the Office of Just Transition and programs for workforce training and retraining to prepare workers for employment for work in the renewable energy field.

Changes made by these amendments do not affect the Authority's previously existing statutory authority.

The Authority is continuing to advance its renewable energy strategy in accordance with New York State's 2023-2024 Enacted Budget that enabled the Authority to plan, design, finance, and operate renewable energy generating projects, with and without private sector partners. In January 2024, the Authority filed a petition with the NYSPSC to establish the REACH program, which will provide renewable energy bill credits to low-income New Yorkers. In October 2024, the NYSPSC issued an order approving the Authority's petition to establish the REACH Program. The NYSPSC order implemented a structure that could make the REACH Program bill credits available from smaller scale projects (<5 MW) as early as 2026, and large-scale projects as early as 2027. The Authority issued Requests for Information and Requests for Qualifications to identify and pre-qualify renewable project developers and investors for future partnerships for renewable energy projects. By January 2025, the Authority pre-qualified 89 renewable developers and partners to collaborate with, on renewable energy generation projects. The Authority issued its first strategic plan on January 28, 2025, which identifies and prioritizes actions to develop more renewable resources and support the decarbonization of New York State's electric grid, including projects the Authority plans to develop, own, and support in the upcoming years. The initial draft of the strategic plan was made available to the public on October 8, 2024, commencing a 60-day public comment period, with the Authority holding 12 public hearings in the month of November and receiving over 5,000 written public comments.

The Authority, through NYREDHC, plans to invest \$699 million in renewable energy generating projects from 2025 through 2028. The Authority's final strategic plan issued on January 28, 2025, identified the first tranche of 37 projects totaling 3.0 GW of renewable energy generation and storage systems. The Authority will continue to evaluate, conduct due diligence, and identify co-development opportunities with the private market to maximize its renewable energy portfolio buildout.

Other State Legislation

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

The New York State Governor approved the "Renewable Action through Project Interconnection and Deployment ("RAPID") Act" on April 20, 2024, as part of the 2024-2025 Enacted State Budget. The purpose of the RAPID Act is to upgrade the State's bulk and local transmission systems to deliver renewable energy to consumers and achieve the renewable energy goals of the CLCPA. The RAPID

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Act consolidates the environmental review, permitting and siting of both major renewable energy facilities and major electric transmission facilities under the purview of the Office of Renewable Energy Siting within the Department of Public Service. The RAPID Act will affect the process that the Authority and other developers must follow to apply for permits to site major renewable energy facilities and major electric transmission facilities but is not expected to have a material impact on the Authority's operations.

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

Other items of appropriation regarding NYPA and Canals are detailed in the section below on the New York State Budget/Other Matters.

New York State Budget /Other Matters

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

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

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

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

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

Chapter 56 of the Laws of 2024, part of the 2024-2025 Enacted State Budget, provides that notwithstanding any provision of law to the contrary, as deemed feasible and advisable by the Authority's Trustees, the Authority is authorized and directed to transfer to the State Treasury to the credit of the general fund up to \$20 million for the State fiscal year commencing April 1, 2024, to support energy related State activities.

Chapter 56 of the Laws of 2024, part of the 2024-2025 Enacted State Budget, also provides that notwithstanding any provision of law to the contrary, as deemed feasible and advisable by the Authority's Trustees, the Authority is authorized and directed to transfer to the State Treasury to the credit of the general fund up to \$25 million for the State fiscal year commencing April 1, 2024. These amounts will be utilized to support programs established or implemented by or within the New York State Department of Labor, including but not limited to the Office of Just Energy Transition and programs for workforce training and retraining to prepare workers for employment for work in the renewable energy field. In 2024, the Authority's Trustees authorized the total expenditure of \$21 million for such programs.

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

The 2025-26 proposed State Budget introduced by Governor Hochul states that the Authority, as deemed feasible and advisable by its Trustees, is authorized to transfer to the State Treasury to the credit of the General Fund up to \$25 million or as described in the MOU between the Authority and the Department of Labor, for the state fiscal year commencing April 1, 2025, the proceeds of which will be utilized to support programs established or implemented by or within the department of labor, including but not limited to the Office of Just Energy Transition and programs for workforce training and retraining, to prepare workers for employment for work in the renewable energy field. This proposed transfer to the State Treasury is not enacted into state law and would not become effective until it is passed by the Legislature and approved by the Governor.

The 2025-26 proposed State Budget introduced by Governor Hochul would state that the Authority, as deemed feasible and advisable by its Trustees, is authorized and directed to transfer to the State Treasury to the credit of the General Fund up to \$10 million for the state fiscal year commencing April 1, 2025, the proceeds of which will be utilized to support energy-related state activities. This proposed

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transfer to the State Treasury is not enacted into state law and would not become effective until it is passed by the Legislature and approved by the Governor.

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

The 2024-2025 Enacted State Budget (Chapter 54 - Capital Projects Budget) appropriated \$50 million to the Authority for services, expenses, and indirect costs related to maintenance, repair, construction, reconstruction, development and preservation of the Canal System. The Authority received \$10 million of that appropriation. In her 2025-2026 proposed State Budget, Governor Hochul proposed to re-appropriate this \$50 million appropriation. It is important to note that the Governor's proposed State Budget has not been enacted yet and is subject to change.

The 2025-26 proposed State Budget introduced by Governor Hochul includes a separate appropriation that would provide \$50 million to the Authority for services, expenses, and indirect costs related to maintenance, repair, construction, reconstruction and development and preservation of the New York State canal system. This proposed appropriation to the Authority is not enacted into state law and would not become effective until it is passed by the Legislature and approved by the Governor.

Memorandum Of Understanding (“MOU”) With U.S. Army

The Authority recently announced a first-of-its-kind agreement with the United States Army. The signed MOU allows the Authority and the United States Army to collaborate on new opportunities that advance the United States Army's decarbonization initiatives at military facilities in New York State. Under the MOU, the Authority is authorized to provide low-cost energy, energy efficiency and conservation services and facilities that could assist the United States Army in future decarbonization and resiliency initiatives. These efforts could lead to the development of on-site clean energy facilities at United States Army installations statewide and help the surrounding communities reduce their carbon footprint and improve energy efficiency.

This MOU will also create opportunities for local collaborations between military and civilian entities, including veteran-owned businesses, and streamline development of an energy efficient defense corridor that could cross from Watertown to Syracuse to Rome and beyond.

Effects of Regulations on the Authority

The Authority is subject to a variety of federal and state oversight bodies and/or regulatory regimes, including the U.S. Department of Energy, the Internal Revenue Service, FERC, EPA, the U.S. Army Corps of Engineers and various other agencies as well as the North American Electric Reliability Corporation. Changes to federal regulations, including through the issuance of executive orders, are continuous and ongoing. There can be no assurance that these regulations and policies, or the laws under which such regulations are promulgated, will not be changed in a manner that materially adversely affects the Authority's current business model and objectives by restricting or requiring certain activities or delaying the receipt of federal funds, including tax incentives and credits such as the IRA, subjecting the Authority to escalating costs, causing delays, or prohibiting certain activities completely.

Compliance with environmental laws and regulations can require the Authority to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals and failure to comply with environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting the Authority's operating assets. Also, the Authority may not be able to obtain or

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maintain from time to time the required environmental regulatory approvals for their operating assets or development projects. Delays in obtaining any required environmental regulatory approvals, failure to obtain and comply with them or changes in environmental laws or regulations to more stringent compliance levels could, and are likely to, result in additional costs of operation for existing facilities or development of new facilities being prevented, delayed or subject to additional costs. The costs to comply with environmental laws and regulations or changes to environmental laws and regulations could require significant expenditures having a material effect on the operations, financial position and cash flows of the Authority. Management of the Authority cannot predict the potential impact, if any, of such changes in law or regulations on the Authority's future operations, financial position and cash flows.

Labor Contracts

NYPA reached an agreement with the International Brotherhood of Electrical Workers on a labor contract that covers over 550 represented employees at the Authority's Blenheim-Gilboa Pumped Storage Project, Frederick R. Clark Energy Center, Niagara Power Project, and St. Lawrence/FDR Power Project. This agreement, which is retroactive to April 1, 2022, runs through July 31, 2027. Also, an agreement was executed with the Utility Workers Union of America on a labor contract that covers over 20 represented employees at Zeltmann. This agreement, which is retroactive to January 1, 2023, runs through April 30, 2028.

The Canal Corporation reached an agreement with the Civil Service Employees Association Unit III on a labor contract that covers over 350 represented employees at the Canal Corporation. This agreement, which is retroactive to July 1, 2022, runs through June 30, 2027. In addition, the Canal Corporation reached an agreement with the Public Employees Federation on a labor contract that covers over 80 represented employees at the Canal Corporation. This agreement, which is retroactive to July 1, 2022, runs through June 30, 2027.

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

Commitments and Contingencies

The Authority's commitments and contingencies are more fully detailed in Note 19 "Commitments and Contingencies" of the notes to the Consolidated Financial Statements.

Canal Corporation

The Canal Corporation continues to require substantial operating and maintenance support and capital investment. The Canal Corporation's expenses are funded by transfers of funds from the Authority, any transfer of funds are subject to approval by the Authority's Trustees and compliance with the Authority's General Bond Resolution. Certain expenses eligible for reimbursement are reimbursed to the Authority by funds held in the Canal Development Fund maintained by the State Comptroller and the Commissioner of Taxation and Finance.

By resolution adopted on December 10, 2024, the Canal Corporation's Board of Directors adopted a budget for 2025-2028 that consisted of expenditures for operations and maintenance expenses and capital expenses. The Authority's budget and financial plan for 2025-2028 includes Canal-related operating expenditures averaging approximately \$104 million per year and capital expenditures of

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approximately \$79 million per year to Revitalize the Canals (with a primary focus on maintaining and improving Canal infrastructure) and \$3 million per year for Canal Development Fund expenses.

The 2024-2025 Enacted State Budget appropriated \$50 million to the Authority for services, expenses, and indirect costs related to maintenance, repair, construction, reconstruction, development and preservation of the Canal System. \$10 million, of the \$50 million appropriated, was received in 2024 and has been accounted for in accordance with GAAP guidelines.

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Contacting the Authority

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

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NEW YORK POWER AUTHORITY
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Consolidated Statement of Net Position
(In millions)

Consolidated Statement of Net Position

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents		
Unrestricted	\$ 274	\$ 310
Restricted	69	167
Capital Funds	82	3
Total Cash and cash equivalents	425	480
Investment in securities		
Unrestricted	946	969
Restricted	240	428
Capital Funds	453	136
Total Investment in securities	1,639	1,533
Receivables - customers	384	269
Materials and supplies:		
Plant and general	80	75
Fuel	51	51
Miscellaneous receivables and other	124	141
Total current assets	2,703	2,549
Noncurrent assets:		
Capital assets:		
Non-depreciable capital assets	1,362	1,028
Depreciable capital assets, net of accumulated depreciation	5,936	5,880
Total capital assets	7,298	6,908
Other long-term assets	1,099	896
Total noncurrent assets	8,397	7,804
Total assets	11,100	10,353
Deferred outflows of resources:		
Asset retirement obligation	17	19
Decrease in fair value of derivatives	20	40
Pensions	128	140
Postemployment benefits other than pensions	82	128
Total deferred outflows of resources	247	327
Total assets and deferred outflows of resources	\$ 11,347	\$ 10,680

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Net Position
(In millions)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts Payable and accrued liabilities	\$ 857	\$ 845
Short-term debt	438	227
Long-term debt due within one year	20	33
	<hr/>	<hr/>
Total current liabilities	1,315	1,105
Noncurrent liabilities:		
Long-term debt:		
General Resolution:		
Senior Revenue bonds	1,805	1,519
Subordinated Notes	-	35
Separate Revenue Bond Obligation:		
SFP Bonds 2022	617	640
SFP Bonds 2023	750	751
	<hr/>	<hr/>
Total long-term debt	3,172	2,945
Other noncurrent liabilities:		
Disposal of spent nuclear fuel	258	245
Relicensing	223	223
Other long-term liabilities	357	357
	<hr/>	<hr/>
Total other noncurrent liabilities	838	825
	<hr/>	<hr/>
Total noncurrent liabilities	4,010	3,770
	<hr/>	<hr/>
Total liabilities	5,325	4,875
Deferred inflows of resources:		
Unearned revenue	27	45
Cost of removal obligations	476	435
Accumulated increase in fair value of derivatives	-	4
Pensions	66	11
Lease revenue	43	45
Postemployment benefits other than pensions	176	190
	<hr/>	<hr/>
Total deferred inflows of resources	788	730
Net Position:		
Net investment in capital assets	3,463	3,361
Restricted	453	321
Unrestricted	1,318	1,393
	<hr/>	<hr/>
Total net position	5,234	5,075
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	\$ 11,347	\$ 10,680

See accompanying notes to the consolidated financial statements.

NEW YORK POWER AUTHORITY
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Consolidated Statement of Revenues, Expenses and Changes in Net Position
(In millions)

Consolidated Statement of Revenues, Expenses and Changes in Net Position

	Year Ended	
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Operating revenues:		
Power sales	\$ 2,060	\$ 1,773
Transmission	509	473
Transportation and delivery	810	747
Other	57	41
	<hr/>	<hr/>
Total operating revenues	3,436	3,034
	<hr/>	<hr/>
Operating expenses:		
Purchased power	678	605
Fuel oil and gas	214	176
Transportation and delivery	1,174	1,107
Operations and maintenance	771	723
Depreciation and amortization	353	307
	<hr/>	<hr/>
Total operating expenses	3,190	2,918
	<hr/>	<hr/>
Operating income	246	116
	<hr/>	<hr/>
Nonoperating revenues, gains (losses) and (expenses):		
Investment income	72	84
Interest on long-term debt	(135)	(111)
Interest - other	(33)	(28)
Interest capitalized	52	58
Amortization of debt premium	5	1
Other	(48)	10
	<hr/>	<hr/>
Total nonoperating expenses	(87)	14
	<hr/>	<hr/>
Net income and change in net position	159	130
	<hr/>	<hr/>
Net position, January 1	5,075	4,945
	<hr/>	<hr/>
Net position, December 31	\$ 5,234	\$ 5,075
	<hr/>	<hr/>

See accompanying notes to the consolidated financial statements.

NEW YORK POWER AUTHORITY
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Consolidated Statement of Cash Flows
(In millions)

Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2024	December 31, 2023
Cash flows from operating activities:		
Customer sales	\$ 3,227	\$ 3,045
Disbursements for:		
Purchased power	(685)	(601)
Fuel oil and gas	(200)	(192)
Transportation and delivery	(1,167)	(1,089)
Operations and maintenance	(763)	(742)
Net cash provided by operating activities	412	421
Cash flows from capital and related financing activities:		
Gross additions to capital assets	(676)	(699)
Proceeds from issuance of Green Bonds	513	751
Issuance costs paid on debt	(5)	(10)
Repayment/defeasance of bonds	(275)	(108)
Repayment of notes/bonds	(32)	(2)
Interest paid, net	(119)	(95)
Net cash used in capital and related financing activities	(594)	(163)
Cash flows from noncapital-related financing activities:		
Energy conservation program payments received from participants	255	334
Energy conservation program costs	(264)	(269)
Proceeds from issuance of commercial paper	273	138
Repayment of commercial paper	(62)	(91)
Interest paid on commercial paper	(13)	(6)
Margin Deposits with Brokers	16	37
Other	10	-
Net cash provided by noncapital-related financing activities	215	143
Cash flows from investing activities:		
Earnings received on investments	99	53
Purchase of investment securities	(2,435)	(4,550)
Maturities/sale of investment securities	2,248	4,223
Net cash used in investing activities	(88)	(274)
Net (decrease) increase in cash	(55)	127
Cash and cash equivalents, January 1	480	353
Cash and cash equivalents, December 31	425	480
Reconciliation to net cash provided by operating activities:		
Operating income	246	116
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets, deferred outflows, liabilities, and deferred inflows:		
Provision for depreciation and amortization	353	307
Net (increase) in miscellaneous prepayments and other	(52)	(49)
Net (increase) decrease in receivables and materials and supplies	(115)	109
Net (decrease) in accounts payable/accrued liabilities and other	(20)	(62)
Net cash provided by operating activities	\$ 412	\$ 421

See accompanying notes to the consolidated financial statements.

NEW YORK POWER AUTHORITY
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Statement of Fiduciary Net Position (OPEB)
(In millions)

Statement of Fiduciary Net Position (OPEB)

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Assets:		
Cash and cash equivalents	\$ 75	\$ 56
Receivables:		
Due from broker for investments sold	34	17
Investment income	1	1
Total receivables	<u>35</u>	<u>18</u>
Investments at fair value:		
Domestic equity	220	171
International equity	94	89
Global Index Fund	170	190
International contrarian value fund	60	42
Real Estate (REIT)	42	39
Fixed Income	157	152
Total investments at fair value	<u>743</u>	<u>683</u>
Total assets	<u>853</u>	<u>757</u>
Liabilities:		
Payables:		
Accrued liability	17	10
Due to broker for investments purchased	6	-
Total liabilities	<u>23</u>	<u>10</u>
Net position available for postemployment benefits other than pensions	<u>\$ 830</u>	<u>\$ 747</u>

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

NEW YORK POWER AUTHORITY
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Statement of Changes in Fiduciary Net Position (OPEB)
(In millions)

Statement of Changes in Fiduciary Net Position (OPEB)

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Additions, gains and (losses):		
Employer contributions	\$ 30	\$ 30
Investment income:		
Net increase / (decrease) in fair value of investments	74	62
Interest and dividend income	13	12
Less: investment and administrative expenses	(4)	(10)
Net investment (loss)	<u>83</u>	<u>64</u>
Total additions, gains and (losses)	113	94
Deductions:		
Benefits payments	<u>30</u>	<u>30</u>
Total deductions	<u>30</u>	<u>30</u>
Changes in net position	<u>83</u>	<u>64</u>
Net position available for postemployment benefits other than pensions - beginning of year July of preceeding year	<u>747</u>	<u>683</u>
Net position available for postemployment benefits other than pensions - end of year June of reporting year	<u>\$ 830</u>	<u>\$ 747</u>

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Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

Notes to the Consolidated Financial Statements

(1) General

The Power Authority of the State of New York ("NYPA") is a corporate municipal instrumentality and political subdivision of the State of New York (the "State") created in 1931 by Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the "Power Authority Act" or the "Act"), and has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. NYPA has three subsidiaries: the New York State Canal Corporation ("Canal Corporation"), NYPA Captive Insurance Company ("Captive") and New York Renewable Energy Development Holdings Corporation ("NYREDHC"). NYPA, the Canal Corporation, Captive and NYREDHC are collectively referred to as the "Authority". Except as otherwise noted, references to NYPA's financial information reflect both NYPA and the Canal Corporation's financial information. The financial information for the Captive and NYREDHC is stated separately.

The mission of NYPA 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.

NYPA has aligned its mission with the clean energy goals of New York State set forth in the New York State Climate Leadership and Community Protection Act ("CLCPA") enacted in 2019 and the Accelerated Renewable Energy Growth and Community Benefit Act enacted in 2020 (the "Renewable Energy Act").

NYPA generates, transmits, purchases, and sells electric power and energy as authorized by law. NYPA owns and operates five major generating facilities, seven small natural gas power plants ("SNGPPs"), including four dual units, and four small hydroelectric facilities with a total installed capacity of approximately 6,000 MW, and approximately 1,550 circuit miles of transmission lines, including major 765 kV and 345 kV transmission facilities. NYPA also owns and operates one utility-scale 20 MW battery energy storage system. NYPA's five major generating facilities consist of two large hydroelectric facilities (Niagara and St. Lawrence-FDR), a large pumped-storage hydroelectric facility (Blenheim-Gilboa), the Eugene W. Zeltmann (Zeltmann or 500-MW Plant) combined cycle electric generating plant located in Queens, New York and the Richard M. Flynn combined cycle plant located in Holtsville, in Long Island, New York. NYPA's customers include municipal and rural electric cooperatives located throughout the State, local governments, investor-owned utilities ("IOUs"), high load factor industrial customers, commercial/industrial and not-for-profit businesses, various public corporations located within the metropolitan area of The City of New York (the "City"), including the City, and entities in certain neighboring states. NYPA is a transmission-owning member of the New York Independent System Operator, Inc. ("NYISO") which is a not-for-profit corporation that operates the State's bulk electricity grid, administers the State's wholesale electricity markets and provides comprehensive reliability planning for the State's bulk electricity system. In addition, NYPA sells and purchases capacity, energy, and ancillary services in the NYISO wholesale energy markets.

Legislation enacted on April 4, 2016 (the "Canal Transfer Legislation") provided for (1) the transfer, effective January 1, 2017, of the Canal Corporation from the Thruway Authority to NYPA, and (2) as of January 1, 2017, NYPA's assumption from the Thruway Authority of powers and duties relating to a 524-mile canal system consisting of the Erie, Champlain, Oswego, and Cayuga-Seneca canals (the "Canal System") and jurisdiction over the Canal System and related assets, equipment and property

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in connection with the planning, development, construction, reconstruction, maintenance, and operation of the Canal System, which NYPA is authorized to exercise through the Canal Corporation. The Canal Corporation is responsible for the Canal System.

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

The 2023-2024 Enacted State Budget amended the Act to, among other things, expand NYPA's authority to plan, design, develop, finance, construct, own, operate, maintain, and improve renewable energy generation projects. NYPA was authorized to exercise and perform its Expanded Authority through one or more wholly owned subsidiaries. On November 21, 2024, NYPA incorporated NYREDHC under the State Business Corporation Law as a wholly owned subsidiary. On December 31, 2024, NYPA transferred \$100 million to NYREDHC to undertake the purposes of its Expanded Authority.

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(2) NYPA (includes Canals), SFP, Captive and NYREDHC Financial Information

A. Statement of Net Position (In millions)

	NYPA		SFP		Captive		NYREDHC		Total	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
Current assets	\$ 2,307	\$ 1,959	\$ 174	\$ 480	\$ 122	\$ 110	\$ 100	\$ -	\$ 2,703	\$ 2,549
Capital assets	5,787	5,721	1,511	1,187	-	-	-	-	7,298	6,908
Other noncurrent assets	1,064	879	35	17	-	-	-	-	1,099	896
Total assets	9,158	8,559	1,720	1,684	122	110	100	-	11,100	10,353
Deferred outflows of resources	247	327	-	-	-	-	-	-	247	327
Total assets and deferred outflows of resources	\$ 9,405	\$ 8,886	\$ 1,720	\$ 1,684	\$ 122	\$ 110	\$ 100	\$ -	\$ 11,347	\$ 10,680
Current liabilities	\$ 1,279	\$ 1,023	\$ 31	\$ 78	\$ 5	\$ 4	\$ -	\$ -	1,315	1,105
Noncurrent liabilities	2,643	2,379	1,367	1,391	-	-	-	-	4,010	3,770
Total liabilities	3,922	3,402	1,398	1,469	5	4	-	-	5,325	4,875
Deferred inflows of resources	788	730	-	-	-	-	-	-	788	730
Net position	4,695	4,754	322	215	117	106	100	-	5,234	5,075
Total liabilities, deferred inflows of resources and net position	\$ 9,405	\$ 8,886	\$ 1,720	\$ 1,684	\$ 122	\$ 110	\$ 100	\$ -	\$ 11,347	\$ 10,680

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

	NYPA		SFP		Captive		NYREDHC		Total	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
Operating revenues	\$ 3,237	\$ 2,935	\$ 192	\$ 97	\$ 7	\$ 2	\$ -	\$ -	\$ 3,436	\$ 3,034
Operating expenses:										
Purchased power	678	605	-	-	-	-	-	-	678	605
Fuel oil and gas	214	176	-	-	-	-	-	-	214	176
Transportation and delivery	1,174	1,107	-	-	-	-	-	-	1,174	1,107
Operations and maintenance	744	707	27	16	-	-	-	-	771	723
Depreciation and amortization	339	299	14	8	-	-	-	-	353	307
Total operating expenses	3,149	2,894	41	24	-	-	-	-	3,190	2,918
Operating income	88	41	151	73	7	2	-	-	246	116
Nonoperating revenues gains	64	81	17	9	4	4	-	-	85	94
Nonoperating expenses	111	51	61	29	-	-	-	-	172	80
Net income	\$ 41	\$ 71	\$ 107	\$ 53	\$ 11	\$ 6	\$ -	\$ -	\$ 159	\$ 130

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C. Statement of Cash Flow (In millions)

	NYPA		SFP		Captive		NYREDHC		Total	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
Net cash provided by operating activities	\$ 279	\$ 339	\$ 122	\$ 81	\$ 11	\$ 1	\$ -	\$ -	\$ 412	\$ 421
Net cash provided by/(used in) capital and related financing activities	(149)	(525)	(449)	262	-	100	4	-	(594)	(163)
Net cash provided by non-capital related activities	215	143	-	-	-	-	-	-	215	143
Net cash provided by/(used in) investing activities	(300)	44	244	(248)	(32)	(70)	-	-	(88)	(274)
Net increase/(decrease) in cash	45	1	(83)	95	(21)	31	4	-	(55)	127
Cash and cash equivalents, January 1	315	314	134	39	31	-	-	-	480	353
Cash and cash equivalents, December 31	\$ 360	\$ 315	\$ 51	\$ 134	\$ 10	\$ 31	\$ 4	\$ -	\$ 425	\$ 480

(3) Separately Financed Projects (“SFP”)

Overview

NYPA’s General Resolution Authorizing Revenue Obligations, dated February 28, 1998, as amended and supplemented, (the “General Bond Resolution”) provides for authorization to the Authority to issue separately financed project bonds through a separate bond resolution.

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

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

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

The 2023A Bonds are supported by the 2023A Debt Service Reserve Fund which, at the time of issuance of the 2023A Bonds, was funded with a Municipal Bond Debt Service Reserve Insurance Policy issued by Assured Guaranty Municipal Corporation (“AGM”) in the amount of \$46 million, which is equal to the 2023A Debt Service Reserve Requirement.

