

**New York Power Authority**

**Report of the Chief Financial Officer**

**For the Seven Months Ended July 31, 2013**

**Report of the Chief Financial Officer  
For the Seven Months Ended July 31, 2013  
Executive Summary**

**Results of Operations**

Net income through July, prior to the recognition of the State contribution, was \$185.2 million, which was \$42.7 million better than the budget due to a higher net margin on sales (\$46.5 million) and lower other operating expenses (\$8.2 million) partially offset by lower non-operating income (\$13.2 million). Net margins on sales were higher than anticipated at Niagara (\$4.3 million), Blenheim-Gilboa (\$10.9 million), and at the SCPP's (\$12.5 million) due to higher market-based sales resulting from higher capacity and energy prices. Higher market-based sales resulted in higher margins at St. Lawrence (\$11.8 million) due to higher volumes sold (8% higher generation). Other operating expenses reflected lower than anticipated costs related to the Industrial Incentive awards, Western New York economic development fund and Solar and Energy Efficiency Market Acceleration programs. Non-operating income included a higher than anticipated mark-to-market loss on the Authority's investment portfolio (\$15.2 million) due to a sharp increase in market interest rates. Cash losses will not be realized as long as investments are held to maturity, which is generally the case. With the inclusion of the State contribution (\$65 million budget, \$40 million actual), the Authority had net income of \$145.2 million for the seven months ended July 31 compared to a budget of \$77.5 million. In July, The Board approved an additional \$25 million contribution which the Authority expects to pay in September 2013.

Net income for the seven months ended July 31, 2013 (\$145.2 million) was \$31.9 million higher than the comparable period last year (\$113.3 million). Current year results reflect a lower voluntary contribution to New York State (\$35 million) and a higher net margin on sales (\$32.2 million), partially offset by lower non-operating income (\$24.5 million) and O&M expenses related to the HTP project (\$11 million). Voluntary contributions to the State were \$40 million through July 2013 compared to \$75 million through July 2012. Net margins on sales were higher at Blenheim-Gilboa and the SCCP's primarily due to higher market based sales resulting from higher prices. Higher net margins at the transmission facilities resulted from higher revenues earned by the Authority's FACTS project. These positives were partially offset by lower net margins at Niagara and St. Lawrence due to lower generation. Non-operating income in 2013 included a \$19.7 million mark-to-market loss on the Authority's investment portfolio (due to higher market interest rates), compared to a slight loss in 2012, and lower income from Entergy (The final payment related to Entergy's purchase of IP2 was made in 2012).

**Cash & Liquidity**

The Authority ended the month of July with total operating funds of \$1,378 million as compared to \$1,350 million at the end of 2012. The increase (\$28 million) is primarily attributable to net cash from operations (\$244 million) and payment received from Entergy of \$72 million substantially offset by Interconnection and related costs associated with the HTP project (\$139 million), the \$40 million State contribution, plant additions and debt service payments.

## Year-end Projection

The Authority's 2013 net income is currently projected to be \$184 million, \$54 million above budget, primarily due to increased hydro generation and firmer capacity and energy prices, partially offset by a decline in the mark-to-market value of the Authority's investment portfolio.

- **Hydro Flows** – Continued above average rainfall in July has resulted in lake levels being higher than long term average for both Lake Erie and Lake Ontario. The result is a 19.40 Twh current projection for the combined net generation at the Niagara and St. Lawrence hydroelectric facilities compared to the 18.45 Twh estimate in the budget, positively impacting the Authority's net income
- **Capacity Prices** – With higher than expected capacity prices, Staff took steps to lock in these revenues by selling approximately half of the surplus capacity in the NYISO 6-month summer strip auction, thereby protecting these revenues from any potential downturn in the market.
- **Energy Prices** – Wholesale electricity prices have increased with a rise in natural gas prices. Upstate prices are approximately 5% higher than the budget and New York City prices are up 11%, having a positive effect on the Authority's net income.
- **Mark-to-Market Valuation** – The current environment of rising interest rates is having a negative effect on the mark-to-market value of the Authority's fixed rate investments in its portfolio, decreasing net income on an accrual basis. However, cash losses will not be realized as long as the individual investments are held to maturity, which is generally the case.

At currently projected levels, the Authority's business requirements for cash flow (debt service coverage) and liquidity are expected to be met.

## Risk Management

In the months of June and July, the Risk Management staff conducted an intensive and comprehensive refresh of the entire NYPA risk inventory. The focus of this assessment was to enhance the quality of the inventory to allow for the bottom-up assessment process to identify and align risks to the top/enterprise risk topics raised by the Executive Risk Management Committee (ERMC). The results will be manifested in the next quarterly update to the Enterprise Risk Report which will be presented to the Audit Committee on September 24. In addition, several forward-looking Key Risk Indicators (KRIs) have been included in the July Corporate Balanced Scorecard report.

**RESULTS OF OPERATIONS**  
**Net Income**  
**Seven months ended July 31, 2013**  
**(\$ in millions)**

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Niagara	\$87.8	\$73.7	\$14.1
St. Lawrence	32.0	19.3	12.7
Blenheim-Gilboa	12.6	2.9	9.7
SENY	24.1	24.6	(0.5)
SCPP	17.5	6.6	10.9
Market Supply Power	(66.3)	(62.7)	(3.6)
Flynn	13.4	7.9	5.5
Transmission	26.8	21.5	5.3
Non-facility	(2.7)	(16.3)	13.6
<b>Total</b>	<b>\$145.2</b>	<b>\$77.5</b>	<b>\$67.7</b>

**Major Factors**

**Niagara**

Higher net margin on sales (\$4.3) resulting from higher capacity prices, lower expenses related to the timing of the industrial incentive awards (\$5.2) and lower O&M (\$3.1, timing, non-recurring projects).

**St. Lawrence**

Primarily higher net margin on sales (\$11.8, 8% higher generation)

**Blenheim-Gilboa**

Higher capacity and energy revenues due to higher prices.

**SCPP**

Higher volumes and price spreads on market-based sales

**Transmission**

Higher revenues (primarily related to FACTS) partially offset by higher O&M (HTP Project). Proportionally higher energy prices in downstate markets increased congestion costs which had a positive impact on FACTS revenues. Higher O&M resulted from costs associated with the HTP line, which went into service one month ahead of schedule.

**Other facilities**

Includes higher net margin at Flynn due to higher energy prices.

**Non-facility (including investment income)**

Primarily due to budgeted \$25 million State contribution, which the Authority expects to make in September; partially offset by higher market-to-market loss on the Authority's investment portfolio (\$15.5) due to sharp increase in market interest rates.

