

New York Power Authority

Report of the Acting Chief Financial Officer

For the Nine Months Ended September 30, 2011

**Report of the Acting Chief Financial Officer
For the Nine Months Ended September 30, 2011
Executive Summary**

Results of Operations

Net income for the nine months ended September 30, 2011 was \$191.3 million which was \$54.6 million higher than budgeted. Positive variances attributable to higher net margins on sales (\$38.3 million) and higher non-operating income (\$39.3 million) were partially offset by higher other operating expenses (\$30.2 million).

Net margins were higher primarily at St. Lawrence (\$27.9 million) and Niagara (\$22.7 million) due to higher generation and higher prices on market-based sales. Net generation at Niagara and St. Lawrence was 18% higher than budgeted for the month of September and 12% higher than budgeted for the year-to-date. These positives were partially offset by a lower net margin at Blenheim-Gilboa (\$7.4 million) primarily due to lower prices on capacity sales. Non-operating income included a mark-to-market gain on the Authority's investment portfolio (\$12.9 million), lower interest costs (\$15.5 million) and the settlement of the spent nuclear fuel claim (\$11 million) not included in the budget. The mark-to-market gain and lower interest costs resulted primarily from lower than budgeted market interest rates. In August 2011, the Authority received a payment of \$11 million settling a claim against the U.S. Department of Energy relating to the Government's failure to take title to spent nuclear fuel for disposal from the Indian Point 3 and James A. FitzPatrick nuclear power plants. Other operating expenses were higher due to additional Power for Jobs related voluntary contributions to New York State (\$12.0 million) and the recognition of residential consumer discounts (\$16.6 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 On June 28, 2011, the Authority's Trustees authorized the use of revenues from the sale of withdrawn hydropower under the RNY legislation into the wholesale market or, as necessary, internal funds to fund the residential consumer discount program for its first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 September 2011 (\$191.3 million) was \$49.3 million higher than the comparable period in 2010 (\$142.0 million). Lower voluntary contributions to New York State (\$82 million) were partially offset by lower net operating income (\$14.2 million) and lower non-operating income (\$18.5 million) during the period. Year-to-date voluntary contributions were \$65 million in 2011 compared to \$147 million through September 2010. Net operating income was lower primarily due to higher retiree health benefits and 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 currently projected to be \$223 million, \$44 million above the 2011 budget. The year-end projection is unchanged from last month's estimate. The projected increase is mainly attributable to increased hydro generation (\$44 million), higher energy prices (\$8 million), the aforementioned claim settlement with the U.S. Department of Energy (\$11 million) and an increase in the mark-to-market value of NYPA's investment portfolio (\$10.9 million). These positives were partially offset by the impact of lower capacity prices (\$17 million), higher voluntary contributions (\$8.5 million) related to the Power for Jobs Program, and higher O&M (\$5.4 million) reflecting the budget increase of \$9.6 million approved by the Board in September offset by approximately \$4 million in other O&M savings. The current annual hydro generation forecast increased to 20.9 TWh for 2011 (1.8 TWh above budget). Energy prices are approximately 11% higher than the 2011 budget, while capacity prices have declined by approximately 11% for New York City and 79% for Rest-of-State.

Cash & Liquidity

The Authority ended the month of September with total operating funds of \$1,204 million as compared to \$1,069 million at the end of 2010. The increase of \$135 million was 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
Nine Months ended September 30, 2011
(\$ in millions)

	Actual	Budget	Variance
Niagara	\$82.3	\$63.1	\$19.2
St. Lawrence	40.4	22.4	18.0
Blenheim-Gilboa	(11.1)	(3.4)	(7.7)
SENY	30.3	28.1	2.2
SCPP	19.1	16.4	2.7
Market Supply Power	(42.4)	(30.6)	(11.8)
Flynn	12.7	10.0	2.7
Transmission	27.1	25.9	1.2
Non-facility	32.9	4.8	28.1
Total	\$191.3	\$136.7	\$54.6

<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 (\$22.7) due to higher market based sales (11% 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. 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>	\$19.2
<p><u>St. Lawrence</u> Higher net margin (\$27.9) resulting from 16% higher generation and higher prices on market sales (\$40/mwh vs \$36/mwh), partially offset by hydro subsidies related to the Recharge NY Power Program (\$9.2).</p>	18.0
<p><u>Blenheim-Gilboa</u> Lower prices on capacity sales into the market.</p>	(7.7)
<p><u>Market Supply Power</u> Primarily accruals and payment of voluntary contributions (\$12.0) not in budget (extension of Power for Jobs program).</p>	(11.8)
<p><u>Flynn</u> Primarily lower fuel costs due to lower prices.</p>	2.7
<p><u>Other facilities</u> Positive variances at the SCPP's (\$2.7) due to higher production and prices and at the Transmission facility (\$1.2) due to lower O&M and other expenses.</p>	6.1
<p><u>Non-facility (including investment income)</u> Mark-to-market gain on the Authority's investment portfolio (\$12.9) due to lower than budgeted market interest rates during the period and settlement of spent nuclear fuel claim (\$11.0)</p>	28.1
Total	\$54.6

Net Income
Nine Months Ended September 30, 2011 and September 30, 2010
(\$ in millions)

