

## TIER 4 DISADVANTAGED COMMUNITY BENEFITS FRAMEWORK

The Champlain Hudson Power Express project (“*CHPE*”) is a permitted, 339-mile-long, buried, and resilient high-voltage direct-current transmission line designed to deliver clean renewable energy from the Canadian border directly into New York City. In addition to reducing carbon emissions and local air pollution, CHPE will invest in and support disadvantaged communities in New York State through various funding and training initiatives.

This Disadvantaged Community Benefits Framework (“*Framework*”) has been created pursuant to, and in fulfillment of the Parties obligations under Exhibit I-1 of that certain Tier 4 Renewable Energy Certificate Purchase and Sale Agreement, dated as of November 29, 2021 (as amended from time to time, the “*REC Purchase Agreement*”), between the New York State Energy Research and Development Authority, a New York public benefit corporation (“*NYSERDA*”) and H.Q. Energy Services (U.S.) Inc. (the “*Seller*”), a Delaware corporation. Unless otherwise defined herein, initially capitalized terms used in this Framework have the meanings assigned to them in the REC Purchase Agreement.

For the purposes of this Framework, “Transmission Developer” refers to CHPE LLC, the company developing CHPE (also known as the U.S. Transmission Provider in the REC Purchase Agreement). CHPE is referred to as the U.S. Transmission Line in the REC Purchase Agreement.

### **I. Definition of Disadvantaged Communities**

Pursuant to the New York Environmental Conservation Law and as used in the REC Purchase Agreement, the term “*Disadvantaged Communities*” or “*DAC*” means “communities that bear burdens of negative public health effects, environmental pollution, impacts of climate change, and possess certain socioeconomic criteria, or comprise high-concentrations of low- and moderate- income households, as identified pursuant to section 75-0111,” as described below.<sup>1</sup>

As required by § 75-0111 of the New York Environmental Conservation Law, a climate justice working group (the “*Working Group*”) was created to “establish criteria to identify disadvantaged communities for the purposes of co-pollutant reductions, greenhouse gas emissions reductions, regulatory impact statements, and the allocation of investments related to” Article 75 of the New York Environmental Conservation Law.<sup>2</sup>

Pursuant to the REC Purchase Agreement, Seller will apply the term “*Disadvantaged Communities*” in accordance with the criteria established through the process set forth in § 75-0111 of the New York Environmental Conservation Law. Until the criteria are finalized, Seller will use the interim criteria that have been developed by the Working Group.<sup>3</sup>

### **II. Stakeholder and Community Engagement**

Throughout the development, construction, and operation of CHPE, Seller will continue to conduct (or Seller will cause the Transmission Developer to conduct) stakeholder and community

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<sup>1</sup> Environmental Conservation Law § 75-0101(5).

<sup>2</sup> Environmental Conservation Law § 75-0111(1)(b).

<sup>3</sup> <https://climate.ny.gov/Our-Climature-Act/Disadvantaged-Communities-Criteria>.

engagement to inform the public about activities being undertaken by Seller and the Transmission Developer related to CHPE, gain community and stakeholder input on how these activities can benefit communities, and connect residents and communities to these benefits. Engagement activities will be focused on communities directly affected by CHPE and will include, but not necessarily be limited to:

- Convening of regular and ongoing stakeholder meetings and regular and ongoing engagement and participation in public meetings and briefings of local officials and stakeholders to keep communities and residents apprised of CHPE’s progress; to identify opportunities for communities and residents to benefit from activities being undertaken by Seller and the Transmission Developer related to CHPE, as outlined in Section III;
- Formation of one or more advisory or working groups with representation from Disadvantaged Communities to inform community benefit investments, including workforce development activities, made as part of CHPE;
- Maintenance of a website and social media channels through which residents and communities may stay apprised of CHPE’s progress and submit questions and comments during the development, construction, and operation of CHPE; and
- Documenting the input and feedback received from stakeholder and community engagement activities and making reasonable attempts to address feedback received through these activities.

Seller and the Transmission Developer will provide updates on stakeholder and community engagement activities undertaken to support CHPE, along with feedback provided by communities and other stakeholders, and plans for future engagement activities in its quarterly reports to NYSERDA required by Section 6.02 of the REC Purchase Agreement.

