

New York Power Authority

Report of the Chief Financial Officer

For the Five Months Ended May 31, 2011

**Report of the Chief Financial Officer
For the Five Months Ended May 31, 2011
Executive Summary**

Results of Operations

Net income for the five months ended May 31, 2011 was \$86.8 million which was \$7.1 million higher than budgeted as a result of higher non-operating income (\$12.7 million) partially offset by lower net margins on sales (\$4.7 million). Non-operating income reflected the positive effect of lower interest costs and a mark-to-market gain on the Authority's investment portfolio resulting from a decrease in market interest rates. Net margins on sales were lower at Niagara (\$12.2 million) due to higher purchased power costs and at Blenheim-Gilboa (\$3.1 million) due to lower prices on capacity sales into the market. Higher than anticipated purchased power costs were incurred at Niagara to support customer loads due to an extended transmission line outage early in the year. These negative variances were partially offset by a higher net margin on sales at St. Lawrence (\$13.6 million) due to higher generation and higher prices on market-based sales.

Net income through May 2011 (\$86.8 million) was \$47.4 million higher than the comparable period in 2010 (\$39.4 million). The positive impact of lower voluntary contributions to New York State during the period (\$82 million) was partially offset by lower net margins on sales (\$21.3 million), lower investment income (\$3.7 million) and higher other operating expenses (\$5.2 million). Year-to-date voluntary contributions were \$25 million in 2011 compared to \$107 million through May 2010. Net margins on sales were lower primarily due to higher purchased power costs at Niagara incurred in early 2011 to support customer loads due to an extended transmission line outage. In addition, capacity sales were lower at Blenheim-Gilboa and the Small Clean Power Plants in 2011 due to lower prices.

Year-end Projection

The recent trend of increased precipitation over the Great Lakes continues to benefit generation at the Niagara and St. Lawrence plants. May was the fourth consecutive month with precipitation well above average. Precipitation levels for March 2011 through May 2011 were approximately 142% of average, as compared to the last quarter of 2010 recorded at 67% of average. As a result, year-end net income is currently projected at \$197 million, which is \$17 million above the 2011 budget, and \$24 million above last month's year-end forecast.

The current annual hydro generation forecast of 20.6 TWh is 1.5 TWh above budget, with the net change in generation resulting in a positive variance of \$39 million. Lower capacity prices, most notably for rest-of-state capacity, result in a \$20 million dollar negative impact on projected year-end net income, principally at the Blenheim-Gilboa and Niagara plants. The lower capacity prices are partially mitigated by higher energy prices that have a \$10 million positive impact on net income, most of this at Niagara and the SCPPs.

The recently approved Recharge NY Power Program legislation includes authorization for voluntary contributions associated with GRT credits for the Power for Jobs Program for the years 2010 (\$7.5 million) and 2011 (\$6.0 million). The combined amount (\$13.5 million), which will be recognized in 2011 business, exceeds the budgeted amount by \$8.5 million. These contributions are subject to Board authorization as deemed feasible and advisable before payment.

Cash & Liquidity

The Authority ended the month of May with total operating funds of \$1,105 million as compared to \$1,069 million at the end of 2010. The increase of \$36 million was primarily attributable to net cash by operations and the Value Sharing payment received from Entergy in January partially offset by a voluntary contribution to New York State and scheduled debt service payments. Looking forward, we are anticipating the operating fund balance to increase to \$1,198 million at the end of the year.

Energy Risk

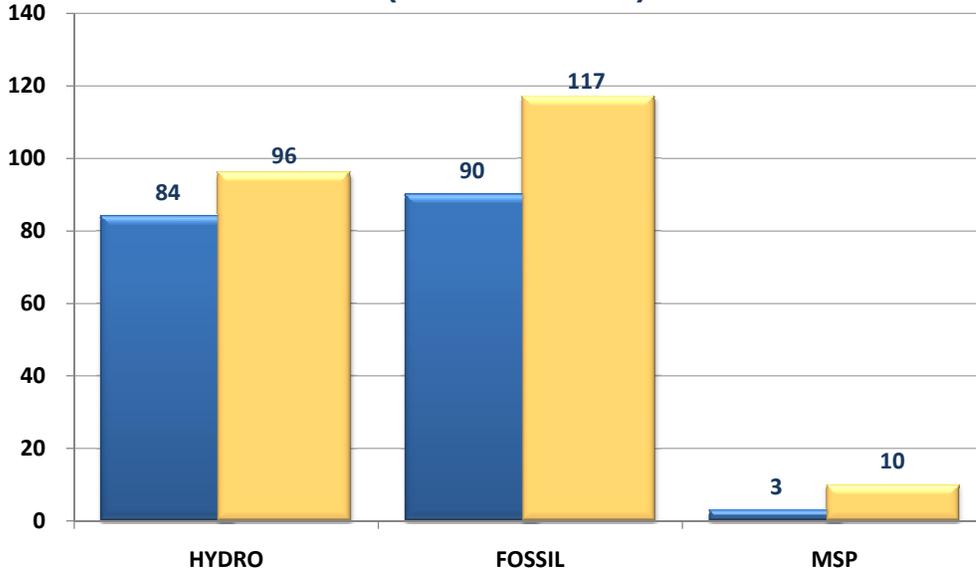
At May 31, 2011, the fair market value of outstanding energy derivatives was an unrealized loss of \$180 million for contracts extending through 2017. Year to date, energy derivative settlements resulted in a realized net loss of \$28 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are recovered through customer rates.

