

New York Power Authority

**Report of the Acting Chief Financial Officer
For the Ten Months Ended October 31, 2011**

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Executive Summary**

Results of Operations

Net income for the ten months ended October 31, 2011 was \$210.8 million which was \$61.8 million higher than budgeted. Positive variances attributable to higher net margins on sales (\$50.0 million), lower O&M (\$10.6 million) and higher non-operating income (\$39.2 million) were partially offset by higher other operating expenses (\$39.0 million).

Net margins were higher primarily at St. Lawrence (\$32.5 million) and Niagara (\$30.3 million) due to higher generation and higher prices on market-based sales. Net generation at Niagara and St. Lawrence was 22% higher than budgeted for the month of October and 13% higher than budgeted for the year-to-date. These positives were partially offset by a lower net margin at Blenheim-Gilboa (\$9.5 million) primarily due to lower prices on capacity sales. Lower O&M resulted primarily from lower payroll related costs associated with the high number of vacant positions, lower IT computer hardware and software costs, and the delayed start of the commercial operation date of Astoria Energy II. Non-operating income included a mark-to-market gain on the Authority's investment portfolio (\$12.8 million), lower interest costs (\$16.2 million) and the settlement of the spent nuclear fuel claim (\$11 million) against the United States Department of Energy not included in the budget. The mark-to-market gain and lower interest costs resulted primarily from lower than budgeted market interest rates. Other operating expenses were higher due to additional Power for Jobs related voluntary contributions to New York State (\$12.5 million) and the recognition of residential consumer discounts (\$24.9 million) included in the Recharge New York (RNY) Power Program legislation. The additional Power for Jobs voluntary contribution includes \$7.5 million relating to 2010 paid in June and accrual of a portion of the amount for 2011. On June 28, 2011, the Authority's Trustees authorized the use of revenues from the sale of withdrawn hydropower under the RNY legislation into the wholesale market or, as necessary, internal funds to fund the residential consumer discount program for its first six months.

Net income through October 2011 (\$210.8 million) was \$42.3 million higher than the comparable period in 2010 (\$168.5 million). Lower voluntary contributions to New York State (\$82 million) were partially offset by lower net operating income (\$12.2 million) and lower non-operating income (\$27.6 million) during the period. Year-to-date voluntary contributions were \$65 million in 2011 compared to \$147 million through October 2010. Net operating income was lower primarily due to higher retiree health benefits and higher Power for Jobs related contributions to New York State. Non-operating income in 2011 reflected a lower mark-to-market gain on the Authority's investment portfolio and higher interest costs (primarily Astoria II) than the comparable period in 2010.

Year-end Projection

Year-end net income is projected to be \$235 million, or \$56 million above the 2011 budget of \$179 million. The year-end projection is up from the prior projection due mainly to significant rainfall over Lakes Erie and Ontario over the past two months. The current forecast of 21.3 TWh of hydro generation for 2011 represents an increase of 12% over the 19.1 TWh in the budget, contributing approximately \$67 million to net income.

Additional factors affecting net income positively include a \$9 million increase due to higher energy prices, an \$11 million settlement received by NYPA from the Department of Energy regarding the spent nuclear fuel claim, and a \$12 million increase in the market valuation of the Authority's investment portfolio.

Partially mitigating these gains are a \$15 million negative impact due to lower capacity prices, \$8.5 million higher voluntary contributions related to the Power for Jobs Program, \$5 million in additional operating and maintenance expenses and an estimated \$5 million due to the overall effect of the Recharge New York program for 2011.

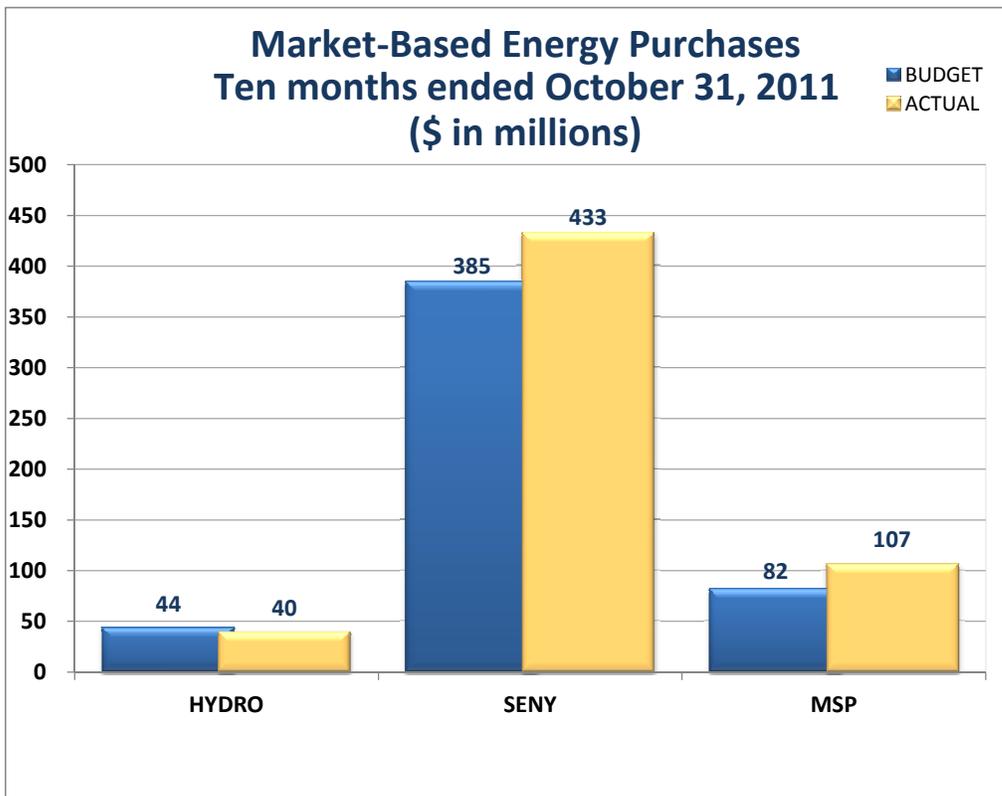
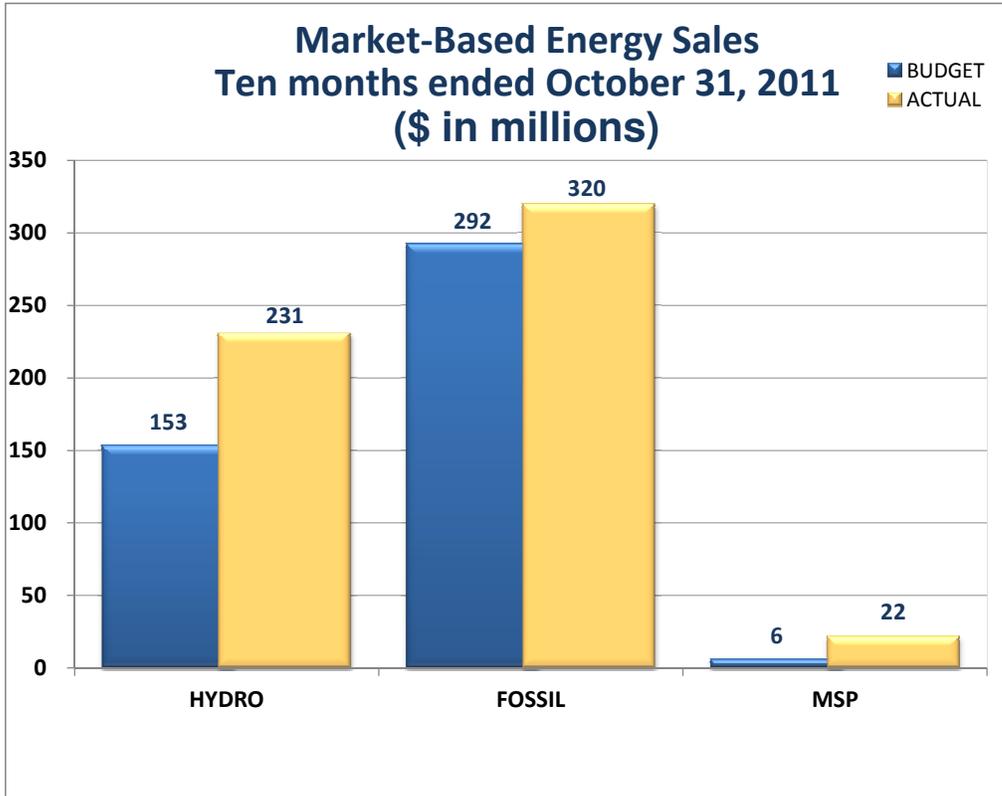
Cash & Liquidity

