

New York Power Authority
Report of the Chief Financial Officer
For the Month Ended January 31, 2010



Report of the Chief Financial Officer For the Month Ended January 31, 2010 Executive Summary

Results of Operations

Net income for the month ended January 31, 2010 was \$37.6 million which was \$0.2 million less than anticipated primarily due to lower net margins on sales (\$8.6 million) substantially offset by higher non-operating income (\$7.4). Net margins were lower at Niagara primarily due to lower prices on market-based sales. At Niagara, average energy prices for sales into the market were approximately 16% lower than budgeted and capacity prices were 34% below budget. This negative variance was partially offset by positive results at St. Lawrence resulting mainly from higher sales due to higher net generation. Non-operating income included the positive impact of an unrealized gain (\$6.3 million) on the Authority's investment portfolio due to a decrease in market interest rates during the month as well as lower costs on variable rate debt.

Year-end Projection

Significant changes in hydrologic and market conditions since the development of the forecast in late November have resulted in a downward adjustment in the year-end 2010 net income projection to \$266 million, \$42 million below the budget for the year of \$308 million. The two principal drivers of this change are lower lake levels and lower market prices. Precipitation over the Great Lakes during the past three months has been recorded at 52%, 92% and 41% of long-term average, respectively. This has resulted in a lowering of the net generation projection at Niagara and St. Lawrence by 0.6 twh and a projected net income reduction of approximately \$25 million. Based on the forward energy curve at January 22, 2010, market prices for energy and capacity are presently projected to be about 6% to 10% below the budget resulting in an estimated \$15 million reduction to projected net income.

Cash & Liquidity

The Authority ended the month of January with total operating funds of \$1,023 million as compared to \$907 million at the end of 2009. The increase of \$116 million was in line with financial plan projections and was primarily attributed to the Value Sharing payment of \$72 million received from Entergy on January 15th. Looking forward, we are anticipating the operating fund balance to decrease to \$885 at the end of the 1st quarter reflecting scheduled debt service payments and a \$107 voluntary contribution to New York State if reaffirmed as feasible and advisable by the Authority's Trustees.

Enterprise Risk

At the January 13, 2010 ERC meeting, the draft mitigation plan for Counterparty Credit Default was presented by the risk owner and approved by the Enterprise Risk Committee. The Counterparty Credit default mitigation plan presentation identified the current state, conditions and consequences, strategies considered to mitigate the risk, the selected risk mitigation strategy, and supporting actions. Additional meeting items included verification of risk mitigation plans for the four remaining prioritized critical risks and the Governance, Risk, and Compliance (GRC) software procurement status.

GRC software is a common data and reporting platform to be used by the Authority's Enterprise Risk Management, Ethics & Compliance, and Internal Audit groups that will serve as an organization-wide integrated risk repository as well as a repository for audit work papers and compliance with policies, laws and regulations. The GRC software procurement effort was successfully completed in January 2010. Software design and workflow configuration work is currently underway with the various NYPA departments and the project is on schedule for software rollout to occur in early April 2010. The Enterprise Risk team continues to work with Risk Owners and Supporting Risk Owners to complete mitigation plans.

Energy Risk

At January 31, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of \$203.4 million for financial contracts extending through 2017. For the month ended January 31, 2010, financial energy derivative settlements resulted in a gain of \$0.5 million.

Net Income
Month ended January 31, 2010
(\$ in millions)

	Actual	Budget	Variance
Niagara	\$12.2	\$22.4	(\$10.2)
St. Lawrence	3.3	1.9	1.4
BG	(0.1)	1.2	(1.3)
SENY	4.2	4.3	(0.1)
SCPP	(2.6)	(1.7)	(0.9)
Market Supply Power	(2.3)	(3.1)	0.8
Flynn	2.7	1.3	1.4
Transmission	3.7	2.7	1.0
Other	16.5	8.8	7.7
Total	\$37.6	\$37.8	(\$0.2)

Major Factors

**Better
(Worse)**

Niagara

(\$10.2)

Primarily lower revenues on market based sales (\$8.1) due to lower prices and lower regulation revenues (\$0.7). Average energy prices for sales into the market were approximately 16% lower than budgeted (\$39/mwh) actual vs. \$55/mwh budgeted). Capacity prices were also 34% below budget. Regulation revenues were below budget primarily due to lower prices.

St. Lawrence

1.4

Higher volume of sales (7% higher generation) offset by lower prices.

B-G

(1.3)

Lower net revenues as a result of reduced generation due to the limited price differential between peak and off-peak energy prices.

SCPP's

(0.9)

Primarily higher site O&M due to outage work at Vernon Blvd (budgeted in March).

Flynn

1.4

Lower than anticipated fuel costs due to lower prices on natural gas and less than anticipated consumption of oil resulting in increased margins on fuel.

Other facilities

1.7

Includes lower congestion costs in the Market Supply Power market area.

Other

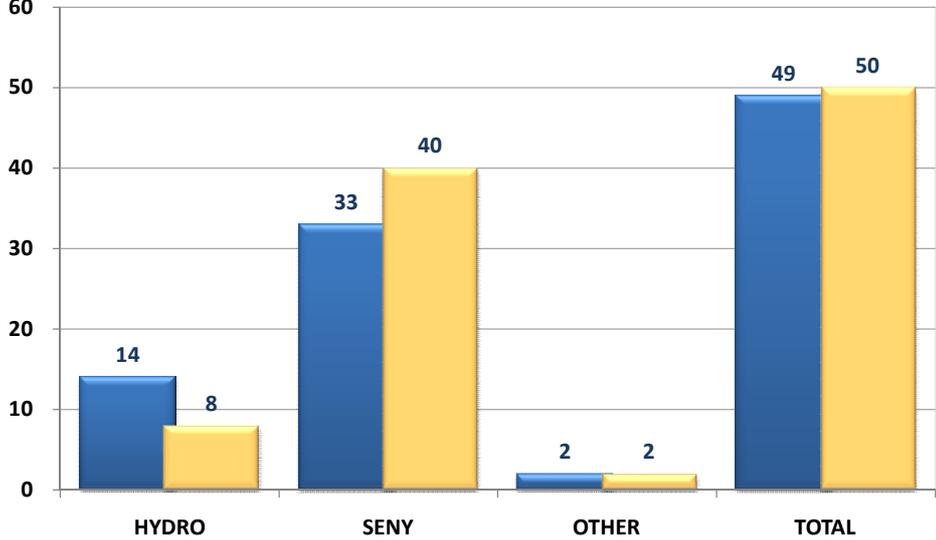
7.7

Primarily a mark-to-market gain (\$5.8) on Authority's investment portfolio due to a decrease in market interest rates during the month.

