New York Power Authority

Report of the Chief Financial Officer

For the Eight Months Ended August 31, 2011

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Executive Summary

Results of Operations

Net income for the eight months ended August 31, 2011 was $172.7 million which was $56.3 million higher than budgeted. Positive variances attributable to higher net margins on sales ($28.2 million) and higher non-operating income ($41 million) were partially offset by higher other operating expenses ($21.2 million).

Net margins on sales were higher at St. Lawrence ($24.4 million) and Niagara ($14.7 million) due to higher generation and higher prices on market-based sales. Net generation at Niagara and St. Lawrence was 21% higher than budgeted for the month of August and 10% higher than budgeted for the year-to-date. These positives were partially offset by a lower net margin at Blenheim-Gilboa ($6.1 million) primarily due to lower prices on capacity sales. Non-operating income through August included a higher mark-to-market gain on the Authority's investment portfolio ($14.8 million), lower interest costs ($15.1 million) and the settlement of a spent nuclear fuel claim ($11 million) not included in the budget. The mark-to-market gain and lower interest costs resulted primarily from lower than budgeted market interest rates. In August, the Authority received a payment of $11 million settling a claim against the U.S. Department of Energy relating to the failure to take delivery of spent nuclear fuel for disposal from the Indian Point 3 and James A. FitzPatrick nuclear power plants. Other operating expenses were higher due to additional Power for Jobs related voluntary contributions to New York State ($11.5 million) and the recognition of residential consumer discounts ($8.3 million) included in the Recharge New York (RNY) Power Program legislation. The additional Power for Jobs voluntary contribution includes $7.5 million related to 2010 paid in June and the accrual of a portion of the amount for 2011. On June 28, 2011, the Authority's Trustees authorized the use of revenues from the sale of withdrawn hydropower under the RNY legislation into the wholesale market or, as necessary, internal funds to fund the residential consumer discount program for its first six months.

Net income through August 2011 ($172.7 million) was $58 million higher than the comparable period in 2010 ($114.7 million). Lower voluntary contributions to New York State ($82 million) were partially offset by lower net operating income ($17.6 million) and lower non-operating income ($6.4 million) during the period. Year-to-date voluntary contributions were $65 million in 2011 compared to $147 million through August 2010. Net operating income was lower primarily due to higher other operating expenses in 2011 including higher retiree health benefits and higher Power for Jobs related contributions to New York State. Non-operating income in 2011 reflects a lower mark-to-market gain on the Authority's investment portfolio and higher interest costs (primarily related to Astoria II) than the comparable period in 2010.

Year-end Projection

Year-end net income is currently projected to be $223 million, $45 million above the 2011 budget. The projected increase is mainly attributable to increased hydro generation ($42 million), higher energy prices ($17 million) and the aforementioned claim settlement with the U.S. Department of Energy ($11 million). These positives were partially offset by the impact of lower capacity prices ($22 million) and higher voluntary contributions ($8.5 million) related to the Power for Jobs Program. The current annual hydro generation forecast remains at 20.6 TWh for 2011 (1.5 TWh above budget). Energy prices are approximately 13% higher than the 2011 budget, while capacity prices have declined by approximately 11% for New York City and 79% for Rest-of-State.

Cash & Liquidity

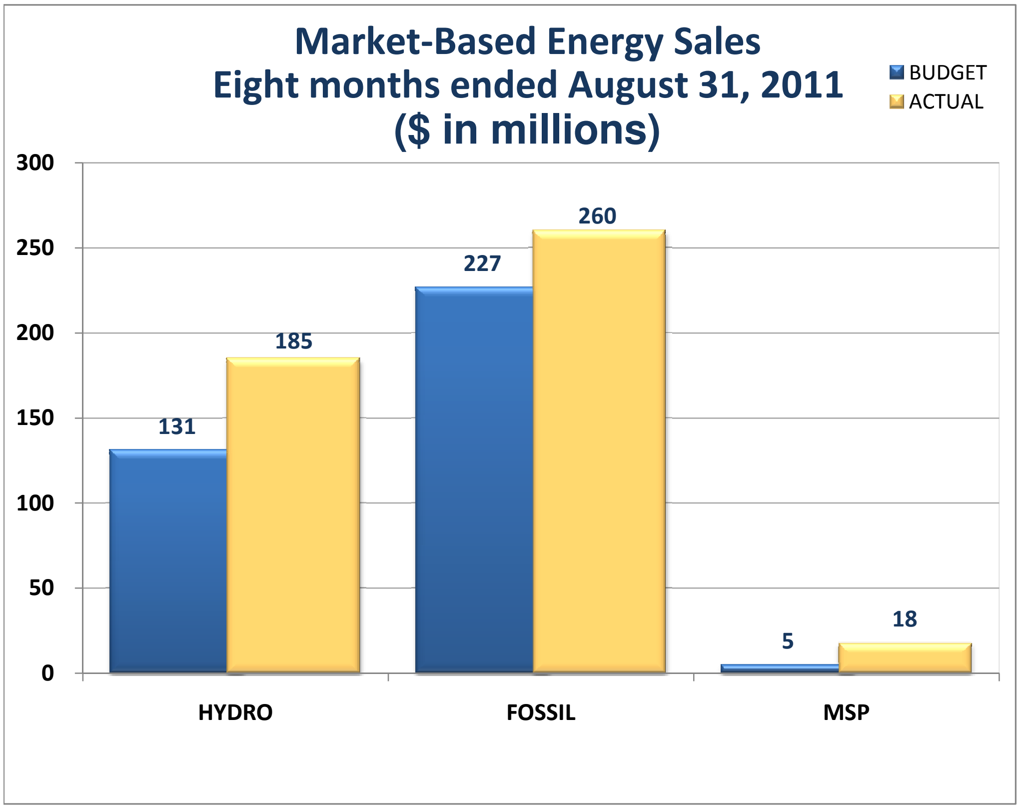
The Authority ended the month of August with total operating funds of $1,155 million as compared to $1,069 million at the end of 2010. The increase of $86 million was primarily attributable to net cash from operations and the Value Sharing payment received from Entergy in January partially offset by voluntary contributions to New York State, scheduled debt service payments, and delivery service refunds to NYPA’s SENY Government customers.