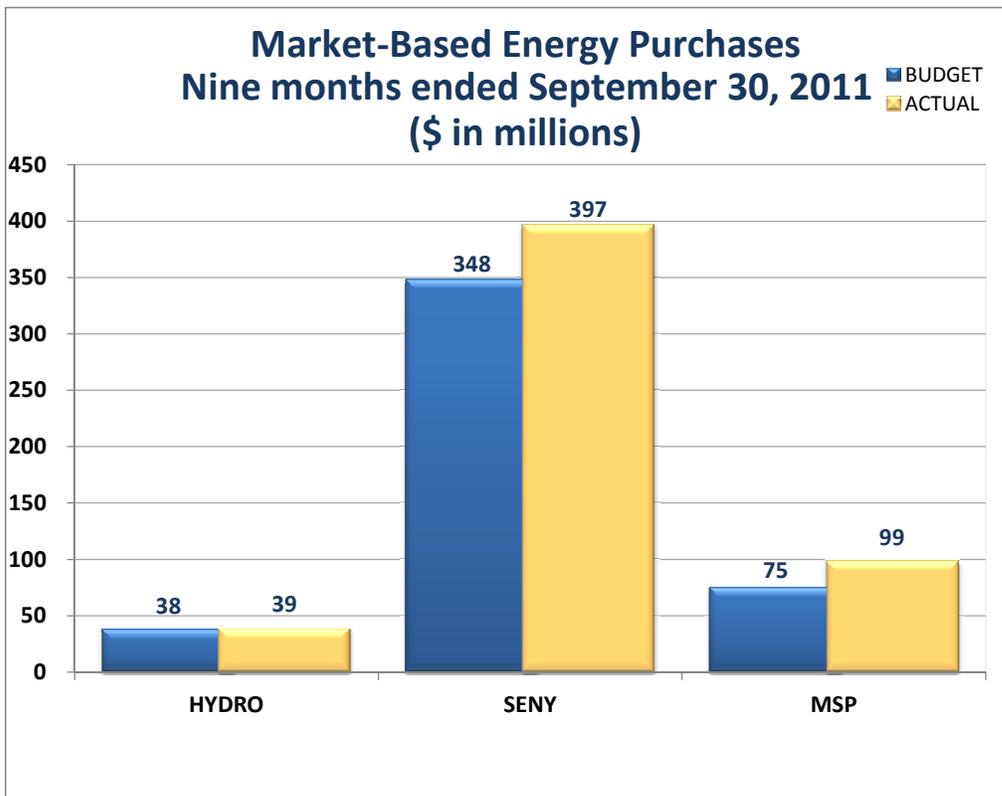
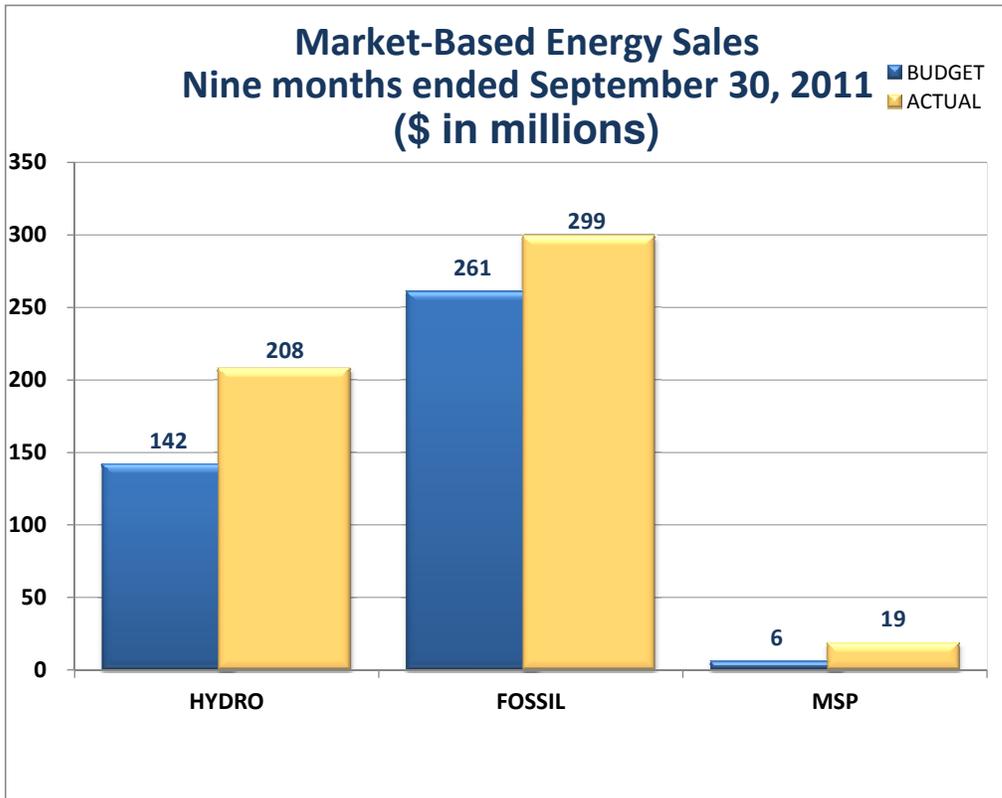
	2011	2010	Variance Favorable/ (Unfavorable)
Operating Revenues	\$2,033.2	\$1,969.1	\$64.1
Operating Expenses			
Fuel consumed - oil & gas	207.3	169.1	(38.2)
Purchased power and ancillary services	694.3	720.8	26.5
Wheeling	411.2	406.8	(4.4)
Operations and maintenance	230.9	214.5	(16.4)
Other expenses	133.5	104.9	(28.6)
Depreciation and amortization	136.1	120.4	(15.7)
Allocation to capital	(5.2)	(6.7)	(1.5)
Total Operating Expenses	1,808.1	1,729.8	(78.3)
Net Operating Income	225.1	239.3	(14.2)
Investment and other income	117.1	109.0	8.1
Mark to Market Adjustment	7.6	15.2	(7.6)
Total Nonoperating Income	124.7	124.2	.5
Contributions to New York State	65.0	147.0	82.0
Interest and other expenses	93.5	74.5	(19.0)
Total Nonoperating Expenses	158.5	221.5	63.0
Net Nonoperating Income (Loss)	(33.8)	(97.3)	63.5
Net Income	\$191.3	\$142.0	\$49.3

Net income through September 2011 (\$191.3) was \$49.3 higher than the comparable period in 2010 (\$142). Lower voluntary contributions to New York State (\$82) were partially offset by lower net operating income (\$14.2) and lower non-operating income (\$18.5) during the period.

Year-to-date voluntary contributions were \$65 in 2011 compared to \$147 through September 2010.

Net operating income was lower primarily due to higher other operating expenses, which in 2011 included higher retiree health benefits and higher Power for Jobs related contributions to NY State. Significant year-to-year variances in fuel, operations and maintenance and depreciation and amortization expenses resulted primarily from the commercial operation of the Astoria II generating unit in 2011. These incremental expenses were substantially offset by recoveries from customers reflected in higher operating revenues.

Non-operating income was lower in 2011 due to a lower mark-to-market gain on NYPA's investment portfolio and higher interest costs (primarily related to Astoria II) than the comparable period in 2010.