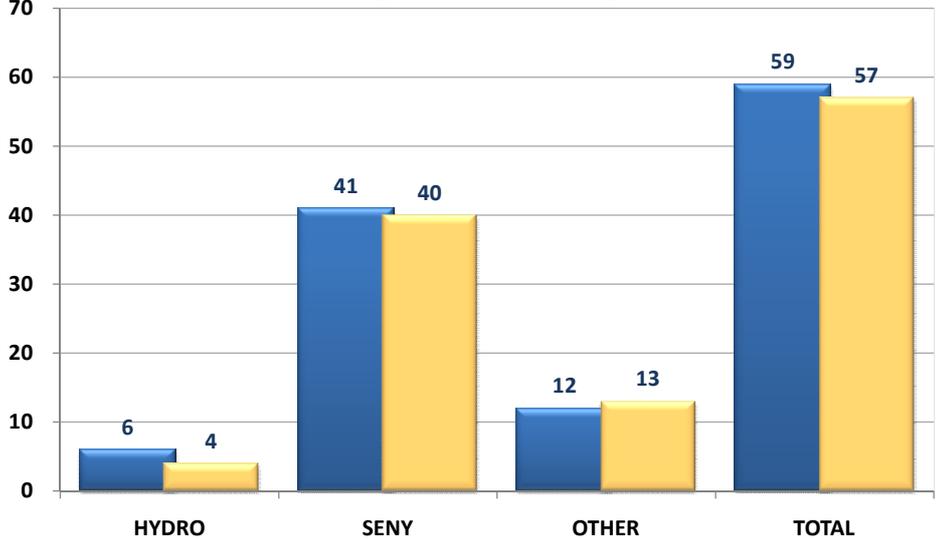
Total

(\$0.2)

Market-Based Power Energy Sales Month ended January 31, 2010 (\$ in millions)



Market-Based Power Energy Purchases Month ended January 31, 2010 (\$ in millions)