The Authority ended the month of October with total operating funds of \$1,329 million as compared to \$1,069 million at the end of 2010. The increase includes \$79 million in proceeds from the sale of the 2011A Revenue Bonds that will be used to retire the outstanding 2000A Revenue Bonds on November 15, 2011. The balance of the increase (\$181 million) is primarily attributable to net cash from operations and payments received from Entergy partially offset by voluntary contributions to New York State and scheduled debt service payments.

Net Income
Ten Months ended October 31, 2011
(\$ in millions)

	Actual	Budget	Variance
Niagara	\$91.3	\$67.7	\$23.6
St. Lawrence	42.5	24.3	18.2
Blenheim-Gilboa	(13.2)	(3.5)	(9.7)
SENY	34.0	32.1	1.9
SCPP	20.9	17.8	3.1
Market Supply Power	(45.0)	(33.4)	(11.6)
Flynn	7.9	2.0	5.9
Transmission	30.3	28.6	1.7
Non-facility	42.1	13.4	28.7
Total	\$210.8	\$149.0	\$61.8

<u>Major Factors</u>	<u>Better (Worse)</u>
<p><u>Niagara</u> Primarily higher net margin on sales and lower O&M. Net margins were higher (\$30.3) due to higher market based sales (12% higher net generation) partially offset by higher purchased power costs to support customer loads . Purchased power costs were higher due to an extended outage at an upstate transmission line early in the year. Lower O&M due to timing underruns in non-recurring projects were substantially offset by hydro subsidies related to the Recharge NY Power Program.</p>	\$23.6
<p><u>St. Lawrence</u> Higher net margin (\$32.5) resulting from 16% higher generation and higher prices on market sales (\$39/mwh vs \$36/mwh), partially offset by hydro subsidies related to the Recharge NY Power Program (\$13.8).</p>	18.2
<p><u>Blenheim-Gilboa</u> Lower prices on capacity sales into the market.</p>	(9.7)
<p><u>Market Supply Power</u> Primarily accruals and payment of voluntary contributions (\$12.5) not in budget (extension of Power for Jobs program).</p>	(11.6)
<p><u>Flynn</u> Primarily lower fuel costs due to lower prices and lower outage costs due to timing.</p>	5.9
<p><u>Other facilities</u> Positive variances at the SCPP's (\$3.1) due to higher production and prices and at the Transmission facility (\$1.7) due to lower O&M and other expenses.</p>	6.7
<p><u>Non-facility (including investment income)</u> Mark-to-market gain on the Authority's investment portfolio (\$12.8) due to lower than budgeted market interest rates during the period and settlement of spent nuclear fuel claim (\$11.0).</p>	28.7
Total	\$61.8



