Approved BUDGET and FINANCIAL PLAN 2007-2010

In compliance with 2 NYCRR Part 203

New York Power Authority

Background and Mission of the Power Authority of the State of New York

The Power Authority of the State of New York's ("NYPA" or "Authority") mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation, for the benefit of its customers and all New Yorkers. The Authority's financial performance goal is to have the resources necessary to achieve its mission, to maximize opportunities to serve its customers better, and to preserve its strong credit rating.

NYPA generates, transmits and sells electric power and energy principally at wholesale. The Authority's primary customers are municipal and investor-owned utilities and rural electric cooperatives located throughout New York State, high load factor industries and other businesses, various public corporations located within the metropolitan area of New York City ("SENY governmental customers"), and certain out-of-state customers.

To provide electric service, the Authority owns and operates six major generating facilities, eleven small electric generating facilities, and five small hydroelectric facilities and a number of transmission lines, including major 765-kV and 345-kV transmission facilities. The most recent addition to the generation stock is a new combined-cycle electric generating plant in New York City that has a nominal capacity rating of 500 MW (the ''500-MW Project'') and that entered into commercial operation on December 31, 2005. NYPA's other five major generating facilities consist of two large hydroelectric facilities ("Niagara" and "St. Lawrence-FDR"), a large pumped-storage hydroelectric facility ("Blenheim-Gilboa") and two oil-and-gas-fired facilities in NYC ("Poletti Project") and Long Island ("Flynn Project").

The Authority also supplies a significant portion of its customers' needs through purchased power, both energy and capacity, principally from the New York Independent System Operator ("NYISO"). In addition to Authority-supplied electricity, electric energy consumed in New York State is purchased from in-state generating companies, municipal electric systems, and out-of-state generating companies, with a small amount of such energy being derived from consumer-owned generation.

To maintain its position as a low cost provider of power in a changing environment, the Authority has recently undertaken and continues to carry out a multifaceted program, including: (a) the upgrade and re-licensing of the Niagara and St. Lawrence-FDR projects; (b) new long-term supplemental electricity supply agreements with its governmental customers located mainly within the City of New York ("NYC governmental customers"); (c) the construction of the 500-MW Project; (d) a significant reduction of outstanding debt; and (e) implementation of an energy and fuel risk management program.

To achieve its goal of promoting energy efficiency, NYPA implements two energy services programs, one for its SENY governmental customers and the other for various other public entities throughout the State. Under these programs, the Authority finances the installation of energy saving measures and equipment which are owned by the customers and public entities upon their installation and which focus primarily on the reduction of the demand for electricity. These programs generally provide funding for, among other things, high efficiency lighting technology conversions, high efficiency heating, ventilating and air conditioning systems and controls, boiler conversions, replacement of inefficient refrigerators with energy efficient units in public housing projects, distributed generation technologies and clean energy technologies, and installation of non-electric energy saving measures.

Participants in these energy efficiency programs include departments, agencies or other instrumentalities of the State, the Authority's SENY governmental customers, the Authority's municipal electric system customers, public school districts or boards and community colleges located throughout New York State, county and municipal entities with facilities located throughout New York State, and various business/industrial customers of the Authority. By recently enacted legislation, the Authority is also authorized to engage in (1) energy efficiency services and clean energy technologies projects for public and non-public elementary and secondary schools in New York and (2) energy efficiency and conservation services and projects involving facilities using conventional or new energy technologies for certain specified military establishments in New York.

On February 24, 1998, the Authority adopted its "General Resolution Authorizing Revenue Obligations" (the "Bond Resolution"). The Bond Resolution addresses all of the Authority's "Projects", which it defines as any project, facility, system, equipment or material related to or necessary or desirable in connection with the generation, production, transportation, transmission, distribution, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest authorized by the Act or by other applicable State statutory provisions, provided, however, that the term "Project" shall not include any Separately Financed Project as that term is defined in the Bond Resolution. The Authority has covenanted with bondholders under the Bond Resolution that at all times the Authority shall maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission, or distribution of power shall contain rates, fees or charges sufficient together with other monies available therefor (including the anticipated receipt of proceeds of sale of Obligations, as defined in the Bond Resolution, or other bonds, notes or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued under the Bond Resolution in anticipation of such receipt, but not including any anticipated or actual proceeds from the sale of any Project) to meet the financial requirements of the Bond Resolution. Revenues of the Authority (after payment of operating expenses and accumulation of reserves) are applied first to the payment of, or accumulation as a reserve for payment of, interest on and the principal or redemption price of Obligations issued under the Bond Resolution and the payment of Parity Debt issued under the Bond Resolution.

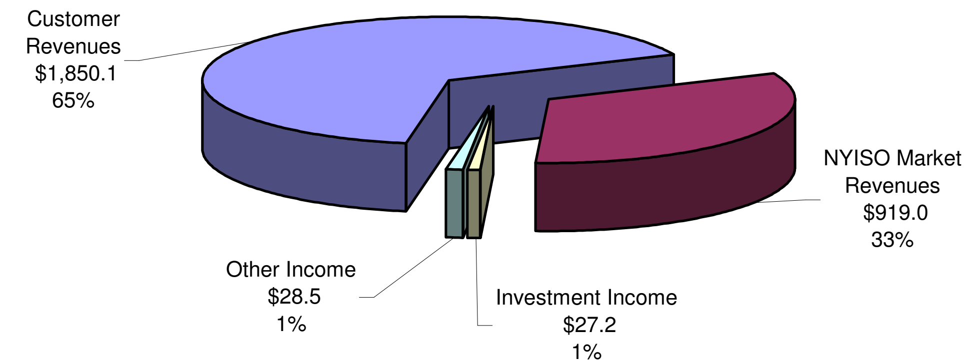
NYPA's Four-Year Projected Income Statements

(in Millions)

	2007	2008	2009	2010
Operating Revenues:				
Customer Revenues	$1,850.1	$1,885.9	$1,958.5	$2,064.6
NYISO Market Revenues	$919.0	$902.8	$980.0	$740.3
Total Operating Revenues	$2,769.2	$2,788.6	$2,938.5	$2,805.0
Operating Expenses:				
Purchased Power	($1,059.6)	($1,080.7)	($1,204.5)	($1,279.2)
Fuel oil and gas	($522.7)	($494.2)	($514.8)	($328.0)
Wheeling Expenses	($323.7)	($333.2)	($338.6)	($342.3)
O&M Expenses	($281.2)	($275.0)	($276.9)	($285.4)
Other Expenses	($137.6)	($141.3)	($141.6)	($133.5)
Depreciation and Amortization	($176.5)	($173.3)	($153.5)	($151.4)
Allocation to Capital	$12.7	$5.7	$4.3	$4.0
Total Operating Expenses	($2,488.5)	($2,492.0)	($2,625.6)	($2,515.8)
NET OPERATING REVENUES	**$280.6**	**$296.6**	**$313.0**	**$289.1**
Other Income:				
Investment Income	$27.2	$29.2	$25.8	$26.0
Other Income	$28.5	$23.3	$23.6	$22.2
Total Other Income	$55.7	$52.5	$49.4	$48.2
Interest Expense:				
Interest Expense	($129.2)	($145.1)	($139.6)	($134.1)
Total Interest Expense	($129.2)	($145.1)	($139.6)	($134.1)
NET REVENUES	**$207.2**	**$204.0**	**$222.8**	**$203.2**