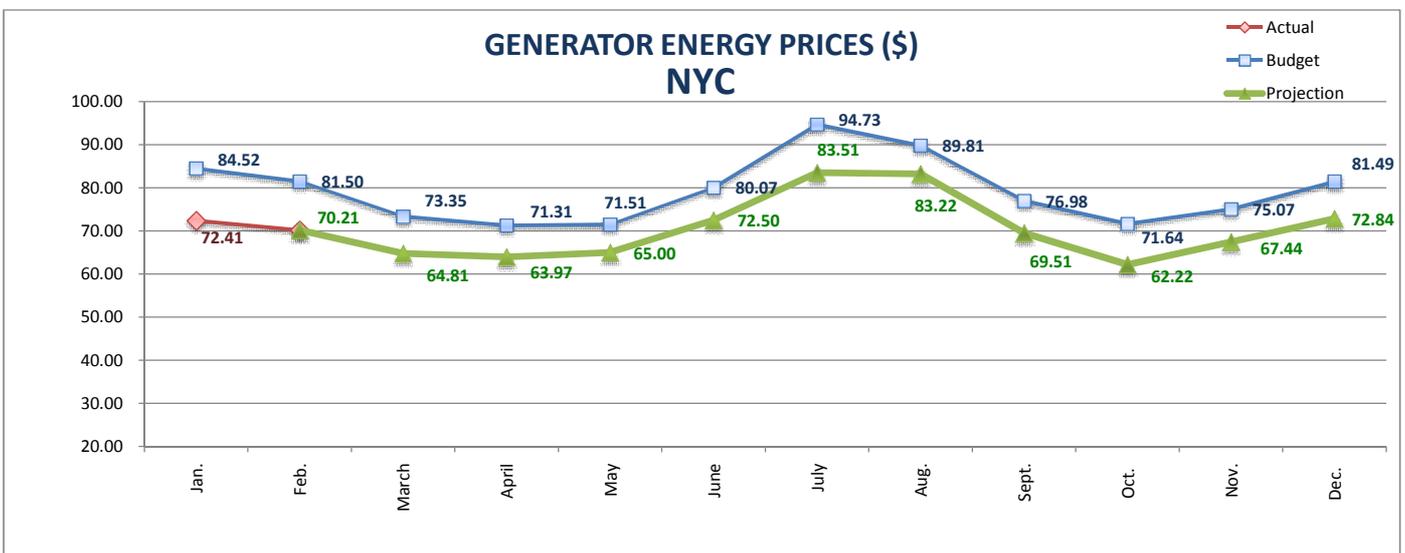
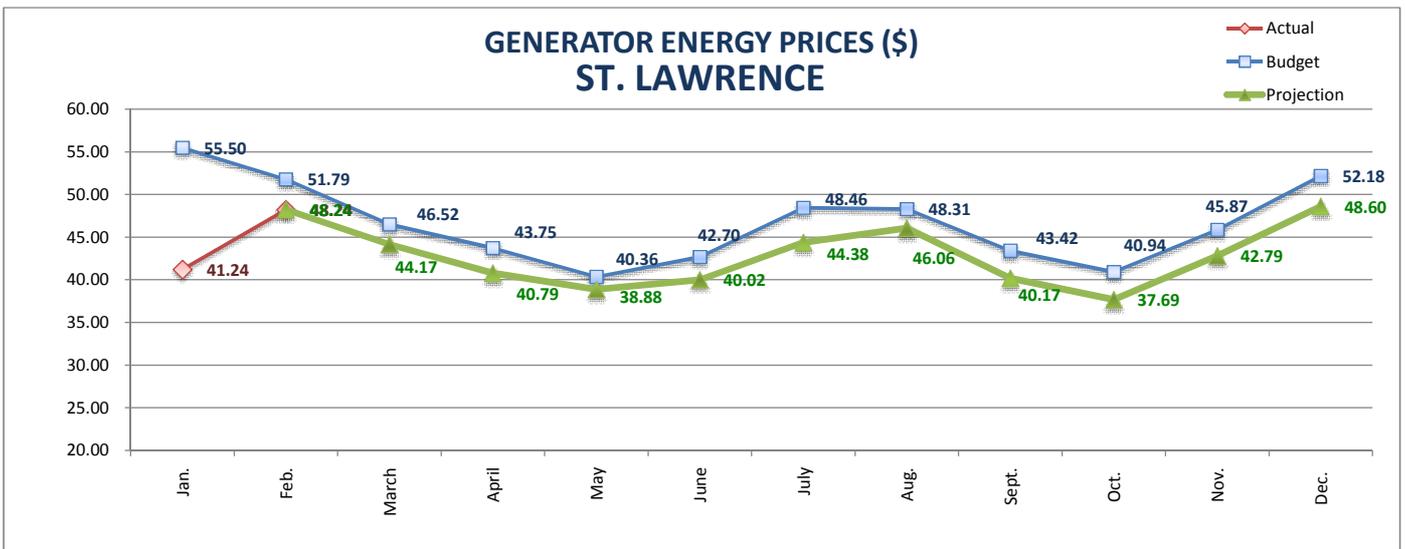
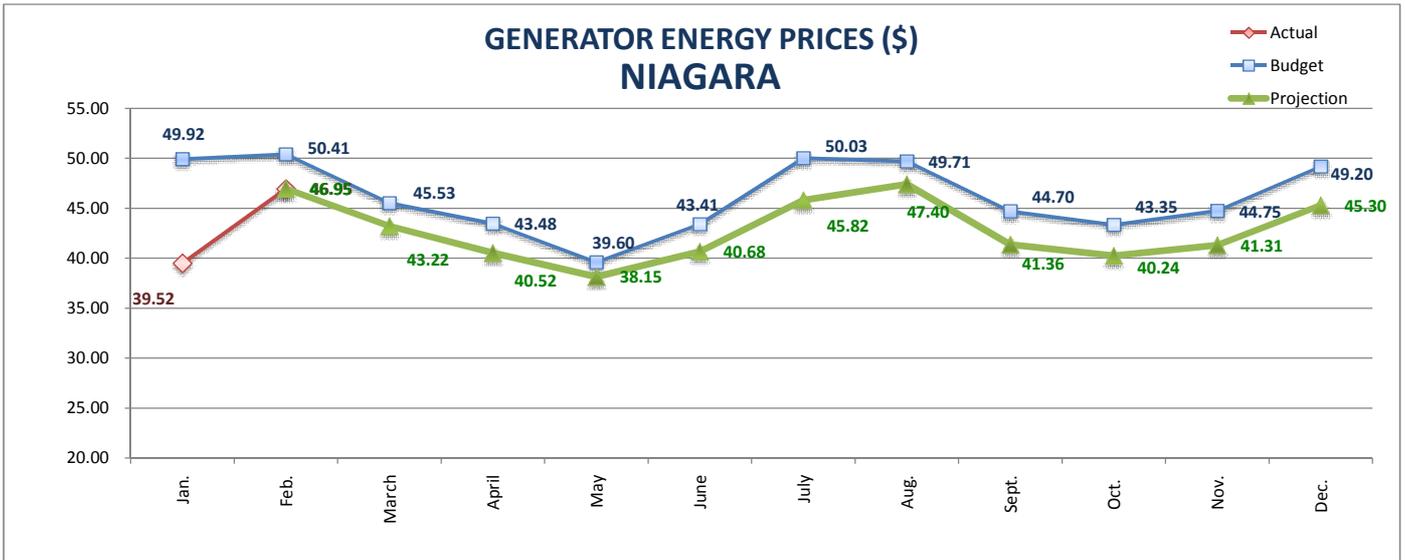
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	204,696	159,802
Fossil	316,814	420,647
MSP	50,071	55,499
TOTAL	571,581	635,948
PRICES (\$/MWH)		
Hydro*	\$66.22	\$48.13
Fossil	\$105.14	\$95.50
MSP	\$47.13	\$42.57
AVERAGE	\$86.13	\$78.97

