2013-2016
Approved Budget and Financial Plan

In compliance with 2 NYCRR Part 203

New York Power Authority
Generating more than electricity

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

The mission of the Power Authority of the State of New York ("NYPA" or "Authority") is to provide clean, low-cost and reliable energy consistent with its commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables 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.

The Authority generates, transmits and sells electric power and energy, principally at wholesale. The Authority's primary customers are municipal and investor-owned utilities, rural electric cooperatives, high load factor industries and other businesses located throughout New York State, various public corporations located in Southeastern New York 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 five major generating facilities, eleven small gas-fired electric generating facilities, and four small hydroelectric facilities in addition to a number of transmission lines, including major 765-kV and 345-kV transmission facilities. The Authority's five major generating facilities consist of two large hydroelectric facilities ("Niagara" and "St. Lawrence-FDR"), a large pumped-storage hydroelectric facility ("Blenheim-Gilboa"), the combined cycle electric generating plant located in Queens, New York (the "500-MW plant") and the Richard M. Flynn combined cycle plant located on Long Island ("Flynn").

To provide additional electric generation capacity to the Authority's NYC Governmental Customers, NYPA entered into a long-term electricity supply agreement with Astoria Energy II LLC in 2008 for the purchase of the output of an Astoria, Queens based natural-gas fueled 550-MW generating plant.

To achieve its goal of promoting energy efficiency, NYPA implements its energy services programs primarily for the benefit of its SENY governmental customers and 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 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.

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

The Power Authority of the State of New York (the "Authority" or "NYPA") is a corporate municipal instrumentality and political subdivision of the State of New York (the "State") created in 1931 by Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended from time to time (the "Act"), to help provide a continuous and adequate supply of dependable electric power and energy to the people of the State.

The Authority's operations are overseen by a Board of 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 a combination of internally generated funds and the sale 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.

(b) Budget Process

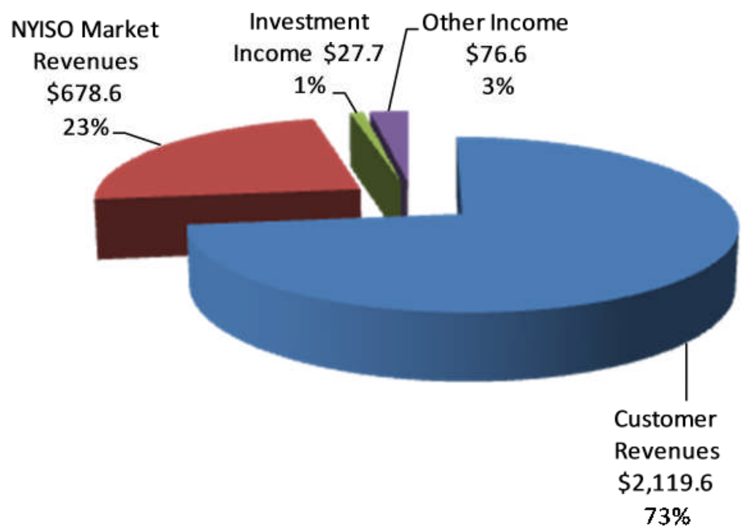
As an electric utility, NYPA operates in a capital intensive industry where operating revenues and expenses are significant and highly variable due to the volatility of electricity prices and fuel costs. NYPA's operations are not only subject to electric and fuel cost volatility, but changing water flows have a direct effect on hydroelectric generation levels. This approved budget and financial plan relies on data developed through the November timeframe.

NYPA's Four-Year Projected Income Statements

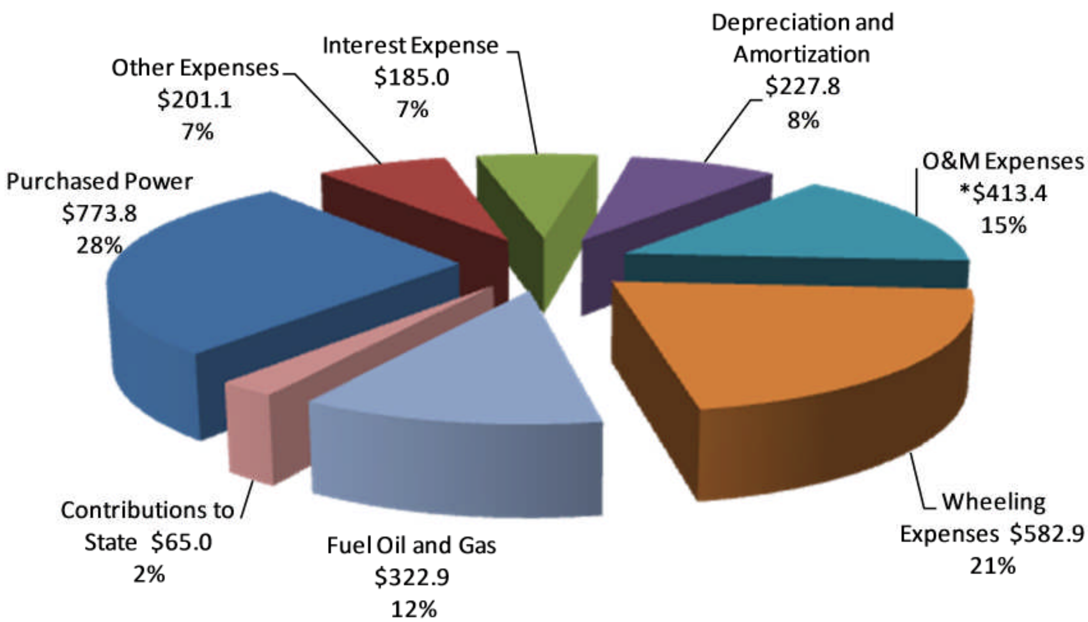
(in Millions)

