New York Power Authority

Report of the Chief Financial Officer

For the Eight Months Ended August 31, 2013

Report of the Chief Financial Officer
For the Eight Months Ended August 31, 2013
Executive Summary

Results of Operations

Net income through August, prior to the recognition of the State contribution, was $205.5 million, which was $43 million better than the budget due to a higher net margin on sales ($49.9 million) and lower other operating expenses ($8.7 million) partially offset by lower non-operating income ($17.5 million). Net margins on sales were higher than anticipated at Niagara ($6.1 million), Blenheim-Gilboa ($11.6 million), and at the SCPP's ($12.1 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 ($14.5 million) due to higher volumes sold (10% higher generation). Other operating expenses reflected lower than anticipated costs, due to the timing of Industrial Incentive awards and certain economic development fund and Solar and Energy Efficiency Market Acceleration program expenditures. Non-operating income included a higher than anticipated mark-to-market loss on the Authority's investment portfolio ($20.3 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 $165.5 million for the eight months ended August 31 compared to a budget of $97.5 million. In July, the Board approved an additional $25 million contribution, which the Authority expects to pay in September 2013.

Net income for the eight months ended August 31, 2013 ($165.5 million) was $24.7 million higher than the comparable period last year ($140.8 million). Current year results reflect a lower voluntary contribution to New York State ($35 million) and a higher net margin on sales ($41.9 million), partially offset by lower non-operating income ($29.8 million) and expenses related to the HTP project ($17.6 million). Voluntary contributions to the State were $40 million through August 2013 compared to $75 million through August 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 St. Lawrence due to lower generation. Non-operating income in 2013 included a $24.8 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 August with total operating funds of $1,400 million as compared to $1,350 million at the end of 2012. The increase ($50 million) is primarily attributable to net cash from operations ($271 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 net income is expected to remain above budget for the year primarily due to increased hydro generation and firmer capacity prices, partially offset by a decline in the mark-to-market value of the Authority's investment portfolio.

- **Hydro Flows** – The 19.41 Twh current projection for the combined net generation at the Niagara and St. Lawrence hydroelectric facilities is essentially unchanged from last month, and remains above 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.

- **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

The drafting of the September 2013 Enterprise Risk Report has been nearing completion and is scheduled to be reviewed with the Audit Committee on September 24. Where applicable, the development of response/action plans will commence in the 4th quarter as prioritized by the Executive Risk Management Committee. Additionally, the Enterprise Risk team, working with Deloitte LLP, will begin expanding the forward looking Key Risk Indicators (KRIs) to monitor top risks.

New York Power Authority

RESULTS OF OPERATIONS

Net Income

Eight months ended August 31, 2013

($ in millions)

	Actual	Budget	Variance
Niagara	$99.6	$82.9	$16.7
St. Lawrence	37.9	22.6	15.3
Blenheim-Gilboa	15.2	4.5	10.7
SENY	28.7	28.5	0.2
SCPP	20.3	10.0	10.3
Market Supply Power	(75.2)	(71.7)	(3.5)
Flynn	15.7	9.3	6.4
Transmission	23.0	20.1	2.9
Non-facility	0.3	(8.7)	9.0
Total	**$165.5**	**$97.5**	**$68.0**

Major Factors	Better (Worse)
Niagara Higher net margin on sales ($6.1) resulting from higher capacity prices, lower expenses related to the timing of the industrial incentive awards Western NY Economic Dev. Fund ($7.4) and lower O&M ($2.2, timing, non-recurring projects).	$16.7
St. Lawrence Primarily higher net margin on sales ($14.5, 10% higher generation)	15.3
Blenheim-Gilboa Higher capacity and energy revenues due to higher prices.	10.7
SCPP Higher volumes and price spreads on market-based sales	10.3
Transmission Higher revenues (primarily related to FACTS) partially offset by higher expenses (HTP Project). Proportionally higher energy prices in downstate markets increased congestion costs which had a positive impact on FACTS revenues. Additional expenses resulted from the HTP line being put into service one month ahead of schedule.	2.9
Other facilities Includes higher net margin at Flynn due to higher energy prices.	3.1
Non-facility (including investment income) Primarily due to budgeted $25 million State contribution, which the Authority expects to make in September and lower costs related to Solar and Energy Efficency Programs ($3.6); partially offset by higher market-to-market loss on the Authority's investment portfolio ($20.3) due to sharp increase in market interest rates.	9.0
	$68.0

