New York Power Authority

Report of the Chief Financial Officer

For the Nine Months Ended September 30, 2010

Report of the Chief Financial Officer
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Executive Summary

Results of Operations

Net income for the nine months ended September 30, 2010, was $142.0 million which was $78.4 million lower than the budget. Through September, negative variances attributable to lower margins on sales ($82.2 million) and a higher than anticipated voluntary contribution to New York State ($40 million) were partially offset by positive variances including lower O&M ($20 million) and higher non-operating income ($21.1 million). The net margin on sales was $59.3 million lower at Niagara due to lower production (5%) and lower prices on market-based sales (10%). Negative variances in margins were also significant at St. Lawrence ($10.5 million, lower prices) and Blenheim-Gilboa ($13.8 million, lower volumes sold and lower capacity prices). O&M expenses were lower primarily due to timing differences related to maintenance work at Niagara, St. Lawrence, and the Transmission facilities. Non-operating income included a positive variance resulting from a mark-to-market gain on the Authority's investment portfolio due to a decrease in market interest rates and lower costs on variable rate debt.

Net income through September 2010 was $60.7 million lower than the comparable period in 2009 ($202.7 million). The negative impact of higher voluntary contributions to New York State during the period ($77 million) was partially offset by higher investment income ($10.1 million) due to mark-to-market gains, and a higher net margin on sales ($7.4 million). The higher net margin on sales included improved results at the SCPP's ($31 million) due to higher volumes sold to the ISO partially offset by a lower net margin at Niagara ($17 million) due to lower production. Generation at the SCPP's was much higher than the prior year due to warmer weather in 2010 and several planned and unplanned outages in 2009.

Year-end Projection

Year-end net income is projected to be $181 million, which is $5 million higher than August's projection and $127 million below the official budget. The month-to-month change is primarily attributed to favorable results at SENY partially offset by the recognition of expenses associated with the early transfer of the Tri Lakes transmission line to National Grid.

The primary drivers of the year-end variance to the official budget continue to be lower hydro flows; lower market prices for both energy and capacity; and an additional $40 million voluntary contribution to New York State. Hydro generation, at approximately 19.6 TWh, remains about 1 TWh below forecast and has a negative impact of approximately $38 million on 2010 net income. The impact of lower energy prices and lower capacity prices results in a further annual net income reduction of approximately $51 million. Other factors negatively affecting net income for 2010 are the accelerated transfer of transmission assets to National

Grid ($6.7 million), the continuation of the hydro rate freeze ($7.5 million) and the Flynn outage ($5.3 million). These factors were partially offset by: higher non-operating income ($23 million); lower O&M expenses ($7 million); and lower spending related to the renewable energy program ($6 million).

Cash & Liquidity

The Authority ended the month of September with total operating funds of $1.043 billion as compared to $907 million at the end of 2009. The increase of $136 million was primarily attributed to positive net cash provided by Operating Activities and the Value Sharing payment of $72 million received from Entergy on January 15th partially offset by voluntary contributions to New York State totaling $159.5 million and scheduled debt service payments. Looking forward, we are anticipating the operating fund balance to generally track the lower net income results. The year-end operating fund balance is currently projected to be $1.036 billion, an increase of $129 million during the year, but approximately $100 million below budgeted level.

Energy Risk

At September 30, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of $305 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a realized net loss of $45 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are incorporated into and recovered through customer rates.

Net Income
Nine Months ended September 30, 2010
($ in millions)

	Actual	Budget	Variance
Niagara	$85.7	$138.1	($52.4)
St. Lawrence	39.2	41.5	(2.3)
Blenheim-Gilboa	0.2	14.3	(14.1)
SENY	41.0	38.8	2.2
SCPP	27.0	25.7	1.3
Market Supply Power	(34.9)	(41.6)	6.7
Flynn	10.6	12.7	(2.1)
Transmission	18.9	18.9	-
Non-facility*	(45.7)	(28.0)	(17.7)
Total	**$142.0**	**$220.4**	**($78.4)**

Major Factors **(Worse)**

Niagara ($52.4)

Lower net margins on sales ($59) partially offset by lower O&M ($5.1). Lower margins primarily due to lower volumes available resulting from lower generation (5%) and lower average energy prices for sales into the market (10% below budgeted - $42/mwh actual vs. $47/mwh budgeted).

St. Lawrence (2.3)

Lower net margins ($10.5) resulting from lower prices on sales into the market partially offset by lower O&M and other expenses ($8.9) due to timing differences in non-recurring projects and the North Country Stimulus program.

Blenheim-Gilboa (14.1)

Lower net margin due to lower energy sales (limited price differential between peak and off-peak energy prices) and lower capacity prices.

Market Supply Power 6.7

Includes positive variance due to lower Power for Jobs rebates (based on lower market prices).

Transmission -

A positive variance in O&M ($5.0) due to timing differences in maintenance, and lower interest costs ($1.0) were offset by the accelerated recognition of the non-cash write-off related to the Tri-Lakes transmission line ($6.7).

Other facilities 1.4

Non-facility (including investment income) (17.7)

Additional $40 voluntary contribution to NY State in August partially offset by a positive variance related to a mark-to-market gain ($19.6) on Authority's investment portfolio due to a decrease in market interest rates.

Total **($78.4)**

Net Income
Nine Months ended September 30, 2010 and September 30, 2009
($ in millions)

	2010	2009	Variance Favorable/ (Unfavorable)
Operating Revenues	**1,969.1**	**1,961.5**	**7.6**
Operating Expenses			
Fuel consumed - oil & gas	169.1	273.8	104.7
Purchased power	720.8	691.2	(29.6)
Wheeling	406.8	331.5	(75.3)
	1,296.7	1,296.5	.2
Net Margin	**672.4**	**665.0**	**7.4**
Operations and maintenance	207.8	214.6	6.8
Other expenses	104.9	95.3	(9.6)
Depreciation and amortization	120.4	121.8	1.4
Net Operating Income	**239.3**	**233.3**	**6.0**
Investment and other income	109.0	120.6	(11.6)
Mark to Market Adjustment	15.2	(6.5)	21.7
Total Nonoperating Income	**124.2**	**114.1**	**10.1**
Contributions to New York State	147.0	70.0	(77.0)
Interest and other expenses	74.5	74.7	.2
Total Nonoperating Expenses	**221.5**	**144.7**	**(76.8)**
Net Nonoperating Income (Loss)	**(97.3)**	**(30.6)**	**(66.7)**
Net Income	**$142.0**	**$202.7**	**($60.7)**