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

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

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

1. Operating Fund to cover SFP Transmission Operating Expenses expected to be payable in the succeeding calendar month less amounts held in the Operating Fund.
2. Debt Service Fund, in the amount payable in the succeeding calendar month, represents Debt Service on SFP Transmission Obligations. As of December 31, 2024, there is a balance of \$18 million in the Debt Service Fund with \$13 million representing Capitalized Interest from the proceeds of the Series 2023A Bonds.
3. Operating Reserve represents accounts that fund any shortfalls in the Operating Reserve Account. The reserve should be in the amount of 50% of the succeeding calendar year's operation and maintenance budget. The balance as of December 31, 2024, was \$22 million.
4. Debt Service Reserve Fund represents amount that funds any shortfall in accordance with the Debt Service Reserve Fund Requirement. For the 2022A and 2023A Bonds, this account was funded by depositing AGM insurance policies and is not funded by any SFP Transmission Revenues. For the 2022A and 2023A bonds, the AGM issued a policy in the amount of \$35 million and \$46 million, respectively, which is 125% of the average annual debt service.
5. Payment of any subordinated indebtedness, which currently there is none.
6. Capital fund for any expected capital improvements.

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Any remaining values after each fund is adequately funded, per the Transmission Bond Resolution, are eligible for distribution to the General Bond Resolution pending an annual Debt Service Coverage ratio test and other required certifications. The SFP Transmission Project fees, rates, rents, charges, and surcharges must at least equal 120% of Debt Service payable in the most recently completed fiscal year and in the most recently completed 12 calendar months period ending on the last day of the ninth month of such fiscal year, net of all O&M and required payments. If such a test is not met, the cash is unavailable to the General Bond Resolution bondholders. NYPA was in compliance of all necessary criteria for distribution in 2024, and on December 20, 2024, a \$23 million distribution was made from SFP to the Authority. For 2024, \$30 million in capitalized interest was funded with the proceeds from Series 2023A Bonds. This amount has been subtracted from the total debt service in the calculation of the Transmission Bond Resolution debt service coverage ratio, resulting in a ratio of 3.54 for the bond year ending November 15, 2024.

For the issuance of any additional Transmission Resolution Revenue Bonds, NYPA will be required to satisfy additional bond test.

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

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

As of December 31, 2024, NYPA has capital spend of \$746 million (excluding capitalized interest) for the Smart Path Connect project and completed 38 miles of transmission line upgrades and energized breakers at the Ryan and Patnode substations.

(4) Summary of Significant Accounting Policies

(a) Basis of Reporting

The operations of NYPA and its subsidiaries, the Canal Corporation the Captive, and NYREDHC, all blended component units, are presented as an enterprise fund following the accrual basis of accounting to recognize the flow of economic resources. Accordingly, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred. The accounts and transactions of the Canal Corporation, the Captive and NYREDHC are included in the consolidated financial statements and notes to the Consolidated Financial Statements. All significant transactions between NYPA, the Canal Corporation, the Captive and NYREDHC have been eliminated.

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

(b) Regulatory Accounting

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

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

(c) **Estimates**

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

(d) **Capital Assets**

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

The related depreciation provisions at December 31, 2024 and 2023 expressed as a percentage of average depreciable capital assets on an annual basis are:

	<u>Average depreciation rate</u>	
	<u>2024</u>	<u>2023</u>
Type of plant:		
Production		
Hydro	2.3 %	2.3 %
Gas turbine/combined cycle	2.2	2.3
Transmission	2.3	2.0
General	5.5	4.8
Energy Storage	10.0	10.0
Canal system	3.9	3.9

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(e) Asset Retirement and Cost of Removal Obligations

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

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

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

ARO amounts included in deferred outflows and cost of removal obligation amounts included in deferred inflows are as follows:

	<u>ARO Amounts</u> <u>(deferred</u> <u>outflow)</u>	<u>Cost of removal</u> <u>obligation</u> <u>(deferred inflow)</u>
	(in millions)	
Balance - December 31, 2023	\$ 19	\$ 435
Other Expense	(2)	41
Balance - December 31, 2024	<u>\$ 17</u>	<u>\$ 476</u>

(f) Long-Lived Assets

The Authority applies GASB Statement No. 42 (“GASB No. 42”), *Accounting and Financial Reporting for Impairment of Capital Assets*, and for Insurance Recoveries, which states that asset impairments are generally recognized only when the service utility of an asset is reduced or physically impaired. There were no material impairments during 2024 and 2023.

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

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(g) Leases

The Authority applies GASB Statement No. 87 (“GASB No. 87”), *Leases*, which establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Refer to Note 19(e) on Leases.

(h) Subscription-based information Technology Arrangements (“SBITA”)

During 2023, the Authority adopted GASB Statement No. 96 (“GASB No. 96”), *Subscription-Based Information Technology Arrangements (“SBITA”)*. GASB No. 96 requires recognition of certain subscription assets and liabilities for SBITA which were previously either capitalized or expensed. It establishes that an SBITA results in a right-to-use subscription asset and a corresponding subscription liability. Refer to Note 19(f) on SBITA.

(i) Cash, Cash Equivalents, and Investments

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

(j) Derivative Instruments

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

(k) Accounts Receivable

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

(l) Materials and Supply Inventory

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

(m) Debt Refinancing Charges

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

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(n) Other Long-Term Assets

Other long-term assets, as of December 31, 2024 and 2023, consist of the following:

	December 31,	
	<u>2024</u>	<u>2023</u>
	(in millions)	
Other long-term assets:		
Regulatory assets (a):		
Allowance for funds used during construction (b)	\$193	\$145
Other regulatory assets	43	44
Total regulatory assets	<u>236</u>	<u>189</u>
Energy efficiency program costs (c)	284	229
Other long-term receivables	111	116
Transmission line interconnection costs	149	167
Other postemployment employee benefits	213	112
Lease receivable	50	51
Other	<u>56</u>	<u>32</u>
Total other long-term assets	<u>\$1,099</u>	<u>\$896</u>

- (a) Regulatory assets reflect previously incurred costs that are expected to be recovered from customers through the ratemaking process.
- (b) This amount includes interest capitalized net of depreciation. For 2024, \$52 million of interest was capitalized, and for 2023, \$58 million of interest was capitalized.
- (c) The Authority offers energy efficiency services to New York State public and other statutorily eligible entities to reduce energy consumption and cut energy costs. Energy efficiency program costs will be recovered from certain customers through the terms of contracts. As of December 31, 2024, the outstanding balance for energy efficiency and clean energy technologies projects in the Authority's balance sheet was a total of \$580 million, with \$161 million of the loan balance (includes \$50 million of short-term receivable and \$111 million of other long-term assets), \$135 million of customer receivables, and \$284 million of energy efficiency program cost that will be billed to the customers (reflected in the Other Long-term assets). As of December 31, 2023, the outstanding balance for energy efficiency and clean energy technologies projects in the Authority's balance sheet was a total of \$476 million, with \$145 million of the loan balance (includes \$29 million of short-term receivable and \$116 million of other long-term assets), \$102 million of customer receivables, and \$229 million of energy efficiency program cost that had to be billed to the customers (reflected in the Other Long-term assets).

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(o) **Other Long-Term Liabilities**

On December 31, 2024, the Authority has other long-term liabilities of \$357 million which include pension liability of \$120 million, compensated absences accrual of \$81 million, Asset Retirement Obligations of \$46 million, and others of \$110 million.

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

(p) **Net Position**

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

- a. Net investment in capital assets – This consists of capital assets (including right of use lease assets and right to use subscription assets), net of depreciation reduced by related outstanding debt and accounts. This indicates that these assets are not accessible for other purposes.
- b. Restricted – This represents restricted assets reduced by related liabilities and deferred inflows of resources that are not accessible for general use because their use is subject to restrictions enforceable by third parties.
- c. Unrestricted – This represents the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the components noted above and that are available for general use.

(q) **Investment and Net Position classification**

Investments

Investments as of December 31, 2024, and for the preceding two years, 2023 and 2022, of \$1,639 million, \$1,533 million and \$1,190 million, respectively, were in various securities considered as current assets.

Net position

Net Position as of December 31, 2024, and for the preceding two years, 2023 and 2022, were \$5,234 million, \$5,075 million, and \$4,945 million, respectively. These amounts included Net Investments in capital assets of \$3,463 million for 2024, \$3,361 million for 2023, and \$3,486 million for 2022. Unrestricted assets were \$1,318 million for 2024, \$1,393 million for 2023, and \$87 million for 2022. Restricted assets amounted to \$453 million for 2024, \$321 million for 2023, and \$1,372 million for 2022, as the SFP and Captive net position is considered restricted on a consolidated basis.

(r) **Operating Revenues**

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

The principal operating revenues are generated from the sale, transmission, transportation and delivery of power. Revenues are recorded when power is delivered, or service is provided. Customers' meters are read, and bills are rendered monthly. Transportation and delivery of power charges are for costs the Authority incurred for the transmission and/or

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delivery of power and energy to customers over transmission lines owned by other utilities. No one customer represents more than 10% of revenue from own generation revenue.

In addition to contractual sales to customers, NYPA also sells power into an electricity market operated by the NYISO. These sales are affected by market prices and are not subject to rate regulation by the Authority's Trustees.

New York Independent System Operator ("NYISO")

NYPA 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 of NYPA's transmission facilities, and collects ancillary services, losses, and congestion fees from customers. In addition, NYPA schedules power from its generating facilities in conjunction with the NYISO. The NYISO coordinates the reliable dispatch of power and operates a market for the sale of electricity and ancillary services within the State.

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

(s) **Operating Expenses**

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

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

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

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

(t) **Pension Plans**

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

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

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

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

The Authority's net OPEB liability was measured as of June 30, 2024 and June 30, 2023 for the 2024 and 2023 financial statements, respectively. Actuarial valuations are performed every two years. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Trust and additions to/deductions from OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the Authority OPEB Plan as of the same measurement date. For this purpose, the Authority OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

(v) **Accounting Pronouncements**

GASB issued GASB Statement No. 87 ("GASB No. 87"), Leases, which were effective for fiscal years beginning after June 15, 2021, before issuance of GASB Statement No. 95 ("GASB No. 95"). GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority adopted GASB No. 87 on January 1, 2022. For detailed information on leases, refer to Note 19(e) of the notes to the consolidated financial statements.

GASB issued GASB Statement No. 93 ("GASB No. 93") Replacement of Interbank Offered Rates, which originally had an effective date for reporting periods beginning after June 15, 2020. This effective date was postponed to periods beginning after June 15, 2021, due to the issuance of GASB No. 95. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate

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reform, LIBOR ceased to exist effective June 30, 2023, prompting governments to amend or replace financial instruments to replace LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB No. 93's objective is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The Authority, based on its evaluation, believes GASB No. 93 has no material impact on its consolidated financial statements.

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

GASB issued GASB Statement No. 96 ("GASB No. 96"), Subscription-Based Information Technology Arrangements, which was effective for reporting periods beginning after June 15, 2022. GASB No. 96 requires recognition of certain subscription assets and liabilities for Subscription-based information Technology Arrangements ("SBITA") which were previously either capitalized or expensed. GASB No. 96 defines a subscription-based technology arrangement as a contract that conveys control of the right to use a vendor's software, alone or in combination with tangible capital assets. It establishes that an SBITA results in a right-to-use subscription asset and a corresponding subscription liability. The Authority adopted GASB No. 96 on January 1, 2023. Refer to Note 19(f) of notes to the consolidated financial statements, for the impact of SBITA on the Authority's financial statements.

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

GASB issued GASB Statement No. 100 ("GASB No. 100"), Accounting Changes and Error Corrections, which was effective for reporting periods beginning after June 15, 2023. The primary objective of this Statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Based on its evaluation, the Authority believes GASB No. 100 has no material impact on its consolidated financial statements.

GASB issued GASB Statement No. 101 ("GASB No. 101"), Compensated Absences, which was effective for reporting periods beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Authority adopted GASB No. 101 in 2024 and reflects its impact in the consolidated financial statements.

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

On February 24, 1998, NYPA adopted its "General Resolution Authorizing Revenue Obligations" (as amended and supplemented, the "General Bond Resolution"). The General 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 NYPA, 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 General Bond Resolution. NYPA has covenanted with bondholders under the General Bond Resolution that at all times NYPA shall maintain rates, fees, or charges, and any contracts entered into by NYPA for the sale, transmission, or distribution of power shall contain rates, fees or charges sufficient together with other monies available therefore (including the anticipated receipt of proceeds of sale of Obligations, as defined in the General Bond Resolution, issued under the General Bond Resolution or other bonds, notes or other obligations or evidences of indebtedness of NYPA that will be used to pay the principal of Obligations issued under the General Bond Resolution in anticipation of such receipt, but not including any anticipated or actual proceeds from the sale of any Project), to meet the financial requirements of the General Bond Resolution. Revenues of NYPA (after deductions for operating expenses and reserves, including reserves for working capital, operating expenses, or compliance purposes) are applied first to the payment of, or accumulation as a reserve for payment of, interest on and the principal or redemption price of Obligations issued under the General Bond Resolution and the payment of Parity Debt issued under the General Bond Resolution.

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

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

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

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

Under the 2020 Revolving Credit Agreement and 2020 Note Purchase Agreement (together, the “2020 Hybrid Credit Agreement”) supporting NYPA’s Commercial Paper Notes Series 3B and 4 and/or Direct Purchase Note(s), in the case of an Event of Default (as defined in the 2020 Hybrid Credit Agreement), the sole lender under the 2020 Hybrid Credit Agreement holding 100% of the commitment thereunder will be able to: terminate its commitment; direct NYPA to cease issuing Commercial Paper Notes; and declare the principal and accrued interest on obligations under the 2020 Hybrid Credit Agreement due and immediately payable. There were no events of default during 2024 and 2023.

Transmission Bond Resolution Related Matters (SFP)

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

(6) Cash and Investments

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

Investment of the Authority’s Separately Financed Project (“SFP”) and Captive funds is administered in accordance with the applicable provisions of the Transmission Bond Resolution and the Captive Insurance Investment Policy Statement, respectively.

Investment of NYREDHC is administered in accordance with the applicable provisions of the Authority’s Guidelines for the Investment of Funds.

(a) Investment Credit Risk

The Authority’s investments under the General Bond Resolution and Guidelines for the Investment of Funds are restricted to (a) authorized collateralized certificates of deposit, Certificate of Deposit Account Registry Service (“CDARS”) program or similar FDIC-insured, reciprocal products, time deposits and money market funds (money market funds shall not exceed 40% of the Authority’s invested funds and no more than \$50 million

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invested in any one fund), (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies, (e) Repurchase and reverse repurchase agreements (“Repurchase Agreements”), including “gestation” repurchase agreements of treasury or agency-backed collateral with a physical trust certificate from a FINRA-licensed broker dealer, and (f) Guaranteed Investment Contracts or GIC Funds issued by creditworthy insurance companies and collateralized by issuer’s general or separate account assets, with no more than \$50 million invested in any one contract or fund. The Authority’s investments in senior debt securities of the Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) Federal Agricultural Mortgage Corporation (FAMC) and Federal Home Loan Mortgage Corporation (FHLMC) were rated Aa1 by Moody’s Investors Services (Moody’s), AA+ by Fitch Ratings (Fitch) and AA+ by Standard & Poor’s (S&P).

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

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

Permitted investments for the NYREDHC are identical to those investment types stated for the Authority.

Investments are reported in the consolidated statements of net position at fair value, using quoted market prices. Realized and unrealized gains and losses on investments are recorded as investment income in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

(b) Interest Rate Risk

Securities involved in repurchase or reverse repurchase agreements must maintain a market value at or above the investment cost. These agreements are restricted to a maximum fixed term of 30 days and are capped at \$250 million overall, with a limit of \$50 million per individual dealer or bank. Funds will not be invested for durations exceeding the anticipated need for those funds. As of December 31, 2024, the Authority has \$60 million invested in repurchase agreements. As of December 31, 2023, the Authority had \$45 million invested in the repurchase agreements.

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

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(c) **Concentration of Investment Credit Risk**

On December 31, 2024, there is no limit on the amount that the Authority may invest in any one issuer; however, investments in authorized certificates of deposit shall not exceed 40% of the Authority's invested funds and shall not exceed \$50 million from any one bank. On December 31, 2024, the Authority's (excluding SFP, Captive and NYREDHC) total investment portfolio of \$1,318 million, excluding cash and cash equivalents, includes investments of \$474 million (36%), \$559 million (43%), \$159 million (12%), \$68 million (5%), and \$58 million (4%) in government Agency securities; U.S. Treasuries; Guaranteed Investment Contracts, Reverse Repurchase Agreements and other various deposits; and Municipal securities, respectively. 79% of the total investments are in securities guaranteed by the U.S. Government.

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

On December 31, 2024, SFP's total investment portfolio of \$117 million, excluding cash and cash equivalents, includes investments of \$98 million (84%) and \$19 million (16%) in government Agency securities and Treasuries, respectively. 100% of the total investments are in securities guaranteed by the U.S. Government. At December 31, 2023, SFP's total investment portfolio of \$341 million, excluding cash and cash equivalents, included investments of \$285 million (84%) and \$56 million (16%) in securities of FHLB and U.S. Treasuries, respectively.

On December 31, 2024, the Captive's total investment portfolio of \$110 million, excluding cash and cash equivalents, includes investments of \$51 million (46%), \$43 million (40%), and \$16 million (14%) in government Agency securities, taxable Municipal bonds and other securities, respectively. 46% of the total investments are in securities guaranteed by the U.S. Government. At December 31, 2023, the Captive's total investment portfolio of \$74 million, excluding cash and cash equivalents, included investments of \$13 million (18%), \$10 million (14%), \$8 million (11%), and \$43 million (57%) in securities of FHLMC, FHLB, GNMA, and taxable Municipal bonds and other securities, respectively.

On December 31, 2024, NYREDHC's total investment portfolio of \$94 million, excluding cash and cash equivalents, includes investments of \$89 million (94%) and \$5 million (6%) in government Agency securities and taxable Municipal bonds, respectively. 94% of the total investments are in securities guaranteed by the U.S. Government.

(d) **Cash and Cash Equivalents**

All investments are held by designated custodians in the name of the Authority (which includes NYPA, Canal Corporation, SFP, Captive and NYREDHC, as applicable). On December 31, 2024, the Authority (excluding SFP, Captive and NYREDHC) had \$315 million invested in money market funds and \$15 million invested in CDAR. On December

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31, 2023, the Authority had \$45 million invested in a Repurchase Agreement and \$315 million invested in money market funds.

On December 31, 2024 and 2023, the SFP had \$42 million and \$134 million invested in money market funds, respectively

On December 31, 2024 and 2023, the Captive had \$10 million and \$31 million invested in money market funds, respectively.

On December 31, 2024, the NYREDHC had \$4 million invested in money market funds.

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Total Cash and Investments of the Authority on a consolidated basis are \$2.1 billion and \$2 billion at December 31, 2024 and December 31, 2023, respectively.

Investments (NYPA and Canals)

	Total		Restricted		Capital funds*		Unrestricted	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
	(in millions)							
Cash and investments:								
Cash and cash equivalents	\$ 360	\$ 315	\$ 8	\$ 1	\$ 82	\$ 3	\$ 270	\$ 311
U.S. government:								
U.S. Treasury bills	203	221	13	13	33	-	157	208
U.S. Treasury notes	356	132	-	-	341	-	15	132
	<u>559</u>	<u>353</u>	<u>13</u>	<u>13</u>	<u>374</u>	<u>-</u>	<u>172</u>	<u>340</u>
Other debt securities:								
FNMA	116	111	-	-	8	23	108	88
FHLMC	94	119	-	-	5	-	89	119
FHLB	79	140	-	-	-	31	79	109
GNMA	113	161	-	-	-	19	113	142
All other	357	234	-	-	66	10	291	224
	<u>759</u>	<u>765</u>	<u>-</u>	<u>-</u>	<u>79</u>	<u>83</u>	<u>680</u>	<u>682</u>
Total investments	1,318	1,118	13	13	453	83	852	1,022
Total cash and investments	<u>\$ 1,678</u>	<u>\$ 1,433</u>	<u>\$ 21</u>	<u>\$ 14</u>	<u>\$ 535</u>	<u>\$ 86</u>	<u>\$ 1,122</u>	<u>\$ 1,333</u>
Summary of maturities (years):								
0 - 1	446	445	13	13	226	7	207	425
1 - 5	564	281	-	-	227	34	337	247
5 - 10	154	144	-	-	-	-	154	144
10+	154	248	-	-	-	42	154	206
	<u>\$ 1,318</u>	<u>\$ 1,118</u>	<u>\$ 13</u>	<u>\$ 13</u>	<u>\$ 453</u>	<u>\$ 83</u>	<u>\$ 852</u>	<u>\$ 1,022</u>

*All committed

- I. The Authority's General Bond Resolution authorized the establishment of an Operating Reserve in an amount necessary to support the Authority's operations. The Trustees established the Operating Reserve level and Debt Service Reserve by resolution. As of December 31, 2024, NYPA's total cash and investments of \$1.7 billion and as of December 31, 2023, NYPA's total cash and investments of \$1.4 billion included Operating Reserve for working capital and emergency repairs, Debt Service Reserve to pay debt service on General Bond Resolution obligations and various other reserves. See the section "Authority's General Resolution Fund Requirements" in MD&A for detailed note on the Authority's Fund Requirements.
- II. As of December 31, 2024, restricted funds include primarily the Petroleum Overcharge Restitution ("POCR") fund (\$7 million), and Others (\$6 million). Further, restricted Cash and cash equivalents includes the remaining balance amount of \$8 million appropriated for Canals by the 2024-2025 Capital Projects Budget of New York State. Refer Canal Corporation section in MD&A for further information. As of December 31, 2023, restricted funds included primarily the POCR fund (\$7 million), ConnectALL Fund (\$1 million), and Others (\$6 million).

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Investments (SFP)

	Total		Restricted		Capital funds*		Unrestricted	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
	(in millions)							
Cash and investments:								
Cash and cash equivalents	\$ 51	\$ 134	\$ 51	\$ -	\$ -	\$ 38	\$ -	\$ 96
U.S. government:								
U.S. Treasury bills	-	-	-	-	-	-	-	-
U.S. Treasury notes	19	56	19	-	-	56	-	-
	<u>19</u>	<u>56</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>56</u>	<u>-</u>	<u>-</u>
Other debt securities:								
FNMA	-	-	-	-	-	-	-	-
FHLMC	1	-	1	-	-	-	-	-
FHLB	90	285	90	-	-	271	-	14
GNMA	-	-	-	-	-	-	-	-
All other	7	-	7	-	-	-	-	-
	<u>98</u>	<u>285</u>	<u>98</u>	<u>-</u>	<u>-</u>	<u>271</u>	<u>-</u>	<u>14</u>
Total investments	117	341	117	-	-	327	-	14
Total cash and investments	<u>\$ 168</u>	<u>\$ 475</u>	<u>\$ 168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365</u>	<u>\$ -</u>	<u>\$ 110</u>
Summary of maturities (years):								
0 - 1	103	220	103	-	-	220	-	-
1 - 5	14	121	14	-	-	107	-	14
5 - 10	-	-	-	-	-	-	-	-
10+	-	-	-	-	-	-	-	-
	<u>\$ 117</u>	<u>\$ 341</u>	<u>\$ 117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ -</u>	<u>\$ 14</u>

*All committed

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Investments (Captive)

	Total		Restricted		Capital funds		Unrestricted	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
	(in millions)							
Cash and investments:								
Cash and cash equivalents	\$ 10	\$ 31	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 31
U.S. government:								
U.S. Treasury bills	-	-	-	-	-	-	-	-
U.S. Treasury notes	-	-	-	-	-	-	-	-
Other debt securities:								
FNMA	12	-	12	-	-	-	-	-
FHLMC	22	13	22	-	-	-	-	13
FHLB	10	10	10	-	-	-	-	10
GNMA	7	8	7	-	-	-	-	8
All other	59	43	59	-	-	-	-	43
Total investments	110	74	110	-	-	-	-	74
Total cash and investments	\$ 120	\$ 105	\$ 120	\$ -	\$ -	\$ -	\$ -	\$ 105
Summary of maturities (years):								
0 - 1	-	-	-	-	-	-	-	-
1 - 5	9	-	9	-	-	-	-	-
5 - 10	89	54	89	-	-	-	-	54
10+	12	20	12	-	-	-	-	20
	\$ 110	\$ 74	\$ 110	\$ -	\$ -	\$ -	\$ -	\$ 74

Investments (NYREDHC)

	Total		Restricted		Capital funds		Unrestricted	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
	(in millions)							
Cash and investments:								
Cash and cash equivalents	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -
U.S. government:								
U.S. Treasury bills	-	-	-	-	-	-	-	-
U.S. Treasury notes	-	-	-	-	-	-	-	-
Other debt securities:								
FNMA	7	-	-	-	-	-	7	-
FHLMC	35	-	-	-	-	-	35	-
FHLB	-	-	-	-	-	-	-	-
GNMA	47	-	-	-	-	-	47	-
All other	5	-	-	-	-	-	5	-
Total investments	94	-	-	-	-	-	94	-
Total cash and investments	\$ 98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98	\$ -
Summary of maturities (years):								
0 - 1	-	-	-	-	-	-	-	-
1 - 5	10	-	-	-	-	-	10	-
5 - 10	22	-	-	-	-	-	22	-
10+	62	-	-	-	-	-	62	-
	\$ 94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94	\$ -

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(7) Capital Assets

The following schedule summarizes the capital assets activity of the Authority for the year ended December 31, 2024.