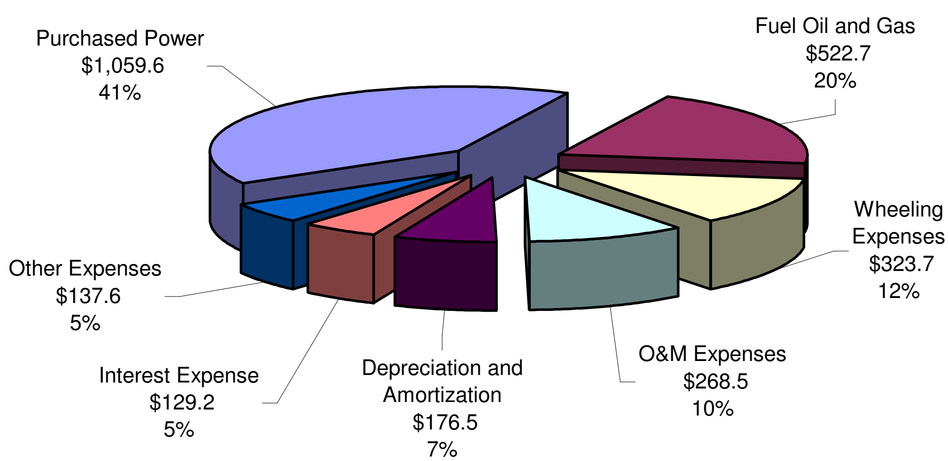
2007 Budget – Sources

(in Millions)



2007 Budget – Uses

(in Millions)



NYPA's Four-Year Projected Cash Budgets

(in Millions)

	2007	2008	2009	2010
Revenue Receipts:				
Sale of Power, Use of Transmission Lines,				
Wheeling Charges and other receipts	$2,798.9	$2,788.6	$2,938.5	$2,805.0
Earnings on Investments and Time Deposits	$33.3	$33.8	$30.4	$30.4
Total Revenues	$2,832.2	$2,822.4	$2,968.9	$2,835.4
Expenses:				
Operation and Maintenance, including				
Transmission of Electricity by others,				
Purchased Power and Fuel Purchases	($2,444.8)	($2,388.4)	($2,529.0)	($2,418.7)
Debt Service:				
Interest on Bonds and Notes	($116.3)	($115.6)	($109.3)	($103.7)
General Purpose Bonds Retired	($200.5)	($142.0)	($108.0)	($130.1)
Notes Retired	($6.1)	($6.0)	($6.5)	($7.0)
Total Debt Service	($322.9)	($263.6)	($223.8)	($240.8)
Total Requirements	($2,767.7)	($2,652.0)	($2,752.8)	($2,659.5)
NET OPERATIONS	**$64.5**	**$170.4**	**$216.1**	**$175.9**
Capital Receipts:				
Sale of Bonds, Promissory Notes & Commercial Paper	$470.9	$11.2	$22.6	$19.8
Less : Repayments	($219.2)	($49.3)	($50.0)	($50.0)
Earnings on Construction Funds	$2.6	$8.0	$5.2	$2.7
DSM Recovery Receipts	$43.5	$60.7	$50.0	$50.0
Other	$93.7	$30.0	$30.0	$30.0
Total Capital Receipts	$391.5	$60.6	$57.8	$52.5
Capital Additions & Refunds:				
Additions to Electric Plant in Service and				
Construction Work in Progress, and Other costs	($653.7)	($243.8)	($237.9)	($219.6)
Construction Escrow	$214.6	$58.6	$66.3	$54.6
Total Capital Additions & Refunds	($439.1)	($185.2)	($171.6)	($165.0)
NET CAPITAL	**($47.6)**	**($124.6)**	**($113.8)**	**($112.5)**
NET INCREASE / (DECREASE)	**$16.9**	**$45.8**	**$102.3**	**$63.4**

(a) NYPA's Relationship with the New York State Government

NYPA is a corporate municipal instrumentality and political subdivision of the State of New York created in 1931 and authorized by the Power Authority Act of the State of New York (the ''Power Authority Act'') to help provide a continuous and adequate supply of dependable electric power and energy to the people of New York State. The Authority's operations are overseen by seven Trustees. NYPA's Trustees are appointed by the Governor of the State, with the advice and consent of the State Senate. The Authority is a fiscally independent public corporation that does not receive State funds or tax revenues or credits. NYPA generally finances construction of new projects through sales of bonds and notes to investors and pays related debt service with revenues from the generation and transmission of electricity. Income of the Authority and properties acquired by it for its projects are exempt from taxation. However, the Authority is authorized by Chapter 908 of the Laws of 1972 to enter into agreements to make payments in lieu of taxes with respect to property acquired for any project where such payments are based solely on the value of the real property without regard to any improvement thereon by the Authority and where no bonds to pay any costs of such project were issued prior to January 1, 1972.

(b) Budget Process

As an electric utility, NYPA operates in a capital intensive industry where operating revenues and expenses are significant and highly variable due to the volatility of electricity prices and fuel costs. NYPA's operations are not only subject to electric and fuel cost volatility, but changing water flows have a direct effect on hydroelectric generation levels. The proposed budget and financial plan relied on an early August snapshot of these inputs, while the approved budget and financial plan utilizes estimates of these markets and conditions as they were appraised in October 2006. The Authority's experiences with these markets and conditions have shown that they can significantly change over time and therefore substantial differences in operating revenues and expenses between the proposed and approved budget and financial plans are to be expected.

The following is a general outline of the schedule of actions for both the proposed and approved budget forecast for 2007 and the overall four year financial plan for 2007-2010:

Proposed Budget and Financial Plan

- During August 2006 developed preliminary forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During August – September 2006 developed preliminary operations & maintenance and capital expense targets.
- During September – October 2006 integrated above data to produce the budget and financial valuations.
- October 24, 2006 approval by NYPA's Trustees to submit the proposed budget and financial plan for public inspection at five convenient locations and on NYPA's internet website.

Approved Budget and Financial Plan

- During October 2006, updated forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During October – November finalized operations & maintenance expenses and capital costs estimates.
- In November – December 2006 integrated above data to produce updated budget and financial valuations as well as produced sensitivity (scenario) valuations.
- December 19, 2006, seek authorization of NYPA's Trustees to approve the updated budget and financial plan; and submit the document to the State Comptroller's Office; and to make the document available for public inspection and on NYPA's internet website.

(c) Budget Assumptions

NYISO Revenue and Expenses

The Authority schedules power to its customers and buys and sells energy in an electricity market operated by the New York Independent System Operator. The majority of NYPA's operating expenses are due to various NYISO purchased power charges in combination with generation related fuel expenses. A significant amount of the Authority's revenues result from sales of the Authority's generation into the NYISO market.

In order to budget these expenses and revenues, the Authority utilizes a customized economic statistical software package that develops forward curves. The software package develops forecasts of fuel costs, NYISO super-zone load projections, and wholesale electricity prices and simulates the economic dispatch of statewide generation resulting from these supply and demand factors. Employing a probabilistic approach to uncertainty through the use of multiple scenarios for loads, fuel prices, and other key inputs, this software package is particularly designed to provide not only price forecasting, but also the crucial underlying volatility data required for accurate valuation of power contracts, generating assets, and energy derivative products. For budget purposes, the prices of the multiple scenarios are averaged to produce an expected value. Key outputs of the software are:

- Forecasts of expected electric price and associated uncertainty for each NYISO super-zone.
- Monte Carlo like scenarios of NYISO super-zone loads and electric and fuel prices that efficiently span the range of possibilities.
- Transmission flows within the NYISO and between the NYISO and external entities.
- Operating margin for specific plants over a period of time.
- Conditional expectations of peak loads in future years.
- Capacity additions commensurate with the above conditional expectations.
- Supply curves (cost vs. load) for specific hours and scenarios.
- Power generated by specific plants over a period of time.

