

Report of Independent Auditors on Compliance with Investment Guidelines

Power Authority of the State of New York
New York, New York

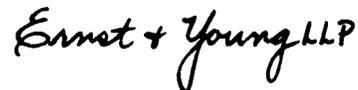
We have audited the financial statements of the Power Authority of the State of New York (the "Authority"), as of and for the year ended December 31, 2005, and have issued our report thereon dated February 15, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the standards for financial and compliance audits contained in the *Investment Guidelines for Public Authorities*, issued by the Office of the State Comptroller of the State of New York; and the investment guidelines established by the Authority. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with the *Investment Guidelines for Public Authorities* and the Authority's investment guidelines is the responsibility of the Authority. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of the *Investment Guidelines for Public Authorities* and the Authority's investment guidelines. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph that are required to be reported herein under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, management, members of the Authority, and the Office of the State Comptroller of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.



February 15, 2006