Capital Assets (NYPA and Canals)

	December 31, 2023				December 31, 2024
	Beginning balance	Additions	Retirements/Transfers		Ending balance
	(in millions)				
Non-depreciable capital assets:					
Land	\$ 193	\$ -	\$ -		\$ 193
Construction in progress	538	459	(320)		677
Total Non-depreciable capital assets	731	459	(320)		870
Depreciable capital assets:					
Production - Hydro	2,480	38	(21)		2,497
Production - Gas turbine/combined cycle	1,263	14	(1)		1,276
Transmission	2,869	119	(68)		2,920
General	1,696	125	(51)		1,770
Energy Storage	35	-	-		35
Canal System	1,004	36	(6)		1,034
Total Depreciable capital assets	9,347	332	(147)		9,532
Less accumulated depreciation for:					
Production - Hydro	1,081	52	(5)		1,128
Production - Gas turbine/combined cycle	926	33	-		959
Transmission	1,392	58	(1)		1,449
General	597	121	(39)		679
Energy Storage	3	4	-		7
Canal System	358	41	(6)		393
Total accumulated depreciation	4,357	309	(51)		4,615
Net value of Depreciable capital assets	4,990	23	(96)		4,917
Net value of all assets	\$ 5,721	\$ 482	\$ (416)		\$ 5,787

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Capital Assets (SFP)

	<u>December 31, 2023</u>				<u>December 31, 2024</u>
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements/Transfers</u>		<u>Ending balance</u>
	(in millions)				
CWIP:					
CEEC	\$ -	\$ 10	\$ (10)	\$	-
Smart Path	-	3	(3)	-	-
Smart Path Connect	270	311	(116)	-	465
Land:					
CEEC	27	-	-	-	27
Transmission-EPIS:					
CEEC	197	10	-	-	207
Smart Path	477	3	-	-	480
Smart Path Connect	216	116	-	-	332
Total SFP	<u>\$ 1,187</u>	<u>\$ 453</u>	<u>\$ (129)</u>	<u>\$</u>	<u>1,511</u>

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

Capital Assets (NYPA and Canals)

	December 31, 2022				December 31, 2023
	Beginning balance	Additions	Retirements/Transfers		Ending balance
	(in millions)				
Non-depreciable capital assets:					
Land	\$ 193	\$ -	\$ -		\$ 193
Construction in progress	834	670	(966)		538
Total Non-depreciable capital assets	<u>1,027</u>	<u>670</u>	<u>(966)</u>		<u>731</u>
Depreciable capital assets:					
Production - Hydro	2,449	31	-		2,480
Production - Gas turbine/combined cycle	1,251	12	-		1,263
Transmission	2,715	223	(69)		2,869
General	1,653	143	(100)		1,696
Energy Storage	-	35	-		35
Canal System	977	27	-		1,004
Total Depreciable capital assets	<u>9,045</u>	<u>471</u>	<u>(169)</u>		<u>9,347</u>
Less accumulated depreciation for:					
Production - Hydro	1,030	51	-		1,081
Production - Gas turbine/combined cycle	893	33	-		926
Transmission	1,413	48	(69)		1,392
General	609	88	(100)		597
Energy Storage	-	3	-		3
Canal System	311	47	-		358
Total accumulated depreciation	<u>4,256</u>	<u>270</u>	<u>(169)</u>		<u>4,357</u>
Net value of Depreciable capital assets	<u>4,789</u>	<u>201</u>	<u>-</u>		<u>4,990</u>
Net value of all assets	<u>\$ 5,816</u>	<u>\$ 871</u>	<u>\$ (966)</u>		<u>\$ 5,721</u>

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Capital Assets (SFP)

	<u>December 31, 2022</u>		<u>December 31, 2023</u>
	<u>Beginning balance</u>	<u>Additions</u>	<u>Ending balance</u>
		<u>Retirements/Transfers</u>	
		(in millions)	
CWIP:			
CEEC	\$ 166	\$ 31	\$ (197)
Smart Path	14	46	(60)
Smart Path Connect	-	486	(216)
			270
Land:			
CEEC	-	27	-
			27
Transmission-EPIS:			
CEEC	-	197	-
Smart Path	417	60	-
Smart Path Connect	-	216	-
			197
			477
			216
Total SFP	<u>\$ 597</u>	<u>\$ 1,063</u>	<u>\$ (473)</u>
			<u>\$ 1,187</u>

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(8) Long-Term and Short-Term Debt

General Resolution Long-Term and Short-Term Debt (NYPA and Canals)

	Amount 2024	Amount 2023	Interest Rate (a)	Maturity	Earliest redemption date prior to maturity
	(in millions)				
General Resolution Senior debt:					
Revenue Bonds (Tax-Exempt):					
Series 2020A Revenue Bonds:					
Term Bonds	\$ 1,121	\$ 1,121	3.25% to 4.00%	11/15/2045 - 2060	** 5/15/2030
Series 2024A Revenue Bonds:					
Serial Bonds	382	-	5.00%	11/15/2030 - 2044	** 11/15/2034
Term Bonds	68	-	4.00%	11/15/2049 - 2054	** 11/15/2034
Revenue Bonds (Taxable):*					
Series 2003A Revenue Bonds:					
Term Bonds	-	117	5.649% to 5.749%	11/15/2028 - 2033	** Any date
Series 2007B Revenue Bonds:					
Term Bonds	-	122	5.905%	11/15/2037	** Any date
Series 2020B Revenue Bonds:					
Term Bonds	114	114	2.818%	11/15/2039	** Any date
	<u>1,685</u>	<u>1,474</u>			
 Add: unamortized premium and discount	 120	 60			
 Long-term senior debt	 1,805	 1,534			
Less: due within one year	<u>-</u>	<u>15</u>			
 Long-term senior debt, net of due within one year	 <u>\$ 1,805</u>	 <u>\$ 1,519</u>			

(a) interest rate at issuance

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

** Bonds are subject to sinking fund provisions

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

On December 27, 2023, the Authority deposited with The Bank of New York Mellon, as Trustee for its \$88 million Series 2007B Revenue Bonds maturing November 15, 2043 (the "Defeased Bonds") issued under Authority's General Bond Resolution, \$108 million consisting of cash and non-callable direct obligations of the United States the principal of and interest on which when due, together with any portions of such money held, are sufficient to pay when due the maturing principal of and interest due on the Defeased Bonds. The securities were acquired with only existing resources and deposited in an irrevocable trust fund ("Escrow Fund") with the Trustee. The Defeased Bonds are deemed to have been paid with the establishment of the Escrow Fund and are in compliance with the other applicable provisions of the General Bond Resolution. The defeasance generated \$17 million of present value savings or 19%. In total, the Authority eliminated \$181 million of future principal and interest at a cost of \$108 million.

On May 22, 2024, the Authority deposited with The Bank of New York Mellon, as Trustee, for its outstanding \$108 million Revenue Bonds, Series 2003A, \$116 million Revenue Bonds Series 2007B, \$15 million Subordinated Notes, Series 2012, and \$20 million Subordinated Notes Series 2017 (the "Defeased Bonds and Subordinated Notes") issued under Authority's General Bond Resolution, \$275 million consisting of cash and non-callable direct obligations of the United States the principal of and interest on which when due, together with any portions of such money held, are sufficient to pay when

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due the maturing principal of and interest due on the Defeased Bonds and Subordinated Notes. The securities were acquired with only existing resources and deposited in irrevocable trust funds (“Escrow Funds”) with the Trustee. The Defeased Bonds and Subordinated Notes are deemed to have been paid with the establishment of the Escrow Funds and are in compliance with the other applicable provisions of the General Bond Resolution. The defeasance generated \$21 million of present value savings. In total, the Authority eliminated \$368 million of future scheduled principal and interest payments on the Defeased Bonds and Subordinated Notes at a cost of \$275 million.

As referred to in the “Summary of Consolidated Revenues, Expenses and Changes in Net Position” section in the MD&A, In October 2024, the Authority issued \$450 million in Revenue Bonds, Series 2024 A (Green Bonds) (“2024 A Bonds”), marking its second green bond issuance under the General Bond Resolution. The 2024 A Bonds were designated as “Green Bonds” by the Authority due to the expected environmental benefits of the projects financed with the proceeds of the 2024 A Bonds. The purpose of the “Green Bonds” designation is to inform investors that bond proceeds are intended to be used to support environmentally beneficial projects.

Sustainalytics, a leading provider of environmental, social and governance and corporate governance research and ratings to investors evaluated and verified that the projects that will be funded with the proceeds of the 2024 A Bonds are aligned with the Authority’s Green Bond Framework as the Authority anticipates the proceeds of the 2024 A Bonds will be applied exclusively for a project and activity that promote climate or other environmentally sustainable purposes in alignment with the with the four core components of the Green Bond Principles 2022, published June 2022 by the International Capital Market Association.

On issuance of the 2024 A Bonds, NYPA raised \$62 million, capitalized interest, for interest payments related to these bonds.

The General Resolution Revenue Bonds outstanding as of December 31, 2024, have an average coupon rate of 4.10% (average yield rate of 3.13%) and mature through 2060. The General Resolution Revenue Bonds outstanding as of December 31, 2023, had an average coupon rate of 4.18% (average yield rate of 3.64%) and mature through 2060.

As indicated in Note 5 “Authority’s Bond Resolutions and Related Matters” of the notes to the consolidated financial statements, NYPA has pledged future revenues to service the Obligations and Parity Debt (Revenue Bonds) issued under the General Bond Resolution. The total principal and interest remaining to be paid on the General Resolution Revenue Bonds is \$3.2 billion as of December 31, 2024. Interest expense in 2024 was \$58 million. The total principal and interest remaining to be paid on the Revenue Bonds was \$3 billion as of December 31, 2023. Interest expense in 2023 was \$66 million.

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

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Revenue bonds

Maturities and Interest Expense:

(in millions)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending December 31:			
2025	\$ -	\$ 71	\$ 71
2026	-	69	69
2027	-	69	69
2028	-	69	69
2029 - 2033	131	336	467
2034 - 2038	216	296	512
2039 - 2043	265	247	512
2044 - 2048	306	187	493
2049 - 2053	336	123	459
2054 - 2058	307	57	364
2059 - 2063	124	7	131
	<u>1,685</u>	<u>1,531</u>	<u>3,216</u>
Plus: unamortized bond premium	120	-	120
Total	<u>\$ 1,805</u>	<u>\$ 1,531</u>	<u>\$ 3,336</u>

Transmission Resolution Long-Term Debt (Separately Financed Projects)

	<u>Amount 2024</u>	<u>Amount 2023</u>	<u>Interest Rate (a)</u>	<u>Maturity</u>	<u>Earliest redemption date prior to maturity</u>
	(in millions)				
Series 2022A Transmission Revenue Bonds:					
Serial bonds	\$ 321	\$ 337	4.000% to 5.000%	11/15/2024 to 11/15/2042	11/15/2031
Term bonds	271	271	3.875% to 4.000%	11/15/2047 to 11/15/2061*	11/15/2031
Principal amount outstanding	<u>592</u>	<u>608</u>			
Series 2023A Transmission Revenue Bonds:					
Serial bonds	367	367	5.000% to 5.250%	11/15/2026 to 11/15/2043	11/15/2033
Term bonds	367	367	5.000% to 5.125%	11/15/2048 to 11/15/2063*	11/15/2033
Principal amount outstanding	<u>734</u>	<u>734</u>			
Add: unamortized premium and discount	<u>\$61</u>	<u>\$65</u>			
Long-term SFP debt	1,387	1,407			
Less: due within one year	<u>20</u>	<u>16</u>			
Long-term SFP debt, net of due within one year	<u>\$ 1,367</u>	<u>\$ 1,391</u>			

(a) interest rate at issuance

* Bonds are subject to sinking fund provisions

The Transmission Resolution Revenue Bonds outstanding as of December 31, 2024, have an average coupon rate of 4.74% (average yield rate of 3.95%) and mature through 2063. The

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Transmission Resolution Revenue Bonds outstanding as of December 31, 2023, had an average coupon rate of 4.74% (average yield rate of 3.92%) and mature through 2063. As indicated in the “Transmission Bond Resolution Related Matters” section in Note 5 of the notes to the consolidated financial statements, NYPA has pledged future revenues generated by the assets that are funded by the bond proceeds to service the Obligations issued under the Transmission Bond Resolution. The total principal and interest remaining to be paid on the Transmission Resolution Revenue Bonds is \$2.5 billion as of December 31, 2024. Interest expense in 2024 was \$64 million for the Transmission Resolution Revenue Bonds. The total principal and interest remaining to be paid on the Transmission Resolution Revenue Bonds was \$2.6 billion as of December 31, 2023. Interest expense in 2023 was \$31 million for the Transmission Resolution Revenue Bonds. On the issuance of the Series 2023A Bonds, NYPA raised \$42 million for interest expense payments related to these bonds, \$30 million of which was used for interest expense in 2024.

	<u>Transmission Resolution Revenue Bonds Long-Term</u>		
	<u>Principal</u>	<u>Debt</u> (in millions)	<u>Total</u>
Maturities and Interest Expense:			
Years ending December 31:			
2025	\$ 20	\$ 63	\$ 83
2026	34	62	96
2027	57	60	117
2028	56	57	113
2029 - 2033	184	253	437
2034 - 2038	178	209	387
2039 - 2043	175	168	343
2044 - 2048	171	128	299
2049 - 2053	165	90	255
2054 - 2058	157	53	210
2059 - 2063	129	17	146
	<u>1,326</u>	<u>1,160</u>	<u>2,486</u>
Plus: unamortized bond premium	61	-	61
Total	<u>\$ 1,387</u>	<u>\$ 1,160</u>	<u>\$ 2,547</u>

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General Resolution Subordinate Debt:

- (a) **Subordinate Notes**- In 2016, the Authority’s Trustees authorized the issuance of Subordinated Notes, Series 2017 (Subordinated Notes, Series 2017) and in 2012, the Authority’s Trustees authorized the issuance of Subordinated Notes, Series 2012 (Subordinated Notes, Series 2012), in a principal amount not to exceed \$30 million for each note for the purpose of accelerating the funding for the State Parks Greenway Fund, which was established pursuant to the Niagara Relicensing Settlement entered into by the Authority and the New York State Office of Parks, Recreation & Historic Preservation in connection with the Niagara Project’s relicensing. These Subordinated Notes, Series 2017 and Series 2012 are subordinate to the Revenue Bonds Series 2003A, the Series 2007B, and the Series 2020A and 2020B. As stated above, on May 22, 2024, the Authority defeased \$15 million Subordinated Notes, Series 2012, and \$20 million Subordinated Notes Series 2017 (the “Defeased Subordinated Notes”) issued under Authority’s General Bond Resolution.

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

(a) interest rate at issuance

* All outstanding subordinated notes are taxable

** Bonds are subject to sinking fund provisions

- (b) **Commercial Paper**– Under the Extendible Municipal Commercial Paper (“EMCP”) Note Resolution, adopted December 17, 2002, and as subsequently amended and restated, NYPA may issue a series of notes, designated EMCP Notes, Series 1, maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of \$200 million (“EMCP” Notes). There are no outstanding notes under the EMCP program as of December 31, 2024 and 2023.

Under the provisions of the Second Amended and Restated Resolution Authorizing Commercial Paper Notes, adopted by NYPA on March 30, 2021, and the Certificate of Determination dated February 21, 2024, NYPA may issue from time to time a separate series of notes (“CP Notes”) maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of \$450 million (Series 1 CP Notes), \$250 million (Series 2 CP Notes), \$250 million (Series 3B CP Notes). Series 3A and Series 4 currently have zero allocated. There were no Series 3A, Series 3B, and Series 4 CP Notes outstanding as of December 31, 2024 and 2023. NYPA intends to use the proceeds of the Series 1, certain Series 2, and Series 3A and 3B CP Notes to finance the Authority’s current and future energy efficiency programs and for other corporate purposes.

NYPA determines the rate for each rate period which is the minimum rate necessary to remarket the notes at par in the Dealer’s opinion.

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

NYPA has a line of credit under a 2019 Revolving Credit Agreement (the “2019 RCA”), with a syndicate of banks, to provide liquidity support for the Series 1, Series 2, and Series 3A CP Notes, under which NYPA may borrow up to \$700 million in aggregate principal amount outstanding at any time for certain purposes, including the repayment of the Series 1, Series 2, and Series 3A CP Notes. The 2019 RCA was extended by amendment to October 9, 2026. As of December 31, 2024 and 2023, there were no outstanding borrowings under the 2019 RCA.

NYPA has a Revolving Credit Agreement (the “2020 RCA”) and Note Purchase Agreement (the “Note Purchase Agreement”) effective April 22, 2020, each between NYPA, and a single bank as Administrative Agent and sole lender thereunder (collectively the “Hybrid Credit Agreement”). NYPA is able to borrow up to \$250 million in aggregate principal amount outstanding at any time under the Hybrid Credit Agreement. NYPA is able to borrow amounts under the 2020 RCA for the repayment of the Series 3B and Series 4 CP Notes. Under the Note Purchase Agreement, NYPA may issue Direct Purchase Notes to the lender thereunder or request the issuance of Letters of Credit, subject to a sublimit of up to \$150 million. As of December 31, 2024, NYPA had no outstanding amount under its Hybrid Credit Agreement. NYPA and JPMorgan have executed an amendment to extend the Hybrid Credit Agreements for an additional three-year period. The Revolving Credit Agreement and Note Purchase Agreement expire on April 10, 2026.

As of December 31, 2024 and 2023, NYPA had no outstanding balance on account of Direct Purchase Note under its Note Purchase Agreement connected to its Hybrid Credit Agreements.

The CP Notes, EMCP Notes, and Direct Purchase Notes are subordinate to the Revenue Bonds Series 2024 A, 2020 A, and 2020 B.

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

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

Authorized	December 31, 2024		December 31, 2023	
	Allocated	Outstanding	Allocated	Outstanding
	(in millions)		(in millions)	
CP Notes (Series 1)	\$450	\$350	\$225	\$100
CP Notes (Series 2)	250	88	275	127
CP Notes (Series 3A)	-	-	300	-
CP Notes (Series 3B)	250	-	150	-
CP Notes (Series 4)	-	-	-	-

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The changes in short-term debt are as follows:

Year:	<u>Beginning Balance-</u> <u>January</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance-</u> <u>December</u>
		(in millions)		
2023	\$ 179	\$ 139	\$ 91	\$ 227
2024	\$ 227	\$ 273	\$ 62	\$ 438

Debt Service coverage (“DSCR”)

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

For 2024, interest of \$30 million was funded with proceeds from Series 2023A Bonds which has been reduced from the total debt service in the calculation for Transmission Bond Resolution DSCR as stated below.

DSCR for NYPA’s General Bond Resolution for 2024 was 6.43x excluding Separately Financed Project (“SFP”).

For the Transmission Bond Resolution, DSCR was 3.54x for the bond year ending November 15, 2024.

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(9) Changes in Noncurrent Liabilities

Changes in the Authority's noncurrent liabilities for the year ended December 31, 2024, are comprised of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Maturities/ refundings and other</u> (in millions)	<u>Ending balance</u>	<u>Due within one year</u>
General Resolution :					
Senior debt:					
Revenue bonds	\$ 1,459	\$ 450	\$ 224	\$ 1,685	\$ -
Subtotal	<u>1,459</u>	<u>450</u>	<u>224</u>	<u>1,685</u>	<u>-</u>
Subordinate debt:					
Subordinated Notes, Series 2017	18	-	18	-	-
Subordinated Notes, Series 2012	17	-	17	-	-
Commercial paper	-	-	-	-	-
Subtotal	<u>35</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>-</u>
Net unamortized discounts/premiums and deferred losses					
	<u>60</u>	<u>64</u>	<u>4</u>	<u>120</u>	<u>-</u>
Total debt, net of unamortized discounts/premiums and deferred losses	<u>1,554</u>	<u>514</u>	<u>263</u>	<u>1,805</u>	<u>-</u>
Other noncurrent liabilities:					
Disposal of nuclear fuel	245	13	-	258	-
Relicensing	223	-	-	223	-
Other	357	70	70	357	-
Total other noncurrent liabilities	<u>825</u>	<u>83</u>	<u>70</u>	<u>838</u>	<u>-</u>
Total noncurrent liabilities (excluding SFP)	<u>2,379</u>	<u>597</u>	<u>333</u>	<u>2,643</u>	<u>-</u>
Separate Revenue Bonds (SFP)					
Series 2022A Transmission Revenue Bonds	592	-	20	572	20
Series 2023A Transmission Revenue Bonds	734	-	-	734	-
Subtotal	<u>1,326</u>	<u>-</u>	<u>20</u>	<u>1,306</u>	<u>20</u>
Net unamortized discounts/premiums and deferred losses					
	<u>65</u>	<u>-</u>	<u>4</u>	<u>61</u>	<u>-</u>
Total debt, net of unamortized discounts/premiums and deferred losses	<u>1,391</u>	<u>-</u>	<u>24</u>	<u>1,367</u>	<u>20</u>
Total noncurrent liabilities (including SFP)	<u>\$ 3,770</u>	<u>\$ 597</u>	<u>\$ 357</u>	<u>\$ 4,010</u>	<u>\$ 20</u>

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

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

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(10) Risk Management of Commodity Hedging Activities

Overview

The Authority deploys a robust risk management program spanning its enterprise and operational risk profile. To support the execution of the strategic vision, established governance processes assess exposures and call for corresponding risk informed decisions that mitigate, transfer, accept, or avoid risks.

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

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

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

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Derivative Instruments

The following table shows the fair value of outstanding financial derivative instruments as of December 31, 2023, and December 31, 2024 and changes in fair value during the year ended December 31, 2024.

Derivative instrument description	Fair value balance December 31, 2023	Net change in fair value (in millions)	Fair value balance December 31, 2024	Type of hedge or transaction	Financial statement classification for changes in fair value	Notional amount December 31, 2024	Unit of measure
Energy swaps/futures (sales) \$	(33)	\$ 15	\$ (18)	Cash flow	Deferred outflow	(4,116,830)	MWh
Energy swaps (purchases)	(2)	2	-	Cash flow	Deferred inflow	119,512	MWh
Energy capacity futures	(5)	5	-	Cash flow	Deferred outflow	0	KWm
Fuel forwards/swaps	-	-	-	Cash flow	Deferred inflow	416,640	MMBTU
Non-energy commodity swap:	4	(6)	(2)	Cash flow	Deferred outflow	(36,000)	MT
Non-energy options	6	(2)	4	Cash flow	Deferred inflow	(36,500)	MT
Totals	<u>\$ (30)</u>	<u>\$ 14</u>	<u>\$ (16)</u>				

Energy swaps and futures –The Authority transacts energy swaps and futures to manage the revenue stream from forecasted generation. Net settlement payments were \$2 million in 2024, and net settlement receipts were \$1 million in 2023.

Energy capacity futures – The Authority transacts capacity swaps and futures intended to mitigate the volatility of market prices for transactions in NYISO markets. Net settlement receipts were \$44 million in 2024, and net settlement payments were \$20 million in 2023.

Fuel futures and swaps – The Authority, at times, has outstanding natural gas forward contracts. Net settlement payments were \$0 million and \$1 million in 2024 and 2023, respectively.

Non-energy commodities swaps – The Authority transacts certain non-energy commodities swaps to mitigate the volatility of specific commodity markets affecting revenues received from certain customers' energy supply contracts. Net settlement receipts were \$5 million in both 2024 and 2023.

Non-energy commodities options – The Authority transacts certain non-energy options to mitigate the volatility of specific commodity markets affecting revenues received from certain customers' energy supply contracts. Premium payments were \$4 million and \$3 million during 2024 and 2023, respectively. Settlement receipts were \$5 million and \$15 million in 2024 and 2023, respectively.

Other – Over the lifetime of each outstanding energy derivative instrument certain derivative instruments may become ineffective due to changes in the hedged item. The change in fair market value of such derivative instruments would be recognized as other nonoperating charges or credits in the statements of revenues, expenses, and changes in net position. In 2024 and 2023, derivative instruments were determined to be effective.

Counterparty Credit Risk

The Authority imposes thresholds, based upon agency-published credit ratings and/or analysis, for unsecured credit that can be extended to counterparties in support of the Authority's commodity derivative transactions. The thresholds are established in credit support agreements with counterparties and require collateralization of mark-to-market values in excess of the thresholds.

Based upon the fair values as of December 31, 2024, and 2023, the Authority's individual or aggregate exposure to derivative instrument counterparty credit risk is not significant.

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Other Considerations

The Authority at certain times, may be exposed to any of the following risks:

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

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

(11) Fair Value Measurements

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

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

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

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

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

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

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The following tables summarize the Authority's outstanding assets and liabilities, of which there are no Level 3, within the fair value hierarchy at December 31, 2024 and December 31, 2023, respectively:

Fair Value Measurements (NYPA and Canals)

	Fair Value Measurements							
	(in millions)							
	Total		Level 1		Level 2		Level 3	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
Assets								
Cash and cash equivalents	\$ 360	\$ 315	\$ 360	\$ 315	\$ -	\$ -	\$ -	\$ -
Treasury bills	203	221	203	155	-	66	-	-
Treasury notes	356	132	338	132	18	-	-	-
Federal agency securities:								
FAMCA	10	-	-	-	10	-	-	-
FFCB	60	-	-	-	60	-	-	-
FHLB	79	140	-	15	79	125	-	-
FHLMC	94	119	-	-	94	119	-	-
FNMA	116	111	-	-	116	111	-	-
GNMA	113	161	-	-	113	161	-	-
Municipal bonds	58	10	-	-	58	10	-	-
All other	229	224	229	158	-	66	-	-
Total cash and investments at fair value	\$ 1,678	\$ 1,433	\$ 1,130	\$ 775	\$ 548	\$ 658	\$ -	\$ -
Derivative instruments (a):								
Energy swaps/futures	18	35	-	-	18	35	-	-
Non-energy swaps/options	3	5	-	-	3	5	-	-
Total derivative assets at fair value	21	40	-	-	21	40	-	-
Total assets at fair value	\$ 1,699	1,473	\$ 1,130	\$ 775	\$ 569	698	\$ -	\$ -
Liabilities								
Derivative instruments (a):								
Non-energy swaps/options	4	10	-	-	4	10	-	-
Total derivative liabilities at fair value	4	10	-	-	4	10	-	-
Total liabilities at fair value	\$ 4	\$ 10	\$ -	\$ -	\$ 4	\$ 10	\$ -	\$ -

(a) The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At December 31, 2024, and 2023, the Authority determined that nonperformance risk would have no material impact on the financial position or results of operations.