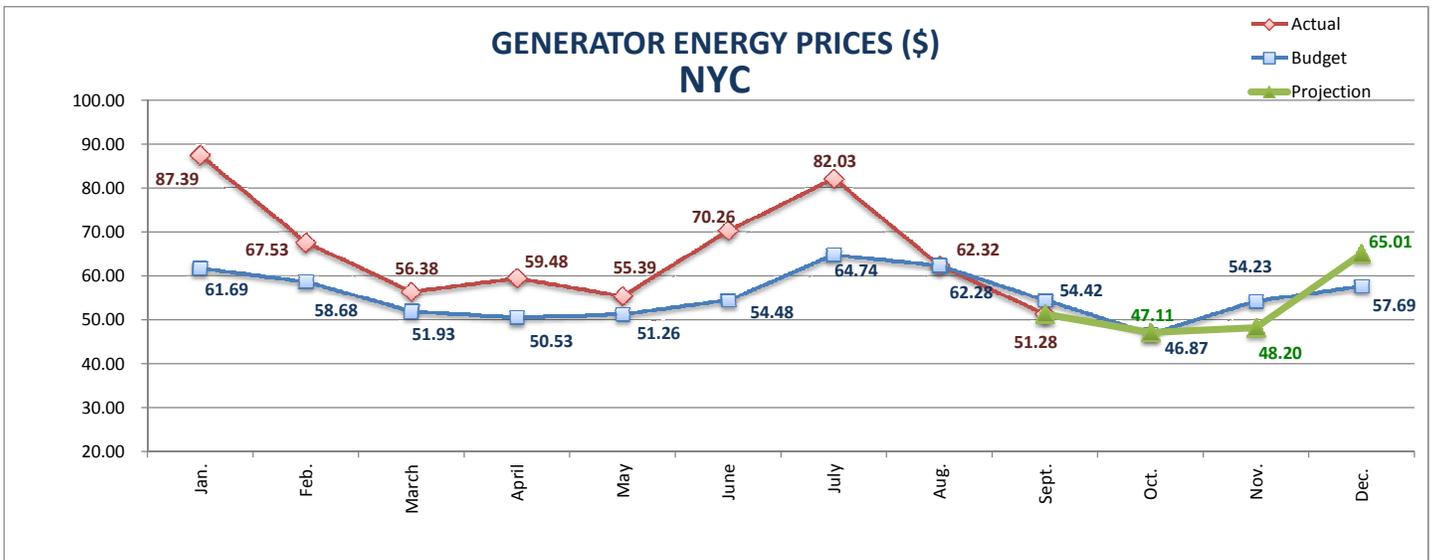
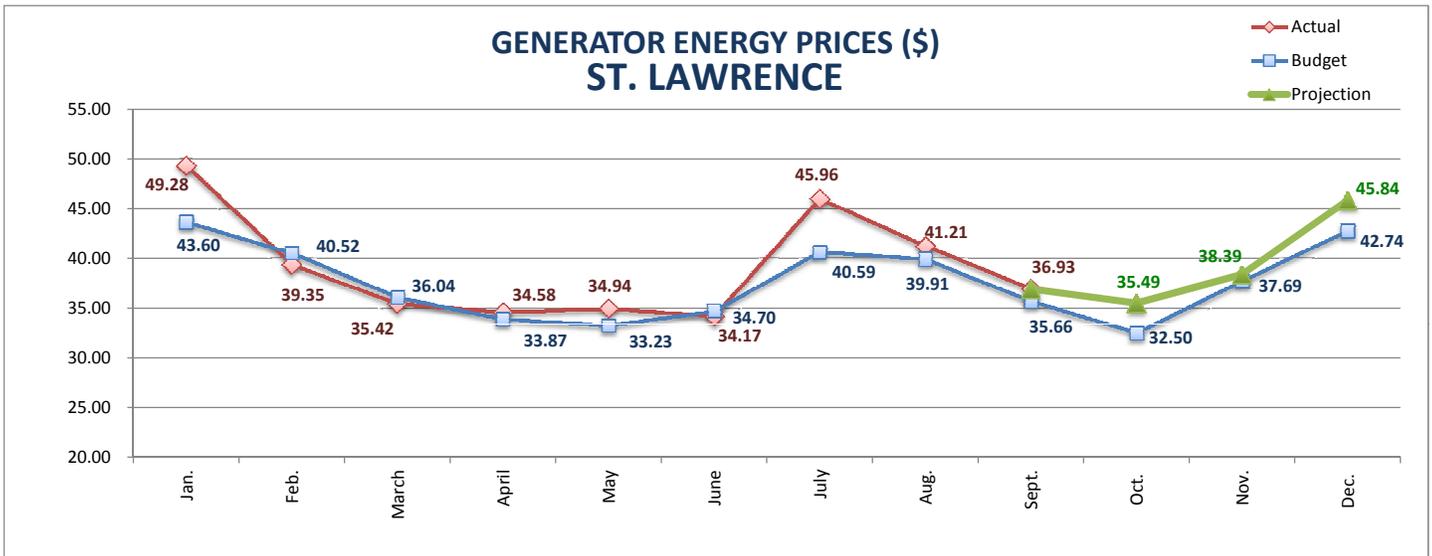
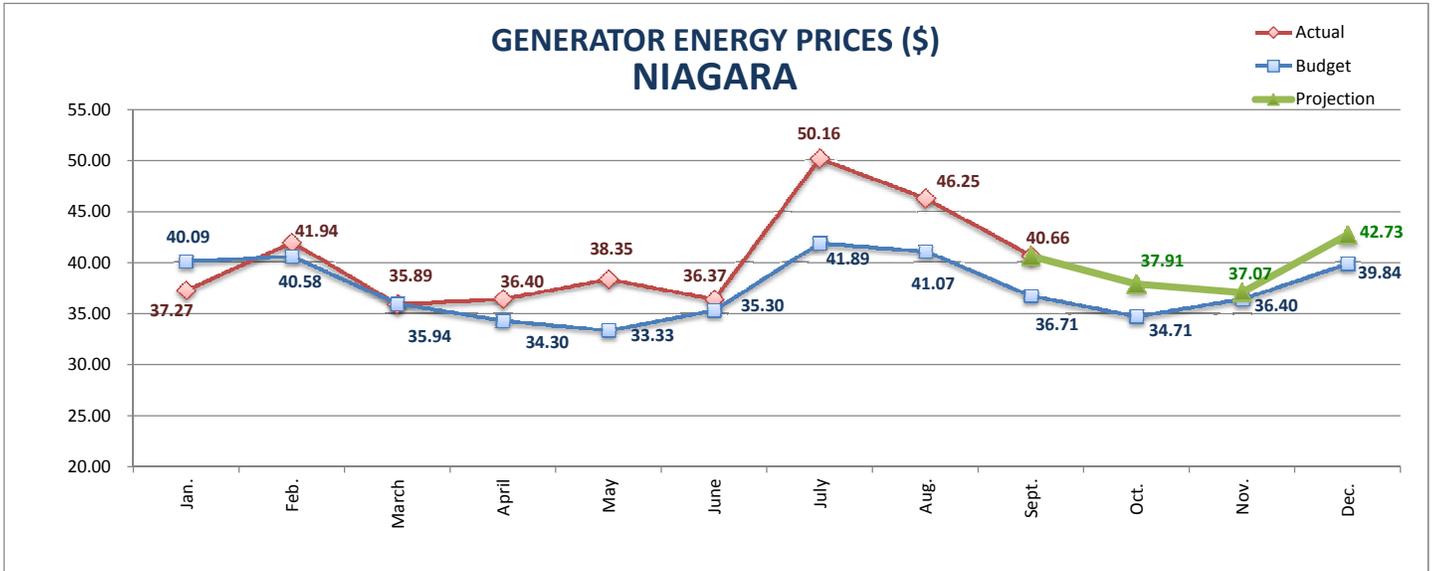
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	2,890,872	4,628,890
Fossil	3,958,014	4,112,072
MSP	166,431	431,089
TOTAL	7,015,317	9,172,051
PRICES (\$/MWH)		
Hydro*	\$40.97	\$43.26
Fossil	\$58.34	\$64.09
MSP	\$35.17	\$44.48
AVERAGE	\$50.63	\$52.66

