

**New York Power Authority**

**Report of the Acting Chief Financial Officer  
For the Two Months Ended February 29, 2012**



**Report of the Acting Chief Financial Officer  
For the Month Ended February 29, 2012  
Executive Summary**

**Results of Operations**

Net income for the two months ended February 29, prior to the recognition of the voluntary contribution to New York State, was a positive \$53.8 million, which was \$3.4 million better than the budget. With the inclusion of the budgeted \$60 million voluntary contribution, the Authority had a net loss of \$6.2 million for the year-to-date compared to a budgeted net loss of \$9.6 million. Results through February were better than budgeted due primarily to higher non-operating income (\$1.9 million) and lower operations and maintenance expenses (\$2.0 million). Non-operating income included a mark-to-market gain on the Authority's investment portfolio and lower interest costs due to lower than budgeted market interest rates. Operations and maintenance expenses were lower than anticipated primarily due to early year timing differences in projects at Niagara, St. Lawrence and the transmission facilities. Net margins on sales were on budget through February, as the positive impact of higher net generation was offset by lower sales prices in the ISO market and other factors. On a facility basis, positive variances in the MSP market area (\$4.6 million, lower purchased power costs) and at the SCPP's (\$2.7 million, higher market-based sales) were offset by negative variances at Niagara (\$2 million, lower prices) and the transmission facilities (\$5.1 million, lower revenues). Lower revenues at the transmission facilities resulted from the postponement of the planned rate increase and lower FACTS revenue. Production through February was 16% higher than budget reflecting higher net generation at St. Lawrence (17%), Niagara (13%) and the fossil facilities (21%).

Results for the two months ended February 29, 2012 (\$6.2 million loss) were \$12.7 million worse than the same period in 2011. The current year reflected a higher voluntary contribution to New York State substantially offset by lower purchased power costs. Voluntary contributions were \$60 million through February 2012 compared to \$25 million through February 2011. Purchased power costs were lower in 2012 due to higher net generation and the need to purchase additional power at Niagara in 2011 due to an early transmission line outage.

**Cash & Liquidity**

The Authority ended the month of February with total operating funds of \$1,259 million as compared to \$1,205 million at the end of 2011. The increase (\$34 million) is primarily attributable to net cash from operations and the value sharing payment received from Entergy of \$72 million substantially offset by a \$60 million voluntary contribution to New York State.

### **Year-end Projection**

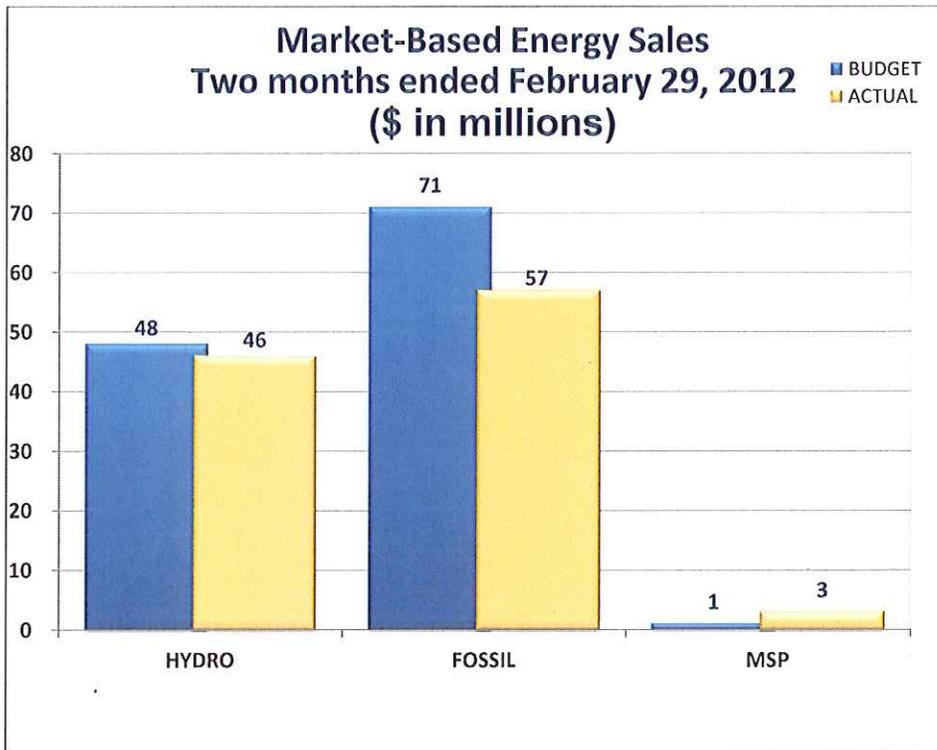
The year-end net income for 2012 is currently projected to be \$156 million, which is \$11 million below the official budget. The main factor causing the projected decrease is lower than projected energy prices, which are offset to some extent by higher than projected capacity prices.