Net Income
Eight Months ended August 31, 2011
($ in millions)

	Actual	Budget	Variance
Niagara	$73.7	$59.6	$14.1
St. Lawrence	38.1	19.0	19.1
Blenheim-Gilboa	(9.3)	(3.2)	(6.1)
SENY	25.5	23.9	1.6
SCPP	16.6	14.2	2.4
Market Supply Power	(38.4)	(27.2)	(11.2)
Flynn	11.3	8.4	2.9
Transmission	26.5	23.6	2.9
Non-facility	28.7	(1.9)	30.6
Total	**$172.7**	**$116.4**	**$56.3**

Major Factors	**Better (Worse)**
Niagara Primarily higher net margin on sales and lower O&M. Net margins were higher ($14.7) due to higher market based sales (9% higher net generation) partially offset by higher purchased power costs to support customer loads . Purchased power costs were higher due to an extended outage at an upstate transmission line. Lower O&M due to timing underruns in non-recurring projects were substantially offset by hydro subsidies related to the Recharge NY Power Program.	$14.1
St. Lawrence Higher net margin ($24.4) resulting from 14% higher generation and higher prices on market sales ($40/mwh vs $37/mwh), partially offset by hydro subsidies related to the Recharge NY Power Program ($4.6).	19.1
Blenheim-Gilboa Lower prices on capacity sales into the market.	(6.1)
Market Supply Power Primarily accruals and payment of voluntary contributions ($11.5) not in budget (extension of Power for Jobs program).	(11.2)
Flynn Primarily lower fuel costs due to lower prices.	2.9
Other facilities Positive variances at the SCPP's ($2.4) due to higher production and prices and at the Transmission facility ($2.9) due to lower O&M and other expenses.	6.9
Non-facility (including investment income) Mark-to-market gain on the Authority's investment portfolio ($14.8) due to lower than budgeted market interest rates during the period and settlement of spent nuclear fuel claim ($11.0)	30.6
Total	**$56.3**

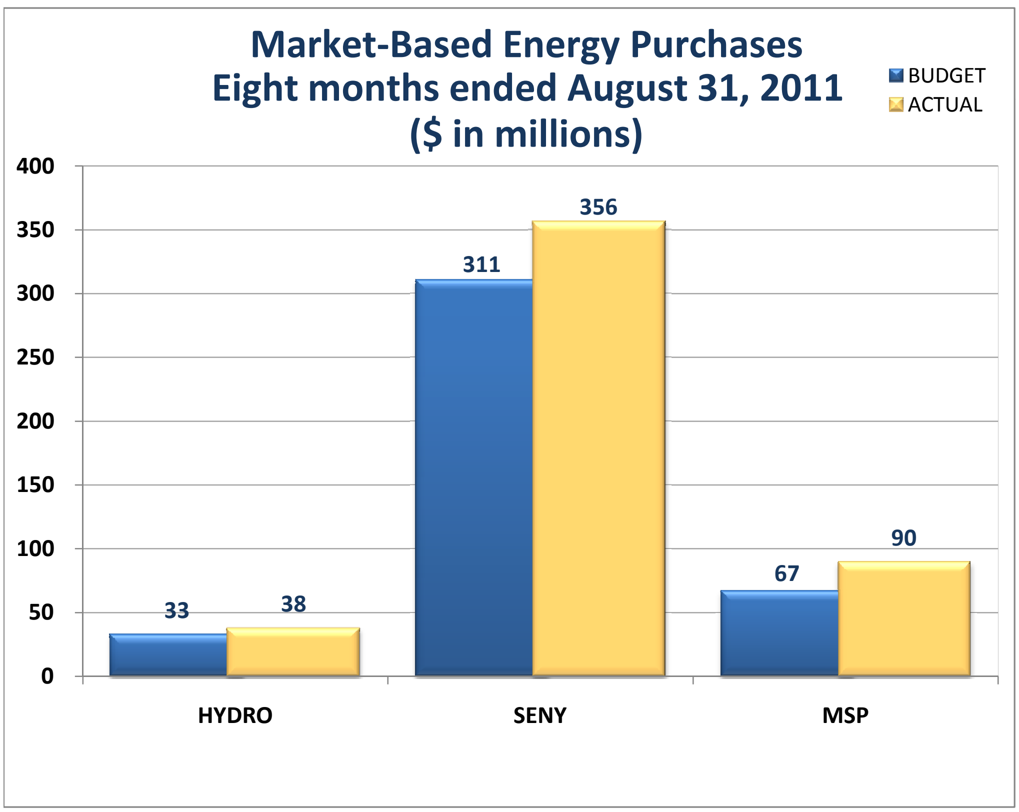
RESULTS OF OPERATIONS



REVENUES		
SALES (MWH)		
	BUDGET	**ACTUAL**
Hydro*	2,696,284	4,038,017
Fossil	3,395,057	3,468,719
MSP	148,142	382,694
TOTAL	6,239,483	7,889,430
PRICES ($/MWH)		
Hydro*	$40.95	$43.88
Fossil	$58.94	$66.71
MSP	$35.31	$45.91
AVERAGE	$50.61	$54.01

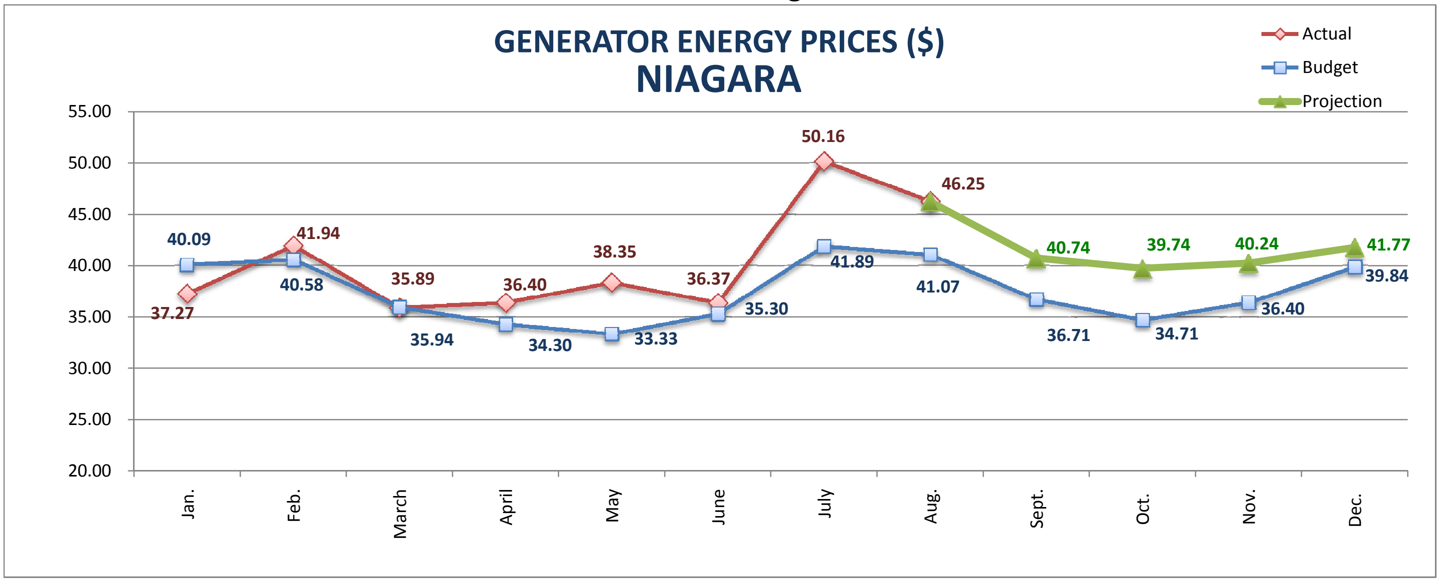
** Includes Niagara, St. Lawrence, B-G, and Small Hydro.*