**Better  
(Worse)**

\$14.1

12.7

9.7

10.9

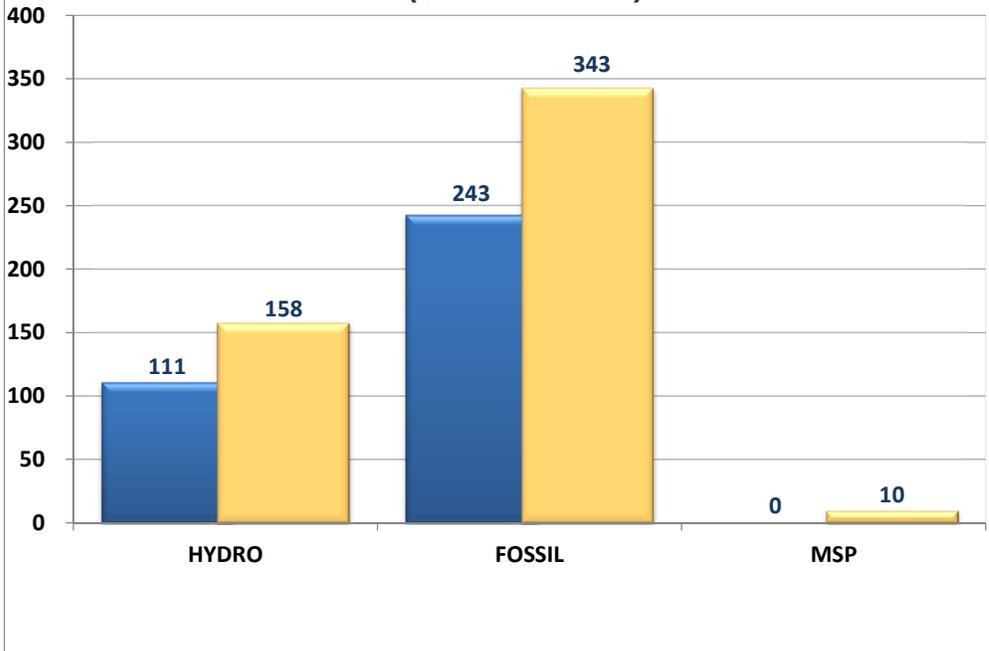
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1.4