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Fair Value Measurements (SFP)

	<u>Fair Value Measurements</u>							
	(in millions)							
	<u>Total</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>	
	<u>Dec-24</u>	<u>Dec-23</u>	<u>Dec-24</u>	<u>Dec-23</u>	<u>Dec-24</u>	<u>Dec-23</u>	<u>Dec-24</u>	<u>Dec-23</u>
Assets								
Cash and cash equivalents	\$ 51	\$ 134	\$ 51	\$ 134	\$ -	\$ -	\$ -	\$ -
Treasury note	19	56	14	56	5	-	-	-
Federal agency securities:								
FFCB	7	-	-	-	7	-	-	-
FHLB	90	285	-	-	90	285	-	-
FHLMC	1	-	-	-	1	-	-	-
Total cash and investments at fair value	\$ 168	\$ 475	\$ 65	\$ 190	\$ 103	\$ 285	\$ -	\$ -

Fair Value Measurements (Captive)

	<u>Fair Value Measurements</u>							
	(in millions)							
	<u>Total</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>	
	<u>Dec-24</u>	<u>Dec-23</u>	<u>Dec-24</u>	<u>Dec-23</u>	<u>Dec-24</u>	<u>Dec-23</u>	<u>Dec-24</u>	<u>Dec-23</u>
Assets								
Cash and cash equivalents	\$ 10	\$ 31	\$ 10	\$ 31	\$ -	\$ -	\$ -	\$ -
Treasury bills	-	-	-	-	-	-	-	-
Federal agency securities:								
FNMA	12	-	-	-	12	-	-	-
FHLMC	22	13	-	-	22	13	-	-
FHLB	10	10	-	-	10	10	-	-
GNMA	7	8	-	-	7	8	-	-
Municipal bonds	43	23	-	-	43	23	-	-
All other	16	20	16	-	-	20	-	-
Total cash and investments at fair value	\$ 120	\$ 105	\$ 26	\$ 31	\$ 94	\$ 74	\$ -	\$ -

Fair Value Measurements (NYREDHC)

	<u>Fair Value Measurements</u>							
	(in millions)							
	<u>Total</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>	
	<u>Dec-24</u>	<u>Dec-23</u>	<u>Dec-24</u>	<u>Dec-23</u>	<u>Dec-24</u>	<u>Dec-23</u>	<u>Dec-24</u>	<u>Dec-23</u>
Assets								
Cash and cash equivalents	\$ 4	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -
Treasury bills	-	-	-	-	-	-	-	-
Federal agency securities:								
FNMA	7	-	-	-	7	-	-	-
FHLMC	35	-	-	-	35	-	-	-
FHLB	-	-	-	-	-	-	-	-
GNMA	47	-	-	-	47	-	-	-
Municipal bonds	5	-	-	-	5	-	-	-
All other	-	-	-	-	-	-	-	-
Total cash and investments at fair value	\$ 98	\$ -	\$ 4	\$ -	\$ 94	\$ -	\$ -	\$ -

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(12) Pension Plans

General Information

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

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

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

The Authority is required to contribute at an actuarially determined rate. The average contribution rate relative to payroll for the NYSLERS fiscal year ended March 31, 2024, was 13%. The average contribution rates relative to payroll for the NYSLERS fiscal years ending March 31, 2025, and 2026 have been set at approximately 15% and 16.5%, respectively. The required contributions for 2024 were \$39 million and \$32 million for 2023. The Authority's contributions to the NYSLERS were equal to 100% of the required contributions for each year.

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

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

At December 31, 2024, the Authority reported a liability of \$120 million for its proportionate share of the net pension liability within other long-term liabilities. The NYSLERS total pension liability, which was used to calculate the NYSLERS net pension liability, was measured by NYSLERS as of March 31, 2024 (measurement date). The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the

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projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability was 0.81% as of March 31, 2024.

For the year ended December 31, 2024 and 2023, the Authority recognized a pension expense of \$52 million and \$62 million, respectively. At December 31, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	(in millions)	
Difference between expected and actual experience	\$ 38	\$ 3
Net difference between projected and actual earnings on investments	-	59
Change of assumptions	45	-
Difference between employer contributions and proportionate share of contributions	5	4
Employer contributions subsequent to the measurement date	39	-
Total	<u>\$ 127</u>	<u>\$ 66</u>

The \$39 million reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended December 31, 2025. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a debit to pension expense as follows (in millions):

<u>Year Ending December</u>	<u>Pension Expense Debit (in millions)</u>
2025	\$ (22)
2026	23
2027	34
2028	(13)
Total	<u>\$ 22</u>

Actuarial Assumptions

The NYSLERS total pension liability at March 31, 2024, was determined by using the NYSLERS actuarial valuation as of April 1, 2023, with updated procedures to roll forward the NYSLERS total pension liability to March 31, 2024. The following actuarial assumptions were used for the April 1, 2023, NYSLERS actuarial valuation:

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

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

Long-Term Expected Rate of Return

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

Asset Type	Target Allocation	Long-term Expected Real Rate
Domestic Equity	32%	4.00%
International Equity	15%	6.65%
Private Equity	10%	7.25%
Real Estate	9%	4.60%
Credit	4%	5.40%
Opportunistic/ ARS Portfolio	3%	5.25%
Real Asset	3%	5.79%
Fixed Income	23%	1.50%
Cash	1%	0.25%
	<hr/> 100%	

Discount Rate

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

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

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

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Discount rate	4.9%	5.9%	6.9%
The Authority's proportionate share of the net pension liability/(asset)	\$377 million	\$120 million	\$(95) million

The NYSLERS actuary has not recommended any future changes to the actuarial assumptions used in the NYSLERS August 2024 actuarial valuation report.

(13) Postemployment Benefits (OPEB), Deferred Compensation and Savings and Voluntary Defined Contribution Plan

NYPA provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer noncontributory (except for certain optional life insurance coverage) health care plan ("NYPA OPEB Plan"). Employees and/or their dependents become eligible for these benefits when the employee has reached 55 years of age and has at least 10 years of service and retires or dies while working at NYPA. Salaried employees hired after December 31, 2015, and IBEW employees hired after May 19, 2015, become eligible after 15 years of service. In addition, they will be required to contribute 50% of the active plan contribution; there will be no contribution once the transition takes place to the Medicare advantage plan.

NYPA has an established trust for OPEB obligations ("OPEB Trust"), with the trust to be held by an independent custodian. Plan members are not required to contribute to the OPEB Trust. The OPEB Trust is set up to pay for the exclusive benefit of the OPEB Trust plan participants. The funding of NYPA's OPEB Trust is at the discretion of management. Changes to NYPA OPEB Plan or OPEB Trust agreement are approved by the Authority's Trustees. NYPA made contributions on a pay-as-you-go basis in 2024 and 2023 and did not contribute any amount beyond these contributions to the OPEB Trust.

The Canal Corporation provides health care and death benefits for eligible retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Canal Corporation. The Canal Corporation participates, pursuant to the provision of Section 163(4) of the New York State Civil Service Law, in the New York State Health Insurance Program ("NYSHIP"). NYSHIP does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. To be eligible an employee must (1) retire as a member of Canal Corporation or be at least 55 years old at time of termination; (2) be enrolled in the NYSHIP on date of retirement; and (3) complete at least 10 years of service for the retiree and dependent to have coverage while the employee is living. Ten years of service are needed for continued dependent coverage upon death of the employee. The Plan

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currently pays a portion of the medical premium cost for retired employees and covered dependents. Additionally, the Plan reimburses retirees and covered dependents for their Medicare Part B premiums.

As of June 30, 2024 measurement date (using December 31, 2023 census information), the following current and former employees were covered by the benefit terms, under NYPA Plan. It is assumed that 100% of future retirees who meet the eligibility requirements will participate in NYPA OPEB plan.

Active employees	1,989
Inactive employees and beneficiaries, receiving and/or entitled to benefits	<u>2,790</u>
Total	<u>4,779</u>

As of June 30, 2024 measurement date (using census information as of May 1, 2024), the following current and former employees were covered by the benefit terms, under the Canal Retiree Health Plan. It is assumed that 100% of future retirees who meet the eligibility requirements will participate in the OPEB plan.

Active employees, including opt-out (actives not in medical plan)	449
Inactive employees and beneficiaries, receiving and/or entitled to benefits	<u>698</u>
Total	<u>1,147</u>

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

For the year ended December 31, 2024 and 2023, the Authority recognized OPEB expense credit of \$(39) million and \$(25) million, respectively. At December 31, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
		(in millions)
Differences between expected and actual experience	\$ 5	\$ 6
Changes in assumptions	1	108
Differences in Projected and Actual Investment Earnings	64	62
Employer contributions subsequent to the measurement date	11	-
Total	<u>\$ 81</u>	<u>\$ 176</u>

The \$11 million reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year. The remaining \$106 million reported as net inflows of resources related to OPEB will be recognized as a credit in OPEB expense as follows:

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<u>Year Ending December</u>	<u>OPEB Expense Credit (in millions)</u>
2025	(40)
2026	(15)
2027	(26)
2028	(16)
2029	(8)
2030	(1)
Total	<u>\$ (106)</u>

Net OPEB Liability

The Authority's net OPEB liability (asset) was measured as of June 30, 2024, based on valuation results as of December 31, 2023, for NYPA's plan and May 1, 2024, for the Canal plan, projected to the measurement date on a no gain/loss basis. The Authority's net OPEB asset of \$213 million is recorded in other long-term assets in the Authority's consolidated statement of net position.

The following table shows the components of the Authority's changes in its total OPEB liability, the OPEB fiduciary net position, and the net OPEB (asset) during the measurement period ending June 30, 2024.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB (asset)</u>
		Increase (Decrease)	
		(in millions)	
Balance - beginning of year	\$ 635	\$ 747	\$ (112)
Service cost	14	-	14
Interest	45	-	45
Change of benefit terms	1	-	1
Differences between expected and actual experience	(6)	-	(6)
Changes of assumptions	(42)	-	(42)
Contributions - employer	-	30	(30)
Net investment income	-	87	(87)
Benefit payments	(30)	(30)	-
Administrative expense	-	(4)	4
Net changes	<u>(18)</u>	<u>83</u>	<u>(101)</u>
Balance - end of year	<u>\$ 617</u>	<u>\$ 830</u>	<u>\$ (213)</u>

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The components of the net OPEB asset at June 30, 2024, were as follows (in millions):

Total OPEB liability	\$	617
Plan fiduciary net position		<u>(830)</u>
Net OPEB asset	\$	<u>(213)</u>

Plan fiduciary net position as a percentage of the total OPEB liability	135%
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The components of the net OPEB asset at June 30, 2023, were as follows (in millions):

Total OPEB liability	\$	635
Plan fiduciary net position		<u>(747)</u>
Net OPEB asset	\$	<u>(112)</u>

Plan fiduciary net position as a percentage of the total OPEB liability	118%
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Actuarial Assumptions

The total OPEB liability as of June 30, 2024, measurement was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return:

7.00%

Healthcare Cost Trend Rates: Pre-Medicare Medical – 8.00 percent for 2024, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2038 and later years. Post-Medicare Medical – 5.00 percent for 2024, decreasing to an ultimate rate of 4.50 percent for 2034. Prescription drugs (Rx) – 10.50 percent for 2024, decreasing to an ultimate rate of 4.50 percent for 2038. Medicare Advantage – 4.0 percent for gross costs, 3.5 percent for Medicare reimbursements, reimbursement assumed to cover a minimum of 85 percent of gross costs.

Salary increases:

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

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

Long-Term Expected Rate of Return

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

Asset Type	Target Allocation	Long-term Expected Real Rate
Domestic Equity	32%	6.7%
International Equity	18%	7.3%
Fixed Income	11%	4.9%
Real Estate & Infrastructure	13%	7.1%
Private Equity	15%	10.1%
Private Debt	10%	9.0%
Cash	1%	3.4%
	<hr/> 100%	

Rate of Return

For NYPA OPEB Plan year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 11.4 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to calculate the total OPEB liability was 7%, the long-term rate of return on the OPEB Trust assets. The projection of cash flows used to determine the discount rate assumed that the Authority will contribute at a rate equal to the average of contributions made over the most recent five-year period (2019 through 2024), and that contributions apply first to service cost of current and future plan members and then to past service costs. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees for the foreseeable future.

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

Changes in the discount rate affect the measurement of the total OPEB liability. The following table depicts the Authority's Net OPEB liability / (asset), as well as the sensitivity of using a discount rate

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that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current discount rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Net OPEB Liability / (Asset)	\$(145) million	\$(213) million	\$(289) million

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

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability / (Asset)	\$(291) million	\$(213) million	\$(141) million

Deferred Compensation, Savings Plans and Voluntary Defined Contribution (VDC) Plan

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

The Authority also offers salaried employees a savings plan created in accordance with Internal Revenue Code, Section 401(k) as applicable. This plan also permits participants to defer a portion of their salaries. The Authority matches the contributions of employees up to limits specified in the plan. Matching annual contributions were \$6 million for both 2024 and 2023.

Both the deferred compensation plan and the savings plan may have a loan feature, based on the plan guidelines.

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

The Authority offers its employees either a pension plan (Refer note 12 above) or VDC plan. A defined contribution retirement plan option (the VDC program) is made available to the Authority employees hired on or after July 1, 2013, who are not participating in the NYSLERS and who earn at the rate of pay of \$75,000 or more annually. The VDC Program was created as an alternate to the traditional NYSLERS retirement plan option to help employees of public agencies/employers (meeting certain eligibility criteria) to build retirement plan accumulations that will help provide retirement income to

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meet their retirement goals. The Authority matches the contributions of employees up to the limits specified in the plan. The VDC includes a 366-day vesting period, after which a participant has full and immediate vesting in all retirement benefits provided by the annuities purchased through the employee and employer contributions. The employer and employee contributions are not deposited into accounts until the completion of the 366-day vesting period. The VDC is the employee's personal retirement account and is supported by employer and employee contributions plus any applicable earnings. A participant's income in retirement will be determined by the account balance. The Authority contributed \$4 million to this plan in both 2024 and 2023.

(14) Nuclear Plant Divestiture and Related Matters

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

In accordance with the Nuclear Waste Policy Act of 1982, in June 1983, NYPA entered into a contract with the U.S. Department of Energy (DOE) under which DOE, commencing not later than January 31, 1998, would accept and dispose of spent nuclear fuel. In conjunction with the sale of the nuclear plants, NYPA's contract with the DOE was assigned to Entergy. Entergy assigned the portion of the pre-1983 spent fuel obligation applicable to JAF to Exelon in connection with the sale of JAF to Exelon. NYPA remains liable for the pre-1983 spent fuel obligation to Exelon for JAF and to Entergy for IP3, which as of December 31, 2024, and 2023, were \$258 million and \$245 million, respectively.

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

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

The Authority executed PPAs for solar photovoltaic ("PV") projects with Ameresco, Inc. (the "developer") on July 7, 2023, requiring the Authority to pay the developer for electricity received from the renewable facilities and recover the payments from the City Of New York (the "Purchaser"), acting through its Department of Citywide Administrative Services ("DCAS") via the Power Sales Contract (the "PSC"). The Authority also executed four PPAs with the developer for battery energy storage systems ("BESS") on June 29, 2024, and August 6, 2024, requiring the Authority to pay the developer for electricity received from the renewable facilities and recover the payments from the Purchaser via the PSC.

In the case of non-payment from DCAS, there is a cure period of 1-year, in which the Authority will cover the payments to the developer. If there is no cure, the developer has no claim to the Authority so long as the Authority or developer is pursuing recovery from DCAS under the terms of the PSC. The total value of the PPAs with Ameresco, Inc. is \$320 million over 20 years, the annualized amount being \$16 million.

The Authority has also entered into various other PPAs, \$100 million, with developers that require the Authority to pay the developers for the electricity received from renewable facilities and recover the payments from the New York Convention Center Operating Corporation, and the Port Authority via Power Sales Contracts. The annualized amount for the PPA entered on behalf of New York Convention Center Operating Corporation is \$2.7 million over 25 years, and on behalf of Port Authority is \$1 million over 25 years.

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

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

(16) Purchased Power Cost

The Authority purchased power for \$678 million in 2024 and \$605 million in 2023 in the open market, with the entire cost passed through to its customers. Power purchased in the open market is a function of customer demand and, as such, varies month to month. The Authority is under no obligation to purchase power unless customer demands require such purchases, in which case the entire cost is recovered over the monthly billing cycle. In the event of failure to receive payment for any monthly purchase the Authority will not make any further purchases. No purchase was made under any PPA except for AEII for the reporting period. See Note 15 above for any PPAs.

(17) Captive Insurance

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

On September 1, 2023, the Captive initially underwrote a TRIA Certified NBCR (Nuclear, Biological, Chemical, Radiological & Cyberterrorism) Terrorism policy with an aggregate limit of \$500 million, which policy has a federal backstop, as well as a property deductible reimbursement line in the amount of \$5 million per occurrence. On November 1, 2023, the coverage limit for the property deductible reimbursement line was increased to \$10 million per occurrence. On January 1, 2024, the Captive also underwrote a cyber deductible reimbursement line in the amount of \$5 million per occurrence. Finally, on June 15, 2024 the Captive underwrote a general liability deductible reimbursement line in the amount of \$5 million per occurrence with a \$200,000 deductible.

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

The Captive filed the audited financial statements with the DFS on June 28, 2024, as required by Section 7006 of the New York State("NYS") Insurance Law.

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(18) Renewables

The Power Authority Act was amended in 2023 to, among other things, provide the Authority with the power to create one or more subsidiaries for the purpose of financing, developing and operating renewable energy generating projects in support of the State's renewable energy goals established in the New York State Climate Leadership and Community Protection Act, Chapter 106 of the Laws of 2019 (the "CLCPA"). Pursuant to such authority, the Authority formed a subsidiary under the New York Business Corporation Law.

The Authority evaluated opportunities to pursue projects under the Expanded Authority and on November 21, 2024 incorporated NYREDHC. NYREDHC is authorized to carry out the Authority's renewable energy business and strategy as provided under the Expanded Authority.

The Authority expects that the activities of NYREDHC, as a separate legal entity from the Authority, will be conducted in a manner such that the Authority is not expected to be responsible for the financial or other obligations of NYREDHC. On December 31, 2024, the Authority funded NYREDHC with \$100 million from amounts released from the lien of the Trust Estate created by the General Resolution. The Authority expects to execute a shared services agreement with NYREDHC under which NYREDHC will be required to reimburse the Authority for costs of providing services.

The Expanded Authority allows the Authority to pursue renewable generation projects like solar, wind, geothermal, and battery storage, either on its own or with third parties, and created a mechanism to develop clean energy workforce training programs and a bill credit program for low- and medium-income residential electricity ratepayers that will be funded by some of the proceeds earned from new renewable generation projects and other sources, including, for example, charitable donations from renewable project developers. As part of the Expanded Authority Legislation, the Authority is required to end fossil fuel-based electricity generation at its SNGPPs by the end of 2030 subject to the approval of the NYISO and ConEd. The Authority will also consider, as appropriate, but not limited to, opportunities to use these sites to host renewable energy assets, including energy storage.

(19) Commitments and Contingencies

a) Power Programs

ReCharge New York Power Program

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

The hydropower used for the RNYPP was power formerly used to provide low-cost electricity to domestic and rural customers of the three private utilities that serve upstate New York. To mitigate the impacts from the redeployment of this hydropower for the RNYPP, Chapter 60 created a "Residential Consumer Discount Program" ("RCDP"). The RCDP authorized the Authority, as deemed feasible and advisable by its Trustees, to provide annual funding of \$100 million for the first three years following withdrawal of the hydropower from the residential and farm customers, \$70 million for the fourth year, \$50 million for the fifth year, and \$30 million each year thereafter, for the purpose of funding a RCDP for those customers that had formerly received the hydropower that is

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utilized in the RNYPP. Chapter 60 further authorized the Authority, as deemed feasible and advisable by the Authority's Trustees, to use revenues from the sales of hydroelectric power, and such other funds of the Authority, as deemed feasible and advisable by the Authority's Trustees, to fund the RCDP. The Authority's Trustees have authorized the release of a total \$660 million in support of the RCDP out of which the Authority paid out \$631 million as of December 31, 2024.

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

Western New York Power Proceeds Allocation Act

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

The Authority's Trustees approved the release of up to \$101 million in net earnings calculated for the period August 30, 2010, through December 31, 2024, as provided in the legislation, for deposit into the WNYED Fund. As of December 31, 2024, approximately \$92 million has been deposited into the Fund. The Authority has approved awards of approximately \$53 million to businesses and made payments of approximately \$37 million as of December 31, 2024. Payment of these awards is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

Northern New York Power Proceeds Allocation Act

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

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

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

As of December 31, 2024, the Authority's Trustees approved the release of funds, of up to \$19 million, into the NNYED Fund representing "net earnings" from the sale of unallocated SLCEDP into the wholesale energy market for the period December 29, 2014, through December 31, 2024. As of December 31, 2024, approximately \$10 million has been deposited into the Fund. As of December 31, 2024, the Authority has approved awards of NNYED Fund money totaling approximately \$4 million to businesses that have proposed eligible projects and made payments totaling approximately \$1 million to such businesses. Payment of approved awards of the NNYED Fund money is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

b) Governmental Customers in the New York City Metropolitan Area

In 2017 and 2018, NYPA executed new supplemental long-term electricity supply agreements ("Supplemental LTAs") with its eleven NYC Governmental Customers, the largest of these customers include the Metropolitan Transportation Authority, the City of New York, the Port Authority, the New York City Housing Authority, and the New York State Office of General Services. Under the Supplemental LTAs, the NYC Governmental Customers agreed to purchase their electricity from NYPA through December 31, 2027, with the NYC Governmental Customers having the right to terminate at any time upon at least 12 months' notice during the first five years of the agreement (December 31, 2022). Thereafter, both NYPA and the NYC Governmental Customers may terminate the agreement upon at least six months' notice. Under the Supplemental LTA's, fixed costs for NYPA's services as well as Zeltmann plant were contractually set for each customer, and the fixed agreed amounts are recovered from the customers regardless of their load usage. Variable costs, including fuel, purchased power and NYISO-related costs, each year are set on a pro-forma cost of service basis and reconciled to actuals as a pass-through to each customer via an energy charge adjustment. For years 2023-2027, to provide better price certainty, NYPA is offering an annual fixed price energy purchase option to the NYC Governmental Customers.

NYPA's other Southeastern New York governmental 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 NYPA 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.

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HTP Transmission Line

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

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

It is estimated that the revenues derived from the Authority's rights under the FTCPA will not be sufficient to fully cover the Authority's costs under the FTCPA during the 20-year term of the FTCPA. As of December 31, 2024, the Authority estimated that its under-recovery of costs for the Line could be in the range of approximately \$80 million to \$90 million per year over the period from 2025-2028. The under-recovery estimates were based on projections of the capacity payment obligations, the costs of interconnection and transmission upgrades and energy revenues.

The Authority's obligations under the FTCPA include payment of the RTEP charges allocated to HTP. From June 2013 through December 2024, the Authority has paid approximately \$173 million in RTEP charges for the Line. Effective 2018, HTP relinquished the FTWRs held by HTP on the Line that were the basis for a significant share of its RTEP allocations. PJM's annual RTEP cost allocation update for 2018 eliminated the Authority's obligation in 2018 and beyond to pay RTEP charges related to the Bergen Linden Corridor ("BLC") project, which accounted for the bulk of the projected RTEP allocations to HTP.

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

While PJM had determined that the Authority had no RTEP payment responsibility starting in 2018 because of HTP's FTWR relinquishment, in 2020, FERC reversed PJM's determination over the Authority's objections and held that a portion of the RTEP charges assignable to the HTP facility dating back to 2018 had to be reinstated as they were unrelated to whether HTP had retained FTWRs. These reinstated RTEP charges were for projects other than the BLC project. FERC authorized PJM to begin collection for the back periods starting in August 2020. The Authority is accruing

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approximately \$1 million per month through the term of the agreement which ends in 2033. Depending on PJM TO's Annual Revenue Requirement, the RTEP charges could trend downward during the out years. The Authority contested the 2020 FERC order and appealed it to the D.C. Circuit Court of Appeals. The Authority's appeal was rejected by the D.C. Circuit on July 26, 2024, thus leaving these RTEP/TEC allocations in place. The Authority determined that it would not seek rehearing or appeal of the D.C. Circuit decision, thus closing the matter.

c) Small Natural Gas Power Plants

To meet capacity deficiencies and ongoing load requirements in the New York City metropolitan area in the year 2001 and later, NYPA placed into operation the Small Natural Gas Power Plants ("SNGPPs"), consisting of seven facilities located at six sites in New York City and one site in the service region of Long Island Power Authority. Three of the units have a single natural-gas-fueled combustion turbine electric generation units, while four of the sites have two units.

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

On May 3, 2023, Chapter 56 of the Laws of 2023 was enacted as a part of the 2023-2024 Enacted State Budget. Among other things, the law directed NYPA to publish, within two years of enactment, a plan to deactivate NYPA's small natural gas power plants. The enactment requires NYPA to deactivate the SNGPPs by the end of 2030 subject to the plants not being needed for emergency power or power system reliability and providing that NYPA may retain plants if emissions for other generation would cause more than a de minimis increase in emissions of carbon dioxide or other criteria air pollutants within a disadvantaged community.

As part of the Authority's strategy to meet the legislative mandate, the Authority is on schedule to publish a plan by May 5, 2025, to stop generating electricity with fossil fuel at the SNGPPs by the end of 2030, if conditions allow. The plan could include potential alternative usages at these sites such as battery storage.

d) Legal and Related Matters

St. Regis Litigation

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

The parties agreed to a land claim settlement, dated February 1, 2005, which if implemented would have included, among other things, the payment by the Authority of \$2 million a year for 35 years to the tribal plaintiffs and the provision of up to 9 MW of low-cost Authority power at the preference rate

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for use on the reservation. The legislation required to effectuate the settlement was never enacted and the litigation continued.

In 2013, all claims against the Authority were dismissed and the lawsuit against the Authority was concluded. A Notice of Appeal was filed but the appeal was stayed and never perfected. On May 28, 2014, the State of New York, representing various defendants including St. Lawrence County and the Authority, outlined a framework for a potential settlement of all the St. Regis land claims, formalized in a Memorandum of Understanding ("St. Regis MOU") with the plaintiff, St. Regis Mohawk Tribe. After various discussions, the defendants agreed to a negotiated settlement in the St. Regis MOU that would require the Authority to pay the plaintiff \$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 become effective.