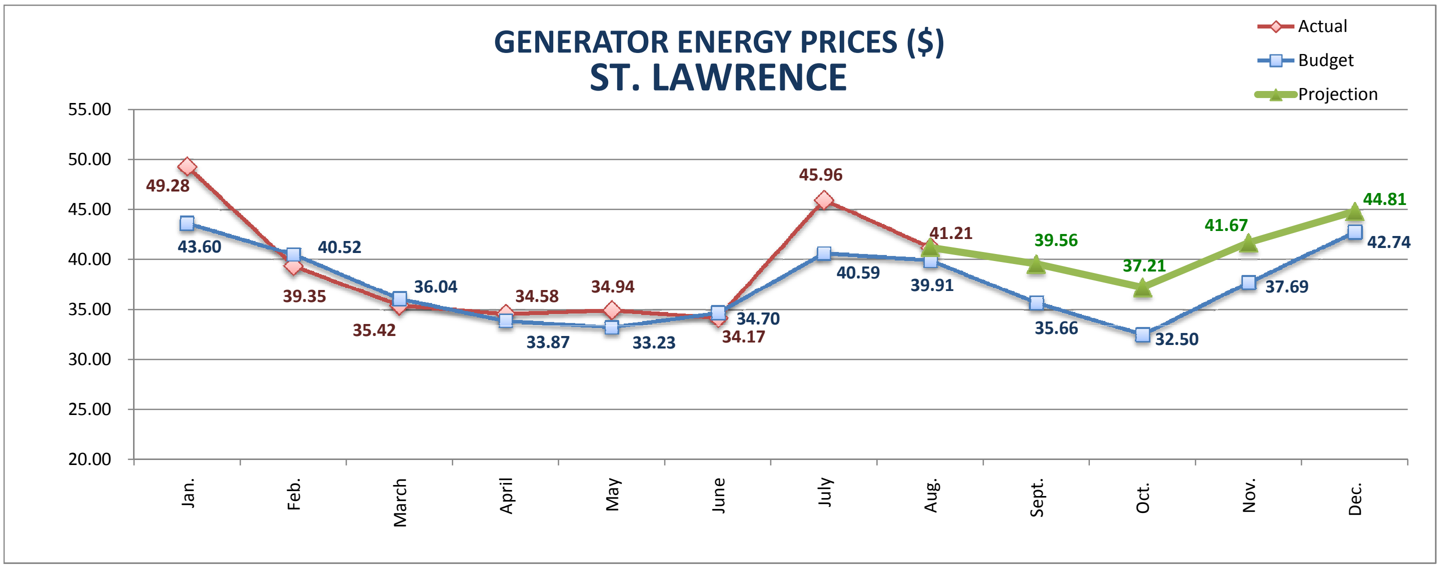
REVENUES		
SALES (MWH)		
	BUDGET	**ACTUAL**
Niagara	1,290,038	2,327,020
St. Law.	886,567	1,402,274
PRICES ($/MWH)		
Niagara	$38.71	$41.51
St. Law.	$36.57	$40.15

