New York Power Authority

Report of the Chief Financial Officer

For the Nine Months Ended September 30, 2013

Report of the Chief Financial Officer
For the Nine Months Ended September 30, 2013
Executive Summary

Results of Operations

Net income through September was $170.3 million, which was $60.5 million better than the budget ($109.8 million) due to a higher net margin on sales ($56.5 million) and lower other operating expenses ($10.4 million) partially offset by lower non-operating income ($10.2 million). Net margins on sales were higher than anticipated at Niagara ($8.9 million), Blenheim-Gilboa ($13.3 million), and at the SCPP's ($13.0 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 ($17.5 million) due to higher volumes sold (11% 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 ($11 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. Year-to-date contributions to the State were on budget at $65 million, including the latest payment of $25 million released in September.

Net income for the nine months ended September 30, 2013 ($170.3 million) was $14.6 million higher than the comparable period last year ($155.7 million). Current year results reflect a higher net margin on sales ($56.6 million) and a lower voluntary contribution to New York State ($10 million), partially offset by lower non-operating income ($27.3 million) and expenses related to the HTP project ($23.3 million). Net margins on sales were higher primarily due to higher market based sales resulting from higher prices. Year-to-date voluntary contributions to the State were $65 million through September 2013 compared to $75 million last year. Non-operating income in 2013 included a mark-to-market loss on the Authority's investment portfolio (due to higher market interest rates), compared to a slight loss in 2012. Expenses for 2013 include O&M related to the HTP project, which went into service in early June.

Year-end Projection

The Authority's 2013 net income is projected to remain above budget for the balance of 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 19.5 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 18.5 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 and winter strip auctions, 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. 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

During September, the Enterprise Risk team completed the 2013 Enterprise Risk Assessment process including 18 facilitated risk workshops culminating in a draft Enterprise Risk Report. The report results were reviewed with Executive Management, the Audit Committee and the Board of Trustees. This Report was also submitted to the Strategy Management and Internal Audit groups for use in their respective planning activities.

NewYork Power Authority

RESULTS OF OPERATIONS

Net Income

Nine months ended September 30, 2013

($ in millions)

	Actual	Budget	Variance
Niagara	$110.6	$89.9	$20.7
St. Lawrence	43.9	24.9	19.0
Blenheim-Gilboa	18.3	5.8	12.5
SENY	32.9	32.4	0.5
SCPP	23.1	11.5	11.6
Market Supply Power	(83.8)	(80.6)	(3.2)
Flynn	17.5	10.5	7.0
Transmission	19.7	18.9	0.8
Non-facility	(11.9)	(3.5)	(8.4)
Total	**$170.3**	**$109.8**	**$60.5**

Major Factors	**Better (Worse)**
Niagara	$20.7
Higher net margin on sales ($8.9) resulting from higher capacity prices, combined with timing differences in industrial incentive awards and economic development fund expenditures ($7.6) and O&M expenses ($2.3).	
St. Lawrence	19.0
Primarily higher net margin on sales ($17.5, 11% higher generation).	
Blenheim-Gilboa	12.5
Higher capacity and energy revenues due to higher prices.	
SCPP	11.6
Higher volumes and price spreads on market-based sales	
Other facilities	5.1
Includes higher net margin at Flynn due to higher energy prices.	
Non-facility (including investment income)	(8.4)
Higher mark-to-market loss on the Authority's investment Portfolio ($11) due to a sharp increase in market interest rates; partially offset by lower costs related to Solar and Energy Efficency Programs ($2.9).	
	$60.5

Net Income
Nine Months Ended September 30, 2013 and September 30, 2012
($ in millions)

	2013	2012	Variance Favorable/ (Unfavorable)
Operating Revenues	**$2,325.4**	**$1,999.9**	**$325.5**
Operating Expenses			
Fuel consumed - oil & gas	256.5	156.0	(100.5)
Purchased power and ancillary services	706.3	547.0	(159.3)
Wheeling	462.1	453.0	(9.1)
Operations and maintenance	300.9	258.7	(42.2)
Other expenses	140.7	154.8	14.1
Depreciation and amortization	170.8	169.3	(1.5)
Allocation to capital	(7.4)	(7.0)	0.4
Total Operating Expenses	**2,029.9**	**1,731.8**	**(298.1)**
Net Operating Income	**295.5**	**268.1**	**27.4**
Investment and other income	93.3	104.7	(7.6)
Mark to Market Adjustment	(17.7)	(1.8)	(18.8)
Total Nonoperating Income	**75.6**	**102.9**	**(27.3)**
Contributions to New York State	65.0	75.0	10.0
Interest and other expenses	135.8	140.3	4.5
Total Nonoperating Expenses	**200.8**	**215.3**	**14.5**
Net Income	**$170.3**	**$155.7**	**$14.6**

Net income for the nine months ended September 30, 2013 ($170.3 million) was $14.6 million higher than the comparable period last year ($155.7 million).

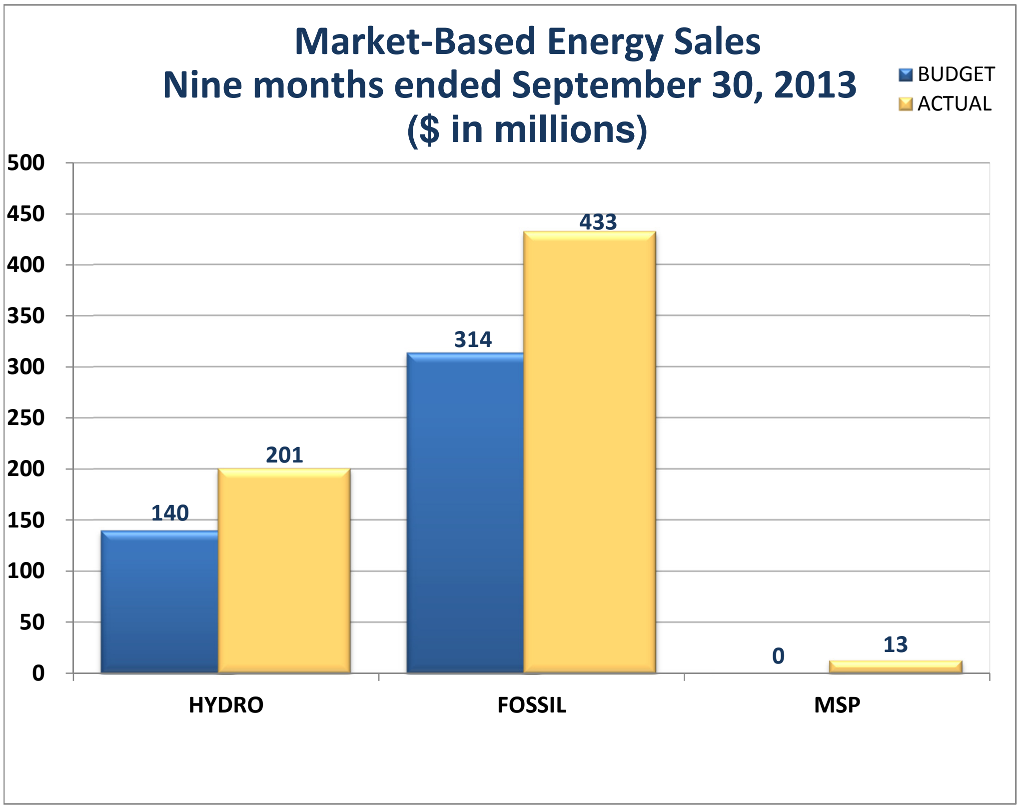
Current year results reflect a higher net margin on sales ($56.6 million) and a lower voluntary contribution to New York State ($10 million), partially offset by lower non-operating income ($27.3 million) and expenses related to the HTP project ($23.3 million).