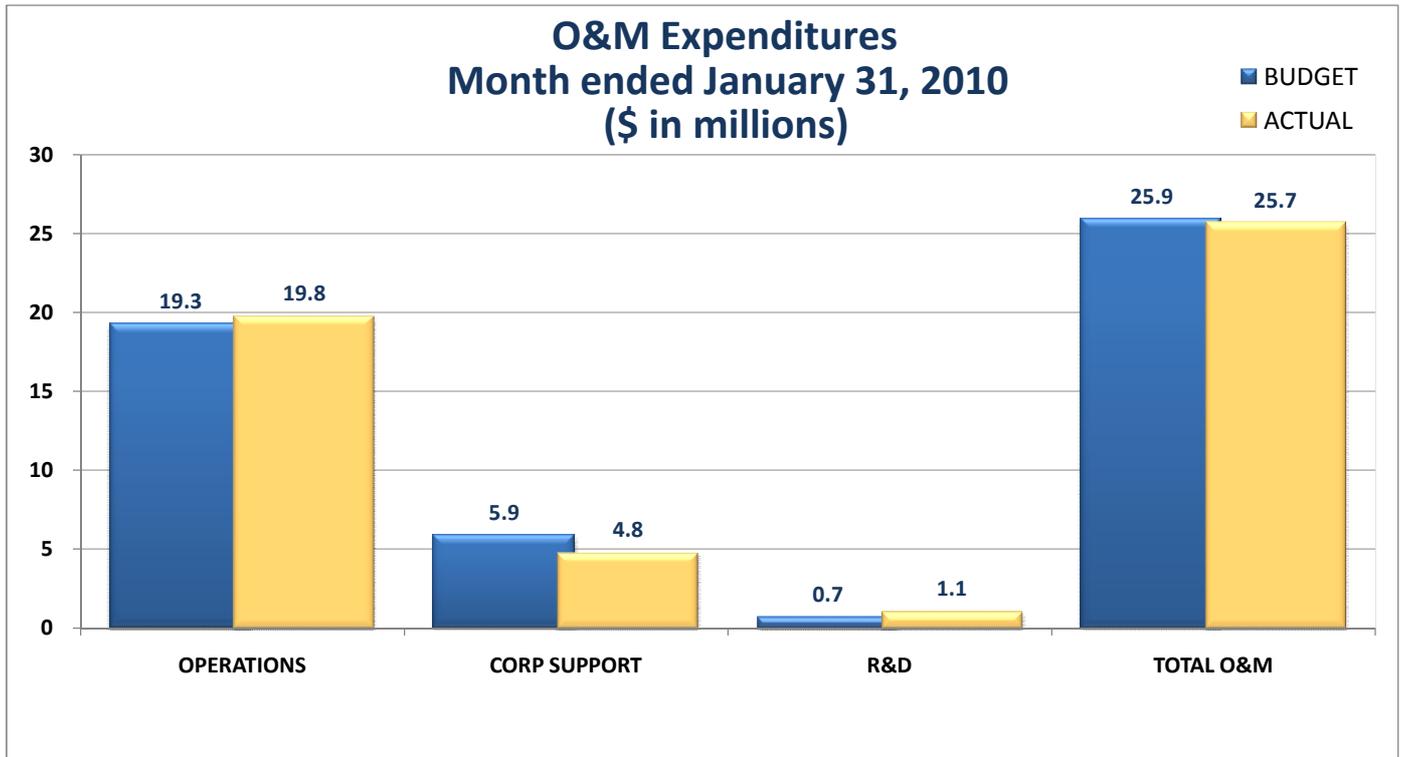
* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	66,617	80,707
St. Law.	41,668	42,051
PRICES (\$/MWH)		
Niagara	\$54.93	\$39.40
St. Law.	\$55.49	\$41.26

COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	157,006	104,174
SENY	755,382	779,515
Other	254,207	259,060
TOTAL	1,166,595	1,142,749
COSTS (\$/MWH)		
Hydro	\$38.75	\$33.66
SENY	\$54.26	\$52.29
Other	\$47.08	\$49.47
AVERAGE	\$50.61	\$49.96

RESULTS OF OPERATIONS
Energy Prices
Actual vs Budget

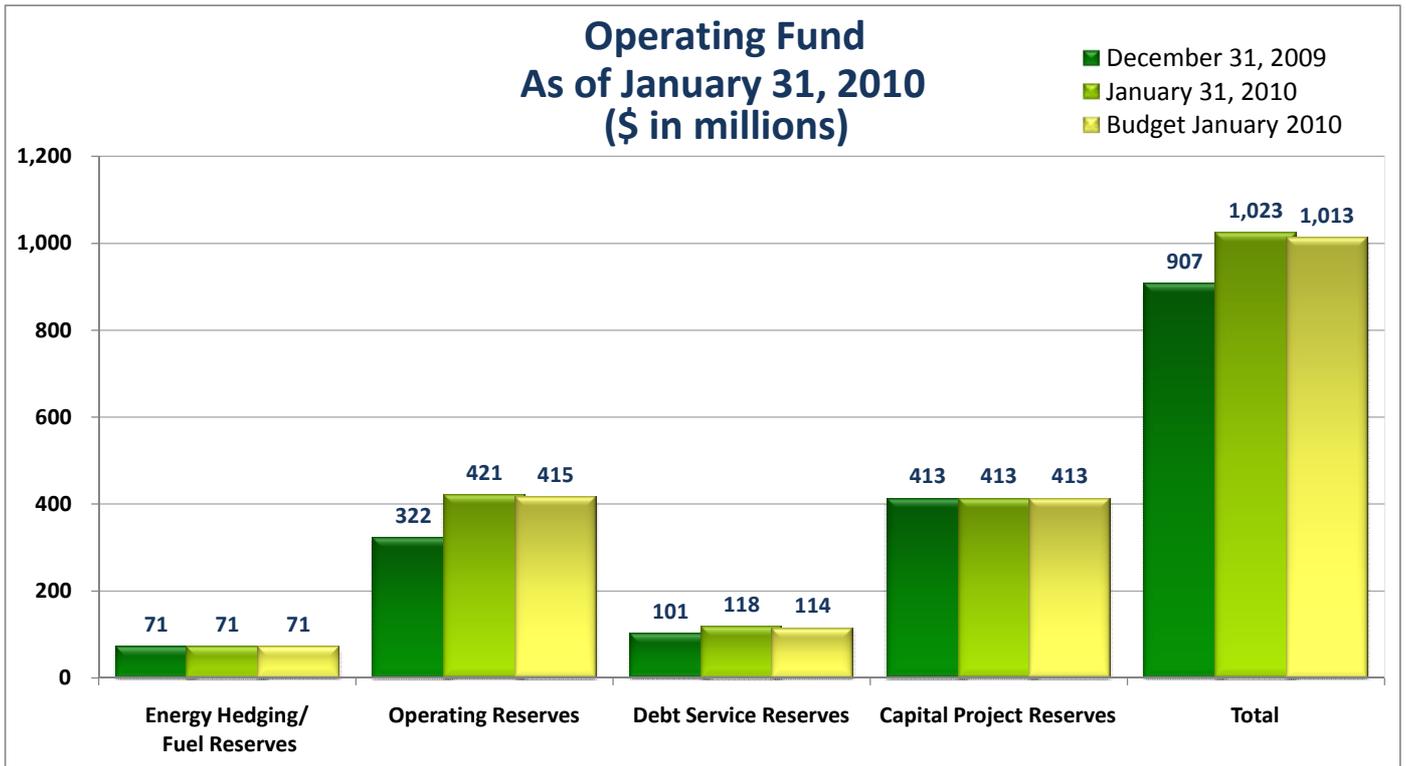




- For January, O&M expenses were \$0.2 lower than the budget.
- Corporate Support expenses were under budget by \$1.1 due mostly to timing differences related to spending for corporate support building maintenance, business customer energy efficiency audits and legal consultants.
- Operations expenditures were \$0.5 higher than budgeted due to higher expenditures at the SCPP's, resulting from charges for outage work at Vernon Blvd.