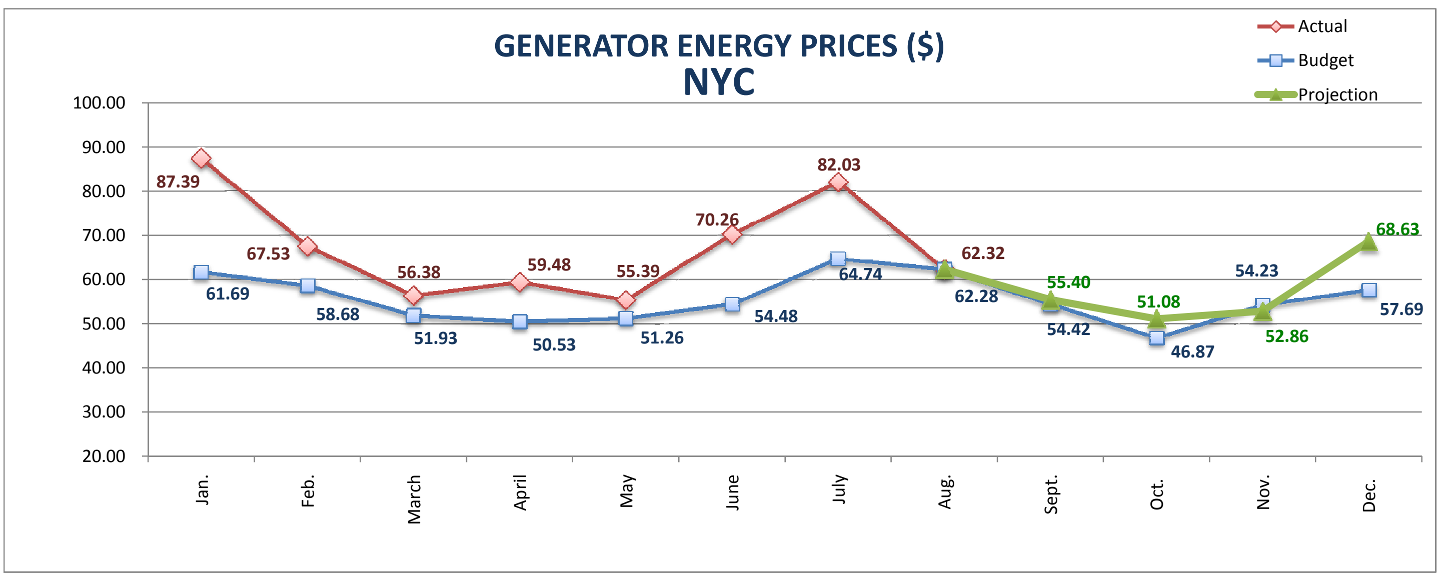


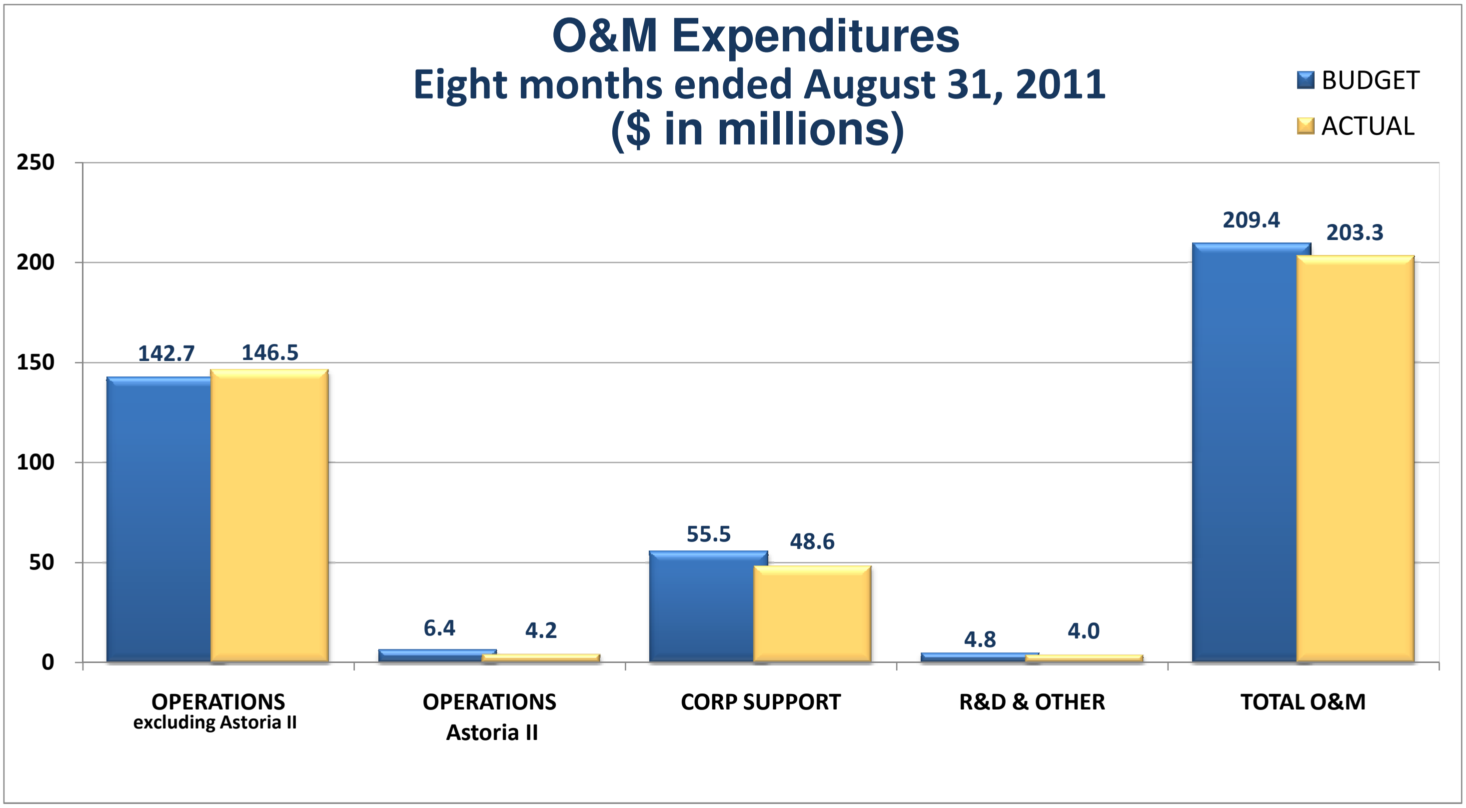
COSTS		
PURCHASES (MWH)		
	BUDGET	**ACTUAL**
Hydro	1,332,194	1,079,558
SENY	6,004,200	6,437,954
MSP	1,810,197	2,003,236
TOTAL	9,146,591	9,520,748
COSTS ($/MWH)		
Hydro	$24.87	$35.46
SENY	$51.73	$55.29
MSP	$37.07	$44.97
AVERAGE	$44.92	$50.87