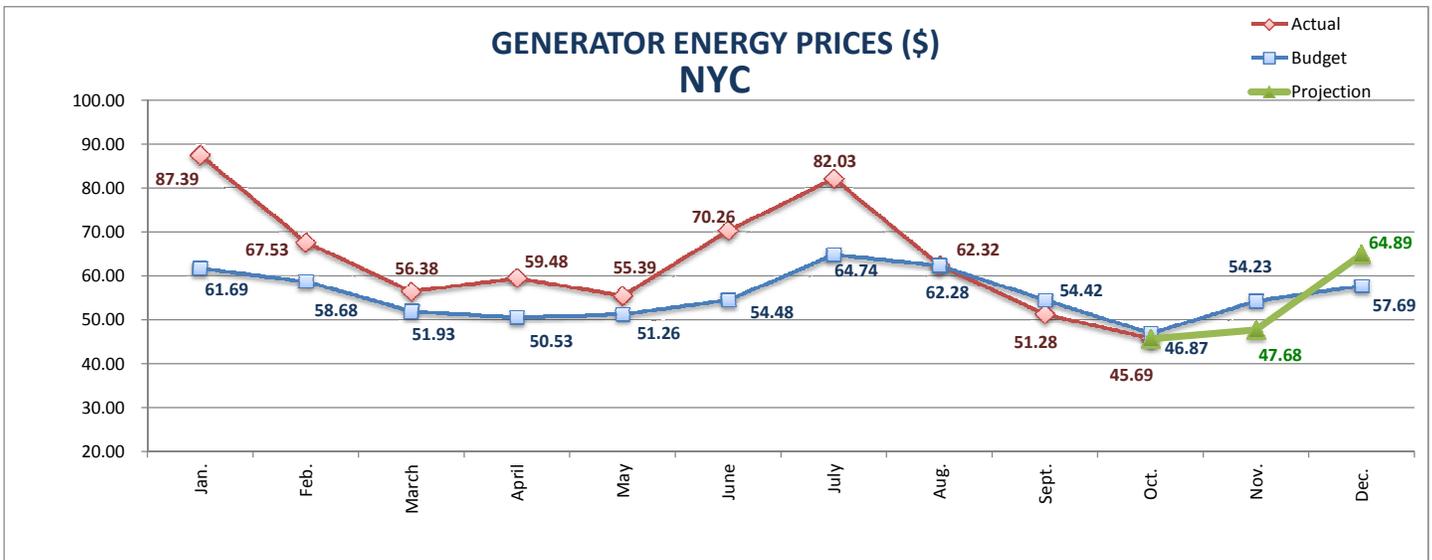
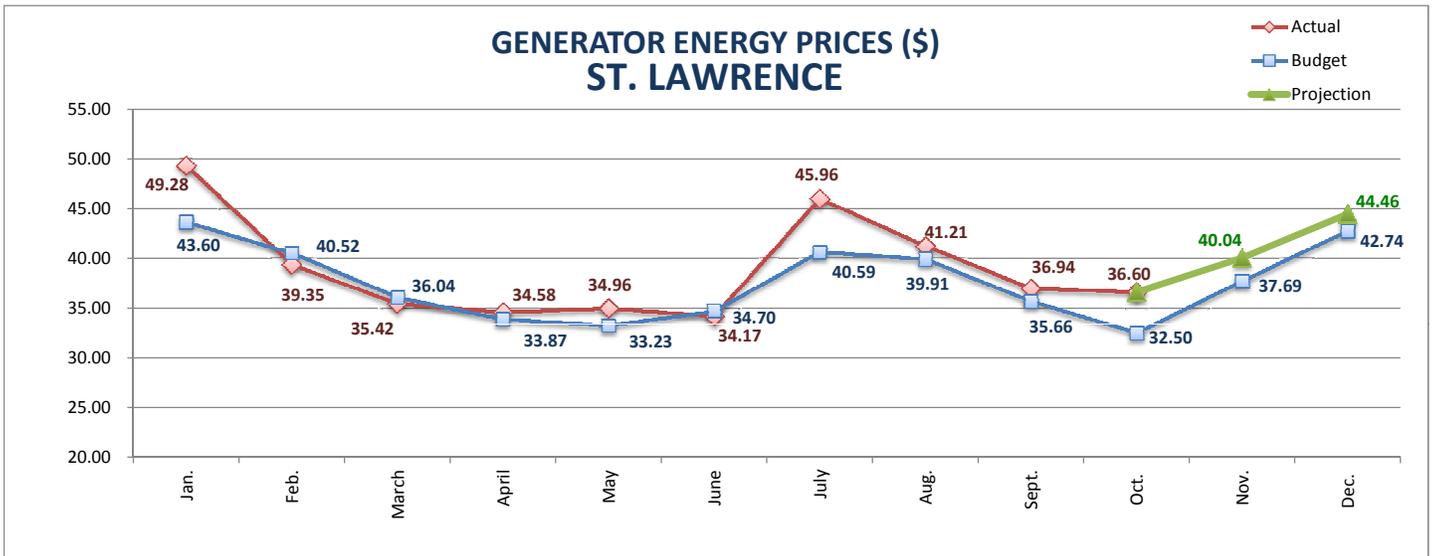
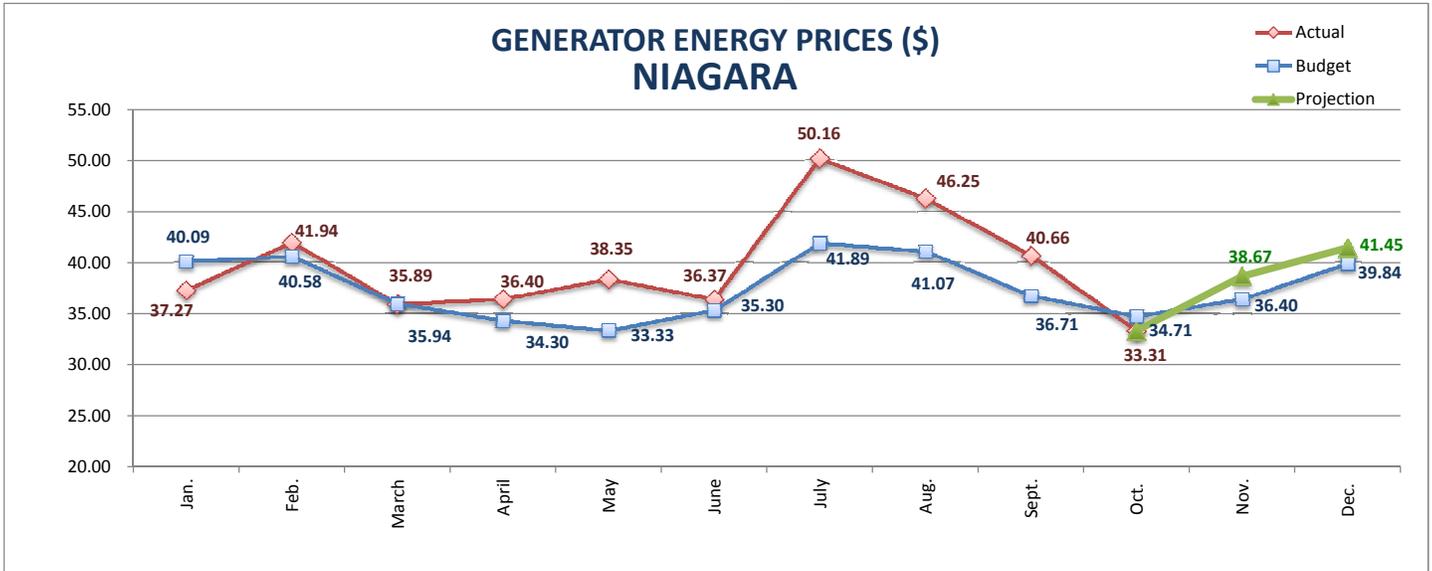
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	3,070,432	5,236,597
Fossil	4,510,863	4,503,183
MSP	185,330	480,424
TOTAL	7,766,625	10,220,204
PRICES (\$/MWH)		
Hydro*	\$41.04	\$42.28
Fossil	\$56.95	\$62.36
MSP	\$34.83	\$44.87
AVERAGE	\$50.13	\$51.25