In addition to the economic software package, NYPA employs additional hydrologic, hydraulic and statistical modules and models to forecast the generation levels at its Niagara and St. Lawrence hydroelectric projects. The level of hydroelectric generation is one of the more important determinative factors to the Authority's net revenue position. During the past year, NYPA undertook an evaluation of its hydrological and hydraulic models and recently found statistical evidence of a downward bias in the models' estimation of water flow levels for the rivers feeding the Niagara and St. Lawrence projects. As a result, there has been an upward adjustment made to these projects' generation levels in the approved budget and four-year financial plan.

Customer and Project Revenue

The customers projected to be served by the Authority for the financial plan period 2007-2010 and the rates paid by such customers vary with the NYPA facilities designated to serve such loads.

St. Lawrence-FDR and Niagara Customers. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to investor-owned electric utilities, municipal electric systems, rural electric cooperatives, industrial customers, certain public bodies, and out-of-state public customers. The charges for firm power and associated energy sold by the Authority to the investor-owned utility companies for the benefit of rural and domestic customers, the municipal electric systems and rural electric cooperatives in New York State, two public transportation agencies, and seven out-of-state public customers have been established in the context of an agreement settling litigation respecting rates for hydroelectric power, judicial orders in that litigation, and contracts with certain of these customers. Essentially, the "settlement agreement" and relevant judicial orders preclude the inclusion of any expense associated with debt service for non-hydroelectric projects in the hydroelectric rates charged to wholesale customers for the benefit of rural and domestic customers, but specifically permit the inclusion of interest on indebtedness and continuing depreciation and inflation adjustment charges with respect to the capital costs of Niagara and St. Lawrence-FDR. For the purposes of the 2007-2010 financial plan rate changes were incorporated as of May 1st for each of the four years based on the ratemaking principles established in the settlement agreement.

The basic rates for Niagara expansion and replacement power industrial customers and St. Lawrence-FDR industrial customers are subject to annual adjustment in May of each year based on contractually agreed upon economic indices. For purposes of the four-year financial plan, projections were made concerning the movements and magnitudes of these indices.

SENY Governmental Customers. Power and energy purchased by the Authority in the NYISO capacity and energy markets, as supplemented by sales of power and energy by Authority resources at Poletti, the 500 MW Project, the small hydro projects and Blenheim-Gilboa, are sold to various municipalities, school districts and public agencies in the New York City and Westchester County area.

The Authority and its major New York City governmental customers have entered into new long-term agreements ("2005 LTA"). The 2005 LTA replaced earlier long-term agreements with these NYC governmental customers. Under the 2005 LTA, the NYC governmental customers have agreed to purchase their electricity from the Authority through December 31, 2017, with the NYC governmental customers having the right to terminate service from the Authority at any time on three years' notice provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply the NYC governmental customers and, under certain limited conditions, on one year's notice.

Under the 2005 LTA, the Authority modifies rates annually through a formal rate proceeding before the Authority if there is a change in fixed costs to serve the New York City governmental customers. Generally, changes in variable costs, which include fuel and purchased power, will be captured through contractual pricing adjustment mechanisms.

Under these mechanisms, actual and projected variable costs will be reconciled and either charged or credited to the NYC governmental customers. The NYC governmental customers are committed to pay for any supply secured for them by the Authority which results from a collaborative effort.

NYPA is near final negotiation of a contract renewal with its Westchester governmental customers which will allow for full cost recovery through an energy charge adjustment mechanism.

For purposes of the four year financial plan it is assumed that the New York City and Westchester customers will continue to be served and rates set to produce a roughly break-even net revenue position.

Market Supply Power Customers. The Authority administers an array of power programs for economic development that supply power to businesses and not-for-profit institutions in New York State. Currently more than 400,000 jobs across the Empire State are linked to these power programs. For a number of these customer programs such as the Economic Development Power program, the High Load Factor Power program, the Municipal Development Agency Power program, and the Power for Jobs program, the Authority has no physical assets to supply power and energy to these customers and NYPA must buy these products in the NYISO market or negotiate bilateral arrangements with other power suppliers.

Many of the programs or the individual contracts of the business customers served under these programs are set to expire during the financial plan timeframe. However, the Authority assumes that the State Legislature will maintain a leading role for NYPA in fostering economic development over the 2007-2010 forecast period. Resultantly, NYPA has modeled the business customers and the not-for-profit institutions as continuing to be served.

Blenheim-Gilboa Customers. The Authority uses all but 50 MW of the Blenheim-Gilboa Pumped Storage Power Project output to meet the requirements of the Authority's business and governmental customers and to provide services in the NYISO market. The Authority also has a contract for the sale of 50 MW of firm capacity from the Blenheim-Gilboa Project to the Long Island Power Authority ("LIPA"). Service under the contract with LIPA commenced on April 1, 1989 and will terminate April 30, 2015, unless terminated by LIPA upon not less than 6 months advance notice. For purposes of the four-year financial plan it is assumed that the LIPA contract is not terminated and the current charges remain in effect throughout the forecast horizon.

Small Clean Power Plants ("SCPPs"). To meet capacity deficiencies and ongoing local requirements in the New York City metropolitan area, which could also adversely affect the statewide electric pool, the Authority placed in operation, in the summer of 2001, eleven 44-MW natural-gas-fueled SCPPs at various sites in New York City and one site in the service territory of LIPA. It is anticipated that during late 2007, two of these plants will be retired pursuant to an agreement with New York City.

For the 2007 through 2010 forecast period, the installed capacity of the remaining SCPPs is used by the Authority to meet its NYISO mandated installed capacity needs or, if not needed for that purpose, is subject to sale to other users via bilateral arrangements or by sale into the NYISO capacity auction. NYPA sells the energy produced by the SCPPs into the NYISO energy market.

Flynn. The Flynn Project is a combined-cycle facility with a nameplate rating of 164 MW. The Authority is supplying the full output of the Project to LIPA pursuant to a capacity supply agreement (the ''CS Agreement'') between the Authority and LIPA, which commenced in 1994 and had an initial term of 20 years. The CS Agreement was amended, effective January 1, 2004, by an agreement, which extended the CS Agreement to April 30, 2020. The amended agreement modified the pricing provisions for the period January 1, 2004 to December 31, 2008 and either party has the right to terminate the extension on or before April 30, 2012.

For purposes of the four-year financial plan it is assumed that the agreement between LIPA and NYPA remains in effect throughout the period.

Transmission Project. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, more than any other utility in New York State, with the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edic transmission line, and the 345-kV Long Island Sound Cable.

In an Order issued January 27, 1999, FERC approved the use of the Authority's present transmission system revenue requirement in developing the rates for service under the NYISO tariff. FERC also approved, among other things, the imposition of the NYPA Transmission Adjustment Charge ("NTAC") and the NYPA Transmission Service Charges ("TSC") which are the tariff elements set aside to aid in the full recovery of the Authority's annual transmission revenue requirement.

With the implementation of the NYISO arrangement in November 1999, all transmission service over the Authority's facilities is either pursuant to the NYISO tariffs or pre-existing Authority contracts with NYPA realizing its $165 million annual revenue requirement via the NTAC, TSC or through existing customer contracts. For purposes of the four-year financial plan it is assumed that these revenue producing vehicles remain in effect and the Authority earns its annual revenue requirement.

Investment and Other Income

Investment Income. Investment of the Authority's funds is administered in accordance with the applicable provisions of the Bond Resolution and with the Authority's investment guidelines. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law. The Authority's investments are restricted to (a) collateralized certificates of deposit, (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies. The Authority's investments in the debt securities of Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corp. (FHLMC) were rated Aaa by Moody's Investors Services (Moody's) and AAA by Standard & Poor's (S&P) and Fitch Ratings (Fitch). All of the Authority's investments in U.S. debt instruments are issued or explicitly guaranteed by the U.S. Government.