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.

Voluntary contributions to the State were $65 million through September 2013 compared to $75 million through September 2012.

Non-operating income in 2013 included a $17.7 million mark-to-market loss on the Authority's investment portfolio (due to higher market interest rates), compared to a $1.8 million loss in 2012, and lower income from Entergy (The final payment related to Entergy's purchase of IP2 was made in 2012).

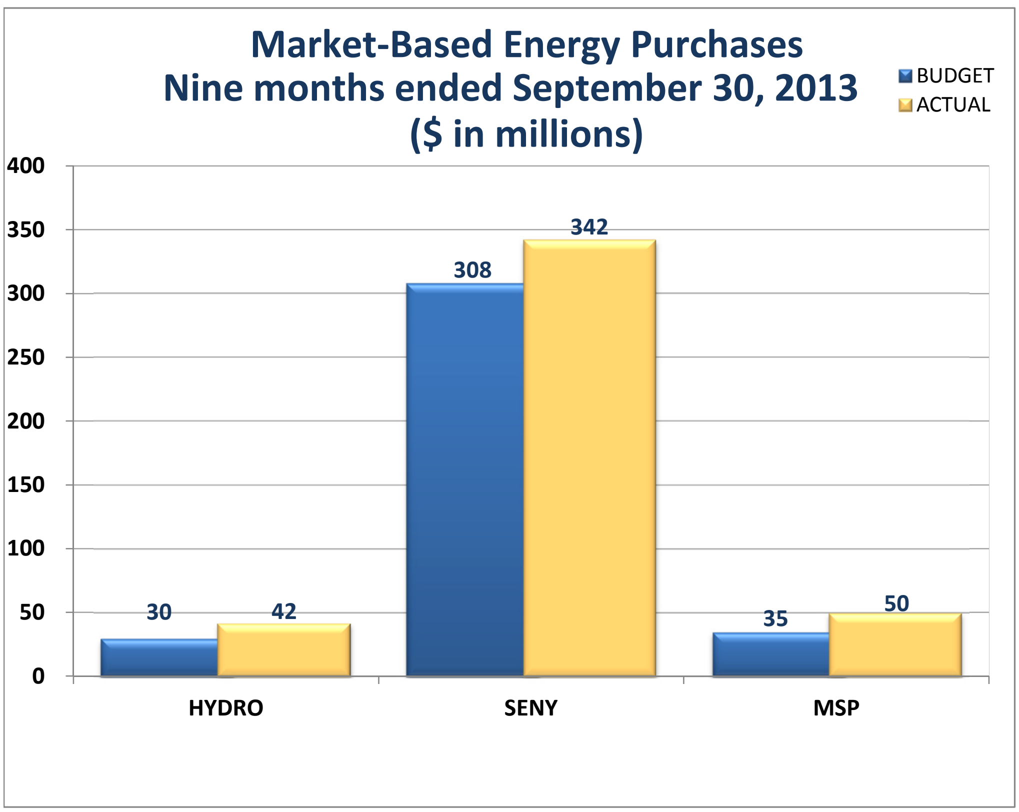
RESULTS OF OPERATIONS



REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	2,265,295	3,409,611
Fossil	5,238,836	5,799,856
MSP	-	304,521
TOTAL	7,504,131	9,513,988
PRICES ($/MWH)		
Hydro*	$40.91	$41.30
Fossil	$52.99	$58.30
MSP	-	$41.34
AVERAGE	$49.34	$51.66

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

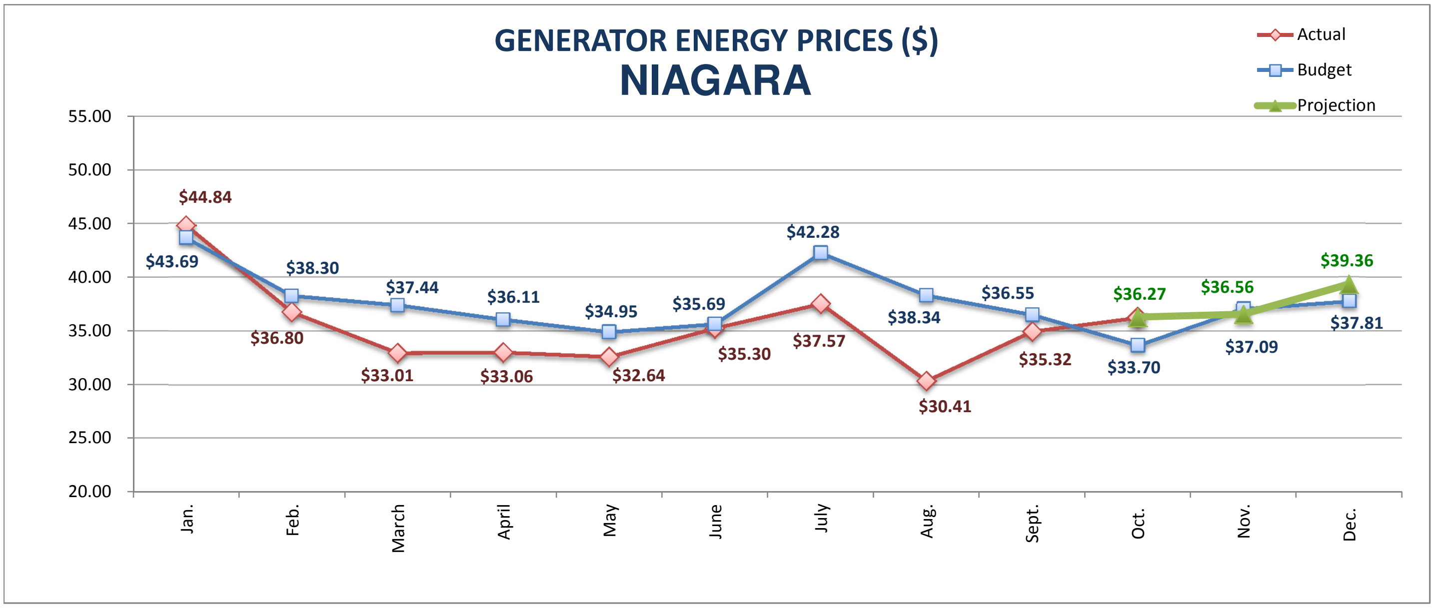
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,181,943	1,832,878
St. Law.	757,534	1,259,801
PRICES ($/MWH)		
Niagara	$38.02	$36.82
St. Law.	$34.85	$35.07