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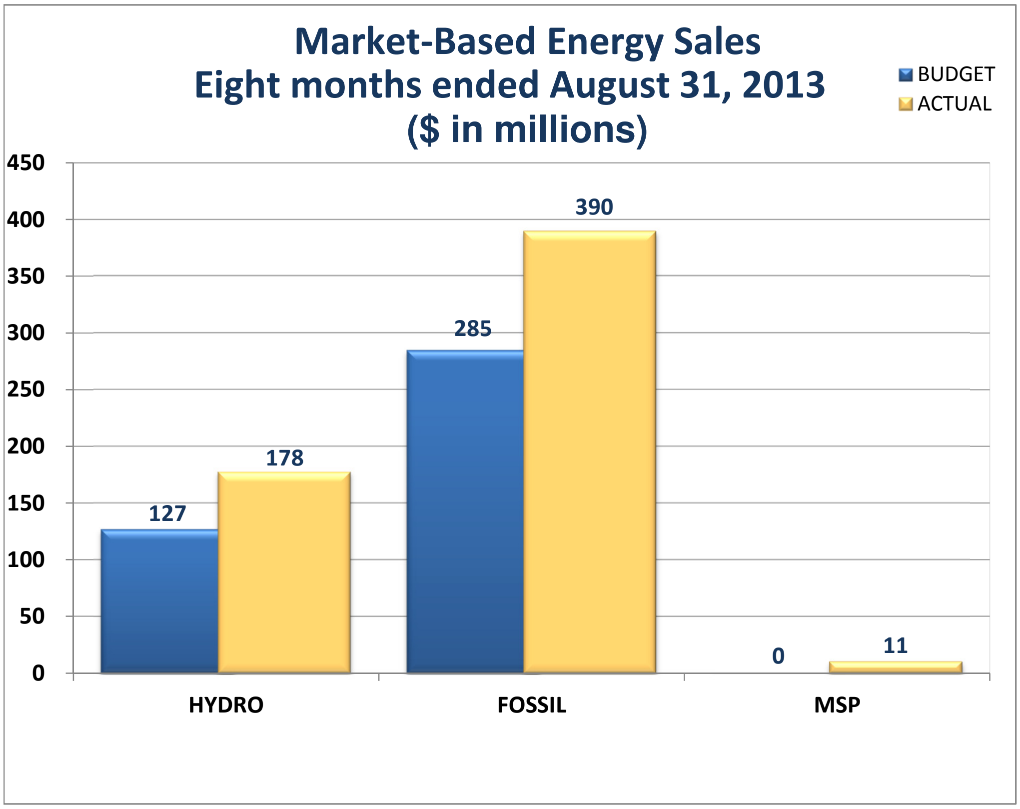
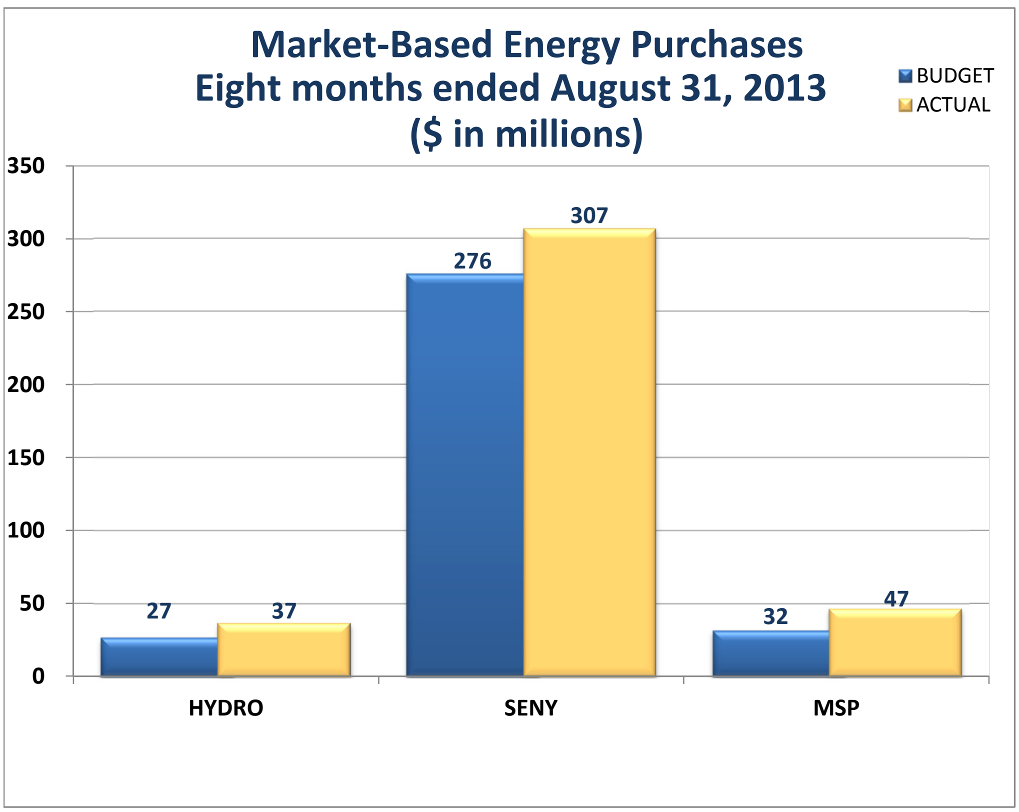
RESULTS OF OPERATIONS



REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	2,123,476	3,027,309
Fossil	4,674,450	5,118,414
MSP	-	268,989
TOTAL	6,797,926	8,414,712
PRICES ($/MWH)		
Hydro*	$41.07	$41.98
Fossil	$54.23	$60.35
MSP	-	$41.42
AVERAGE	$50.12	$53.13

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

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,157,657	1,682,015
St. Law.	667,889	1,052,295
PRICES ($/MWH)		
Niagara	$37.95	$36.92
St. Law.	$35.13	$36.00



COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	1,196,635	1,302,084
SENY	5,933,321	6,163,152
MSP	751,836	924,989
TOTAL	7,881,792	8,390,225
COSTS ($/MWH)		
Hydro	$22.45	$28.26
SENY	$46.47	$49.89
MSP	$42.71	$50.74
AVERAGE	$42.47	$46.62