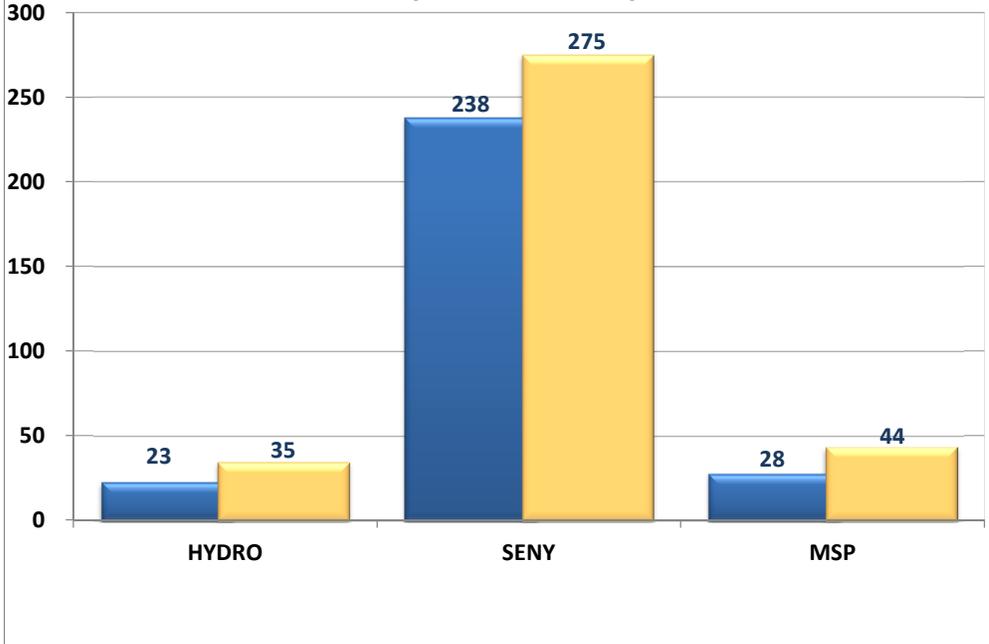
13.6

**\$67.7**

**Market-Based Energy Sales**  
**Seven months ended July 31, 2013**  
 (\$ in millions)



**Market-Based Energy Purchases**  
**Seven months ended July 31, 2013**  
 (\$ in millions)

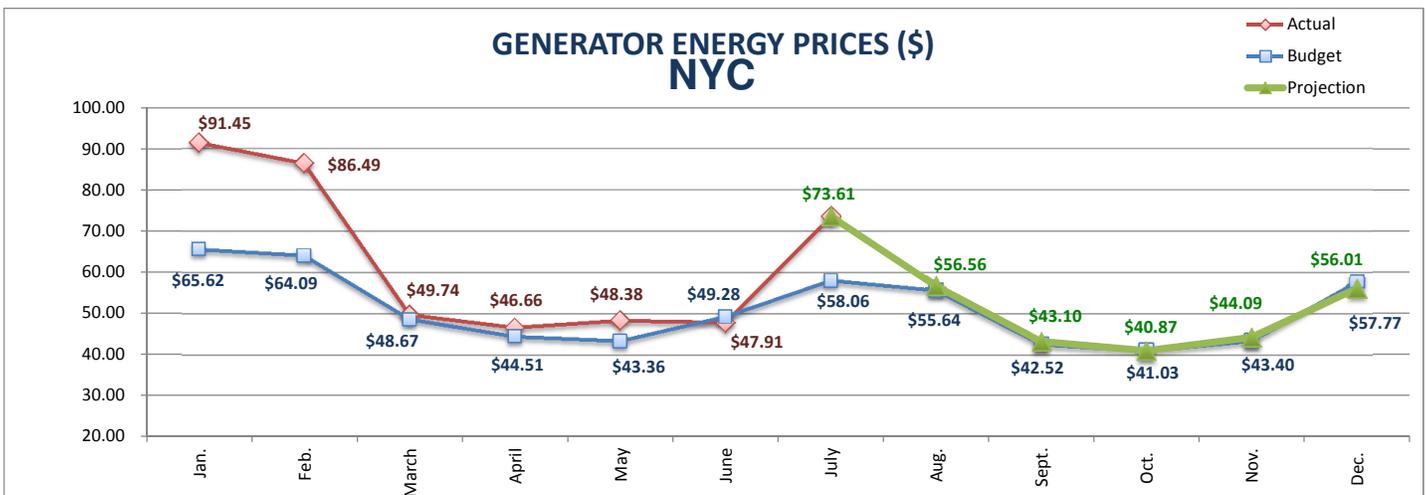
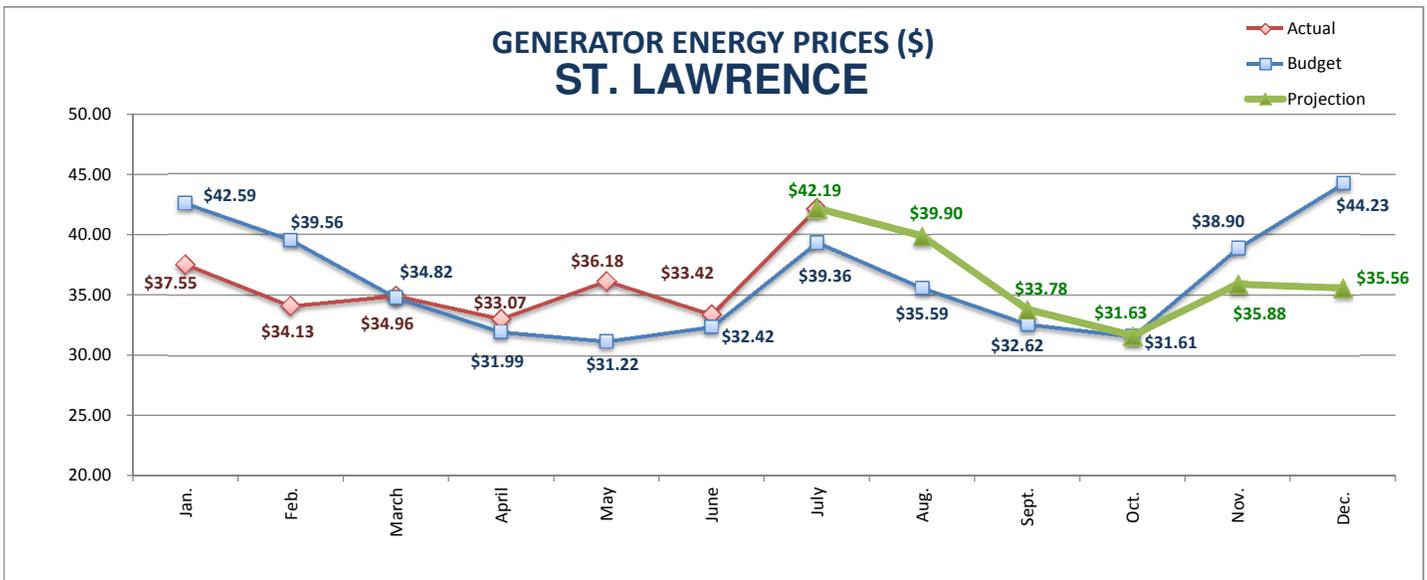
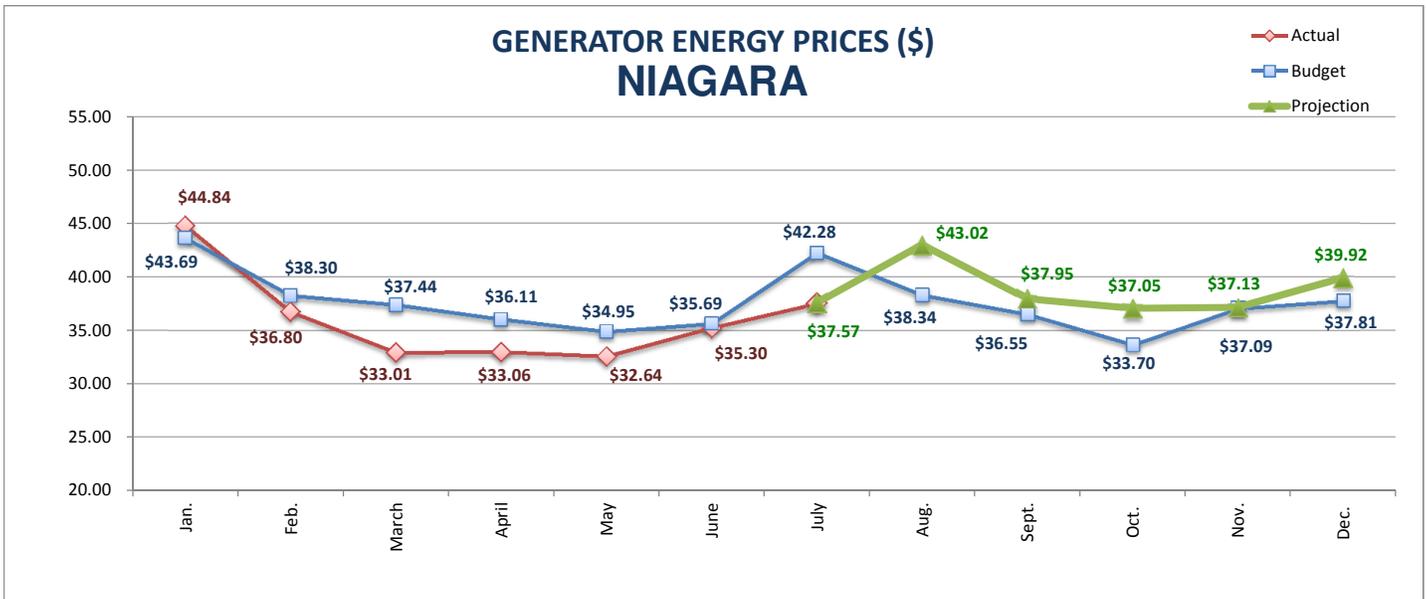