In June 2023, the Governor signed legislation (S.7566/A.7759) authorizing the State to execute a land claims settlement agreement consistent with the St. Regis MOU. Subsequently, the remaining parties informed the Court that they had resolved their differences and agreed on a settlement framework. This framework has been formalized into a written final land claim settlement agreement, which was agreed to and signed by the plaintiff, St. Regis Mohawk Tribal Council on December 12, 2024. Given that the plaintiff accepted the offer made by the defendants, the Authority accrued a \$26 million liability in 2024 based on the net present value of future payments to reflect its commitment to the payments outlined in the agreement.

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

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

The Authority's outside counsel moved for Summary Judgment which was granted in full by the Trial Court. The plaintiffs have each appealed to the Appellate Division, Second Department. The appeal is now fully briefed, and the parties are waiting for the Court to schedule a date for oral argument.

Other Actions or Claims

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

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adverse decisions of a certain type in the matters discussed above could adversely affect Authority operations and revenues.

e) Leases

Lessee Arrangements

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

Below is a description of these lease arrangements:

(i) Property Leases

The Authority leases properties throughout the New York area in order to serve its customers. These sites include its offices, EV charging sites and warehouses. While terms vary by lease, each lease provides for a monthly lease payment subject to a fixed escalation on the anniversary date of each agreement. None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources in 2024 and 2023. At December 31, 2024, the right-to-use lease asset for property leases amounted to approximately \$30 million, net of \$6 million of accumulated amortization, with a corresponding lease liability of \$16 million. At December 31, 2023, the right-to-use lease asset for property leases amounted to approximately \$12 million, net of \$2 million of accumulated amortization, with a corresponding lease liability of \$10 million.

The Authority has \$16 million of principal and \$2 million of interest requirements to maturity for the Authority's leases from 2024-2035.

Lessor Arrangements

The Authority receives contractually determined revenue related to leasing agreements. While terms vary by lease, each lease provides for lease receipts subject to a fixed escalation on the anniversary date of each agreement. These arrangements do not provide for any variable payments. There were no additional payments received other than the rental payments. The total amount of lease revenue and interest revenue in 2024 was \$2 million and \$1 million, respectively. At December 31, 2024, the lease asset receivable and the corresponding deferred inflow of resources were approximately \$51 million and \$43 million, respectively. The total amount of lease revenue and interest revenue in 2023 was \$3 million and \$2 million, respectively. At December 31, 2023, the lease asset receivable and the corresponding deferred inflow of resources were approximately \$51 million and \$45 million, respectively.

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

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<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(in millions)		
2025	\$ -	\$ 1	\$ 1
2026	1	1	2
2027	2	1	3
2028	2	1	3
2029	2	1	3
2030-34	10	5	15
2035-39	13	3	16
2040-44	17	2	19
2045-49	4	-	4
Total	<u>\$ 51</u>	<u>\$ 15</u>	<u>\$ 66</u>

f) Subscription-based information Technology Arrangements (“SBITA”)

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

At December 31, 2024, the right-to-use subscription assets amounted to approximately \$81 million, net of \$22 million of accumulated amortization, included in capital assets, with a corresponding subscription liability of \$33 million on the Consolidated Statements of Net Position. At December 31, 2023, the right-to-use subscription assets amounted to approximately \$36 million, net of \$6 million of accumulated amortization, included in capital assets, with a corresponding subscription liability of \$22 million on the Consolidated Statements of Net Position.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(in millions)		
2025	\$ 14	\$ 1	\$ 15
2026	10	1	11
2027	5	-	5
2028	4	-	4
Total	<u>\$ 33</u>	<u>\$ 2</u>	<u>\$ 35</u>

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

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FERC issued the Authority a new 50-year license for the Niagara project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered by the Authority with various public and private entities. The Authority had estimated that the capital cost associated with the relicensing of the Niagara project would be approximately \$495 million of which approximately \$472 million has been disbursed. This estimate does not include the value of the power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. As of December 31, 2024, the balance in the recorded liability associated with Niagara relicensing on the consolidated statement of net position is \$188 million (\$12 million in current and \$176 million in other noncurrent liabilities). As of December 31, 2023, the balance in the recorded liability associated with the Niagara relicensing on the consolidated statement of net position is \$189 million (\$13 million in current and \$176 million in other noncurrent liabilities). In addition to internally generated funds, the Authority had issued additional debt obligations to fund, among other things, Niagara relicensing costs. The costs associated with the relicensing of the Niagara project, including the debt issued, therefore, were incorporated into the cost-based rates of the project.

The Authority executed the Relicensing Settlement Agreement Addressing New License Terms and Conditions (“Settlement Agreement”) entered into by several parties to the relicensing of the Niagara Project, including The New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”). The Settlement Agreement provides, among other things, for the establishment of a Relicensing Settlement Agreement State Parks Greenway Fund, which is to be funded by the Authority in the amount of \$3 million per year to OPRHP for the term of the 50-year License. In 2012 and 2017, OPRHP requested that the Authority accelerate such payments by making two lump sum payments of approximately \$25 million each to pay for authorized projects. In order to make the lump sum payments, the Authority issued (a) \$25 million in Subordinated Notes, Series 2012 and (b) \$25 million in Subordinated Notes, Series 2017. The proceeds of those subordinated note issuances were made available to OPRHP. On May 22, 2024, the Authority defeased \$15 million Subordinated Notes, Series 2012, and \$20 million Subordinated Notes Series 2017. As of December 31, 2024, there were no Subordinated Notes outstanding. See Note 7 “Long-Term and Short-Term Debt” of the notes to the consolidated financial statements. In addition to the funds what were accelerated with the proceeds from the Subordinate Notes, the Authority made a \$2 million payment to the OPRHP State Parks Greenway Fund in 2024.

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

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

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

In 2016, the Authority’s Trustees approved a proposal to terminate the Discount Program early and repurpose funding to be used to support a collaborative marketing effort between the Authority and

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

As of December 31, 2024, the Authority has spent approximately \$42 million of the \$45 million authorized by the Trustees for the purpose of implementing the commitments in the first LGTF 10-Year Review Agreement. As of December 31, 2024, the balance in the recorded liability associated with the St. Lawrence-FDR Project relicensing on the consolidated statement of net position is \$31 million (\$3 million in current and \$28 million in other noncurrent liabilities).

A tentative agreement has been reached for the second 10-Year Review and is expected to be submitted to the Trustees in March, a total commitment from the Authority is approximately \$20 million.

i) Relicensing of Blenheim-Gilboa Pumped Storage Power Project

FERC issued a new 50-year operating license, effective May 1, 2019, to NYPA for the Blenheim-Gilboa Pumped Storage Power Project. In 2019, the Authority's Trustees accepted the new license and approved the settlement package with state and federal resource agencies, the towns of Gilboa and Blenheim, and Schoharie County. The Authority's Trustees also authorized \$37 million in capital expenditures for the period 2019-2069 for all compliance, implementation, and settlement activities. The Authority has spent \$10 million through December 31, 2024. The Authority has established a Recreation Fund in the amount of \$4 million (total commitment under the settlement package is \$6 million) of which \$4 million has been disbursed and an Ecological Fund in the amount of \$2 million (total commitment under the settlement package is \$4 million), of which \$2 million has been disbursed. As of December 31, 2024, the balance in the recorded liability associated with the Blenheim-Gilboa Pumped Storage Power Project relicensing on the consolidated statement of net position is \$20 million (\$1 million in current and \$19 million in other noncurrent liabilities).

j) Construction Contracts

Estimated costs to be incurred on outstanding contracts in connection with the Authority's construction programs aggregate to approximately \$951 million at December 31, 2024.

(20) Other Developments

Transmission LEM Program

In 2012, the Authority's Trustees approved a \$726 million Transmission Life Extension and Modernization Program ("Transmission LEM Program") on the Authority's Transmission system. As of December 31, 2024, the Authority has spent approximately \$574 million: \$515 million in capital and \$59 million in non-recurring O&M Investment. As of December 31, 2023, the Authority has spent approximately \$541 million: \$482 million in capital and \$59 million in non-recurring O&M Investment. The Transmission LEM Program encompasses transmission assets in the Central, Northern and Western regions of New York and will include work to be done such as upgrades, refurbishments and replacements associated with switchyards and substations, transmission line structures or towers and associated hardware and replacement of the submarine cable on the PV-20 line. Reinvestment

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in this strategic component of the Authority's overall mission supports the repair, upgrade and/or expansion of the transmission infrastructure. The Transmission LEM Program will be financed with internal funds and proceeds from debt obligations issued by the Authority. The work on the Transmission LEM Program is underway and is expected to continue through 2033.

Lewiston Pump Generating Plant Life Extension and Modernization (LPGP LEM) Program

The Authority's Trustees approved a \$460 million Life Extension and Modernization Program at the Niagara project's Lewiston Pump-Generating Plant, (Lewiston LEM Program), of which approximately \$401 million has been spent as of December 31, 2024, and \$394 million has been spent as of December 31, 2023. The work to be done includes a major overhaul of the plant's 12 pump turbine generator units. The Lewiston LEM Program will increase pump and turbine efficiency, operating efficiency, and the peaking capacity of the overall Niagara project. The Lewiston LEM Program will be financed with internal funds and proceeds from debt obligations issued by the Authority. The unit work began in late 2012 and is ongoing, with the final unit expected to be completed in 2025.

Next Generation Niagara

The NextGen Niagara program replaces, overhauls, and/or upgrades the thirteen (13) generating units and their associated auxiliary power generating equipment. Improvements will include replacing aging equipment with the latest machinery that reflects advanced digital technologies for optimizing the hydroelectric project's performance. The program is comprised of four main projects: Controls Upgrade, Mechanical/Electrical Overhauls, Penstock Platform, and 630-ton Gantry Crane Replacement. As of December 31, 2024, and 2023, the Authority has spent approximately \$197 million and \$150 million, respectively.

BuildSmart 2025

BuildSmart 2025 is New York State's program for aggressively pursuing energy efficiency savings in New York State-owned and occupied buildings of 11 TBtu by December 31, 2025, while advancing economic growth, environmental protection, and energy security in New York State. BuildSmart 2025 expands and continues the requirements of BuildSmart NY to assist State entities in meeting statutory requirements established by the CLCPA and Executive Order 22, that "all state agencies shall assess and implement strategies to reduce their greenhouse gas emissions". The Authority manages the BuildSmart 2025 program and monitors New York State agency performance. Since the baseline of state fiscal year 2014/15, the program has achieved 9.55 TBtu towards the 11 TBtu goal. This progress puts New York State on track to meet the 11 TBtu goal by the end of the year 2025.

Clean Energy Standard

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

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covering a nine-year period from April 1, 2020, to April 1, 2029, under which the Authority committed to purchase ZECs in a quantity based on its proportional load in the New York control area, subject to certain adjustments. As of December 31, 2024, the Authority estimates that it will incur costs associated with participation in the ZEC program of \$380 million in aggregate over the 2025 - 2028 period, of which approximately \$2 million is not expected to be recovered under customer contracts that predate the adoption of the CES. As of December 31, 2024, the Authority has paid \$473 million in ZEC purchase costs, and as of December 31, 2023, it paid \$397 million.

The CLCPA and the Authority's VISION2030 establish the goal to meet 70% of electricity demand from renewable resources by 2030. The Authority is collaborating with its customers to achieve the renewable energy goals in the ways that best meet their needs. As one component of its future renewable supply, the Authority executed an agreement with NYSERDA on August 30, 2021 to start purchasing Tier 1 Renewable Energy Credits ("REC(s)") in 2024. On April 20, 2023 the NYSPSC issued an order modifying the way in which NYSERDA administers the Tier 1 REC program starting in 2025. The Authority has engaged with NYSERDA on amending the Tier 1 REC contract in response to the program modifications. The Authority is exploring opportunities to further support its customers achieve these renewable energy goals under its new Expanded Authority.

Grants

Legislation at the federal and state levels have provided potential additional competitive sources of funding for NYPA and Canal Corporation capital programs. To access the additional funding, each organization must apply for consideration to the relevant federal or state entity. Funding will only be pursued to offset the costs of approved capital projects that are aligned with the Authority's core mission, VISION2030, and/or CLCPA. Through the Infrastructure Investment and Jobs Act (IIJA), NYPA has been awarded five grants totaling \$54 million in Department of Energy grants through the Transmission Siting and Economic Development and Maintaining and Enhancing Hydroelectricity Incentives programs. This amount includes \$44 million for Propel project. Refer to the section on Propel New York Energy Project in MD&A for further information.

Further, refer to the section "New York State Budget/Other Matters in the MD&A for details on the amount appropriated for Canals.

Electric Vehicle Acceleration Initiative

In 2018, the Authority's Trustees approved an overall allocation of \$125 million to be used through 2025 for an electric vehicle charging acceleration initiative of which to date \$100 million was authorized for capital expenditure. The Authority will operate a charging network of up to 400 Direct Current fast chargers across the State by 2025. As of December 31, 2024, 212 fast chargers were in operation, and approximately \$70 million had been spent. As of December 31, 2023, 156 fast chargers were in operation, and approximately \$46 million had been spent.

(21) Canal Corporation

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

The Canal Corporation continues to require substantial operating and maintenance support and capital investment. The Canal Corporation's expenses are funded by transfers of funds from the Authority. Any transfer of funds is subject to approval by the Authority's Trustees and compliance with the Authority's General Bond Resolution. Certain expenses eligible for reimbursement are reimbursed to the Authority by funds held in the Canal Development Fund maintained by the State

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Comptroller and the Commissioner of Taxation and Finance. For the year ended December 31, 2024, the Canal Corporation recognized \$2 million in operating revenues, \$96 million in operations and maintenance expenses, and \$41 million in depreciation expenses. For the year ended December 31, 2023, the Canal Corporation recognized \$2 million in operating revenues, \$74 million in operations and maintenance expenses, and \$41 million in depreciation expenses.

(22) Inflation Reduction Act

On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was signed into law which aims to reduce U.S. carbon emissions and promote economic development through investments in clean and renewable energy projects. The clean energy tax credits created or expanded by the IRA are intended to drive rapid adoption of energy efficiency, electric transportation, and solar energy. The Authority has undertaken initiatives, as listed below, to take advantage of clean energy tax credits by investing in clean energy such as battery storage, and solar, transitioning our fleet to electric vehicles (“EV”), and placement of EV infrastructure in non-urban, low-income areas. The Authority expects to monetize IRA tax credits via a direct pay option which allows tax-exempted entities to receive cash payments equal to the tax credits. IRS requires pre-filing registration for projects on which an entity expects to claim tax credits in its tax return. The Authority has completed pre-filing registration for all its eligible projects and filed its tax return in November 2024. However, there is no certainty or predictability regarding the recovery of this tax credit amount due to actions beyond the control of the Authority, such as changes in legislation.

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

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

(23) FEMA reimbursement for Covid

The Authority spent a total of \$33 million on pandemic-related expenses as of December 31, 2022. These expenses included critical employee sequestration, sanitization and cleaning supplies, facility protective measures, and equipment for a remote workforce. The Authority submitted \$20 million in reimbursable costs to FEMA of the \$33 million. As of December 2024, the Authority received \$1 million with an additional estimated \$8 million to be received in 2025. \$11 million of the \$20 million reimbursable cost, related to sheltering NYPA employees in place was deemed ineligible for reimbursement by FEMA, and the Authority has appealed this decision.

However, there is no certainty or predictability regarding the recovery of this amount due to actions beyond the control of the Authority, such as changes in legislation.

**Required Supplementary Information
(Unaudited)**

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New York Power Authority
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Required Supplementary Information
(Unaudited)

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

	June 30,					December 31,		
	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	\$ 14	\$ 14	\$ 14	\$ 20	\$ 6	\$ 13	\$ 12	\$ 12
Interest	45	43	43	42	18	39	38	36
Change of benefit terms	1	-	4	(2)	-	-	-	-
Differences between expected and actual experience	(6)	(1)	8	(1)	(2)	2	-	-
Change of assumptions	(42)	-	(42)	(153)	(3)	(72)	-	-
Canal transfer to the Power Authority OPEB Plan	-	-	-	218	-	-	-	-
Benefit payments	(30)	(30)	(32)	(34)	(12)	(25)	(25)	(22)
Net change in total OPEB liability	(18)	26	(5)	90	7	(43)	25	26
Total OPEB liability – beginning	635	609	614	524	517	560	535	509
Total OPEB liability – ending	\$ 617	\$ 635	\$ 609	\$ 614	\$ 524	\$ 517	\$ 560	\$ 535
Plan Fiduciary Net Position								
Contributions – employer	\$ 30	\$ 29	\$ 32	\$ 34	\$ 12	\$ 25	\$ 25	\$ 22
Net investment income	87	74	(93)	136	(36)	122	(35)	88
Benefit payments	(30)	(30)	(32)	(34)	(12)	(25)	(25)	(22)
Administrative expense	(4)	(9)	(9)	-	(1)	(2)	(2)	(2)
Net change in plan fiduciary net position	83	64	(102)	136	(37)	120	(37)	86
Plan fiduciary net position – beginning	747	683	785	649	686	566	603	517
Plan fiduciary net position – ending	\$ 830	\$ 747	\$ 683	\$ 785	\$ 649	\$ 686	\$ 566	\$ 603
Net OPEB liability / (asset) – ending	\$ (213)	\$ (112)	\$ (74)	\$ (171)	\$ (125)	\$ (169)	\$ (6)	\$ (68)
Plan fiduciary net position as a percentage of the total OPEB liability	135%	118%	112%	128%	124%	133%	101%	113%
Covered-employee payroll	\$ 297	\$ 257	\$ 257	\$ 227	\$ 200	\$ 200	\$ 177	\$ 177
Net OPEB liability / (asset) as a percentage of covered-employee payroll	(72%)	(44%)	(29%)	(75%)	(63%)	(85%)	(3%)	(38%)

Notes to schedule:

The amounts presented for the Authority's 2024 net OPEB liability (asset) were measured as of June 30, 2024, based on valuation results as of December 31, 2023, for NYPA's plan and May 1, 2024, for the Canal plan, projected to the measurement date on a no gain/loss basis. This schedule is intended to present 10 years of data. Additional years will be presented prospectively. The 2021 amount includes the Canal Corporation transfer to NYPA OPEB Plan (merged plan).

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

Measurement Date	(a) Contractually/ Actuarially determined contribution	(b) Contributions made	Contribution deficiency/ (excess) (a) - (b)	(c) Covered employee payroll	Contributions as a percent of covered payroll column (b) + (c)
June 30, 2024	\$ 30	\$ 30	\$ -	\$ 297	10%
June 30, 2023	29	29	-	257	11%
June 30, 2022	32	32	-	257	12%
June 30, 2021	34	34	-	227	15%
June 30, 2020	12	12	-	200	6%
December 31, 2019	25	25	-	200	13%
December 31, 2018	25	25	-	177	14%
December 31, 2017	40	22	18	177	12%
December 31, 2016	39	24	15	161	15%
December 31, 2015	38	38	-	149	26%
December 31, 2014	33	39	(6)	145	27%

Notes to schedule:

Contributions: NYPA made contributions on a pay as you go basis in 2024 and did not contribute any amount beyond the contractually / actuarially required amounts.

Valuation date: December 31, 2023, for NYPA; May 1, 2024, for Canal

Methods and assumptions used to determine contributions

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

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

Asset Valuation: Market Value

Per Capita Claims: NYPA - Developed using 2024 re-forecasted funding rates which were calculated using NYPA claims experience from January 1, 2022 through June 30, 2024. Canal - Developed using Canal claims experience from 2021 through 2023.

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

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

Discount rate: 7.0%

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

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

<u>Measurement Date</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2024	11.40%
June 30, 2023	10.30%
June 30, 2022	(11.86%)
June 30, 2021	21.00%
June 30, 2020	(5.30%)
December 31, 2019	21.40%
December 31, 2018	(6.30%)
December 31, 2017	16.70%
December 31, 2016	7.00%
December 31, 2015	0.41%

Note to schedule:

Average rate of return over ten-year period was 6.5%.

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

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

New York Power Authority
(A Component Unit of the State of New York)
Required Supplementary Information
(Unaudited)

Schedules Relating to the Employees' Retirement System Pension Plan

(\$ in millions, except percentages)

Schedule of Proportionate Share of the Net Pension Liability

<u>As of March 31,</u>	<u>Proportion of the Net Pension Liability (Asset) Percentage</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</u>
2024	0.81%	\$ 120	\$ 268	44.8%	93.9%
2023	0.81%	175	252	69.4%	90.8%
2022	(0.83%)	(68)	242	(28.1%)	103.7%
2021	0.76%	1	233	0.4%	99.9%
2020	0.77%	203	219	92.7%	86.4%
2019	0.76%	53	214	24.8%	96.3%
2018	0.72%	23	205	11.2%	98.2%
2017	0.72%	67	193	34.7%	94.7%
2016	0.60%	96	166	57.8%	90.7%
2015	0.59%	20	150	13.3%	97.9%
2014	0.60%	27	148	18.2%	97.2%

Schedule of Contributions

<u>Year Ending December 31,</u>	<u>Actuarially Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution (Excess) Deficiency</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a percentage of Covered Payroll</u>
2024	\$ 39	\$ 39	-	\$ 268	15%
2023	32	32	-	252	13%
2022	27	27	-	242	11%
2021	36	36	-	233	15%
2020	30	30	-	219	14%
2019	29	29	-	214	14%
2018	28	28	-	205	14%
2017	28	28	-	193	15%
2016	24	24	-	166	14%
2015	25	25	-	150	17%
2014	28	28	-	148	19%

New York Power Authority
(A Component Unit of the State of New York)
Required Supplementary Information
(Unaudited)

Detailed Financials

A) Statement of Net Position (In millions)

	NYPA		SFP		Captive		NYREDHC		Total	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
Assets and Deferred Outflows										
Current assets:										
Cash and cash equivalents										
Unrestricted	\$ 270	\$ 310	\$ 51	\$ 97	10	\$ 31	\$ 4	\$ -	\$ 335	\$ 438
Restricted	8	1	-	-	-	-	-	-	8	1
Capital Fund	82	3	-	38	-	-	-	-	82	41
Total Cash and cash equivalents	360	314	51	135	10	31	4	-	425	480
Investment in securities										
Unrestricted	852	969	117	341	110	74	94	-	1,173	1,384
Restricted	13	13	-	-	-	-	-	-	13	13
Committed	453	136	-	-	-	-	-	-	453	136
Total Investment in securities	1,318	1,118	117	341	110	74	94	-	1,639	1,533
Receivables - customers	379	266	5	3	-	-	-	-	384	269
Materials and supplies:										
Plant and general	80	75	-	-	-	-	-	-	80	75
Fuel	51	51	-	-	-	-	-	-	51	51
Miscellaneous receivables and other	119	135	1	1	2	5	2	-	124	141
Total current assets	2,307	1,959	174	480	122	110	100	-	2,703	2,549
Capital assets:										
Non-Utility Assets, net of accumulated depreciation	37	77	-	-	-	-	-	-	37	77
Assets, not depreciated	897	758	465	270	-	-	-	-	1,362	1,028
Assets, net of accumulated depreciation	4,853	4,886	1,046	917	-	-	-	-	5,899	5,803
Total capital assets	5,787	5,721	1,511	1,187	-	-	-	-	7,298	6,908
Other long-term assets	1,064	879	35	17	-	-	-	-	1,099	896
Total noncurrent assets	6,851	6,600	1,546	1,204	-	-	-	-	8,397	7,804
Total assets	9,158	8,559	1,720	1,684	122	110	100	-	11,100	10,353
Deferred outflows of resources:										
Asset retirement obligation	17	19	-	-	-	-	-	-	17	19
Accumulated decrease in fair value of derivatives	20	40	-	-	-	-	-	-	20	40
Pensions	128	140	-	-	-	-	-	-	128	140
Postemployment benefits other than pensions	82	128	-	-	-	-	-	-	82	128
Total deferred outflows of resources	247	327	-	-	-	-	-	-	247	327
Total assets and deferred outflows of resources	\$ 9,405	\$ 8,886	\$ 1,720	\$ 1,684	\$ 122	\$ 110	\$ 100	\$ -	\$ 11,347	\$ 10,680

New York Power Authority
(A Component Unit of the State of New York)
Required Supplementary Information
(Unaudited)

	NYP A		SFP		Capt ive		NYREDHC		Total	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
Liabilities, Deferred Inflows and Net Position										
Current liabilities:										
Accounts Payable and accrued liabilities	\$ 841	\$ 779	\$ 11	\$ 62	\$ 5	\$ 4	\$ -	\$ -	\$ 857	\$ 845
Short-term debt	438	227	-	-	-	-	-	-	438	227
Long-term debt due within one year	-	17	20	16	-	-	-	-	20	33
Total current liabilities	1,279	1,023	31	78	5	4	-	-	1,315	1,105
Noncurrent liabilities:										
Long-term debt:										
Senior:										
Revenue bonds	1,805	1,519	-	-	-	-	-	-	1,805	1,519
Subordinated:										
Subordinated Notes	-	35	-	-	-	-	-	-	-	35
Separate Revenue Bond Obligation:										
SFP Bonds 2022	-	-	617	640	-	-	-	-	617	640
SFP Bonds 2023	-	-	750	751	-	-	-	-	750	751
Total long-term debt	1,805	1,554	1,367	1,391	-	-	-	-	3,172	2,945
Other noncurrent liabilities:										
Nuclear fuel disposal	258	245	-	-	-	-	-	-	258	245
Relicensing	223	223	-	-	-	-	-	-	223	223
Other long-term liabilities	357	357	-	-	-	-	-	-	357	357
Total other noncurrent liabilities	838	825	-	-	-	-	-	-	838	825
Total noncurrent liabilities	2,643	2,379	1,367	1,391	-	-	-	-	4,010	3,770
Total liabilities	3,922	3,402	1,398	1,469	5	4	-	-	5,325	4,875
Deferred inflows of resources:										
Unearned revenue	27	45	-	-	-	-	-	-	27	45
Cost of removal obligations	476	435	-	-	-	-	-	-	476	435
Accumulated increase in fair value of derivatives	-	4	-	-	-	-	-	-	-	4
Pensions	66	11	-	-	-	-	-	-	66	11
Lease revenue	43	45	-	-	-	-	-	-	43	45
Postemployment benefits other than pensions	176	190	-	-	-	-	-	-	176	190
Total deferred inflows of resources	788	730	-	-	-	-	-	-	788	730
Net Position:										
Net investment in capital assets	3,463	3,361	-	-	-	-	-	-	3,463	3,361
Unrestricted	1,218	1,393	322	215	117	106	100	-	1,757	1,714
Restricted	14	-	-	-	-	-	-	-	14	-
Total net position	4,695	4,754	322	215	117	106	100	-	5,234	5,075
Total liabilities, deferred inflows of resources and net position	\$ 9,405	\$ 8,886	\$ 1,720	\$ 1,684	\$ 122	\$ 110	\$ 100	\$ -	\$ 11,347	\$ 10,680

New York Power Authority
(A Component Unit of the State of New York)
Required Supplementary Information
(Unaudited)

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

	NYPA		SFP		Captive		NYREDHC		Total	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
Operating revenues:										
Power sales	\$ 2,060	\$ 1,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,060	\$ 1,773
Transmission	317	376	192	97	-	-	-	-	509	473
Transportation and delivery	810	747	-	-	-	-	-	-	810	747
Other	50	39	-	-	7	2	-	-	57	41
Total operating revenues	3,237	2,935	192	97	7	2	-	-	3,436	3,034
Operating expenses:										
Purchased power	678	605	-	-	-	-	-	-	678	605
Fuel oil and gas	214	176	-	-	-	-	-	-	214	176
Transportation and delivery	1,174	1,107	-	-	-	-	-	-	1,174	1,107
Operations and maintenance	744	707	27	16	-	-	-	-	771	723
Depreciation and amortization	339	299	14	8	-	-	-	-	353	307
Total operating expenses	3,149	2,894	41	24	-	-	-	-	3,190	2,918
Operating income	88	41	151	73	7	2	-	-	246	116
Nonoperating revenues, gains (losses) and (expenses):										
Investment income	51	70	17	9	4	4	-	-	72	83
Interest on long-term debt	(71)	(80)	(64)	(31)	-	-	-	-	(135)	(111)
Interest - other	(33)	(28)	-	-	-	-	-	-	(33)	(28)
Interest capitalized	52	58	-	-	-	-	-	-	52	58
Amortization of debt premium	2	(1)	3	2	-	-	-	-	5	1
Other	(48)	11	-	-	-	-	-	-	(48)	11
Total nonoperating losses and expenses	(47)	30	(44)	(20)	4	4	-	-	(87)	14
Net income and change in net position	\$ 41	\$ 71	\$ 107	\$ 53	\$ 11	\$ 6	\$ -	\$ -	\$ 159	\$ 130

See accompanying notes to the consolidated financial statements.