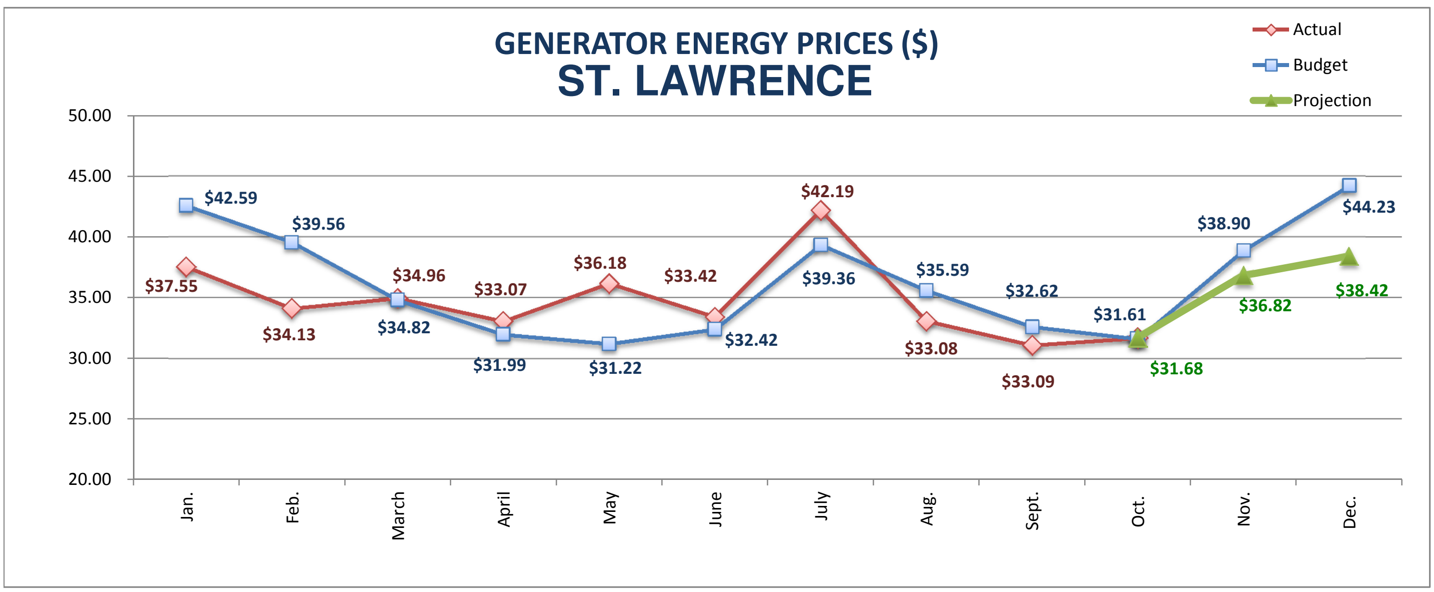


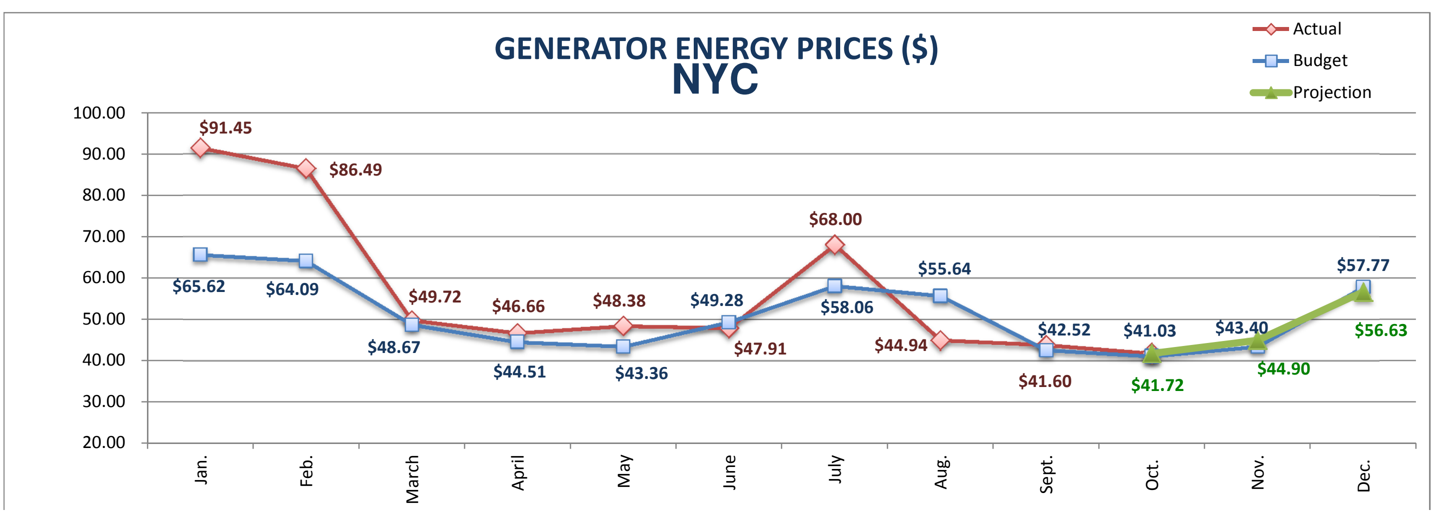
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	1,351,882	1,459,245
SENY	6,660,572	6,879,694
MSP	834,019	1,004,334
TOTAL	8,846,473	9,343,273
COSTS ($/MWH)		
Hydro	$22.46	$28.69
SENY	$46.17	$49.68
MSP	$42.31	$49.91
AVERAGE	$42.18	$46.43

