

**New York Power Authority**

**Report of the Chief Financial Officer**

**For the Seven Months Ended July 31, 2010**

**Report of the Chief Financial Officer  
For the Seven Months Ended July 31, 2010  
Executive Summary**

**Results of Operations**

Net income for the seven months ended July 31, 2010 was \$122.5 million which was \$27.3 million lower than budgeted. Results through July included lower net margins on sales (\$74.8 million) partially offset by lower O&M (\$20.4 million), higher non-operating income (\$17.7 million) and timing differences related to the North Country Stimulus and Renewable Energy programs. Net margins were lower at Niagara (\$50.6 million) primarily due to lower volumes of market-based sales. Generation at Niagara was 5% lower than the forecast due primarily to lower than anticipated lake levels. In addition, at Niagara, average energy prices for sales into the market were approximately 10% lower than budgeted. St. Lawrence and Blenheim-Gilboa also experienced lower than anticipated market-based sales. O&M expenses were lower due to timing differences related to the 500mw outage (budget assumed April, now scheduled for October), non-recurring projects at St. Lawrence, and recurring maintenance at Blenheim-Gilboa, Flynn and the Transmission facilities. Non-operating income included a positive variance (\$17.1 million) resulting from a mark-to-market gain on the Authority's investment portfolio due to a decrease in market interest rates as well as lower costs on variable rate debt.

**Year-end Projection**

The year-end net income projection is \$182 million, which is \$16 million higher than last month's projection, but \$126 million below the official budget. The month-to-month change of \$16 million is principally attributed to a 0.2 Twh improvement in hydro generation expected for the remainder of the year (precipitation over Lakes Erie and Ontario were 20% above average last month) and higher generation levels and revenues in July (as compared to last month's forecast) as a result of higher temperatures and increased hydro flow. The primary drivers of the year-end variance continue to be lower hydro flows, overall lower market prices and the additional \$40 million Voluntary Contribution to New York State as approved by the Trustees at their June meeting. Hydro generation at approximately 19.6 TWh is still running nearly 1 TWh below forecast, with a total estimated negative impact of \$39 million on 2010 net income. The impact of lower energy prices on net income for 2010 is forecast to be \$19 million in total. Lower capacity prices result in an annual net income reduction of approximately \$24 million. Other factors affecting net income negatively include the Flynn outage (\$7 million) and the continuation of the hydro rate freeze (\$7.5 million). In contrast, net income is positively affected by the following: lower debt service expenses (\$6 million), a delay in spending related to the renewable energy program (\$5 million) and a positive mark-to-market variance on the investment portfolio (\$12 million).

## **Cash & Liquidity**

The Authority ended the month of July with total operating funds of \$973 million as compared to \$907 million at the end of 2009. The increase of \$66 million was primarily attributed to positive net cash provided by Operating Activities and the Value Sharing payment of \$72 million received from Entergy on January 15th partially offset by a \$119.5 million voluntary contribution to New York State and scheduled debt service payments. Looking forward, we are anticipating the operating fund balance to generally track the lower net income results. The year-end operating fund balance is currently projected to be \$1.0 billion, an increase of \$111 million during the year, but approximately \$118 million below budgeted level. This forecast includes the effect of a voluntary contribution of \$40 million to New York State on August 12, 2010.

## **Energy Risk**

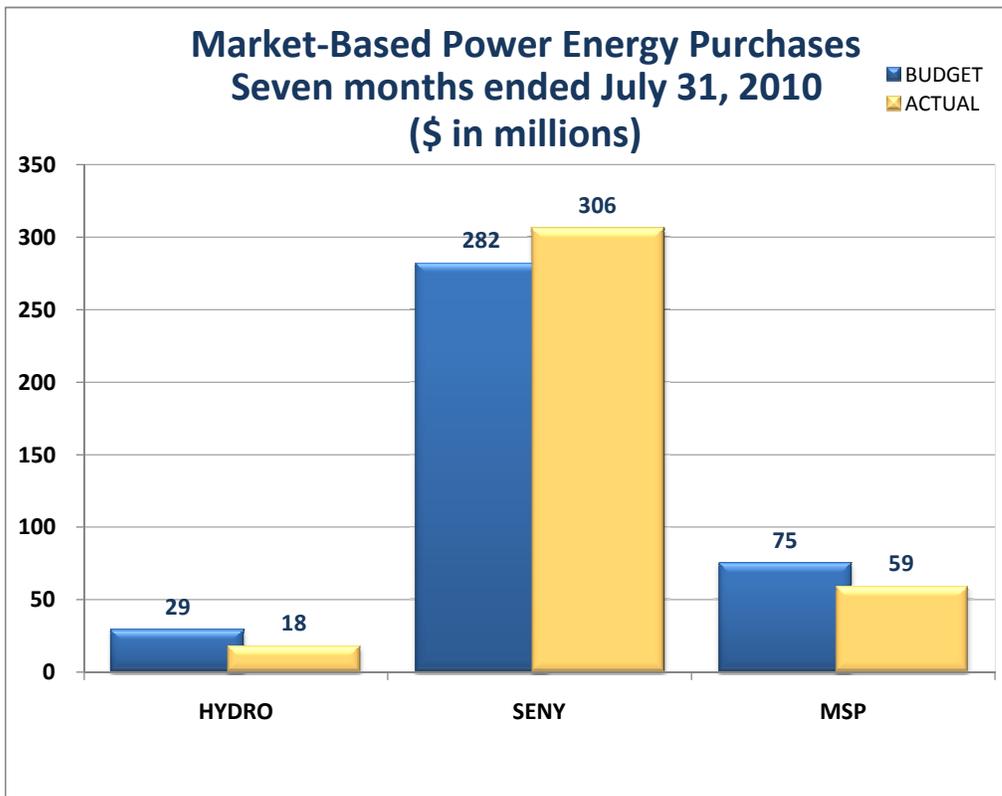
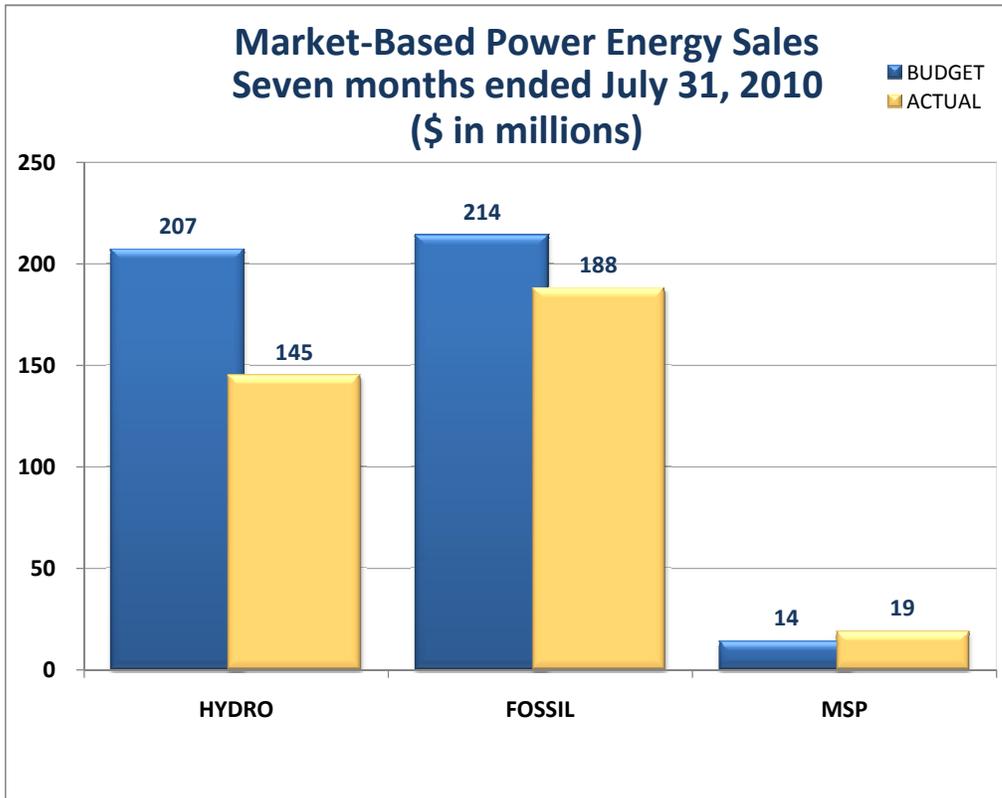
At July 31, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of \$259 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a realized net loss of \$37 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are incorporated into and recovered through customer rates.