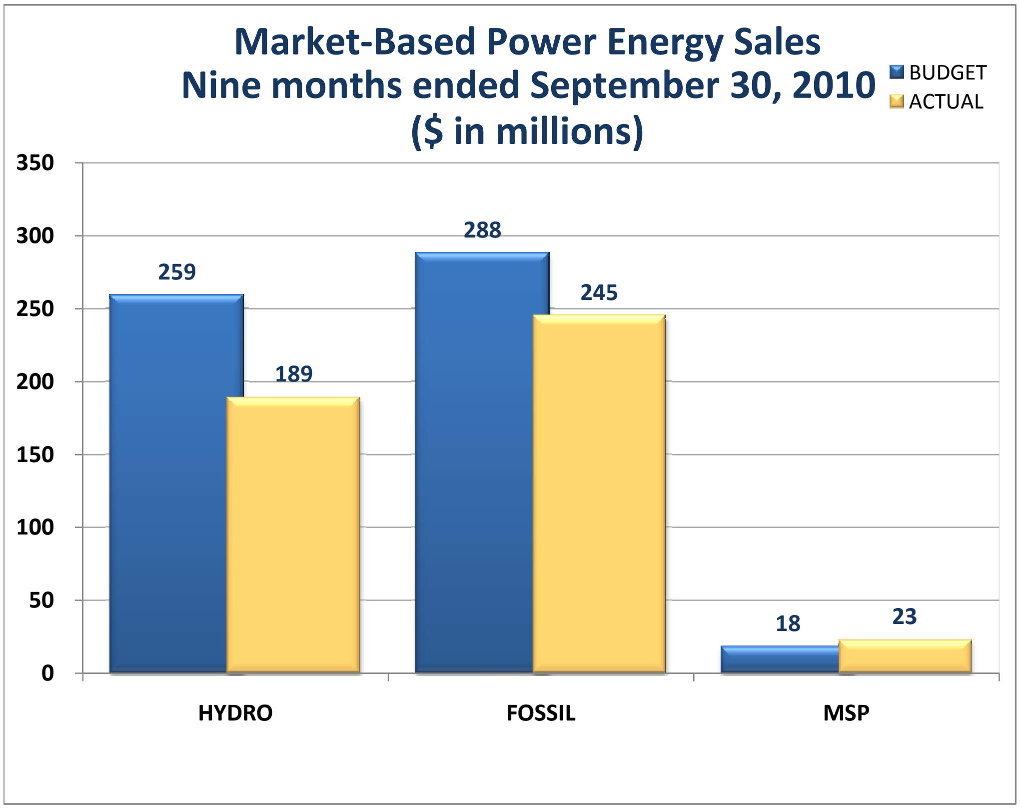
Net income through September 2010 ($142) was $60.7 lower than the comparable period in 2009 ($202.7). The negative impact of higher voluntary contributions to New York State during the period ($77) was partially offset by higher investment income ($10.1) due to mark-to-market gains, and a higher net margin on sales ($7.4).

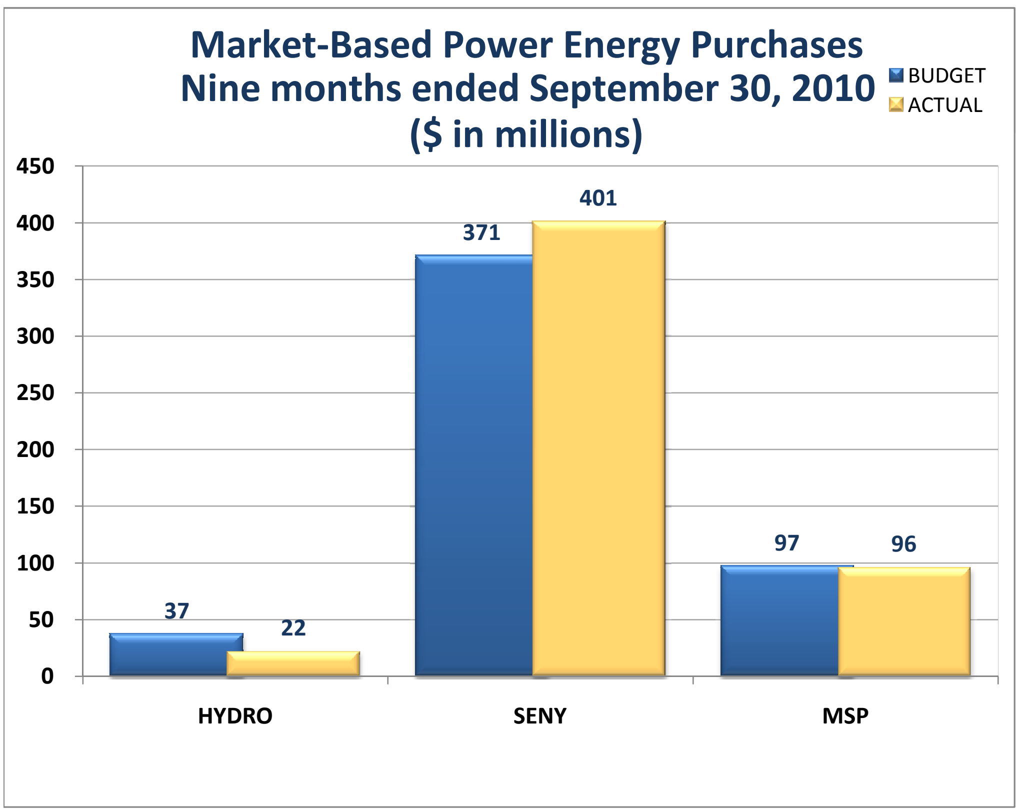
Lower fuel costs and higher purchased power expenses in 2010 were substantially attributable to changes in the resources utilized to serve the SENY governmental customers necessitated by the retirement of the Poletti plant. Wheeling expenses increased due to a Con Ed rate increase for delivery service. The majority of these cost variations are offset through revenues as variances are passed through to customers through rates. On a net basis, margins on sales increased slightly in 2010 reflecting improved performance by the Small Clean Power Plants ($31) partially offset by a lower margin at Niagara ($17) due to lower production. Generation at the SCPP's was higher in 2010 as the plants had experienced several planned and unplanned outages in 2009.

Higher non-operating income in 2010 reflects a higher mark-to-market gain on NYPA's investment portfolio due to lower market interest rates partially offset by lower interest income. Other income in 2009 also included non-recurring Insurance recoveries related to 2008 events.

Non-operating expenses in 2010 were higher than the prior year ($76.8) due to higher voluntary contributions to the State. A voluntary contribution of $70 was made in 2009. Voluntary contributions to the State in 2010 include $107 made in March for the State's 2009/10 fiscal year and $40 made in August for the State's 2010/2011 fiscal year.