New York Power Authority
(A Component Unit of the State of New York)
Required Supplementary Information
(Unaudited)

C) Statement of Cash Flows (In millions)

	NYPA		SFP		Captive		NYREDHC		Total	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
Cash flows from operating activities:										
Customer sales	3,067	2,947	149	97	11	1	-	-	3,227	3,045
Disbursements for:										
Purchased power	(685)	(601)	-	-	-	-	-	-	(685)	(601)
Fuel oil and gas	(200)	(192)	-	-	-	-	-	-	(200)	(192)
Transportation and delivery	(1,167)	(1,089)	-	-	-	-	-	-	(1,167)	(1,089)
Operations and maintenance	(736)	(726)	(27)	(16)	-	-	-	-	(763)	(742)
Net cash provided by operating activities	279	339	122	81	11	1	-	-	412	421
Cash flows from capital and related financing activities:										
Gross additions to capital assets	(307)	(248)	(369)	(451)	-	-	-	-	(676)	(699)
Proceeds from issuance of Series 2023 Green Bonds	513	-	-	751	-	-	-	-	513	751
Issuance costs paid on debt	(5)	-	-	(10)	-	-	-	-	(5)	(10)
Repayment/defeasance of bonds	(275)	(108)	-	-	-	-	-	-	(275)	(108)
Repayment of notes/bonds	(16)	-	(16)	(2)	-	-	-	-	(32)	(2)
Investment of Subsidiary	(4)	(100)	-	-	-	100	4	-	-	-
Interest paid, net	(55)	(69)	(64)	(26)	-	-	-	-	(119)	(95)
Net cash used in capital and related financing activities	(149)	(525)	(449)	262	-	100	4	-	(594)	(163)
Cash flows from noncapital-related financing activities:										
Energy conservation program payments received from participants	255	334	-	-	-	-	-	-	255	334
Energy conservation program costs	(264)	(269)	-	-	-	-	-	-	(264)	(269)
Proceeds from issuance of commercial paper	273	138	-	-	-	-	-	-	273	138
Repayment of commercial paper	(62)	(91)	-	-	-	-	-	-	(62)	(91)
Interest paid on commercial paper	(13)	(6)	-	-	-	-	-	-	(13)	(6)
Margin Deposits with Brokers	16	37	-	-	-	-	-	-	16	37
Other	10	-	-	-	-	-	-	-	10	-
Net cash provided by noncapital-related financing activities	215	143	-	-	-	-	-	-	215	143
Cash flows from investing activities:										
Earnings received on investments	75	36	18	11	6	6	-	-	99	53
Purchase of investment securities	(2,387)	(4,012)	(9)	(462)	(39)	(76)	-	-	(2,435)	(4,550)
Maturities/sale of investment securities	2,012	4,020	235	203	1	-	-	-	2,248	4,223
Net cash used in investing activities	(300)	44	244	(248)	(32)	(70)	-	-	(88)	(274)
Net (decrease) increase in cash	45	1	(83)	95	(21)	31	4	-	(55)	127
Cash and cash equivalents, January 1	315	314	134	39	31	-	-	-	480	353
Cash and cash equivalents, December 31	360	315	51	134	10	31	4	-	425	480
Reconciliation to net cash provided by operating activities:										
Operating income	88	41	151	73	7	2	-	-	246	116
Adjustments to reconcile operating income to net cash provided by operating activities:										
Change in assets, deferred outflows, liabilities, and deferred inflows:										
Provision for depreciation and amortization	339	299	14	8	-	-	-	-	353	307
Net (increase) in miscellaneous prepayments and other	(52)	(49)	-	-	-	-	-	-	(52)	(49)
Net (increase) decrease in receivables and materials and supplies	(76)	110	(43)	-	4	(1)	-	-	(115)	109
Net (decrease) in accounts payable/accrued liabilities and other	(20)	(62)	-	-	-	-	-	-	(20)	(62)
Net cash provided by operating activities	279	339	122	81	11	1	-	-	412	421

See accompanying notes to the consolidated financial statements.

New York Power Authority
Consolidated Net Income - Actual vs. Budgeted
For The Year ended December 31, 2024
(\$ in millions)

	<u>Actual</u>	<u>Budget</u>	Variance Favorable/ (Unfavorable)
Operating Revenues			
Customer	\$ 2,203	\$ 2,043	\$ 160
NYISO Market Revenues	1,233	1,302	(69)
	<u>3,436</u>	<u>3,345</u>	<u>91</u>
Operating Expenses			
Purchased Power	678	815	137
Fuel Consumed - Oil & Gas	214	265	51
Transportation and delivery	1,174	995	(179)
Operations & Maintenance	771	775	4
Depreciation & Amortization	353	332	(21)
	<u>3,190</u>	<u>3,182</u>	<u>(8)</u>
Operating Income	<u>246</u>	<u>163</u>	<u>83</u>
Nonoperating Revenues			
Investment Income (Loss)	85	69	16
	<u>85</u>	<u>69</u>	<u>16</u>
Nonoperating Expenses			
Interest and Other Expenses	172	110	(62)
	<u>172</u>	<u>110</u>	<u>(62)</u>
Net Income	<u>\$ 159</u>	<u>\$ 122</u>	<u>\$ 37</u>

The Authority had net income of \$159 million for the year ended December 31, 2024, an increase of \$37 million compared to the budget of \$122 million. The 2024 increase was primarily due to higher operating income of \$83 million primarily due to higher market energy prices, and higher capacity prices. which was offset by a increase of \$62M in nonoperating expenses settlement of the St. Regis litigation \$26 million, and impact of full year of interest expense \$32 million, during the current year, with only two months in the prior year on 2023A Bonds.



New York Power Authority Discussion with those charged with governance

Audit results and strategy for the year ending December 31, 2024

March 25, 2025

Audit results: Overview

We are on track to complete our remaining audit procedures and we expect to be in a position to issue our reports in connection with the Authority's consolidated financial statements on or near March 28, 2025.

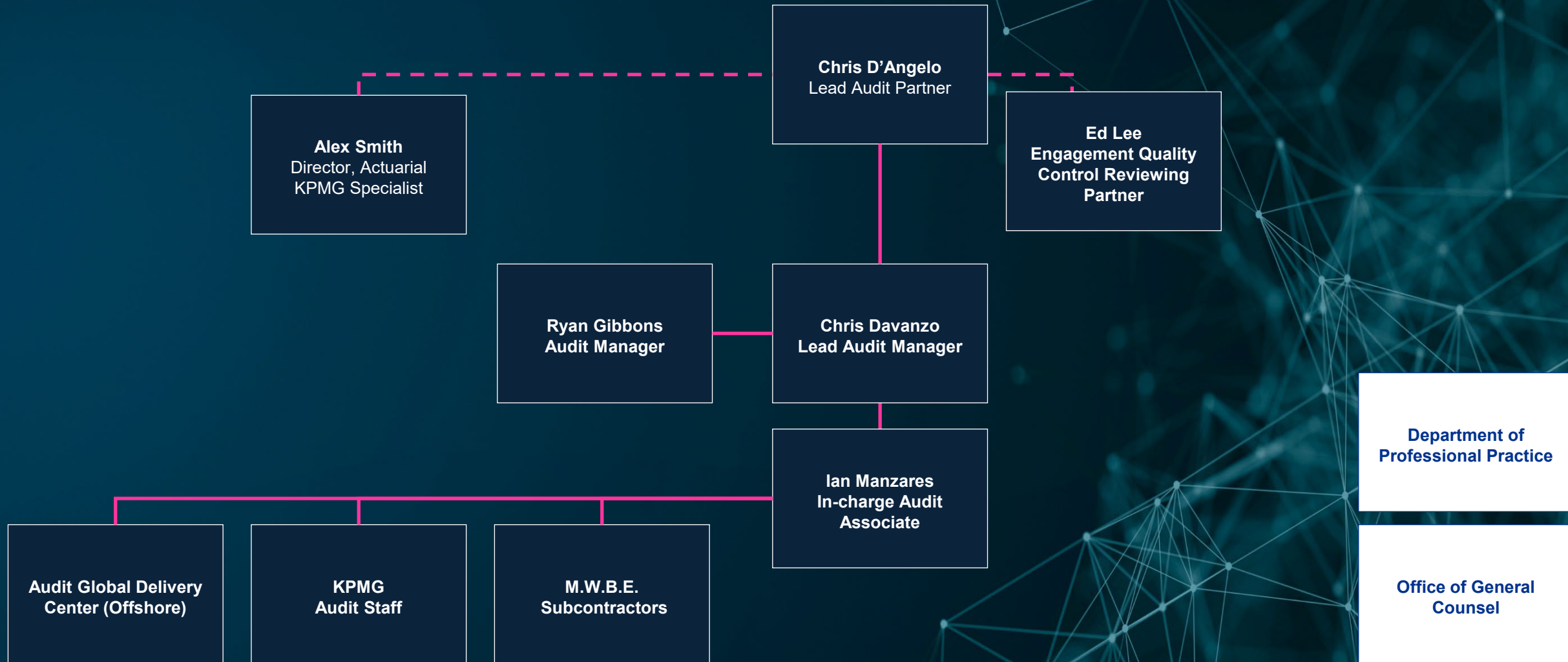
As of March 14, 2025, we draw your attention to the following outstanding matters:

- Completion of our audit procedures, including manager and partner level reviews
- Final audit misstatements and our evaluation thereof, if necessary
- Final tie-out and review of the Authority's financial statements
- Receipt of the management representation letter, external legal confirmations and in-house legal letter

Upon completion of the outstanding matters noted above, KPMG will issue the following reports in connection with the audit of the New York Power Authority's 2024 consolidated financial statements:

- Independent Auditors' Report
- Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Accountants' Report on Investment Compliance

Client service team





Required communications to those charged with governance

Prepared on: March 13, 2025

Presented on: March 25, 2025



Audit results required communications and other matters

Matters to communicate		Response	Matters to communicate		Response
Significant unusual transactions	X		Related parties	X	
Uncorrected audit misstatements	X		Going concern	X	
Corrected audit misstatements	X		Other information	X	
Financial statement presentation and disclosure omissions	X		Subsequent events	X	
Non-GAAP policies and practices	X		Noncompliance with laws and regulations	X	
Auditors' report	X		Significant difficulties encountered during the audit	X	
Changes to our risk assessment and planned audit strategy	X		Significant findings or issues discussed, or the subject of correspondence with management	X	
Significant accounting policies and practices	X		Management's consultation with other accountants	X	
Significant accounting estimates	✓	Pages 10 to 13	Disagreements with management	X	
Significant financial statement disclosures	X		Other significant matters	X	

✓ = Matters to report X = No matters to report

Audit results required communications and other matters

Matters to communicate	
Consultations	There were no difficult or contentious matters for which the auditor consulted outside the engagement team that are relevant to the audit committee's oversight of the financial reporting process
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in system of internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter, management representation letters, including summary of uncorrected misstatements, internal control deficiency letter, and minutes representation letter to be distributed under separate covers.
Independence	See pages 18
Inquiries	See page 19

Internal control related matters

KPMG responsibilities

The purpose of our audit was to express an opinion on the consolidated financial statements.

Our audit included consideration of internal control over financial reporting in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control.

We are not expressing an opinion on the effectiveness of internal control.

Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Material weakness

A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is more than remote but less than likely. Probable is defined as the future event or events are likely to occur.

Significant deficiency

A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

No significant deficiencies or material weaknesses were identified during our audit.

Significant Risks and other significant audit matters

Description of significant risks	Audit findings
Management override of controls	<p>Internal controls</p> <ul style="list-style-type: none">- Assessed management’s design and implementation of controls over manual journal entries (during the year and at the end of the reporting period) and post-closing adjustments <p>Substantive procedures</p> <ul style="list-style-type: none">- Examined journal entries and other adjustments- Reviewed accounting estimates for bias- Evaluated the business purpose for any significant unusual transactions that may have occurred throughout the year- The engagement team considered the risk of management override of controls related to revenue and the Authority’s revenue process is routine and not complex. Additionally, the engagement team confirmed through inquiries that there is no incentive to fraudulently manipulate revenue. <p>Our findings</p> <ul style="list-style-type: none">- The engagement team determined that there are no matters to report related to internal controls or our substantive procedures over management override as of December 31, 2024.

Significant accounting estimates

Description of significant accounting estimates

- Other Post Retirement Benefits (OPEB) including the fair value of plan assets (GASB 75)

Audit findings

Management's process used to develop the estimates

- Management uses a third-party actuary (Buck Consultants) to determine the other postretirement obligation based on the census data provided by the Company as well as the value of the Company's plan assets

Significant assumptions used that have a high degree of subjectivity

- Actuarial assumptions of expected return on plan assets, discount rates, health care cost trends, mortality assumptions and future compensation

Indicators of possible management bias

- No indicators of possible management bias were identified

Procedures / Conclusions

- Utilized a KPMG Actuary to review the Authority's actuarial valuation as of June 30, 2024, including key assumptions such as the discount rate and return on assets;
- Tested the completeness and accuracy of the census data provided by the Authority to its actuary;
- Confirmed the actuarial report directly with the Authority's actuary;
- Utilized the KPMG National Pricing Desk to test the fair value of the Authority's plan assets;
- Confirmed the value of the Authority's plan assets directly with the Authority's custodians;
- Obtained the most recent audited financial statements of the Authority's hard to value plan assets to test the net asset value;
- Ensured the Authority's disclosures within its consolidated financial statements are complete and accurate.

Significant accounting estimates

Description of significant accounting estimates

- Pensions (GASB 68)

Audit findings

Management's process used to develop the estimates

- The Authority and substantially all of the Authority's employees participate in the New York State and Local Employees' Retirement System (NYSLERS), which is a cost-sharing multiple-employer plan in which the participating government employers pool their assets and their obligations to provide defined benefit pensions. The amounts reported by the Authority are for its proportionate share of the net pension liability, pension expense, and deferred outflows and deferred inflows that have been provided by the NYSLERS in accordance with GASB Statement No. 68.

Significant assumptions used that have a high degree of subjectivity

- Actuarial assumptions of cost method, long-term expected rate of return, mortality rates, and discount rate.

Indicators of possible management bias

- No indicators of possible management bias were identified.

Procedures / Conclusions

- Evaluated the use of the external expert who performed the actuarial valuation for NYSLRS to measure the collective total pension liability for the plan as of the measurement date;
- Evaluated whether the methods and assumptions used in determining the total pension liability are in accordance with GASB 68 and Actuarial Standards of Practice are the same as those used by the plan;
- Tested the relevant inputs (census data) utilized in developing the actuarial report;
- Recalculated the allocated amounts for the Authority per the NYSLRS financial statements and GASB 68 Report;
- Recalculated the current year gross incremental deferrals for changes in proportion and differences between the employer's actual contributions and its proportionate share of total employer contributions;
- Recalculated pension expenses based on the employer's specific pension expense in the NYSLRS schedule of pension amounts;
- Utilized KPMG actuarial specialist to validate the appropriateness of the assumptions used and calculations made to arrive at the pension liability.

Significant accounting estimates

Description of significant accounting estimates

- Valuation of Marketable Securities

Audit findings

Management's process used to develop the estimates

- The Authority accounts for investments at fair value. Fair value is determined using quoted market prices at period end and investments are booked to fair value.

Significant assumptions used that have a high degree of subjectivity

- Market Value of securities

Indicators of possible management bias

- No indicators of possible management bias were identified

Procedures / Conclusions

- Confirmed investment balances with the respective banks at December 31, 2024;
- Tested the fair market value of the complete portfolio of investments utilizing the National Pricing Desk;
- Reviewed a sample of investments for compliance with Board approved policies;
- Reviewed the Authority's compliance with Board approved policies for its entire investment portfolio;
- Reviewed the consolidated financial statements for completeness and accuracy of trust assets and obligations.

Significant audit areas

Long-term Debt

Audit Procedures

The engagement team performed the following procedures:

- Confirmed outstanding long-term debt obligations and short-term borrowing program with third parties;
- Performed a debt roll forward from January 1, 2024, to December 31, 2024, and tested material activity during the year as noted below;
- Tested the activity of debt issuances, defeasances, and repayments during FY24;
- Recalculated interest expense for the twelve-month period ended December 31, 2024;
- Reviewed debt covenants and ensured the Authority was compliant as of December 31, 2024;
- Performed testing over any new debt issuances during 2024 including the SFP Transmission Revenue Bonds;
- Reviewed and reconciled the segment disclosures for the breakout between NYPA and SFP.

Conclusions

- The engagement team determined there were no matters to report related to long-term debt as of December 31, 2024.

Significant audit areas

Capital Assets and Allowance for Funds Used During Construction (AFUDC)

Audit Procedures

The engagement team performed the following procedures:

- Performed a roll forward of Construction Work in Process (CWIP) and Plant-in-Service (EPIS) from January 1, 2024, to December 31, 2024;
- Tested the additions to CWIP during 2024 with an emphasis on ensuring that items recorded to CWIP were appropriately capitalizable;
- Performed substantive analytical procedures to determine appropriate depreciation expense for the twelve-month period ended December 31, 2024.

Conclusions

- The engagement team determined there were no matters to report related to capital assets and allowance for funds used during construction as of December 31, 2024.

Significant audit areas

Revenue

Audit Procedures

The engagement team performed the following procedures:

- Confirmed accounts receivables with the South Eastern New York (SENY) and Wholesale customers as of December 31, 2024;
- Tested SENY/Wholesale revenue by agreeing recorded amounts to invoices and cash receipts;
- Performed detailed recalculations of SENY/Wholesale invoices by customer invoices charges and agreeing the billed rates to approved tariffs;
- Performed volume reconciliations for delivery to customers during 2024;
- Confirmed NYISO monthly settlements for the twelve-month period ended December 31, 2024;
- Tested Transmission Congestion Contract auction revenues by agreeing recorded amounts to auction report and cash receipts;
- Tested UCAP revenues by agreeing recorded amounts to NYISO consolidated invoices and weekly UCAP/ICAP market participant payments;
- Performed a trend analysis over Operating Revenues;
- Performed volume reconciliations for delivery to customers during 2024;
- Tested net settlements of Energy Swaps and Futures.

Conclusions

- The engagement team determined there were no matters to report related to revenue as of December 31, 2024.

Required inquiries

- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- How do you exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Has the entity entered into any significant unusual transactions?
- Have there been any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- Has the entity complied with all covenants during the financial statement period and before the date of the auditor's report?
Have there been any events of default during the financial statement period and before the dates of the auditor's report?
- What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Have any subsequent events occurred that might affect the financial statements?



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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On the 2025 board agenda

Issues for boards to keep in mind as they carry out their 2025 agendas



Maintain focus on how management is preparing to address risks and opportunities related to geopolitical and economic shifts and global disruption.



Model and assess what the new administration's policy initiatives might mean for the company's strategy in 2025 and beyond.



Understand the company's generative AI (GenAI) strategy and related risks, and closely monitor the governance structure around the company's deployment and use of technology.



Probe whether the company's data governance and cybersecurity governance frameworks and processes are keeping pace with the growth and sophistication of data-related risks.



Keep environmental and social issues, including climate risk, embedded in risk and strategy discussions, and monitor management's preparations for new US, state, and global sustainability reporting requirements.



Maintain focus on CEO succession and talent development.



Help set the tone, monitor the culture, and keep abreast of management's efforts to build stakeholder trust and protect the company's reputation.



Revisit board and committee risk oversight responsibilities and the allocation of issues among committees, including whether the existing committee structure is still fit for purpose.



Think strategically about the company's future needs and reconsider whether and how the board's composition and succession planning process address them.

KPMG Board Leadership Center: On the 2025 board agenda

Midyear observations on the board agenda

1

Globalization's pendulum swing: shift from highly complex, decentralized supply chains to more centralized and local supply chains.

2

GenAI's trajectory: near term gains in efficiency with longer term seismic shifts in societal structures

3

Soft landing or no landing?: stunningly resilient economy has buoyed the outlook; though potential shocks and big question marks are tempering optimism

4

The business of climate: a bumpy ride ahead: urgency of climate change continues given tangible impacts felt in markets around the world

5

Workforce (in)security: continuing changes in where work gets done, growing employee unrest, and intensifying scrutiny of diversity, equity, and inclusion efforts.

6

The regulatory front: Climate, GenAI, NOCLAR, cyber: policymakers and regulators continue to focus on these matters

7

Digital threats and cyber readiness: threats continue to mount so focus on readiness and resilience are critical

8

Getting ahead of mis-, dis-, and mal-information (MDM): Inaccurate information continues to undermine trust.

9

Talent, strategy, risk – a different TSR?: do these factors determine more than any others whether a company creates long-term shareholder value?

10

America on the world stage: understanding historical context and having geopolitical expertise in boardroom conversations to understand implications in multipolar world.

See the full report at <https://boardleadership.kpmg.us>

US Audit Quality and Transparency reports



- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report



- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards including our System of Quality Control Statement of Effectiveness

Transparency Report

Reports and supplements available at: <https://kpmg.com/us/en/articles/audit-quality-report.html>

For the fiscal year 2024, a separate NYSE supplement is not provided as the relevant information has been incorporated into the main document.



Date: March 25, 2025
To: AUDIT COMMITTEE
From: PRESIDENT & CHIEF EXECUTIVE OFFICER
Subject: New York Power Authority and Canal Corporation Audit Committee Charter

SUMMARY

The Committee is requested to recommend to the New York Power Authority Trustees ("Trustees") and New York State Canal Corporation Board of Directors ("Board of Directors") approval of the Authority's and Canal Corporation Audit Committee Charter at their next meeting.

BACKGROUND

The Authority's Audit Committee Charter was amended on February 20, 2025, to align with the Institute of Internal Auditors' ("IIA") updated Global Internal Audit Standards, which became effective January 9, 2025. The IIA establishes standards for the Internal Audit profession and provides a framework to independently assess organizational risk management, governance, and control processes that deliver value-driven insights to management and the board.

Enhancements to the Audit Committee's oversight responsibilities focus on Internal Audit's authority to fulfill its duties and the Chief Audit Executive's direct access to the Audit Committee. The updates also define the Senior Management's role in working with Internal Audit, which reinforces strong corporate governance.

DISCUSSION

None.

FISCAL INFORMATION

None.

RECOMMENDATION

The Executive Vice President and General Counsel requests that the Committee recommend that the Trustees and Board of Directors approve the Authority's and the Canal Corporation's Audit Committee Charter at their next meeting.

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

Justin E. Driscoll
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the Committee recommends that the attached Authority's and Canal Corporation Audit Committee Charter be approved by the NYPA Board of Trustees and New York State Canal Corporation Board of Directors; and be it further

RESOLVED, That the Chair, the President and Chief Executive Officer, and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority and Canal Corporation 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.

March 25, 2025

AUDIT COMMITTEE CHARTER

A. PURPOSE

The Audit Committee (“Committee”) of the New York Power Authority (“Authority”) Board of Trustees (“Trustees”) and the New York State Canal Corporation (“Corporation”) Board of Directors (“Board of Directors”) oversees the work of the Internal Audit Department and monitors all internal audits and external audits performed by the Independent Auditor and other external agencies as well as management’s corrective action and implementation plans to all audit findings.

The responsibilities of the Committee are to: recommend to the Trustees/Board of Directors the hiring of a certified independent accounting firm for the Authority/Corporation, establish the compensation to be paid to the accounting firm and provide direct oversight of the performance of the independent audit conducted by the accounting firm hired for such purposes, provide direct oversight of the Internal Audit Department, and perform such other responsibilities as the Trustees/Board of Directors may assign it. The Committee is also responsible to provide oversight and guidance for external audits applicable to the Authority/Corporation.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee will be comprised of at least three independent members of the Trustees/Board of Directors, who possess the necessary skills to understand the duties and functions of the Committee and be familiar with corporate finance and accounting. Committee members and the Committee Chair will be selected by a vote of the Trustees/Board of Directors.

