New York Power Authority

2013 Annual Report
Financial Performance Supplement

April 14, 2014

Power to Lead

Disclaimer

This supplement may contain forward-looking statements and information. Such statements and information are based on NYPA management's current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond NYPA's control, affect NYPA's operations, performance, and results and could cause NYPA's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements and information.

Summary

The New York Power Authority (NYPA) issued its 2013 Annual Report on April 14, 2014, combining a summary of the past year's accomplishments with updates on its sustainability activities in one comprehensive publication. Together with the Annual Report, NYPA is issuing this overview of its financial performance during the last three years and forecast for 2014, demonstrating how prudent management practices place NYPA in a strong financial position to implement its 2014–19 Strategic Vision, announced last month and available online at *www.nypa.gov/PDFs/StraVis2014/*.

The 2014–19 Strategic Vision establishes a bold new direction for NYPA. It builds on our strengths, while dealing head-on with the challenges and opportunities presented by the coming transformation of the electric industry. As we define the 2014–19 Strategic Vision, NYPA's mission is to "Power the economic growth and competitiveness of New York State by providing customers with low cost, clean, reliable power and the innovative energy infrastructure and services they value."

To achieve this mission, a financially strong NYPA is essential.

This overview illustrates NYPA's financial performance over the past three years and looks forward to 2014 as evidence of NYPA's continued financial strength and ability to implement the 2014–19 Strategic Plan.

Throughout its history, NYPA has responded to urgent, energy-related challenges that faced New York State by maintaining ready-access to the capital markets. NYPA's prudent financial stewardship has been recognized by the financial community with AA/Aa/AA- ratings from Fitch, Moody's, and Standard & Poor's, respectively, with Standard & Poor's changing NYPA's outlook to Positive from Stable this past year. In 2013, NYPA continued to deliver solid financial and operating performance.

Some highlights in 2013 include:

Strong Asset Operating Performance: Core generation and transmission assets continued to outperform utility industry benchmarks with generation market readiness and transmission reliability measures of 99.65%[1] and 94.14%, respectively;

Significant Capital Investment Program: $147 million invested in core assets and $217 million invested in state-wide energy efficiency projects;

1. Generation Market Readiness represents available generating hours, exclusive of planned outage hours. Transmission Reliability is an average of an Interface Reliability factor that takes into consideration the transmission capacity and any limitations on the capacity from NYPA due to any planned transmission outages, forced line outages or substation maintenance outages.

Strong Financial Metrics:

- Above-average coverage ratios greater than or equal to 3.0×
- Strong liquidity levels in excess of the targeted 100 days-cash level and more than $650 million in credit facilities
- Low level of debt with $1.7 billion representing 31% of total capitalization

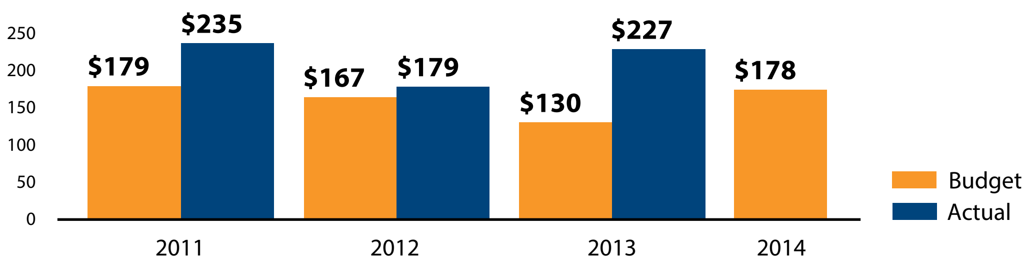
Strong Risk Management Function: A mature commodity risk management program was combined with a well-defined enterprise risk management program.

Net Income

Over the last three years, NYPA's net income has averaged $214 million. Forward projections over the next four years, after consideration of contributions to the State of New York, conservative hydro flow forecasts and current forward market prices, is expected to remain at comparable levels.