RESULTS OF OPERATIONS





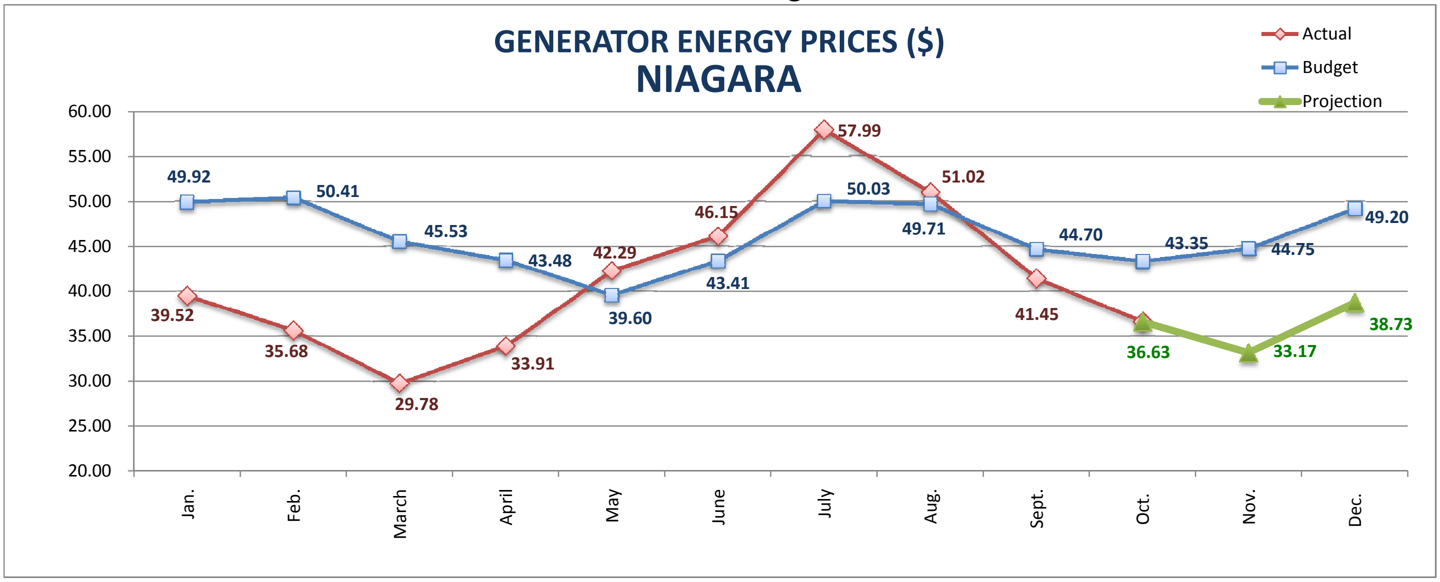
REVENUES		
SALES (MWH)		
	BUDGET	**ACTUAL**
Hydro*	4,384,054	3,676,530
Fossil	2,996,267	3,016,017
MSP	411,011	541,329
TOTAL	7,791,332	7,233,876
PRICES ($/MWH)		
Hydro*	$59.00	$51.43
Fossil	$96.18	$81.33
MSP	$43.03	$41.62
AVERAGE	$72.46	$63.16

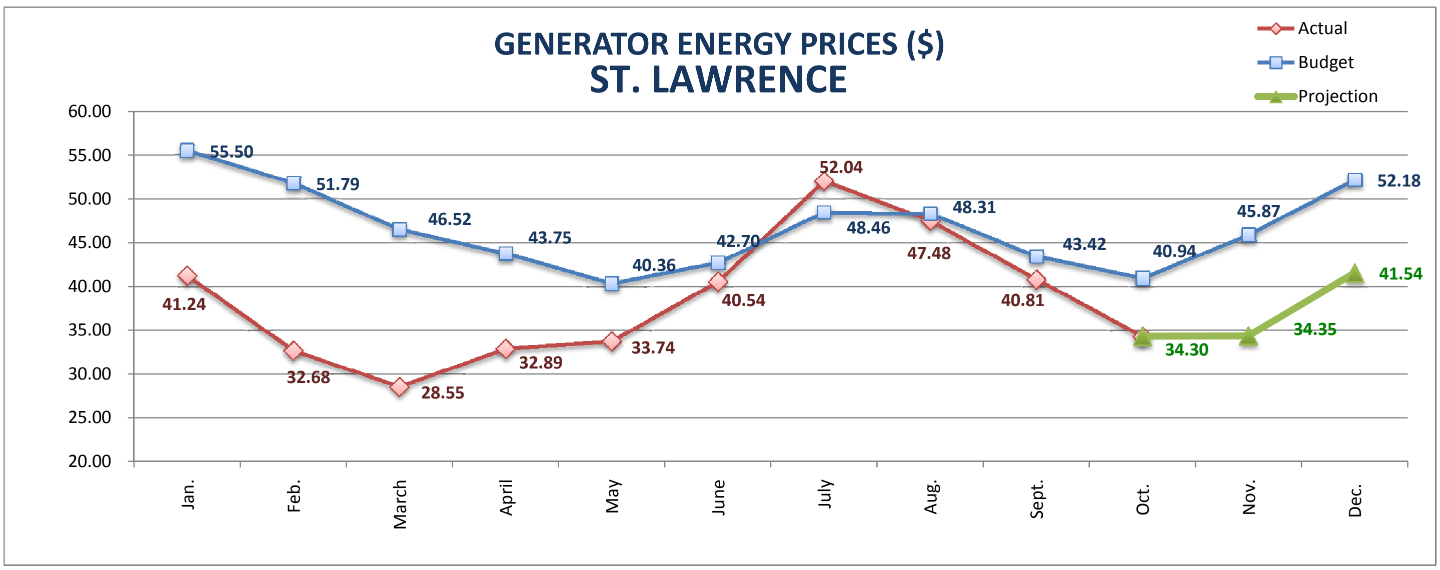
** Includes Niagara, St. Lawrence, B-G, and Small Hydro.*

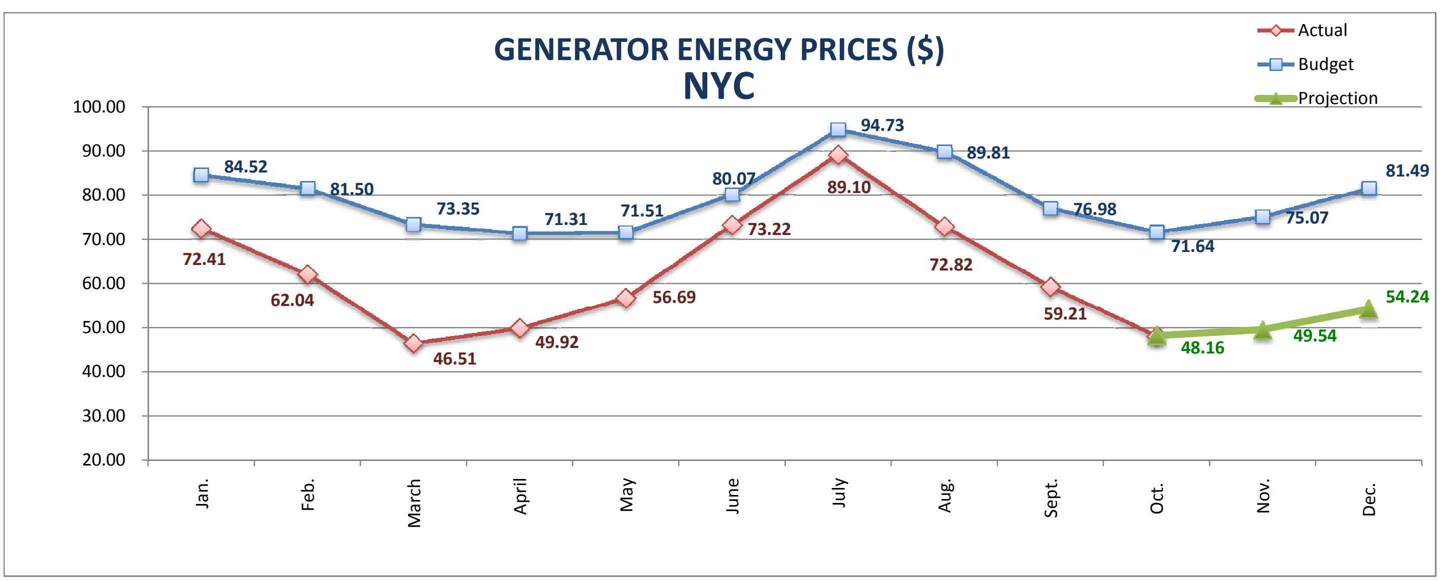
REVENUES		
SALES (MWH)		
	BUDGET	**ACTUAL**
Niagara	1,873,529	1,506,749
St. Law.	1,830,986	1,797,331
PRICES ($/MWH)		
Niagara	$47.00	$42.33
St. Law.	$44.26	$40.12