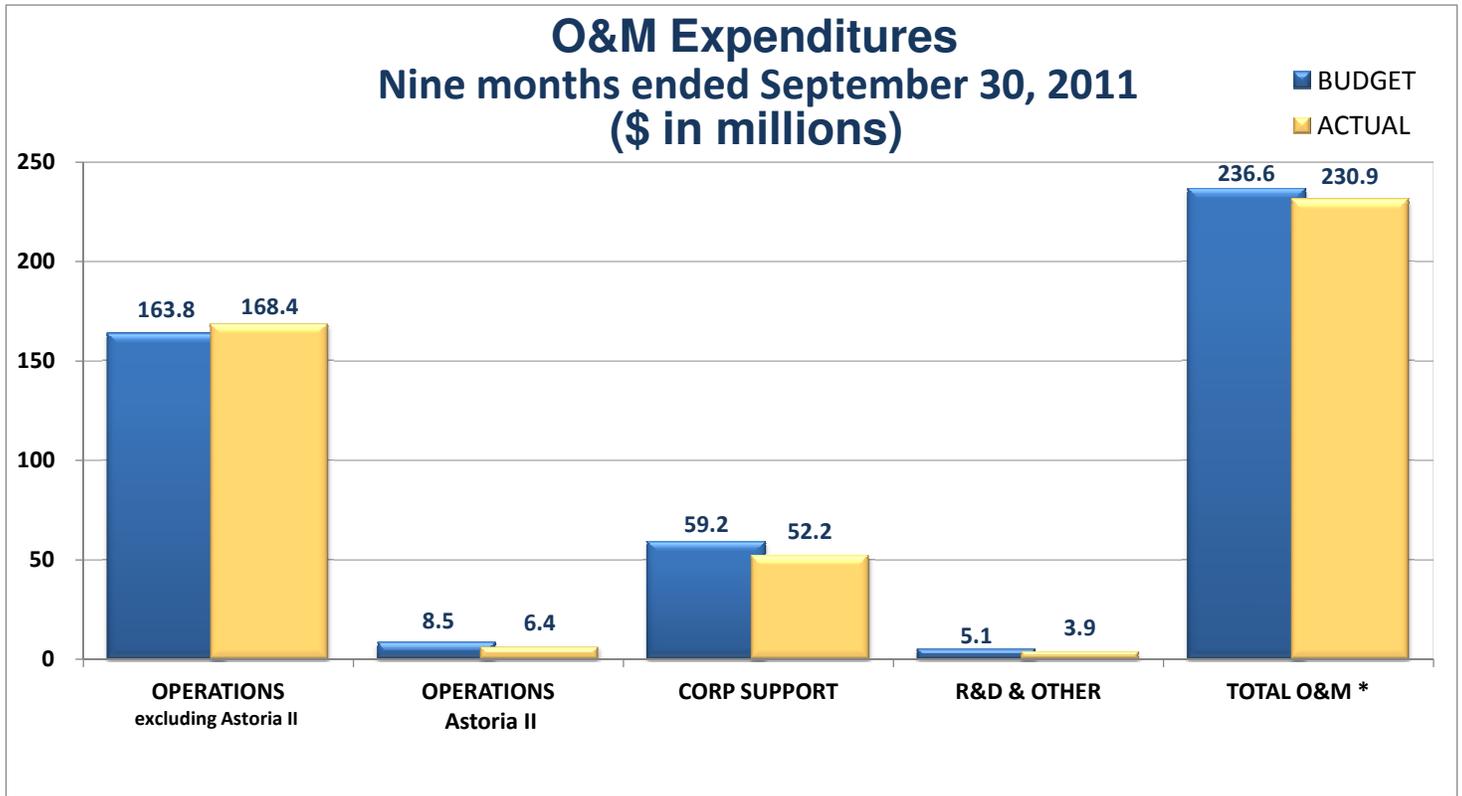
* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,334,619	2,673,188
St. Law.	987,464	1,608,475
PRICES (\$/MWH)		
Niagara	\$38.89	\$41.18
St. Law.	\$36.38	\$39.88

COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	1,522,379	1,122,892
SENY	6,741,531	7,212,797
MSP	2,020,097	2,246,258
TOTAL	10,284,007	10,581,947
COSTS (\$/MWH)		
Hydro	\$24.82	\$34.67
SENY	\$51.65	\$54.94
MSP	\$36.58	\$44.22
AVERAGE	\$44.78	\$50.52

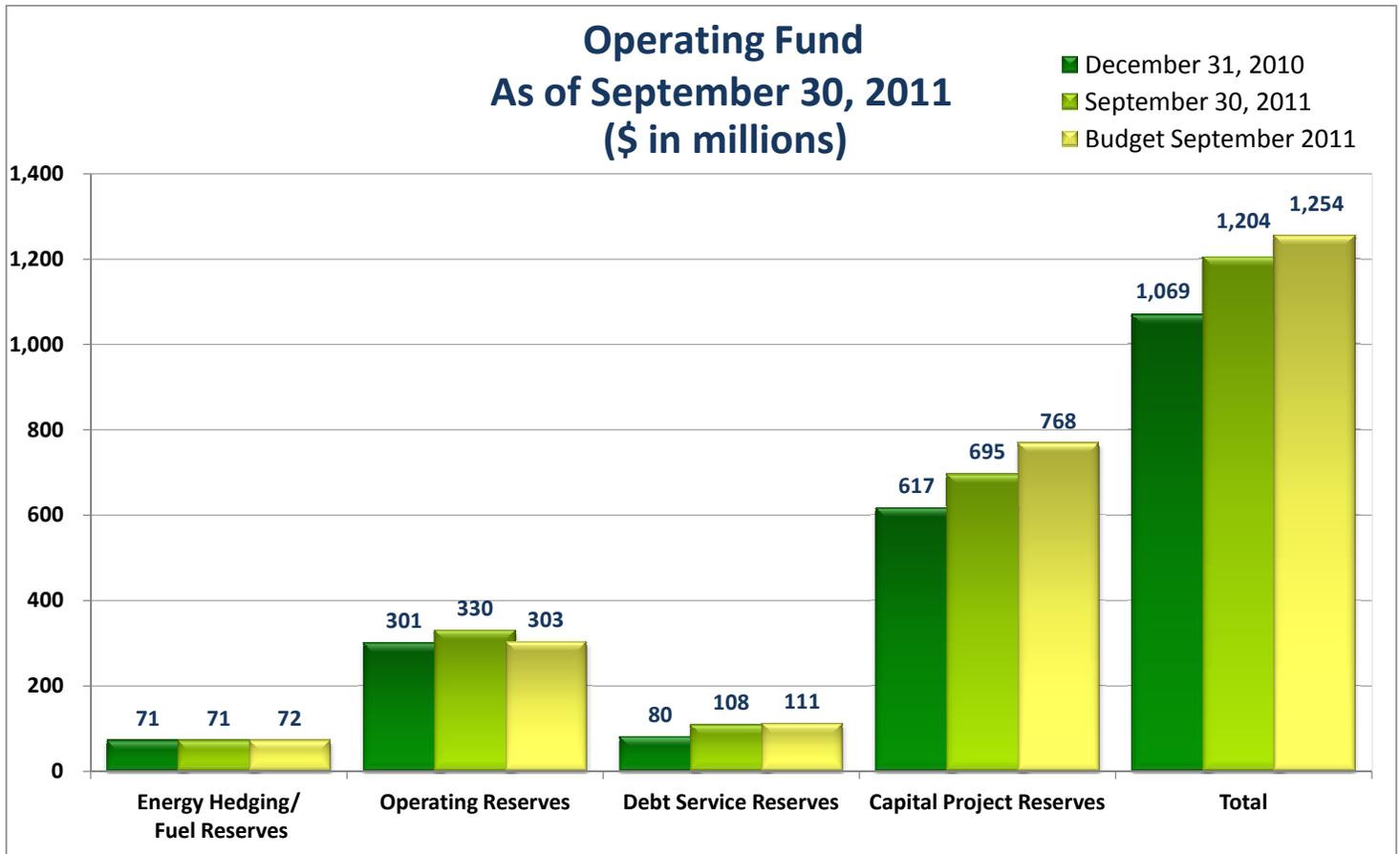
RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget



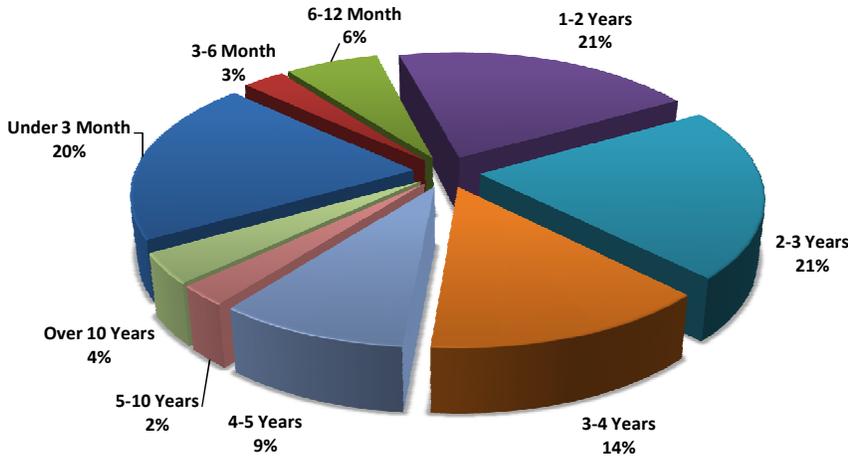


- Through September, O&M expenses were \$5.7 lower than the budget.
- HQ Corporate Support was under budget by \$7.0 due to lower than expected expenses for Human Resource contract services and employment agency fees, WPO building operations, computer software, hardware and services, and fuel cell maintenance.
- Operations expenditures excluding Astoria II were \$4.6 higher than budgeted primarily due to emergent work at the Small Clean Power Plants (Pouch terminal, Harlem River and Kent), earlier than expected costs related to the Flynn planned outage and an overrun in Operations Shared Services due to less than anticipated labor charged to capital projects. These negatives were partially offset by timing underruns in non-recurring projects at Niagara. 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.

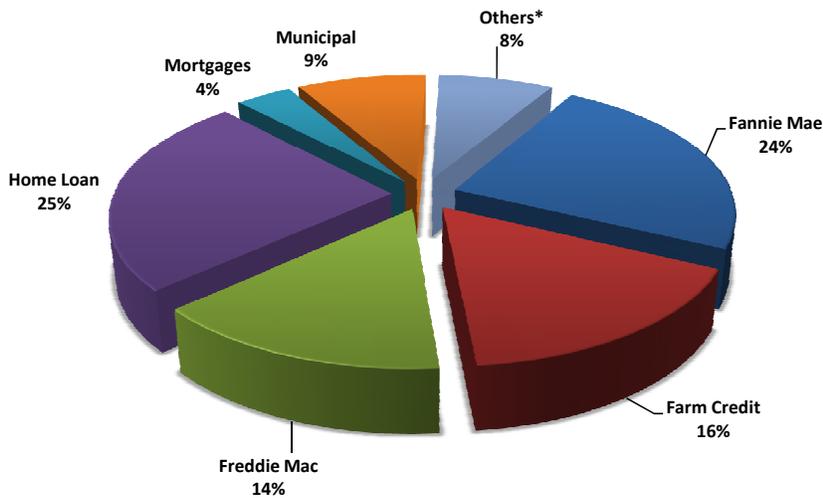
* In September, the Trustees approved an additional \$9.6 primarily for emergent work at the SCPP's and the transmission facilities. This amount is not included in the budgeted amounts above.



The increase of \$135 in the Operating Fund (from \$1,069 to \$1,204) 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). The variance from budget is primarily attributable to the additional Power for Jobs contribution to the State (\$7.5) and the early pay down of Commercial Paper (\$56.8), not included in the budget.