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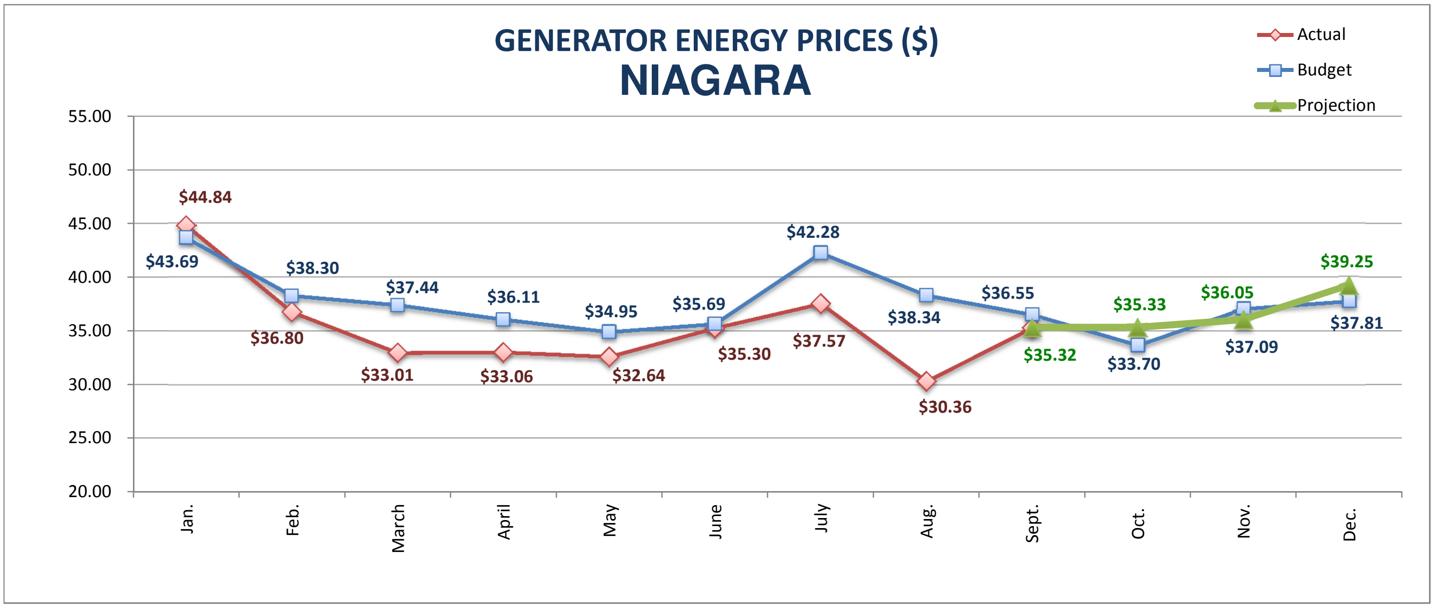
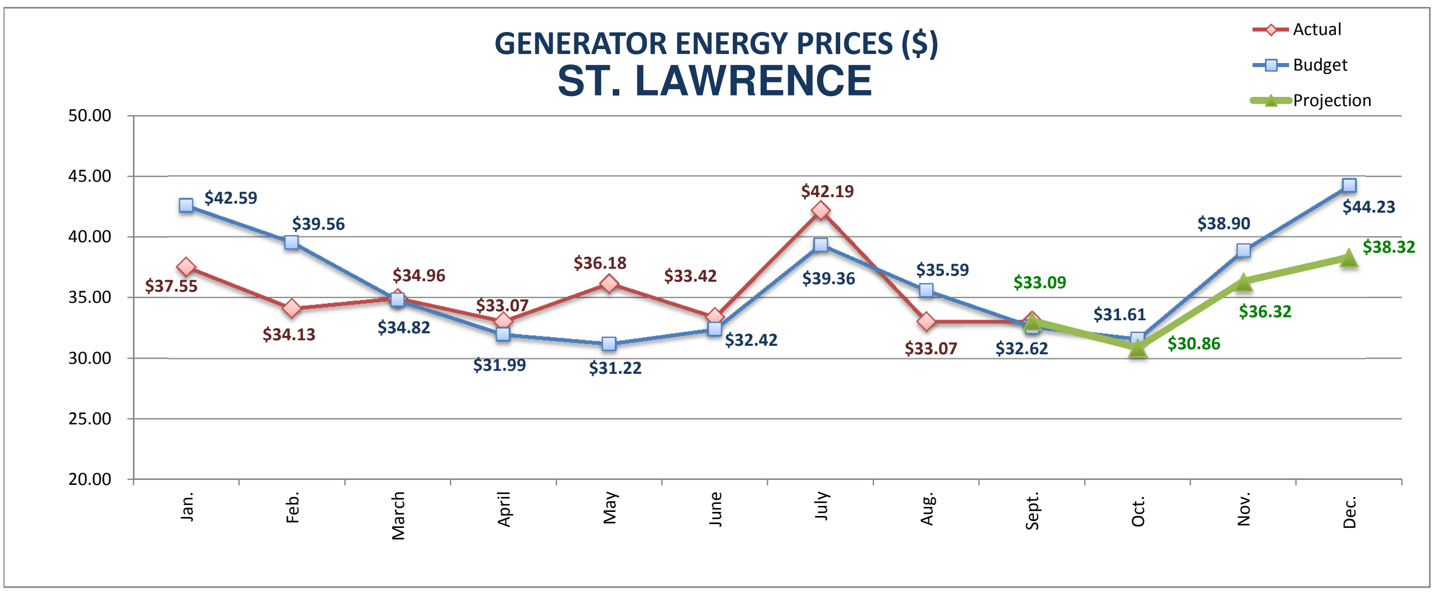