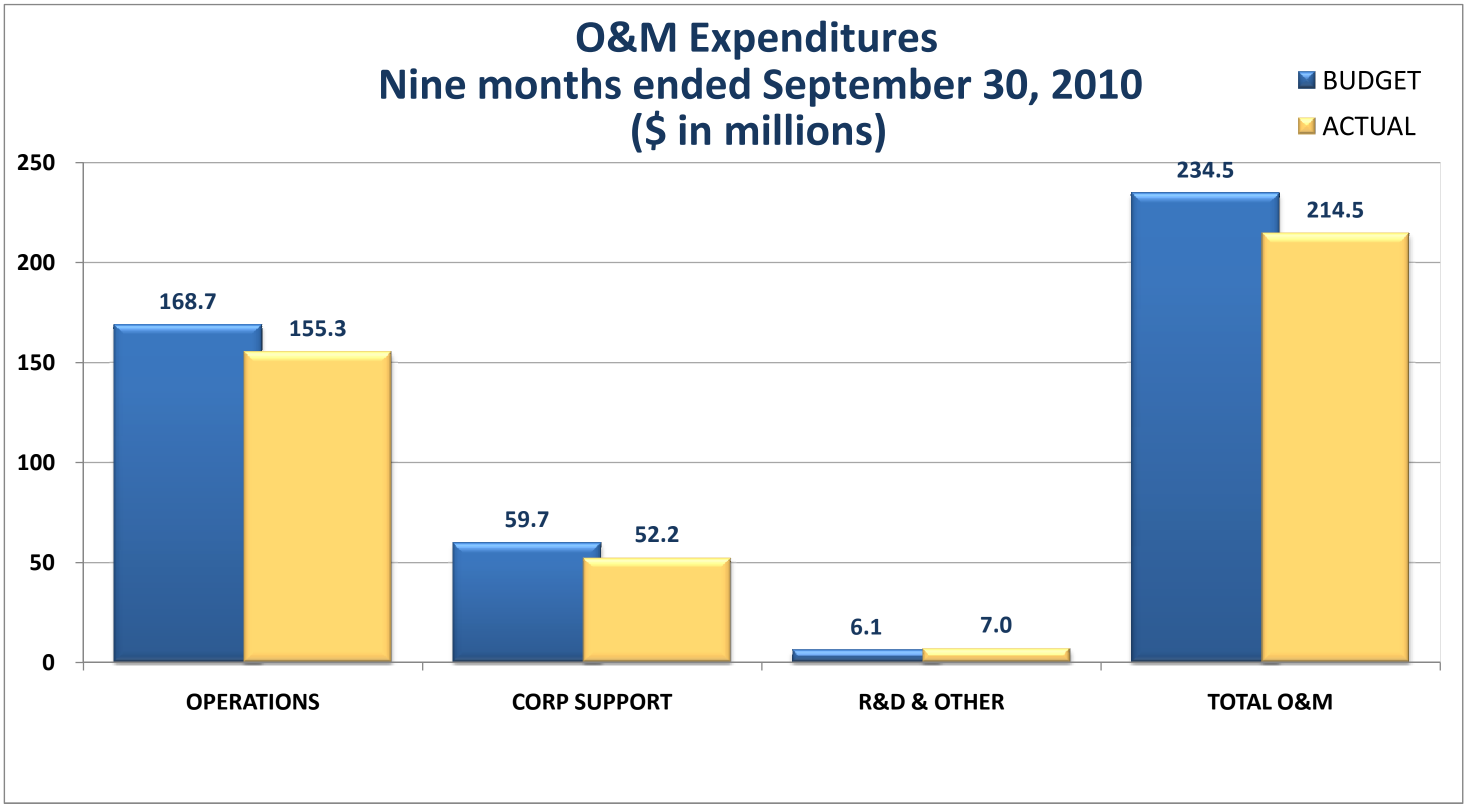
COSTS		
PURCHASES (MWH)		
	BUDGET	**ACTUAL**
Hydro	1,258,847	917,718
SENY	6,961,108	7,500,999
MSP	2,136,391	2,134,110
TOTAL	10,356,346	10,552,827
COSTS ($/MWH)		
Hydro	$29.17	$24.15
SENY	$53.29	$53.42
MSP	$45.47	$45.06
AVERAGE	$48.75	$49.18