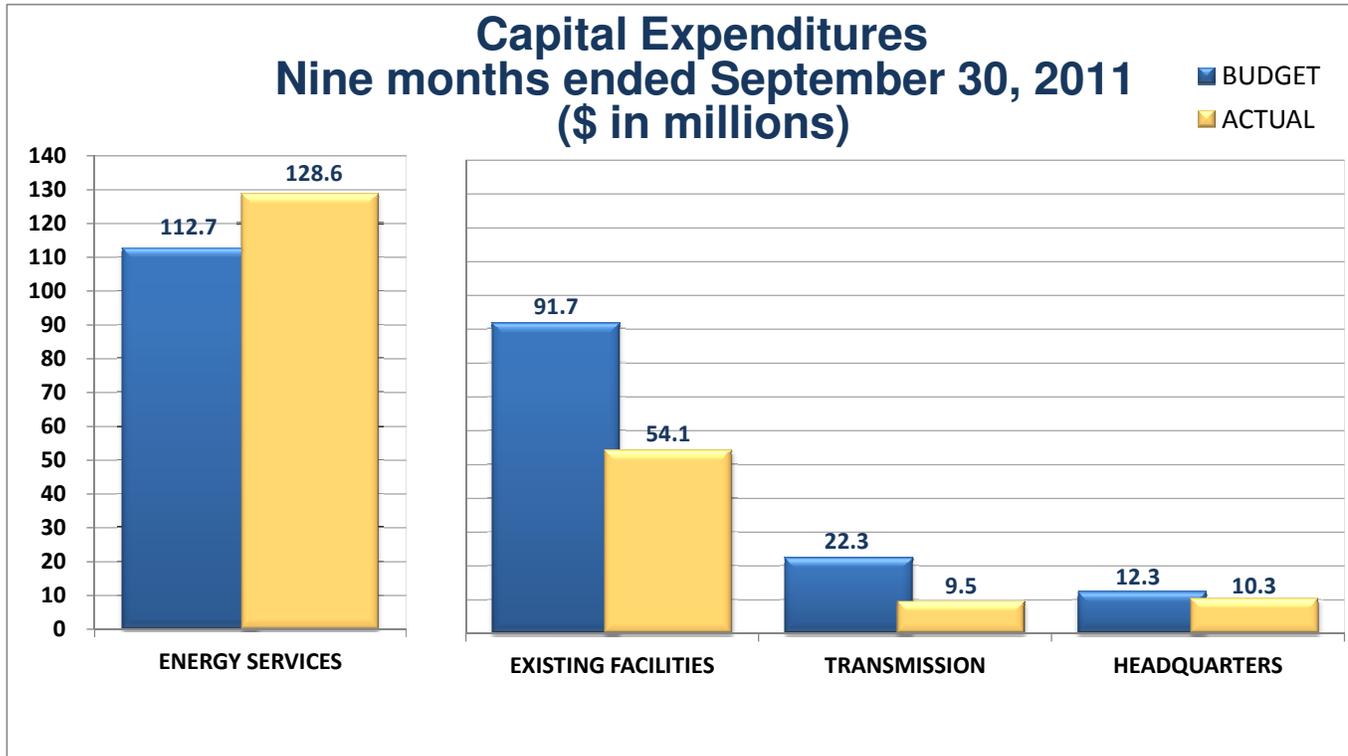
**Maturity Distribution
As of September 30, 2011**


MATURITY DISTRIBUTION	
(\$ in millions)	
Under 3 Month	\$267.8
3-6 Month	37.6
6-12 Month	83.2
1-2 Years	271.9
2-3 Years	278.9
3-4 Years	182.6
4-5 Years	121.1
5-10 Years	32.5
Over 10 Years	48.5
Total	\$1,324.1

**Asset Allocation
As of September 30, 2011**


ASSET ALLOCATION	
(\$ in millions)	
Fannie Mae	\$316.0
Farm Credit	216.9
Freddie Mac	193.5
Home Loan	327.8
Mortgages	50.2
Municipal	116.8
Others*	102.9
Total	\$1,324.1

*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 \$37.6 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.

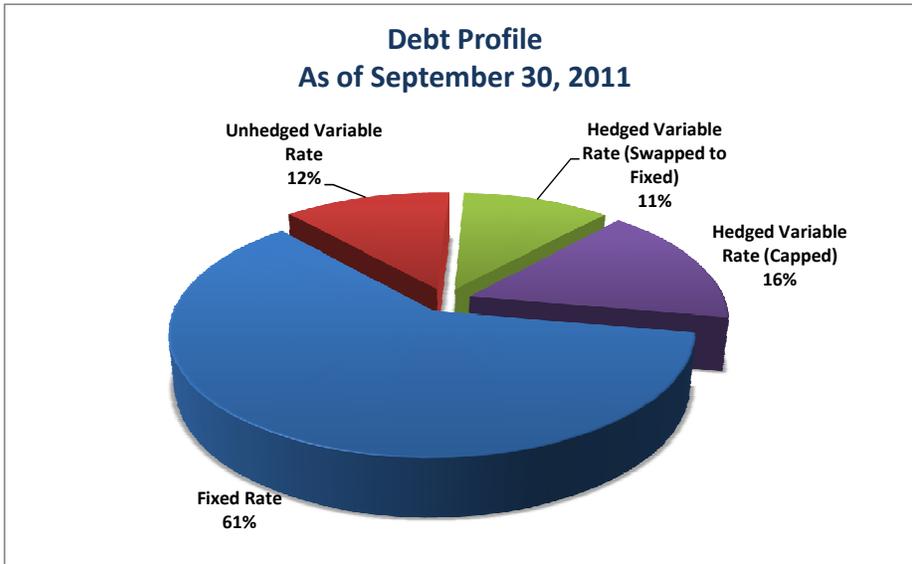
- Headquarters expenditures were less than budgeted due to timing for several IT projects.

- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$16.1 for 2011. There were no new authorizations in September.

YTD September 30, 2011 Debt Activity (\$ in millions)

	Beginning Balance	New Issues	Scheduled Retirements	Additional Retirements	Ending Balance
Fixed Rate Debt	\$1,134.4	-	-	-	\$1,134.4
Variable Rate Debt	443.0	-	57.0	55.0	331.0
Variable Rate Energy Svcs Debt	347.2	115.7	-	95.6	367.3
Sub-total Variable Rate Debt	790.2	115.7	57.0	150.6	698.3
Total	\$1,924.6	\$115.7	\$57.0	\$150.6	\$1,832.7

DEBT



DEBT PROFILE	
(\$ in millions)	
Fixed Rate	\$1,134.4
Unhedged Variable Rate	193.6
Hedged Variable Rate (Swapped)	204.7
Hedged Variable Rate (Capped)	300.0
Total	\$1,832.7

On September 21, 2011, the Authority priced and sold the Series 2011 A Bonds. The proceeds are being used to current refund \$77.2 of the Series 2000A bonds 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.

Interest Rate Derivatives

The Authority periodically enters into Interest Rate Swaps and Caps to manage interest rate volatility associated with variable rate debt and to hedge future debt issuance. Each transaction is approved by the Board of Trustees and is governed by NYPA's SWAP policy and an ISDA Master Agreement and Schedule to the Agreement with authorized Counterparties. The EVP, CFO and the Treasury department, in consultation with the Authority's financial advisor continually monitor market conditions for potential hedging strategies that may benefit the Authority and its customers. All transactions were competitively bid.

Open Positions

The 1998B transaction is an interest rate swap that was bid March 13, 1998 with an effective date of November 15, 2002. The swap had the effect of fixing the rate on tax-exempt commercial paper at 5.123% on a forward starting basis. It was one component of the 1998 debt refinancing that reduced debt service costs by \$740 million and allowed the Authority to adopt a new *General Resolution authorizing Revenue Obligations* in preparation for the competitive marketplace.