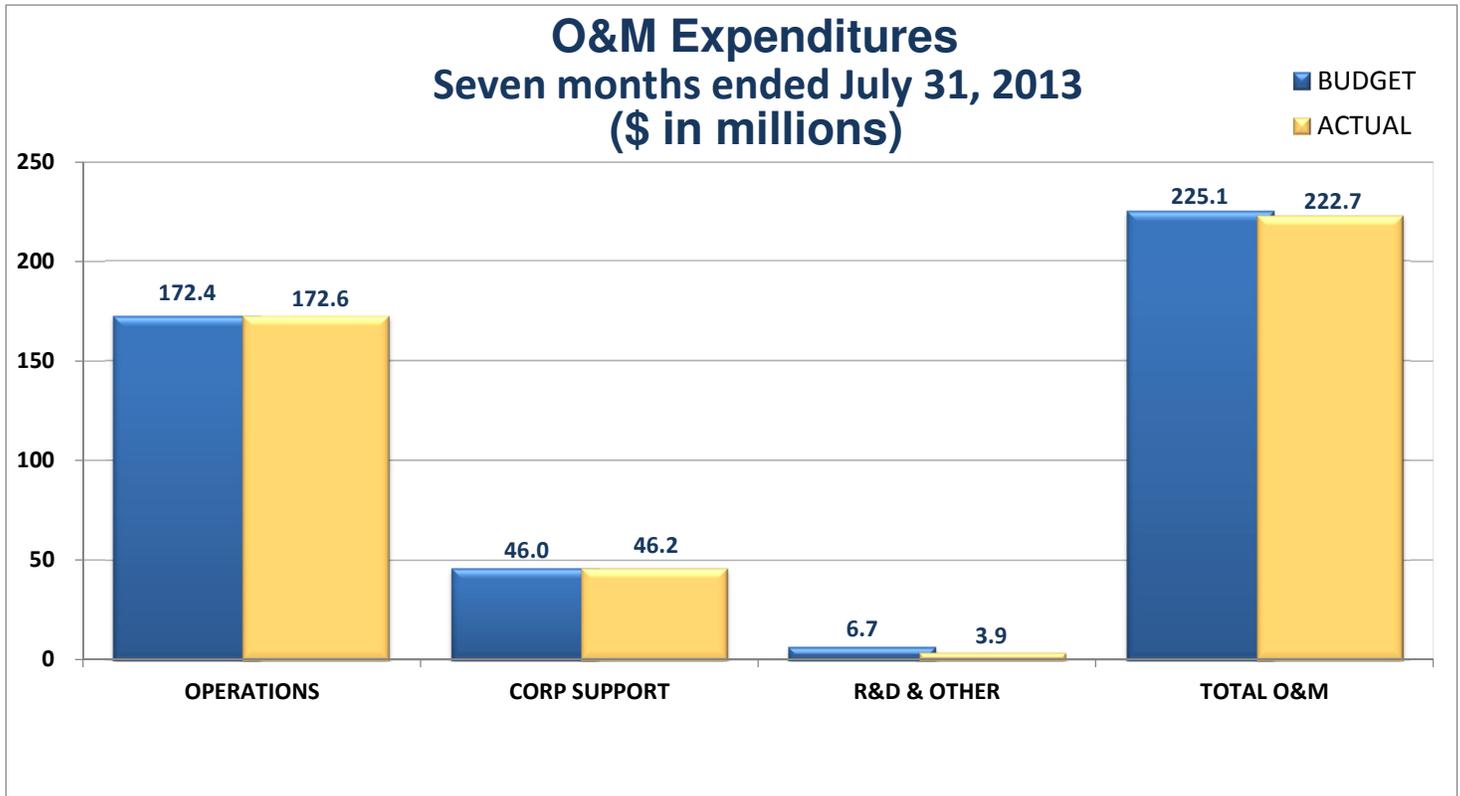
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	1,907,397	2,638,674
Fossil	4,029,272	4,445,299
MSP	-	231,301
<b>TOTAL</b>	<b>5,936,669</b>	<b>7,315,274</b>
PRICES (\$/MWH)		
Hydro*	\$40.94	\$38.81
Fossil	\$54.03	\$62.73
MSP	-	\$42.77
<b>AVERAGE</b>	<b>\$49.82</b>	<b>\$55.17</b>

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

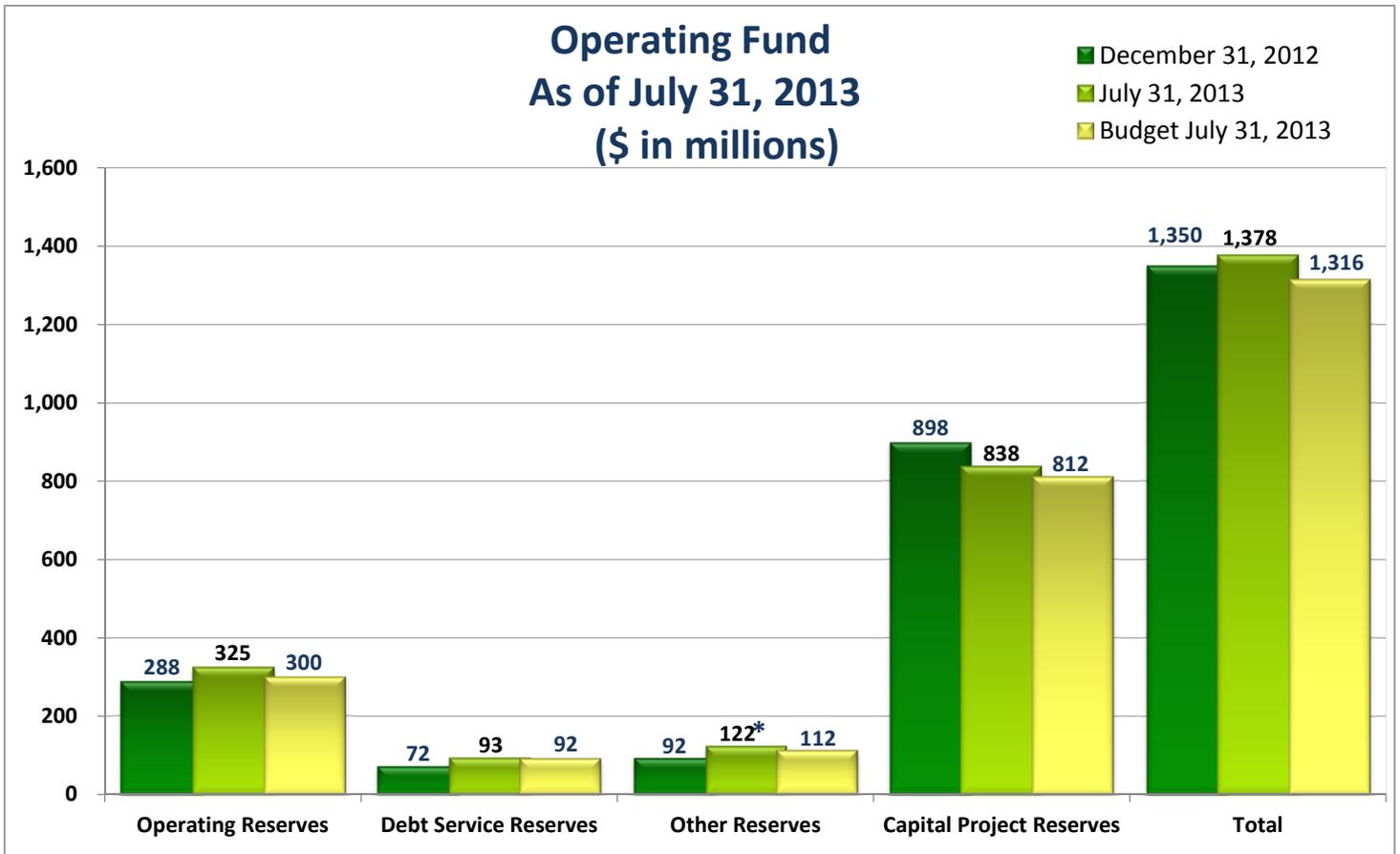
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,083,388	1,492,224
St. Law.	561,606	867,831
PRICES (\$/MWH)		
Niagara	\$37.84	\$37.74
St. Law.	\$35.07	\$36.99

COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	1,023,895	1,188,182
SENY	5,107,823	5,378,636
MSP	668,099	832,976
<b>TOTAL</b>	<b>6,799,817</b>	<b>7,399,794</b>
COSTS (\$/MWH)		
Hydro	\$22.33	\$29.53
SENY	\$46.51	\$51.25
MSP	\$42.76	\$52.41
<b>AVERAGE</b>	<b>\$42.50</b>	<b>\$47.90</b>



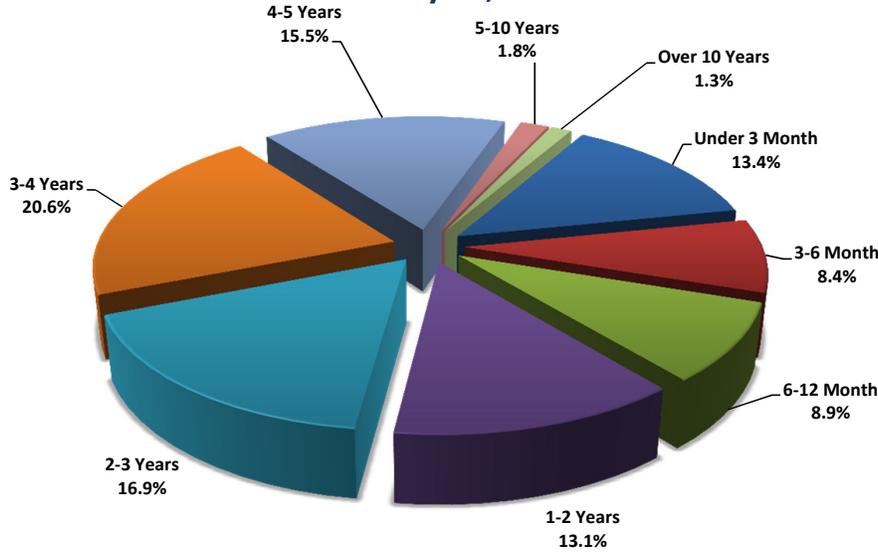


- For the seven months ended July 31, 2013, O&M expenses were \$2.4 million lower than budgeted.
- Operations expenditures were slightly over budget through July. additional costs associated with the HTP line, which went into service a month ahead of schedule, and overruns in the SCPP'S were offset by under-runs at Niagara, St. Lawrence and the Small Hydro facilities. The Small Clean Power Plants included greater than expected spending for the Kent and Pouch outages, timing for the Gowanus Bulkhead repairs and emergent work for Brentwood Combustion Turbine repairs. Niagara was under budget due to timing for the Dam Face Repair and the Robert Moses Upper Headgate Rail Inspection and Repair. The underrun at St. Lawrence included less than expected recurring maintenance and delay in the unit 27 Stay Ring Crack Repairs. The small hydro facilities were under budget due to less than anticipated recurring maintenance and engineering consulting support for the Crescent Fish Guidance System.
- R&D and Other was below budget due to timing for NYSERDA and EPRI fees, Power Generation Technology, Transmission Technology and Electric Vehicle projects.



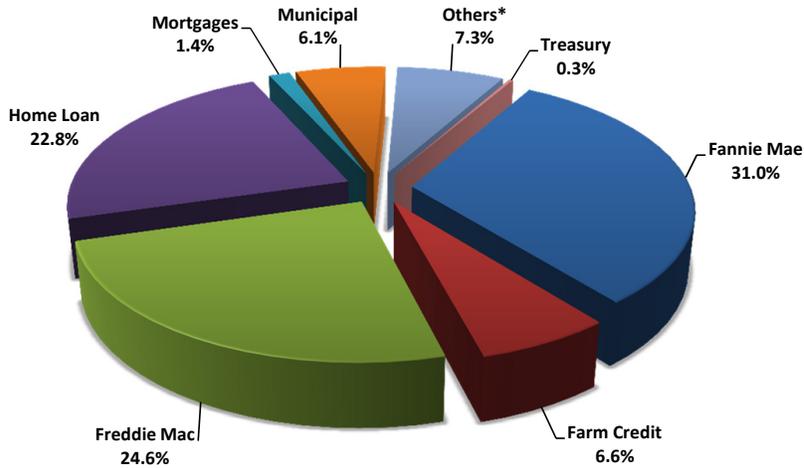
The \$28 increase in the Operating Fund (from \$1,350 to \$1,378) was primarily attributable to positive net cash provided by operating activities \$243.7 million, and a payment of \$72 received from Entergy, substantially offset by interconnection and related costs associated with the HTP project (\$139), the State contribution (\$40), plant additions and debt service payments.

\* Includes \$71 in Energy Hedging/Fuel Reserves, \$20 in the Western New York Economic Development Fund, \$21 in NY State Parks Greenway Fund, and \$10 in the North Country Economic Development Fund.