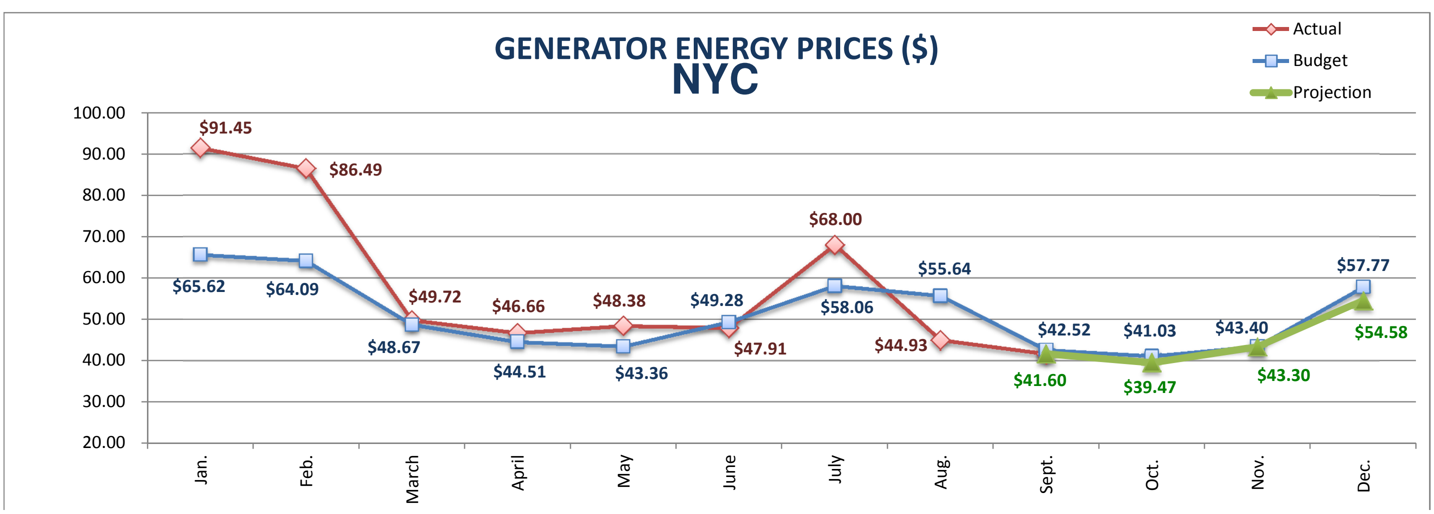
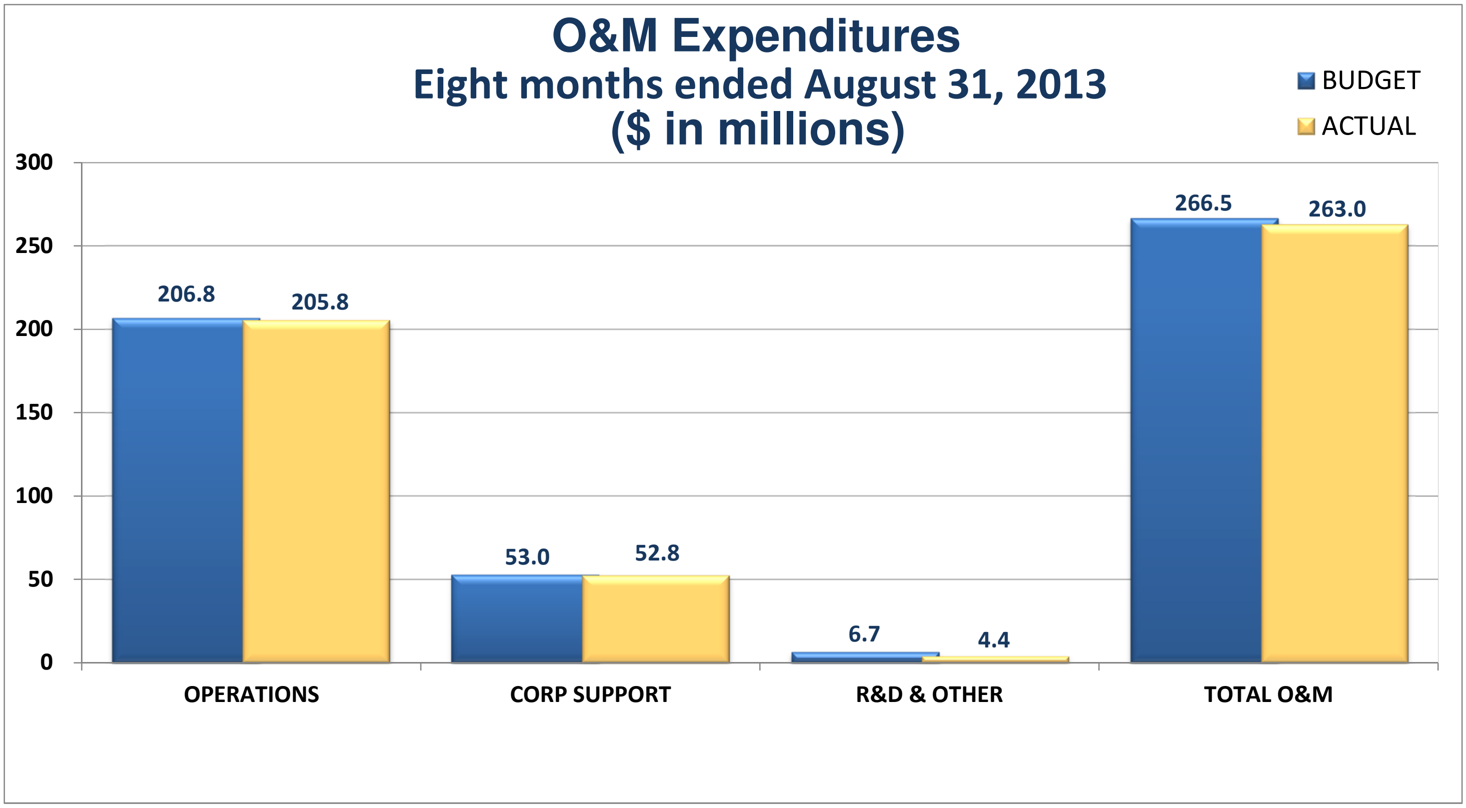
RESULTS OF OPERATIONS
Market Energy Prices