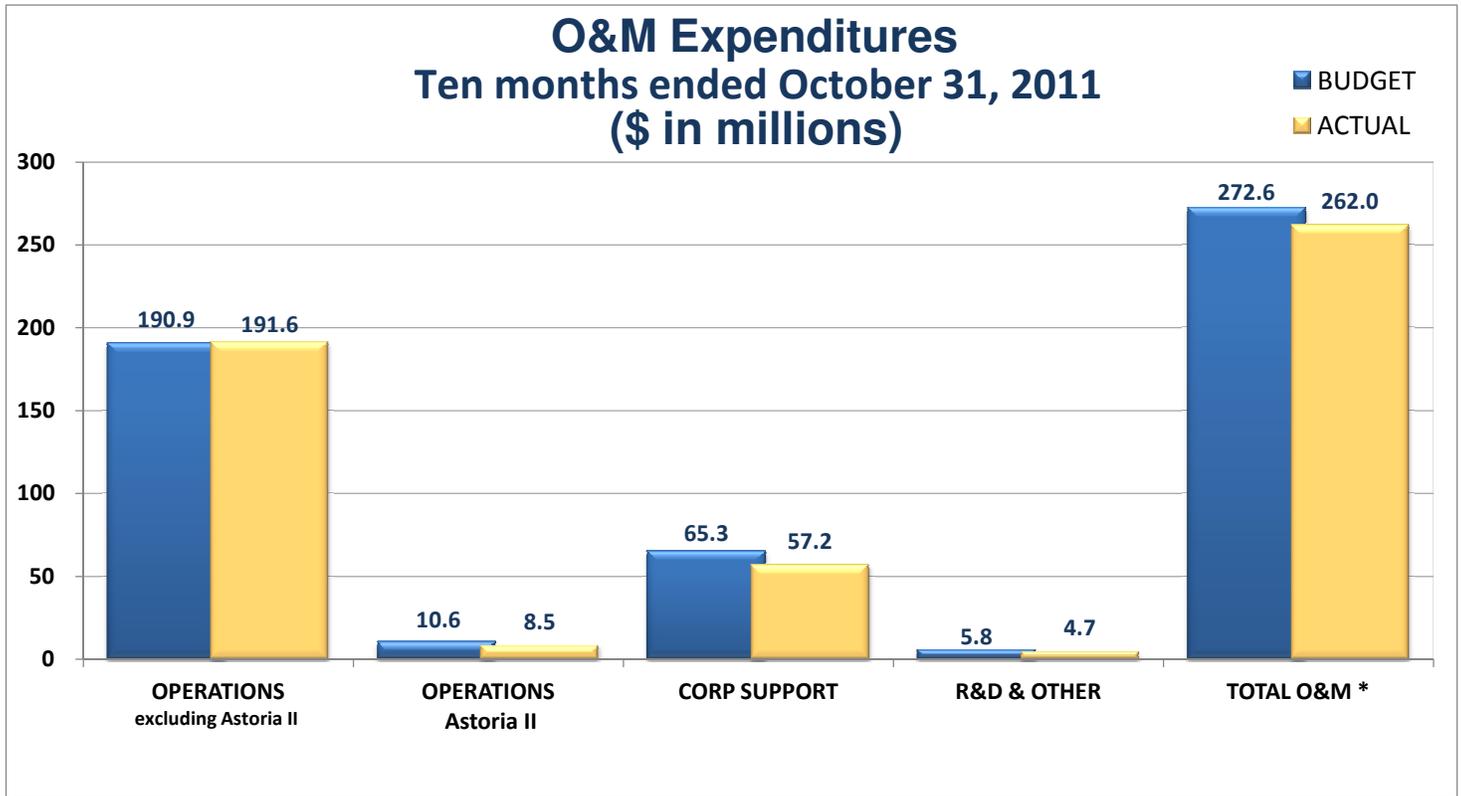
* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,369,596	3,055,360
St. Law.	1,046,658	1,827,381
PRICES (\$/MWH)		
Niagara	\$39.03	\$40.45
St. Law.	\$36.14	\$39.13

COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	1,780,989	1,168,987
SENY	7,469,108	7,920,557
MSP	2,230,259	2,474,192
TOTAL	11,480,356	11,563,736
COSTS (\$/MWH)		
Hydro	\$24.85	\$33.88
SENY	\$51.54	\$54.65
MSP	\$36.56	\$43.60
AVERAGE	\$44.49	\$50.19