Committee members are prohibited from being an employee of the Authority/Corporation or an immediate family member of an employee of the Authority/Corporation. In addition, Committee members shall not engage in any private business transactions with the Authority/Corporation or receive compensation from any private entity that has material business relationships with the Authority/Corporation or be an immediate family member of an individual that engages in private business transactions with the Authority/Corporation or receives compensation from an entity that has material business relationships with the Authority/Corporation.

(2) Term

Committee members will serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be re-elected to serve for

additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee/Board of Director. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

Removal

A Committee member may be removed if he or she is removed as a Trustee/Board of Director for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

(3) Meetings and Quorum

The quorum of the Committee is a majority of the number of regular Committee members selected by the Trustees/Board of Directors.

A majority vote of all Committee members present is required to take action on a matter. The Committee shall hold regularly scheduled meetings at least three times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the President and Chief Executive Officer (“CEO”), Executive Vice President and General Counsel (“GC”), or Chief Audit Executive of the Internal Audit Department (“CAE”). The notice of meeting need not state the purpose for which the meeting has been called. In order to transact business, a quorum must be present.

In addition, the Committee: (1) will meet at least two times a year with the CAE for the purpose of reviewing audit activities, audit findings, management’s response, remediation action plans, and providing the CAE with an opportunity to discuss items and topics of relevance with the Committee; (2) will meet at least twice a year with the independent auditors to discuss the audit work plans, objectives, results and recommendations; and (3) may meet independently with the CEO, GC or CAE on matters or issues and items within the Committee’s purview as it deems necessary. These meetings may be held as part of a regular or special meeting at the Committee’s discretion.

An agenda will be prepared and distributed to each Committee member prior to each meeting and minutes of each meeting will be prepared in accordance with the New York Open Meetings Law. Minutes of the meeting should include, at a minimum:

- a. Date; location; time meeting was called to order and adjourned; and if other Board committee (e.g., Finance & Risk Committee) is meeting simultaneously.
- b. Title and name of attendees; public comments period; title and name of public speakers.
- c. Approval of the official proceedings of the previous month’s Committee meeting.
- d. Pre-Approval of audit and non-auditing services as appropriate, all auditing services and non-audit services to be performed by independent auditors will be presented to and pre-approved by the Committee:
 1. External Audit Approach Plans: Independent auditor presents approach/service plan, which is to be submitted to the Committee electronically.
 2. Internal Audit Activity Report: CAE provides overview of Internal Audit activities.
- e. Follow-up items including communications to the Committee of the current status of selected open issues, concerns, or matters previously brought to the Committee’s attention or requested by the Committee.

- f. Status of audit activities as appropriate; representatives of the certified independent accounting firm or agency management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.
- g. Copies of handouts or materials presented to the Committee.

Any meeting of the Committee may be conducted by video conferencing. To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

C. FUNCTIONS AND POWERS

The Committee has the following responsibilities:

(1) General Powers

The Committee may call upon the resources of the Authority/Corporation to assist the Committee in the discharge of its oversight functions. Such assistance may include the assignment of staff and the retention of external advisors subject to the requirements of the Public Authorities Law and the Authority's Expenditure Authorization Procedures. The Committee may communicate directly with the CEO.

The Committee may direct any employee to make oral or written reports to the Committee on issues and items within the Committee's purview.

The Committee may direct the internal auditors to conduct special audits of items and issues of concern to the Committee.

(2) Oversight of Independent Auditors

The Committee will oversee the relationship with the independent auditors. To accomplish these objectives, the Committee will:

- a. Provide advice to the Trustees/Board of Directors on the selection, engagement, compensation, evaluation, and discharge of the independent auditors.
- b. Review and discuss as necessary the financial statements including any material changes in accounting principles and practices with the independent auditors or members of management.
- c. Review and approve the annual audited financial statements (including the independent auditors' associated management letter).
- d. Oversee the establishment of procedures for the effective receipt and treatment of (i) matters regarding auditing, internal auditing, and accounting matters, and (ii) the confidential submission of concerns raised by whistleblowers and other persons regarding accounting or auditing practices.
- e. Review at least annually the scope, objectives, and results of the independent auditors' examination of the annual financial statements and notes, and report to the Trustees/Board of Directors on the Committee's findings.

- f. Assure the independence of the independent auditors by approving any non-audit work by them for the Authority/Canal Corporation and examining the independent auditor's relationship with the Authority/Canal Corporation.
- g. Report to the Trustees/Board of Directors on any matters relevant to the audit process or independent auditor's communications and make such recommendations as the Committee deems appropriate.

(3) Oversight of the Internal Audit Department

The Internal Audit Department and CAE will report directly to the Committee and administratively (i.e., day-to-day operations) to the SVP, Chief Resiliency Officer. Accordingly, the Committee in conjunction with the full Board of Trustees will:

- a. Provide input to senior management on the appointment and removal of the CAE ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards. The Committee will have the authority over the appointment, dismissal, compensation, and performance review of the CAE.
- b. Review the internal audit charter annually with the CAE and CEO to consider changes affecting the organization, such as organizational structure or changes in the type, severity, and interdependencies of risks to the organization.
- c. Discuss with the CAE other topics that should be included in the internal audit charter.
- d. Ensure that the Internal Audit Department is organizationally independent from Authority/Corporation operations.
- e. Make appropriate inquiries of management and the CAE to determine whether scope or resource limitations are inappropriate, and that activities to facilitate the Company's improvement of internal controls.
- f. Discuss with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- g. Approve the risk-based Internal Audit plan and EH&S Compliance Audit plan including ensuring an independent assessment is conducted for EH&S compliance at the facilities.
- h. Review Internal Audit reports and recommendations of the CAE. This review will include a discussion of significant risks reported in the Internal Audit reports, and an assessment of the responsiveness and timeliness of management's follow-up activities pertaining to the same.
- i. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.
- j. Present periodic reporting to the Trustees/Board of Directors on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues, and recommendations.
- k. Receive communications from the CAE on the IA department's performance relative to its plan and other matters.

- l. Participate in discussions with the CAE and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function including (independence, objectivity, authority).
- m. Review the Committee’s charter annually, reassess its adequacy, and recommend any proposed changes to the Trustees/Board of Directors.
- n. Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.

Standards Conformance

- o. Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with the Global Internal Auditing Standards.
- p. Ensure the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.
- q. Ensure that the internal audit activity has an external quality assurance review every five years.
- r. Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity’s action plans to address any recommendations.
- s. Advise the Trustees/Board of Directors about any recommendations for the continuous improvement of the internal audit activity.

(4) Oversight for External Audits

The Committee will provide oversight for any external audits including the Office of the State Comptroller, Inspector General investigations, and substantive Freedom of Information Law requests. Accordingly, the Committee will:

- a. Receive all external requests, investigations, and audit notifications from the requesting entity.
- b. Receive information at significant milestones during the request, investigation or audit regarding:
 - 1. Preliminary reports of findings.
 - 2. Final draft reports.
 - 3. Management resolutions due 180 days after publication.
- c. Provide sign-off on management comments to final draft reports.

~~December~~ **March 25 XX12, 20253**

AUDIT COMMITTEE CHARTER

A. PURPOSE

The Audit Committee (“Committee”) of the New York Power Authority (“Authority”) Board of Trustees (“Trustees”) and the New York State Canal Corporation (“Corporation”) Board of Directors (“Board of Directors”) oversees the work of the Internal Audit Department and monitors all internal audits and external audits performed by the Independent Auditor and other external agencies as well as management’s corrective action and implementation plans to all audit findings.

The responsibilities of the Committee are to: recommend to the Trustees/Board of Directors the hiring of a certified independent accounting firm for the Authority/Corporation, establish the compensation to be paid to the accounting firm and provide direct oversight of the performance of the independent audit conducted by the accounting firm hired for such purposes, provide direct oversight of the Internal Audit Department, and perform such other responsibilities as the Trustees/Board of Directors may assign it. The Committee is also responsible to provide oversight and guidance for external audits applicable to the Authority/Corporation.

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Committee members are prohibited from being an employee of the Authority/Corporation or an immediate family member of an employee of the Authority/Corporation. In addition, Committee members shall not engage in any private business transactions with the Authority/Corporation or receive compensation from any private entity that has material business relationships with the Authority/Corporation or be an immediate family member of an individual that engages in private business transactions with the Authority/Corporation or receives compensation from an entity that has material business relationships with the Authority/Corporation.

(2) Term

Committee members will serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be re-elected to serve for

additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee/Board of Director. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

Removal

A Committee member may be removed if he or she is removed as a Trustee/Board of Director for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

(3) Meetings and Quorum

The quorum of the Committee is a majority of the number of regular Committee members selected by the Trustees/Board of Directors.

A majority vote of all Committee members present is required to take action on a matter. The Committee shall hold regularly scheduled meetings at least three times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the President and Chief Executive Officer (“CEO”), Executive Vice President and General Counsel (“GC”), or Chief Audit Executive of the Internal Audit Department (“CAE”). The notice of meeting need not state the purpose for which the meeting has been called. In order to transact business, a quorum must be present.

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- a. Date; location; time meeting was called to order and adjourned; and if other Board committee (e.g., Finance & Risk Committee) is meeting simultaneously.
- b. Title and name of attendees; public comments period; title and name of public speakers.
- c. Approval of the official proceedings of the previous month’s Committee meeting.
- d. Pre-Approval of audit and non-auditing services as appropriate, all auditing services and non-audit services to be performed by independent auditors will be presented to and pre-approved by the Committee:
 1. External Audit Approach Plans: Independent auditor presents approach/service plan, which is to be submitted to the Committee electronically.
 2. Internal Audit Activity Report: CAE provides overview of Internal Audit activities.
- e. Follow-up items including communications to the Committee of the current status of selected open issues, concerns, or matters previously brought to the Committee’s attention or requested by the Committee.

- f. Status of audit activities as appropriate; representatives of the certified independent accounting firm or agency management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.
- g. Copies of handouts or materials presented to the Committee.

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The Committee may direct any employee to make oral or written reports to the Committee on issues and items within the Committee's purview.

The Committee may direct the internal auditors to conduct special audits of items and issues of concern to the Committee.

(2) Oversight of Independent Auditors

The Committee will oversee the relationship with the independent auditors. To accomplish these objectives, the Committee will:

- a. Provide advice to the Trustees/Board of Directors on the selection, engagement, compensation, evaluation, and discharge of the independent auditors.
- b. Review and discuss as necessary the financial statements including any material changes in accounting principles and practices with the independent auditors or members of management.
- c. Review and approve the annual audited financial statements (including the independent auditors' associated management letter).
- d. Oversee the establishment of procedures for the effective receipt and treatment of (i) matters regarding auditing, internal auditing, and accounting matters, and (ii) the confidential submission of concerns raised by whistleblowers and other persons regarding accounting or auditing practices.
- e. Review at least annually the scope, objectives, and results of the independent auditors' examination of the annual financial statements and notes, and report to the Trustees/Board of Directors on the Committee's findings.

- f. Assure the independence of the independent auditors by approving any non-audit work by them for the Authority/Canal Corporation and examining the independent auditor's relationship with the Authority/Canal Corporation.
- g. Report to the Trustees/Board of Directors on any matters relevant to the audit process or independent auditor's communications and make such recommendations as the Committee deems appropriate.

(3) Oversight of the Internal Audit Department

The Internal Audit Department and CAE will report directly to the Committee and administratively (i.e., day-to-day operations) to the SVP, Chief Resiliency Officer. Accordingly, the Committee in conjunction with the full Board of Trustees will:

- a. Provide input to senior management on the appointment and removal of the CAE ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards. The Committee will have the authority over the appointment, dismissal, compensation, and performance review of the CAE. Have authority over appointment, dismissal, compensation, and performance reviews of the CAE.
- b. Review the internal audit charter annually with the CAE, and CEO to consider changes affecting the organization, such as organizational structure or changes in the type, severity, and interdependencies of risks to the organization. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with the CEO and the CAE.
- ~~b-c.~~ Discuss with the CAE other topics that should be included in the internal audit charter.
- ~~e-d.~~ Ensure that the Internal Audit Department is organizationally independent from Authority/Corporation operations.
- e. Make appropriate inquiries of management and the CAE to determine whether scope or resource limitations are inappropriate, and that activities to facilitate the Company's improvement of internal controls. Provide oversight of the Internal Audit Department and its resources and activities to facilitate the Internal Audit Department's improvement of internal controls.
- ~~d-f.~~ Discuss with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- ~~e-g.~~ Approve the risk-based Internal Audit plan and EH&S Compliance Audit plan including ensuring an independent assessment in conducted for EH&S compliance at the facilities. Provide oversight for the EH&S Compliance Audit Program as part of Internal Audit's audit activities to ensure an independent assessment is conducted for EH&S compliance at the facilities.
- ~~f-h.~~ Review Internal Audit reports and recommendations of the CAE. This review will include a discussion of significant risks reported in the Internal Audit reports, and an assessment of the responsiveness and timeliness of management's follow-up activities pertaining to the same.
- ~~g-i.~~ Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.

i. Present periodic reporting to the Trustees/Board of Directors on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues, and recommendations.

~~h.k.~~ Receive communications from the CAE on the IA department's performance relative to its plan and other matters.

~~h.l.~~ Participate in discussions with the CAE and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function including (independence, objectivity, authority).

~~j.m.~~ Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Trustees/Board of Directors.

~~k.n.~~ Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.

Standards Conformance

~~l.o.~~ Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with the Global Internal Auditing ~~IA's International Standards. -for the Professional Practice of Internal Auditing (Standards).~~

- l. Ensure the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.
- m. Ensure that the internal audit activity has an external quality assurance review every five years.
- n. Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- o. Advise the Trustees/Board of Directors about any recommendations for the continuous improvement of the internal audit activity.

(4) Oversight for External Audits

The Committee will provide oversight for any external audits including the Office of the State Comptroller, Inspector General investigations, and substantive Freedom of Information Law requests. Accordingly, the Committee will:

- a. Receive all external requests, investigations, and audit notifications from the requesting entity.
- b. Receive information at significant milestones during the request, investigation or audit regarding:
 - 1. Preliminary reports of findings.
 - 2. Final draft reports.
 - 3. Management resolutions due 180 days after publication.
- c. Provide sign-off on management comments to final draft reports.



Date: March 25, 2025
To: AUDIT COMMITTEE
From: PRESIDENT & CHIEF EXECUTIVE OFFICER
Subject: New York Power Authority Internal Audit Charter

SUMMARY

The Committee is requested to recommend to the New York Power Authority Trustees ("Trustees") approval of the Authority's Internal Audit Charter at their next meeting.

BACKGROUND

The Authority's Internal Audit Charter was amended on February 6, 2025, to align with the Institute of Internal Auditors updated Global Internal Audit Standards, which became effective on January 9, 2025. The IIA establishes standards for the Internal Audit profession and provides a framework to independently assess organizational risk management, governance, and control processes that deliver value-driven insights to management and the board.

Enhancements to Ethics and Professionalism, Independence and Reporting Relationships, Functional Mandate, and Audit Committee Oversight, elevates the quality of the Internal Audit function, reinforcing the foundation for strong corporate governance.

DISCUSSION

None.

FISCAL INFORMATION

None.

RECOMMENDATION

The Executive Vice President and General Counsel requests that the Committee recommend that the Trustees and Board of Directors approve the Authority's Internal Audit Charter at their next meeting.

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

Justin E. Driscoll
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the Committee recommends that the attached Internal Audit Charter be approved by the Trustees; and be it further

RESOLVED, That the Chair, the President and Chief Executive Officer, and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority and Canal Corporation 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.

Internal Audit Charter

Note: Revision # should be listed in descending order starting with most recent version at the top.

Revision Date (For IBC Use Only)	Revision #	Description/Modification	Revision Section (s)	Author
11/21/2024 2/6/2025 2/5/2025 2/6/2025	7	Update Charter to align with the newly implemented Institute of Internal Auditors Global Internal Audit Standards. Additionally, consolidated references to the Internal Audit Plan which includes Environment Health and Safety (EH&S) for consistency throughout the document.	Various Sections	Salman Ali SVP Internal Audit
9/14/2023	6	Charter Update – Change to CEO title.	Various Sections	Angela Gonzalez, SVP Internal Audit
7/12/2023	5	Annual Review – Change CEO title.	Various Sections	Angela Gonzalez, SVP Internal Audit
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10/5/2018	1	Update to Charter	Various Sections	Angela Gonzalez,

				SVP Internal Audit
12/17/2015	0	Creation of Charter This Charter replaces the Internal Audit Program Company Policy 5-1. There were 5 prior versions of the previous policy	N/A	Jennifer Faulkner, SVP Internal Audit

1 PURPOSE

Purpose

The mission of the Internal Audit (IA) function is to provide independent, objective audit and advisory services designed to add value, manage risks, and improve NYPA and Canal Corporation (NYPA and Canals) operations. IA helps the organization accomplish its objectives by bringing a systemic and disciplined approach to evaluating and improving the effectiveness of NYPA and Canals governance, risk management, and internal controls. This includes processes designed to evaluate the effectiveness and efficiency of operations, ability to execute on strategic initiatives, reliability of financial reporting, and compliance with applicable laws and regulations.

2 STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING COMMITMENT TO ADHERING TO THE GLOBAL INTERNAL AUDIT STANDARDS

NYPA's internal audit function is most effective when Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards (Standards), which are set in the public interest.

The Chief Audit Executive (CAE) will report annually to senior management and the Audit Committee of the Board of Trustees (Audit Committee) regarding the IA Department's conformance with the Standards which will be assessed through a quality assurance and improvement program.

3 MANDATE

3.1 Authority

The internal audit function's authority is created by its direct reporting relationship to the Audit Committee. The CAE will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The CAE will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the SVP, Chief Risk &

Resiliency Officer. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the audit committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

To establish, maintain, and assure that NYPA and Canals' IA Department has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the IA Department's charter. Review the internal audit charter annually with the CAE to consider changes affecting the organization, such as the employment of a new CAE or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter upon changes.
- Approve the risk-based Internal Audit plan and Environmental Health & Safety (EH&S) Compliance Audit plan (collectively known as 'the Internal Audit Plan');
- Approve the IA Department's budget and resource plan.
- Receive communications from the CAE on the IA Department's performance relative to its plan and other matters.
- Provide input to senior management on the appointment and removal of the CAE ensuring adequate competencies and qualifications and conformance with the Standards.
- Approve decisions regarding the appointment and removal of the CAE.
- Approve- Provide insight regarding the remuneration of the CAE.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.
- Discuss with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Discuss with the CAE and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the CAE and senior management about the "essential conditions," described in the Standards, which establish the foundation that enables an effective internal audit function.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the CAE to determine whether scope or resource limitations are inappropriate.

The CAE will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without management present. The CAE will also have access to the Executive Management Committee (EMC).

The Audit Committee authorizes the IA ~~D~~epartment to:

- Have full and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary NYPA and Canals personnel, as well as other specialized services from within or outside NYPA and Canals, to complete the engagement.

3.2 **Responsibilities**

The CAE has the responsibility to:

- Submit, at least annually, to executive management and the Audit Committee a risk based Internal Audit plan ~~and EH&S Compliance Audit plan~~ for review and approval. The CAE must create an internal audit plan that supports the achievement of the organization's objectives.
- Communicate to executive management and the Audit Committee the impact of resource limitations on the Internal Audit plan ~~and EH&S Compliance Audit plan~~.
- Review and adjust the Internal Audit plan ~~and EH&S Compliance Audit plan~~, as necessary, in response to changes in NYPA and Canals' governance, statutory authority, business, risks, operations, programs, systems, and controls.
- Communicate to executive management and the Audit Committee any significant interim changes to the Internal Audit ~~p~~lan ~~and EH&S Compliance Audit plan~~.
- Ensure each engagement of the Internal Audit plan ~~and EH&S Compliance Audit plan~~ is fully executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement observations and corrective actions and report periodically to executive management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of independence, integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the IA department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the IA charter.
- Ensure trends and emerging issues that could impact NYPA and Canals are considered and communicated to executive management and the Audit Committee as appropriate.

- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the IA department.
- Ensure adherence to NYPA and Canals' Code of Conduct and relevant policies and procedures, unless such policies and procedures conflict with the IA charter. Any such conflicts will be resolved or otherwise communicated to executive management, the Office of Ethics and Compliance and the Audit Committee.

Ensure that internal auditors conform with the Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

- Ensure conformance of the IA department with the ~~IA Standards~~ (Standards), with the following qualifications:
 - If the IA department is prohibited by law or regulation from conformance with certain parts of the Standards, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the CAE will ensure that the IA department conforms with the Standards, even if the IA department also conforms with the more restrictive requirements of other authoritative bodies.
- Confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the CAE will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAE will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.
- In coordination with the Controller, Law Department, and the Corporate Secretary's Office, communicate to the Audit Committee any external audit engagements or requests applicable to NYPA or ~~the Canals Corporation~~; provide related updates on key audit developments and obtain comments on engagement reports prior to final issuance or publication.
- Provide periodic communications to executive management and the Audit Committee regarding required communications noted by the Standards, including but not limited to: ethical violations, impairments to objectivity, disagreements affecting IA's ability to execute its responsibilities, plans for external quality assessments, IA strategy and budget, and the impact of technology limitations on the internal audit function.

4 INDEPENDENCE AND OBJECTIVITY

The CAE will ensure that the IA department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties, including the Chief Ethics and Compliance Officer.

Internal auditors will maintain an unbiased approach that allows them to perform engagements objectively and in such a manner that they can justify believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any financial or operational duties for NYPA and Canals or their affiliates.
- Initiating or approving transactions external to the IA department.
- Directing the activities of any NYPA and Canals employee not employed by the IA department, except to the extent that such employees have been appropriately assigned to audit teams or to otherwise assist internal auditors.

Where the CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to the CAE and other appropriate parties, including the Chief Ethics and Compliance Officer.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process under examination.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest or undue influence with their own interests or by others in forming judgments.

The CAE will confirm to the Audit Committee, at least annually, the organizational independence of the IA department.

The CAE will disclose to the Audit Committee any interference or undue influence and their related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for NYPA and Canals. Internal Audit is also responsible for conducting annual ~~Environmental, Health and Safety (EH&S)~~ Compliance audits. Internal audit assessments include evaluating whether:

- Risks related to the achievement of NYPA and Canals' strategic objectives are appropriately identified and managed.
- The actions of NYPA and Canals' officers, directors, employees, contingent workers, and consultants are compliant with NYPA and Canals' policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact NYPA and Canals operations.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.
- Collaboration occurs among IA, Enterprise Risk ~~and Resilience Management~~ and the Ethics and Compliance Office to report significant risk exposures and control issues, including fraud risks and governance issues.

The CAE also coordinates activities, where possible, and ~~may considers relying~~ rely upon the work of other internal and approved external assurance and consulting service providers as needed. The IA ~~De~~partment may perform advisory and related client service activities, the nature and scope of which will be agreed upon with the client, provided the IA department does not assume management responsibility.

5 QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

IA will maintain a Quality Assurance and Improvement Program that covers all aspects of the IA function. The program will include an evaluation of the IA department's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the IA department and identify opportunities for improvement.

The CAE will communicate to executive management and the Audit Committee on the IA department's Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside NYPA and Canals.

6 MANAGING THE INTERNAL AUDIT FUNCTION

The CAE is delegated the authority and discretion to perform audit and advisory services and to oversee the IA function. The CAE will promote a strong control environment and emulate appropriate "tone at the top." The CAE will also be responsible for maintaining a professional IA department which possesses sufficient knowledge, skills, experience, and professional qualifications to meet the requirements of the IA charter.

In addition, the CAE will be responsible for overseeing the following aspects of the IA function:

- Developing and overseeing the execution of IA and EH&S Compliance audit work programs which should address the appropriate scope and techniques required to achieve the audit objectives.
- Overseeing the development of work papers that meet the quality standards required by management and are consistent with audit professional standards.
- Coordinating alignment with other risk management and compliance functions.
- Serving as a business partner to proactively identify risks and support execution of NYPA and Canals strategies.
- Maintaining updated job descriptions, roles, and competencies for each staff level and updating the organizational chart, as necessary.
- Periodically reviewing critical hiring and recruiting needs and any competency gaps.
- Developing staff with skills that can be transferred to other areas of the business.
- Aligning to professional standards and serving as a training and talent development organization within NYPA and Canals.
- Effectively onboarding IA new hires and providing core training materials and ongoing training and development that correlates to competency and career planning.
- Developing and deploying effective methodologies to execute the function's mandate.
- Assessing, ~~and~~ identifying and deploying appropriate technologies required to support the function and add value to NYPA and Canals.

7 NATURE OF WORK

IA will develop an annual audit plan based on the prioritization of the audit universe, an appropriate risk-based methodology, and input from management and the Audit Committee. The established audit universe defines the auditable entities and risks that IA will monitor and

mitigate. These elements will include operational, financial, compliance, strategic and information technology risk. IA will generally perform three categories of IA activities:

- **Audits** – IA will provide independent assurance activities of the performance of NYPA and Canals governance, risk management, compliance and control processes and EH&S compliance.
- **Assessments** – IA will provide independent assessment activities focused on process improvement opportunities, risk identification and mitigation within new processes and initiatives.
- **Advisory** – IA will provide various consulting activities in either documented form or real-time feedback applied to new processes, initiatives, or other identified management requests. IA is considered a partner and trusted advisor in these efforts.

8 ENGAGEMENT PLANNING AND AUDIT PERFORMANCE

IA will perform an annual risk assessment to create ~~an the~~ Internal Audit plan ~~and the EH&S Compliance Audit plan~~. As part of the risk assessment, IA will consider feedback from management at various levels, existing risk profile, emerging risks, strategic objectives, prior years' internal audit results, and significant upcoming industry, regulatory and organizational changes, among others, to understand risks faced by NYPA and Canals. In addition to the development and execution of the Internal Audit plan ~~and EH&S Compliance Audit plan~~, IA will be responsible for budget and resource allocation, managing personnel assigned to projects, scope determination, and communication protocols with management for each of its projects.