The ARTN transaction is an interest rate swap that was bid July 27, 2006 with an effective date of September 1, 2006. It allowed the Authority to lock in a 3.7585% synthetic fixed rate on the Adjustable Rate Tender Notes ("ARTN's"). The synthetic fixed rate was below the historical average rate on the ARTN's and below the rate used in developing NYPA's transmission tariff.

On January 24, 2011 the Authority purchased an interest rate cap on the Series 1 Commercial Paper with a strike rate of 5.50% and term of 2 years. The transaction provides customers participating in the energy services program an interest rate ceiling on their financial rate. The cap was approved by the Board in October 2010 and the Authority's swap advisor administered the competitive bid.

Summary of Derivative Positions (\$ in millions)

Transaction	Counterparty	Notional Amount*	Effective Date	Type of Swap	Mark-to-Market
1998B	Goldman Sachs Mitsui Marine Derivatives	\$24.5	11/15/2002	Floating-to-Fixed	(\$2.2)
1998B	Merrill Lynch Cap. Svcs	40.9	11/15/2002	Floating-to-Fixed	(3.7)
1998B	Citigroup Financial Prod.	16.4	11/15/2002	Floating-to-Fixed	(1.5)
ARTN	Merrill Lynch Cap. Svcs	122.9	9/1/2006	Floating-to-Fixed	(14.7)
CP - 1	Morgan Stanley Cap. Svcs	300.0	1/26/2011	CAP	-
Totals		\$504.7			(\$22.1)

* The notional amount of each SWAP amortizes according to the provisions contained in the transaction documents.

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of \$49.7 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			
	YTD ¹	2011	2012	>=2013	Total
NYPA	\$ 0.54	\$ 0.01	\$ -	\$ -	\$ 0.01
Customer Contracts	\$ (50.27)	\$ (21.83)	\$ (83.05)	\$ (71.94)	\$ (176.82)
Total	\$ (49.73)	\$ (21.83)	\$ (83.05)	\$ (71.94)	\$ (176.82)

¹Reflects September 2011 preliminary settlements.

At the end of September, the fair market value of outstanding positions was valued at an unrealized loss of \$176.8 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of November to December 2011 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 2012.

Exhibit 1: Average October to December 2011 Forward Price

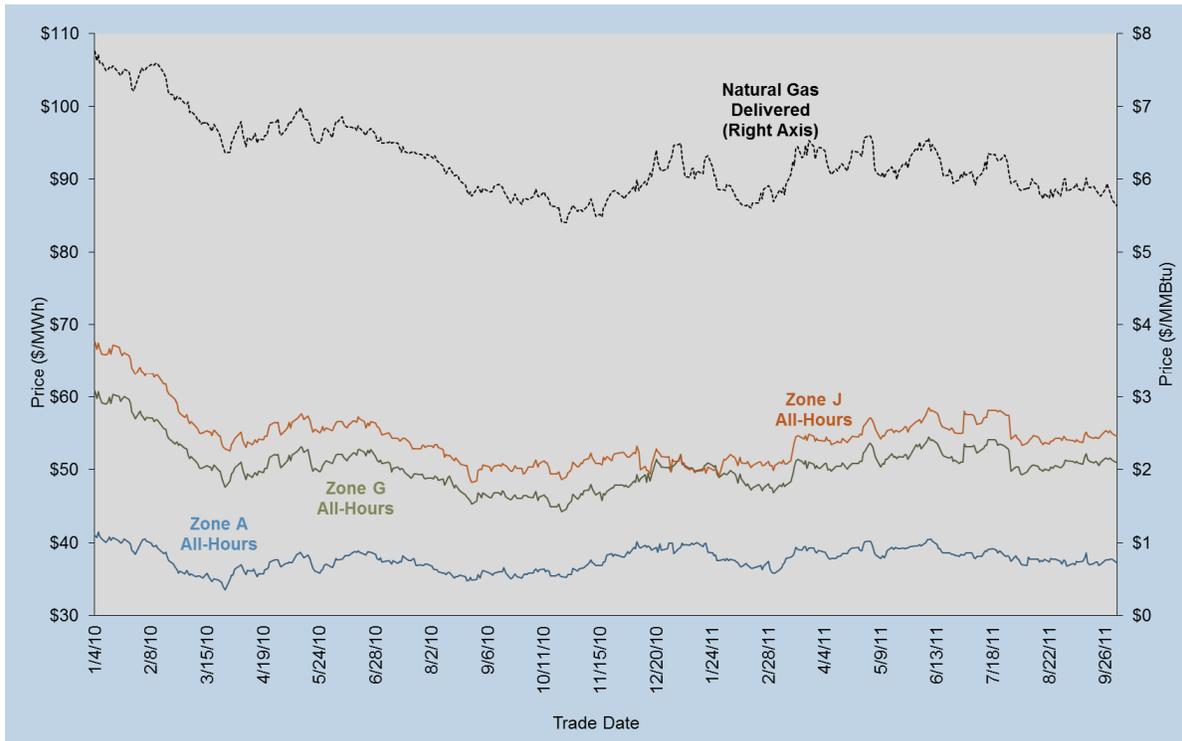
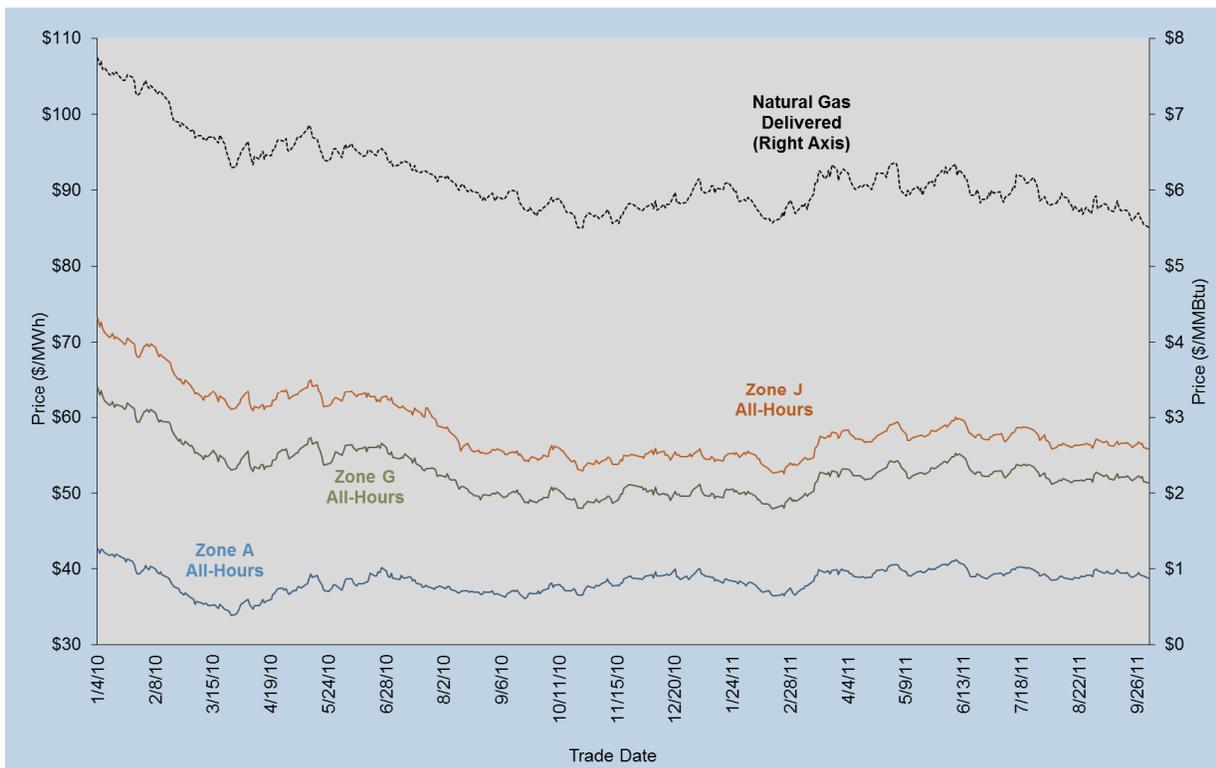