**Maturity Distribution**
**As of July 31, 2013**

**MATURITY DISTRIBUTION**

(\$ in millions)

Under 3 Month	\$190.4
3-6 Month	118.6
6-12 Month	125.9
1-2 Years	185.3
2-3 Years	240.3
3-4 Years	292.7
4-5 Years	220.1
5-10 Years	25.8
Over 10 Years	19.0
<b>Total</b>	<b>\$1,418.1</b>

**Asset Allocation**
**As of July 31, 2013**

**ASSET ALLOCATION**

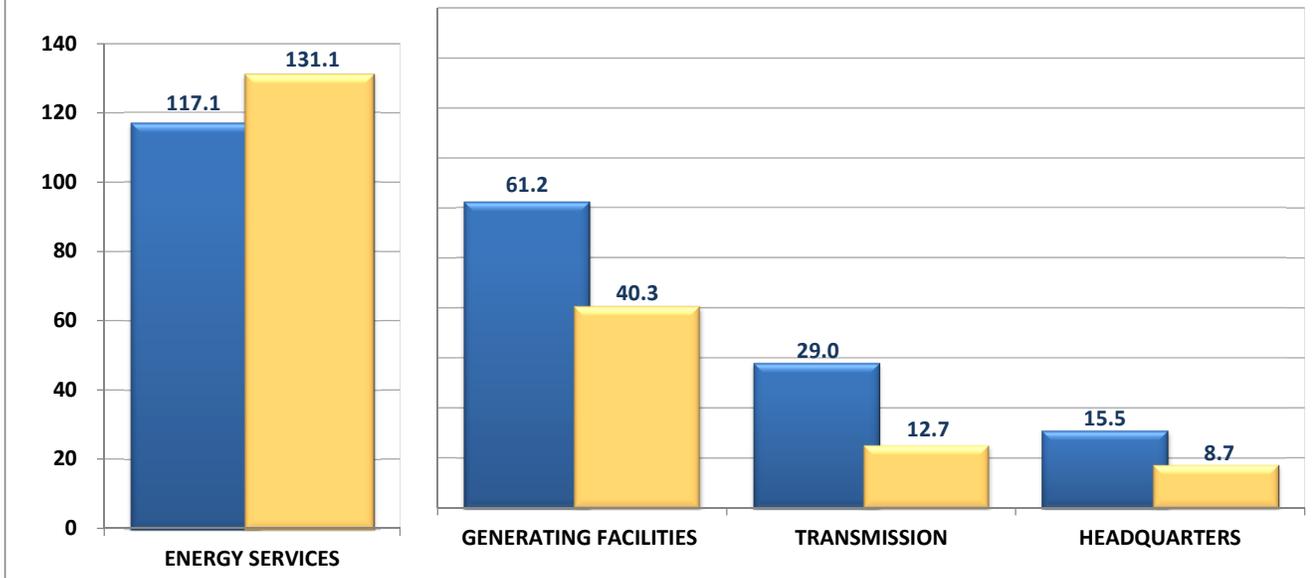
(\$ in millions)

Fannie Mae	\$439.5
Farm Credit	93.0
Freddie Mac	348.4
Home Loan	322.7
Mortgages	20.0
Municipal	86.9
Others*	103.9
Treasury	3.7
<b>Total</b>	<b>\$1,418.1</b>

\*Includes CDs and Repos

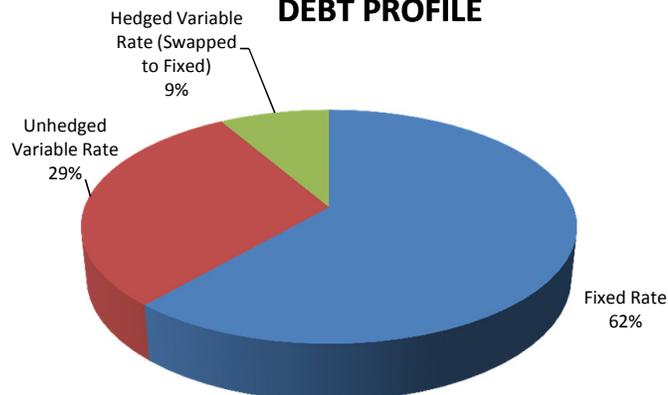
### Capital Expenditures Seven months ended July 31, 2013 (\$ in millions)

■ BUDGET  
■ ACTUAL



- Generating Facilities were under budget by \$20.9 primarily due to scheduling delays for the Lewiston Pump Generation Plant-LEM.
- Transmission expenditures were under budget by \$16.3 primarily due to delays for the St. Lawrence and Niagara relay replacement projects.
- Headquarters expenditures were under budget primarily due to delays and timing differences related to IT Initiative Projects.
- Energy Services expenditures were over budget by \$14.0 due to greater than expected spending in the Governmental Services program.
- Under the expenditure authorization procedure, the President authorized new expenditures on budgeted capital projects of \$21.2 through July. The following expenditure was authorized in July:  
     St. Lawrence Nature Center                      \$0.5

### As of July 31, 2013 DEBT PROFILE



DEBT PROFILE	
(\$ in millions)	
Fixed Rate	\$1,065.4
Unhedged Variable Rate	500.0
Hedged Variable Rate (Swapped)	146.1
<b>Total</b>	<b>\$1,711.5</b>

## ENERGY DERIVATIVES

### Results

Year-to-date, preliminary energy derivative settlements have resulted in a net loss of \$19.1 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 2013 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions (\$ in Millions)

	Settlements		Fair Market Value			Total
	YTD <sup>1</sup>	2013	2014	>=2015		
NYPA	\$ (0.15)	\$ (0.07)	\$ 0.00	\$ -	\$ (0.07)	
Customer Contracts	\$ (18.94)	\$ (23.91)	\$ (53.47)	\$ (19.36)	\$ (96.74)	
<b>Total</b>	<b>\$ (19.10)</b>	<b>\$ (23.98)</b>	<b>\$ (53.47)</b>	<b>\$ (19.36)</b>	<b>\$ (96.80)</b>	

<sup>1</sup> Reflects July preliminary settlements.

At the end of July, the fair market value of outstanding positions was at an unrealized loss of \$96.8 million for positions extending through 2017.

### Market Summary

Exhibit 1 shows the average price of futures contracts for August to December 2013 and how they have traded since November 30, 2010. Exhibit 2 shows the average price of futures contracts for entire year 2014 since November 30, 2011.