Annually IA will execute the ~~annua Internal~~ Audit plan and ~~the EH&S Compliance Audit plan~~, including as appropriate, any special projects requested by the Audit Committee, the CEO and/or applicable members of management. As part of audit execution, IA will be responsible for:

- Establishing end-to-end audit timelines including ongoing risk monitoring activities, planning, and fieldwork, required status meetings and reporting.
- Establishing an understanding with the business regarding audit objectives, scope, timelines, and reporting of observations and recommendations.
- Using all records, personnel, and physical properties within NYPA and Canals in an ethical manner, and in accordance with NYPA and Canals policies and procedures, to avoid undue interruption of normal operations.
- Taking responsibility for employee privacy and confidentiality of information obtained during audit projects.

9 COMMUNICATING RESULTS

The CAE will report periodically to executive management and the Audit Committee regarding:

- The IA department's purpose, authority, and responsibility.
- The IA department's plan and performance relative to its plan.

- The IA department's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to NYPA and Canals.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

IA will review IA reports and communicate all observations with appropriate management in a manner that will allow management to assess the adequacy of internal controls and understand remediation factors that should take place. All observations will be agreed upon with management prior to report issuance. In addition, IA will execute a report rating process whereby observations and reports will be rated against a scale of pre-defined criteria. Observations will be rated on a scale of High, Medium, and Low, and reports will be evaluated as Satisfactory, Some Improvement Needed, Considerable Improvement Needed and Unsatisfactory. Ratings will be relative to the individual observation, risk categories, or risks to NYPA and Canals and may consider materiality or potential impact.

IA will provide reasonable and appropriate recommendations for corrective action plans (i.e., management action plans and/or management recommendations) which management will agree to and provide IA with an action owner and timeline by which remediation is expected.

10 MONITORING PROCESS

Management action plans will be monitored on a monthly basis. Any recommended action that, in the judgment of IA, does not receive adequate attention will be escalated to an appropriate level of management for resolution. The escalation process may involve successive levels of management and may include the EMC, the CEO, and the Audit Committee in the event a high rated observation is not timely or satisfactorily resolved. Management of the audited organization shall be notified of the intent to escalate a particular issue and will be encouraged to participate in its resolution.

Approval/Signatures

Angela Gonzalez Salman Ali

8/2/2023 1/30/2025

Chief Audit Executive

Date



Charter Title:
Internal Audit Charter

Charter Number:
CP 5-1

Page:
11 of 11

Board/Audit Committee Chair Date

Chief Executive Officer Date

Internal Audit Charter

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- Approve the risk-based Internal Audit plan and Environmental Health & Safety (EH&S) Compliance Audit plan (collectively known as 'the Internal Audit Plan').
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- Approve decisions regarding the appointment and removal of the CAE.
- Provide insight regarding the remuneration of the CAE.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.
- Discuss with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Discuss with the CAE and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the CAE and senior management about the "essential conditions," described in the Standards, which establish the foundation that enables an effective internal audit function.
- Ensure a quality assurance and improvement program has been established and review the results annually.
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The CAE has the responsibility to:

- Submit, at least annually, to executive management and the Audit Committee a risk-based Internal Audit plan for review and approval. The CAE must create an internal audit plan that supports the achievement of the organization's objectives.
- Communicate to executive management and the Audit Committee the impact of resource limitations on the Internal Audit plan.
- Review and adjust the Internal Audit plan as necessary, in response to changes in NYPA and Canals' governance, statutory authority, business, risks, operations, programs, systems, and controls.
- Communicate to executive management and the Audit Committee any significant interim changes to the Internal Audit Plan.
- Ensure each engagement of the Internal Audit plan is fully executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
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- Ensure the principles of independence, integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the IA department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the IA charter.
- Ensure trends and emerging issues that could impact NYPA and Canals are considered and communicated to executive management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.

- Establish and ensure adherence to policies and procedures designed to guide the IA department.
- Ensure adherence to NYPA and Canals' Code of Conduct and relevant policies and procedures, unless such policies and procedures conflict with the IA charter. Any such conflicts will be resolved or otherwise communicated to executive management, the Office of Ethics and Compliance and the Audit Committee.
- Ensure that internal auditors conform with the Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Ensure conformance of the IA department with the (Standards), with the following qualifications:
 - If the IA department is prohibited by law or regulation from conformance with certain parts of the Standards, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
- If the Standards are used in conjunction with requirements issued by other authoritative bodies, the CAE will ensure that the IA department conforms with the Standards, even if the IA department also conforms with the more restrictive requirements of other authoritative bodies. Confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the CAE will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAE will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.
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- Provide periodic communications to executive management and the Audit Committee regarding required communications noted by the Standards, including but not limited to; ethical violations, impairments to objectivity, disagreements affecting IA's ability to execute its responsibilities, plans for external quality assessments, IA strategy and budget, and the impact of technology limitations on the internal audit function.

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The CAE will ensure that the IA department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties, including the Chief Ethics and Compliance Officer.

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- Assessing specific operations for which they had responsibility within the previous year.
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Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for NYPA and Canals. Internal Audit is also responsible for conducting annual Compliance audits. Internal audit assessments include evaluating whether:

- Risks related to the achievement of NYPA and Canals' strategic objectives are appropriately identified and managed.
- The actions of NYPA and Canals' officers, directors, employees, contingent workers, and consultants are compliant with NYPA and Canals' policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact NYPA and Canals operations.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.
- Collaboration occurs among IA, Enterprise Risk and Resilience and the Ethics and Compliance Office to report significant risk exposures and control issues, including fraud risks and governance issues.

The CAE also coordinates activities, where possible, and may rely upon the work of other internal and approved external assurance and consulting service providers as needed. The IA Department may perform advisory and related client service activities, the nature and scope of which will be agreed upon with the client, provided the IA department does not assume management responsibility.

5 QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

IA will maintain a Quality Assurance and Improvement Program that covers all aspects of the IA function. The program will include an evaluation of the IA department's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the IA department and identify opportunities for improvement.

The CAE will communicate to executive management and the Audit Committee on the IA department's Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside NYPA and Canals.

6 MANAGING THE INTERNAL AUDIT FUNCTION

The CAE is delegated the authority and discretion to perform audit and advisory services and to oversee the IA function. The CAE will promote a strong control environment and emulate appropriate "tone at the top." The CAE will also be responsible for maintaining a professional IA

department which possesses sufficient knowledge, skills, experience, and professional qualifications to meet the requirements of the IA charter.

In addition, the CAE will be responsible for overseeing the following aspects of the IA function:

- Developing and overseeing the execution of IA and EH&S Compliance audit work programs which should address the appropriate scope and techniques required to achieve the audit objectives.
- Overseeing the development of work papers that meet the quality standards required by management and are consistent with audit professional standards.
- Coordinating alignment with other risk management and compliance functions.
- Serving as a business partner to proactively identify risks and support execution of NYPA and Canals strategies.
- Maintaining updated job descriptions, roles, and competencies for each staff level and updating the organizational chart, as necessary.
- Periodically reviewing critical hiring and recruiting needs and any competency gaps.
- Developing staff with skills that can be transferred to other areas of the business.
- Aligning to professional standards and serving as a training and talent development organization within NYPA and Canals.
- Effectively onboarding IA new hires and providing core training materials and ongoing training and development that correlates to competency and career planning.
- Developing and deploying effective methodologies to execute the function's mandate.
- Assessing, identifying and deploying appropriate technologies required to support the function and add value to NYPA and Canals.

7 NATURE OF WORK

IA will develop an annual audit plan based on the prioritization of the audit universe, an appropriate risk-based methodology, and input from management and the Audit Committee. The established audit universe defines the auditable entities and risks that IA will monitor and mitigate. These elements will include operational, financial, compliance, strategic and information technology risk. IA will generally perform three categories of IA activities:

- **Audits** – IA will provide independent assurance activities of the performance of NYPA and Canals governance, risk management, compliance and control processes and EH&S compliance.
- **Assessments** – IA will provide independent assessment activities focused on process improvement opportunities, risk identification and mitigation within new processes and initiatives.
- **Advisory** – IA will provide various consulting activities in either documented form or real-time feedback applied to new processes, initiatives, or other identified management requests. IA is considered a partner and trusted advisor in these efforts.

8 ENGAGEMENT PLANNING AND AUDIT PERFORMANCE

IA will perform an annual risk assessment to create the Internal Audit plan. As part of the risk assessment, IA will consider feedback from management at various levels, existing risk profile, emerging risks, strategic objectives, prior years' internal audit results, and significant upcoming industry, regulatory and organizational changes, among others, to understand risks faced by NYPA and Canals. In addition to the development and execution of the Internal Audit plan, IA will be responsible for budget and resource allocation, managing personnel assigned to projects, scope determination, and communication protocols with management for each of its projects.

Annually IA will execute the Internal Audit plan and, including as appropriate, any special projects requested by the Audit Committee, the CEO and/or applicable members of management. As part of audit execution, IA will be responsible for:

- Establishing end-to-end audit timelines including ongoing risk monitoring activities, planning, and fieldwork, required status meetings and reporting.
- Establishing an understanding with the business regarding audit objectives, scope, timelines, and reporting of observations and recommendations.
- Using all records, personnel, and physical properties within NYPA and Canals in an ethical manner, and in accordance with NYPA and Canals policies and procedures, to avoid undue interruption of normal operations.
- Taking responsibility for employee privacy and confidentiality of information obtained during audit projects.

9 COMMUNICATING RESULTS

The CAE will report periodically to executive management and the Audit Committee regarding:

- The IA department's purpose, authority, and responsibility.
- The IA department's plan and performance relative to its plan.
- The IA department's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to NYPA and Canals.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

IA will review IA reports and communicate all observations with appropriate management in a manner that will allow management to assess the adequacy of internal controls and understand remediation factors that should take place. All observations will be agreed upon with management prior to report issuance. In addition, IA will execute a report rating process whereby observations and reports will be rated against a scale of pre-defined criteria. Observations will be rated on a scale of High, Medium, and Low, and reports will be evaluated as Satisfactory, Some Improvement Needed, Considerable Improvement Needed and Unsatisfactory. Ratings will be relative to the individual observation, risk categories, or risks to NYPA and Canals and may consider materiality or potential impact.

IA will provide reasonable and appropriate recommendations for corrective action plans (i.e., management action plans and/or management recommendations) which management will agree to and provide IA with an action owner and timeline by which remediation is expected.

10 MONITORING PROCESS

Management action plans will be monitored on a monthly basis. Any recommended action that, in the judgment of IA, does not receive adequate attention will be escalated to an appropriate level of management for resolution. The escalation process may involve successive levels of management and may include the EMC, the CEO, and the Audit Committee in the event a high rated observation is not timely or satisfactorily resolved. Management of the audited organization shall be notified of the intent to escalate a particular issue and will be encouraged to participate in its resolution.

Approval/Signatures

<i>Salman Ali</i>	2/14/2025
_____	_____
Chief Audit Executive	Date
_____	_____
Board/Audit Committee Chair	Date
_____	_____
Chief Executive Officer	Date



**MINUTES OF THE REGULAR MEETING
OF THE
NYPA AND CANAL AUDIT COMMITTEE
December 10, 2024**

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Minutes of the meeting of the New York Power Authority and Canal Corporation's Audit Committee, held at NYPA's administrative office building, White Plains, New York, at approximately 8:30 a.m.

The following Members of the Audit Committee were present:

Dennis G. Trainor – Chair
John R. Koelmel
Bethaida Gonzalez
Cecily Morris
Michael J. Cusick
Lewis M. Warren, Jr.
Laurie Wheelock

Also in attendance were:

Justin E. Driscoll	President and Chief Executive Officer
Adam Barsky	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Lori Alesio	Executive Vice President and General Counsel
Daniella Piper	Executive Vice President and Chief Innovation Officer
Yves Noel	Senior Vice President and Chief Strategy Officer
Robert Piascik	Senior Vice President and Chief Information & Technology Officer
Alexis Harley	Senior Vice President and Chief Risk and Resiliency Officer
Angela Gonzalez	Senior Vice President – Internal Audit
Karina Saslow	Senior Vice President – Human Resources
Charles Imohiosen	Senior Vice President – Communications and External Affairs
Salman Ali	Senior Vice President – Internal Audit
Carley Hume	Senior Vice President – Policy and Regulatory Affairs
Karen Delince	Vice President and Corporate Secretary
Joseph Gryzlo	Vice President and Chief Ethics & Compliance Officer
Victor Costanza	Vice President and Chief Information Security Officer
Sundeep Thakur	Controller
Pooja Nayyar	Sr. Director – Organizational and Talent Development
Christopher Vitale	Director of Projects – Business Services
Ignacio Bullrich	Director – Internal Audit
Nashita Mody	Director – Internal Audit
Sheila Quatrocci	Senior Associate Corporate Secretary
Michele Stockwell	Assistant - Corporate Secretary
Christopher D'Angelo	KPMG
Christopher D'Avanzo	KPMG

Chairman Dennis Trainor presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairman Dennis Trainor welcomed committee members and senior staff to the meeting. He 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 Audit Committee Charter.

1. Adoption of the December 10, 2024 Proposed Meeting Agenda

On motion made by Member John Koelmel and seconded by Member Lewis Warren, Jr., the agenda for the meeting was unanimously adopted, as amended.

2. DISCUSSION AGENDA:

Chairman Dennis Trainor invited Mr. Salman Ali, Senior Vice President of Internal Audit, to provide an update on the Internal Audit Plan for the Authority and Canal Corporation.

a. New York Power Authority and Canal Corporation Internal Audit Update

Mr. Salman Ali said that he would be reporting on the 2024 Internal Audit (“IA”) Plan, observation trends and the progress on IA’s digital audit strategy. In addition, two members of the IA leadership team would provide reports on the Quality Assurance program and results from a recent external assessment. The members would then be requested to approve IA’s proposed 2025 budget.

i. 2024 Internal Audit (“IA”) Update

2024 Internal Audit Scorecard

Audit Execution Scorecard – November 2024

2024 Audit Plan Completion

26 reports completed (Audit Plan approximately 55% complete)

2024 Audit Plan Status

7 audit reports are expected to be completed in December which will result in the Audit Plan being 66% complete. The Audit Plan is on track to meet its year-end target, April 2025.

Operational Excellence

Key Performance Indicators (KPIs), including the Audit Cycle, Report Issuance and Audit Opinion are tracking well against the established targets. (the deliverables are benchmarked against Gartner)

The Audit Deliverables Opinion is at 57%. The reason for this result is that the Authority had more non-opinion-based reviews focused on strategic initiatives such as the Enterprise Resource Planning and Enterprise Management System implementation. At the end of the year, Opinion-Based results are expected to be 69%.

Department Utilization

Department utilization, which shows how the organization is focused on audit execution efficiency, is above the established thresholds. Overall, IA has strong momentum in completing the Audit Plan.

Audit Observation Scorecard - (NYPA and Canals and EH&S)

In 2023, 90% of observations were closed. The 8 remaining observations are on track to close.

2024 Observation Summary Status - (NYPA and Canals and EH&S)

- All high priority observations are progressing and tracking on time with no overdue item extensions.
- 31 observations were identified; 32% of the observations closed to date.
- The focus remains on closing all items by their deadlines and ensuring that risks are mitigated as planned.
- IA continues to see a decline in the overall observation volume which is an indication of the organization's proactive risk culture.

The team is on track to meet the deliverables by the due dates. No extensions have been requested.

2024 Observation Summary Status – Environmental, Health and Safety Compliance

- 9 observations have been identified for 2024 (4 high and 5 medium)
- All observations are on track to close by their due dates.

2023 NYPA and Canals Open Observation Summary Status

The team tracks “on target,” “at caution,” and “at risk” observations. They also have dialogues with members of the Executive Management Committee on items which are outstanding from the prior year. The team has full confidence that these items will close on time and will continue these observations, going forward.

IA Strategy – Digital Internal Audit Update

Internal Audit is highly focused on using digital analytics to strengthen the way the team performs audits. It will augment the way the team looks at results which would be with more precision as opposed to doing sample-based testing. This is as part of IA's build-out of its digital audit strategy which will continue to deliver value, focus on expanded use cases and modernize IA capabilities. IA will continue to work on platforms which will help the team achieve those capabilities.

Some of the key achievements include:

Expanded Use Cases:

- IA developed a dashboard for Fleet Operations Analytics and Strategic Supplier Risk Management, improving operational decision-making.
- IA Implemented Access Management and Threat Vulnerability Dashboards to strengthen security posture.

Platform Modernization:

- IA leveraged Cloud Platform to secure data and enable automated processes in continuous auditing.

Emerging AI Capabilities:

- IA piloted Generative AI use cases (e.g. reporting, writing audit research) to drive efficiency.

Looking ahead

Internal Audit plans to conduct an overall strategy refresh. The key focus areas will include Artificial Intelligence, audio reporting, integrated assurance, and talent management. These efforts will position the team to deliver deeper insights, faster resolutions and a strong alignment with NYPA's Strategic Priorities. The team recently had discussions with Deloitte in this regard. Additional updates will be provided to the members at the March 2025 Audit Committee meeting.

CAE Required Communications to the Audit Committee

As part of the IA standards, required communications to the Audit Committee include the Audit Charters. Because of new IAA standards, the team will be updating the Charters which will be provided to the members for their review and approval at the March 2025 meeting.

2024 IIA Quality Assessment & New IA Standards Update

Ignacio Bullrich, Director of Internal Audit, provided highlights of the results of IA's External Quality Assessment. This review is part of IA's commitment to excellence and is also a requirement by the Audit Committee Charter and the Institute of Internal Auditors. This is conducted every five years, and it is essential to ensure that the Authority continues to be effective and compliant with the Professional Standards.

Earlier this year, the external assessor interviewed members of the Board, President Justin Driscoll and other senior leaders of the organization. They evaluated the Authority's processes, talent, and how the Authority engages with stakeholders.

2024 Quality Assurance Improvement Program – External Assessment

Assessment Scope and Overall Results

The Authority's Internal Audit function was rated as "Generally Conforms," the highest rating possible.

Some of the notable key highlights from the Assessor include:

- The Strategic Plan is very closely aligned with the Authority's VISION2030 Plan and is evolving with NYPA's priorities.
- The dynamic risk assessment process integrates stakeholder input so that the Audit Plan can remain relevant.
- The Authority needs to adjust some of its current practices to align with the Global Internal Audit Standards.

Opportunities and Next Steps

The new standard seeks to strengthen the role of Internal Audits. There is a strong emphasis on making sure that Audit Departments are aligned with the strategic objectives of their organizations, risk-based and value-focused auditing, and increasing stakeholder engagement. The Authority is more than 80% in alignment with the new standard. The Audit Department will be updating and seeking approval of its Internal Audit Charter. They are also updating the Quality Assurance and Improvement Program ("QAIP") methodology and increasing their alignment with second-line functions.

The review underscored the Authority's commitment to the highest standards. The Audit Department is well-positioned to provide the Audit Committee, Board members and senior leadership with the assurance they need that the team will achieve the VISION2030 Strategic Initiative.

2024 Quality Assurance Improvement Program – Internal Assessment

Nishida Mody, Director of Internal Audit, provided highlights of the 2024 Quality Assurance Improvement ("QAIP") Program to the members. She said that the QAIP program is foundational to ensure that the team maintains a high quality of function. The annual review program helps ensure that the team is

continually providing ongoing assurance to the Audit Committee and Senior Management on the quality and credibility of the Audit Department's practices. Internal reviews also help to support the successful outcomes of the external assessments.

The QAIP program was established in 2019. Since that time, the QAIP team has been performing annual reviews, diligently following IIA's methodology. The reviews, over the last five years, have consistently been rated "generally conforms," the highest of the three possible ratings established by IIA's Quality Assurance framework and reflects the excellence and maturity of the Internal Audit function.

The Quality Assurance team completed a review for 2024 which reconfirmed the full alignment and conformance to IIA's professional practices standards as well as to the Code of Ethics. It also corroborated with the high quality of Internal Audit's governance and audit practices.

Key strengths highlighted from the Internal Audit review included the proficiency of Internal Audit's leadership and staff as highly qualified, credentialed and experienced to better understand and meet the needs of the business anchored by strong governance from the Audit Committee and Senior Management. Another key strength is Internal Audit's active and appropriate role in affecting good governance practices across the organization.

The review also identified Internal Audit's dynamic internal processes. Being agile, the team was able to adapt to the changing risk profiles within the organization; build stronger relationships with stakeholders as well as approach the business dynamically so that it can continue to align with NYPA's strategic objectives.

These core strengths enabled IA to achieve the highest ratings for both internal and external assessments.

She said that this review not only supports and validates the work the team does but also helps them to enhance and build on what they already have achieved. She added that, for continued excellence, the review identified four areas of improvement which would further benefit the program with minimal effort, namely:

1. Implement an Assurance Map
2. Align with GIAS Standards
3. Enhance Professional Care Documentation; and
4. Streamline Co-Source Onboarding

Two of the four opportunities, "*Enhance Professional Care Documentation*" and "*Streamline Co-Source Onboarding*," have been completed and have enhanced the overall governance of the Internal Audit function.

Of the remaining two efforts, "*Implement an Assurance Map*" should help align the assurance functions and optimize assurance activities across the organization as well as help identify gaps in coverage. This is expected to be completed by the second quarter of 2025. Although this is not a compliance requirement, it is a standard best practice that will elevate assurance across the organization.

The second, "*Align with Global Internal Standards (GIAS)*," is Internal Audit's alignment to the updated global Internal Audit Standards which the team is currently working on. Completion is expected by the first quarter of 2025.

Internal Audit is confident that the team will be able to implement all of the enhancement activities to support NYPA towards meeting its VISION2030 Strategic goals.

ii. 2025 Internal Audit Budget

Mr. Salman Ali, Senior Vice President of Internal Audit provided highlights of the report to the members. He said that Internal Audit's ("IA") audit approach reflects a balance between building expertise, new technology, and institutional knowledge.

2024 Internal Audit Budget vs Actual

As of November, IA is on track with the 2024 budget, 82%. Key variances are related to:

- Software Maintenance which budgeted amount was \$800,000; to date it is under budget.
- Audit Consulting due in part to contingencies for EH&S compliance; and
- Overall Performance.

Proposed 2025 Internal Audit Budget

- The 2025 budget reflects a 7.43% reduction as compared to the 2024 budget. This saving is due mainly to a reduction in software maintenance as they transition to the new GRC platform.
- Hiring efforts are underway for 3 full-time positions. The criteria have been broadened to include risk management in addition to audit experience. This significantly improved the candidate pool. Currently, there are 11 candidates in the pipeline, and IA is in the final stages of making potential job offers. The hiring of the 3 FTEs is projected to result in \$550k in savings for audit consulting costs.

Mr. Salman ended that the team is confident that they will be able to execute the Budget Plan as outlined in the report.

On motion made by member John Koelmel and seconded by Lewis Warren, Jr., the 2025 Internal Audit Budget Plan was unanimously approved.

b. New York Power Authority

i. Audit Plan and Strategy Update – Year-end December 21, 2024

Chair of the Audit Committee, Dennis Trainor, invited Christopher D'Angelo, Partner at KPMG, and Christopher D'Avanzo to provide KPMG's update.

New York Power Authority – Discussion with those charged with Governance

Mr. D'Angelo said that KPMG signed a new five-year contract with the Power Authority as the Authority's external Auditors that will end in 2029. He continued that he has been working with KPMG for more than 20 years and has experience working in power utilities, government-owned and independent power producers, regulated and unregulated industries. He spent time in New York, Philadelphia, and Houston for the various clients he has been assigned to work with. KPMG has a great relationship with Adam Barsky, Sundeep Thakur and the Authority's personnel team. He said that KPMG has a wealth of resources including Tax Advisory. Part of his objective is to continue to enhance the relationships with the Power Authority and explore how the firm can bring even more added value to the Authority.

Mr. D'Angelo further continued that the team's focus will be to continue accelerating the work as much as possible to make sure that the financial statements of the Power Authority are issued on the 31st. From a Technology perspective, KPMG is heavily leaning into Data and Analytics and Artificial Intelligence. They also use ChatGPT, which is a part of its audit software tools. These tools will make the team more efficient for the audit for the Power Authority.

Mr. D'Avanzo provided a report on the required Audit Plan as follows:

Deliverables:

The Engagement Team will be issuing the following deliverables:

- Auditor report on the consolidated financial statements of the business-type activities and the aggregate fiduciary fund information of the Authority as of and for the year ended December 31, 2024.
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards as of December 31, 2024.
- Report on the Authority's Investment Compliance as of December 31, 2024; and, if applicable
- A Report on Compliance with Requirements that could have a direct and material effect on each major Program and on Internal Control over Compliance in Accordance with Uniform Guidance.

Engagement Management

Accelerating work and Aligning on Key Expectations:

KPMG has increased acceleration of the audit work to reduce compression at the year's end. This includes a technology tool for Revenues. Progress is tracked based on KPMG's audit documentation. Other areas that KPMG have accelerated, consistent with prior years, are procedures over OPED, pensions, and investments.

As it relates to KPMG's relationship with management, KPMG meets regularly with NYPA management to coordinate efforts on the progress of the audit.

3. CONSENT AGENDA

On motion made by member Laurie Wheelock., and seconded by member John Koelmel, the Consent Agenda was unanimously adopted.

a. Approval of the Joint Minutes of the Regular Meeting held on March 26, 2024

On motion made by member Laurie Wheelock and seconded by member John Koelmel, the minutes of the meeting held on March 26, 2024 were unanimously adopted.

4. Next Meeting

Chairman Dennis Trainor said that the next regular meeting of the Audit Committee will be held on Tuesday, March 25, 2025 unless otherwise designated by the Chair with the concurrence of the members.

Closing

On motion made by member Laurie Wheelock and seconded by member Lewis Warren, Jr., the meeting was adjourned at approximately 9:32 a.m.

Karen Delince

Karen Delince
Corporate Secretary



March 25, 2025

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 §105f of the Public Officers Law).



March 25, 2025

Motion to Resume Meeting in Open Session

Chair, I move to resume the meeting in Open Session.



**NY Power
Authority** | **Canal
Corporation**

March 25, 2025

Next Meeting

The next meeting of the Joint New York Power Authority and Canal Corporation's Audit Committee will be held on Tuesday, July 15, 2025, unless otherwise designated by the Chair with the concurrence of the members.