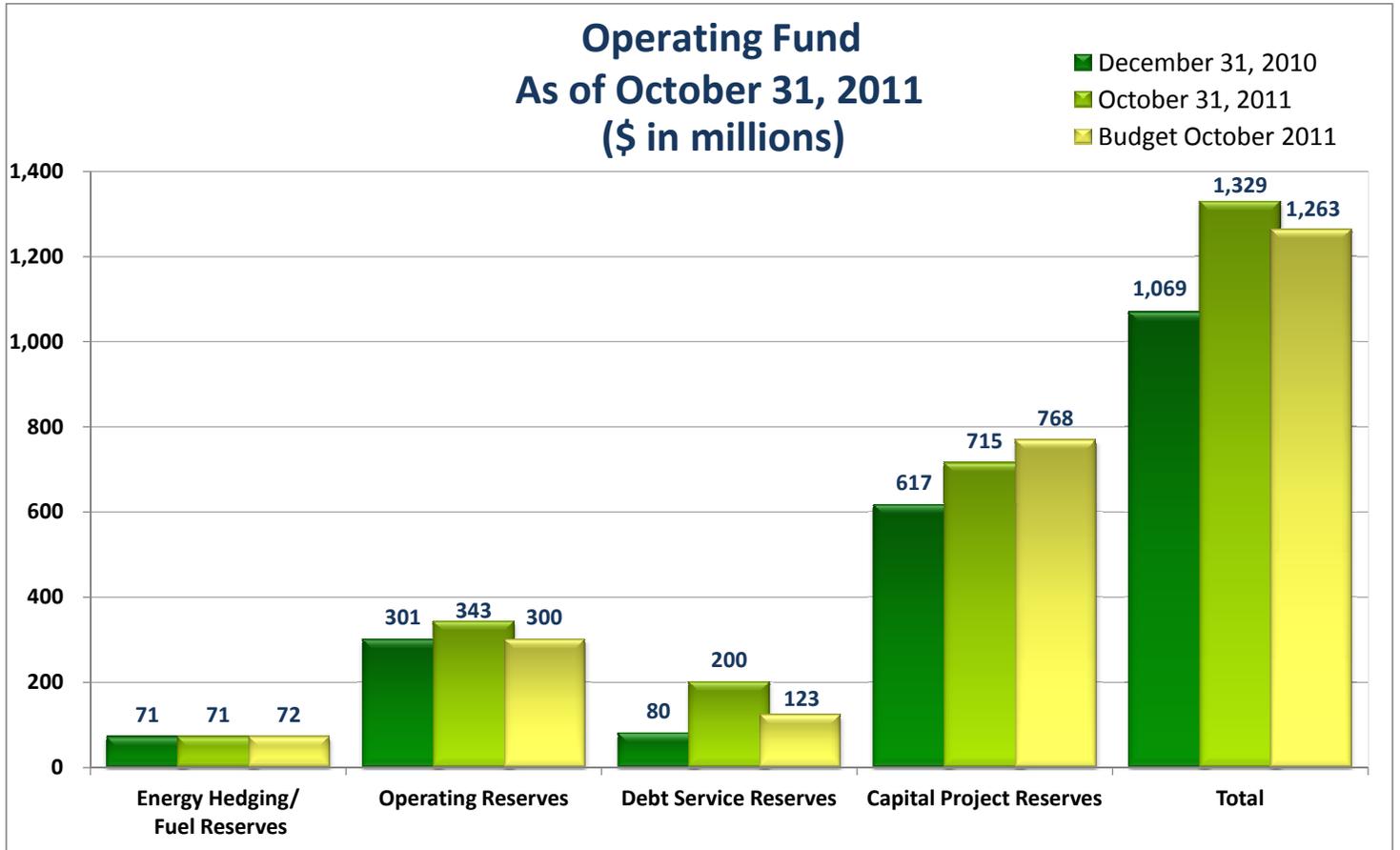
RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget



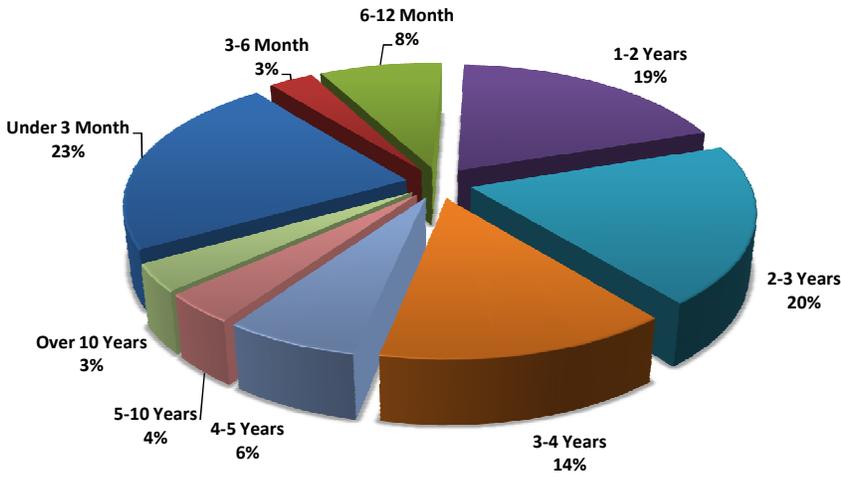


- Through October, O&M expenses were \$10.6 lower than the budget.
- HQ Corporate Support was under budget by \$8.1 due to lower than expected expenses for Human Resource contract services and employment agency fees, WPO building operations, computer software, hardware and services, and fuel cell maintenance.
- Operations expenditures excluding Astoria II were slightly higher than budgeted. Overruns totaling \$9.6 at the Small Clean Power Plants and Operations Shared Services were offset by under-runs at Niagara and Flynn (\$6.0). Higher than anticipated expenditures at the SCPP's resulted from emergent work (Harlem River Step Up Transformer and Pouch Blade Repair). Operations Shared Services reflected less than anticipated labor charged to capital projects. These negatives were offset by timing under runs in non-recurring projects at Niagara and timing related to the Flynn outage (budget assumed all work completed in October; outage work to be completed in November). Under runs in recurring maintenance at St. Lawrence and the Small Hydro facilities (\$2.1, timing) added to the positives. In addition, operations O&M was lower by \$2.1 as a result of a one-month delay in the commercial operation date for Astoria II.

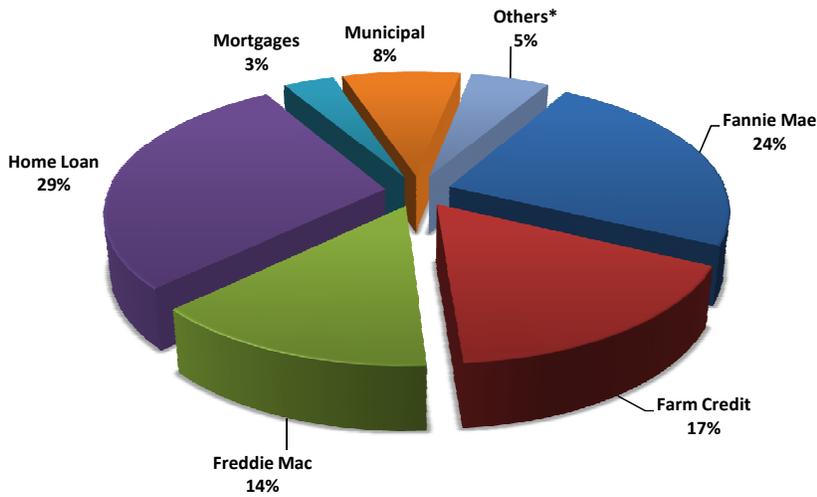
* In September, the Trustees approved an additional \$9.6 primarily for emergent work at the SCPP's and the transmission facilities. This amount is not included in the budgeted amounts above.



The increase of \$260 in the Operating Fund (from \$1,069 to \$1,329) includes \$79 in bond proceeds from the issuance of 2011A Revenue Bonds which will be used to retire the 2000A Revenue Bonds on 11/15/11. The remaining \$181 increase was primarily attributable to positive net cash provided by operating activities, the payments received from Entergy (\$82) and the settlement of the spent nuclear fuel claim (\$11), substantially offset by voluntary contributions to New York State (\$73) and repayments on commercial paper (\$106) and ART Notes (\$8).