Net Income
Five Months ended May 31, 2011
(\$ in millions)

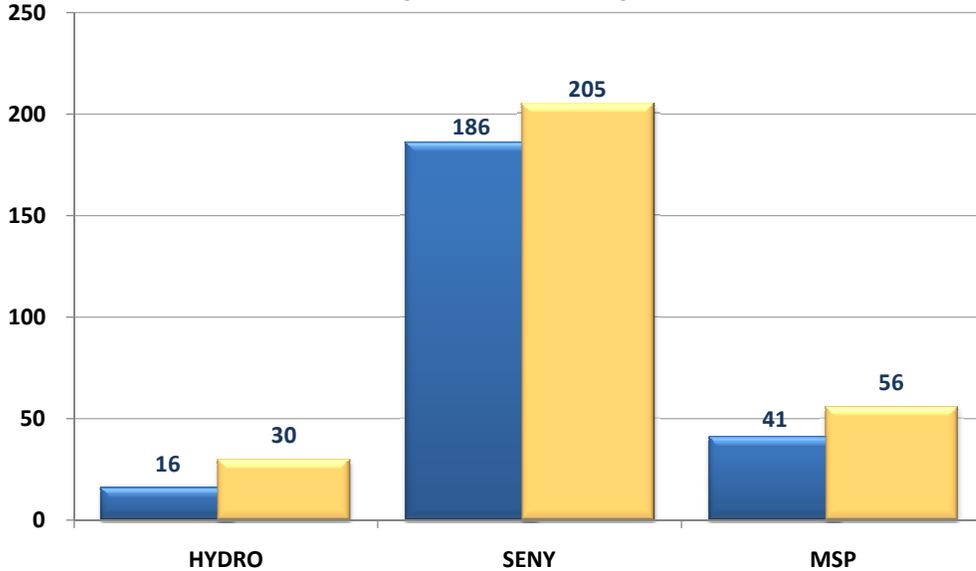
	Actual	Budget	Variance
Niagara	\$34.9	\$45.1	(\$10.2)
St. Lawrence	19.3	5.6	13.7
Blenheim-Gilboa	(7.2)	(4.2)	(3.0)
SENY	11.7	11.8	(0.1)
SCPP	0.2	0.8	(0.6)
Market Supply Power	(17.8)	(14.2)	(3.6)
Flynn	5.5	3.3	2.2
Transmission	16.8	16.9	(0.1)
Non-facility*	23.4	14.6	8.8
Total	\$86.8	\$79.7	\$7.1

<u>Major Factors</u>	<u>Better (Worse)</u>
<p><u>Niagara</u> Lower net margin on sales due primarily to higher purchased power costs to support customer loads. Purchased power costs were higher due to an extended outage at an upstate transmission line.</p>	(\$10.2)
<p><u>St. Lawrence</u> Higher net margin (\$13.6) resulting from 10% higher generation and higher prices on market sales (\$39/mwh vs \$36/mwh).</p>	13.7
<p><u>Blenheim-Gilboa</u> Lower prices on capacity sales into the market.</p>	(3.0)
<p><u>Market Supply Power</u> Higher purchased power costs (due to higher prices), combined with accrual of higher voluntary contribution (extension of Power for Jobs program).</p>	(3.6)
<p><u>Other facilities</u></p>	1.4
<p><u>Non-facility (including investment income)</u> Primarily mark-to-market gain on the Authority's investment portfolio due to an decrease in market interest rates during the period.</p>	8.8
Total	\$7.1

Market-Based Power Energy Sales Five months ended May 31, 2011 (\$ in millions)



Market-Based Power Energy Purchases Five months ended May 31, 2011 (\$ in millions)



