

Green Evaluation

Brookfield Power New York Finance LP's \$305 Million Senior Secured Notes

Transaction Overview

Brookfield Power New York Finance LP (BPNY), indirectly owned by Brookfield Renewable Partners LP (Brookfield Renewable), is issuing US\$305 million of senior secured notes in December 2017. Proceeds of the offering will be used to refinance its existing indebtedness at Erie Boulevard, a portfolio of 78 hydroelectric facilities with an installed capacity of 872 MW located in New York, Pennsylvania, Maryland, and West Virginia. The notes have a 13-year bullet maturity in 2030. The notes are callable at any time in whole or part. Given that Erie Boulevard generates 100% of its electricity through hydro resources, we consider the entire offering to be applied to green energy projects.

Entity: Brookfield Power New York Finance LP
ICB subsector: Alternative Electricity (7537)
Location (HQ): U.S.
Financing value: US\$ 305 million
Amount evaluated: 100%
Evaluation date: Oct. 4, 2017
Contact: Kimberly Yarborough
 +1-212-438-1089
 Kimberly.yarborough@spglobal.com

Green Evaluation Overview

Transaction's Transparency

- Use of proceeds reporting
- Reporting comprehensiveness

83

Transaction's Governance

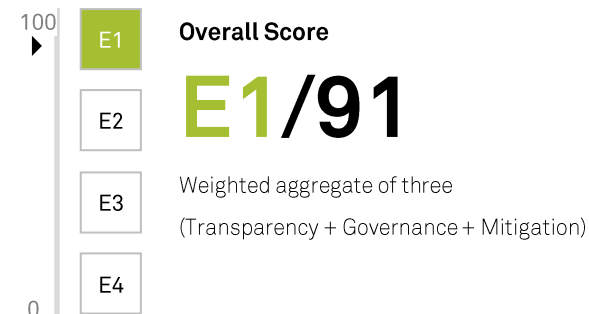
- Management of proceeds
- Impact assessment structure

83

Mitigation

Sector	→	Net Benefit Ranking	→	Hierarchy Adjustments	96
Green Energy		Supplying the grid with low-carbon electricity		Carbon	

Adaptation **NA**



Project Description

BPNY will use proceeds of the bond to refinance its existing indebtedness. BPNY will lend proceeds to Erie Boulevard, which owns 78 hydroelectric facilities with an installed capacity of 872 MW located in New York, Pennsylvania, Maryland, and West Virginia.

Scoring Summary

This transaction achieves an overall Green Evaluation score of E1 on our scale of E1 (highest) to E4 (lowest). The strong score reflects the excellent mitigation score of 96, which largely reflects that all proceeds are associated with renewable electricity generation (hydro, both large and small). The E1 score also reflects the Transparency and Governance scores, both of which are strong at 83, in part due to this issuance being a labelled green bond. The transparency score is assisted in part from the intended reporting with respect to the proceeds of the issuance, as project documents require. The Governance score reflects the corporate commitment to renewable generation and environmental stewardship, as well as the pure play nature of the entity.

Rationale

- The excellent Mitigation score is supported by a focus on renewable energy contributing to systemic decarbonization and located in areas of moderate carbon intensity. US\$305 million will be used to refinance existing debt for green energy (large and small hydroelectric facilities) located primarily in New York State.
- The strong Transparency score reflects the intention of Brookfield Renewable to annually report on annual greenhouse gas (GHG) emissions reduced or avoided for the overall BPNY portfolio.
- The robust Governance score reflects the certainty of the sector in which the funds will be spent supported by Brookfield Renewable's strategic commitment to renewable power and the intention of the company to track the proceeds via annual financial reporting; this is partially based on its project finance structure.

Key Strengths And Weaknesses

Proceeds of the debt offering will be used to refinance existing debt for BPNY, which lends the proceeds to Erie Boulevard. We believe a key strength is that about 80% of the proceeds are associated with hydro in New York with a net benefit ranking of 86 for small hydro and 77 for large hydro and the remainder are associated with either large or small hydro in Pennsylvania, West Virginia, and Maryland with a net benefit ranking between 86 and 96, based on higher baseline carbon levels in those states. Hydro assets tend to achieve a higher net benefit ranking than other renewables such as wind and solar given, on average, that they operate at a higher capacity factor and have a longer asset life and therefore displace more carbon.

Further supporting the excellent Mitigation score is the allocation of all proceeds to green energy projects, which sit at the top of our carbon hierarchy because they contribute to the systemic decarbonization of the economy.