	2013	2014	2015	2016
Operating Income:				
Customer Revenues	$2,119.6	$2,213.0	$2,221.0	$2,320.4
NYISO Market Revenues	$678.6	$675.9	$696.3	$705.6
Total Operating Income	$2,798.1	$2,888.9	$2,917.3	$3,026.1
Operating Expenses:				
Purchased Power	$773.8	$797.1	$763.6	$788.6
Fuel oil and gas	$322.9	$304.5	$291.4	$340.3
Wheeling Expenses	$582.9	$599.6	$612.4	$626.7
O&M Expenses	$426.4	$476.5	$492.9	$491.7
Other Expenses	$201.1	$186.1	$155.3	$132.8
Depreciation and Amortization	$227.8	$229.4	$229.7	$220.7
Allocation to Capital	($13.0)	($16.3)	($18.1)	($18.3)
Total Operating Expenses	$2,522.0	$2,576.8	$2,527.3	$2,582.5
NET OPERATING INCOME	**$276.2**	**$312.1**	**$390.0**	**$443.5**
Other Income:				
Investment Income	$27.7	$27.9	$29.9	$35.6
Other Income	$76.6	$75.4	$4.5	$5.8
Total Other Income	$104.2	$103.3	$34.5	$41.4
Non-Operating Expenses:				
Interest Expense	$185.0	$178.4	$171.9	$173.2
Contributions to State	$65.0	$65.0	$65.0	$65.0
Total Non-Operating Expenses	$250.0	$243.4	$236.9	$238.2
NET INCOME	**$130.4**	**$172.0**	**$187.6**	**$246.8**

2013 Budget – Sources
(in Millions)



2013 Budget – Uses
(in Millions)



* Reflects NYPA's Base O&M Expenses plus Administrative Expenses less the Allocation to Capital.

NYPA's Statement of Cash Flows

2801 Report Format

(in Millions)

Revenue Receipts :	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Sale of Power, Use of Transmission Lines Wheeling Charges and other receipts	$2,671.5	$2,620.7	$2,738.6	$2,833.0	$2,865.4	$2,978.6
Earnings on Investments and Time Deposits	$35.3	$30.8	$26.2	$25.4	$28.3	$30.9
Total Revenues	**$2,706.8**	**$2,651.5**	**$2,764.8**	**$2,858.4**	**$2,893.7**	**$3,009.5**
Expenses:						
Operation and Maintenance, including Transmission of Electricity by others, Purchased Power and Fuel Purchases	**($2,372.8)**	**($2,333.1)**	**($2,523.6)**	**($2,497.4)**	**($2,449.4)**	**($2,520.6)**
Debt Service :						
Interest on Bonds and Notes	($70.4)	($70.1)	($65.2)	($64.4)	($63.8)	($67.8)
Bonds and Notes Retired	($167.0)	($89.3)	($90.1)	($87.9)	($75.5)	($81.7)
Total Debt Service	**($237.3)**	**($159.4)**	**($155.3)**	**($152.3)**	**($139.3)**	**($149.5)**
Total Requirements	**($2,610.1)**	**($2,492.5)**	**($2,678.9)**	**($2,649.7)**	**($2,588.7)**	**($2,670.1)**
Net Operations	**$96.8**	**$159.0**	**$85.8**	**$208.7**	**$305.0**	**$339.5**
Capital Receipts :						
Sale of Bonds, Promissory Notes & Commercial Paper	$274.5	$226.3	$197.9	$246.7	$290.2	$668.7
Less : Repayments	($248.0)	($136.7)	($128.1)	($156.4)	($109.1)	($470.3)
Earnings on Construction Funds	$2.7	$1.9	$0.7	$0.3	$0.4	$0.7
DSM Recovery Receipts	$111.8	$137.4	$194.3	$241.7	$196.0	$195.3
Tri-Lakes Transfer / Temporary Asset Transfer NYS	$33.0	$0.0	$0.0	$103.0	$0.0	$0.0
Other	$102.0	$102.0	$92.0	$92.0	$94.5	$5.0
Total Capital Receipts	**$275.9**	**$331.0**	**$356.8**	**$527.3**	**$472.0**	**$399.4**
Capital Additions & Refunds :						
Additions to Electric Plant in Service and Construction Work in Progress, and Other costs	($285.4)	($376.6)	($518.3)	($530.8)	($565.7)	($562.0)
Construction Funds - Net Transfer	$0.0	($1.9)	($0.7)	($0.3)	($0.4)	($0.7)
Total Capital Additions & Refunds	**($285.4)**	**($378.5)**	**($518.9)**	**($531.1)**	**($566.1)**	**($562.7)**
Net Capital	**($9.5)**	**($47.5)**	**($162.1)**	**($3.8)**	**($94.1)**	**($163.3)**
Net Increase/(Decrease)	**$87.3**	**$111.5**	**($76.3)**	**$204.9**	**$210.9**	**$176.1**

(c) <u>Budget Assumptions</u>

NYISO Revenue and Expenses

Based upon scheduled customer power needs and available electricity generated by NYPA's operating assets, the Authority buys and sells energy in an electricity market operated by the NYISO. 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 for which the energy revenues are projected based on available forward price curves while the capacity revenues are estimated using the NYISO demand curve formula.

Customer and Project Revenue

The customers served by the Authority and the rates paid by such customers vary with the NYPA facilities designated to serve such loads. These customers are served under contracts and tariffs approved by the Trustees.

<u>St. Lawrence-FDR and Niagara Customers</u>. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to municipal electric systems, rural electric cooperatives, industrial and other business customers, certain public bodies, investor-owned utilities, and out-of-state customers.

The charges for firm and/or firm peaking power and associated energy sold by the Authority, as applicable, to the fifty-one municipal electric systems and rural electric cooperatives in New York State, two public transportation agencies, three investor-owned utilities for the benefit of rural and domestic customers, and seven out-of-state public customers have been established on the basis of the cost to serve these loads. The 2013-2016 financial plan models a three and one-half year stretch of annual rate changes that began in the fourth quarter of 2011 and result in effective hydro rate increases of 5.5% on December 1, 2011, 5.4% on May 1, 2012, 5.5% on May 1, 2013 and 5.6% on May 1, 2014.