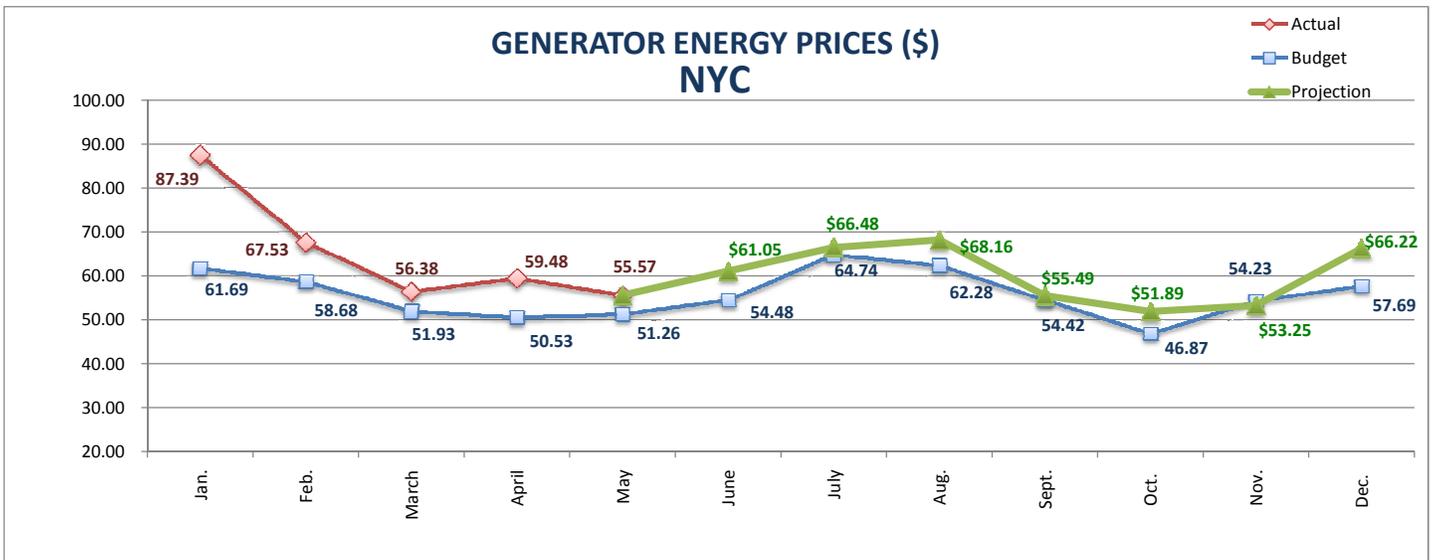
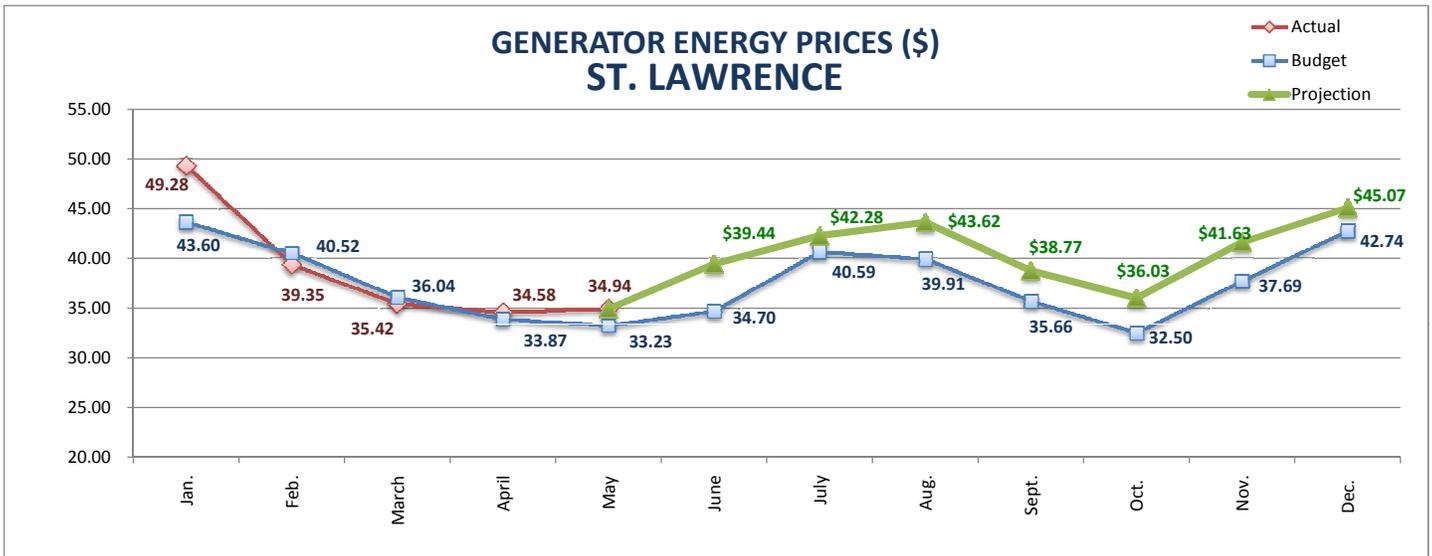
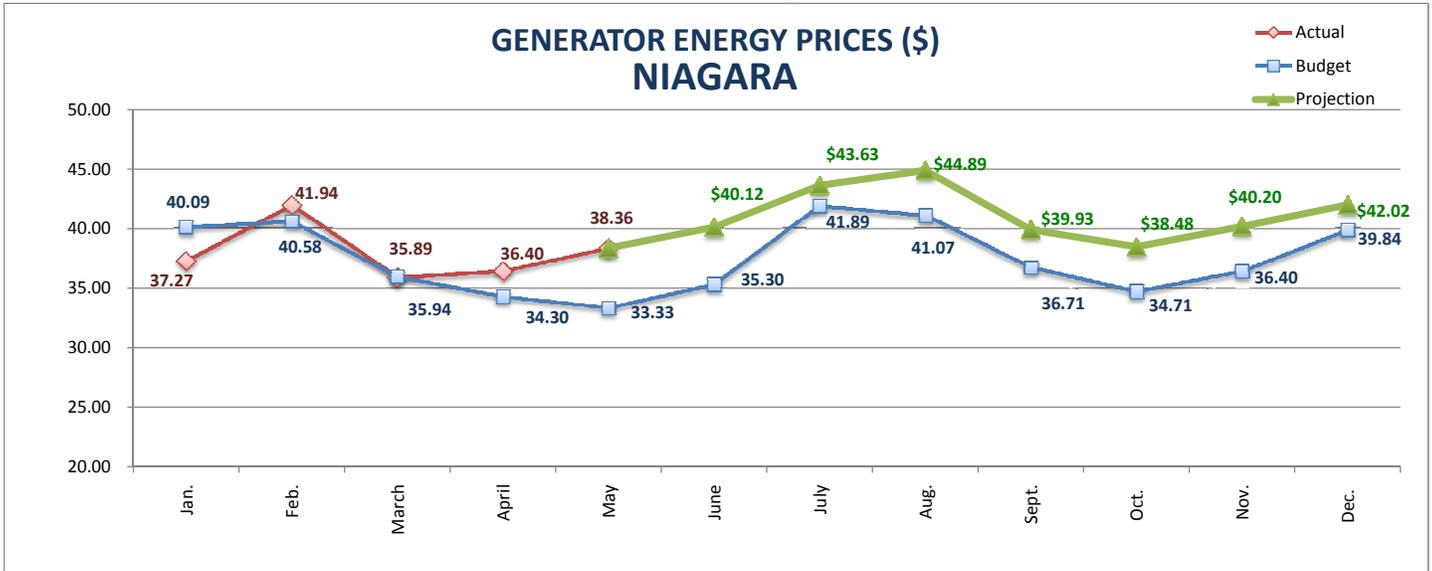
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	1,883,667	2,241,998
Fossil	1,392,666	1,623,670
MSP	92,055	222,727
TOTAL	3,368,388	4,088,395
PRICES (\$/MWH)		
Hydro*	\$44.52	\$42.90
Fossil	\$64.94	\$72.07
MSP	\$34.53	\$44.52
AVERAGE	\$52.69	\$54.57