Other Income. On November 21, 2000 ("Closing Date"), the Authority sold its nuclear plants (Indian Point #3 and James A. FitzPatrick Projects) to two subsidiaries of the Entergy Corporation for cash and non-interest bearing notes totaling $967 million maturing over a 15-year period. The present value of these payments recorded on the Closing Date, utilizing a discount rate of 7.5%, was $680 million. On an accrual basis the Authority expects to recognize interest income of $23.4 million in 2007, $18.7 million in 2008, $17.8 million in 2009 and $16.9 million in 2010. On a cash basis the Authority projects to receive a $93 million payment in 2007 and $30 million payments in each year from 2008 through 2010.

Operations and Maintenance Expenses

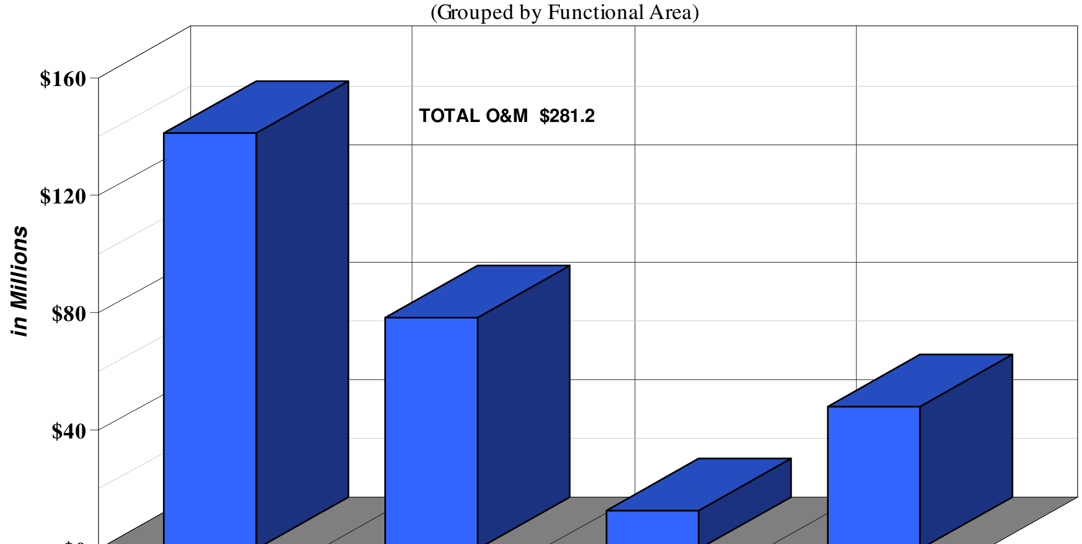
NYPA's O&M plan for 2007 – 2010 assumes planned wage increases, stabilized benefit costs, planned maintenance outages and flat non-recurring spending, resulting in anticipated budget increases below inflation.

Operations and Maintenance Forecast by Cost Element
(in Millions)

	2007	2008	2009	2010
Payroll				
Regular Pay	$128.3	$132.2	$134.5	$136.9
Overtime	$7.6	$7.0	$7.0	$7.0
Other Payroll	$1.9	$2.0	$2.0	$2.0
Total Payroll	$137.8	$141.2	$143.5	$145.9
Benefits				
Employee Benefits	$29.9	$31.4	$33.0	$34.6
Pension	$12.6	$13.0	$13.5	$13.9
FICA	$9.8	$10.0	$10.2	$10.4
Total Benefits	$52.3	$54.4	$56.7	$58.9
Materials/Supplies	$16.9	$16.8	$17.2	$17.5
Fees	$7.2	$7.5	$7.5	$7.5
Office & Station	$17.8	$15.1	$15.4	$15.8
Maintenance Repair & Service Contracts	$77.6	$70.5	$67.4	$71.7
Consultants	$14.0	$10.0	$10.2	$10.4
Charges to:				
Outside Agencies	($15.7)	($15.8)	($16.1)	($16.4)
Capital Programs	($35.4)	($33.9)	($34.2)	($35.4)
Total Charges	($51.1)	($49.7)	($50.3)	($51.8)
Research & Development	$8.7	$9.0	$9.3	$9.5
TOTAL NYPA O&M	**$281.2**	**$274.9**	**$276.9**	**$285.4**

2007 Operations and Maintenance Expenses

(Grouped by Functional Area)



	Power Generation	Headquarters	Energy Services	Transmission
2007 O&M	$141.5	$78.6	$12.6	$48.5

Modifications to Proposed Budget and Financial Plan

The following is a comparison of the estimated net revenues between the proposed and approved budget and financial plans:

Year	Proposed Budget & Financial Plan *(in Millions)*	Approved Budget & Financial Plan *(in Millions)*
2007	$137.6	$207.2
2008	$180.8	$204.0
2009	$174.5	$222.8
2010	$182.5	$203.2

The major drivers in the variance between the two plans are changes in estimated hydroelectric generation levels and predicted electricity prices.

Estimated hydroelectric generation levels have increased in the approved budget and financial plan to 20.4 terawatt-hours ("TWH") in 2007; 20.4 TWH in 2008; 21.2 TWH in 2009 and 20.8 TWH in 2010 compared to the proposed budget and financial plan estimates of 18.95 TWH in 2007; 19.7 TWH in 2008; 20.3 TWH in 2009 and 20.5 TWH in 2010. The general effects of the increased hydropower availability are greater market sales and/or reduced purchased power costs.

The estimated electricity prices in the approved budget and financial plan are generally about 12% lower in 2007 and about 3% to 8% lower in the 2008-2010 period compared to the proposed budget and financial plan. This leads to reduced purchased power costs while somewhat lowering generation sales revenue.

In addition to these major drivers, estimated operation and maintenance expenses for 2007 have increased roughly 2% in the approved budget and financial plan from what had been estimated in the proposed budget and financial plan.

(d) Self – Assessment of Budgetary Risks

Regulatory Risks

In 1958 the Federal Power Commission issued the Authority a license for a period of 50 years, effective as of September 1, 1957 and expiring August 31, 2007, for the construction, operation and maintenance of the Niagara Project. Under the Niagara Redevelopment Act, pursuant to which the license was granted, the Authority must give preference to public bodies and non-profit cooperatives in disposing of half of the Project's total output. A reasonable amount of such total output subject to preference (not in excess of 10% of total output) must be made available to neighboring states. Failure of the Authority to receive a license renewal for the Niagara Project could have a material adverse impact on the Authority's financial condition. The Authority filed its application for a new Niagara Project license with FERC on August 18, 2005.

The Authority must obtain a new license for the Niagara Project from FERC to continue operating the Project after the license expiration date. However, if on the license expiration date, a new license has not been issued, federal law requires annual relicensing of operation of the Niagara Project to the Authority pending a determination as to the issuance of the new Niagara Project license. If such a license was granted to another entity, the Authority would be entitled to compensation from such entity for its investment in the Project in accordance with applicable provisions of federal law.

On July 6, 2005, the U.S. Fish and Wildlife Service (''FWS'') initiated a status review under the Endangered Species Act (16 U.S.C. 1531 et seq.) to determine if listing the American eel as threatened or endangered is warranted. American eels are a fish species that migrate between freshwater and the ocean, and their wide range includes the Atlantic seaboard of the United States and Canada and the Great Lakes' drainages. The timing and nature of the FWS's future determinations in this matter are uncertain. However, in the event the FWS ultimately determines to list the American eel as threatened or endangered, such a determination could potentially result in significant additional costs and operational restrictions on hydroelectric generating facilities located within the range of the species, including the Authority's St. Lawrence-FDR Project.