Niagara's expansion and replacement power industrial customers and St. Lawrence-FDR's industrial customers are allocated over 40% of the firm contract demand of the plants. Their rates are subject to annual adjustment based on the average of three contractually agreed upon economic indices reflecting changes in industrial energy prices. In March 2009, the Authority suspended the application of these indices, but effective September 1, 2011, the application of these indices was reinstated by the Authority. For the years in the four year plan, these rates are assumed to adjust annually in accordance with the contracts.

On March 30, 2012, the Governor signed into law the Western New York Power Proceeds Act which directs net earnings from the sale of unallocated Expansion Power and Replacement Power from the Authority's Niagara project to be deposited into the Western New York Economic Development Fund (Fund) as deemed feasible and advisable by the Authority's Trustees. "Net earnings" are defined as any excess revenues earned from such power sold into the wholesale market over the revenues that would have been received had the power been sold at the Expansion Power and Replacement Power rates. Proceeds from the Fund may be used to support eligible projects undertaken within a 30-mile radius of the Niagara project that qualify under applicable criteria. The legislation establishes a five member allocation board to be appointed by the Governor. Payments from the Power Authority to the fund have been incorporated into this four-year plan and are estimated to range between $10.6 million in 2013 declining to $4.9 million by 2016.

Legislation enacted into law in March 2011 created a new economic development power program which commenced July 1, 2012, the Recharge New York Power Program ("RNYPP"), to replace and expand upon a previous array of economic development programs, most prominently, the Power for Jobs ("PFJ") and Energy Cost Savings Benefits ("ECSB") programs. RNYPP is a new, permanent power program administered by the Authority and the Economic Development Power Allocation Board ("EDPAB"). The RNYPP will utilize 455 MW of hydropower from the Authority's Niagara and St. Lawrence-FDR projects combined with up to 455 MW of market-based power purchases. The 455 MW of hydropower was, until August 1, 2011, provided to residential and domestic customers of three upstate utilities. The 910 MW of power is available for allocations to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years. PFJ and ECSB Program customers that apply for but are not awarded RNYPP allocations will be eligible to apply for certain "transitional electricity discounts". These transitional discounts, payable if deemed feasible and advisable by the Authority's Trustees, will gradually decline to zero by June 30, 2016. The RNYPP legislation also authorizes the Authority, as deemed feasible and advisable by its Trustees, to provide annual funding of $100 million for the first three years following withdrawal of the hydropower from the residential and farm customers, $70 million for the fourth year, $50 million for the fifth year, and $30 million each year thereafter, for the purpose of funding a residential consumer discount program for those customers that had received the hydropower that will be utilized in the RNYPP.

SENY Governmental Customers. Capacity from the Authority's 500 mw plant and the four small hydroelectric plants, the contracted capacity from the Astoria Energy II plant, together with capacity and energy purchased by the Authority in the NYISO markets, are sold to various municipalities, school districts and public agencies in New York City and Westchester County. Sales into the NYISO of energy generated by Authority resources at the 500-MW plant, the small hydro projects, and the contracted capacity from the Astoria Energy II plant offset the cost of the energy purchased. A set amount of capacity from the Blenheim-Gilboa project is also dedicated to serving a segment of this customer class.

In 2005, the Authority and its major New York City governmental customers entered into long-term supplemental electricity supply agreements ("2005 LTA"). Under the 2005 LTA, the NYC governmental customers 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 and, under certain limited conditions, on one year's 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.

Under the 2005 LTA, the Authority modifies rates annually through a formal rate proceeding 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, are captured through annual contractual pricing adjustment mechanisms.

In 2007, the Authority entered into new supplemental electricity supply agreements with over one-hundred governmental customers in Westchester County resulting in the Westchester governmental customers remaining full requirements customers of NYPA. The Westchester County customers can terminate the contract upon one year's notice effective no sooner than January 1 following such notice. The Authority may modify the rates charged the customer pursuant to a specified procedure; an energy charge adjustment mechanism is applicable; the customer is committed to pay for any supply resources secured for it by the Authority under a collaborative process; and NYPA will continue to make available financing for energy efficiency projects and initiatives, with costs thereof to be recovered from the customer. For purposes of the four-year financial plan, it is assumed that the New York City and Westchester governmental customers will continue to be served and rates will be set on the basis of the cost to serve these loads.

Blenheim-Gilboa Customers. The Authority has a contract for the sale of 50 MW of firm capacity from the Blenheim-Gilboa plant to the Long Island Power Authority ("LIPA") and provides another 250 MW to the Authority's New York City governmental customers, the rates for which are reset periodically on the basis of cost, with the remainder of the plant's capacity used to meet the requirements of some of the Authority's other business and governmental customers and to provide services in the NYISO market at the projected NYISO capacity rate.

Small Clean Power Plants ("SCPPs"). To meet capacity deficiencies and ongoing local requirements in the New York City metropolitan area, which could have also adversely affected 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. The plant at the Vernon location is expected to be retired during the period.

For the 2013-2016 financial plan, it is assumed the installed capacity of the SCPPs is used by the Authority to meet its customers' 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 between the Authority and LIPA, which commenced in 1994 and had an initial term of 20 years. In April 2012, LIPA executed the termination provision contained in Amendment 9 of its contract with NYPA, which becomes effective at the end of 2014.

Transmission Projects. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, 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 established to effect 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 annual revenue requirement via the NTAC, TSC and through existing customer contracts.

In July 2012, the Authority filed for its first requested increase in the revenue requirement with FERC since the implementation of the NYISO. The approximate 11% increase is necessary to cover increased operating and maintenance expenses of NYPA's bulk transmission system, as well as to make necessary capital improvements. A ruling by FERC on the proposed rate increase is expected shortly, and is contemplated to be retroactive to August 1, 2012.

Hudson Transmission Project. Following a request for proposals issued by the Authority in March 2005, the Authority executed a firm transmission capacity purchase agreement with Hudson Transmission Partners, LLC ("HTP") in April 2011. HTP is constructing a 345 kV underground/submarine transmission line extending from Bergen County, New Jersey to Con Edison's West 49th Street substation in midtown Manhattan. The transmission line will serve to improve electric system reliability and promote network security by enhancing New York City's transmission infrastructure and its access to generation resources outside of the City. Construction of the transmission line commenced in May 2011 and completion of construction is expected to be July 1, 2013.

