
N.Y. Agency to Sell $600 Million Green Bonds to Modernize Grid.

- **Projects will boost state's capacity to move renewable power**
- **New York Power Authority created new bond for the deal**

The New York Power Authority, the largest state-owned electric utility in the U.S., plans to sell about $600 million of tax-exempt green bonds Tuesday for two projects that will help rebuild the transmission grid and move renewable power more cheaply.

The deal will be NYPA's first ever sale of securities backed solely from revenue earned by specific transmission projects, not the authority's general credit. Goldman Sachs Group Inc. is managing the sale.

The proceeds will be used to rebuild 86 miles (138 kilometers) of transmission lines extending from a hydroelectric generating plant on the St. Lawrence River and a new 93-mile transmission line that will carry power generated by wind turbines in central New York to Albany.

Many of New York's transmission lines were built in the 1940s and don't have the capacity to move energy produced upstate to the high-demand metropolitan New York City area.

"What these projects are doing is modernizing and rebuilding the transmission grid to increase their capacity so that you can economically and cost effectively move renewable power from where it's being produced to where it needs to be consumed," said Adam Barsky, NYPA's chief financial officer. "These projects will save millions of tons of carbon."

Governor Kathy Hochul wants 70% of New York's energy to be produced by renewable sources by 2030 and 100% by 2040. To meet the goal, the state will have to accelerate construction of existing projects, build more of them, and partner with private firms, NYPA officials say.

NYPA, which owns 37% of high-voltage lines in the state, plans to spend $1.1 billion to extend and modernize the grid over the next four years, according to NYPA Interim President Justin Driscoll. The authority owns 16 generation facilities and produces more than 25% of the state's energy.

NYPA's so-called green-transmission project revenue bonds are backed by customer charges that have been approved by regulators, ensuring that construction, operation and maintenance costs can be recovered. Assured Guaranty Ltd. is also insuring the bonds against default.

"That revenue requirement is socialized throughout the entire NYPA system," said Barsky. "So every ratepayer will have some small percentage build into their rates." New York has 20 million ratepayers, he said.

The bonds are certified green by Sustainalytics and will have about a 1.6 ratio of net income to debt service. If that coverage falls below 1.2 times, revenue that would have otherwise been available to NYPA are trapped. The authority will provide $74 million of equity at closing.

Fitch Ratings gave the bonds a AA- rating, its fourth-highest investment grade rating. Moody's Investors Service assigned a A2 rating, two grades lower.

NYPA created a separate bond structure to finance the projects because they're very capital intensive and require a lot of debt, Barsky said. Issuing more debt under NYPA's general-obligation pledge could have weakened the underlying rating.

"It's allowing us to efficiently deploy this capital in a way that we can take on these types of projects," said Barsky.

The new bonds may be more attractive to New York investors who have filled their allocation to frequent issuers like New York City and the Dormitory Authority of the State of New York, said Ben Pease, head of municipal trading at Breckinridge Capital Advisors, Inc.

"Finding different names to diversify New York based accounts can sometimes add a premium or result in additional demand for unique issuers," said Pease.

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