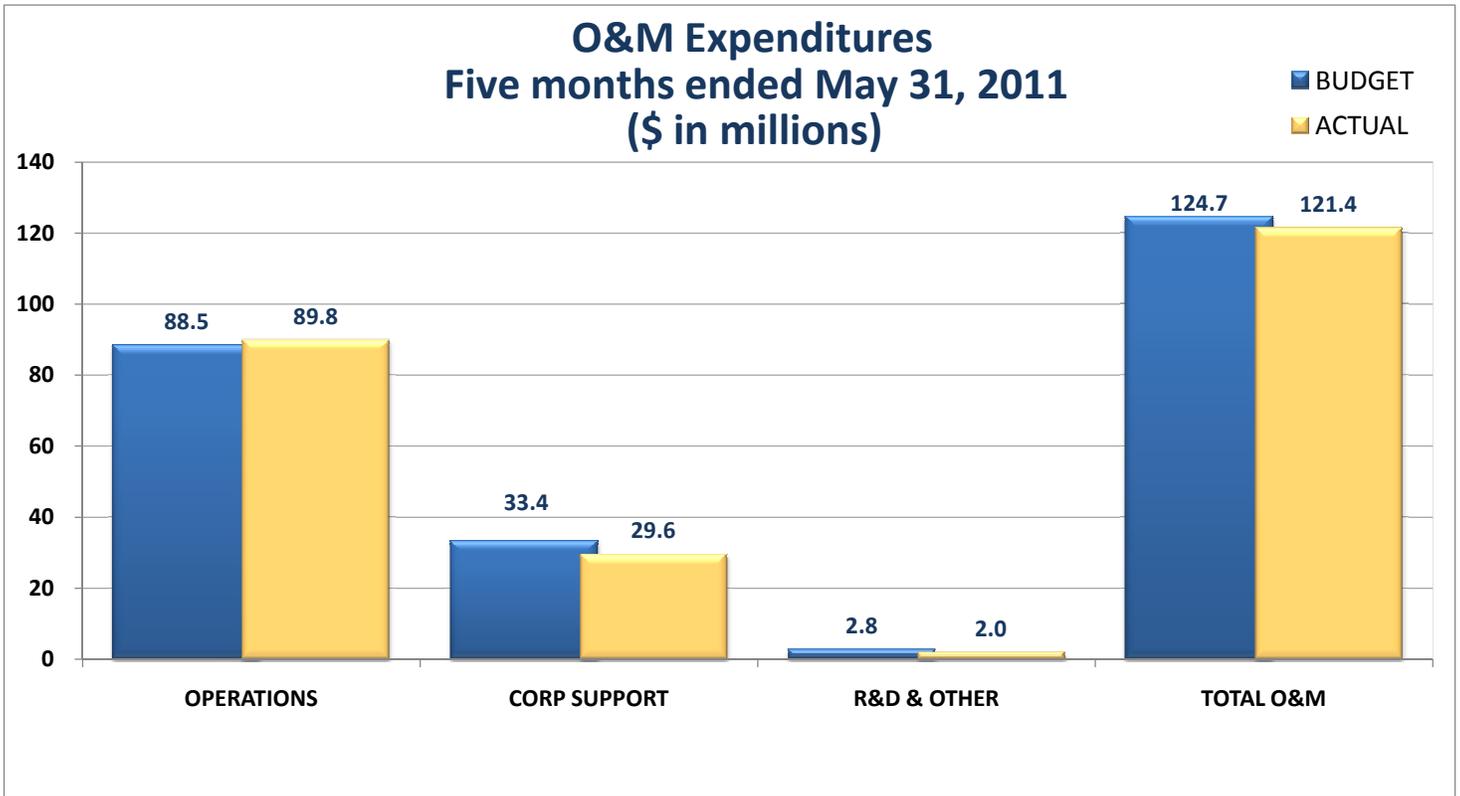
* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,050,572	1,256,794
St. Law.	512,754	799,337
PRICES (\$/MWH)		
Niagara	\$37.65	\$38.40
St. Law.	\$36.13	\$39.14

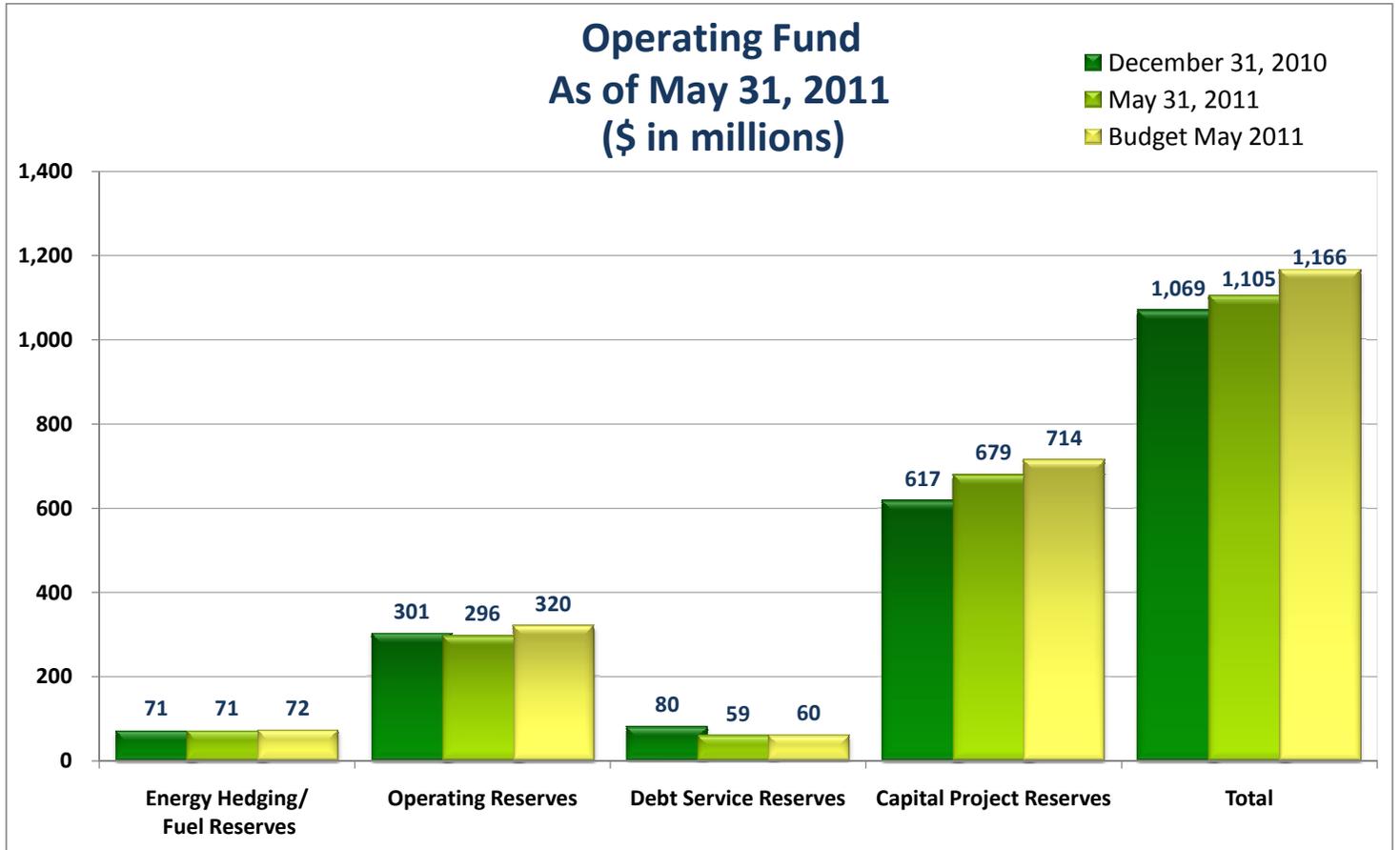
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	683,385	814,177
SENY	3,586,577	3,820,263
MSP	1,138,719	1,260,729
TOTAL	5,408,681	5,895,169
COSTS (\$/MWH)		
Hydro	\$23.66	\$37.33
SENY	\$51.59	\$53.77
MSP	\$36.41	\$44.06
AVERAGE	\$44.86	\$49.42