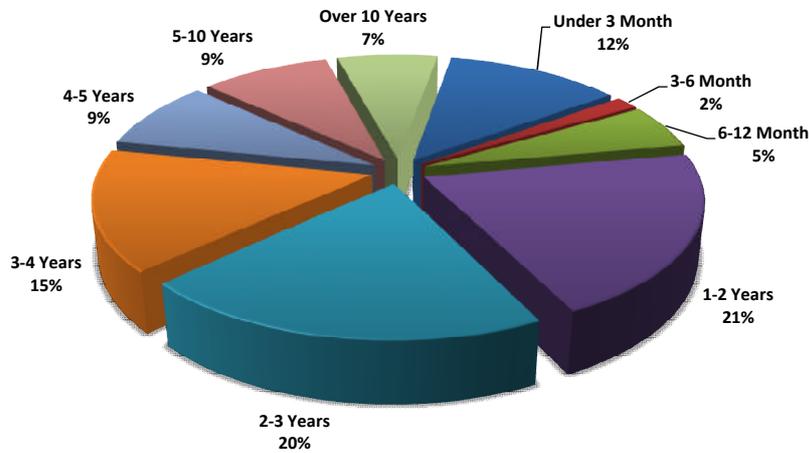
Other significant variances

The \$7.4 favorable variance in non-operating income results primarily from a mark-to-market gain on the Authority's investment portfolio (\$5.8) due to a decrease in market interest rates during the month. The budget anticipated a \$0.5 loss. In addition, January activity reflected lower than anticipated rates on NYPA's variable rate debt.



The increase in the January operating reserve balance resulted primarily from the receipt of a \$72 million payment from Entergy, relating to the Value Sharing Agreement.

**Maturity Distribution
As of January 31, 2010**

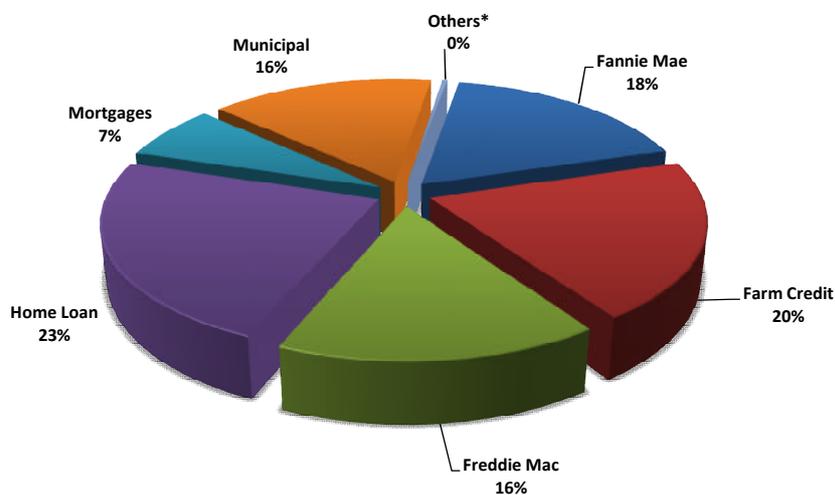


MATURITY DISTRIBUTION

(\\$ in millions)

Under 3 Months	\$132.5
3-6 Months	17.5
6-12 Months	60.5
1-2 Years	223.8
2-3 Years	221.0
3-4 Years	165.1
4-5 Years	94.4
5-10 Years	97.4
Over 10 Yrs	75.9
Total	\$1,088.0