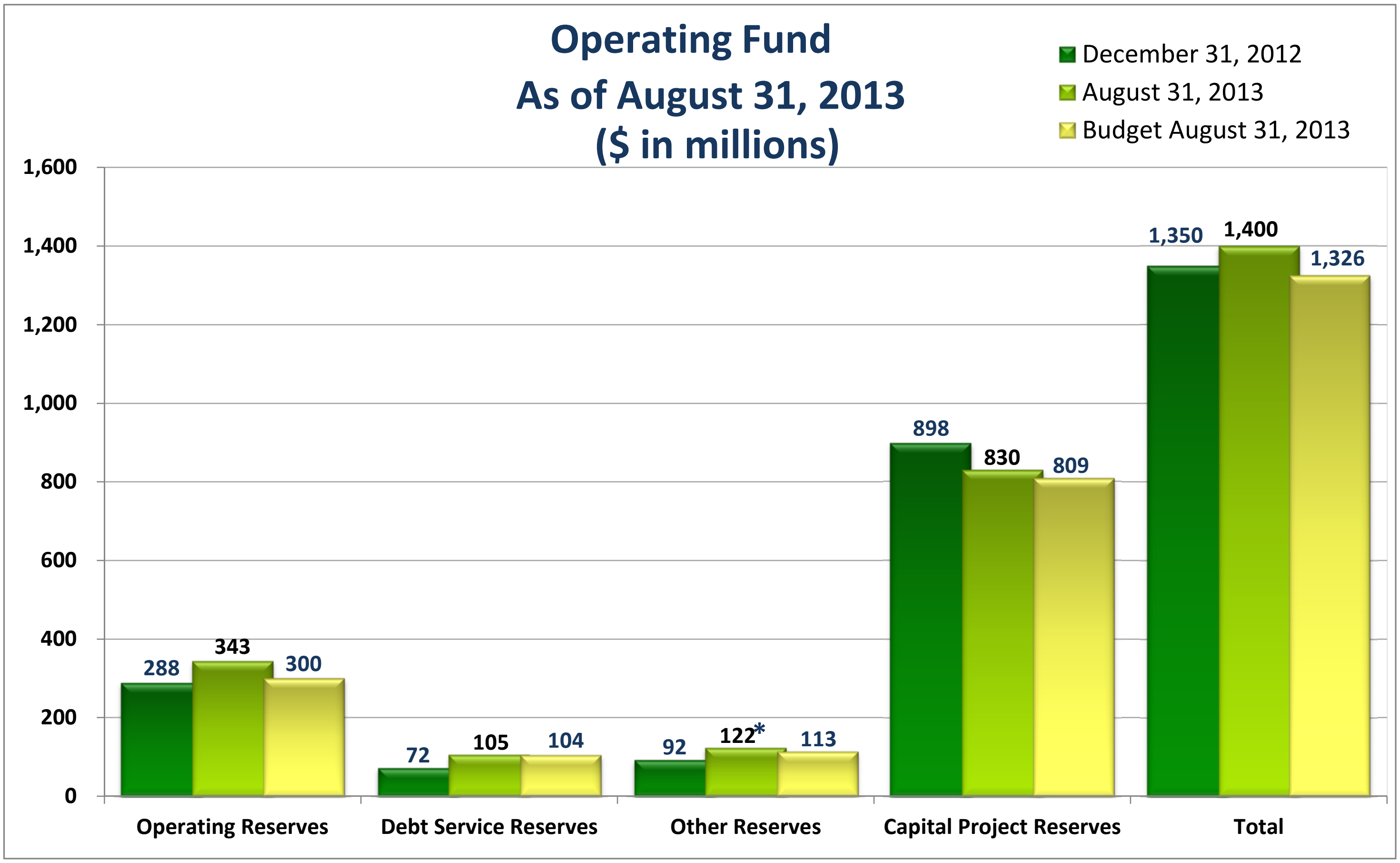




• For the eight months ended August 31, 2013, O&M expenses were $3.5 million lower than budgeted.

• Operations expenditures were $1.0 million lower than budgeted through August. Under-runs at Niagara ($2.2 million) and St. Lawrence ($2.1 million) were substantially offset by higher expenses at the transmission facilities ($1.9 million) and the SCPP's ($1.2 million). 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 a delay in the Unit 27 Stay Ring Crack Repairs. The transmission facilities reflected additional costs associated with the HTP line, which went into service a month ahead of schedule, partially offset by timing differences related to Massena Reactors Refurbishment and St. Lawrence Region Line Clearance Remediation projects. Higher expenses at the SCPP's were due to greater than expected spending for the Kent and Pouch outages, timing for the Gowanus Bulkhead repairs and emergent work for Brentwood Combustion Turbine repair.

• R&D and Other was below budget due to timing for Power Generation Technology, Transmission Technology and Electric Vehicle projects.



The $50 increase in the Operating Fund (from $1,350 to $1,400) was primarily attributable to positive net cash provided by operating activities ($271) 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, $26 in the Western New York Economic Development Fund, $15 in NY State Parks Greenway Fund, and $10 in the North Country Economic Development Fund.

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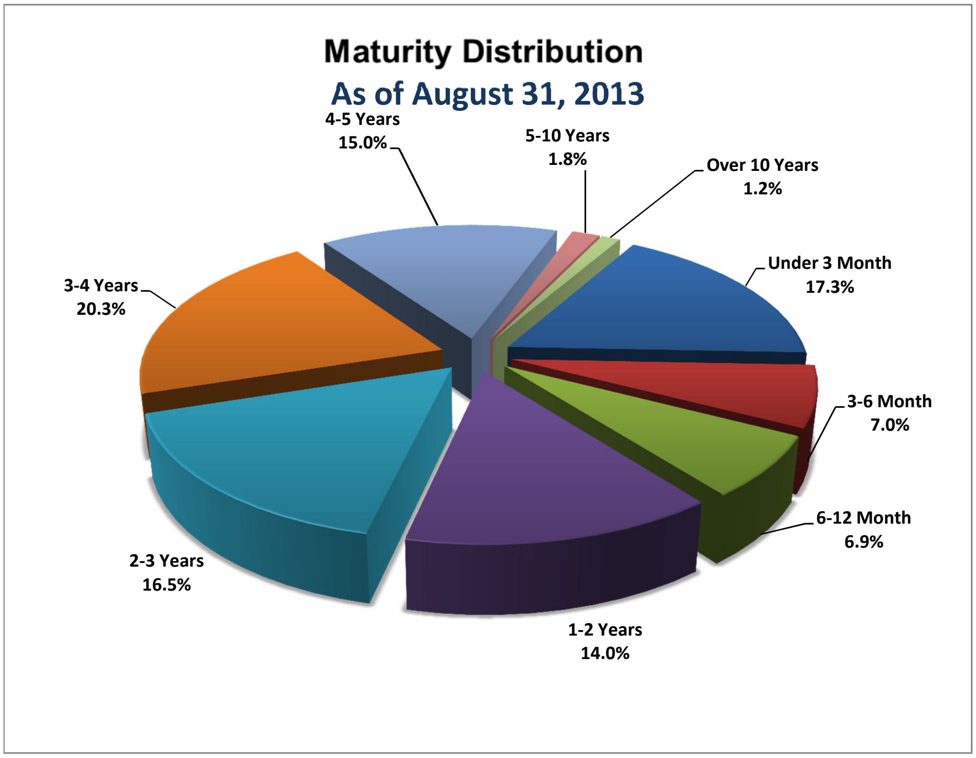
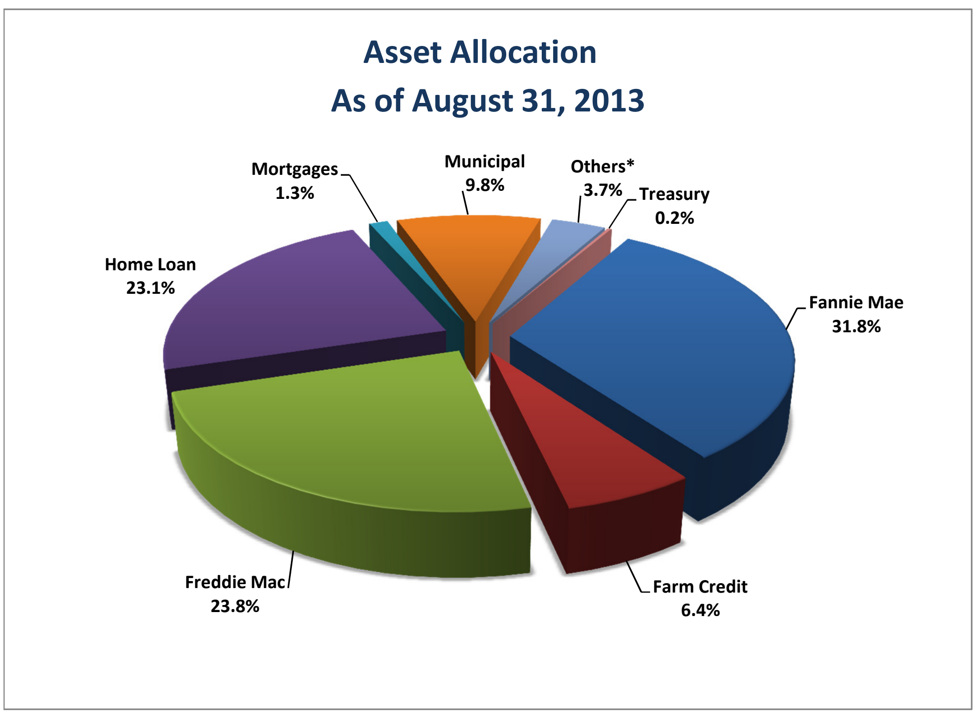
CASH AND LIQUIDITY INVESTMENT PORTFOLIO