Purchased Power Expenses

Capacity, energy and NYISO ancillary service purchases made on behalf of customers (except for those made through previously approved purchased power agreements) are assumed to be transacted at the market clearing price in the wholesale market. For purposes of developing the financial plan, projected energy rates are based on available forward price curves while the capacity rates are estimated using the NYISO demand curve formulas.

Fuel Expenses

Fossil-fuel purchases in the plan are based on expected net generation levels determined through the use of an economic dispatch model for the Authority's plants and on available forward price curves for the fuel. Fuel expenses also include the costs associated with emission credit requirements under the Regional Greenhouse Gas Initiative ('RGGI'). The RGGI requires the Authority to buy emission credits for its fossil-fuel plants, and the Authority also purchases such credits for the contracted Astoria Generating II plant. The projections for RGGI costs are based on historical emission rates and forecasted consumption of natural gas and oil with such costs recovered either through specific customer contract pass-through provisions or from the wholesale market.

Wheeling Expenses

Wheeling (i.e., the transmission and/or delivery of power and energy to customers over the lines of a third party) expenses are based on contractual and/or tariff rates of the service provider and are recovered through pass-through provisions in customer contracts.

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 and Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corp. were rated Aaa by Moody's Investors Services and AA+ by Standard & Poor's and Fitch Ratings. 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 and other income of $3.8 million in 2013, $2.6 million in 2014, and $1.2 million in 2015. On a cash basis the Authority projects to receive $20 million annually during the period 2013-2015. In addition, the Authority entered into two “value sharing agreements” (“VSAs”) with the Entergy subsidiaries whereby the Authority is entitled to receive annual payments up to a maximum of $72 million. Also, if the licenses of JAF and/or IP3 are extended, the Decommissioning Agreements provide for annual payments of $2.5 million per plant each year beyond the expiration dates. JAF’s license has been extended past the original date of October 17, 2014, and beginning in 2015 the forecast includes the receipt of $2.5 million in additional revenue. For purposes of the 2013-2016 Financial Plan, it has been assumed that the maximum payment of $72 million will be received for the VSA through 2015, and an additional $2.5 million will be received in 2015 for the JAF license extension, increasing to $5 million starting in 2016.

Operations and Maintenance Expenses

NYPA’s preliminary O&M plan by cost element for 2013 - 2016 is as follows:

Operations and Maintenance Forecast by Cost Element

(in Millions)

	2013	2014	2015	2016
Payroll				
Regular Pay	$ 145.3	$ 148.0	$ 150.9	$ 153.9
Overtime	$ 8.6	$ 8.9	$ 9.2	$ 9.6
Other Payroll	$ 2.3	$ 2.4	$ 2.5	$ 2.6
Total Payroll	**$ 156.2**	**$ 159.3**	**$ 162.6**	**$ 166.0**
Benefits				
Employee Benefits	$ 42.3	$ 43.8	$ 45.3	$ 46.9
Pension	$ 31.7	$ 35.0	$ 38.0	$ 37.0
FICA	$ 11.5	$ 12.1	$ 12.5	$ 13.0
Total Benefits	**$ 85.5**	**$ 90.9**	**$ 95.8**	**$ 96.9**
Materials/Supplies	**$ 16.8**	**$ 17.3**	**$ 18.0**	**$ 18.6**
Fees	**$ 9.1**	**$ 9.4**	**$ 9.7**	**$ 10.0**
Office & Station	**$ 14.6**	**$ 15.1**	**$ 15.7**	**$ 16.2**
Maintenance Repair & Service Contracts	**$ 103.2**	**$ 109.7**	**$ 115.6**	**$ 106.6**
Consultants	**$ 17.4**	**$ 18.0**	**$ 18.7**	**$ 19.3**
Charges to:				
Outside Agencies	$ (5.7)	$ (5.8)	$ (5.9)	$ (6.1)
Capital Programs	$ (39.2)	$ (40.1)	$ (41.5)	$ (43.0)
Total Charges	**$ (44.9)**	**$ (45.9)**	**$ (47.4)**	**$ (49.0)**
Research & Development	**$ 8.7**	**$ 9.0**	**$ 9.3**	**$ 9.7**
Subtotal	**$ 366.7**	**$ 382.9**	**$ 397.8**	**$ 394.3**
Astoria Energy II	**$ 26.7**	**$ 27.4**	**$ 28.1**	**$ 28.9**
HTP	**$ 33.0**	**$ 66.2**	**$ 67.0**	**$ 68.5**
TOTAL NYPA O&M	**$ 426.4**	**$ 476.5**	**$ 492.9**	**$ 491.7**

Depreciation and Amortization Expenses

Depreciation of capital assets is generally provided on a straight-line basis over the estimated lives of the various classes of capital assets. The related depreciation provisions at December 31, 2011 expressed as a percentage of average depreciable capital assets was 2.8%.

Other Expenses

The Other Expenses category largely reflects various accruals (e.g., Other Post-Employment Benefit prior service obligations) and other miscellaneous expenses for which Trustee authorization is sought on a case-by-case basis (e.g., Power for Jobs Rebates, Industrial Incentive Awards Program costs, etc.).

(d) Self – Assessment of Budgetary Risks

Regulatory Risks

In 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. In findings issued February 2, 2007, the FWS determined that such a listing is not warranted. In 2010, the FWS was again petitioned to list the American eel and in September 2011 the FWS decided to undertake a status review to determine whether such a listing is warranted. In the event the FWS were to determine in the future 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 carbon dioxide emissions by 10% by 2018. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires electricity generators to hold carbon dioxide allowances in a compliance account in a quantity that matches their total emissions of carbon dioxide for the compliance period. The Authority's Flynn, SCPPs, 500-MW, and the contracted Astoria Energy II plants are subject to the RGGI requirements. NYPA has participated in program auctions commencing in September 2008 and expects to recover its RGGI costs through its power sales revenues. NYPA is monitoring potential federal programs that are under discussion and debate for their potential impact on RGGI in the future.