**Asset Allocation
As of January 31, 2010**

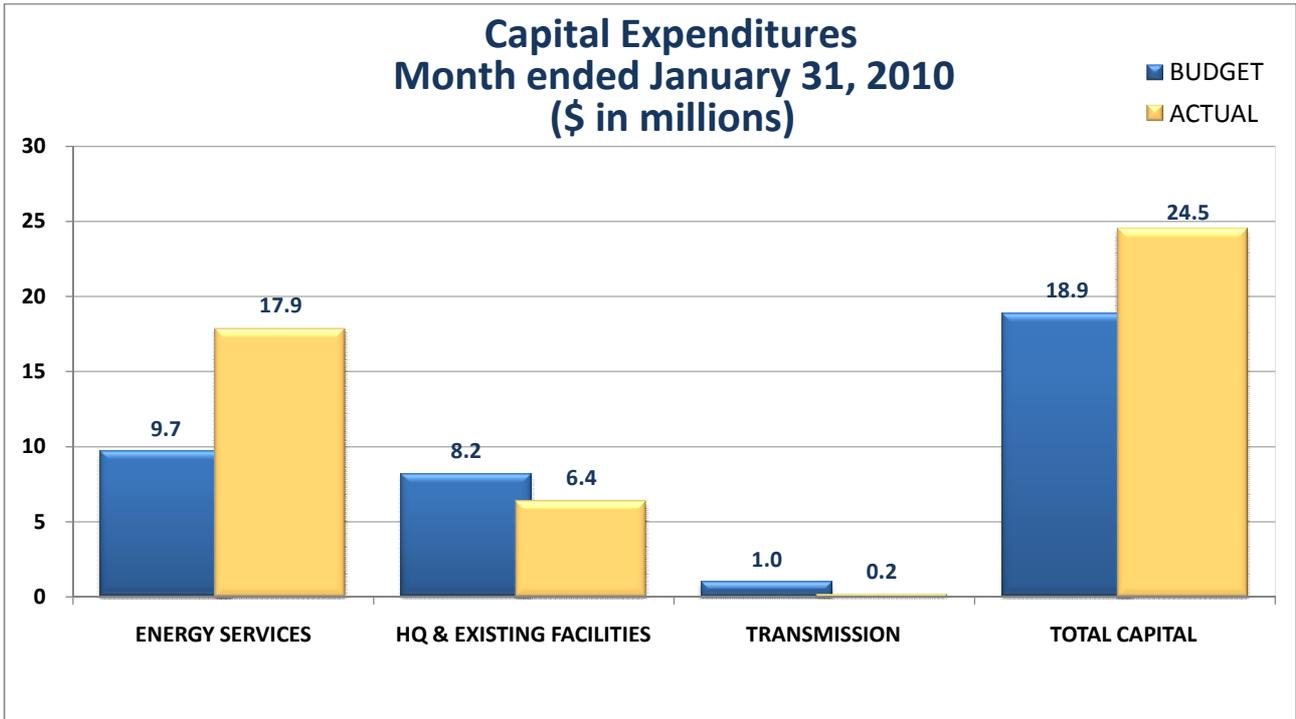


ASSET ALLOCATION

(\\$ in millions)

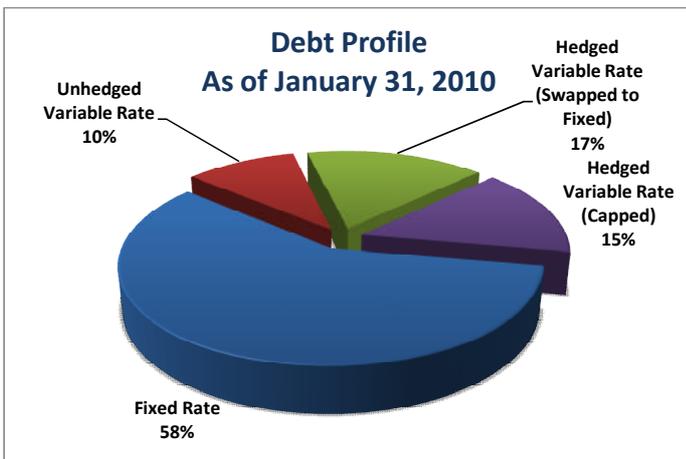
Farm Credit	\$190.9
Home Loan	218.7
Freddie Mac	173.4
Fannie Mae	254.9
MORTGAGES	76.4
MUNI	170.2
OTHERS*	3.6
	\$1,088.0

*Includes CDs and Repos



- Lower capital expenditures at HQ and Existing Facilities were primarily due to timing differences related to B-G life extension and modernization project.
- Energy Services expenditures exceeded the budget due to accelerated construction activity related to NYCHA's Castle Hill Boiler and CUNY & Brooklyn College Steel Trap Replacement Project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$9.3 for January as follows:

Niagara Switchyard Fan Building Upgrade	\$0.9
IT Initiatives	\$2.9
Fuel Cell Restacking	\$3.0
Crescent Trashrake Replacement	\$1.1
Vischer Ferry Trashrake Replacement	\$1.1
500 MW Replacement of Inlet Air Filters	\$0.3



DEBT PROFILE	
(\$ in millions)	
Fixed Rate	\$1,173.4
Unhedged Variable Rate	206.5
Hedged Variable Rate (Swapped)	331.7
Hedged Variable Rate (Capped)	300.0
Total	\$2,011.6



ENERGY DERIVATIVES

Results

For the month ended January 31, 2010, financial energy derivative settlements resulted in a gain of \$0.5 million. For calendar year 2009, financial energy derivative settlements resulted in a loss of \$178.8 million. Of that amount, \$161.7 million (over 90%) is subject to customer cost recovery mechanisms. The remainder is born by the Authority.

Calendar Year 2009 Energy Derivative Settlements and Year-End Fair Market Valuation *(\$ in millions)*

	Settlements	Fair Market Value			Total
	2009	2010	2011	>2011	
NYP&A	(\$17.1)	\$1.9	-	-	\$1.9
Customer Contracts	(161.7)	(35.8)	(29.4)	(67.4)	(\$132.6)
Total	(\$178.8)	(\$33.9)	(\$29.4)	(\$67.4)	(\$130.7)

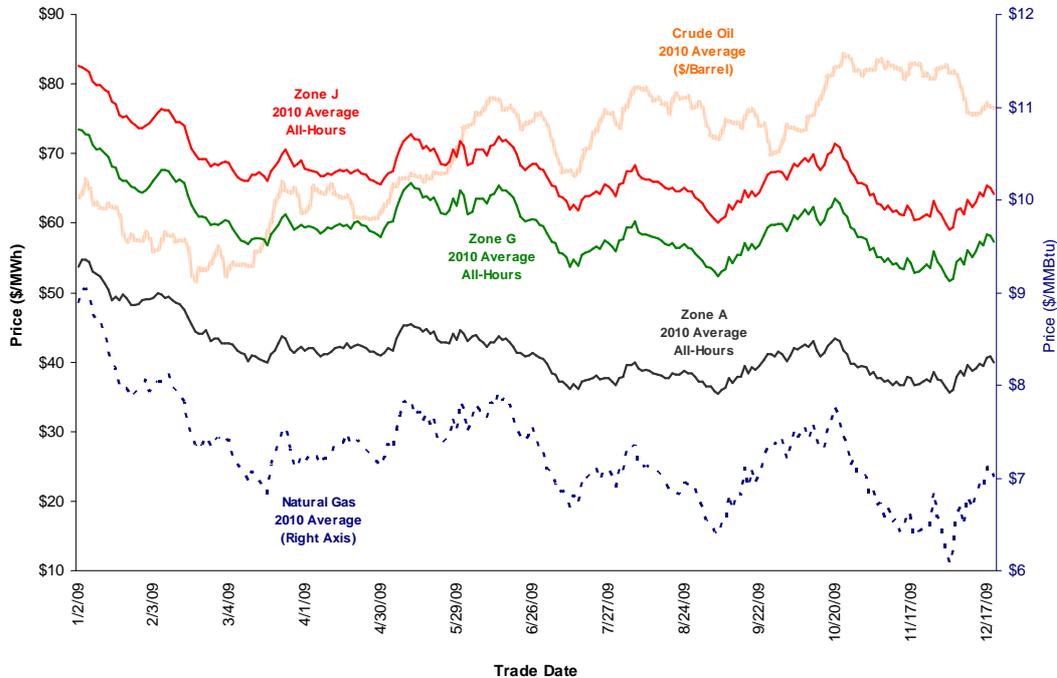
In total, at the end of 2009, the fair market value of outstanding positions was an unrealized loss of \$130.7 million for positions extending through 2017.