**Net Income**  
**Seven Months ended July 31, 2010**  
**(\$ in millions)**

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Niagara	\$72.3	\$116.6	(\$44.3)
St. Lawrence	26.8	28.5	(1.7)
Blenheim-Gilboa	1.2	10.4	(9.2)
SENY	26.6	30.6	(4.0)
SCPP	17.5	14.0	3.5
Market Supply Power	(24.6)	(29.5)	4.9
Flynn	10.0	9.3	0.7
Transmission	20.3	15.4	4.9
Non-facility*	(27.6)	(45.5)	17.9
<b>Total</b>	<b>\$122.5</b>	<b>\$149.8</b>	<b>(\$27.3)</b>

\* Includes a contribution of \$107 to NY State (Actual & Budget).

<b><u>Major Factors</u></b>	<b><u>Better (Worse)</u></b>
<p><b><u>Niagara</u></b> Lower net margins on sales (\$50.6) primarily due to lower volumes available resulting from lower generation (5%). In addition, average energy prices for sales into the market were approximately 10% lower than budgeted (\$42/mwh actual vs. \$47/mwh budgeted).</p>	(\$44.3)
<p><b><u>St. Lawrence</u></b> Lower net margins (\$9.6) resulting from lower prices on sales into the market substantially offset by lower expenses due to timing differences in non-recurring projects and the North Country Stimulus program.</p>	(1.7)
<p><b><u>Blenheim-Gilboa</u></b> Lower net revenues as a result of lower volumes due to the limited price differential between peak and off-peak energy prices.</p>	(9.2)
<p><b><u>Transmission</u></b> Higher revenues (higher congestion rents due to transmission outages) and lower O&amp;M due to timing differences in recurring maintenance.</p>	4.9
<p><b><u>Other facilities</u></b> Primarily lower Power for Jobs rebates (\$5.1) due to lower market prices.</p>	5.1
<p><b><u>Non-facility (including investment income)</u></b> Primarily positive variance related to a mark-to-market gain (\$17.1) on Authority's investment portfolio due to a decrease in market interest rates.</p>	17.9
<b>Total</b>	<b>(\$27.3)</b>