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget

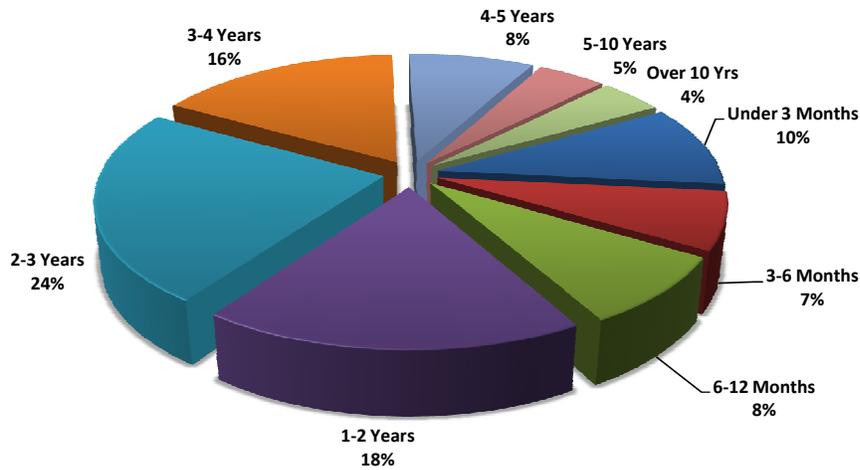




- Through May, O&M expenses were \$3.3 lower than the budget.
- HQ Corporate Support was under budget by \$3.8 due to lower than expected expenses for outside legal counsel, WPO building operations, computer software, hardware and services, and books and publications
- Operations expenditures were \$1.3 higher than budgeted primarily due to emergent work at the Small Clean Power Plants (Pouch terminal, Harlem River and Kent) and an overrun in Operations Shared Services due to less than anticipated labor charged to capital projects.

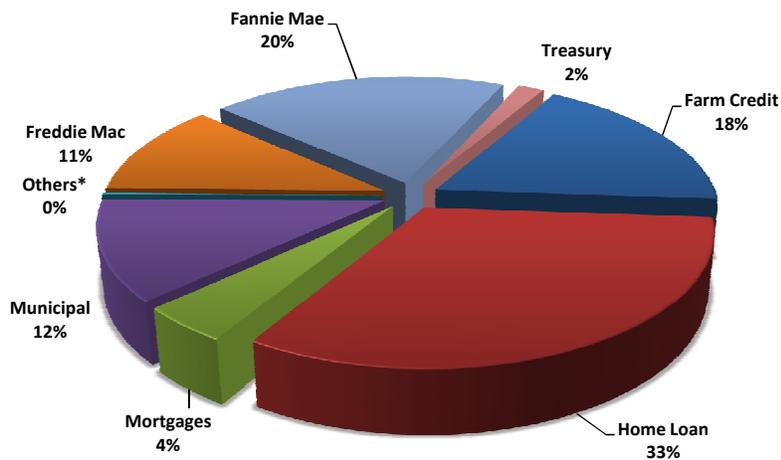


The increase of \$36 in the Operating Fund (from \$1,069 to \$1,105) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of \$72 received from Entergy, substantially offset by voluntary contributions to New York State (\$25) and repayments on commercial paper (\$50) and ART Notes (\$8). The variance from budget is primarily attributable to the receipt of a customer payment (\$19) on June 1st (which was due on May 27th) and the timing of cash payments related to prior year accruals.

**Maturity Distribution
As of May 31, 2011**

MATURITY DISTRIBUTION

(\$ in millions)