The transaction's Governance score of 83 reflects a strong commitment to monitoring environmental impacts but is modestly tempered by the lack of separate subaccounts for tracking the proceeds as well as a lack of external assurance of environmental benefits. Furthermore, environmental impact assessments reported by Brookfield Renewable will not take into account the full life cycle of the projects, but merely the avoided greenhouse gas emissions from generation.

However, overall we believe Brookfield Renewable demonstrates a strong commitment to environmental governance. The company's core strategy is the ownership and development of renewable power with a strong commitment to efficient, sustainable, and responsible use of natural resources with policies intended to consider the socioeconomic and environmental expectations of a broad range of stakeholders. This is evidenced by its ownership of 212 hydroelectric facilities across 82 river systems.

Furthermore, there are 52 hydro facilities owned by Brookfield Renewable across the U.S. that have attained certification by the Low Impact Hydropower Institute (LIHI). The LIHI is a nonprofit organization focused on reducing the environmental impacts of hydropower generation on fish and wildlife. It provides certification to hydropower projects that have eliminated or reduced their environmental impact as defined by LIHI's criteria.

In addition, the strong Transparency score of 83 is supported by BPNY's intention to report the use of proceeds from this bond in its annual financial statements. The company has also indicated its intention to report on annual GHG emissions reduced or avoided at the aggregate Erie Boulevard portfolio level, which we view as positive, even if it does not consider each individual asset.

In the green evaluation process table we blended the various U.S. states' baseline carbon grid intensity resulting in medium weighted average carbon intensity. The blending approach tracks the proportion of spending in the various geographies of the BPNY portfolio.

Sector level scores

Sector	Location	Technology	Use of Proceeds (US\$ mil.)	Use of Proceeds treatment	Net Benefit Ranking (%)
Green Energy	New York, U.S.	Small hydro	188.88	Actual	86
Green Energy	New York, U.S.	Large hydro	59.76	Actual	77
Green Energy	West Virginia, U.S.	Large hydro	35.68	Actual	96
Green Energy	West Virginia, U.S.	Small hydro	2.05	Actual	96
Green Energy	Pennsylvania, U.S.	Large hydro	11.63	Actual	86
Green Energy	Maryland, U.S.	Small hydro	7.00	Actual	96
			305.00		

Carbon

Green Evaluation Process

83

Transparency

83

Governance

96

Mitigation

Weighted aggregate of three
(Transparency + Governance + Mitigation)

E1/91

Overall Score

Technology	Baseline Carbon Intensity	Net Benefit Ranking	→ Carbon Hierarchy Adjustment	Environmental Impact Score	Proceeds (US\$ mil.)
	<p>High Low Various U.S. States</p>				
Wind power					
Solar Power					
Small hydro		87	Systemic decarbonization	97	197.93
Large hydro (excluding tropical areas)		84		96	107.07
Energy management and control					
Unspecified					
Green transport without fossil fuel combustion					
Green buildings–new build			Significant decarbonization in sectors already aligned with a green economy		
Unspecified					
Energy efficient projects (industrial and appliance efficiencies)					
Green transport with fossil fuel combustion			Alleviating emissions of existing carbon-intense industries		
Green buildings refurbishment					
Unspecified					
Nuclear					
Large hydro in tropical areas			Decarbonization technologies with significant environmental hazards		
Unspecified					
Coal to natural gas					
Cleaner fuel production					
Cleaner use of coal			Improvement of fossil-fueled activities' environmental efficiency		
Unspecified					