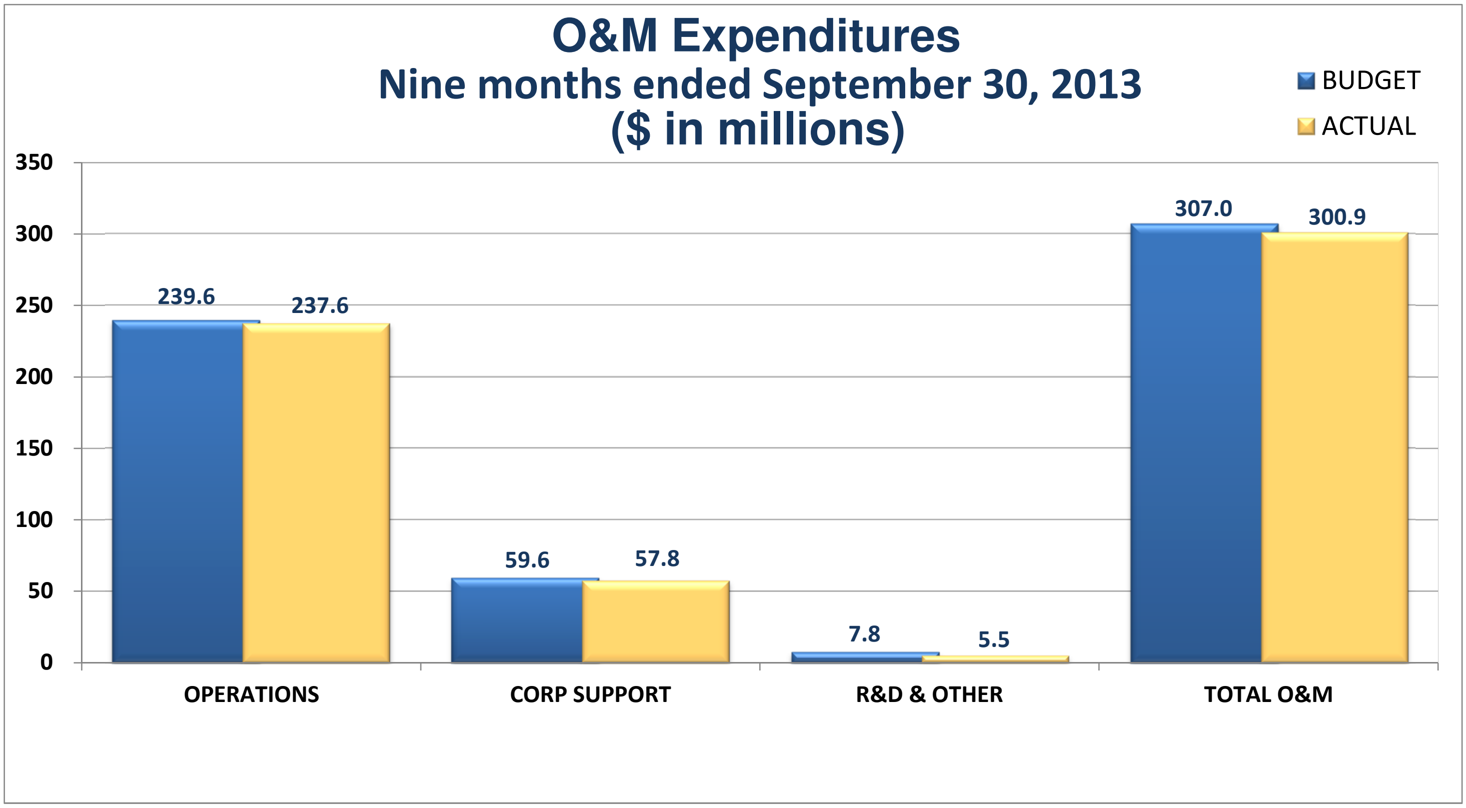
RESULTS OF OPERATIONS

Market Energy Prices









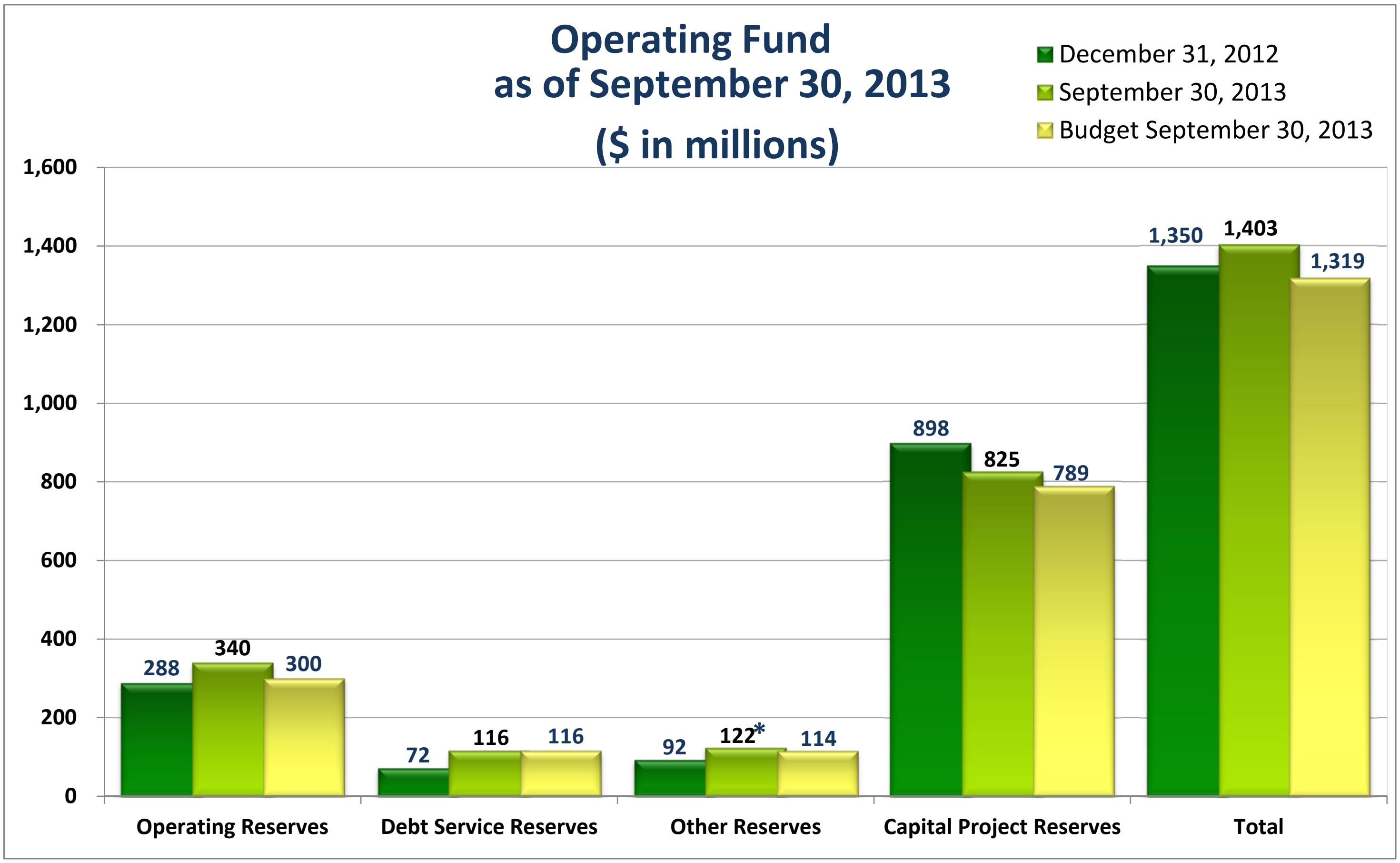
- For the nine months ended September 30, 2013, O&M expenses were $6.1 million lower than budgeted.