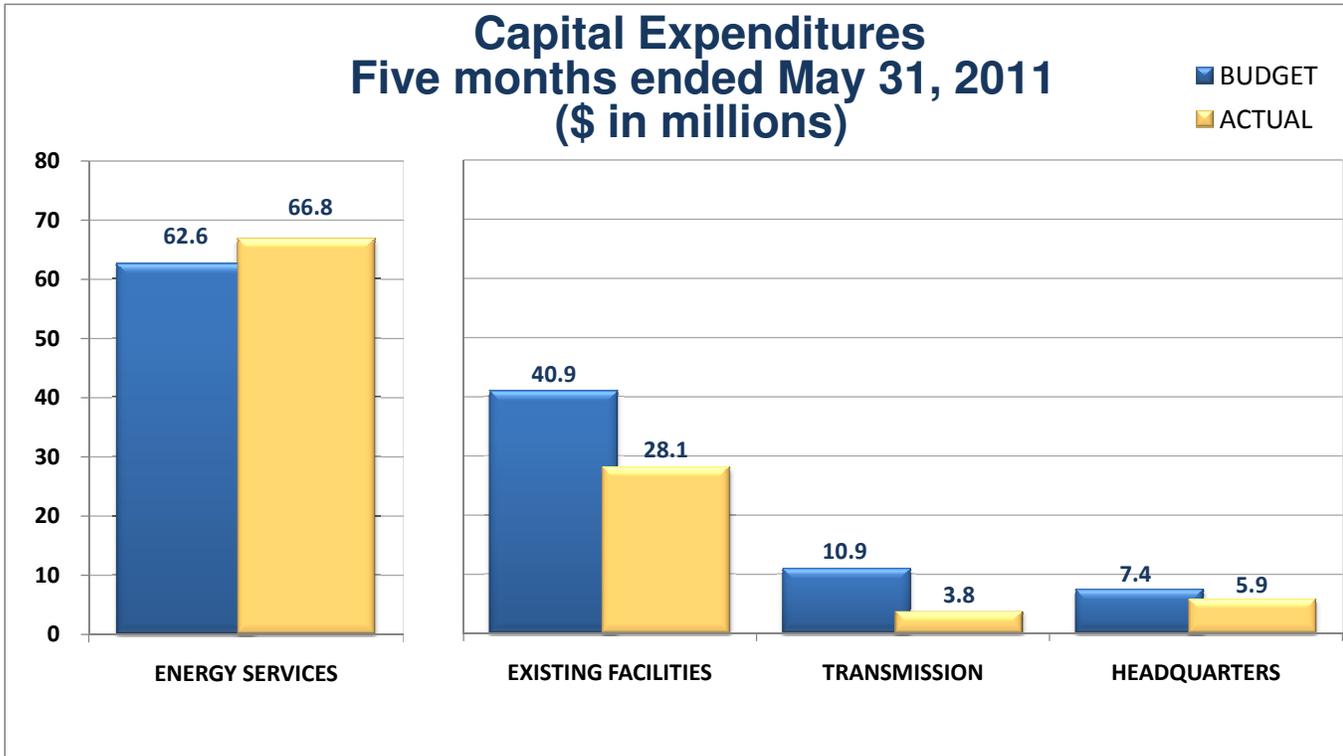
Under 3 Months	\$117.0
3-6 Months	81.8
6-12 Months	97.5
1-2 Years	213.8
2-3 Years	275.6
3-4 Years	192.1
4-5 Years	98.5
5-10 Years	53.4
Over 10 Yrs	50.1
Total	\$1,179.8

**Asset Allocation
As of May 31, 2011**

ASSET ALLOCATION

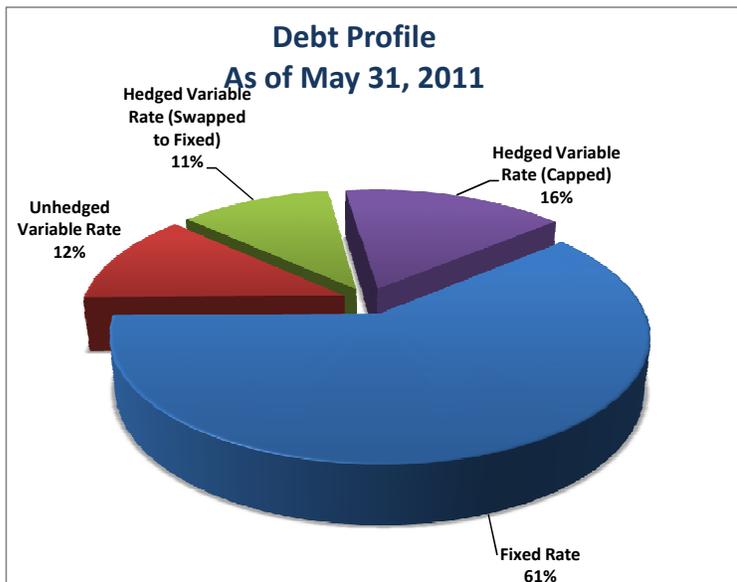
(\$ in millions)

Farm Credit	\$209.8
Home Loan	384.0
Mortgages	51.9
Municipal	142.3
Others*	2.8
Freddie Mac	133.6
Fannie Mae	235.4
Treasury	20.0
Total	\$1,179.8

*Includes CDs and Repos



- Energy Services expenditures were over budget primarily due to accelerated construction activity in the Governmental Services Program (primarily Queens Supreme Court-Chiller).
- Existing facilities expenditures were under budget by \$12.8 primarily due to the delays in permitting for projects related to the Niagara and St. Lawrence Relicensing Implementation and Compliance.
- Transmission expenditures were less than anticipated due to timing for several projects, primarily the ISO Metering Upgrade.
- Headquarters expenditures were less than budgeted due to timing for several IT projects.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$12.6 for 2011. In May, the President authorized \$1.5 for the Lewiston Pump Generating Plant 100 Ton Crane Upgrade.



DEBT PROFILE (\$ in millions)	
Fixed Rate	\$1,134.4
Unhedged Variable Rate	223.0
Hedged Variable Rate (Swapped to Fixed)	204.8
Hedged Variable Rate (Capped) (1)	300.0
Total	\$1,862.2

(1) In January 2011 the Authority purchased a SIFMA based interest rate cap on a \$300 notional amount of Commercial Paper Series 1 Notes.

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of \$28.2 million by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. Gains and losses on these positions are substantially passed through to customers as resulting hedge settlements are incorporated into and recovered through customer rates.

Year-to-Date 2011 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions
(\$ in Millions)

	Settlements	Fair Market Value			Total
	YTD ¹	2011	2012	>=2013	
NYP A	\$ 0.01	\$ 1.61	\$ -	\$ -	\$ 1.61
Customer Contracts	\$ (28.17)	\$ (40.16)	\$ (72.07)	\$ (69.33)	\$ (181.56)
Total	\$ (28.16)	\$ (38.55)	\$ (72.07)	\$ (69.33)	\$ (179.95)

¹Reflects May 2011 preliminary settlements.