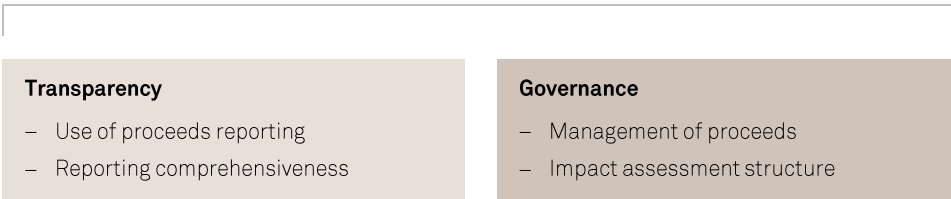
Increasing Decarbonization Impact

Our Green Evaluation Approach

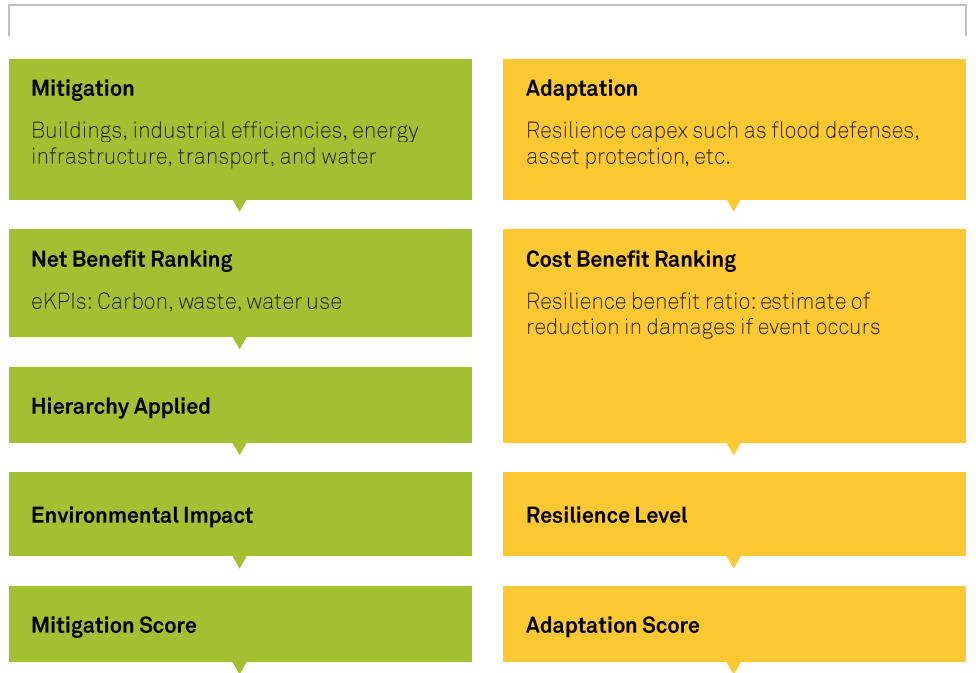
Weighted aggregate of three:



Common approach used among opinion providers



Unique to S&P Global Ratings



eKPI—Environmental key performance indicator.

Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P) receives compensation for the provision of the Green Evaluation product (Product). S&P may also receive compensation for rating the transactions covered by the Product or for rating the issuer of the transactions covered by the Product. The purchaser of the Product may be the issuer or a third party.

The Product is not a credit rating. The Product does not consider state or imply the likelihood of completion of any projects covered by a given financing, or the completion of a proposed financing. The Product provides a relative ranking evaluation of the estimated environmental benefit of a given financing. The Product is a point in time assessment reflecting the information available at the time that the Product was created and published. The Product is not a research report and is not intended as such.

S&P's credit ratings, opinions, analyses, rating acknowledgment decisions, any views reflected in the Product and the output of the Product are not investment advice, recommendations regarding credit decisions, recommendations to purchase, hold, or sell any securities or to make any investment decisions, an offer to buy or sell or the solicitation of an offer to buy or sell any security, endorsements of the suitability of any security, endorsements of the accuracy of any data or conclusions provided in the Product, or independent verification of any information relied upon in the credit rating process. The Product and any associated presentations do not take into account any user's financial objectives, financial situation, needs or means, and should not be relied upon by users for making any investment decisions. The output of the Product is not a substitute for a user's independent judgment and expertise. The output of the Product is not professional financial, tax or legal advice, and users should obtain independent, professional advice as it is determined necessary by users.

Unless otherwise specified, the data in the Product is provided by TruCost and/or sourced from the transaction issuer. The actual Product features and output may vary from that represented in this prototype. Availability of Product features is not guaranteed. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Product. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for reliance of use of information in the Product, or for the security or maintenance of any information transmitted via the Internet, or for the accuracy of the information in the Product. The Product is provided on an "AS IS" basis. S&P PARTIES MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDED BUT NOT LIMITED TO, THE ACCURACY, RESULTS, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCT, OR FOR THE SECURITY OF THE WEBSITE FROM WHICH THE PRODUCT IS ACCESSED. S&P Parties have no responsibility to maintain or update the Product or to supply any corrections, updates or releases in connection therewith. S&P Parties have no liability for the accuracy, timeliness, reliability, performance, continued availability, completeness or delays, omissions, or interruptions in the delivery of the Product.

To the extent permitted by law, in no event shall the S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence, loss of data, cost of substitute materials, cost of capital, or claims of any third party) in connection with any use of the Product even if advised of the possibility of such damages. S&P maintains a separation between commercial and analytic activities. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

Copyright © 2017 by Standard & Poor's Financial Services LLC. All rights reserved. STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.

spglobal.com/ratings