- Operations expenditures were $2.0 million lower than budgeted through September. Under-runs at Niagara ($1.8 million) and St. Lawrence ($2.9 million) were partially offset by higher expenses at the transmission facilities ($0.8 million), the 500 mw plant ($1.6 million), and the SCPP's ($0.9 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 in other projects. O&M for the 500 mw plant includes emergent work related to the 2013 outage. 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.

- HQ Corporate Support Spending was under budget due to timing related to fuel cell maintenance and legal consultants.

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

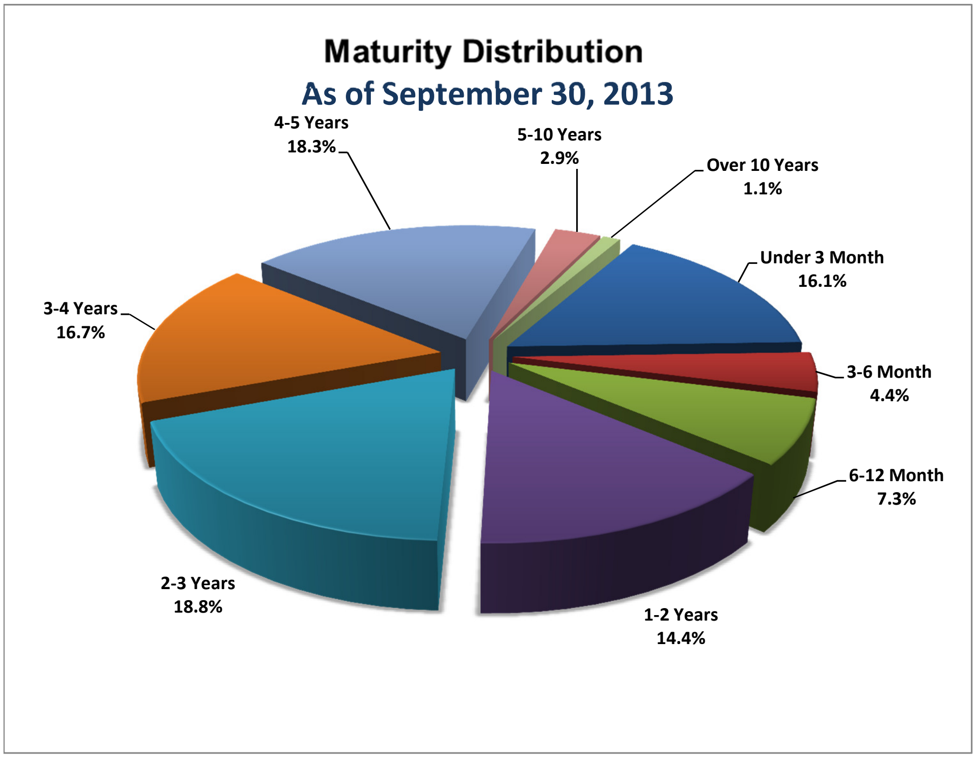
CASH AND LIQUIDITY



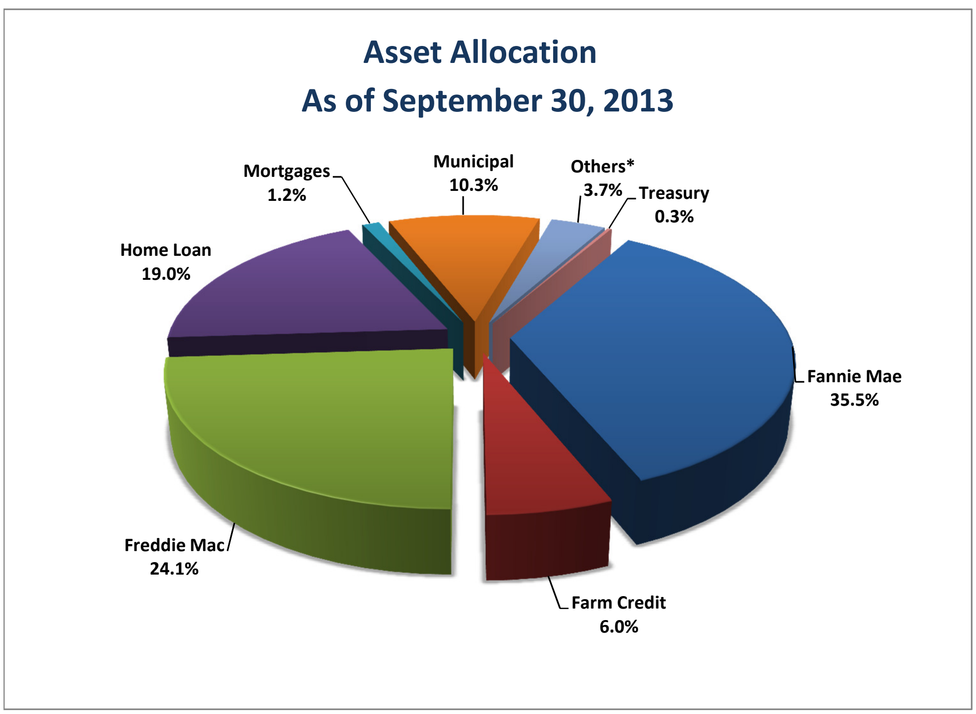
The $53 increase in the Operating Fund (from $1,350 to $1,403) was primarily attributable to positive net cash provided by operating activities ($295) and a payment of $72 received from Entergy, substantially offset by interconnection and related costs associated with the HTP project ($163), the State contribution ($65, of which $25 was paid in September), 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.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO



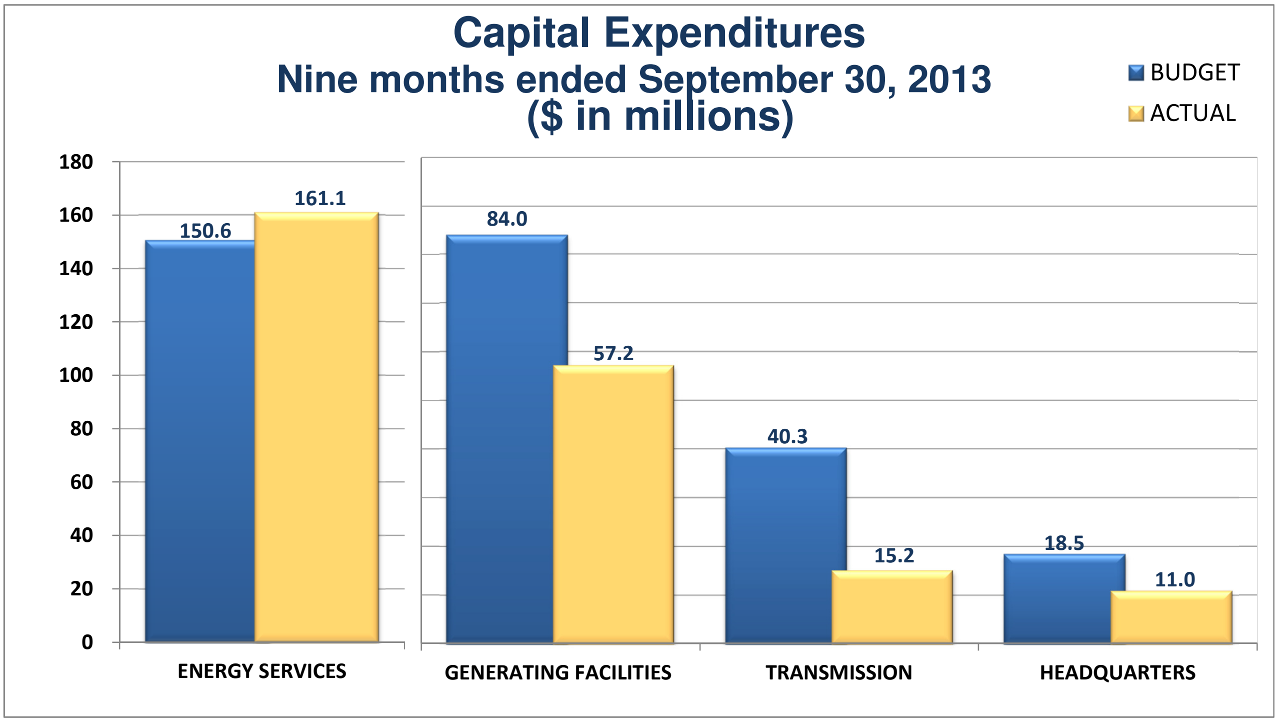
MATURITY DISTRIBUTION ($ in millions)	
Under 3 Month	$233.7
3-6 Month	64.3
6-12 Month	105.5
1-2 Years	208.1
2-3 Years	271.7
3-4 Years	241.1
4-5 Years	265.0
5-10 Years	42.2
Over 10 Years	15.9
Total	**$1,447.5**



ASSET ALLOCATION ($ in millions)	
Fannie Mae	$514.3
Farm Credit	87.5
Freddie Mac	348.4
Home Loan	274.9
Mortgages	16.7
Municipal	148.4
Others*	53.6
Treasury	3.7
Total	**$1,447.5**

*Includes CDs and Repos

CASH AND LIQUIDITY



- Generating Facilities were under budget by $26.3 primarily due to scheduling delays for the Lewiston Pump Generation Plant-LEM.

- Transmission expenditures were under budget by $25.1 primarily due to delays for the St. Lawrence and Niagra relay replacement, Moses-Willis double circuitry, and the Massena transformer 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 $10.5 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 $23.7 through September. The following expenditure was authorized in September:

Flynn major outage work for CTG	$2.5

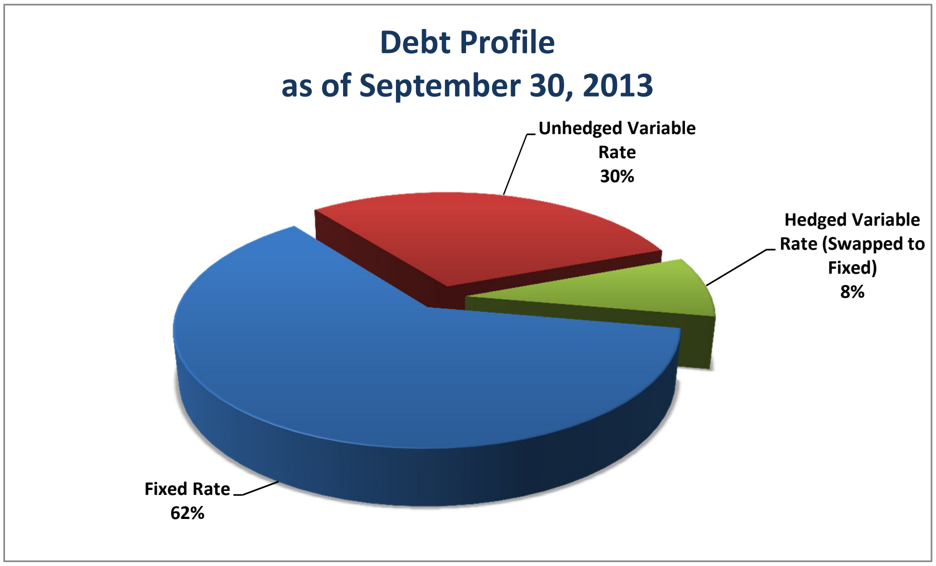
Debt Activity

YTD September 30, 2013

($ in millions)

	Beginning Balance	New Issues	Scheduled Retirements	Additional Retirements	Ending Balance
Fixed Rate Debt	$1,065.4	-	-	-	$1,065.4
Variable Rate Debt	249.5	-	36.8		212.7
Variable Rate Energy Srvcs Debt	431.1	116.7	-	99.8	448.0
Sub-total Variable Rate Debt	680.6	116.7	36.8	99.8	660.7
Total	**$1,745.9**	**$116.7**	**$36.8**	**$99.8**	**$1,726.1**

DEBT



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,065.4
Unhedged Variable Rate	514.6
Hedged Variable Rate (Swapped)	146.1
Total	**$1,726.1**

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 independent swap 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 26, 2013, an interest cap on the Series 1 commercial paper notes expired by its terms. The transaction provided customers participating in the energy services program an interest rate celing on their financing rate. Staff is still studying the potential benefit of implementing a new interest rate cap on the commercial paper notes in the current interest environment.