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget





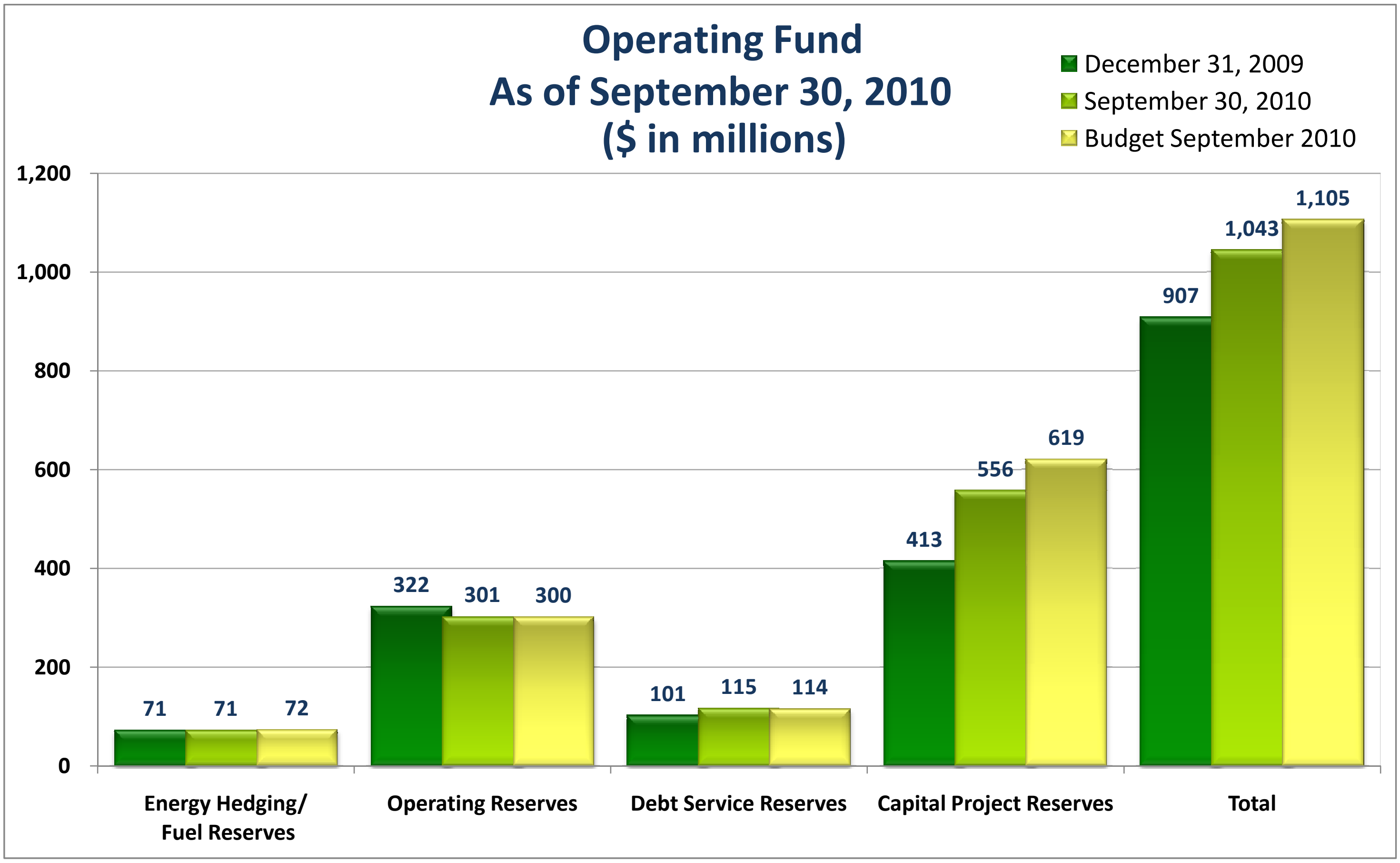




- Through September, O&M expenses were $20.0 lower than the budget.

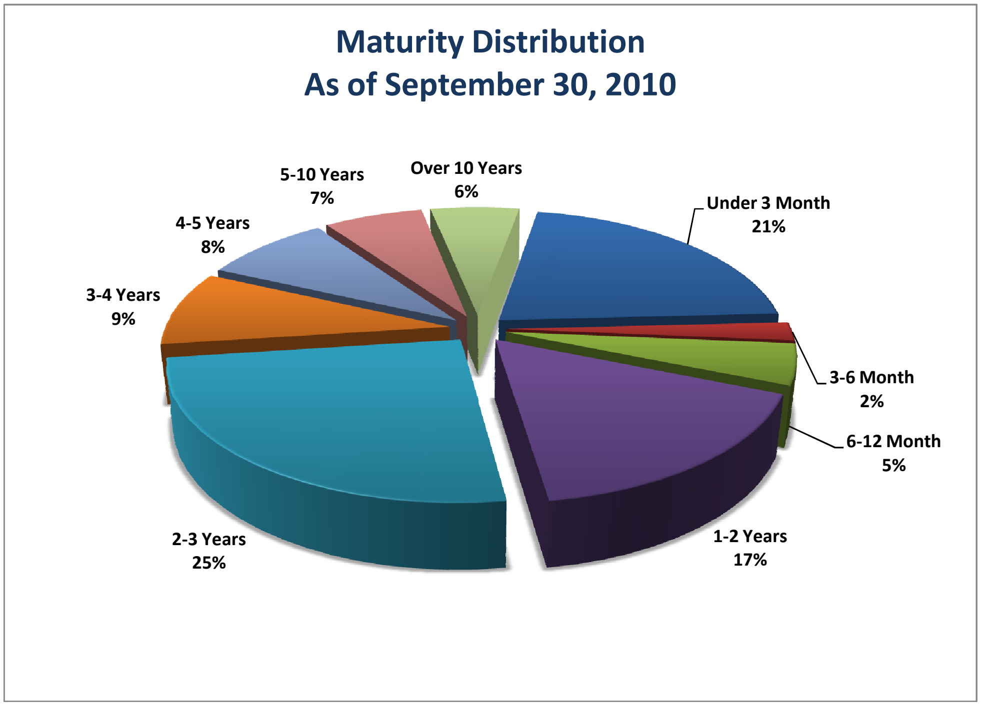
- Operations expenditures were $13.4 lower than budgeted due primarily to lower than expected expenditures for non-recurring work at Niagara and St. Lawrence and recurring maintenance at the Transmission facilities and the 500 MW facility.

- Corporate Support expenses were under budget by $7.5 due mostly to payroll due to unfilled vacancies, under spending for fuel cell maintenance, legal consultants, telecommunication equipment and computer software, as well as higher than anticipated rental income.

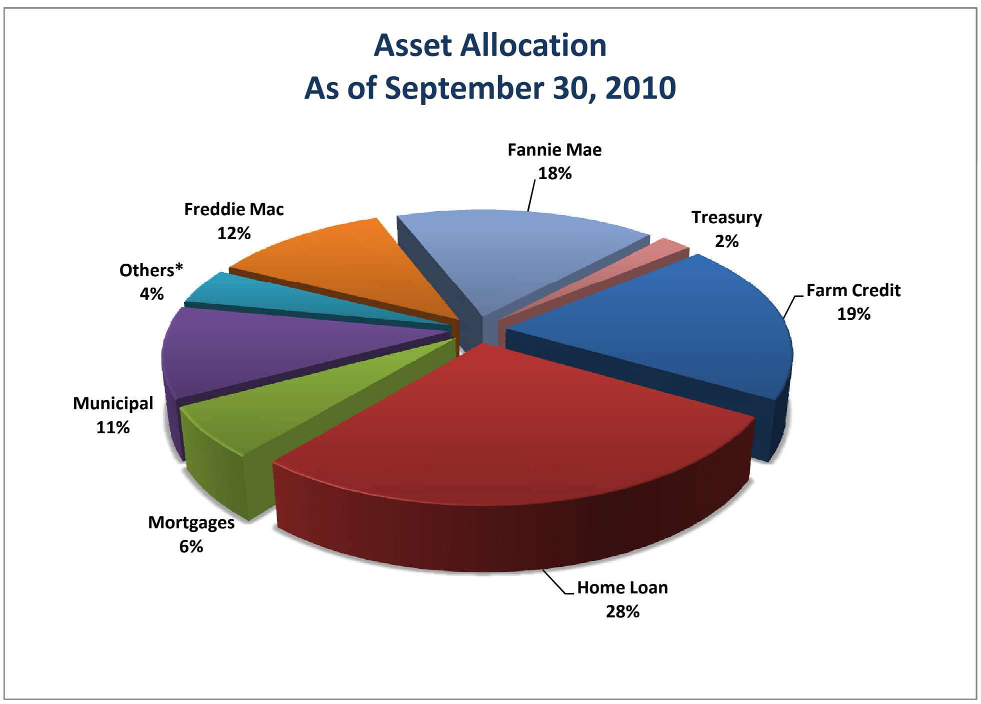


The year-to-date increase of $136 in the Operating Fund (from $907 to $1,043) was primarily attributable to positive net cash provided by operating activities, the Value Sharing payment of $72 received from Entergy in January and the Entergy payment of $10 in September related to the IP2 purchase agreement substantially offset by $159.5 in voluntary contributions to New York State and scheduled debt service payments. The variance from budget is a result of lower net income for the period.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO

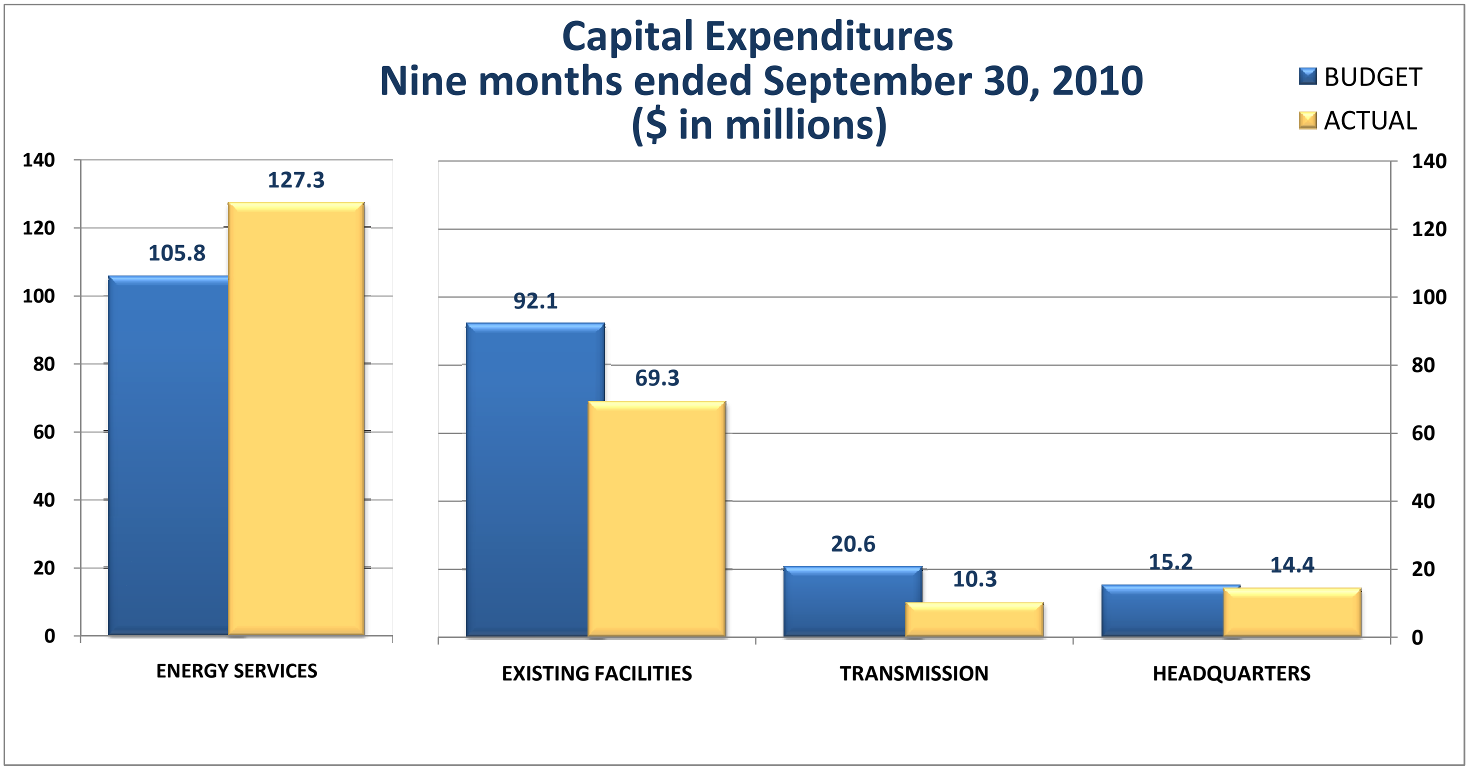


MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Months	$258.5
3-6 Months	26.4
6-12 Months	58.8
1-2 Years	199.4
2-3 Years	304.7
3-4 Years	108.5
4-5 Years	101.9
5-10 Years	78.8
Over 10 Yrs	71.6
Total	$1,208.5



ASSET ALLOCATION	
($ in millions)	
Farm Credit	$236.0
Home Loan	333.4
Mortgages	73.8
Municipal	132.7
Others*	53.1
Freddie Mac	142.1
Fannie Mae	212.5
Treasury	25.0
Total	$1,208.5

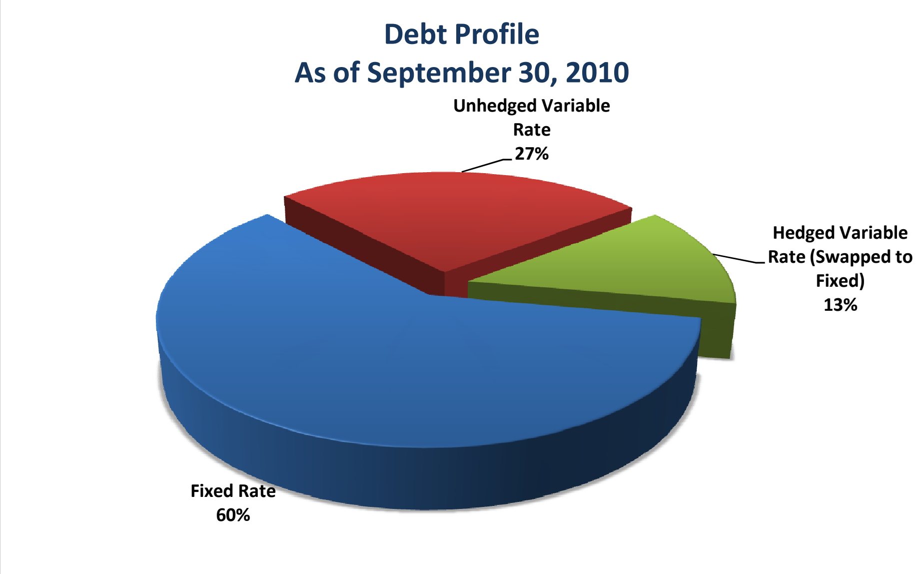
*Includes CDs and Repos



- Energy Services expenditures exceeded the budget by $29.8 due to accelerated construction activity related to NYCHA's Hot Water Storage Tank Replacement and CUNY Central Heating and Cooling Project.
- Lower capital expenditures at Existing Facilities were primarily due to timing differences related to the B-G and St. Lawrence life extension and modernization projects.
- Transmission was under budget due to timing differences related to the Niagara 115 kv Oil Circuit Breaker upgrade and the St. Lawrence Relay replacement project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $20.3 for the year to date. There were no new expenditures authorized in September.

YTD September 30, 2010 Debt Activity
($ in millions)

	Beginning Balance	New Issues	Scheduled Retirements	Additional Retirements	Ending Balance
Fixed Rate Debt	$1,173.4	-	-	-	$1,173.4
Variable Rate Debt	531.3	-	(80.0)	-	451.3
Variable Rate Energy Srvcs Debt	308.7	121.7	-	(105.1)	325.3
Sub-total Variable Rate Debt	840.0	121.7	(80.0)	(105.1)	776.6
Total	**$2,013.4**	**$121.7**	**($80.0)**	**($105.1)**	**$1,950.0**



DEBT PROFILE	
($ in millions)	
Fixed Rate	1,173.4
Unhedged Variable Rate **(1)**	519.5
Hedged Variable Rate (Swapped)	257.1
Total	1,950.1

(1) *On August 15, 2010, the SIFMA based interest rate cap on a $300 notional amount of Commercial Paper Series 1 expired. Staff is evaluating alternatives in consideration of the cap expiring.*

Interest Rate Derivatives

The Authority periodically enters into Interest Rate Swaps and Caps to manage interest rate volatility associated with variable rate debt and to hedge future debt issuance. Each transaction is individually approved by the Board of Trustees and is governed by an ISDA Master Agreement and Schedule to the Agreement with authorized Counterparties. The SVP – Corporate Planning & Finance and the Treasury department, in consultation with the Authority's financial advisor Public Financial Management, continually monitor market conditions for potential hedging strategies that may benefit the Authority and its customers. All transactions were competitively bid by the swap advisory unit of Public Financial Management.