There is concern by individuals, the scientific community and Congress regarding possible environmental damage resulting from the use of fossil fuels. The Authority's 500-MW Plant, Flynn plant and its SCPPs use fossil fuels as does the Astoria Energy II plant. Congressional and regulatory action for the increased regulation of air, water and contaminants is periodically considered, and there are a number of pending legislative and regulatory proposals which may affect the electric utility industry including the Authority. The impact on the Authority's operations of any such proposals is not presently predictable or quantifiable.

During 2011, the Environmental Protection Agency ("EPA") issued a series of rulings to establish the Cross-State Air Pollution Rule ("CSAPR"). The CSAPR establishes emission allowance budgets for sulfur dioxide and nitrogen oxides for eastern states, including New York, and requires power plants in those states to hold allowances to cover their emissions. In December 2011, the U.S. Court of Appeals (D.C. Circuit) granted a stay of the CSAPR pending the court's resolution of numerous petitions for review and in the interim, the court indicated that the EPA should continue to enforce its Clean Air Interstate Rule ("CAIR") which the CSAPR was designed to replace. By decision issued August 21, 2012, the court vacated the CSAPR; directed the EPA to develop a replacement rule; and directed that the CAIR continue to be enforced pending the development of the replacement rule. On October 5, 2012, the EPA filed a petition with the D.C. Circuit seeking rehearing of the court's decision regarding the CSAPR. The Authority has been able to operate its fossil plants and the Astoria Energy II plant within the allocated allowances under the CAIR and in the event the CSAPR as promulgated by the EPA ultimately is implemented, the Authority anticipates that operation of its fossil plants and the Astoria Energy II plant would not be impacted.

The Power Authority's Board of Trustees has in general broad rate setting authority for its power sales agreements with customers. With respect to its transmission facilities, however, the Authority adopted an open access transmission tariff, which has been filed with the Federal Energy Regulatory Commission ("FERC") as part of the NYISO's Open Access Transmission Tariff. 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 and declined to set the revenue requirement for hearing. Such action does not, however, foreclose further review by FERC of any modifications of the Authority's transmission system revenue requirement. On July 27, 2012, NYPA filed its first transmission system revenue requirement revision since the NYISO start-up in 1999. Final FERC adjudication of the revenue requirement is expected at the end of the first quarter 2013.

Legislative and Political Risks

A series of legislative enactments call for the Authority 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 subsequent years, has authorized the Authority, "as deemed feasible and advisable by the trustees", to make a series of "voluntary contributions" into the State treasury in connection with the Power for Jobs Program and for other purposes as well. Beginning December 2002 through July 2012, the Authority has made voluntary contributions to the State of $475 million in connection with the Power for Jobs Program and an additional $402 million unrelated to the Power for Jobs Program. Further, the Authority has approved Power for Jobs reimbursement payments of $299 million for the years 2005-June 2012 with anticipated additional payments of $62 million to take place during the second half of 2012 and 2013. The Power for Jobs Program was replaced by the RNYPP beginning July 1, 2012 with the enacting legislation authorizing transitional electricity discounts through June 30, 2016, for those Power For Jobs and ECSB customers not receiving RNY power allocations. For the stated period, the Authority estimates these transitional payments at $27 million.

For planning purposes, the 2013-2016 financial plan assumes that the Authority makes a voluntary contribution to the State of $65 million in each year. Approval of any such payments to the State's general fund and/or to subsidize customers requires legislation authorizing such payments and is conditional upon the Trustees' determination that such payments are "feasible and advisable". 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 Authority's Bond Resolution, other legal requirements, and all the facts and circumstances known to them at the time of the decision. On May 24, 2011, the Authority's Trustees adopted a policy statement which relates to, among other things, voluntary contributions, transfers, or other payments to the State by the Authority after that date. The policy statement provides that in deciding whether to make contributions, transfers, or payments, the Authority shall use as a reference the maintenance of a debt service coverage ratio of at least 2.0, in addition to making other determinations required by the General Resolution.

In addition to the authorization for the voluntary contributions, the Authority was authorized by February 2009 budget legislation to make certain temporary asset transfers to the State of funds in reserves. Pursuant to the terms of a Memorandum of Understanding dated February 2009 ("MOU") between the State, acting by and through the Director of the Budget of the State, and the Authority, the Authority agreed to transfer $215 million associated with its Spent Nuclear Fuel Reserves by the end of State Fiscal Year 2008-2009. The Spent Nuclear Fuel Reserves are funds that have been set aside for payment to the federal government sometime in the future when the federal government accepts the spent nuclear fuel for permanent storage. The MOU provides for the return of these funds to the Authority, subject to appropriation by the State Legislature and other conditions, at the earlier of the Authority's payment obligation related to the transfer and disposal of the spent nuclear fuel or September 30, 2017. Further, the MOU provided for the Authority to transfer during State Fiscal Year 2009-2010 approximately $103 million of funds set aside for future construction projects, which amounts would be returned to the Authority, subject to appropriation by the State Legislature and other conditions, at the earlier of when required for operating, capital or debt service obligations of the Authority or September 30, 2014. Both temporary transfers were authorized by the Authority's Trustees and made in 2009. The financial plan reflects the return of this $103 million amount in September 2014.

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 receive greater voluntary contributions and which attempt to constrain the discretion of or bypass the Authority's Trustees could negatively affect net income and possibly harm the Authority's bond rating.

Hydroelectric Generation Risk

For the 2013-2016 financial planning timeframe, the Authority's net income is 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 Project). Long-term generation levels at the two hydroelectric projects are about 20.2 terawatt-hours ("TWH") annually. The Authority's hydroelectric generation forecast is 18.45 TWH in 2013 and 18.69 TWH in 2014, 19.52 TWH in 2015 and, 19.83 TWH in 2016. However, these generation amounts are forecasted values, and hydrological conditions can vary considerably from year to year.