The Regional Greenhouse Gas Initiative ("RGGI") is a cooperative effort by Northeastern and Mid-Atlantic states to reduce emissions of carbon dioxide. Central to this initiative is implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The proposed program will require electric power generators in participating states to reduce carbon dioxide emissions. RGGI rules, as currently conceived, will impact the operations of all Authority fossil-fueled generation power plants. NYPA will likely need to curtail generation and/or buy carbon dioxide allowances to remain in compliance. The economic effect of RGGI is not estimable at this point.

Legislative and Political Risks

A series of legislative enactments call for NYPA to subsidize business customers and the State's general fund. Legislation enacted into law, as part of the 2000-2001 State budget, as amended in 2002, 2003 and 2004, provides that the Authority "as deemed feasible and advisable by the Trustees, is authorized to make an additional annual voluntary contribution into the state treasury to the credit of the general fund," in connection with the Power for Jobs Program. The Authority has made voluntary contributions totaling $219 million (including $50 million payments in March 2005 and December 2004) in addition to reimbursement payments to Power for Jobs customers, $37 million in 2005 and $48 million forecasted for 2006, in connection with the Power for Jobs legislation. The Executive Budget for State Fiscal Year 2005-2006 extended the Power for Jobs Program to December 31, 2006, increased the cap on Authority contributions from $275 million to $394 million, and authorized the Authority to make additional voluntary contributions in the amount of $75 million to the State.

On August 16, 2006, the Governor signed S8440/A12013 (Chap. 645 Laws of 2006) which authorized NYPA to make voluntary contributions to the general fund and which authorized, and in some cases directed, NYPA to take certain actions with respect to a significant number of its Market Supply Power business customers. For the State fiscal year 2006-2007 the law authorizes a voluntary contribution of $100 million and extends the Power for Jobs Program through June 30, 2007.

Approval of any payments to subsidize the State's general fund and to subsidize the customers under the foregoing legislation is, for the most part, conditional upon the Trustees' determination that such payments are deemed "feasible and advisable" at the discretion of NYPA's Trustees. The Trustees' decision as to whether and to what extent such payments are feasible and advisable will be made based on the exercise of their fiduciary responsibilities and in light of the requirements of the General Purpose Bond Resolution, other legal requirements, and all the facts and circumstances known to them at the time of the decision. Many of those circumstances are not known at the present time.

As stated earlier, for the 2007-2010 financial plan, the Authority is presuming that continuation of service to the Market Supply Power business customers will remain a New York State priority. Therefore**, for modeling purposes only** for the duration of the 2007 through 2010 financial plan, a <u>maximum</u> of $100 million annually in total has been incorporated as aggregate payments or subsidies to the Market Supply Power business customers and the State's general fund. These forecasted voluntary subsidies and payments are subject to the strictures and caveats of the preceding paragraph. Also, the modeling of such contributions should not be read to mean that the Authority believes such continuing subsidies are an appropriate way of promoting economic development in New York State. On December 1, 2006, the Temporary Commission on the Future of New York State Programs for Economic Development ("Temporary Commission") reported their findings on how to best meet the energy cost needs of statewide businesses. It is unclear at this point which, if any, of the Temporary Commission's recommendations will be implemented and how they would affect NYPA's estimated net revenues for the financial plan period.

Section 1011 of the Power Authority Act ("Act") constitutes a pledge of the State to holders of Authority obligations not to limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged or unless adequate provision is made by law for the protection of the holders thereof. Several bills have been introduced into the State Legislature, some of which propose to limit or restrict the powers, rights and exemption from regulation which the Authority currently possesses under the Act and other applicable law or otherwise would affect the Authority's financial condition or its ability to conduct its business, activities, or operations, in the manner presently conducted or contemplated by the Authority. It is not possible to predict whether any of such bills or other bills of a similar type which may be introduced in the future will be enacted. In addition, from time to time, legislation is enacted into New York law which purports to impose financial and other obligations on the Authority, either individually or along with other public authorities or governmental entities. The applicability of such provisions to the Authority would depend upon, among other things, the nature of the obligations imposed and the applicability of the pledge of the State set forth in Section 1011 of the Act to such provisions. There can be no assurance that the Authority will be immune from the financial obligations imposed by any such provision.

Actions taken by the State Legislature or the Executive Branch to extract greater contributions and which attempt to constrain the discretion of or bypass the Authority's Trustees could negatively affect net revenues and possibly harm NYPA's bond rating.

In Executive Order No. 111, dated June 10, 2001 (the ''Executive Order''), the Governor, among other things, required State agencies and other affected entities, as defined in the Executive Order, with responsibility for purchasing energy to increase their purchases of energy generated from the following technologies: wind, solar thermal, photovoltaics, sustainably managed biomass, tidal, geothermal, methane waste and fuel cells. State agencies and other affected entities must seek to purchase sufficient quantities of energy from these technologies so that 10 percent of the overall annual electric energy requirements of buildings owned, leased or operated by such entities will be met through these technologies by 2005, increasing to 20 percent by 2010. No agency or affected entity will be exempt from these goals except pursuant to criteria to be developed by the New York State Energy Research and Development Authority. For the purposes of the Executive Order, ''State agencies and affected entities'' means agencies and departments over which the Governor has Executive authority and all public benefit corporations and public authorities the heads of which are appointed by the Governor. While the Authority's Chairman is appointed by the Trustees and not the Governor, the Authority has voluntarily determined to comply with the Order and to assist any of its governmental customers with their compliance obligations. It is uncertain what impact this Order will have on the sale by the Authority of power and energy to those Authority governmental customers coming within the scope of the Executive Order, but it may require the Authority to offer power from the enumerated technologies to such customers or, failing the Authority's providing such power, it may result in such customers seeking suppliers other than the Authority for a portion of their power and energy requirements.

Hydroelectric Generation Risk

For the 2007-2010 financial plan period, NYPA's net revenues are highly dependent upon generation levels at its Niagara and St. Lawrence-FDR Projects. The generation levels themselves are a function of the hydrological conditions prevailing on the Great Lakes, primarily, Lake Erie (Niagara Project) and Lake Ontario (St. Lawrence-FDR). Long-term generation levels at the two hydroelectric projects are about 20.2 terawatt-hours ("TWH") annually. For 2007, NYPA's probabilistic hydroelectric generation models are forecasting an expected generation level of 20.4 TWH, which is slightly above the long-term average. In 2008, the generation level is estimated at 20.4 TWH; in 2009 at 21.2 TWH; and in 2010 at approximately 20.8 TWH.

However, these generation amounts are expected values and hydrological conditions can vary considerably from year to year. For instance, during a recent eight year period, 1998-2005, hydroelectric generation was in a number of the years below the long-term average and manifested considerable volatility.

Net Hydroelectric Generation		
1998	23.7	TWH
1999	18.7	TWH
2000	18.6	TWH
2001	17.6	TWH
2002	19.7	TWH
2003	18.3	TWH
2004	20.4	TWH
2005	20.7	TWH

Poor hydrological conditions would adversely affect NYPA's estimated net revenues for the Financial Plan horizon and would likely compel NYPA's Trustees to lower or not approve any contributions to the discretionary subsidy policy described above.