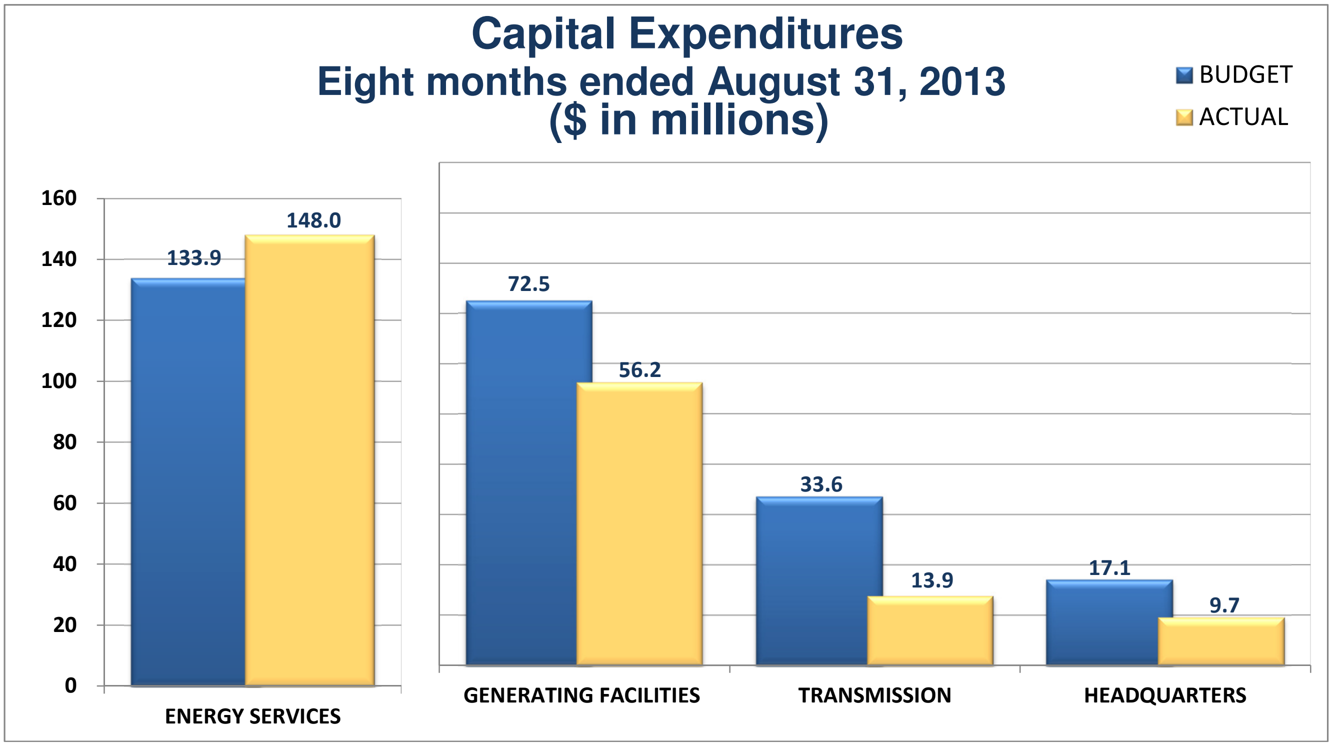
MATURITY DISTRIBUTION ($ in millions)	
Under 3 Month	$253.0
3-6 Month	101.9
6-12 Month	101.2
1-2 Years	205.3
2-3 Years	241.1
3-4 Years	296.9
4-5 Years	220.1
5-10 Years	25.8
Over 10 Years	17.4
Total	**$1,462.7**



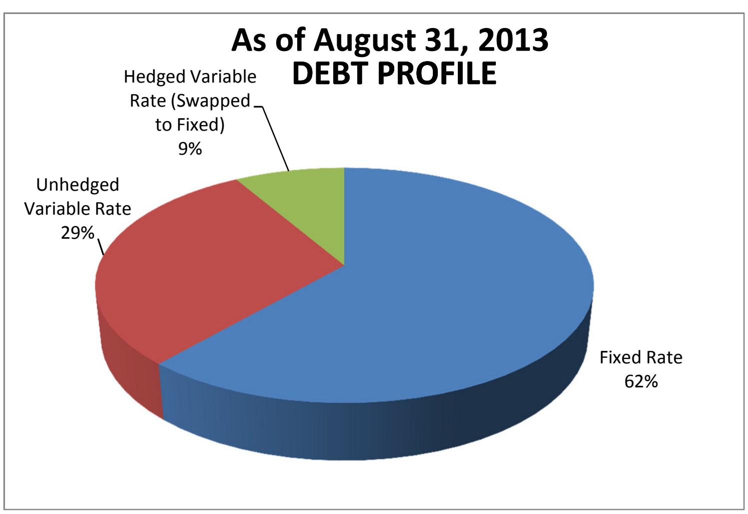
ASSET ALLOCATION ($ in millions)	
Fannie Mae	$464.5
Farm Credit	93.0
Freddie Mac	348.5
Home Loan	338.2
Mortgages	18.3
Municipal	142.9
Others*	53.7
Treasury	3.6
Total	**$1,462.7**

*Includes CDs and Repos

CASH AND LIQUIDITY



- Generating Facilities were under budget by $16.3 primarily due to scheduling delays for the Lewiston Pump Generation Plant-LEM.
- Transmission expenditures were under budget by $19.7 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 $14.1 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 August. There were no expenditures authorized in August.