Open Positions

The 1998B transaction is an interest rate swap that was bid March 13, 1998 with an effective date of November 15, 2002. The swap had the effect of fixing the rate on tax-exempt commercial paper at 5.123% on a forward starting basis. It was one component of the 1998 debt refinancing that reduced debt service costs by $740 million and allowed the Authority to adopt a new *General Resolution authorizing Revenue Obligations* in preparation for the competitive marketplace.

The ARTN transaction is an interest rate swap that was bid July 27, 2006 with an effective date of September 1, 2006. It allowed the Authority to lock in a 3.7585% synthetic fixed rate on the Adjustable Rate Tender Notes ("ARTN's"). The synthetic fixed rate was below the historical average rate on the ARTN's and below the rate used in developing NYPA's transmission tariff.

Summary of Derivative Positions ($ in millions)

Transaction	Counterparty	Notional Amount*	Effective Date	Type of Swap	Mark-to-Market
1998B	Goldman Sachs Mitsui Marine Derivatives	$38.0	11/15/2002	Floating-to-Fixed	($3.5)
1998B	Merrill Lynch Cap. Srvcs	63.3	11/15/2002	Floating-to-Fixed	(5.8)
1998B	Citigroup Financial Prod.	25.3	11/15/2002	Floating-to-Fixed	(2.3)
ARTN	Merrill Lynch Cap. Srvcs	130.5	9/1/2006	Floating-to-Fixed	(16.2)
Totals		**$257.1**			**($27.8)**

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

ENERGY DERIVATIVES

Results

Year-to-date financial energy derivative settlements resulted in a net loss of $44.67 million that was incurred by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. The amount of losses would be subject to virtually full cost recovery, whereby the resulting hedge settlements would be incorporated into and recovered through Customer rates.

Year-to-Date 2010 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions

($ in Millions)

	Settlements[1]	Fair Market Value			
	YTD	**2010**	**2011**	**>2011**	**Total**
NYPA	$ (0.05)	$ -	$ -	$ -	$ -
Customer Contracts	$ (44.62)	$ (30.53)	$ (93.99)	$ (180.66)	$ (305.17)
Total	**$ (44.67)**	**$ (30.53)**	**$ (93.99)**	**$ (180.66)**	**$ (305.17)**

[1] *Based on Final Figures through August and Preliminary Settlements through September 2010.*

At the end of September, the fair market value of outstanding positions was valued at an unrealized loss of $305.17 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for the balance of 2010 (October to December 2010) and how they have traded since mid-2009, while Exhibit 2 illustrates the average price of futures contracts for 2011.

Exhibit 1: Average October to December 2010 Forward Price as Traded

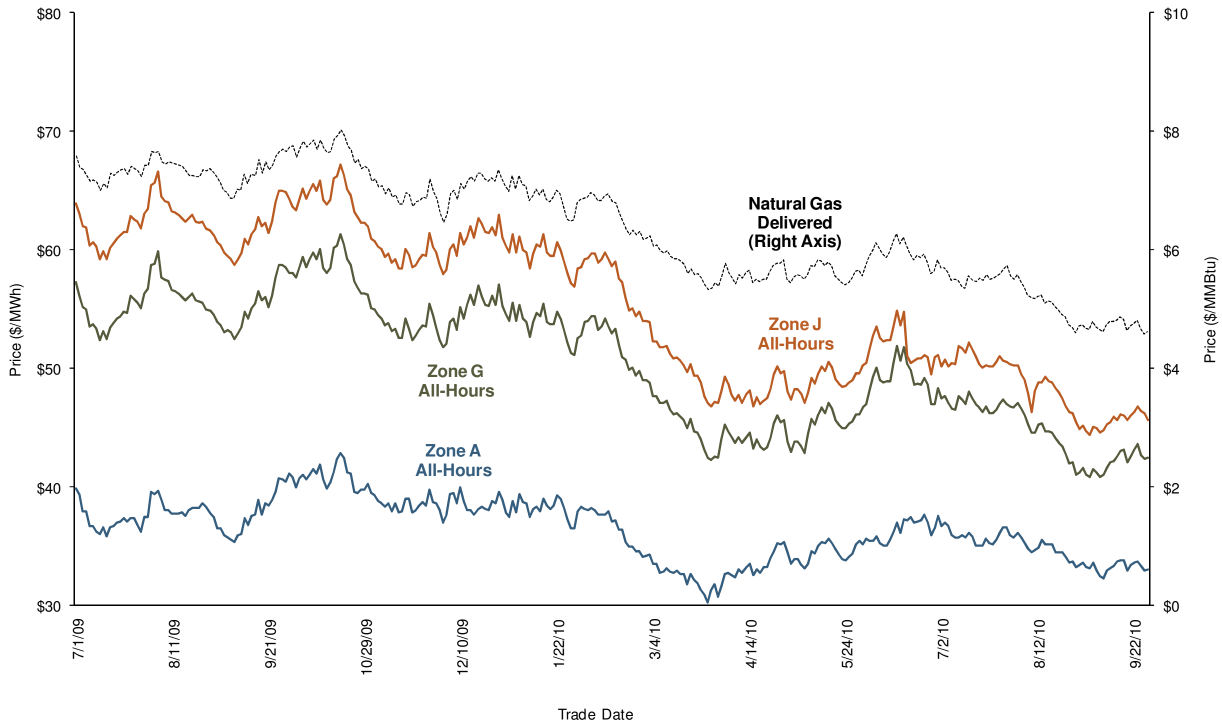
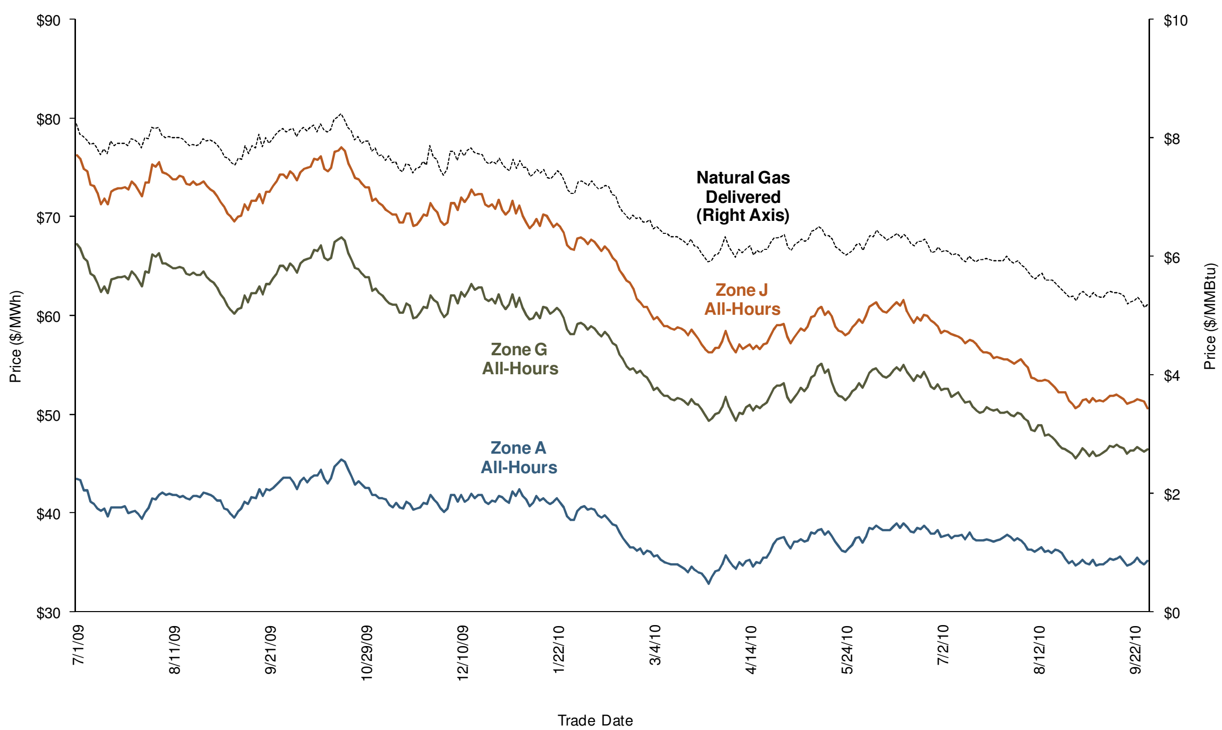