Market Summary

The exhibit below shows the average price of January to December 2010 futures contracts and how they traded throughout 2009. While crude oil futures (used solely as a reference – the Authority no longer has generating facilities that utilize fuel oil) saw an upward trend, electric futures in Zone A, G and J and natural gas futures did not track the oil markets and saw relatively flat pricing. Electric energy futures continued to be highly correlated with natural gas futures; price movements were generally synchronized in the same upward or downward direction across commodities.



Average Annual Price of 2010 Commodities as Traded During Year 2009

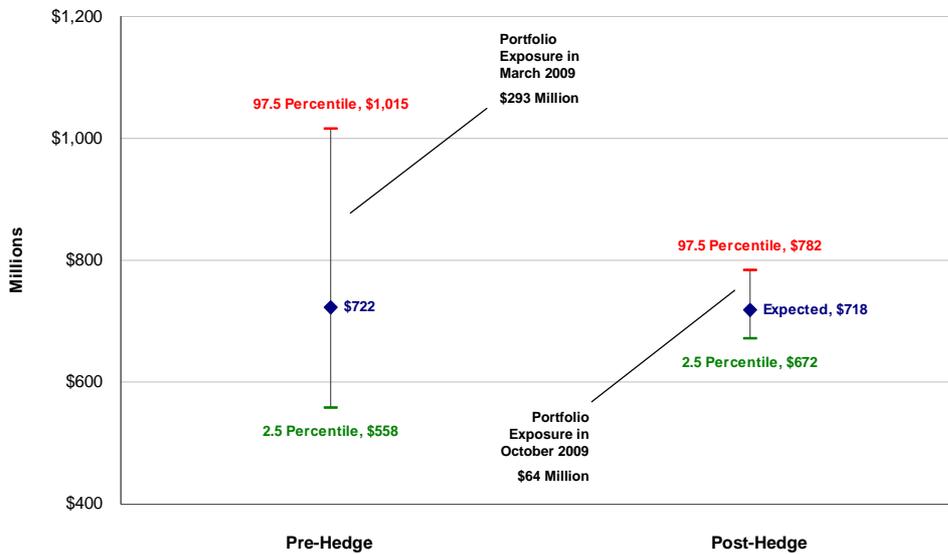


Customer Hedging

Energy and fuel commodities are subject to volatile price fluctuations in response to available supply, market demand and the activities of market participants. To mitigate exposure to price volatility, the Authority enters into energy hedge positions, as requested by or on behalf of its Customers, to secure the purchase cost and/or revenue sale of energy and/or fuel commodities. The Customers understand the value of hedging; that its primary purpose is to manage market price volatility and not to time opportunistic prices.

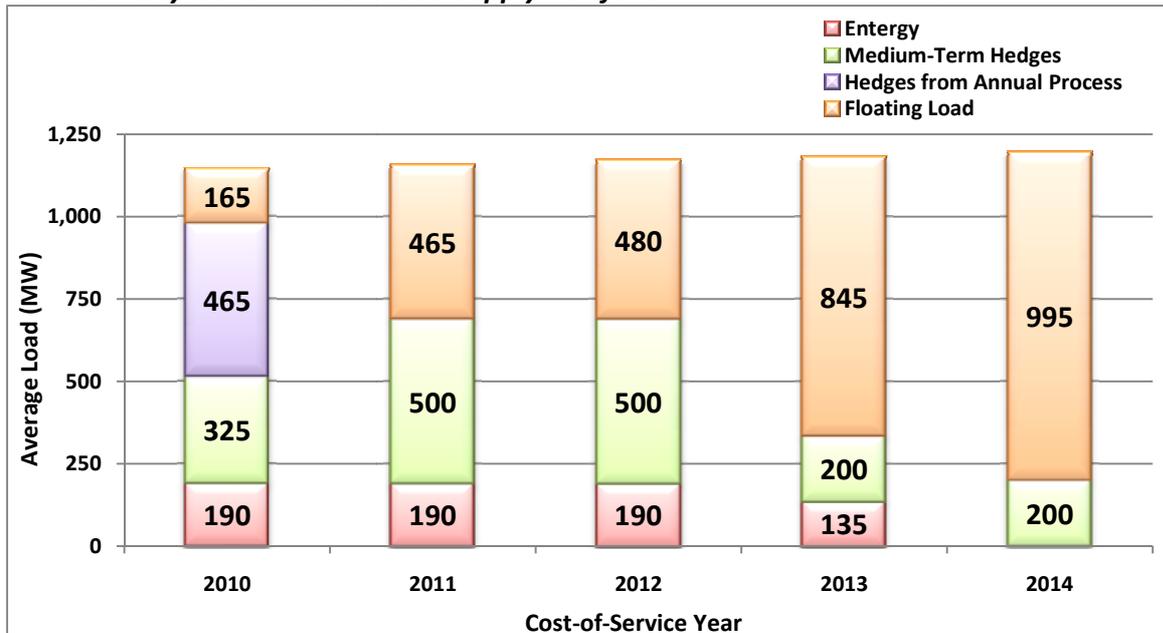
The New York City Government Customers and Authority undertake a joint Annual Planning and Pricing Process to ascertain the rates and recovery mechanisms for the upcoming rate year (rate year 2011 pricing would be determined during 2010). Working collaboratively with the Customers, the risk exposure of the portfolio was ascertained, risk tolerances were defined and an appropriate joint strategy was implemented for the 2010 rate year.