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget





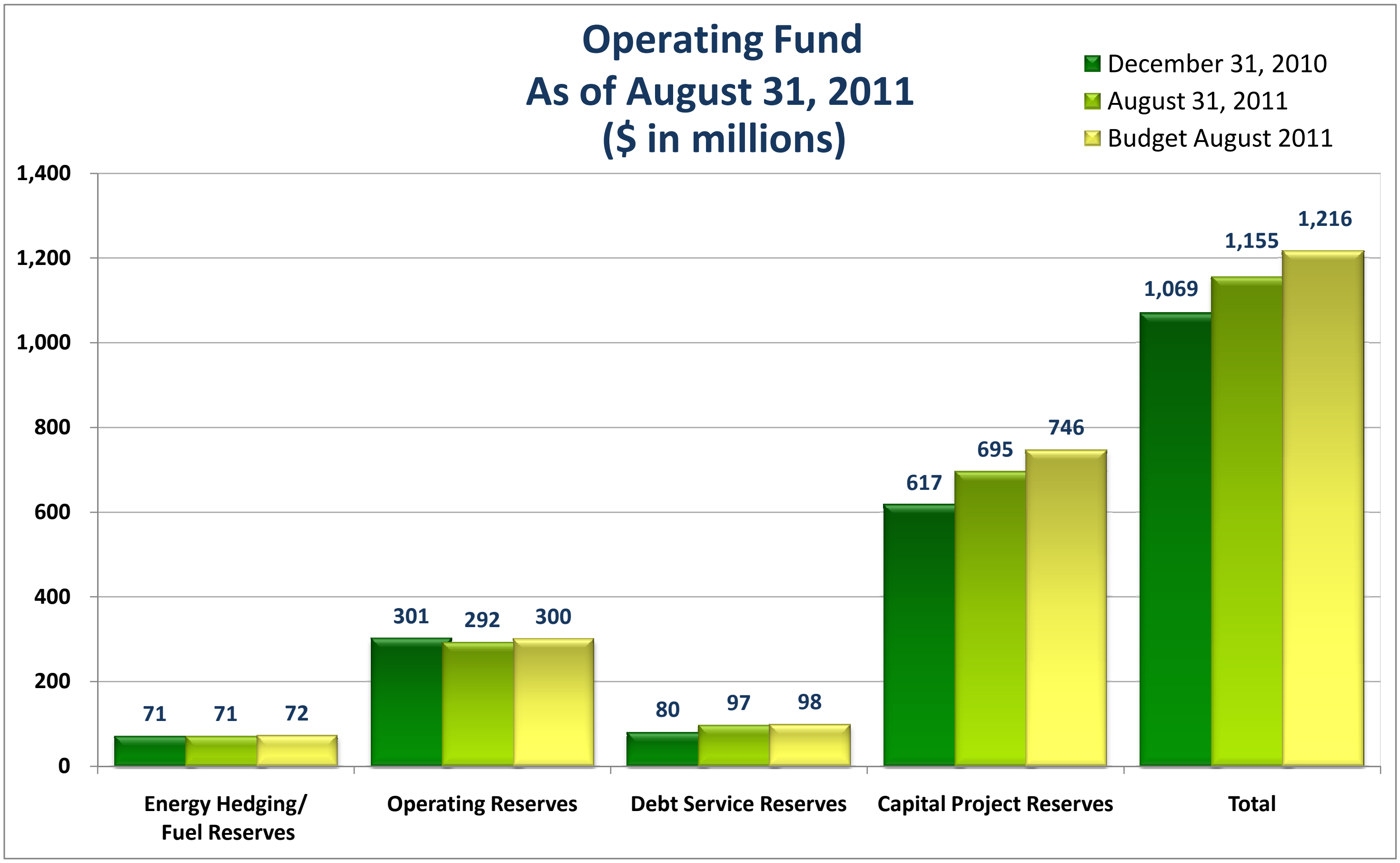




- Through August, O&M expenses were $6.1 lower than the budget.

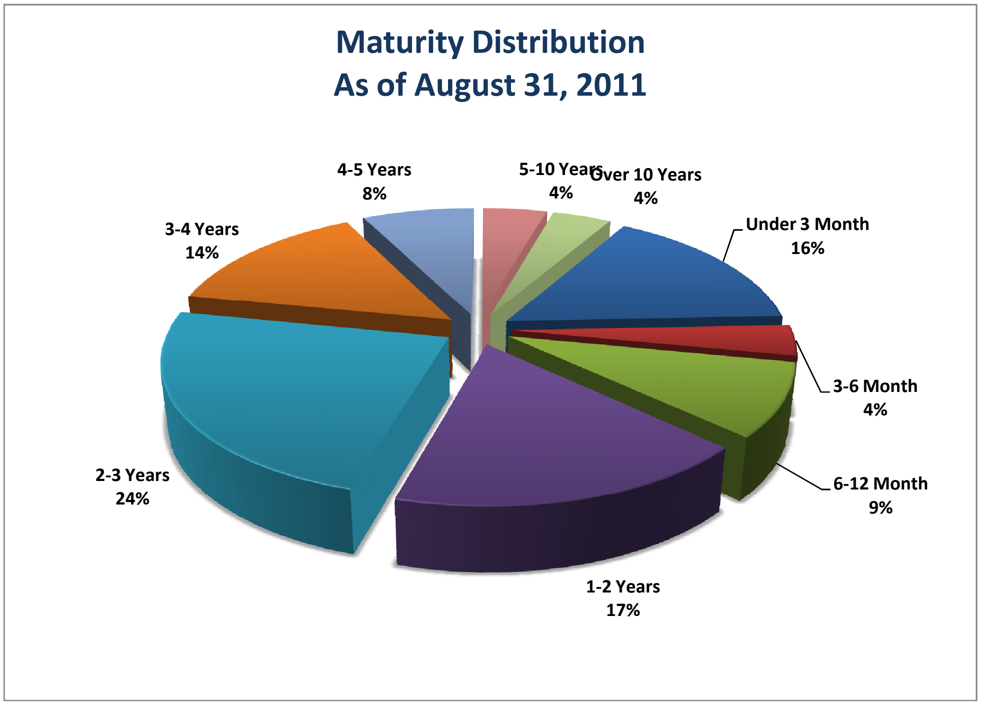
- HQ Corporate Support was under budget by $6.9 due to lower than expected expenses for Human Resource contract services and employment agency fees, WPO building operations, computer software, hardware and services, and books and publications.

- Operations expenditures excluding Astoria II were $3.8 higher than budgeted primarily due to emergent work at the Small Clean Power Plants (Pouch terminal, Harlem River and Kent), earlier than expected costs related to the Flynn planned outage and an overrun in Operations Shared Services due to less than anticipated labor charged to capital projects. These negatives were partially offset by timing underruns in non-recurring projects at Niagara. In addition, operations O&M, and the related revenue were lower by $2.1 million as a result of a one-month delay in the commercial operation date for Astoria II.