Transaction	Counterparty	Notional Amount*	Effective Date	Type of Swap	Mark-to-Market
1998B	Goldman Sachs Mitsui Marine Derivatives	$12.1	11/15/2002	Floating-to-Fixed	($0.5)
1998B	Merrill Lynch Cap. Srvcs	20.1	11/15/2002	Floating-to-Fixed	(0.8)
1998B	Citigroup Financial Prod.	8.0	11/15/2002	Floating-to-Fixed	(0.3)
ARTN	Merrill Lynch Cap. Srvcs	105.9	9/1/2006	Floating-to-Fixed	(8.4)
Totals		**$146.1**			**($10.0)**

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

ENERGY DERIVATIVES

Results

Year-to-date, preliminary energy derivative settlements have resulted in a net loss of $29 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	$ (0.23)	$ 0.12	$ (0.08)	$ -	$ 0.04
Customer Contracts	$ (28.65)	$ (13.37)	$ (51.97)	$ (19.82)	$ (85.16)
Total	**$ (28.88)**	**$ (13.26)**	**$ (52.04)**	**$ (19.82)**	**$ (85.12)**

[1] *Reflects September preliminary settlements.*

At the end of September, the fair market value of outstanding positions was at an unrealized loss of $85 million for positions extending through 2017.

Market Summary

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

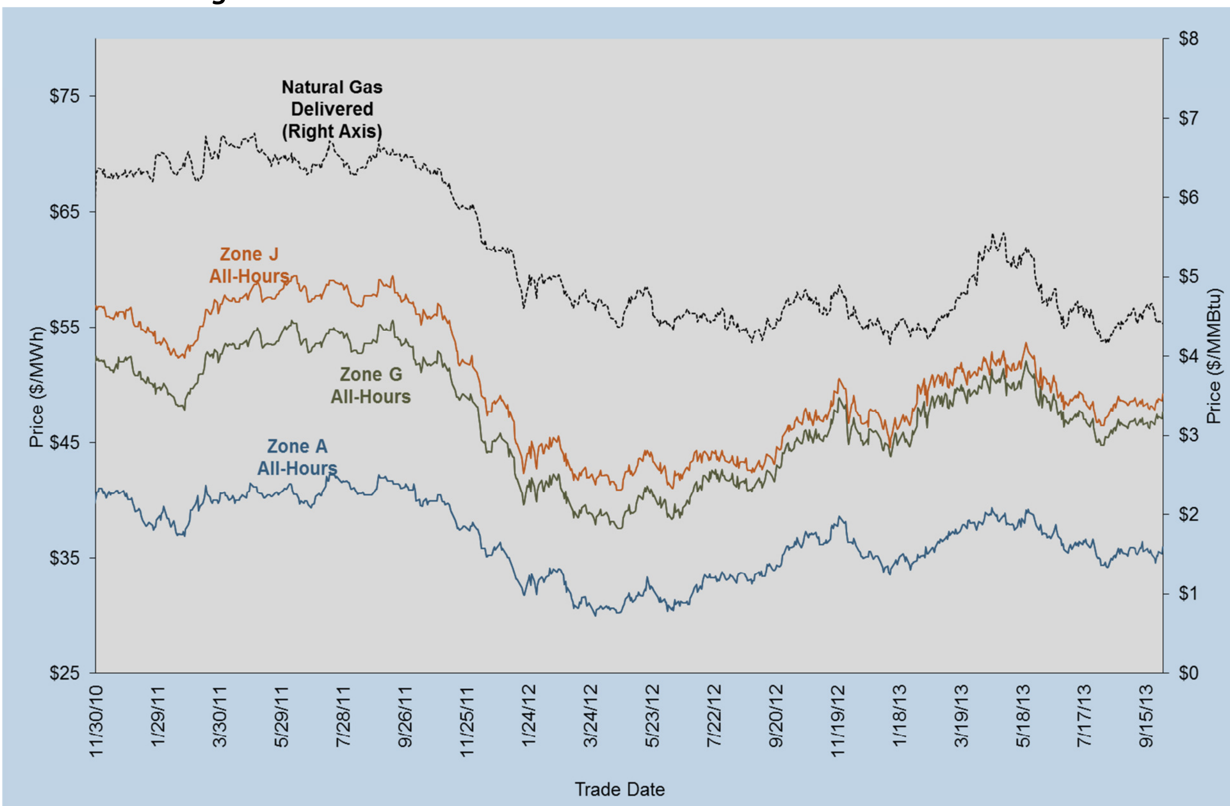
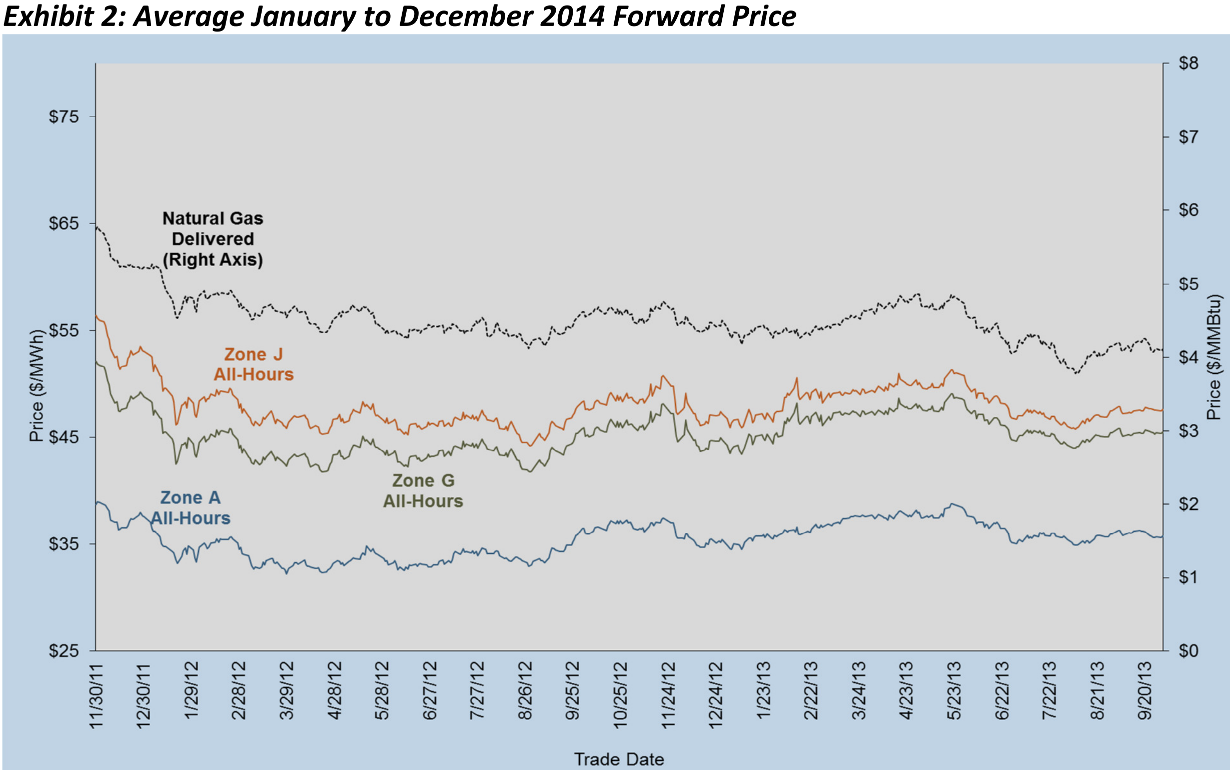