Exhibit 1: Average September to December 2013 Forward Price

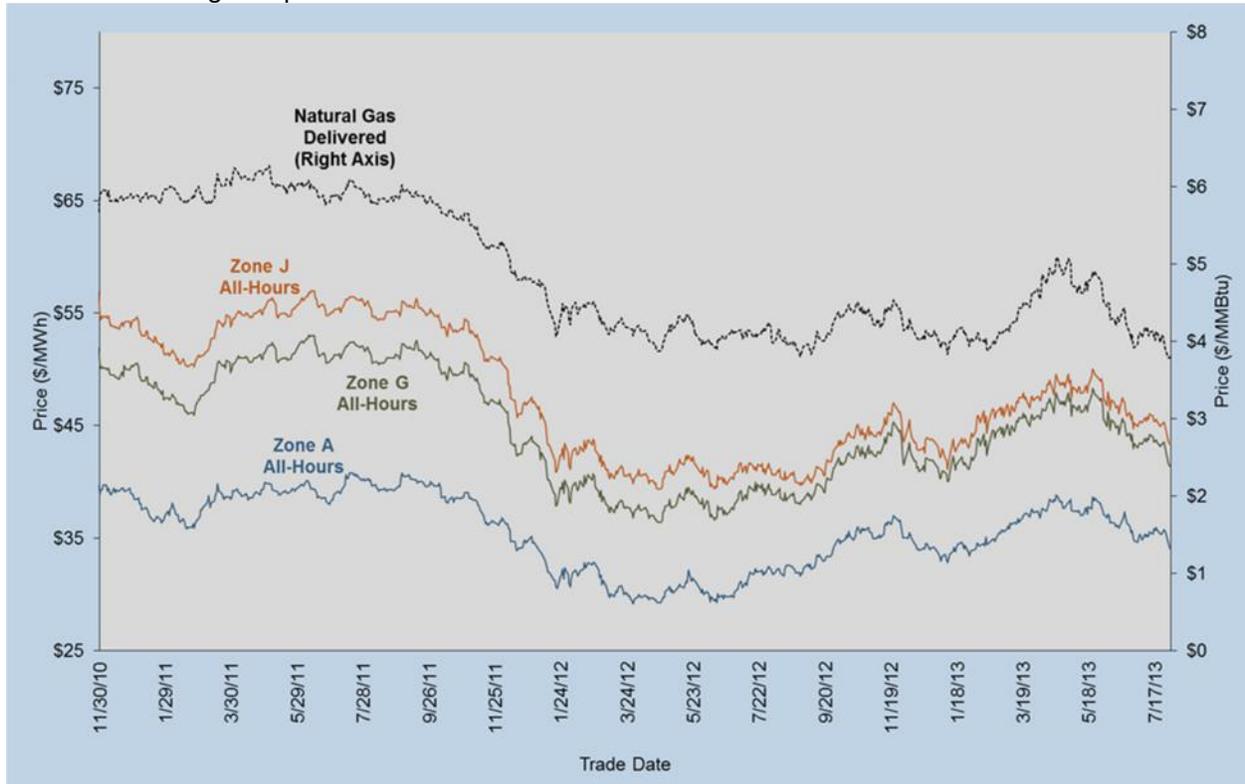
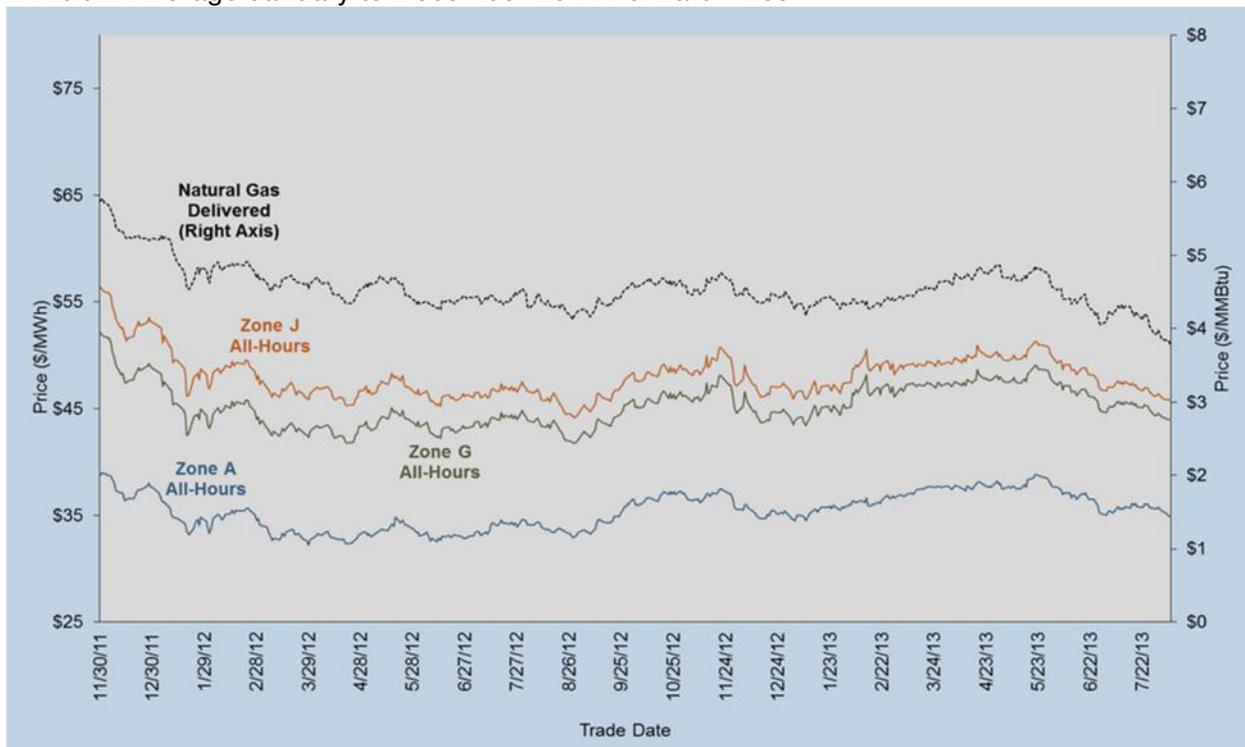