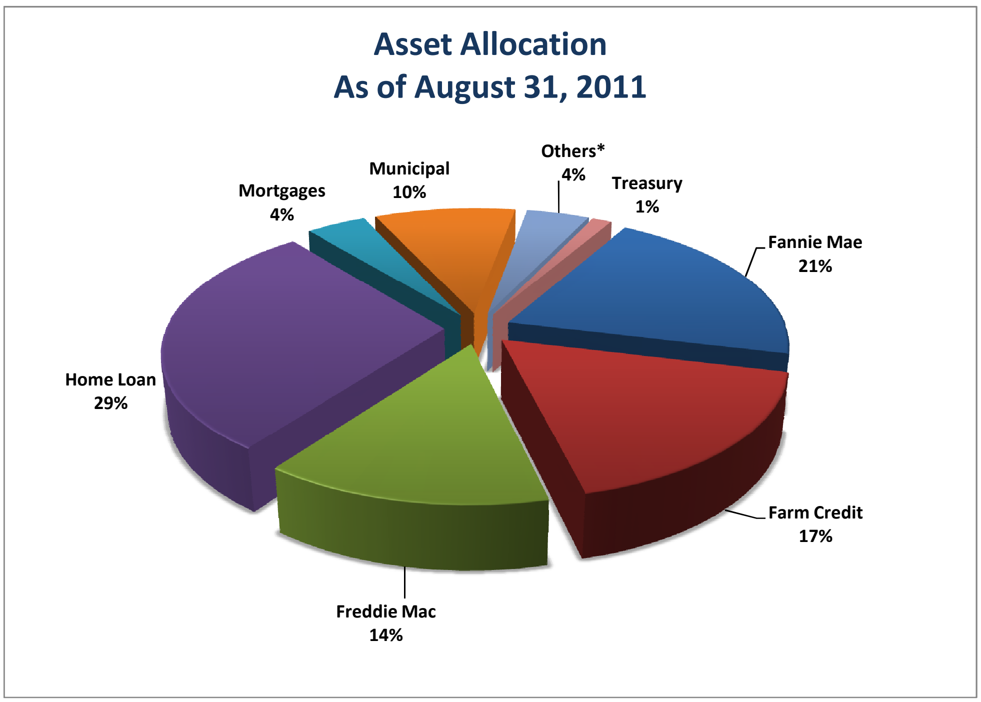


The increase of $86 in the Operating Fund (from $1,069 to $1,155) was primarily attributable to positive net cash provided by operating activities, the Value Sharing payment of $72 received from Entergy and the settlement of the spent nuclear fuel claim ($11), substantially offset by voluntary contributions to New York State ($73) and repayments on commercial paper ($83) and ART Notes ($8). The variance from budget is primarily attributable to the additional Power for Jobs contribution to the State ($7.5) and the early pay down of Commercial Paper ($33.6), not included in the budget.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO

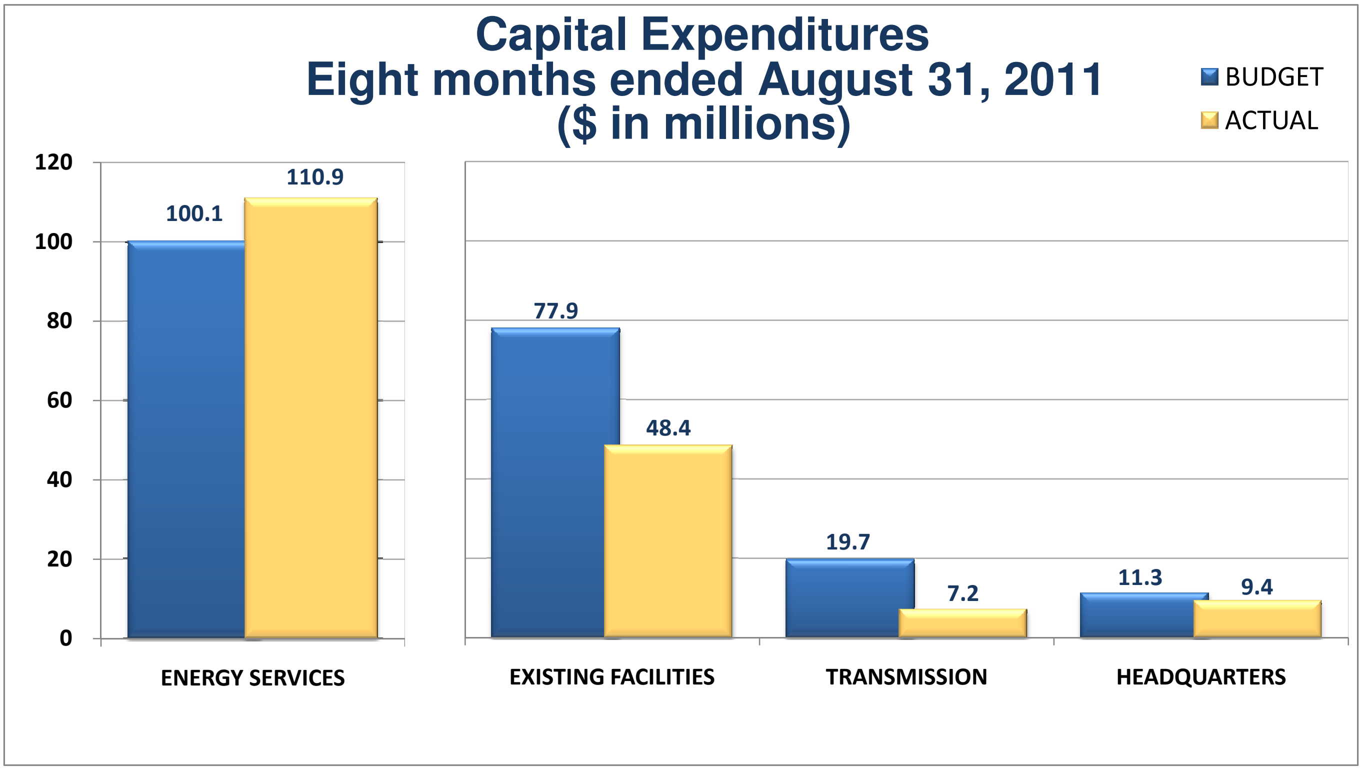


MATURITY DISTRIBUTION ($ in millions)	
Under 3 Month	$199.2
3-6 Month	46.4
6-12 Month	110.1
1-2 Years	217.7
2-3 Years	295.1
3-4 Years	179.8
4-5 Years	93.5
5-10 Years	53.3
Over 10 Years	48.9
Total	**$1,244.0**

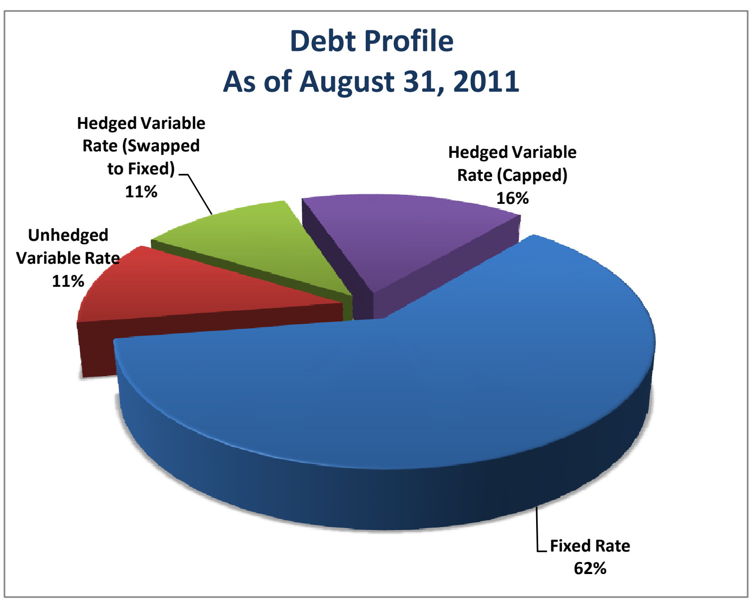


ASSET ALLOCATION ($ in millions)	
Fannie Mae	$254.9
Farm Credit	216.9
Freddie Mac	172.2
Home Loan	360.8
Mortgages	50.6
Municipal	119.8
Others*	52.8
Treasury	16.0
Total	**$1,244.0**

*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 $29.5 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 765 kv transmission line relay and switch replacements.
- 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 $16.1 for 2011. In August, the President authorized $1.5 for the BG Fire Detection System Replacement and $0.2 for the BG Spillway Capacity Remediation.