NYPA Net Income | Budget vs. Actual

$ millions



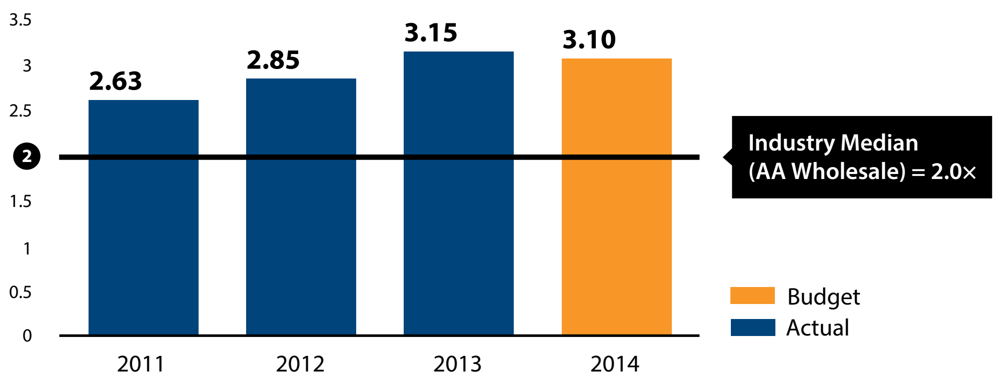
Debt Service Coverage Ratio

The Debt Service Coverage Ratio is a measure of our ability to generate sufficient cash to cover principal and interest payments of NYPA's debt service requirements. It is calculated by dividing annual Net Cash Provided by Operating Activities by annual Debt Service Expense.

NYPA's earnings levels have allowed it to maintain a debt service coverage ratio at or above the median for other AA-rated wholesale public power utilities (which is approximately 2.0×), which the NYPA Board of Trustees set as a reference point in their May 2011 Policy Statement.[2]

Over the past three years, NYPA has been able to steadily improve its financial standing by growing its coverage ratio from just under 2.0× in 2010 to better than 3.0× in 2013. NYPA is again projecting a better than 3.0× coverage ratio for 2014.

NYPA Debt Service Coverage Ratio



Capital Investments

Operating risks have been reduced with the on-going Life Extension and Modernization (LEM) projects at its generating facilities. The St. Lawrence-FDR Power Plant LEM was completed in 2013; Blenheim-Gilboa in 2010 and Niagara's Moses Plant in 2006. Two major LEM initiatives were started in 2013: 1) Niagara's Lewiston Pump Generating Plant LEM to reduce critical equipment failures, improve maintainability, replace obsolete equipment, increase operating range, and reduce operating and maintenance requirements and 2) Statewide Transmission LEM (T-LEM) to rebuild and modernize NYPA's more than 1,400 circuit miles of transmission and 17 substations. These LEM projects will lower NYPA's operating risks which will ensure a more stable revenue stream and predictable costs over the

2. The Trustees set forth in their Policy Statement dated May 24, 2011, that a debt service coverage ratio of 2.0× shall be used as a reference point in considering any such payments or transfer of funds outside of NYPA for other authorized lawful corporate purposes

long-term. NYPA expects to fund these LEM projects with equal portions from new debt and internally generated funds.

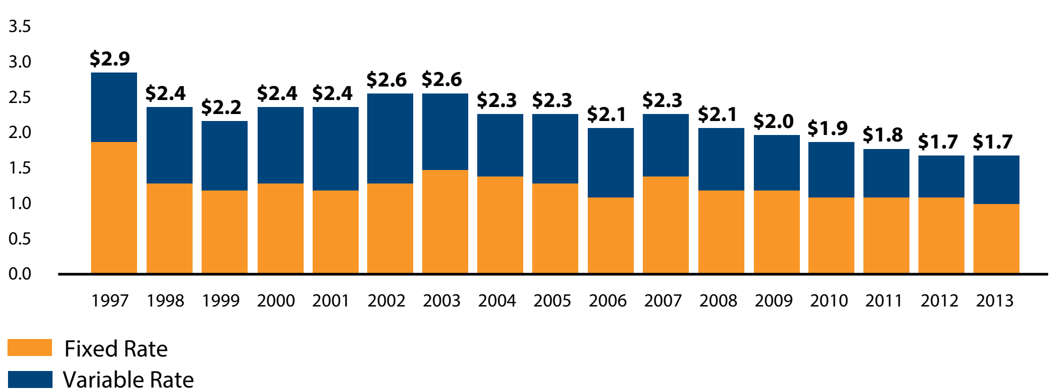
Debt Profile

Since the late 1990s, to maintain its position as a low cost provider of power in a changing environment, NYPA has undertaken and continues to carry out a multifaceted infrastructure investment program on behalf of its customers, which includes:

- Niagara and St. Lawrence-FDR LEM projects
- A new 500-megawatt (MW) combined-cycle electric generating plant at NYPA's Charles M. Poletti plant site in Astoria, Queens
- A new 550 MW plant in Astoria, Queens under a long-term electricity supply contract with Astoria Generating LLC
- A new 660 MW underground and underwater transmission high voltage direct current line connecting Northern New Jersey to New York City
- Implementation of an enterprise-wide and energy/fuel risk management program

The debt retirement program, initiated in 1997 at the on-set of the transition to a competitive marketplace, has seen NYPA reduce its net debt levels by more than 40 percent ($1.3 billion) after having issued more than $2.0 billion in new project debt.

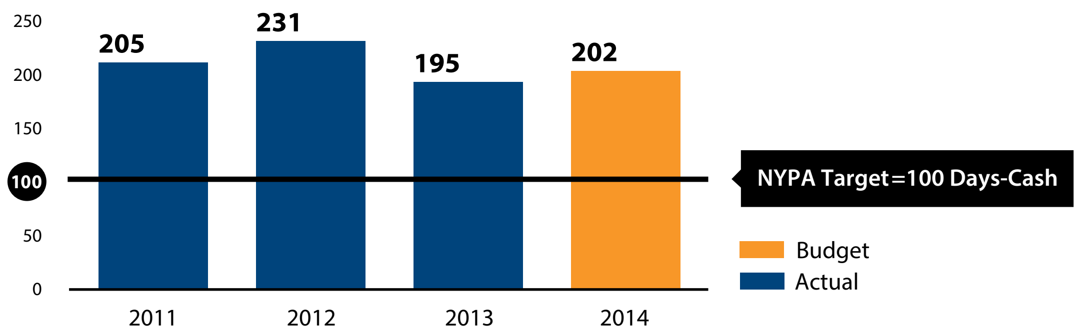
NYPA's Targeted Debt Reduction Plan
Outstanding Debt at Fiscal Year End
($ billions)



Select Financial Metrics

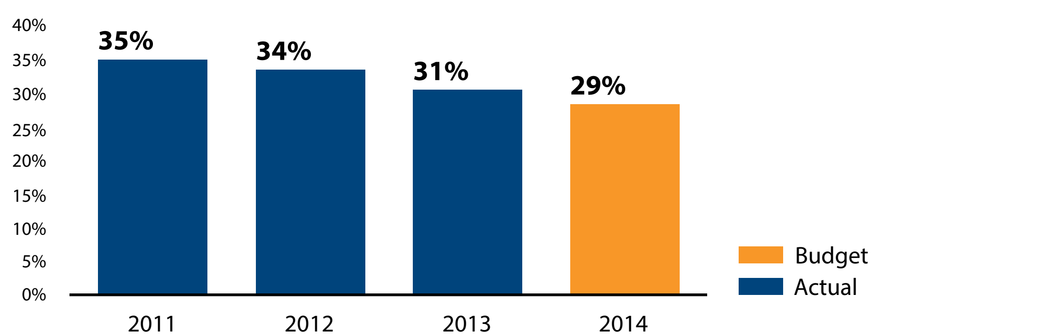
In addition to the debt service coverage ratio cash flow measure, NYPA targets a liquidity measure of at least 100 days-cash, (approximately the median for other AA-rated wholesale public power entities like NYPA) in order to provide a cushion of safety in the event of market disturbances or if emergency repairs are required. Over the past three years, NYPA has been able to surpass this goal and is projected to do so again in 2014.

NYPA Liquidity: Days-Cash



The fourth financial metric NYPA uses is leverage, measured as debt as a percentage of total capitalization. The lower the level, the more borrowing capacity NYPA has, and the better able it is to respond to emerging issues and unanticipated events. Since 2010, NYPA has reduced leverage from 39% to 31%, the lowest level ever recorded by NYPA.

NYPA Leverage: Debt as Percent of Total Capitalization



The New York Power Authority's financial strength is primarily due to prudent management practices and fiscal policies followed in the past three years and is projected to continue in 2014 and beyond. This performance places NYPA in a healthy position to address the new challenges facing the utility industry and to implement and execute its 2014–19 Strategic Vision.