Exhibit 2: Average January to December 2012 Forward Price



STATEMENT OF NET INCOME
For the Nine Months Ended September 30, 2011
(\$ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
\$2,070.5	Customer	\$1,489.1	\$1,555.9	(\$66.8)
463.4	Market-based power sales	440.8	351.3	89.5
30.6	Ancillary services	19.3	19.2	0.1
114.9	NTAC and other	84.0	86.6	(2.6)
608.9	Total	544.1	457.1	87.0
2,679.4	Total Operating Revenues	2,033.2	2,013.0	20.2
	Operating Expenses			
804.7	Purchased power	650.7	615.0	(35.7)
295.6	Fuel consumed - oil & gas	207.3	219.0	11.7
108.2	Ancillary services	43.6	80.8	37.2
543.4	Wheeling	411.2	416.0	4.8
327.1	Operations and maintenance	230.9	236.6	5.7
194.9	Depreciation and amortization	136.1	140.4	4.3
135.5	Other expenses	133.5	103.3	(30.2)
(10.9)	Allocation to capital	(5.2)	(7.9)	(2.7)
2,398.5	Total Operating Expenses	1,808.1	1,803.2	4.9
280.90	Net Operating Income	225.1	209.8	15.3
	Nonoperating Revenues			
88.0	Post nuclear sale income	76.9	76.9	-
39.9	Investment income	29.1	29.3	(0.2)
(7.0)	Mark to market - investments	7.6	(5.3)	12.9
-	Other income	11.1	-	11.1
120.9	Total Nonoperating Revenues	124.7	100.9	23.8
	Nonoperating Expenses			
65.0	Contributions to New York State	65.0	65.0	-
157.5	Interest and other expenses	93.5	109.0	15.5
222.5	Total Nonoperating Expenses	158.5	174.0	15.5
\$179.3	Net Income	\$191.3	\$136.7	\$54.6

**COMPARATIVE BALANCE SHEETS
September 30, 2011
(\$ in millions)**

Assets	September 2011	September 2010	December 31, 2010
Current Assets			
Cash	\$0.1	\$0.1	\$0.1
Investments in government securities	1,234.0	1,074.8	1,091.1
Interest receivable on investments	5.5	5.5	5.5
Accounts receivable - customers	258.5	240.3	204.0
Materials and supplies, at average cost:			
Plant and general	79.9	77.6	75.1
Fuel	23.4	17.4	15.3
Prepayments and other	146.2	184.1	190.5
Total Current Assets	1,747.6	1,599.8	1,581.6
Noncurrent Assets			
Restricted Funds			
Investment in decommissioning trust fund	1,040.2	999.7	1,032.4
Other	80.9	90.1	83.3
Total Restricted Funds	1,121.1	1,089.8	1,115.7
Capital Funds			
Investment in securities and cash	104.1	149.6	144.8
Total Capital Funds	104.1	149.6	144.8
Net Utility Plant			
Electric plant in service, less accumulated depreciation	3,422.5	3,316.8	3,344.1
Capital lease, less accumulated amortization	1,022.0	-	-
Construction work in progress	84.6	136.7	123.3
Net Utility Plant	4,529.1	3,453.5	3,467.4
Other Noncurrent Assets			
Receivable - NY State	318.0	318.0	318.0
Deferred charges, long-term receivables and other	593.6	664.3	604.6
Notes receivable - nuclear plant sale	151.9	165.7	157.1
Total other noncurrent assets	1,063.5	1,148.0	1,079.7
Total Assets	\$8,565.4	\$7,440.7	\$7,389.2
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	\$882.3	\$916.5	\$881.7
Short-term debt	343.8	303.3	323.2
Total Current Liabilities	1,226.1	1,219.8	1,204.9
Noncurrent Liabilities			
Long-term Debt			
Revenue bonds	1,149.2	1,190.7	1,151.2
Adjustable rate tender notes	122.9	130.5	130.5
Commercial paper	231.7	342.9	336.5
Total Long-term Debt	1,503.8	1,664.1	1,618.2
Other Noncurrent Liabilities			
Nuclear plant decommissioning	1,040.2	999.7	1,032.4
Disposal of spent nuclear fuel	216.2	216.0	216.1
Capital lease obligation	1,126.7	-	-
Deferred revenues and other	260.0	378.7	316.5
Total Other Noncurrent Liabilities	2,643.1	1,594.4	1,565.0
Net Assets			
Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
Net Income	191.3	142.0	180.7
Total Net Assets	3,192.4	2,962.4	3,001.1
Total Liabilities and Net Assets	\$8,565.4	\$7,440.7	\$7,389.2

SUMMARY OF OPERATING FUND CASH FLOWS
For the Nine Months Ended September 30, 2011
(\$ in millions)

Operating Fund	
Opening	\$1,069.2
Closing	1,203.9
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Increase/(Decrease)	134.7
 Cash Generated	
Net Operating Income	225.1
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	136.1
Net Change in Receivables, Payables & Inventory	(86.0)
Other	(4.3)
 Net Cash Generated from Operations	 270.9
 (Uses)/Sources	
Utility Plant Additions	(44.3)
Debt Service	
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(61.6)
ART Notes	(7.6)
Investment Income	17.0
Entergy Value Sharing Agreement	72.0
Entergy IP2 Purchase Agreement	10.0
Voluntary Contributions to NY State	(72.5)
Other	(4.4)
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Total (Uses)/Sources	(136.2)
 Net Increase in Operating Fund	 \$134.7