NYPA conducted a low hydroelectric generation sensitivity for 2007 and 2008 that had a 25% probability that hydroelectric generation would be at or below a certain point of occurrence. The effect on estimated net revenues, assuming all other factors remain unchanged, was as follows:

	Hydroelectric Generation at 25% Probability	NYPA Net Revenue *(in Millions)*
2007	19.4 TWH	$159.6
2008	19.7 TWH	$169.6

If hydroelectric generation levels were to fall at or lower than the 25% probability level, it is clear that net revenues for 2007 and 2008 would be severely impacted and NYPA's Trustees could significantly reduce or consider eliminating any budgeted subsidy or contribution to the Authority's market power supplied business customers and the State general fund.

Electric Price and Fuel Risk

The Authority dispatches power from its generating facilities in conjunction with the NYISO. The NYISO coordinates the reliable dispatch of power and operates markets for the sale of electricity and ancillary services within New York State. The NYISO collects charges associated with the use of the transmission facilities and the sale of energy, capacity, and services through the markets that it operates and remits those proceeds to the owners of the facilities in accordance with its tariff and to the sellers of the electricity and services in accordance with their respective bids and applicable NYISO market procedures. Under the NYISO Open Access Transmission Tariff, certain charges for ancillary services (which include NYISO operating costs), congestion, losses, and a portion of the Authority's transmission costs are assessed against the Authority and other entities responsible for serving ultimate customers. Because of the Authority's active participation in the NYISO markets, such costs are significant and are currently being passed through to most Authority customers.

Under NYISO procedures, Load Serving Entities (''LSEs'') represent electricity end-users in dealings with the NYISO. The Authority is an LSE for large segments of its load in New York State and must ensure it has sufficient installed capacity to meet its customers' needs and NYISO reliability rules, either through ownership of such capacity, bilateral installed capacity purchase contracts or auction purchases conducted by the NYISO. As an LSE, the Authority is also obligated to ensure that it has enough energy to meet its customers' energy needs. These needs can be met in the NYISO regime through the Authority's own generation, bilateral purchases from others, or purchases of energy in the NYISO ''day-ahead'' market (''DAM'') (wherein bids are submitted for energy to be delivered the next day) or in the NYISO ''real time'' market. A bilateral purchase is a transaction where a generator or a power marketer that has access to power and an LSE agree upon a specified amount of energy being supplied to the LSE by the generator or power marketer at specified prices.

This procedure has provided the Authority with economic benefits from its units' operation when selected by the NYISO and may do so in the future. However, such bids also obligate the Authority to supply the energy in question during a specified time period, which does not exceed two days, if the unit is selected. If a forced outage occurs at the Authority plant which is to supply such energy, then the Authority is obligated to pay during the Short Term Period (1) in regard to the Excess Energy amount, the difference between the price of energy in the NYISO real time market and the Market Clearing Price in the DAM, and (2) in regard to the Contract Energy amount, the price of energy in the NYISO real time market which is offset by the Contract Price. This real time market price may be subject to more volatility than the DAM price. The risk attendant with this outage situation is that, under certain circumstances, the Market Clearing Price in the DAM and the Contract Price may be well below the price in the NYISO real time market, with the Authority having to pay the difference. In times of maximum energy usage, this cost could be substantial. This outage cost risk is primarily of concern to the Authority in the case of its Poletti unit and the 500-MW Project because of their size, nature, and location.

In addition to the risk associated with Authority generation bids into the DAM, the Authority could incur substantial costs in times of maximum energy usage in purchasing replacement energy for its customers in the DAM or through other supply arrangements to make up for lost energy due to an extended outage of its units and non-performance of counterparties to energy supply contracts.

In April 2002, the Authority created the position of Vice President, Chief Risk Officer—Energy Risk Assessment and Control. This officer reports to the Executive Vice President and Chief Financial Officer and is responsible for establishing policies and procedures for identifying, reporting and controlling energy-price- and fuel-price-related risk exposure and risk exposure connected with energy- and fuel-related hedging transactions. This type of assessment and control has assumed greater importance in light of the Authority's participation in the NYISO energy markets and the sale of its two nuclear plants, and the commercial operation of its 500-MW Project. In recent years, the Authority has increased its dependence on purchased power to meet its customers' needs. This has made the Authority more susceptible to risks posed by increases in purchased power costs and fuel costs. To deal with this greater risk, the Authority has obtained and is in the process of obtaining power purchase agreements (or their financial equivalents) to meet a significant portion of its customer load. Even with these planned arrangements, the Authority will still have exposure to purchased power price risks to the extent it purchases power in the NYISO day-ahead and real-time markets. Also, with the addition of the Authority's 500-MW Project, the Authority will face increased fuel price risk to the extent it uses its own fossil-fuel generation to meet its customers' needs. The risk management program implemented by the Vice President, Chief Risk Officer—Energy Risk Assessment and Control is designed to mitigate such risks.

Litigation Risk

In 1982 and again in 1989, several groups of Mohawk Indians filed lawsuits against the State, the Governor of the State, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority and others, claiming ownership to certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil islands. These islands are within the boundary of the Authority's St. Lawrence-FDR project. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of the Mohawk Indians.

On May 30, 2001, the United States District Court (the Court) denied, with one minor exception, the defendants' motion to dismiss the land claims. However, the Court barred the Federal government and one of the tribal plaintiffs, the American Tribe of Mohawk Indians (the Tribe) from re-litigating a claim to 144 acres on the mainland which had been lost in the 1930s by the Federal government. The Court rejected the State's broader defenses, allowing all plaintiffs to assert challenges to the islands and other mainland conveyances in the 1800s, which involved thousands of acres.

On August 3, 2001, the Federal government sought to amend its complaint in the consolidated cases to name only the State and the Authority as defendants. The State and the Authority advised the Court that they would not oppose the motion but reserved their right to challenge, at a future date, various forms of relief requested by the Federal government.

The Court granted the Federal government's motion to file an amended complaint. The tribal plaintiffs still retain their request to evict all defendants, including the private landowners. Both the State and the Authority answered the amended complaint. In April 2002, the tribal plaintiffs moved to strike certain affirmative defenses and, joined by the Federal government, moved to dismiss certain defense counterclaims. In an opinion, dated July 28, 2003, the Court left intact most of the Authority's defenses and all of its counterclaims.

Settlement discussions have produced a land claim settlement, which would include, among other things, the payment by the Authority of $2 million a year for 35 years to the tribal plaintiffs, the provision of up to 9 MW of low cost Authority power for use on the reservation, the transfer of two Authority-owned islands, Long Sault and Croil, and a 215-acre parcel on Massena Point to the tribal plaintiffs, and the tribal plaintiffs withdrawing any judicial challenges to the Authority's new license, as well as any claims to annual fees from the St. Lawrence-FDR project. Members of all three tribal entities have voted to approve the settlement, which was executed by them, the Governor, and the Authority on February 1, 2005. The settlement will also require, among other things, Federal and State legislation to become effective which has not yet been enacted.

Litigation in the case had been stayed to permit time for passage of such legislation. However, in May 2006, the U.S. Supreme Court declined to review the U.S. Court of Appeals' (Second Circuit) decision in Cayuga Indian Nation et al. v Pataki et al. (2005) that had reversed a verdict awarding the Cayugas $248 million in damages and also dismissed the Cayuga land claim. The basis for the Second Circuit's dismissal of the land claim was that the Cayugas had waited too long to bring their land claim (laches). The Authority had raised the defense of laches in its answer in the St. Regis litigation. In light of the decision in Cayuga Indian Nation, the Magistrate has ruled that dispositive motions by defendants must be filed by November 6, 2006 and responses thereto by January 15, 2007.