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,065.4
Unhedged Variable Rate	506.8
Hedged Variable Rate (Swapped)	146.1
Total	**$1,718.3**

ENERGY DERIVATIVES

Results

Year-to-date, preliminary energy derivative settlements have resulted in a net loss of $24 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			
	YTD[1]	**2013**	**2014**	**>=2015**	**Total**
NYPA	$ (0.19)	$ (0.03)	$ 0.00	$ -	$ (0.03)
Customer Contracts	$ (23.82)	$ (18.99)	$ (51.95)	$ (19.12)	$ (90.06)
Total	**$ (24.01)**	**$ (19.03)**	**$ (51.95)**	**$ (19.12)**	**$ (90.10)**

[1]*Reflects August preliminary settlements.*

At the end of August, the fair market value of outstanding positions was at an unrealized loss of $90.10 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for October 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 October to December 2013 Forward Price

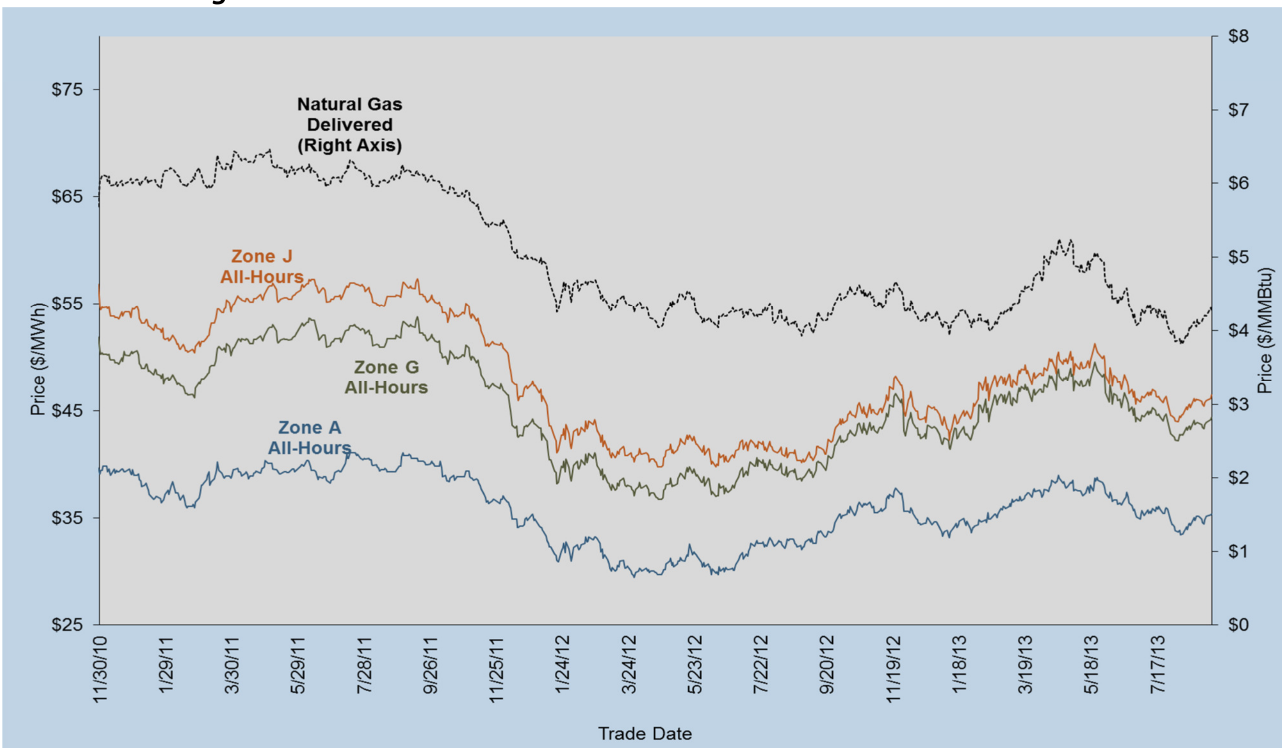
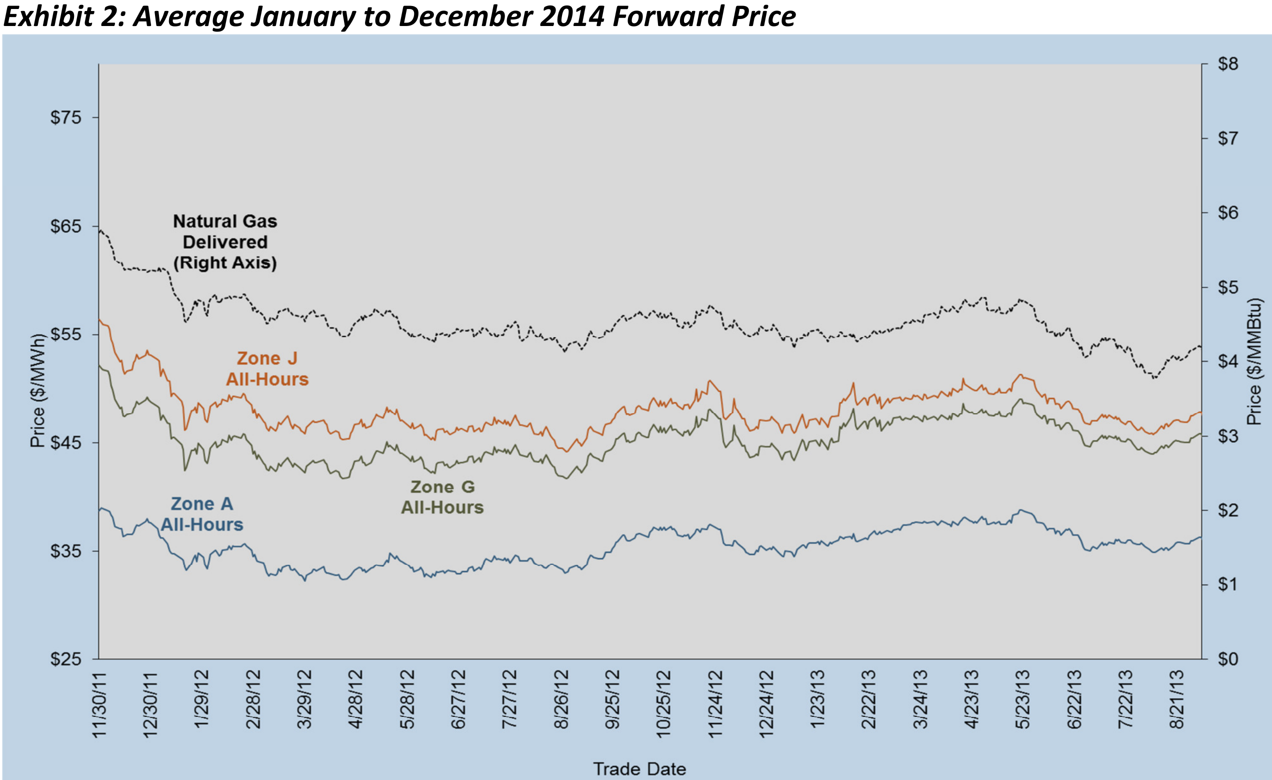