Exhibit 2: Average January to December 2014 Forward Price



STATEMENT OF NET INCOME
For the Nine Months Ended September 30, 2013

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,114.2	Customer	**$ 1,594.2**	**$ 1,601.5**	**$ (7.3)**
520.3	Market-based power sales	608.0	419.6	188.4
27.9	Ancillary services	23.0	21.0	2.0
131.9	NTAC and other	100.2	98.4	1.8
680.1	Total	**731.2**	**539.0**	**192.2**
2,794.3	**Total Operating Revenues**	**2,325.4**	**2,140.5**	**184.9**
	Operating Expenses			
693.8	Purchased power	661.4	532.0	(129.4)
322.9	Fuel consumed - oil & gas	256.5	249.2	(7.3)
76.1	Ancillary services	44.9	57.0	12.1
583.0	Wheeling	462.1	458.3	(3.8)
426.4	Operations and maintenance	300.9	307.0	6.0
227.8	Depreciation and amortization	170.8	170.9	0.1
201.1	Other expenses	140.7	151.1	10.4
(13.0)	Allocation to capital	(7.4)	(9.8)	(2.4)
2,518.1	**Total Operating Expenses**	**2,030.0**	**1,915.7**	**(114.2)**
276.2	**Net Operating Income**	**295.4**	**224.7**	**70.7**
	Nonoperating Revenues			
75.8	Post nuclear sale income	67.7	67.7	-
37.4	Investment income	25.6	28.0	(2.4)
(9.0)	Mark to market - investments	(17.7)	(6.8)	(11.0)
104.2	**Total Nonoperating Revenues**	**75.6**	**89.0**	**(13.4)**
	Nonoperating Expenses			
65.0	Contributions to New York State	65.0	65.0	-
185.0	Interest and other expenses	135.8	138.9	3.2
250.0	**Total Nonoperating Expenses**	**200.8**	**203.9**	**3.2**
$130.4	**Net Income**	**$ 170.3**	**$ 109.8**	**$ 60.5**

New York Power Authority
Financial Reports

COMPARATIVE BALANCE SHEETS
September 30, 2013
($ in millions)

Assets		September 30, 2013	September 30, 2012	December 31, 2012
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,408.4	1,467.3	1,370.7
	Interest receivable on investments	4.9	5.3	5.7
	Accounts receivable - customers	268.7	238.4	223.0
	Materials and supplies, at average cost:			
	Plant and general	86.1	82.0	83.2
	Fuel	21.4	22.3	18.3
	Prepayments and other	114.1	115.6	135.9
	Total Current Assets	**1,903.7**	**1,931.0**	**1,836.9**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,248.8	1,185.9	1,186.1
	Investment in securities and cash	60.0	71.6	62.1
	Total Restricted Funds	**1,308.8**	**1,257.5**	**1,248.2**
Capital Funds	Capital Funds	47.4	84.0	58.0
	Total Capital Funds	**47.4**	**84.0**	**58.0**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,247.1	3,343.7	3,331.4
	Capital lease, less accumulated amortization	1,025.5	1,083.2	1,068.8
	Construction work in progress	224.3	153.4	177.9
	Net Utility Plant	**4,496.9**	**4,580.3**	**4,578.1**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	824.3	608.3	615.9
	Notes receivable - nuclear plant sale	120.4	136.3	124.4
	Total other noncurrent assets	**1,262.7**	**1,062.6**	**1,058.3**
	Total Assets	**9,019.5**	**8,915.4**	**8,779.5**
Deferred Outflows	Accumulated decrease in fair value of hedging derivatives	**67.0**	**136.7**	**107.4**
	Total Assets and Deferred Outflows	**$ 9,086.5**	**$ 9,052.1**	**$ 8,886.9**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	869.5	927.1	853.8
	Short-term debt	448.0	344.5	330.3
	Total Current Liabilities	**1,317.5**	**1,271.6**	**1,184.1**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,058.3	1,104.7	1,060.7
	Adjustable rate tender notes	131.1	114.8	139.9
	Commercial paper	106.8	261.8	235.4
	Total Long-term Debt	**1,296.2**	**1,481.3**	**1,436.0**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,248.8	1,186.0	1,186.2
	Disposal of spent nuclear fuel	216.5	216.3	216.4
	Capital lease obligation	1,230.6	1,237.9	1,236.4
	Deferred revenues and other	136.3	208.0	157.4
	Total Other Noncurrent Liabilities	**2,832.2**	**2,848.2**	**2,796.4**
Net Position		**3,640.6**	**3,451.0**	**3,470.4**
	Total Liabilities and Net Position	**$ 9,086.5**	**$ 9,052.1**	**$ 8,886.9**

New York Power Authority
Financial Reports

SUMMARY OF OPERATING FUND CASH FLOWS
For the Nine Months Ended September 30, 2013
($ in millions)

Operating Fund	
Opening	$1,349.7
Closing	1,402.6
Increase	52.9
Cash Generated	
Net Operating Income	295.4
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	170.8
Net Change in Receivables, Payables & Inventory	(128.3)
Other	(4.3)
Net Cash Generated from Operations	333.6
(Uses)/Sources	
Utility Plant Additions	(108.2)
Debt Service	
Commercial Paper 2	(24.6)
ART Notes	(8.9)
Investment income	14.8
Entergy Payment (Value Sharing Agreement)	71.7
Voluntary Contributions to NY State	(65.0)
HTP- Interconnection costs	(138.9)
HTP-Security deposit - tax gross-up	(23.9)
Other	2.3
Total (Uses)/Sources	(280.7)
Net Increase in Operating Fund	$52.9

Chief Financial Officer – Summary Report

December 17, 2013

Board of Trustees Meeting

New York Power Authority

Chief Financial Officer – Summary Report

- **Concluding Observations on 2013 Financial Performance**
  - Net Income is expected to remain above budget ending the year at a level exceeding $200 million
    - **Drivers of Performance** – As has been reported over the past few months, higher than forecast hydro generation and capacity prices largely contributed to this positive performance
  - At these projected levels, the business requirements for cash flow and liquidity are will be met for the year

- **Revolving Credit Agreement**
  - The $550 million Revolving Credit Agreement supporting NYPA's Commercial Paper Program was successfully renegotiated for an additional year pursuant to its terms and prior Trustee authorization
    - **Significant Savings** – Commitment Fees will be reduced from 65 basis points to 35 bps per annum for an annual savings of approximately $1.7 million
  - As part of this process, each of the three Ratings Agencies reaffirmed NYPA's solid credit ratings