The Authority conducted high and low hydroelectric generation sensitivities for 2013-2016 that estimated the potential net income that could result over a reasonable range of hydroelectric generation occurrences. The effects on estimated net income, assuming all other factors remain unchanged, were as follows:

	Low Generation		**High Generation**	
	Net Hydroelectric Generation	NYPA Net Income *(in Millions)*	Net Hydroelectric Generation	NYPA Net Income *(in Millions)*
2013	17.70 TWH	$107.17	19.30 TWH	$156.56
2014	17.90 TWH	$145.41	19.60 TWH	$202.08
2015	18.30 TWH	$147.24	20.70 TWH	$225.25
2016	18.60 TWH	$207.38	21.00 TWH	$286.44

Electric Price and Fuel Risk

Through its participation in the NYISO market, NYPA is subject to electric energy price, fuel price and electric capacity price risks that impact the revenue and purchased power streams of its facilities and customer market areas. Such volatility can potentially have detrimental effects on NYPA's financial condition. To mitigate downside effects, many of NYPA's customer contracts provide for the complete or partial pass-through of these costs and to moderate cost impacts to its customers, NYPA hedges market risks via the use of financial instruments and physical contracts. Hedges are transacted by NYPA to mitigate the cost of energy or related products needed to meet customer needs; to mitigate risk related to the price of energy and related products sold by NYPA; to mitigate risk related to margins (electric sales versus fuel use) where NYPA owns generation or other capacity; and mitigation of geographic cost differentials of energy procured or sold for transmission or transportation to an ultimate location. Commodities to be hedged include, but are not limited to, natural gas, natural gas basis, electric energy, electric capacity and congestion costs associated with the transmission of electricity.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The Dodd-Frank Act addresses swaps and forward energy transactions and dependent upon the resolution of numerous issues, including, although unlikely, whether and to what extent NYPA's transactions are required to be cleared through clearinghouses and/or traded on exchanges with accompanying collateral and/or margin requirements; and whether and to what extent public power entities such as the Authority are exempted from these requirements, the impact on the Authority's liquidity and/or future risk mitigation activities could be significant.

Litigation Risk

In 1982 and again in 1989, several groups of St. Regis 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 ("St. Regis litigation"). These islands are within the boundary of the Authority's St. Lawrence-FDR project and significant project facilities are located on Barnhart Island. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of the Mohawk Indians.

Thereafter, settlement discussions produced a land claim settlement, which if implemented 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 tribal entities voted to approve the settlement, which was executed by them, the Governor, and the Authority on February 1, 2005. The settlement required, among other things, Federal and State legislation to become effective which was not enacted.

Litigation in the case had been stayed to permit time for passage of such legislation and to await decisions of appeals in two relevant New York land claims litigations, involving the Cayuga and Oneida Nations, to which the Authority was not a party. 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 and in November 2006 the Authority and the State moved to dismiss the St. Regis Mohawks' complaints as well as the United States' complaint on similar delay grounds. The Mohawks and the Federal government filed papers opposing those motions in July 2007. Litigation had been stayed and resolution of the pending defense motions had been awaiting a decision by the Court of Appeals for the Second Circuit in a related land claim litigation involving similar defense motions. On August 9, 2010, the Second Circuit issued a decision in the related case (Oneida), thereby lifting the stay in the St. Regis litigation. The Second Circuit, in the Oneida case, dismissed both the Native American and U.S. claims in their entirety finding, among other things, that those claims were barred by equitable principles as articulated in the earlier Cayuga and other decisions. U.S. Magistrate Lowe then ordered all parties in the St. Regis case to submit supplemental briefs and, thereafter, oral argument on the pending motions was held in June 2011. Thereafter, U.S. Magistrate Dancks was assigned to these cases and in her report and recommendation to U.S. District Court Judge Lawrence Kahn, dated September 28, 2012, she recommended dismissal of all claims against the Authority on the grounds of laches. It is uncertain whether Judge Kahn will accept, reject, or modify that recommendation. Adverse decisions of a certain type in this case could detrimentally affect Authority operations and revenues.

In August 2012, the County of Schoharie, eight towns and villages, and one school district ("Municipalities") initiated a lawsuit in Schoharie County Supreme Court against the Authority involving the heavy rains and widespread flooding resulting from Tropical Storm Irene's passage through the Northeast in August 2011. The Municipalities essentially allege that they sustained property damage and lost tax revenues due to the Authority's negligence in its operations at the Blenheim-Gilboa pumped-storage hydroelectric facility located on the Schoharie Creek in Schoharie County, New York. A similar lawsuit has been initiated by a private landowner. A third lawsuit has been filed by five private landowners but has not been served on the Authority. It is possible that additional lawsuits will be initiated. While the Authority cannot predict the outcome of such litigation, the Authority believes that it has meritorious defenses and positions with respect thereto.

Strategic Initiatives

The Authority is considering several projects, which are in varying stages of review and/or development. These initiatives include, but are not limited to: participation in a joint venture project amongst the existing transmission owners in the State of New York for the purpose of building out new transmission infrastructure in the State as well as replacing and/or upgrading aging transmission assets; and an off-shore wind generating facility in the Atlantic Ocean near Long Island. Contractual arrangements, if any, for the Authority to undertake these initiatives or for customers to take the related power are still to be determined. As a result, the financial plan does not reflect any costs or revenues with respect to these initiatives except for certain study-related expenses.

(e) Revised Forecast of 2012 Budget

(in Millions)

	Budget 2012	Updated Forecast 2012	Variance Better / (Worse) 2012
Operating Revenues:			
Customer Revenues	$2,173.0	$2,032.4	($140.6)
NYISO Market Revenues	$695.9	$650.1	($45.8)
Total Operating Revenues	$2,869.0	$2,682.6	($186.4)
Operating Expenses:			
Purchased Power	$825.8	$736.8	$89.0
Fuel oil and gas	$329.5	$234.8	$94.8
Wheeling Expenses	$610.2	$598.1	$12.1
O&M Expenses	$359.2	$355.6	$3.7
Other Expenses	$194.3	$209.8	($15.6)
Depreciation and Amortization	$222.2	$225.9	($3.6)
Total Operating Expenses	$2,541.2	$2,360.9	$180.3
NET OPERATING REVENUES	**$327.7**	**$321.6**	($6.1)
Other Income:			
Investment Income	$31.4	$34.1	$2.7
Other Income	$87.5	$86.9	($0.6)
Total Other Income	**$119.0**	**$121.0**	$2.0
Non-Operating Expenses			
Interest & Other Expenses	$195.1	$186.9	$8.2
Contributions to State	$85.0	$85.0	$0.0
Total Non-Operating Expense	**$280.1**	**$271.9**	$8.2
NET INCOME	**$166.6**	**$170.8**	**$4.2**