(e) Revised Forecast of 2006 Budget

(in Millions)

	Original Budget 2006	Forecast 2006	Variance Better/(Worse) 2006
Operating Revenues:			
Customer Revenues	$1,909.2	$1,826.4	($82.8)
NYISO Market Revenues	$1,011.9	$843.6	($168.3)
Total Operating Revenues	$2,921.1	$2,670.0	($251.1)
Operating Expenses:			
Purchased Power	($1,290.8)	($1,069.9)	$220.9
Fuel oil and gas	($623.6)	($528.2)	$95.4
Wheeling Expenses	($302.1)	($297.1)	$5.0
O&M Expenses	($251.2)	($254.7)	($3.5)
Other Expenses	($137.9)	($177.2)	($39.3)
Depreciation and Amortization	($176.4)	($173.4)	$0.0
Total Operating Expenses	($2,782.1)	($2,500.5)	$281.6
NET OPERATING REVENUES	**$139.0**	**$169.5**	**$30.5**
Other Income:			
Investment Income	$26.7	$40.3	$13.6
Other Income	$35.1	$30.1	($5.0)
Total Other Income	$61.8	$70.4	$8.6
Interest Expense:			
Interest Expense	$114.9	$108.9	$6.0
Total Interest Expense	$114.9	$108.9	$6.0
NET REVENUES	**$85.9**	**$131.0**	**$45.1**

(f) Reconciliation of 2006 Budget and 2006 Revised Forecast

Net Revenues estimates have increased due to higher generation (20.2 TWH update compared to 18.45 TWH in current year's budget) at the Niagara and St. Lawrence-FDR projects. The 2006 budgeted fuel and electric prices were greatly influenced by the market reaction that followed the devastating event of Hurricane Katrina. Variances in operating revenues, purchased power expenses and fuel costs are mainly explained by actual electric and fuel prices being significantly lower than estimates rather than the impact of production variances. The variance in Other Expenses is due to an accounting recognition of the estimated impact of certain provisions of Chapter 645 of the Laws of 2006. These provisions were not anticipated at the time NYPA's 2006 budget was developed.

(g) Statement of 2005 Financial Performance

(in Millions)

	Original Budget 2005	Actual 2005	Variance Better/(Worse) 2005
Operating Revenues:			
Customer Revenues	$1,584.0	$1,670.6	$86.6
NYISO Market Revenues	$640.6	$836.7	$196.1
Total Operating Revenues	$2,224.7	$2,507.3	$282.7
Operating Expenses:			
Purchased Power	($936.6)	($1,158.3)	($221.8)
Fuel oil and gas	($337.5)	($377.9)	($40.4)
Wheeling Expenses	($285.6)	($298.7)	($13.1)
O&M Expenses	($256.6)	($253.5)	$3.1
Other Expenses	($185.3)	($195.8)	($10.5)
Depreciation and Amortization	($156.5)	($149.0)	$7.5
Total Operating Expenses	($2,158.0)	($2,433.2)	($275.2)
NET OPERATING REVENUES	**$66.6**	**$74.1**	**$7.5**
Other Income:			
Investment Income	$16.5	$22.2	$5.7
Other Income	$41.5	$39.5	($2.1)
Total Other Income	$58.0	$61.6	$3.6
Interest Expense:			
Interest Expense	($84.4)	($77.2)	$7.2
Total Interest Expense	($84.4)	($77.2)	$7.2
NET REVENUES	**$40.3**	**$58.5**	**$18.2**

(h) Employee Data – number of employees, full-time, FTEs and functional classification

NYPA AUTHORIZED POSITIONS

	2007	2008	2009	2010
Headquarters	613	613	613	613
Power Generation*	828	819	813	774
Transmission	196	196	196	196
TOTAL	**1637**	**1628**	**1622**	**1583**

* Includes the anticipated retirement of the Poletti plant in 2010.

(i) Gap-Closing Initiatives – revenue enhancement or cost-reduction initiatives

As the Authority is projecting positive net revenues for the 2007-2010 financial plan period, there are no planned gap-closing programs.

(j) Material Non-recurring Resources – source and amount

See discussion about "Other Income".

(k) Shift in Material Resources

There are no anticipated shifts in material resources from one year to another.

(l) Debt Service

Projected Debt Outstanding (FYE)

(in Thousands)

	2007	2008	2009	2010
Revenue Bonds				
Series 1998A	$76,295	$22,850	$16,975	$15,265
Series 2000A	$77,215	$77,215	$77,215	$77,215
Series 2001A	$42,385	$0	$0	$0
Series 2002A	$457,840	$435,705	$412,675	$388,580
Series 2003A	$213,240	$209,090	$204,785	$200,310
Series 2006A	$163,930	$154,340	$144,315	$133,845
Series 2007A	$346,000	$341,750	$337,290	$332,600
Total Revenue Bonds	$1,376,905	$1,240,950	$1,193,255	$1,147,815
Adjustable Rate Tender Notes	$150,000	$143,995	$137,505	$130,500
Auction Rate Notes				
Series 3	$37,425	$36,050	$34,625	$33,150
Series 4	$37,425	$36,050	$34,625	$33,150
Total Auction Rate Notes	$74,850	$72,100	$69,250	$66,300
Commercial Paper Notes				
Series 1	$291,771	$296,629	$318,216	$337,252
Series 2	$243,600	$242,150	$196,590	$127,590
Series 3	$142,700	$143,770	$137,840	$130,850
Extendible - Series 1	$90,000	$85,000	$80,000	$75,000
Total Commercial Paper Notes	$768,071	$767,549	$732,646	$670,692
GRAND TOTAL	**$2,369,826**	**$2,224,594**	**$2,132,656**	**$2,015,307**

Planned Use of Debt Issuances

(in Thousands)

TYPE	Amount	Assumed Interest Rate	Project / Description
Period January 1, 2007 - December 31, 2007			
Tax Exempt Commercial Paper	$27,755	4.50%	Niagara Upgrade and Re-Licensing
	$24,088	4.50%	Energy Services Program
Total Tax Exempt Commercial Paper	$51,843		
Taxable Commercial Paper	$15,500	6.50%	Tri-Lakes Transmission
	$55,589	6.50%	Niagara Upgrade and Re-Licensing
	$1,937	6.50%	Energy Services Program
Total Taxable Commercial Paper	$73,026		
Revenue Obligation Bonds	$346,000	5.1923%	Hydro Project Re-Licensing and Upgrade (includes refunding of approximately $182 million in Commercial Paper)
TOTAL ISSUED 2007	**$470,869**		
Period January 1, 2008 - December 31, 2008			
Tax Exempt Commercial Paper	$4,858	4.50%	Energy Services Program
Taxable Commercial Paper	$4,800	6.50%	Tri-Lakes Transmission
	$1,567	6.50%	Energy Services Program
Total Taxable Commercial Paper	$6,367		
TOTAL ISSUED 2008	**$11,225**		
Period January 1, 2009 - December 31, 2009			
Tax Exempt Commercial Paper	$21,587	4.50%	Energy Services Program
Taxable Commercial Paper	$963	6.50%	Energy Services Program
TOTAL ISSUED 2009	**$22,550**		
Period January 1, 2010 - December 31, 2010			
Tax Exempt Commercial Paper	$19,036	4.50%	Energy Services Program
Taxable Commercial Paper	$751	6.50%	Energy Services Program
TOTAL ISSUED 2010	**$19,787**		

Note: The full faith and credit of the Authority are pledged for the payment of bonds and notes in accordance with their terms and provisions of their respective resolutions. The Authority has no taxing power and its obligations are not debts of the State or any political subdivision of the State other than the Authority. The Authority's debt does not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority.