At the end of May, the fair market value of outstanding positions was valued at an unrealized loss of \$180 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of July to December 2011 futures contracts and how they have traded since the beginning of 2010, while Exhibit 2 illustrates the average price of futures contracts for entire year 2012.

Exhibit 1: Average May to December 2011 Forward Price

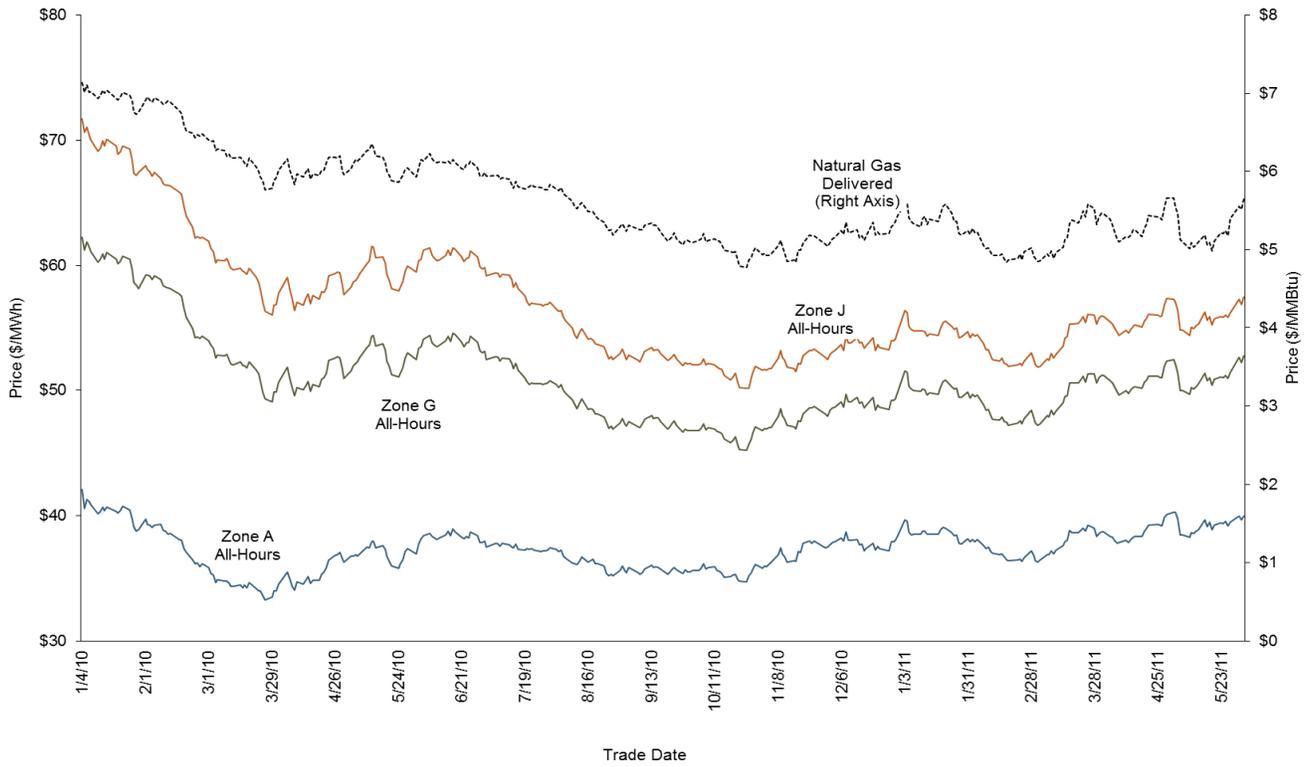
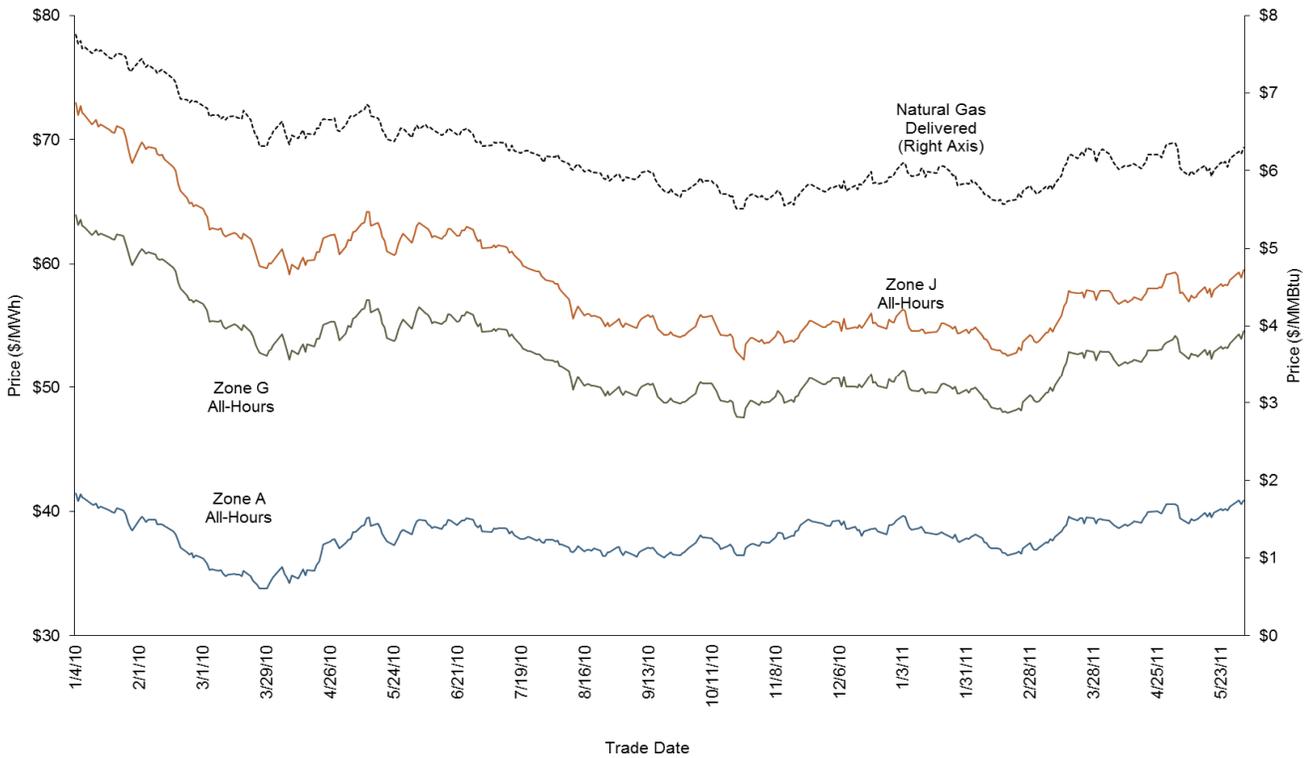