New York City Government Year 2010 Risk Profile – Pre- and Post-Hedge



To illustrate the impact of these hedges, the energy risk for the New York City Government Portfolio was quantified prior and post-transaction execution. In March 2009, the expected cost of serving the 2010 portfolio was \$722 million and was calculated to potentially exceed \$1 billion at the 97.5% percentile confidence level. In October 2009, with hedges in place, the upward price risk exposure of the portfolio has been reduced from \$293 to \$64 million. For the most part, this remaining exposure is due to the open floating position for which the Customer is assuming the risk.

New York City Government – Load Supply Portfolio



STATEMENT OF NET INCOME
For the Month Ended January 31, 2010
(\$ in Millions)

<u>Annual Budget</u>		<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
	Operating Revenues			
\$2,062.3	Customer	\$159.6	\$170.0	(\$10.4)
591.7	Market-based power sales	50.2	49.2	1.0
54.4	Ancillary services	4.8	6.2	(1.4)
102.9	NTAC and other	9.2	8.4	.8
749.0	Total	64.2	63.8	.4
2,811.3	Total Operating Revenues	223.8	233.8	(10.0)
	Operating Expenses			
864.8	Purchased power	67.0	66.2	(.8)
340.8	Fuel consumed - oil & gas	41.1	39.8	(1.3)
91.0	Ancillary services	6.6	7.7	1.1
519.9	Wheeling	32.8	35.2	2.4
312.3	Operations and maintenance	25.7	25.9	.2
160.3	Depreciation and amortization	13.7	13.4	(.3)
141.7	Other expenses	10.6	11.5	.9
(10.4)	Allocation to capital	(.7)	(.5)	.2
2,420.4	Total Operating Expenses	196.8	199.2	2.4
390.90	Net Operating Revenues	27.0	34.6	(7.6)
	Nonoperating Revenues			
88.9	Post nuclear sale income	8.6	8.6	-
53.1	Investment income	4.6	4.4	.2
(5.8)	Mark to market - investments	5.8	(.5)	6.3
136.2	Total Nonoperating Revenues	19.0	12.5	6.5
	Nonoperating Expenses			
107.0	Contributions to New York State	-	-	-
112.3	Interest and other expenses	8.4	9.3	.9
219.3	Total Nonoperating Expenses	8.4	9.3	.9
(83.1)	Net Nonoperating Income (Loss)	10.6	3.2	7.4
\$307.8	Net Income (Loss)	\$37.6	\$37.8	(\$.2)

**New York Power Authority
Financial Reports**

**COMPARATIVE BALANCE SHEETS
January 31, 2010**

Assets	January 2010	January 2009	December 2009
Current Assets			
Cash	\$0.1	\$0.1	\$0.1
Investments in government securities	1,044.6	905.1	913.4
Interest receivable on investments	7.1	8.5	5.8
Accounts receivable - customers	173.8	208.1	158.7
Materials and supplies, at average cost:			
Plant and general	83.6	82.6	82.3
Fuel	25.8	36.2	21.7
Prepayments and other	98.0	206.4	103.8
Total Current Assets	1,433.0	1,447.0	\$1,285.8
Noncurrent Assets			
Restricted Funds			
Investment in decommissioning trust fund	944.9	814.3	942.4
Other	95.3	100.4	94.1
Total Restricted Funds	1,040.2	914.7	1,036.5
Capital Funds			
Investment in securities and cash	180.5	208.7	189.2
Total Capital Funds	180.5	208.7	189.2
Net Utility Plant			
Electric plant in service, less accumulated depreciation	3,334.2	3,359.6	3,347.8
Construction work in progress	151.3	163.7	144.8
Net Utility Plant	3,485.5	3,523.3	3,492.6
Other Noncurrent Assets			
Receivable - NY State	318.0	-	318.0
Deferred charges, long-term receivables and other	641.5	501.8	566.2
Notes receivable - nuclear plant sale	107.6	119.0	170.1
Total other noncurrent assets	1,067.1	620.8	1,054.3
Total Noncurrent Assets	5,773.3	5,267.5	5,772.6
Total Assets	\$7,206.3	\$6,714.5	\$7,058.4
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	\$1,022.7	\$920.7	\$911.0
Short-term debt	286.9	271.6	289.2
Total Current Liabilities	1,309.6	1,192.3	1,200.2
Noncurrent Liabilities			
Long-term Debt			
Revenue bonds	1,192.5	1,232.8	1,192.7
Adjustable rate tender notes	137.5	144.0	137.5
Commercial paper	413.7	469.0	413.3
Total Long-term Debt	1,743.7	1,845.8	1,743.5
Other Noncurrent Liabilities			
Nuclear plant decommissioning	944.9	814.3	942.4
Disposal of spent nuclear fuel	215.8	215.5	215.8
Deferred revenues and other	134.3	140.0	136.0
Total Other Noncurrent Liabilities	1,295.0	1,169.8	1,294.2
Total Noncurrent Liabilities	3,038.7	3,015.6	3,037.7
Total Liabilities	4,348.3	4,207.9	4,237.9
Net Assets			
Accumulated Net Revenues - January 1	2,820.4	2,556.5	2,566.9
Net Income	37.6	(49.9)	253.6
Total Net Assets	2,858.0	2,506.6	2,820.5
Total Liabilities and Net Assets	\$7,206.3	\$6,714.5	\$7,058.4

SUMMARY OF OPERATING RESERVE CASH FLOWS
For the Month Ended January 31, 2010
(\$ in millions)

Operating Reserve	
Opening	\$322.0
Closing	421.0
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Increase/(Decrease)	99.0
 Net Cash Generated from Operations	
Niagara	19.0
St. Lawrence	7.6
Blenheim-Gilboa	2.4
SENY	(4.1)
SCPP	.9
Market Supply Power	(4.3)
Flynn	3.1
Transmission Facilities	12.5
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Total Net Cash Generated from Operations	37.1
 (Uses)/Sources	
Utility Plant Additions	(5.6)
Debt Service (Principal & Interest)	(10.2)
Investment Income	2.8
Fuel Margin Reserves	-
Entergy Payment (Value Sharing Agreements)	72.0
Other	2.9
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Total (Uses)/Sources	61.9
 Net Decrease in Operating Reserve	 99.0