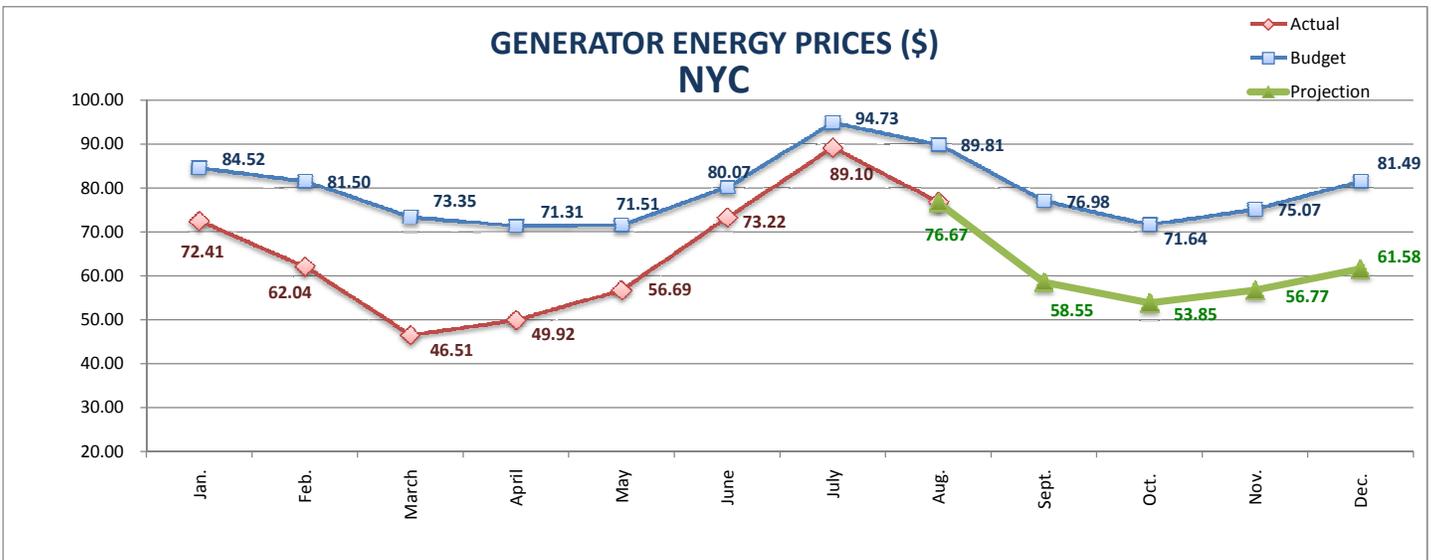
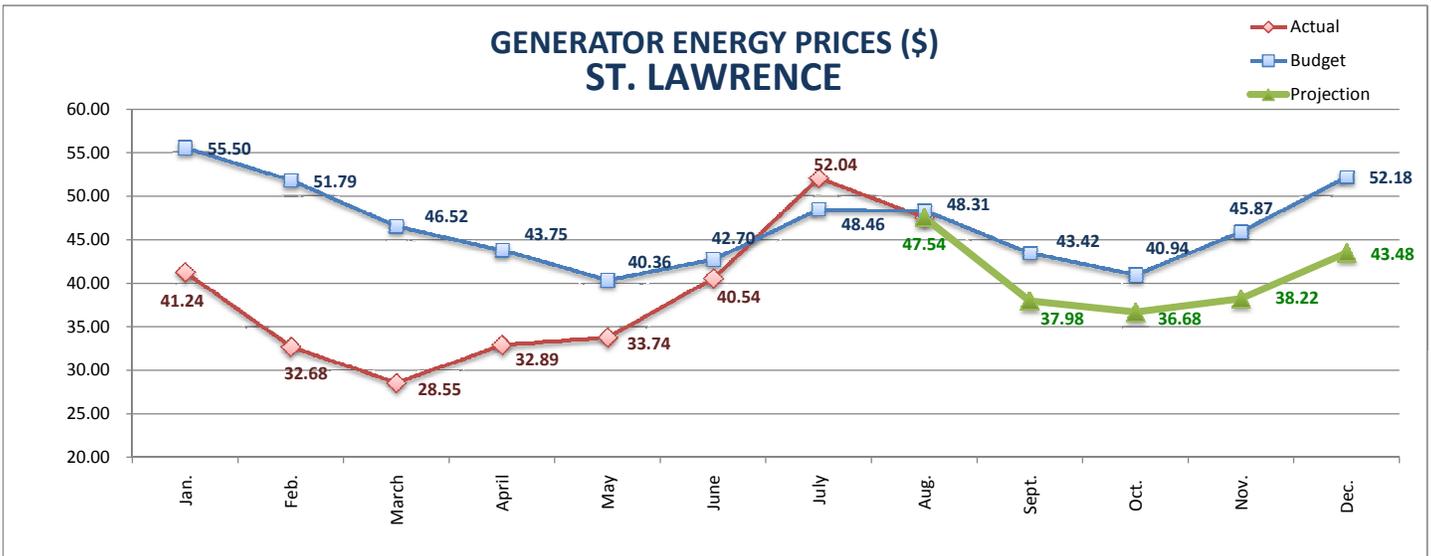
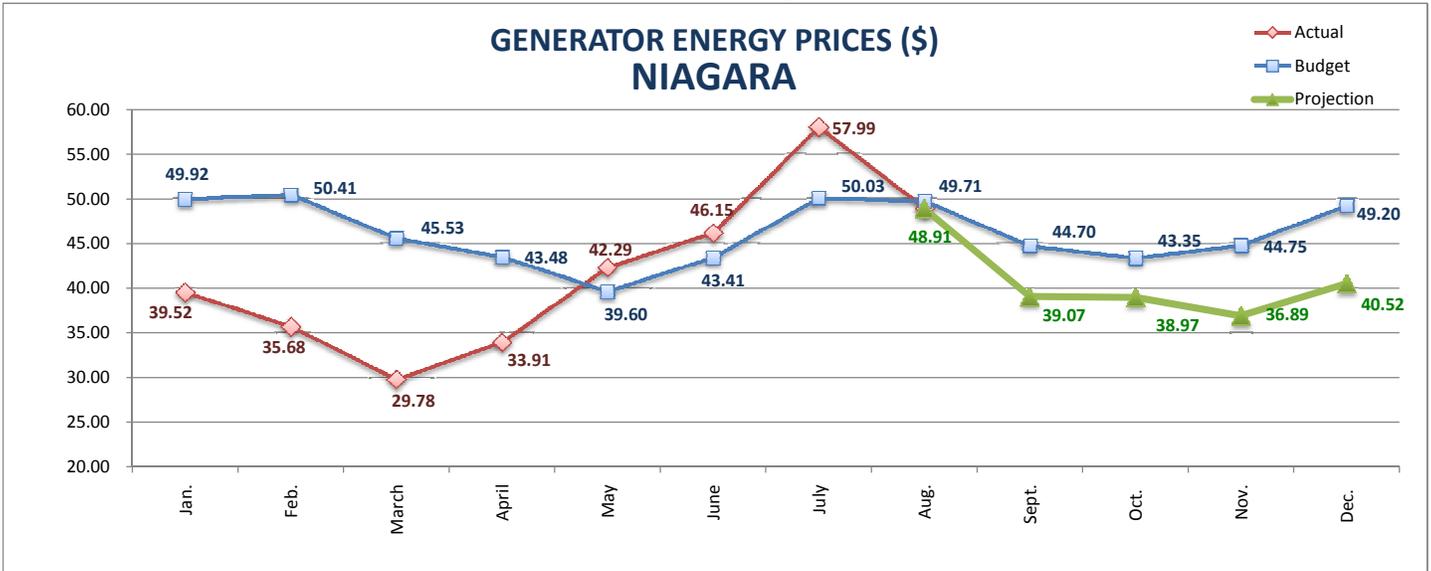
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	3,577,533	2,855,919
Fossil	2,259,014	2,325,575
MSP	324,884	449,320
<b>TOTAL</b>	<b>6,161,431</b>	<b>5,630,814</b>
PRICES (\$/MWH)		
Hydro*	\$57.88	\$50.93
Fossil	\$94.60	\$80.86
MSP	\$42.87	\$39.78
<b>AVERAGE</b>	<b>\$70.55</b>	<b>\$62.50</b>