Exhibit 2: Average January to December 2014 Forward Price



## New York Power Authority Financial Reports

### STATEMENT OF NET INCOME For the Seven Months Ended July 31, 2013

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	<b>Operating Revenues</b>			
<b>\$2,119.6</b>	Customer	\$ 1,228.7	\$ 1,213.7	\$ 15.0
524.2	Market-based power sales	481.8	325.3	156.5
27.9	Ancillary services	18.6	17.3	1.3
126.5	NTAC and other	81.3	75.5	5.8
<b>678.6</b>	<b>Total</b>	<b>581.7</b>	<b>418.1</b>	<b>163.6</b>
<b>2,798.2</b>	<b>Total Operating Revenues</b>	<b>1,810.4</b>	<b>1,631.8</b>	<b>178.6</b>
	<b>Operating Expenses</b>			
697.7	Purchased power	523.7	406.2	(117.5)
322.9	Fuel consumed - oil & gas	213.9	202.5	(11.4)
76.1	Ancillary services	36.6	44.3	7.7
583.0	Wheeling	340.8	329.7	(11.1)
426.4	Operations and maintenance	222.7	225.1	2.4
227.8	Depreciation and amortization	132.7	132.9	0.2
201.1	Other expenses	109.6	117.9	8.3
(13.0)	Allocation to capital	(6.1)	(7.4)	(1.3)
<b>2,522.0</b>	<b>Total Operating Expenses</b>	<b>1,573.9</b>	<b>1,451.2</b>	<b>(122.7)</b>
<b>276.2</b>	<b>Net Operating Income</b>	<b>236.5</b>	<b>180.6</b>	<b>55.9</b>
	<b>Nonoperating Revenues</b>			
75.8	Post nuclear sale income	52.7	52.7	-
37.4	Investment income	21.4	21.8	(0.4)
(9.0)	Mark to market - investments	(19.7)	(4.5)	(15.2)
<b>104.2</b>	<b>Total Nonoperating Revenues</b>	<b>54.4</b>	<b>70.0</b>	<b>(15.6)</b>
	<b>Nonoperating Expenses</b>			
65.0	Contributions to New York State	40.0	65.0	25.0
185.0	Interest and other expenses	105.7	108.1	2.4
<b>250.0</b>	<b>Total Nonoperating Expenses</b>	<b>145.7</b>	<b>173.1</b>	<b>27.4</b>
<b>\$130.4</b>	<b>Net Income</b>	<b>\$ 145.2</b>	<b>\$ 77.5</b>	<b>\$ 67.7</b>

# New York Power Authority Financial Reports

## COMPARATIVE BALANCE SHEETS

July 31, 2013  
(\$ in millions)

Assets		July 31, 2013	July 31, 2012	December 31, 2012
<b>Current Assets</b>				
	Cash	\$0.1	\$0.1	\$0.1
	Investments in government securities	1,381.5	1,366.7	1,370.7
	Interest receivable on investments	5.7	6.2	5.7
	Accounts receivable - customers	280.3	264.6	223.0
	Materials and supplies, at average cost:			
	Plant and general	84.9	82.0	83.2
	Fuel	21.5	22.6	18.3
	Prepayments and other	116.4	117.8	135.9
	<b>Total Current Assets</b>	<b>1,890.4</b>	<b>1,860.0</b>	<b>1,836.9</b>
<b>Noncurrent Assets</b>				
<b>Restricted Funds</b>				
	Investment in decommissioning trust fund	1,250.4	1,163.6	1,186.1
	Other	61.1	73.4	62.1
	<b>Total Restricted Funds</b>	<b>1,311.5</b>	<b>1,237.0</b>	<b>1,248.2</b>
<b>Capital Funds</b>				
	Investment in securities and cash	55.4	78.0	58.0
	<b>Total Capital Funds</b>	<b>55.4</b>	<b>78.0</b>	<b>58.0</b>
<b>Net Utility Plant</b>				
	Electric plant in service, less accumulated depreciation	3,263.5	3,362.5	3,331.4
	Capital lease, less accumulated amortization	1,035.1	1,092.9	1,068.8
	Construction work in progress	211.2	142.0	177.8
	<b>Net Utility Plant</b>	<b>4,509.8</b>	<b>4,597.4</b>	<b>4,578.0</b>
<b>Other Noncurrent Assets</b>				
	Receivable - NY State	318.1	318.0	318.0
	Deferred charges, long-term receivables and other	788.6	580.5	615.9
	Notes receivable - nuclear plant sale	105.3	130.2	124.4
	<b>Total other noncurrent assets</b>	<b>1,212.0</b>	<b>1,028.7</b>	<b>1,058.2</b>
	<b>Total Assets</b>	<b>8,979.1</b>	<b>8,801.1</b>	<b>8,779.4</b>
<b>Deferred Outflows</b>				
	Accumulated decrease in fair value of hedging derivatives	78.6	165.1	107.4
	<b>Total Assets and Deferred Outflows</b>	<b>\$ 9,057.7</b>	<b>\$ 8,966.2</b>	<b>\$ 8,886.8</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
	Accounts payable and accrued liabilities	870.5	917.5	853.8
	Short-term debt	329.3	309.0	330.3
	<b>Total Current Liabilities</b>	<b>1,199.8</b>	<b>1,226.5</b>	<b>1,184.1</b>
<b>Noncurrent Liabilities</b>				
<b>Long-term Debt</b>				
	Revenue bonds	1,058.8	1,105.3	1,060.7
	Adjustable rate tender notes	131.1	114.8	139.9
	Commercial paper	210.9	265.8	235.4
	<b>Total Long-term Debt</b>	<b>1,400.8</b>	<b>1,485.9</b>	<b>1,436.0</b>
<b>Other Noncurrent Liabilities</b>				
	Nuclear plant decommissioning	1,250.4	1,163.6	1,186.1
	Disposal of spent nuclear fuel	216.5	216.3	216.4
	Capital lease obligation	1,232.4	1,239.1	1,236.4
	Deferred revenues and other	142.1	225.8	157.4
	<b>Total Other Noncurrent Liabilities</b>	<b>2,841.4</b>	<b>2,844.8</b>	<b>2,796.3</b>
	<b>Net Position</b>	<b>3,615.7</b>	<b>3,409.0</b>	<b>3,470.4</b>
	<b>Total Liabilities and Net Position</b>	<b>\$ 9,057.7</b>	<b>\$ 8,966.2</b>	<b>\$ 8,886.8</b>

## New York Power Authority Financial Reports

### SUMMARY OF OPERATING FUND CASH FLOWS For the Seven Months Ended July 31, 2013 (\$ in millions)

<b>Operating Fund</b>		
Opening		\$1,349.7
Closing		1,378.3
Increase		28.6
<b>Cash Generated</b>		
Net Operating Income		236.5
Adjustments to Reconcile to Cash Provided from Operations		
Depreciation & Amortization		132.7
Net Change in Receivables, Payables & Inventory		(122.1)
Other		(3.4)
<b>Net Cash Generated from Operations</b>		<b>243.7</b>
<b>(Uses)/Sources</b>		
Utility Plant Additions		(90.3)
Debt Service		
Commercial Paper 2		(24.6)
ART Notes		(8.9)
Investment income		14.6
Entergy Payment (Value Sharing Agreement)		71.7
Voluntary Contributions to NY State		(40.0)
HTP- Interconnection costs		(115.1)
HTP-Security deposit - tax gross-up		(23.9)
Other		1.4
<b>Total (Uses)/Sources</b>		<b>(215.1)</b>
<b>Net Increase in Operating Fund</b>		<b>\$28.6</b>