(f) Reconciliation of 2012 Budget and 2012 Revised Forecast

The 2012 year-end net income projection is $170.8 million, which is $4.2 million above the budget. The primary drivers of this variance are increased capacity prices, offset by decreased energy prices. An increase in market-based capacity prices relative to budget is being driven by the retirement of approximately 600 MW's in state-wide generation by various generator owners since the beginning of the year. Partially mitigating the positive revenue moves in capacity prices are decreased energy revenues due to a 22% decline in wholesale electricity prices relative to the budget. On the expense side, the electricity and related natural gas price declines are significantly lowering the Authority's purchased power and fuel costs.

(g) Statement of 2011 Financial Performance

New York Power Authority
Net Income - Actual vs. Budgeted
For the Year ended December 31, 2011
(in millions)

	Actual	Budget	Variance Favorable/ (Unfavorable)
Operating Revenues			
Customer	$1,960	$2,079	($119)
NYISO Market Revenues	$696	$601	$95
Total Operating Revenues	**$2,656**	**$2,679**	**($24)**
Operating Expenses			
Purchased Power	$853	$913	$60
Fuel Consumed - Oil & Gas	$258	$296	$38
Wheeling	$548	$543	($5)
Operations & Maintenance	$330	$327	($3)
Other Expenses	$190	$135	($55)
Depreciation & Amortization	$194	$195	$1
Allocation to Capital	($9)	($11)	($2)
Total Operating Expenses	**$2,365**	**$2,398**	**$33**
Operating Income	**$291**	**$281**	**$10**
Non-operating Revenues and Expenses			
Non-operating Revenues			
Investment Income	$47	$32	$15
Other income	$99	$88	$11
Total Non-operating Revenues	**$146**	**$120**	**$26**
Non-operating Expenses			
Contribution to New York State	$65	$65	$0
Interest and Other Expenses	$137	$157	$21
Total Non-operating Expenses	**$202**	**$222**	**$21**
Non-operating Income (Loss)	**($56)**	**($102)**	**$46**
Net Income	**$235**	**$179**	**$56**

Net income for the year ended December 31, 2011 was $235 million which was $56 million above the budget of $179 million. Hydro generation, at 21.9 TWH, was 14.4% above the 19.1 TWH budget, and the resulting increased market sales was the largest contributor to the positive year end variance. Other factors affecting net income were higher than budget non-operating income and increased costs related to legislated subsidies for the RNYPP.

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

	2013 Request	2014	2015	2016
Headquarters	678	675	670	667
Power Generation	879	862	846	829
Transmission	168	164	162	159
R&D	17	17	17	17
TOTAL	**1,742**	**1,718**	**1,695**	**1,672**

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

As the Authority is projecting positive net income for the 2013-2016 financial plan period, there are no planned gap-closing programs.

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

See discussion in "Other Income" section.

(k) Shift in Material Resources

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

(l) Debt Service

New York Power Authority
Projected Debt Outstanding (FYE)
(in thousands)

	2013	2014	2015	2016
Revenue Bonds	$991,600	$940,900	$887,815	$1,194,708
Adjustable Rate Tender Notes	$105,940	$96,410	$86,115	$75,000
Commercial Paper Notes	$600,004	$644,971	$773,021	$577,818
Grand Total	$1,697,544	$1,682,281	$1,746,951	$1,847,526

New York Power Authority
Debt Service as Percentage of Pledged Revenues (Accrual Basis)
(Debt Service in thousands)

	2013		2014		2015		2016	
	Debt Service	% of Rev.	Debt Service	% of Rev.	Debt Service	% of Rev.	Debt Service	% of Rev.
Revenue Bonds	$103,037	3.55%	$102,798	3.44%	$102,760	3.48%	$107,152	3.49%
Adjustable Rate Tender Notes	$10,136	0.35%	$11,018	0.37%	$11,998	0.41%	$16,661	0.54%
Commercial Paper Notes	$41,977	1.45%	$38,736	1.29%	$25,678	0.87%	$28,381	0.93%
Grand Total Debt Service	$155,150	5.35%	$152,552	5.10%	$140,436	4.76%	$152,194	4.96%

New York Power Authority
Planned Use of Debt Issuances
(in thousands)

TYPE	Amount	Assumed Interest Rate	Project / Description
Period January 1, 2013 – December 31, 2013			
Tax Exempt Commercial Paper	$127,320	0.25%	Energy Services Program
Taxable Commercial Paper	$3,362	0.50%	Energy Services Program
Taxable Commercial Paper	$48,224	0.50%	Robert Moses Niagara Power Plant / Transmission
Total Issued 2013	$178,906		
Period January 1, 2014 – December 31, 2014			
Tax Exempt Commercial Paper	$164,105	0.50%	Energy Services Program
Tax Exempt Commercial Paper	$22	0.50%	Robert Moses Niagara Power Plant
Taxable Commercial Paper	$4,390	0.75%	Energy Services Program
Taxable Commercial Paper	$68,589	0.75%	Robert Moses Niagara Power Plant / Transmission
Total Issued 2014	$237,106		

Period January 1, 2015 – December 31, 2015			
Tax Exempt Commercial Paper	$167,245	0.75%	Energy Services Program
Tax Exempt Commercial Paper	$179	0.75%	Robert Moses Niagara Power Plant
Taxable Commercial Paper	$4,474	1.00%	Energy Services Program
Taxable Commercial Paper	$112,456	1.00%	Robert Moses Niagara Power Plant / Transmission
Total Issued 2015	$284,354		
Period January 1, 2016 – December 31, 2016			
Tax Exempt Commercial Paper	$168,541	1.00%	Energy Services Program
Taxable Commercial Paper	$4,509	1.25%	Energy Services Program
Tax-Exempt Fixed Rate Bonds	$2,409	5.00%	Refund Commercial Paper Notes issued for Robert Moses Niagara Power Project *
Taxable Fixed Rate Bonds	$360,194	7.25%	Refund Commercial Paper Notes issued for Robert Moses Niagara Power Project and Transmission *
Total Issued 2016	$535,653		

* Does not include Commercial Paper issued in 2016 for the Robert Moses Niagara Power Project and Transmission that was refunded with Fixed Rate Bonds in 2016.