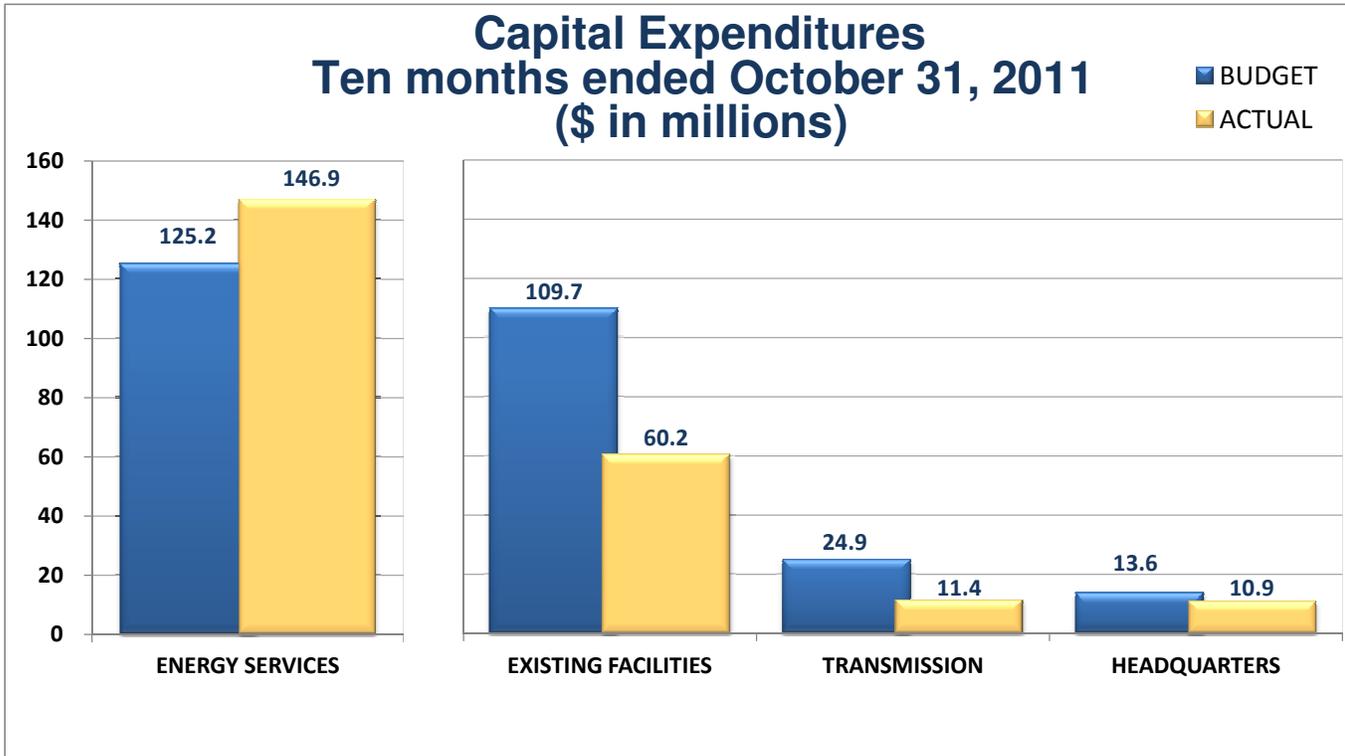
**Maturity Distribution
As of October 31, 2011**


MATURITY DISTRIBUTION	
(\$ in millions)	
Under 3 Month	\$326.2
3-6 Month	43.8
6-12 Month	119.9
1-2 Years	275.8
2-3 Years	281.3
3-4 Years	203.7
4-5 Years	93.3
5-10 Years	52.5
Over 10 Years	47.9
Total	\$1,444.4

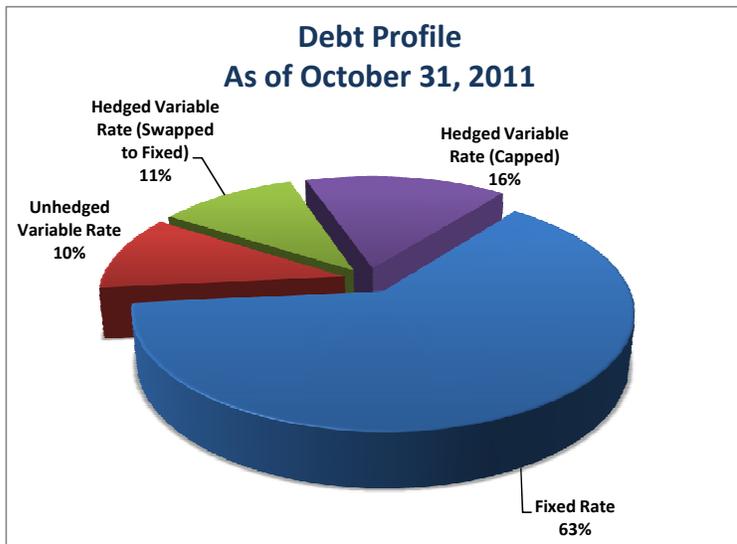
**Asset Allocation
As of October 31, 2011**


ASSET ALLOCATION	
(\$ in millions)	
Fannie Mae	\$344.4
Farm Credit	241.6
Freddie Mac	201.0
Home Loan	414.3
Mortgages	49.5
Municipal	116.8
Others*	76.8
Total	\$1,444.4

*Includes CDs and Repos



- Energy Services expenditures were over budget primarily due to accelerated construction activity in the Governmental Services Program (primarily Queens Supreme Court-Chiller).
- Existing facilities expenditures were under budget by \$49.5 primarily due to the delays in permitting for projects related to the Niagara and St. Lawrence Relicensing Implementation and Compliance.
- Transmission expenditures were less than anticipated due to timing for several projects, primarily the 765 kv transmission line relay and switch replacements.
- Headquarters expenditures were less than budgeted due to timing for several IT projects.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$22.1 for 2011. New authorizations in October include the BG protective relay replacement (\$2.6), the BG transfer switch replacement (\$2.6) and the RMNPP CO2 exhaust system upgrade (\$0.8).