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,134.4
Unhedged Variable Rate	209.7
Hedged Variable Rate (Swapped to Fixed)	204.7
Hedged Variable Rate (Capped)	300.0
Total	**$1,848.8**

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of $41.2 million. 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			
	YTD[1]	**2011**	**2012**	**>=2013**	**Total**
NYPA	$ 0.9	$ (0.1)	$ -	$ -	$ (0.1)
Customer Contracts	$ (42.2)	$ (31.3)	$ (79.4)	$ (70.9)	$ (181.6)
Total	**$ (41.2)**	**$ (31.5)**	**$ (79.4)**	**$ (70.9)**	**$ (181.7)**

[1]*Reflects August 2011 preliminary settlements.*

At the end of August, the fair market value of outstanding positions was valued at an unrealized loss of $181.7 million for positions extending through 2017. Based on these market positions NYPA has not been required to post collateral.

Market Summary

Exhibit 1 shows the average price of October 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 October to December 2011 Forward Price as Traded

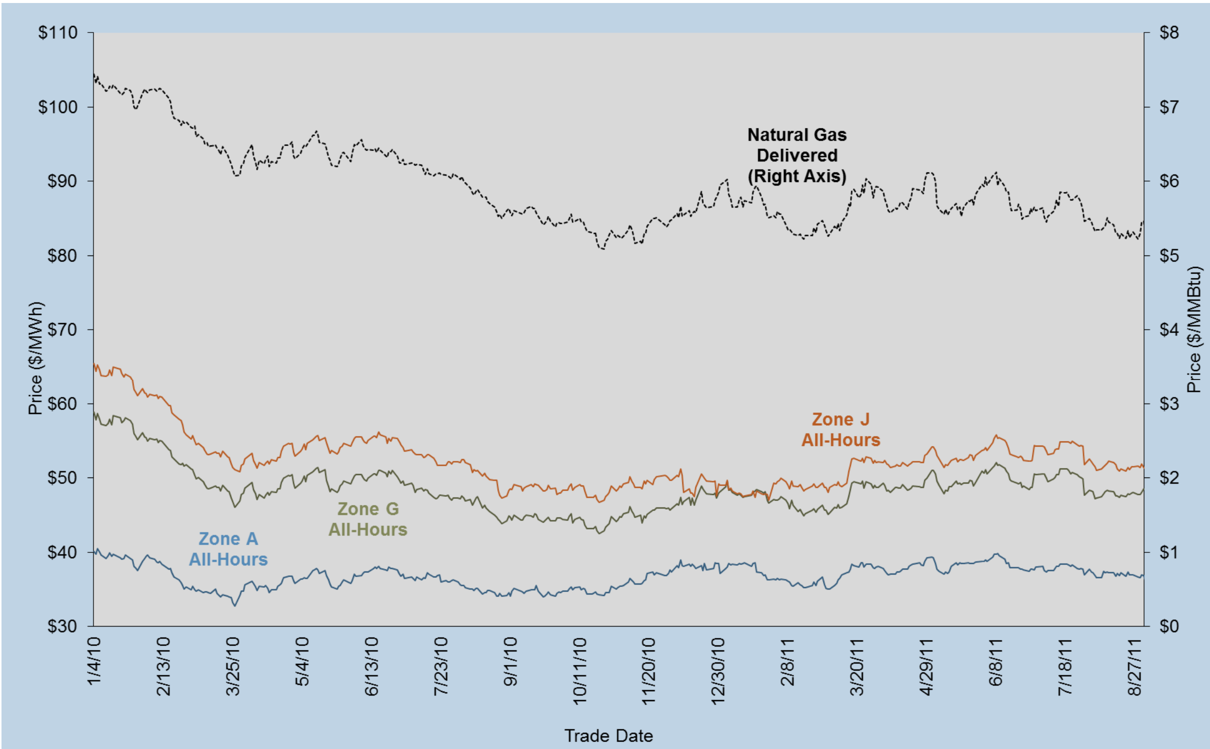
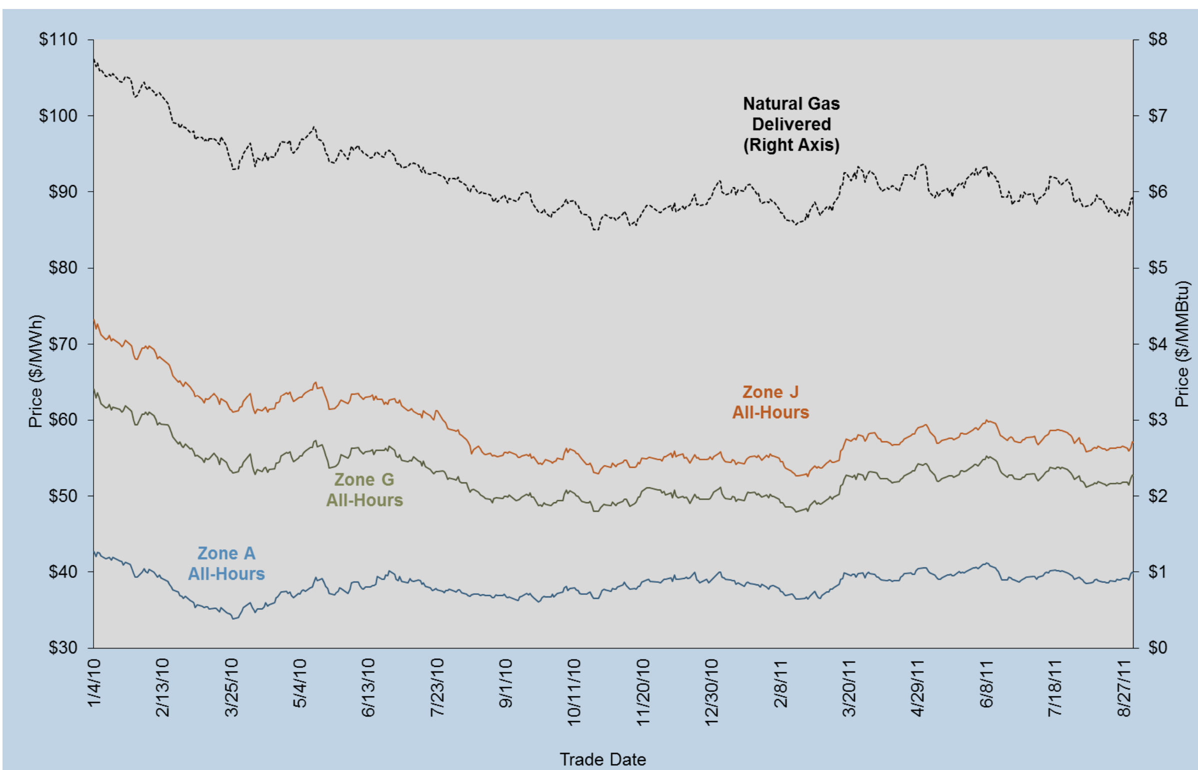