Debt Service as Percentage of Pledged Revenues (Accrual Based)
(in Thousands)

	2007		2008		2009		2010	
Revenue Bonds	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**
Series 1998A	$34,680	1.21%	$10,054	0.35%	$3,093	0.10%	$2,928	0.10%
Series 2000A	$4,054	0.14%	$4,054	0.14%	$4,054	0.14%	$4,054	0.14%
Series 2001A	$46,561	1.62%	$38,740	1.34%	$0	0.00%	$0	0.00%
Series 2002A	$44,592	1.55%	$44,592	1.54%	$44,591	1.50%	$44,561	1.59%
Series 2003A	$12,121	0.42%	$15,741	0.54%	$15,742	0.53%	$15,741	0.56%
Series 2006A	$16,594	0.58%	$17,231	0.60%	$17,231	0.58%	$17,232	0.61%
Series 2007A	$2,935	0.10%	$21,950	0.76%	$21,950	0.74%	$21,950	0.78%
Total Revenue Bonds	$161,536	5.63%	$152,361	5.27%	$106,660	3.59%	$106,466	3.79%
Adjustable Rate Tender Notes	$12,590	0.44%	$12,934	0.45%	$13,156	0.44%	$13,397	0.48%
Auction Rate Notes								
Series 3	$3,060	0.11%	$3,049	0.11%	$3,035	0.10%	$3,019	0.11%
Series 4	$3,060	0.11%	$3,049	0.11%	$3,035	0.10%	$3,019	0.11%
Total Auction Rate Notes	$6,121	0.21%	$6,097	0.21%	$6,070	0.20%	$6,038	0.21%
Commercial Paper Notes								
Series 1	$13,138	0.46%	$13,815	0.48%	$14,434	0.49%	$15,385	0.55%
Series 2	$21,855	0.76%	$59,035	2.04%	$82,957	2.79%	$62,643	2.23%
Series 3	$15,104	0.53%	$8,855	0.31%	$9,824	0.33%	$8,987	0.32%
Extendible - Series 1	$9,275	0.32%	$9,050	0.31%	$8,825	0.30%	$8,600	0.31%
Total Commercial Paper Notes	$59,373	2.07%	$90,755	3.14%	$116,041	3.91%	$95,616	3.40%
GRAND TOTAL DEBT SERVICE	**$239,620**	**8.35%**	**$262,148**	**9.06%**	**$241,926**	**8.15%**	**$221,516**	**7.88%**

Note: NYPA has no legal limit with regards to debt issuance.

Scheduled Debt Service Payments (Accrual Based)

Outstanding (Issued) Debt

	Principal	Interest	Total
2007	$126,410,167	$107,060,732	$233,470,899
2008	$142,739,938	$94,839,161	$237,579,099
2009	$128,356,372	$88,137,955	$216,494,327
2010	$112,990,806	$82,084,798	$195,075,604

Proposed Debt

	Principal	Interest	Total
2007	$0	$6,148,879	$6,148,879
2008	$4,250,000	$20,318,445	$24,568,445
2009	$4,460,000	$20,972,080	$25,432,080
2010	$4,690,000	$21,749,906	$26,439,906

Total Debt

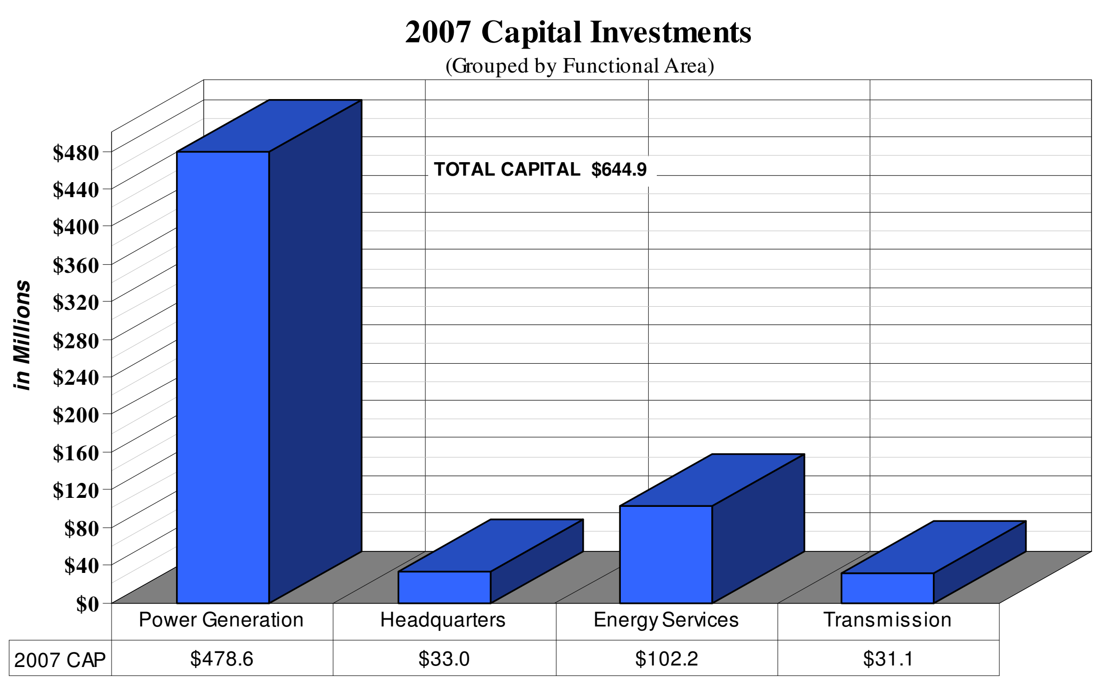
	Principal	Interest	Total
2007	$126,410,167	$113,209,611	$239,619,778
2008	$146,989,938	$115,157,606	$262,147,544
2009	$132,816,372	$109,110,035	$241,926,407
2010	$117,680,806	$103,834,704	$221,515,509

(m) Capital Investments and Sources of Funding

The Authority currently estimates that it will expend approximately $1.264 billion for various capital improvements over the financial plan period 2007-2010. The Authority anticipates that these expenditures will be funded using existing construction funds, internally-generated funds and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of additional commercial paper notes and/or the issuance of long-term fixed rate debt. Projected capital requirements during this period include:

(in Millions)	2007	2008	2009	2010
Niagara Relicensing	$ 371.0	$ 5.7	$ 6.3	$ 6.7
St. Lawrence Relicensing	$ 14.4	$ 13.5	$ 7.6	$ 2.5
St. Lawrence Life Extension and Modernization	$ 19.9	$ 20.1	$ 20.5	$ 20.3
Blenheim-Gilboa Life Extension and Modernization*	$ 22.3	$ 26.5	$ 25.5	$ 15.0
Energy Services & Technology	$ 102.2	$ 103.2	$ 103.2	$ 103.2
Other	$ 115.1	$ 47.5	$ 47.2	$ 44.1
TOTAL	**$ 644.9**	**$ 216.5**	**$ 210.3**	**$ 191.8**

* the Blenheim-Gilboa Life Extension and Modernization program began in 2003 and is anticipated to be completed in 2010 for a total cost of $ 135 million.



Certification of Assumptions and Method of Estimation for Budget and Financial Plan 2007-2010 in accordance with the Comptroller's Regulation § 203.9 Certification

December 19, 2006

To the Board of Trustees
Power Authority of the State of New York

To the best of my knowledge and belief after reasonable inquiry, I, the undersigned, certify that the Authority's budget [or plan] is based on reasonable assumptions and methods of estimation and that the regulations enumerated in Part 203, "Budget and Financial Plan Format, Supporting Documentation and Monitoring - Public Authorities" have been satisfied.

Timothy S. Carey
President & Chief Executive Officer

New York Power Authority

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