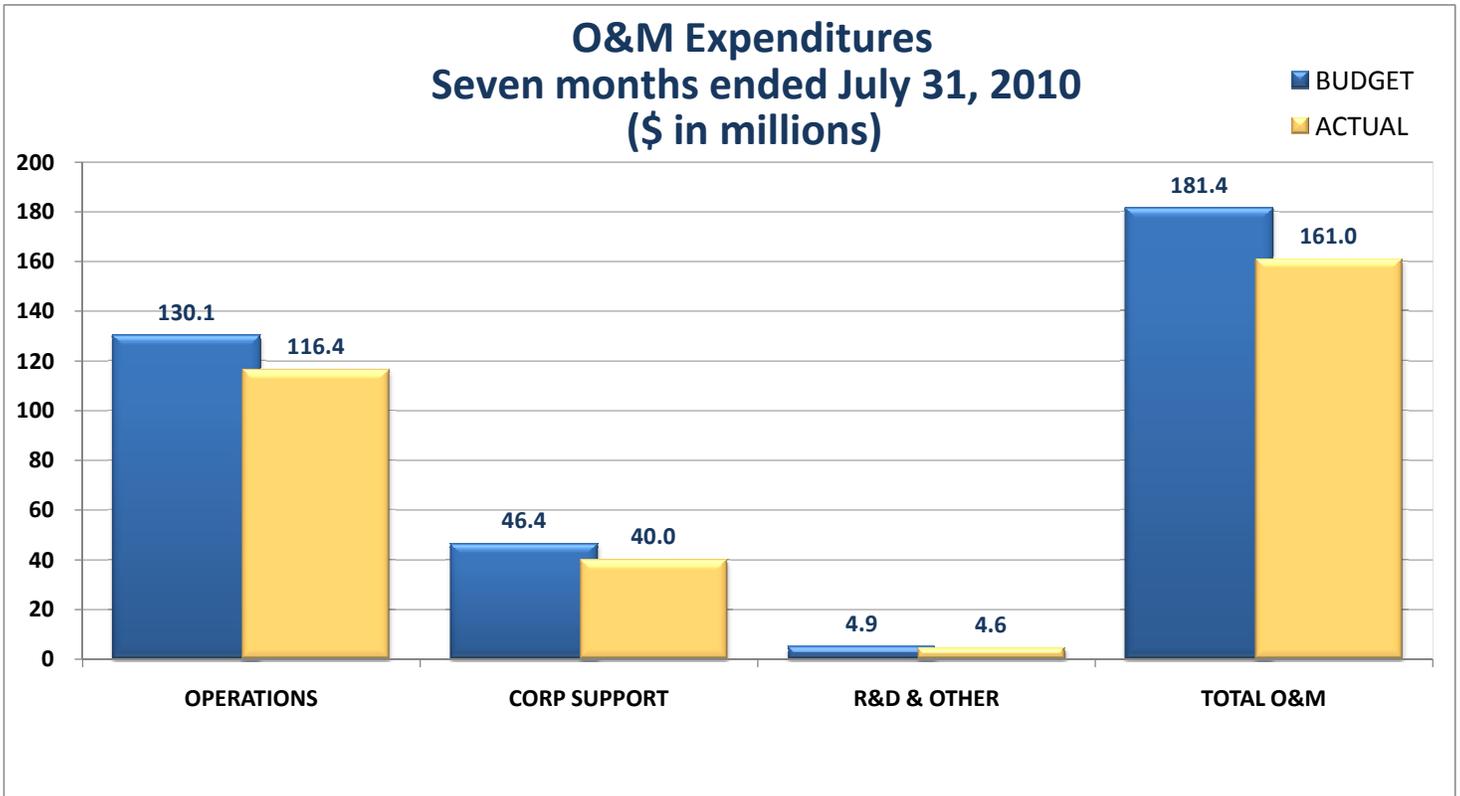
\* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,651,963	1,283,357
St. Law.	1,377,578	1,302,078
PRICES (\$/MWH)		
Niagara	\$46.57	\$41.74
St. Law.	\$44.03	\$38.51

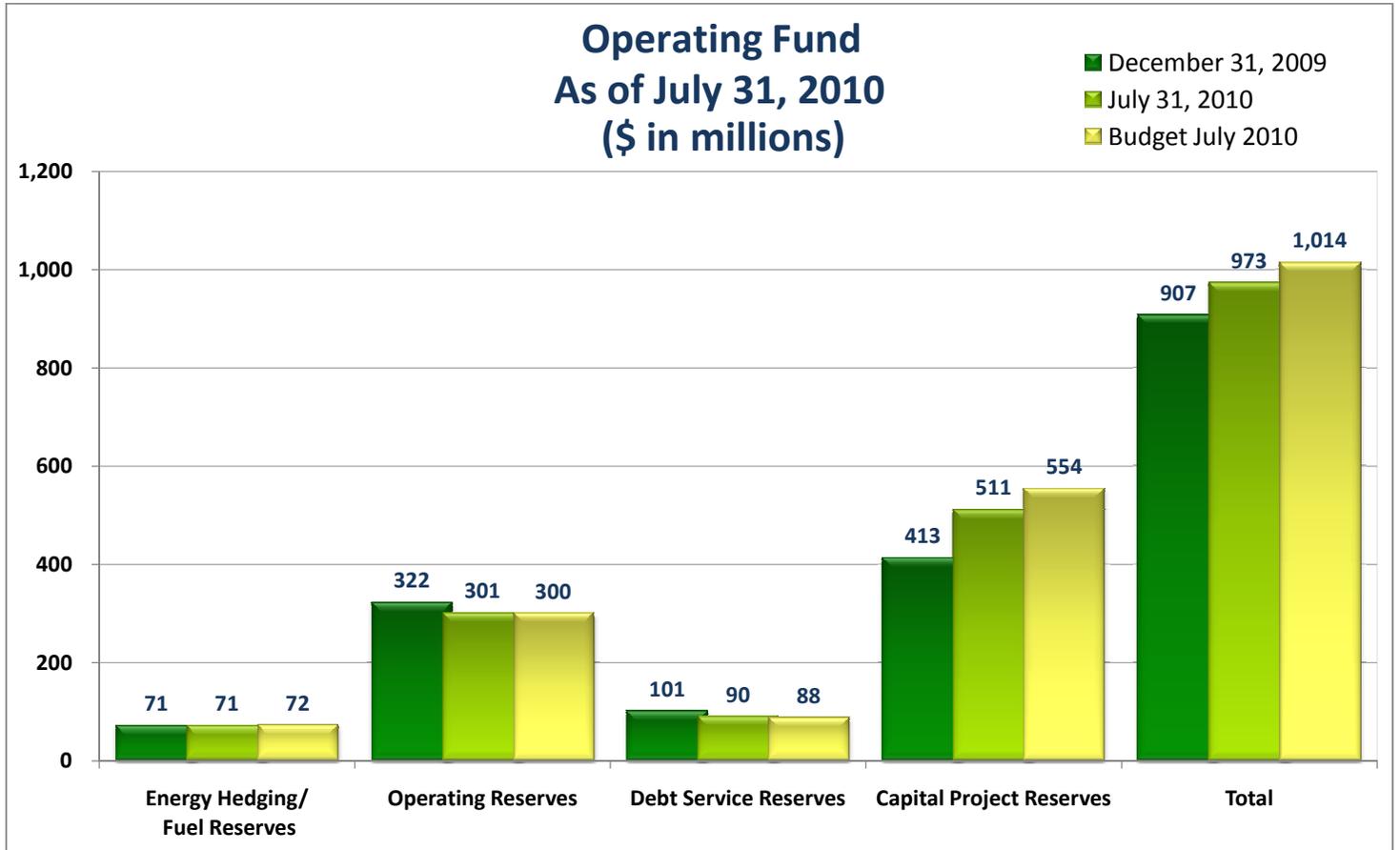
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	982,060	701,188
SENY	5,313,540	5,743,264
MSP	1,668,743	1,413,140
<b>TOTAL</b>	<b>7,964,343</b>	<b>7,857,592</b>
COSTS (\$/MWH)		
Hydro	\$29.98	\$26.32
SENY	\$52.99	\$53.17
MSP	\$45.15	\$41.57
<b>AVERAGE</b>	<b>\$48.52</b>	<b>\$48.69</b>