### **III. Categories of Disadvantaged Community Benefits**

The REC Purchase Agreement requires Seller to design project investments and track outcomes to help ensure that members of Disadvantaged Communities share in the economic and other benefits that will result from the REC Purchase Agreement (“Disadvantaged Community Benefits”). This Framework includes the following categories of Disadvantaged Community Benefits, with the understanding that these categories may be modified or expanded, based on the mutual agreement of the Parties:

- **Category 1: Project-Specific Expenditures**  
This category includes expenditures associated with the construction, operation, and maintenance of CHPE, including:
  - Construction payroll-related expenditures benefiting Disadvantaged Communities, including wages and benefits;
  - Administrative and general payroll-related expenditures benefiting Disadvantaged Communities, including wages and benefits;

- Financial, legal, technical, and other consulting services, including wages and benefits;
  - Purchases of goods and services benefiting Disadvantaged Communities associated with construction, general project-related activities, and supporting consulting services (including sales tax where applicable);
  - Payroll expenditures associated with operations and maintenance, plant management, and long-term project development;
  - Land use payments associated with CHPE; and
  - Host community payments for those municipalities that host CHPE.
- **Category 2: Community-Focused Investments**  
 This category includes investments and expenditures made to support Disadvantaged Communities, including economic development activities, approaches to improve access to clean energy solutions, opportunities to address existing environmental justice issues, or the adoption of community host benefit agreements. Specific investments made to benefit communities in connection with CHPE are expected to include:
    - *Economic Development.* Costs incurred in the development of project-related opportunities in Disadvantaged Communities affected by CHPE, including opportunities for Minority & Women-Owned Business Enterprises, Veteran-Owned Small Businesses and Service-Disabled Veteran-Owned Businesses in Disadvantaged Communities.
    - *Community Engagement and Administration.* Costs incurred in conducting community engagement, outreach, education, training, and other similar activities related to promoting Disadvantaged Community Benefits, along with its administrative costs related to these activities.
    - *Environmental Justice.* Investments in energy efficiency, clean energy advisory services (solar and storage projects), and clean transportation and expansion of opportunities for creating cleaner, greener homes within Disadvantaged Communities, outreach, education, and access to resources to improve energy literacy to help members of Disadvantaged Communities better understand the impacts of their energy decisions and to guide such decisions.
    - *Workforce Development.* Expenditures associated with facilitating a clean energy workforce in New York State, including assistance in New York's transition to a clean energy workforce, with a special emphasis on programs that engage with and support Disadvantaged Communities, including job training, career awareness, and strengthening the workforce pipeline through educational opportunities.
  - **Category 3: Climate, Public Health and Other Intrinsic Benefits**  
 This category includes benefits beyond those outlined in Categories 1-2, above, that accrue to Disadvantaged Communities as a result of CHPE, including intrinsic benefits to

Disadvantaged Communities resulting from reduced fossil fuel generation. Such intrinsic benefits include corresponding emissions reductions and associated public health benefits.

#### **IV. Implementation**

Seller will work with the Transmission Developer and its contractors, labor unions, community-based organizations representing Disadvantaged Communities, and others to implement this Framework. Seller and the Transmission Developer will coordinate with NYSERDA throughout implementation of CHPE to reasonably align the investments and associated benefits claimed with NYSERDA's broader approach for the delivery, measurement, tracking, and reporting of benefits to Disadvantaged Communities, pursuant to the provisions of the Climate Leadership and Community Protection Act. Disadvantaged Community Benefits will be tracked according to the following categories.

##### **A. Category 1: Project-Specific Expenditures**

- Seller will work closely with the Transmission Developer to track expenditures within Disadvantaged Communities associated with the construction, operation, and maintenance of CHPE.