Exhibit 2: Average January to December 2012 Forward Price as Traded



STATEMENT OF NET INCOME
For the Eight Months Ended August 31, 2011
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,070.5	Customer	**$1,316.4**	**$1,363.7**	**($47.3)**
463.4	Market-based power sales	389.1	309.0	80.1
30.6	Ancillary services	17.6	17.5	0.1
114.9	NTAC and other	76.2	77.4	(1.2)
608.9	Total	**482.9**	**403.9**	**79.0**
2,679.4	**Total Operating Revenues**	**1,799.3**	**1,767.6**	**31.7**
	Operating Expenses			
804.7	Purchased power	593.4	549.2	(44.2)
295.6	Fuel consumed - oil & gas	182.8	191.8	9.0
108.2	Ancillary services	39.5	71.8	32.3
543.4	Wheeling	354.9	354.2	(0.7)
327.1	Operations and maintenance	203.3	209.4	6.1
194.9	Depreciation and amortization	117.5	122.2	4.7
135.5	Other expenses	113.6	92.4	(21.2)
(10.9)	Allocation to capital	(4.5)	(6.8)	(2.3)
2,398.5	**Total Operating Expenses**	**1,600.5**	**1,584.2**	**16.3**
280.90	**Net Operating Income**	**198.8**	**183.4**	**15.4**
	Nonoperating Revenues			
88.0	Post nuclear sale income	68.3	68.3	-
39.9	Investment income	25.8	25.9	(0.1)
(7.0)	Mark to market - investments	11.3	(3.5)	14.8
-	Other income	11.2	-	11.2
120.9	**Total Nonoperating Revenues**	**116.6**	**90.7**	**25.9**
	Nonoperating Expenses			
65.0	Contributions to New York State	65.0	65.0	-
157.5	Interest and other expenses	77.7	92.8	15.1
222.5	**Total Nonoperating Expenses**	**142.7**	**157.8**	**15.1**
$179.3	**Net Income**	**$172.7**	**$116.3**	**$56.4**

COMPARATIVE BALANCE SHEETS
August 31, 2011
($ in millions)

Assets		August 2011	August 2010	December 31, 2010
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,188.5	1,009.4	1,091.1
	Interest receivable on investments	6.9	7.2	5.5
	Accounts receivable - customers	240.6	215.2	204.0
	Materials and supplies, at average cost:			
	Plant and general	76.9	77.5	75.1
	Fuel	23.5	17.4	15.3
	Prepayments and other	149.1	193.4	190.5
	Total Current Assets	**1,685.6**	**1,520.2**	**1,581.6**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,062.5	970.6	1,032.4
	Other	81.3	90.3	83.3
	Total Restricted Funds	**1,143.8**	**1,060.9**	**1,115.7**
Capital Funds	Investment in securities and cash	109.5	166.2	144.8
	Total Capital Funds	**109.5**	**166.2**	**144.8**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,424.4	3,311.6	3,344.1
	Capital lease, less accumulated amortization	1,034.9	-	-
	Construction work in progress	81.0	152.1	123.3
	Net Utility Plant	**4,540.3**	**3,463.7**	**3,467.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	580.7	659.7	604.6
	Notes receivable - nuclear plant sale	153.4	167.1	157.1
	Total other noncurrent assets	**1,052.1**	**1,144.8**	**1,079.7**
	Total Assets	**$8,531.3**	**$7,355.8**	**$7,389.2**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$822.2	$889.6	$881.7
	Short-term debt	336.7	303.5	323.2
	Total Current Liabilities	**1,158.9**	**1,193.1**	**1,204.9**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,149.5	1,191.0	1,151.2
	Adjustable rate tender notes	122.9	130.5	130.5
	Commercial paper	254.9	342.4	336.5
	Total Long-term Debt	**1,527.3**	**1,663.9**	**1,618.2**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,062.5	970.6	1,032.4
	Disposal of spent nuclear fuel	216.2	216.0	216.1
	Capital lease obligation	1,128.0	-	-
	Deferred revenues and other	264.6	377.1	316.5
	Total Other Noncurrent Liabilities	**2,671.3**	**1,563.7**	**1,565.0**
Net Assets	Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
	Net Income	172.7	114.7	180.7
	Total Net Assets	**3,173.8**	**2,935.1**	**3,001.1**
	Total Liabilities and Net Assets	**$8,531.3**	**$7,355.8**	**$7,389.2**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Eight Months Ended August 31, 2011
($ in millions)

Operating Fund	
Opening	$1,069.2
Closing	1,154.8
Increase/(Decrease)	**85.6**
Cash Generated	
Net Operating Income	198.8
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	117.5
Net Change in Receivables, Payables & Inventory	(106.3)
Other	(3.9)
Net Cash Generated from Operations	**206.1**
(Uses)/Sources	
Utility Plant Additions	(40.6)
Debt Service	
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(38.3)
ART Notes	(7.6)
Investment Income	14.7
Entergy Value Sharing Agreement	72.0
Voluntary Contributions to NY State	(72.5)
Other	(3.4)
Total (Uses)/Sources	**(120.5)**
Net Increase in Operating Fund	**$85.6**