DEBT PROFILE (\$ in millions)	
Fixed Rate	\$1,201.1
Unhedged Variable Rate	203.1
Hedged Variable Rate (Swapped to Fixed)	204.8
Hedged Variable Rate (Capped)	300.0
Total	\$1,909.0

On September 21, 2011, the Authority priced and sold the Series 2011 A Bonds. The proceeds will be used to current refund \$77.2 of the Series 2000A bonds on November 15, 2011 and advance refund, on November 15, 2012, \$41.7 of the Series 2002A bonds. The refunding transaction will result in \$19.4 in present value savings or 16.3% of the par amount of bonds refunded. The transaction closed on October 6, 2011.

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of \$59.9 million. Gains and losses on these positions are substantially passed through to customers as resulting hedge settlements are incorporated into and recovered through customer rates.

Year-to-Date 2011 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions
(\$ in Millions)

	Settlements	Fair Market Value			Total
	YTD ¹	2011	2012	>=2013	
NYPA	\$ 0.25	\$ 0.21	\$ -	\$ -	\$ 0.21
Customer Contracts	\$ (60.16)	\$ (12.67)	\$ (85.00)	\$ (77.32)	\$ (174.98)
Total	\$ (59.91)	\$ (12.46)	\$ (85.00)	\$ (77.32)	\$ (174.77)

¹Reflects October 2011 preliminary settlements.

At the end of October, the fair market value of outstanding positions was valued at an unrealized loss of \$174.8 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of January to December 2012 futures contracts and how they have traded since the beginning of 2010, while Exhibit 2 illustrates the average price of futures contracts for entire year 2013 since 11/30/2010.

Exhibit 1: Average January to December 2012 Forward Price

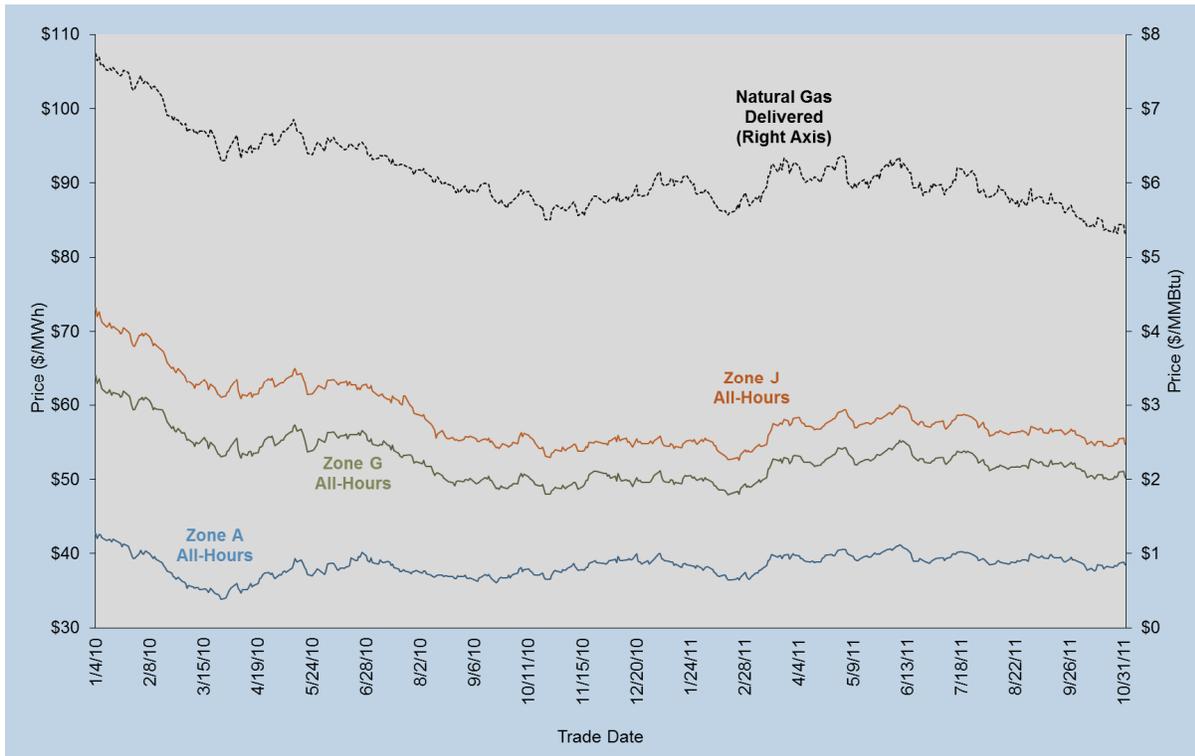
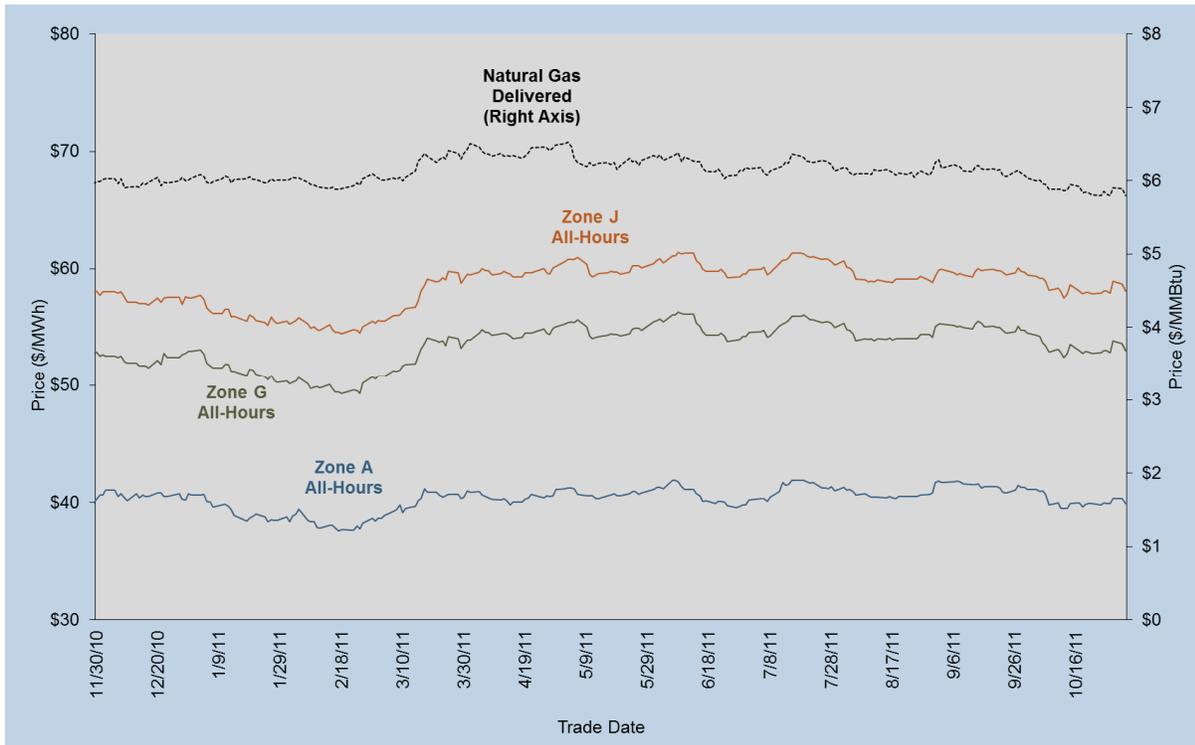