##### **B. Category 2: Community-Focused Investments**

- Seller and the Transmission Developer have established a Green Economy Fund (“**GEF**”) (see Paragraph 6 of Exhibit I-2 of the REC Purchase Agreement) that includes a primary objective of supporting people living in Disadvantaged Communities. The GEF has appointed an advisory board consisting of leaders and representatives from Disadvantaged Communities, which shall identify appropriate projects to receive GEF support.
- Seller and the Transmission Developer will facilitate programs intended to provide benefits to Disadvantaged Communities that have suffered disproportionate impacts from pollution related to the impacts of fossil fuel generation in their neighborhoods through existing established jobs training programs that will provide jobs training for future jobs in the new green economy, clean energy improvements in Disadvantaged Communities as well as supporting the removal of traditional barriers to well-paying union jobs. One of the primary goals of the program is to create access, entry and training to future clean energy and family-sustaining jobs in New York labor unions.
- In the administration of its investments intended to benefit Disadvantaged Communities, Seller and the Transmission Developer will coordinate with NYSERDA to reasonably avoid redundancy with existing state-administered programs and resources and potential market confusion and to maximize the impact of invested funds.
- Seller and the Transmission Developer will track information regarding programs and projects to which project funds are allocated and which support New York's transition to a clean energy workforce and strengthen the workforce pipeline, including programs that support Disadvantaged Communities.

- Seller and the Transmission Developer will facilitate clean energy jobs training programs in conjunction with unions with a focus on frontline workers, BIPOC workers and retraining of fossil industry employees in Disadvantaged Communities.
- Seller will work with the Transmission Developer and its contractors, labor unions, community-based organizations and others to promote hiring from within Disadvantaged Communities and develop programs and other opportunities within Disadvantaged Communities for education about and training for clean energy jobs and for creating a conduit for connecting community members with clean energy contractors, suppliers, and other employers.
- The Transmission Developer has established a Workforce Diversity, Equity and Inclusion working group (“*DEI Working Group*”) made up of representatives that are elected officials, environmental justice leaders and labor leaders with the goal of ensuring awareness of project jobs in Disadvantaged Communities and to assist with efforts to identify and recruit potential labor force members from those Disadvantaged Communities.
- Seller will cause the Transmission Developer to employ a dedicated employee experienced with both labor relations and labor recruitment in Disadvantaged Communities who will work primarily on the goal of ensuring that those living in Disadvantaged Communities will have awareness of and access to available project jobs as well as assist with job barrier removal.

In furtherance of these Category 2 activities, Seller and the Transmission Developer will facilitate ongoing engagement to share information with and obtain feedback from members of the local communities directly affected by CHPE. Seller and the Transmission Developer will also provide information regarding project-related and other clean energy-related economic development opportunities (such as those related to the GEF) for members of Disadvantaged Communities, including opportunities for Minority & Women-Owned Business Enterprises, Veteran-Owned Small Businesses and Service-Disabled Veteran-Owned Businesses in Disadvantaged Communities.

### **C. Category 3: Climate, Public Health and Other Intrinsic Benefits**

- Seller, the Transmission Developer and NYSERDA will cooperate to establish the details and parameters of an appropriate framework to estimate the emissions reductions and associated public health, and other intrinsic benefits resulting from CHPE.

## **V. Reporting of Disadvantaged Community Benefits and Engagement Activities**

Seller and the Transmission Developer will provide, in quarterly written reports to NYSERDA pursuant to Section 6.02 of the REC Purchase Agreement, details related to stakeholder and community engagement and the delivery of benefits to Disadvantaged Communities, as follows:

a. Stakeholder and Community Engagement

Each quarterly report shall include details on stakeholder and community engagement conducted in the previous quarter in connection with CHPE, including the number of meetings or events held with stakeholders or community members, a list of the stakeholders engaged, and a summary of the input or feedback resulting from the engagement. The report shall also provide a schedule for scheduled stakeholder or community engagement events expected to occur over the next quarter.

b. Delivery of Benefits to Disadvantaged Communities

Each quarterly report shall provide quantitative and/or qualitative updates on the Disadvantaged Communities Benefits, tracked in the manner described in this Framework. The information to be provided will be based on the methodology below, it being understood that the Parties shall reasonably cooperate to revise the methodology as necessary.

In accordance with Paragraph 7 of Exhibit I-1 of the REC Purchase Agreement, Seller will annually (or as otherwise directed by the PSC) file information regarding Disadvantaged Communities Benefits pursuant to this Framework with the PSC.