**RESULTS OF OPERATIONS**  
**Energy Prices**  
**Actual vs Budget**

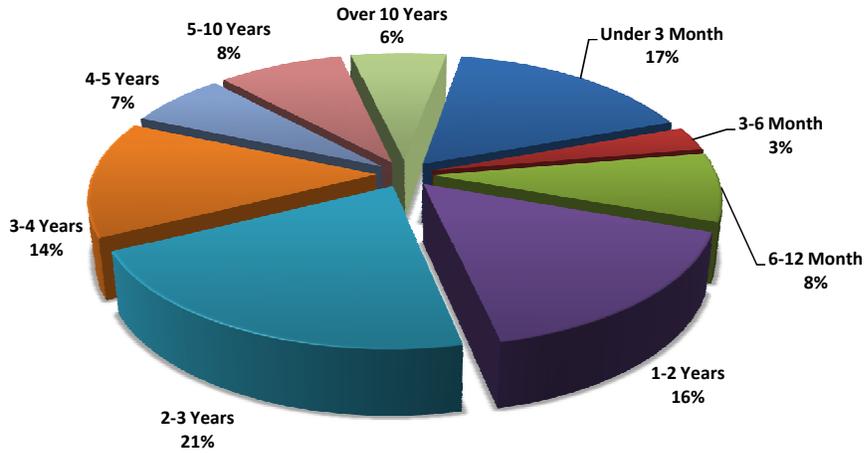




- Through July, O&M expenses were \$20.4 lower than the budget.
- Operations expenditures were \$13.7 lower than budgeted due primarily to the timing of contractor services for the 500 MW unit, lower than expected expenditures for non-recurring work at St. Lawrence and recurring maintenance at Blenheim-Gilboa, Flynn and the Transmission facilities.
- Corporate Support expenses were under budget by \$6.4 due mostly to under spending for fuel cell maintenance, legal consultants, telecommunication equipment and computer software, and payroll due to unfilled vacancies, as well as higher than anticipated rental income.

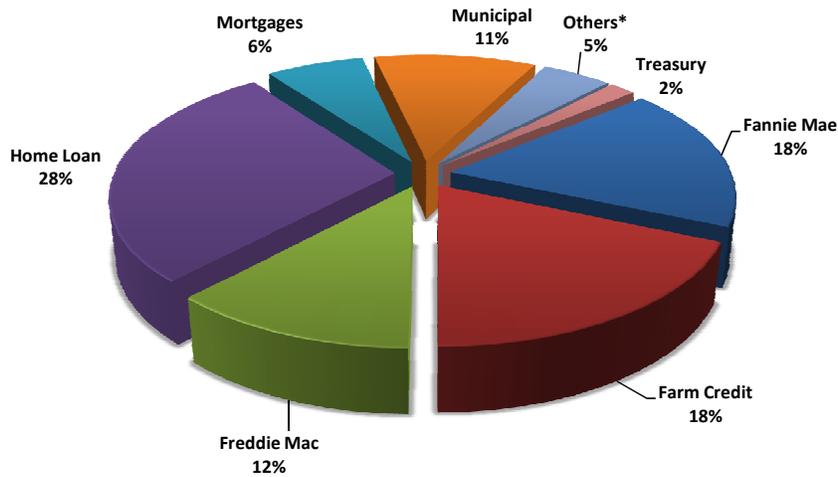


The year-to-date increase of \$66 in the Operating Fund (from \$907 to \$973) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of \$72 received from Entergy in January substantially offset by a \$119.5 voluntary contribution to New York State and scheduled debt service payments. The fund balance does not reflect a \$40 voluntary contribution made to New York State on August 12, 2010. The variance from budget is a result of lower net income for the period.