Exhibit 2: Average January to December 2014 Forward Price



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STATEMENT OF NET INCOME
For the Eight Months Ended August 31, 2013

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,114.2	Customer	**$ 1,408.9**	**$ 1,410.4**	**$ (1.5)**
520.3	Market-based power sales	544.4	380.2	164.2
27.9	Ancillary services	20.5	19.0	1.5
131.9	NTAC and other	91.4	87.1	4.3
680.1	Total	**656.4**	**486.4**	**170.0**
2,794.3	**Total Operating Revenues**	**2,065.3**	**1,896.8**	**168.5**
	Operating Expenses			
693.8	Purchased power	588.7	473.8	(114.9)
322.9	Fuel consumed - oil & gas	235.6	228.0	(7.6)
76.1	Ancillary services	41.0	50.9	9.9
583.0	Wheeling	400.3	394.3	(6.0)
426.4	Operations and maintenance	263.0	266.5	3.5
227.8	Depreciation and amortization	151.5	151.9	0.4
201.1	Other expenses	125.8	134.6	8.8
(13.0)	Allocation to capital	(6.4)	(8.6)	(2.2)
2,518.1	**Total Operating Expenses**	**1,799.5**	**1,691.4**	**(108.1)**
276.2	**Net Operating Income**	**265.8**	**205.4**	**60.4**
	Nonoperating Revenues			
75.8	Post nuclear sale income	60.2	60.2	-
37.4	Investment income	24.5	24.9	(0.4)
(9.0)	Mark to market - investments	(24.7)	(4.5)	(20.2)
104.2	**Total Nonoperating Revenues**	**60.0**	**80.6**	**(20.6)**
	Nonoperating Expenses			
65.0	Contributions to New York State	40.0	65.0	25.0
185.0	Interest and other expenses	120.3	123.5	3.2
250.0	**Total Nonoperating Expenses**	**160.3**	**188.5**	**28.2**
$130.4	**Net Income**	**$ 165.5**	**$ 97.5**	**$ 68.0**

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COMPARATIVE BALANCE SHEETS
August 31, 2013
($ in millions)

Assets		August 31, 2013	August 31, 2012	December 31, 2012
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,403.2	1,422.5	1,370.7
	Interest receivable on investments	6.5	7.1	5.7
	Accounts receivable - customers	266.7	250.3	223.0
	Materials and supplies, at average cost:			
	Plant and general	85.2	82.0	83.2
	Fuel	21.4	22.6	18.3
	Prepayments and other	116.2	116.8	135.9
	Total Current Assets	**1,899.3**	**1,901.4**	**1,836.9**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,231.2	1,170.0	1,186.1
	Investment in securities and cash	61.0	73.5	62.1
	Total Restricted Funds	**1,292.2**	**1,243.5**	**1,248.2**
Capital Funds	Capital Funds	58.5	88.9	58.0
	Total Capital Funds	**58.5**	**88.9**	**58.0**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,250.6	3,354.7	3,331.4
	Capital lease, less accumulated amortization	1,030.3	1,088.0	1,068.8
	Construction work in progress	229.3	144.8	177.8
	Net Utility Plant	**4,510.2**	**4,587.6**	**4,578.0**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	793.5	594.9	615.9
	Notes receivable - nuclear plant sale	112.8	138.7	124.4
	Total other noncurrent assets	**1,224.3**	**1,051.6**	**1,058.2**
	Total Assets	**8,984.5**	**8,873.0**	**8,779.4**
Deferred Outflows	Accumulated decrease in fair value of hedging derivatives	**72.0**	**171.1**	**107.4**
	Total Assets and Deferred Outflows	**$ 9,056.5**	**$ 9,044.1**	**$ 8,886.8**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	867.2	941.7	853.8
	Short-term debt	335.6	331.4	330.3
	Total Current Liabilities	**1,202.8**	**1,273.1**	**1,184.1**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,058.5	1,105.0	1,060.7
	Adjustable rate tender notes	131.1	114.7	139.9
	Commercial paper	211.4	265.5	235.4
	Total Long-term Debt	**1,401.0**	**1,485.2**	**1,436.0**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,231.2	1,170.0	1,186.1
	Disposal of spent nuclear fuel	216.5	216.3	216.4
	Capital lease obligation	1,231.4	1,238.5	1,236.4
	Deferred revenues and other	137.7	224.7	157.4
	Total Other Noncurrent Liabilities	**2,816.8**	**2,849.5**	**2,796.3**
	Total Liabilities	**5,420.6**	**5,607.8**	**5,416.4**
Net Position		**3,635.8**	**3,436.3**	**3,470.4**
	Total Liabilities and Net Position	**$ 9,056.5**	**$ 9,044.1**	**$ 8,886.8**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Eight Months Ended August 31, 2013
($ in millions)

Operating Fund		
	Opening	$1,349.7
	Closing	1,399.5
	Increase	49.8
Cash Generated		
	Net Operating Income	265.8
	Adjustments to Reconcile to Cash Provided from Operations	
	Depreciation & Amortization	151.6
	Net Change in Receivables, Payables & Inventory	(142.1)
	Other	(3.9)
Net Cash Generated from Operations		271.4
(Uses)/Sources		
	Utility Plant Additions	(101.3)
	Debt Service	
	Commercial Paper 2	(24.6)
	ART Notes	(8.9)
	Investment income	16.7
	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	3.8
	Total (Uses)/Sources	(221.6)
Net Increase in Operating Fund		$49.8