Category	Methodology
<b>BENEFIT CATEGORY 1</b>	
Taxes / PILOT/Capital Improvement	<ul style="list-style-type: none"> <li>• All taxes or payment in lieu of taxes (“<i>PILOT</i>”) payments made to a municipality or to a school district within a municipality that is all or partially identified as a DAC.</li> <li>• The percentage of taxes or PILOT payments made to a county/city/town/village that is equivalent to the proportion of the population<sup>4</sup> that lives in the DAC(s) within the municipality.</li> <li>• The percentage of taxes or PILOT payments made to a school district that serves a population from a DAC will be eligible based on the student population (e.g., if 20% of the student population lives in a DACs then 20% of the school district payments would be counted as Disadvantaged Community Benefits).<sup>5</sup></li> <li>• Any portion of an investment in a DAC that funds an enhancement or capital improvement project that goes above and beyond typical restoration normally required as a result of project activities to re-establish pre-existing conditions or bring the restored area into jurisdictional compliance, will be considered a DAC benefit (e.g., adding sidewalks, street lamps, or bike lanes) to the extent its programmatic cost is not already a designated DAC benefit (e.g., services rendered by a non-DAC located firm to design the sidewalks etc.).</li> </ul>

<sup>4</sup> Based on Census Tract population data as identified and updated by the US Census Bureau Table DP05. See the US Census Bureau Table DP05, <https://data.census.gov/cedsci/table?q=population%20of%20New%20York&y=2019&tid=ACSDP5Y2019.DP05>. For Census Tracts that intersect with municipal or school boundaries, NYSERDA will provide Seller with the specific percentage figures to use when allocating payments to those municipalities or school districts. This information will be provided by NYSERDA annually to account for changes in census data. Seller will use the latest information provided by NYSERDA in each report made by Seller pursuant to this Framework; provided that if a report is due less than 60 days after this information is provided by NYSERDA, Seller will be permitted to utilize the prior set of information provided by NYSERDA for purposes of that report.

<sup>5</sup> See footnote above.

<b>Category</b>	<b>Methodology</b>
Labor	<ul style="list-style-type: none"> <li>• Seller and/or the Transmission Developer will determine whether individual workers reside within a DAC to the extent commercially practicable and in accordance with law. Wages and benefits paid to those workers residing within a DAC will count towards Disadvantaged Community Benefits for all phases of CHPE.</li> </ul>
Materials / Equipment / Services	<ul style="list-style-type: none"> <li>• Materials, equipment, goods and services that are sourced from businesses (or divisions of businesses) located within a DAC during pre-construction, construction and on-going operations and maintenance will count towards Disadvantaged Community Benefits. This includes financial, legal, technical, and other consulting services and encompass all phases of CHPE.</li> </ul>
Land Purchase, Easements or Lease	<ul style="list-style-type: none"> <li>• Land use payments (e.g., option payments, easement payments, lease payments) that are paid to owners who reside in, or businesses located in, a DAC or for properties located in a DAC will count towards Disadvantaged Community Benefits.</li> </ul>
<b>BENEFIT CATEGORY 2</b>	
Funds / Host Community Agreements	<ul style="list-style-type: none"> <li>• All investments associated with CHPE that fund capital improvement projects or operational and maintenance activities located within a DAC will be counted as Disadvantaged Community Benefits (e.g., funding towards community initiatives, buildings, etc., funding for shoreline mitigation and stabilization restoration).</li> <li>• All funds that go to service providers located within a DAC (e.g., funding that goes to an organization improving water quality, improving access to waterways, funding that goes to a job training organization)</li> </ul>
Workforce Development	<ul style="list-style-type: none"> <li>• Wages and benefits paid to a position whose primary responsibility is connecting Disadvantaged Communities, minority &amp; women-owned businesses and service-disabled veteran-owned businesses with opportunities created by CHPE.</li> </ul>
<b>BENEFIT CATEGORY 3</b>	
Carbon Reductions	<ul style="list-style-type: none"> <li>• Once CHPE is operational, NYSERDA will assess the need and scope for conducting a study, and if a need is identified, may commission a study to estimate the reduction in carbon emissions attributable to CHPE.</li> </ul>
Local Emission Reductions	<ul style="list-style-type: none"> <li>• Once CHPE is operational NYSERDA will assess the need and scope for conducting a study, and if a need is identified, may commission a study to estimate the reduction in harmful air emissions and associated public health benefits attributable to CHPE.</li> </ul>