Exhibit 2: Average January to December 2011 Forward Price as Traded



STATEMENT OF NET INCOME
For the Nine Months Ended September 30, 2010
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,052.0	Customer	**$1,500.7**	**$1,570.0**	**($69.3)**
601.8	Market-based power sales	359.3	466.0	(106.7)
54.4	Ancillary services	23.1	38.6	(15.5)
102.9	NTAC and other	86.0	77.4	8.6
759.1	Total	**468.4**	**582.0**	**(113.6)**
2,811.1	**Total Operating Revenues**	**1,969.1**	**2,152.0**	**(182.9)**
	Operating Expenses			
864.8	Purchased power	669.5	667.0	(2.5)
340.8	Fuel consumed - oil & gas	169.1	258.4	89.3
91.0	Ancillary services	51.3	68.6	17.3
519.9	Wheeling	406.8	403.4	(3.4)
312.3	Operations and maintenance	214.5	234.5	20.0
160.3	Depreciation and amortization	120.4	120.3	(.1)
141.7	Other expenses	104.9	108.9	4.0
(10.8)	Allocation to capital	(6.7)	(7.9)	(1.2)
2,420.0	**Total Operating Expenses**	**1,729.8**	**1,853.2**	**(123.4)**
391.10	**Net Operating Income**	**239.3**	**298.8**	**(59.5)**
	Nonoperating Revenues			
88.9	Post nuclear sale income	77.6	77.6	-
53.1	Investment income	31.4	39.7	(8.3)
(5.8)	Mark to market - investments	15.2	(4.4)	19.6
136.2	**Total Nonoperating Revenues**	**124.2**	**112.9**	**11.3**
	Nonoperating Expenses			
107.0	Contributions to New York State	147.0	107.0	(40.0)
112.3	Interest and other expenses	74.5	84.3	9.8
219.3	**Total Nonoperating Expenses**	**221.5**	**191.3**	**(30.2)**
(83.1)	**Net Nonoperating Income (Loss)**	**(97.3)**	**(78.4)**	**(18.9)**
$308.0	**Net Income**	**$142.0**	**$220.4**	**($78.4)**

COMPARATIVE BALANCE SHEETS
September 30, 2010
($ in millions)

Assets		September 2010	September 2009	December 2009
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,074.8	880.5	913.4
	Interest receivable on investments	5.5	6.6	5.8
	Accounts receivable - customers	240.3	126.8	191.7
	Materials and supplies, at average cost:			
	Plant and general	77.6	82.3	82.3
	Fuel	17.4	30.1	21.7
	Prepayments and other	168.4	197.8	124.4
	Total Current Assets	**1,584.1**	**1,324.2**	**$1,339.4**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	999.7	905.0	942.4
	Other	90.1	98.6	94.1
	Total Restricted Funds	**1,089.8**	**1,003.6**	**1,036.5**
Capital Funds	Investment in securities and cash	149.6	188.8	189.2
	Total Capital Funds	**149.6**	**188.8**	**189.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,316.8	3,334.3	3,347.8
	Construction work in progress	136.7	145.9	144.8
	Net Utility Plant	**3,453.5**	**3,480.2**	**3,492.6**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	680.0	453.1	545.6
	Notes receivable - nuclear plant sale	165.7	178.5	170.1
	Total other noncurrent assets	**1,163.7**	**949.6**	**1,033.7**
	Total Noncurrent Assets	**5,856.6**	**5,622.2**	**5,752.0**
	Total Assets	**$7,440.7**	**$6,946.4**	**$7,091.4**

Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$916.5	$799.0	$809.5
	Short-term debt	303.3	268.4	289.2
	Total Current Liabilities	**1,219.8**	**1,067.4**	**1,098.7**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,190.7	1,230.8	1,192.7
	Adjustable rate tender notes	130.5	137.5	137.5
	Commercial paper	342.9	421.8	413.3
	Total Long-term Debt	**1,664.1**	**1,790.1**	**1,743.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	999.7	905.0	942.4
	Disposal of spent nuclear fuel	216.0	215.8	215.8
	Deferred revenues and other	378.7	198.6	270.5
	Total Other Noncurrent Liabilities	**1,594.4**	**1,319.4**	**1,428.7**
	Total Noncurrent Liabilities	**3,258.5**	**3,109.5**	**3,172.2**
	Total Liabilities	**4,478.3**	**4,176.9**	**4,270.9**
Net Assets	Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
	Net Income	142.0	202.7	253.6
	Total Net Assets	**2,962.4**	**2,769.5**	**2,820.5**
	Total Liabilities and Net Assets	**$7,440.7**	**$6,946.4**	**$7,091.4**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Nine Months Ended September 30, 2010
($ in millions)

Operating Fund	
Opening	$906.8
Closing	1,043.3
Increase/(Decrease)	**136.5**
Cash Generated	
Net Operating Income	239.3
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	120.4
Net Change in Receivables, Payables & Inventory	(17.2)
Other	(4.3)
Net Cash Generated from Operations	**338.2**
(Uses)/Sources	
Utility Plant Additions	(61.4)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(3.3)
ART Notes	(7.3)
Investment Income	19.8
Entergy Value Sharing Agreement	72.0
Entergy Payment (IP2 Purchase Agreement)	10.0
Voluntary Contribution to NY State	(159.5)
Other	(4.4)
Total (Uses)/Sources	**(201.7)**
Net Increase in Operating Fund	**136.5**