**Maturity Distribution  
As of July 31, 2010**

**MATURITY DISTRIBUTION**

(\$ in millions)

Under 3 Months	\$188.3
3-6 Months	32.8
6-12 Months	93.5
1-2 Years	182.7
2-3 Years	237.6
3-4 Years	158.4
4-5 Years	74.4
5-10 Years	94.5
Over 10 Yrs	72.1
<b>Total</b>	<b>\$1,134.2</b>

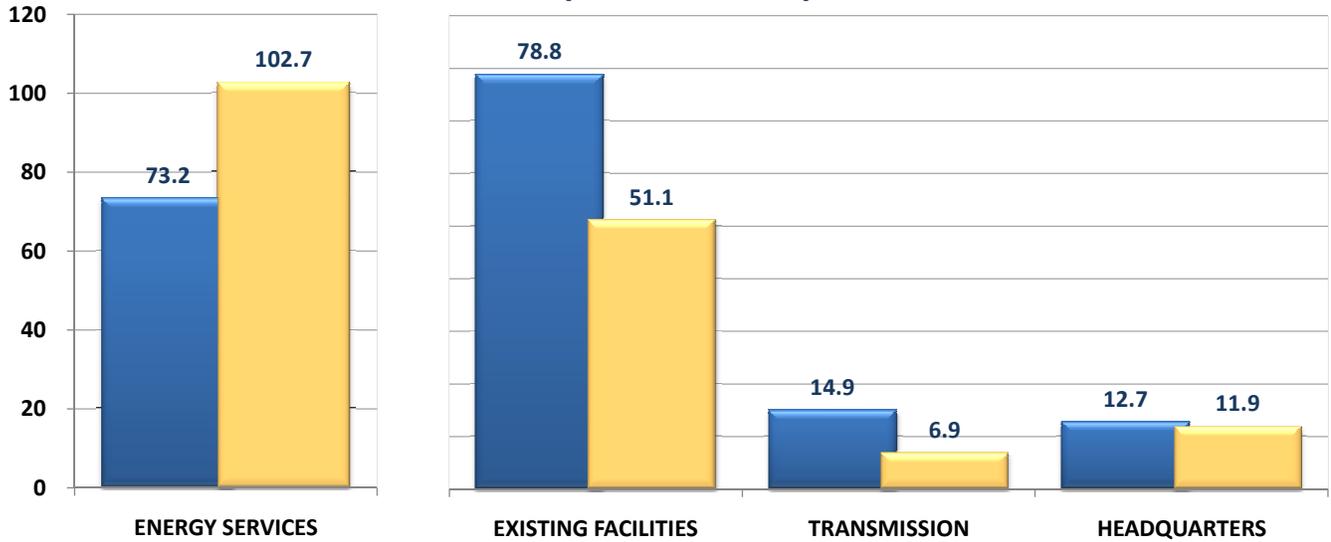
**Asset Allocation  
As of July 31, 2010**

**ASSET ALLOCATION**

(\$ in millions)

Fannie Mae	\$200.0
Farm Credit	211.0
Freddie Mac	133.8
Home Loan	318.4
Mortgages	74.4
Municipal	123.4
Others*	53.3
Treasury	20.0
<b>Total</b>	<b>\$1,134.2</b>

\*Includes CDs and Repos

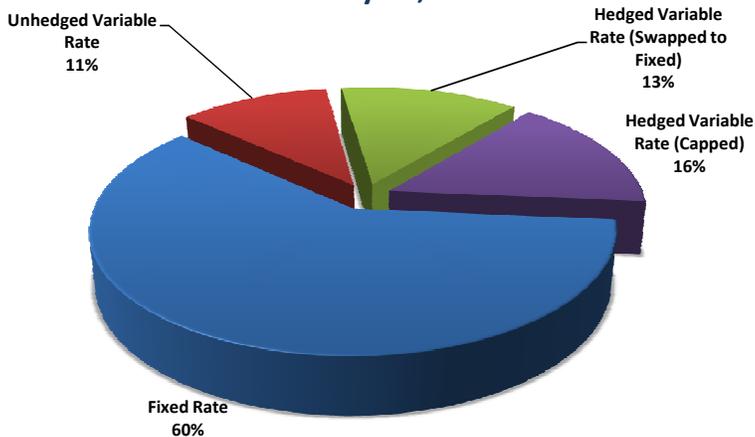
### Capital Expenditures Seven months ended July 31, 2010 (\$ in millions)



- Energy Services expenditures exceeded the budget by \$29.5 due to accelerated construction activity related to NYCHA’s Hot Water Storage Tank Replacement and CUNY Central Heating and Cooling Project.
- Lower capital expenditures at Existing Facilities were primarily due to timing differences related to the B-G and St. Lawrence life extension and modernization projects.
- Transmission was under budget due to timing differences related to the Niagara 115 kv Oil Circuit Breaker upgrade project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$20.3 for the year to date. The following expenditure was authorized in July:

Flynn - Emergency CT Generator Rewind \$2.5

### Debt Profile As of July 31, 2010



DEBT PROFILE	
(\$ in millions)	
Fixed Rate	\$1,173.4
Unhedged Variable Rate	\$216.0
Hedged Variable Rate (Swapped to Fixed)	\$257.1
Hedged Variable Rate (Capped)	\$300.0
<b>Total</b>	<b>\$1,946.5</b>

## ENERGY DERIVATIVES

### Results

Year-to-date financial energy derivative settlements resulted in a net loss of \$36.52 million that was incurred by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. The amount of losses would be subject to virtually full cost recovery, whereby the resulting hedge settlements would be incorporated into and recovered through Customer rates.

***Year-to-Date 2010 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions***  
*(\$ in Millions)*

	Settlements <sup>1</sup>	Fair Market Value			
	YTD	2010	2011	>2011	Total
NYPA	\$ (0.05)	\$ -	\$ -	\$ -	\$ -
Customer Contracts	\$ (36.47)	\$ (30.33)	\$ (77.25)	\$ (151.29)	\$ (258.87)
<b>Total</b>	<b>\$ (36.52)</b>	<b>\$ (30.33)</b>	<b>\$ (77.25)</b>	<b>\$ (151.29)</b>	<b>\$ (258.87)</b>