Exhibit 2: Average January to December 2012 Forward Price



STATEMENT OF NET INCOME
For the Five Months Ended May 31, 2011
(\$ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
\$2,070.5	Customer	750.2	782.4	(32.2)
463.4	Market-based power sales	188.4	139.9	48.5
30.6	Ancillary services	12.8	12.1	0.7
114.9	NTAC and other	47.9	49.1	(1.2)
608.9	Total	249.1	201.1	48.0
2,679.4	Total Operating Revenues	999.3	983.5	15.8
	Operating Expenses			
804.7	Purchased power	367.7	326.6	(41.1)
295.6	Fuel consumed - oil & gas	98.5	97.2	(1.3)
108.2	Ancillary services	22.9	43.3	20.4
543.4	Wheeling	176.7	178.3	1.6
327.1	Operations and maintenance	121.4	124.7	3.3
194.9	Depreciation and amortization	66.9	67.6	0.7
135.5	Other expenses	61.3	57.7	(3.6)
(10.9)	Allocation to capital	(2.4)	(3.8)	(1.4)
2,398.5	Total Operating Expenses	913.0	891.6	21.4
280.90	Net Operating Income	86.3	91.9	(5.6)
	Nonoperating Revenues			
88.0	Post nuclear sale income	42.7	42.7	-
39.9	Investment income	16.4	16.0	0.4
(7.0)	Mark to market - investments	5.9	(1.8)	7.7
120.9	Total Nonoperating Revenues	65.0	56.9	8.1
	Nonoperating Expenses			
65.0	Contributions to New York State	25.0	25.0	-
157.5	Interest and other expenses	39.5	44.1	4.6
222.5	Total Nonoperating Expenses	64.5	69.1	4.6
(101.6)	Net Nonoperating Income (Loss)	0.5	(12.2)	12.7
\$179.3	Net Income	86.8	79.7	7.1

**COMPARATIVE BALANCE SHEETS
May 31, 2011
(\$ in millions)**

Assets	May 2011	May 2010	December 2010
Current Assets			
Cash	0.1	0.1	0.1
Investments in government securities	1,132.9	919.8	1,091.1
Interest receivable on investments	5.6	5.3	5.5
Accounts receivable - customers	251.3	214.0	204.0
Materials and supplies, at average cost:			
Plant and general	76.9	85.0	75.1
Fuel	14.9	17.6	15.3
Prepayments and other	150.9	138.6	190.5
Total Current Assets	1,632.6	1,380.4	1,581.6
Noncurrent Assets			
Restricted Funds			
Investment in decommissioning trust fund	1,081.8	959.4	1,032.4
Other	82.5	93.3	83.3
Total Restricted Funds	1,164.3	1,052.7	1,115.7
Capital Funds			
Investment in securities and cash	115.5	180.2	144.8
Total Capital Funds	115.5	180.2	144.8
Net Utility Plant			
Electric plant in service, less accumulated depreciation	3,316.4	3,290.6	3,344.1
Construction work in progress	121.9	174.8	123.3
Net Utility Plant	3,438.3	3,465.4	3,467.4
Other Noncurrent Assets			
Receivable - NY State	318.0	318.0	318.0
Deferred charges, long-term receivables and other	577.7	655.7	604.6
Notes receivable - nuclear plant sale	127.8	141.2	157.1
Total other noncurrent assets	1,023.5	1,114.9	1,079.7
Total Noncurrent Assets	5,741.6	5,813.2	5,807.6
Total Assets	7,374.2	7,193.6	7,389.2
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	842.6	826.3	880.4
Short-term debt	316.1	294.7	323.2
Total Current Liabilities	1,158.7	1,121.0	1,203.6
Noncurrent Liabilities			
Long-term Debt			
Revenue bonds	1,150.1	1,191.8	1,151.2
Adjustable rate tender notes	122.9	130.5	130.5
Commercial paper	288.7	341.8	336.5
Total Long-term Debt	1,561.7	1,664.1	1,618.2
Other Noncurrent Liabilities			
Nuclear plant decommissioning	1,081.9	959.4	1,032.4
Disposal of spent nuclear fuel	216.2	215.9	216.1
Deferred revenues and other	267.8	373.4	316.5
Total Other Noncurrent Liabilities	1,565.9	1,548.7	1,565.0
Total Noncurrent Liabilities	3,127.6	3,212.8	3,183.2
Total Liabilities	4,286.3	4,333.8	4,386.8
Net Assets			
Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
Net Income	86.8	39.4	182.0
Total Net Assets	3,087.9	2,859.8	3,002.4
Total Liabilities and Net Assets	7,374.2	7,193.6	7,389.2

SUMMARY OF OPERATING FUND CASH FLOWS
For the Five Months Ended May 31, 2011
(\$ in millions)

Operating Fund	
Opening	1,069.2
Closing	1,104.7
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Increase/(Decrease)	35.5
 Cash Generated	
Net Operating Income	86.3
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	66.9
Net Change in Receivables, Payables & Inventory	(87.4)
Other	(2.4)
 Net Cash Generated from Operations	 63.4
 (Uses)/Sources	
Utility Plant Additions	(26.5)
Debt Service	
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(4.7)
ART Notes	(7.6)
Investment Income	10.2
Entergy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(25.0)
Other	(1.5)
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Total (Uses)/Sources	(27.9)
 Net Increase in Operating Fund	 35.5