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.

Scheduled Debt Service Payments (Accrual Basis)

Outstanding (Issued) Debt

	Principal	Interest	Total
2013	$90,105,056	$60,323,751	$150,428,806
2014	$87,885,792	$58,670,814	$146,556,606
2015	$75,483,681	$56,523,436	$132,007,117
2016	$81,491,861	$54,665,822	$136,157,683

Proposed Debt

	Principal	Interest	Total
2013	-	$288,115	$288,115
2014	-	$1,707,484	$1,707,484
2015	-	$4,643,993	$4,643,993
2016	$218,667	$11,830,472	$12,049,139

Total Debt

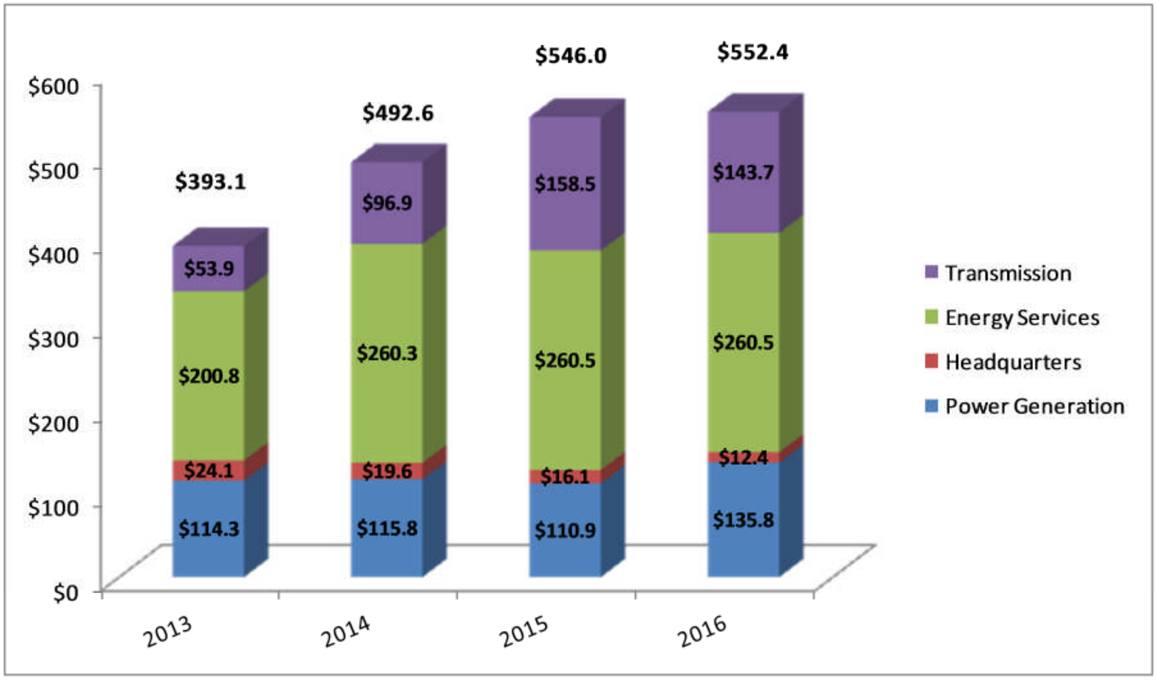
	Principal	Interest	Total
2013	$90,105,056	$60,611,866	$150,716,921
2014	$87,885,792	$60,378,298	$148,264,089
2015	$75,483,681	$61,167,429	$136,651,109
2016	$81,710,528	$66,496,294	$148,206,822

(m) Capital Investments and Sources of Funding

The Authority currently estimates that it will expend approximately $2 billion for various capital improvements over the financial period 2013-2016. 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 thousands)	2013	2014	2015	2016
Transmission Life Extension & Modernization (LEM)	$ 25,424	$ 36,126	$ 80,500	$ 81,000
Lewiston Pump Generation Plant (LEM)	$ 49,916	$ 54,795	$ 47,609	$ 55,330
MA1 & MA2 Line - 230 kV Replacement	$ 328	$ 10,532	$ 38,618	$ 54,417
Marcy South Series Compensator	$ 617	$ 25,949	$ 31,000	$ -
Replacement of Superstructure Bridges at RMNPP	$ 94	$ 840	$ 431	$ 20,331
Blenheim Gilboa Relicensing	$ 1,963	$ 6,292	$ 6,791	$ 6,790
St. Lawrence Generator Step-Up Transformer Replacement	$ 203	$ 5,827	$ 5,872	$ 6,860
St. Lawrence Stator Rewinds	$ 363	$ 366	$ 7,190	$ 7,466
St. Lawrence Headgate Automation	$ -	$ 3,501	$ 5,921	$ 5,604
All Other Capital Projects	$ 113,370	$ 88,045	$ 61,543	$ 54,123
Total Energy Services	$ 200,793	$ 260,305	$ 260,519	$ 260,454
GRAND TOTAL	**$ 393,071**	**$ 492,578**	**$ 545,994**	**$ 552,375**

2013-2016 Capital Investments by Function
(in millions)



Certification of Assumptions and Method of Estimation for Budget and Financial Plan 2013-2016 in accordance with the Comptroller's Regulation § 203.9 Certification

December 18, 2012

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 Method of Estimation for Budget and Financial Plan 2013-2016" 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.

Edward Welz
Chief Operating Officer

Donald A. Russak
Chief Financial Officer

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New York Power Authority
Generating more than electricity