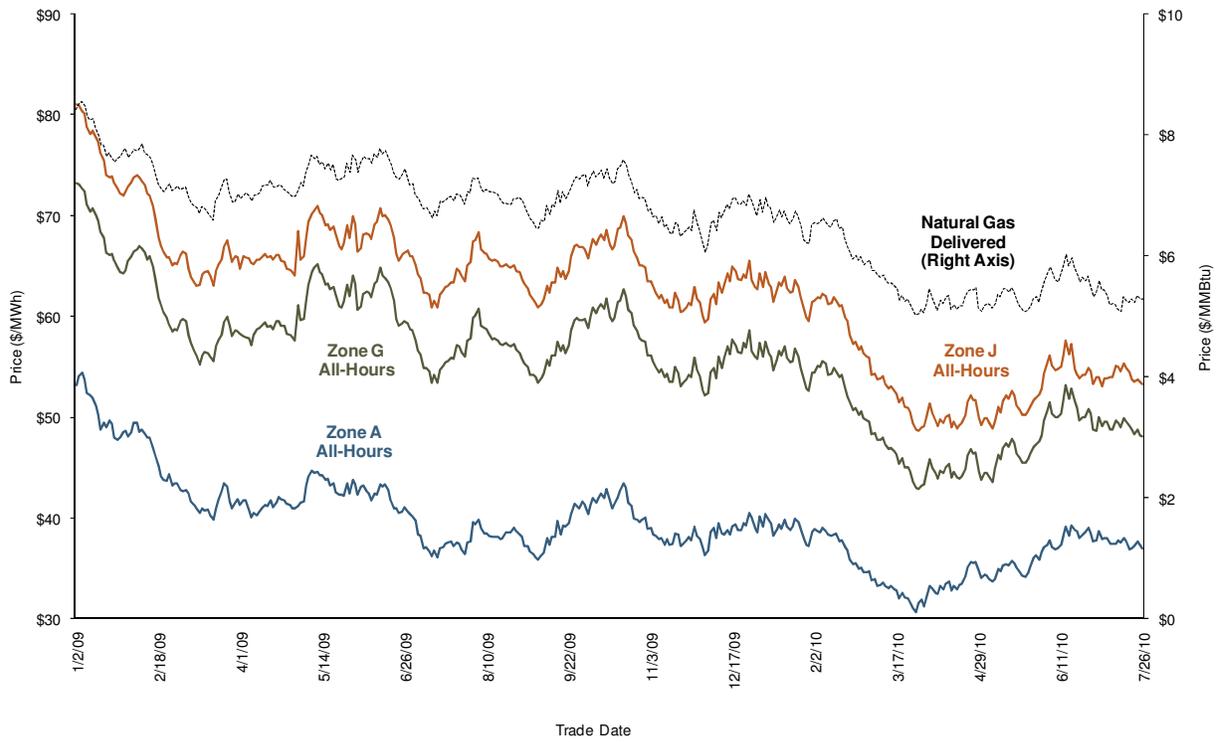
<sup>1</sup> Based on Updated Final Settlements for June & Preliminary Settlement Figures through July 2010.

At the end of July, the fair market value of outstanding positions was valued at an unrealized loss of \$258.87 million for positions extending through 2017.

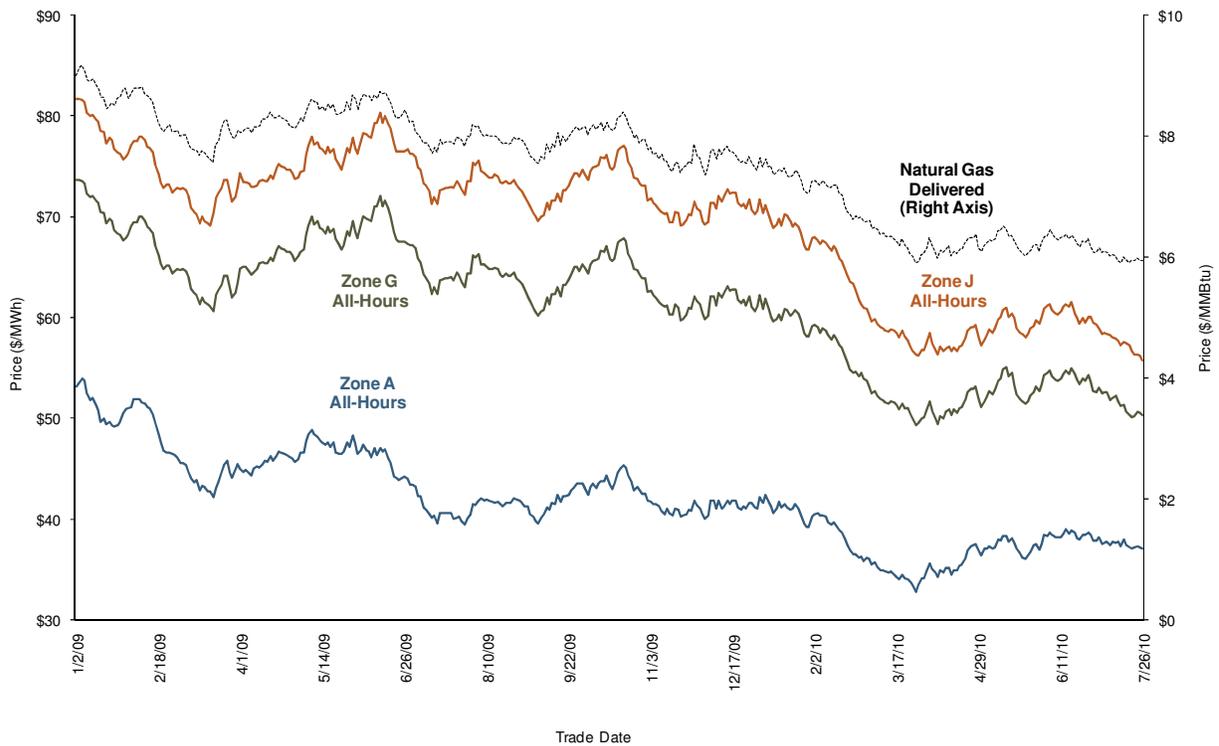
### Market Summary

Exhibit 1 shows the average price of futures contracts for the balance of 2010 (August to December 2010) and how they have traded since 2009, while Exhibit 2 illustrates the average price of futures contracts for 2011.

