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Audit Committee
Power Authority of the State of New York

In planning and performing our audit of the financial statements of Power Authority of the State of New York (the "Authority") as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our review of general controls over information technology, we identified certain areas where the Authority could strengthen its internal controls as follows:

- E&Y reviewed the listing of users with access to transaction STMS, which grants access to move changes to production, and noted that 2 of 10 users do not require this level of access.

  There is an increased risk that unauthorized or inappropriate changes made to data or functionality, such as reports or programs, could compromise data integrity.

  We recommend that management remove STMS access for these two individuals.

Management's Response

Management agrees that a review of the ten individuals who currently have access to STMS is warranted. The entire list of staff and their job requirements are being reviewed to determine the need for STMS. It is expected that the list will be reduced significantly. This effort will be completed by end of April.

- No audit trail logging has been implemented at the Oracle Database level.

  Without audit trails and follow up, there is an increased risk that administrators may not be able to detect unauthorized transactions and take corrective actions in a timely manner.

  Management should consider maintaining a log of all key events impacting the Oracle Database. Once implemented, management should review this log on a regular basis.

  Management's Response

  Management agrees that an audit log should be activated at the Oracle Database level. This feature will be activated in the SAP production system and a log of key events will be generated and reviewed on a monthly basis. This effort will be completed by the end of April.

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This communication is intended solely for the information and use of the Audit Committee, management, members of the Authority, and the Office of the State Comptroller of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young LLP

February 29, 2008