Exhibit 2: Average January to December 2013 Forward Price



STATEMENT OF NET INCOME
For the Ten Months Ended October 31, 2011
(\$ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
\$2,070.5	Customer	\$1,660.2	\$1,733.1	(\$72.9)
463.4	Market-based power sales	476.5	389.1	87.4
30.6	Ancillary services	21.2	22.4	(1.2)
114.9	NTAC and other	93.1	96.1	(3.0)
608.9	Total	590.8	507.6	83.2
2,679.4	Total Operating Revenues	2,251.0	2,240.7	10.3
	Operating Expenses			
804.7	Purchased power	704.2	682.5	(21.7)
295.6	Fuel consumed - oil & gas	220.1	241.7	21.6
108.2	Ancillary services	47.7	89.9	42.2
543.4	Wheeling	466.6	464.3	(2.3)
327.1	Operations and maintenance	262.0	272.6	10.6
194.9	Depreciation and amortization	154.4	158.5	4.1
135.5	Other expenses	153.0	113.9	(39.1)
(10.9)	Allocation to capital	(5.9)	(9.0)	(3.1)
2,398.5	Total Operating Expenses	2,002.1	2,014.4	(12.3)
280.90	Net Operating Income	248.9	226.3	22.6
	Nonoperating Revenues			
88.0	Post nuclear sale income	85.4	85.4	-
39.9	Investment income	31.8	32.8	(1.0)
(7.0)	Mark to market - investments	7.5	(5.3)	12.8
-	Other income	11.2	-	11.2
120.9	Total Nonoperating Revenues	135.9	112.9	23.0
	Nonoperating Expenses			
65.0	Contributions to New York State	65.0	65.0	-
157.5	Interest and other expenses	109.0	125.2	16.2
222.5	Total Nonoperating Expenses	174.0	190.2	16.2
\$179.3	Net Income	\$210.8	\$149.0	\$61.8

**COMPARATIVE BALANCE SHEETS
October 31, 2011
(\$ in millions)**

Assets	October 2011	October 2010	December 31, 2010
Current Assets			
Cash	\$0.1	\$0.1	\$0.1
Investments in government securities	1,356.9	1,108.3	1,091.1
Interest receivable on investments	5.5	5.8	5.5
Accounts receivable - customers	242.3	222.2	204.0
Materials and supplies, at average cost:			
Plant and general	80.3	77.4	75.1
Fuel	23.2	17.4	15.3
Prepayments and other	150.5	176.4	190.5
Total Current Assets	1,858.8	1,607.6	1,581.6
Noncurrent Assets			
Restricted Funds			
Investment in decommissioning trust fund	1,079.7	1,017.0	1,032.4
Other	81.0	88.0	83.3
Total Restricted Funds	1,160.7	1,105.0	1,115.7
Capital Funds			
Investment in securities and cash	101.5	147.0	144.8
Total Capital Funds	101.5	147.0	144.8
Net Utility Plant			
Electric plant in service, less accumulated depreciation	3,405.5	3,302.5	3,344.1
Capital lease, less accumulated amortization	1,017.6	-	-
Construction work in progress	95.8	147.8	123.3
Net Utility Plant	4,518.9	3,450.3	3,467.4
Other Noncurrent Assets			
Receivable - NY State	318.0	318.0	318.0
Deferred charges, long-term receivables and other	609.7	669.8	604.6
Notes receivable - nuclear plant sale	160.5	174.3	157.1
Total other noncurrent assets	1,088.2	1,162.1	1,079.7
Total Assets	\$8,728.1	\$7,472.0	\$7,389.2
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	\$902.5	\$902.3	\$881.7
Short-term debt	353.1	304.9	323.2
Total Current Liabilities	1,255.6	1,207.2	1,204.9
Noncurrent Liabilities			
Long-term Debt			
Revenue bonds	1,228.6	1,190.7	1,151.2
Adjustable rate tender notes	122.9	130.5	130.5
Commercial paper	231.8	344.1	336.5
Total Long-term Debt	1,583.3	1,665.3	1,618.2
Other Noncurrent Liabilities			
Nuclear plant decommissioning	1,079.7	1,017.0	1,032.4
Disposal of spent nuclear fuel	216.2	216.1	216.1
Capital lease obligation	1,125.4	-	-
Deferred revenues and other	256.0	377.5	316.5
Total Other Noncurrent Liabilities	2,677.3	1,610.6	1,565.0
Net Assets			
Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
Net Income	210.8	168.5	180.7
Total Net Assets	3,211.9	2,988.9	3,001.1
Total Liabilities and Net Assets	\$8,728.1	\$7,472.0	\$7,389.2

SUMMARY OF OPERATING FUND CASH FLOWS
For the Ten Months Ended October 31, 2011
(\$ in millions)

Operating Fund	
Opening	\$1,069.2
Closing	1,329.1
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Increase/(Decrease)	259.9
 Cash Generated	
Net Operating Income	248.9
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	154.4
Net Change in Receivables, Payables & Inventory	(78.9)
Other	(4.8)
 Net Cash Generated from Operations	 319.6
 (Uses)/Sources	
Utility Plant Additions	(48.5)
Debt Service	
Issuance of 2011A Bonds	123.3
Defeasance of 2002A Bonds	(46.0)
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(61.6)
ART Notes	(7.6)
Investment Income	19.5
Entergy Value Sharing Agreement	72.0
Entergy IP2 Purchase Agreement	10.0
Voluntary Contributions to NY State	(72.5)
Other	(3.5)
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Total (Uses)/Sources	(59.7)
 Net Increase in Operating Fund	 \$259.9