**Exhibit 1: Average August to December 2010 Forward Price as Traded**



**Exhibit 2: Average January to December 2011 Forward Price as Traded**



**STATEMENT OF NET INCOME**  
For the Seven Months Ended July 31, 2010  
(\$ in Millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	<b>Operating Revenues</b>			
<b>\$2,052.0</b>	Customer	<b>\$1,139.3</b>	<b>\$1,190.5</b>	<b>(\$51.2)</b>
601.8	Market-based power sales	271.5	351.4	(79.9)
54.4	Ancillary services	19.7	31.7	(12.0)
102.9	NTAC and other	68.0	60.3	7.7
<b>759.1</b>	<b>Total</b>	<b>359.2</b>	<b>443.4</b>	<b>(84.2)</b>
<b>2,811.1</b>	<b>Total Operating Revenues</b>	<b>1,498.5</b>	<b>1,633.9</b>	<b>(135.4)</b>
	<b>Operating Expenses</b>			
864.8	Purchased power	511.4	501.1	(10.3)
340.8	Fuel consumed - oil & gas	135.1	200.7	65.6
91.0	Ancillary services	41.3	52.8	11.5
519.9	Wheeling	297.5	291.2	(6.3)
312.3	Operations and maintenance	161.0	181.4	20.4
160.3	Depreciation and amortization	96.5	93.5	(3.0)
141.7	Other expenses	71.4	84.4	13.0
(10.8)	Allocation to capital	(5.2)	(5.8)	(.6)
<b>2,420.0</b>	<b>Total Operating Expenses</b>	<b>1,309.0</b>	<b>1,399.3</b>	<b>90.3</b>
<b>391.10</b>	<b>Net Operating Income</b>	<b>189.5</b>	<b>234.6</b>	<b>(45.1)</b>
	<b>Nonoperating Revenues</b>			
88.9	Post nuclear sale income	60.4	60.4	-
53.1	Investment income	23.9	30.8	(6.9)
(5.8)	Mark to market - investments	13.7	(3.4)	17.1
<b>136.2</b>	<b>Total Nonoperating Revenues</b>	<b>98.0</b>	<b>87.8</b>	<b>10.2</b>
	<b>Nonoperating Expenses</b>			
107.0	Contributions to New York State	107.0	107.0	-
112.3	Interest and other expenses	58.0	65.6	7.6
<b>219.3</b>	<b>Total Nonoperating Expenses</b>	<b>165.0</b>	<b>172.6</b>	<b>7.6</b>
<b>(83.1)</b>	<b>Net Nonoperating Income (Loss)</b>	<b>(67.0)</b>	<b>(84.8)</b>	<b>17.8</b>
<b>\$308.0</b>	<b>Net Income</b>	<b>\$122.5</b>	<b>\$149.8</b>	<b>(\$27.3)</b>

**COMPARATIVE BALANCE SHEETS  
July 31, 2010**

		July 2010	July 2009	December 2009
<b>Assets</b>				
<b>Current Assets</b>				
	Cash	\$0.1	\$0.1	\$0.1
	Investments in government securities	1,002.0	860.5	913.4
	Interest receivable on investments	6.1	6.3	5.8
	Accounts receivable - customers	229.8	145.9	191.7
	Materials and supplies, at average cost:			
	Plant and general	77.3	82.0	82.3
	Fuel	17.6	29.4	21.7
	Prepayments and other	167.9	234.0	124.4
	<b>Total Current Assets</b>	<b>1,500.8</b>	<b>1,358.2</b>	<b>\$1,339.4</b>
<b>Noncurrent Assets</b>				
	Restricted Funds			
	Investment in decommissioning trust fund	980.5	849.2	942.4
	Other	90.9	99.3	94.1
	Total Restricted Funds	<b>1,071.4</b>	<b>948.5</b>	<b>1,036.5</b>
	Capital Funds			
	Investment in securities and cash	158.2	199.7	189.2
	Total Capital Funds	<b>158.2</b>	<b>199.7</b>	<b>189.2</b>
	Net Utility Plant			
	Electric plant in service, less accumulated depreciation	3,293.7	3,347.3	3,347.8
	Construction work in progress	170.1	139.5	144.8
	Net Utility Plant	<b>3,463.8</b>	<b>3,486.8</b>	<b>3,492.6</b>
	Other Noncurrent Assets			
	Receivable - NY State	318.0	215.0	318.0
	Deferred charges, long-term receivables and other	643.3	443.5	545.6
	Notes receivable - nuclear plant sale	158.5	171.1	170.1
	Total other noncurrent assets	<b>1,119.8</b>	<b>829.6</b>	<b>1,033.7</b>
	<b>Total Noncurrent Assets</b>	<b>5,813.2</b>	<b>5,464.6</b>	<b>5,752.0</b>
	<b>Total Assets</b>	<b>\$7,314.0</b>	<b>\$6,822.8</b>	<b>\$7,091.4</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
	Accounts payable and accrued liabilities	\$859.3	\$810.5	\$809.5
	Short-term debt	300.2	260.9	289.2
	<b>Total Current Liabilities</b>	<b>1,159.5</b>	<b>1,071.4</b>	<b>1,098.7</b>
<b>Noncurrent Liabilities</b>				
	Long-term Debt			
	Revenue bonds	1,191.2	1,231.3	1,192.7
	Adjustable rate tender notes	130.5	137.5	137.5
	Commercial paper	342.4	421.8	413.3
	Total Long-term Debt	<b>1,664.1</b>	<b>1,790.6</b>	<b>1,743.5</b>
	Other Noncurrent Liabilities			
	Nuclear plant decommissioning	980.5	849.2	942.4
	Disposal of spent nuclear fuel	215.9	215.7	215.8
	Deferred revenues and other	351.1	199.6	270.5
	Total Other Noncurrent Liabilities	<b>1,547.5</b>	<b>1,264.5</b>	<b>1,428.7</b>
	<b>Total Noncurrent Liabilities</b>	<b>3,211.6</b>	<b>3,055.1</b>	<b>3,172.2</b>
	<b>Total Liabilities</b>	<b>4,371.1</b>	<b>4,126.5</b>	<b>4,270.9</b>
<b>Net Assets</b>				
	Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
	Net Income	122.5	129.5	253.6
	<b>Total Net Assets</b>	<b>2,942.9</b>	<b>2,696.3</b>	<b>2,820.5</b>
	<b>Total Liabilities and Net Assets</b>	<b>\$7,314.0</b>	<b>\$6,822.8</b>	<b>\$7,091.4</b>

**SUMMARY OF OPERATING FUND CASH FLOWS**  
**For the Seven Months Ended July 31, 2010**  
(\$ in millions)

<b>Operating Fund</b>	
Opening	\$906.8
Closing	973.1
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Increase/(Decrease)	<b>66.3</b>
 <b>Cash Generated</b>	
Net Operating Income	189.5
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	96.6
Net Change in Receivables, Payables & Inventory	(52.5)
Other	(3.4)
 <b>Net Cash Generated from Operations</b>	 <b>230.2</b>
 <b>(Uses)/Sources</b>	
Utility Plant Additions	(49.2)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(3.3)
ART Notes	(7.3)
Investment Income	15.6
Entergy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(119.5)
Other	(4.6)
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<b>Total (Uses)/Sources</b>	<b>(163.9)</b>
 <b>Net Increase in Operating Fund</b>	 <b>66.3</b>