As we transition from an extremely mild winter into spring, state-wide energy prices continue to be lower than expected, and are forecasted to be approximately 27% lower than the budget through the end of the year. Partially mitigating depressed market prices for energy are increases in capacity prices for the New York City and Rest of State marketplaces. These movements are attributed to a pending increase in the locational capacity requirements for these market areas due to plant closures, reducing the supply in the capacity market. Projected hydro generation for the remainder of the year has climbed slightly, while the combined production at the fossil plants is expected to remain on budget.

**Net Income**  
**Two Months ended February 29, 2012**  
(\$ in millions)

	Actual	Budget	Variance
Niagara	\$26.6	\$26.8	(\$0.2)
St. Lawrence	1.0	(1.6)	2.6
Blenheim-Gilboa	(3.9)	(2.6)	(1.3)
SENY	7.0	9.6	(2.6)
SCPP	(0.6)	(3.6)	3.0
Market Supply Power	(4.6)	(9.3)	4.7
Flynn	2.6	2.3	0.3
Transmission	4.6	8.8	(4.2)
Non-facility	(38.9)	(40.0)	1.1
<b>Total</b>	<b>(\$6.2)</b>	<b>(\$9.6)</b>	<b>\$3.4</b>

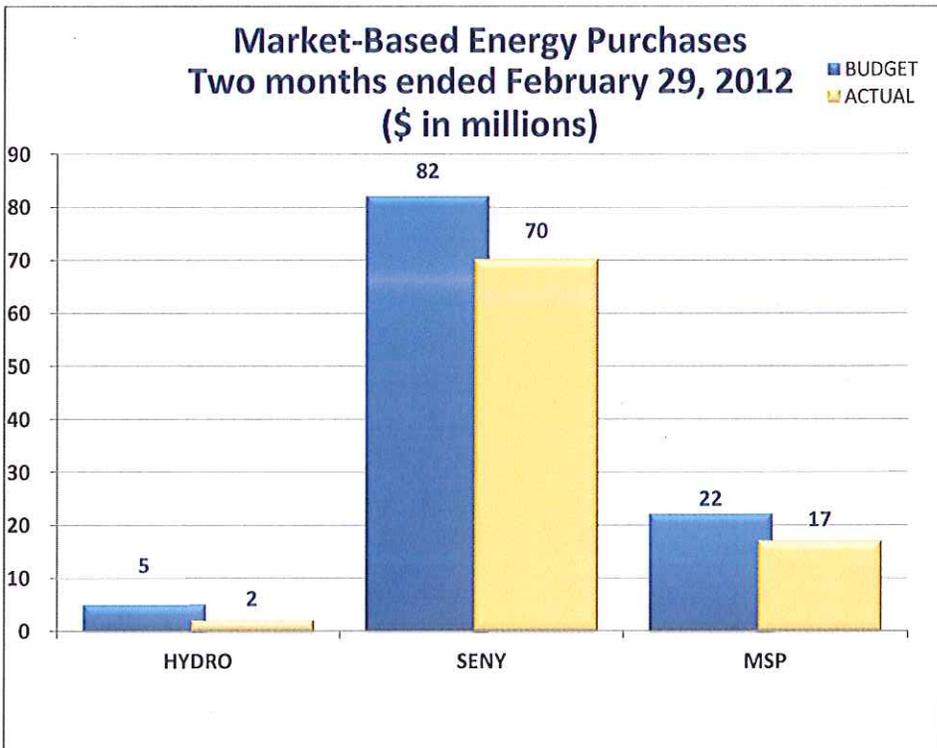
<u>Major Factors</u>	<u>Better (Worse)</u>
<u>St. Lawrence</u> Primarily higher net margin on sales (\$2.3) resulting from higher volumes (18% higher generation) partially offset by lower prices on market based sales.	2.6
<u>Market Supply Power</u> Lower purchased power costs due to lower prices.	4.7
<u>SCPP</u> Higher market-based sales due to higher generation.	3.0
<u>Transmission</u> Postponement of planned rate increase and lower FACTS revenue.	(4.2)
<u>Other facilities</u> Includes lower net margins on sales at Blenheim-Gilboa and Niagara due to lower prices.	(3.8)
<u>Non-facility (including investment income)</u> Primarily market-to-market gain on the Authority's investment portfolio (\$0.7) due to a decrease in market interest rates during the period.	1.1
<b>Total</b>	<b>\$3.4</b>



REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	1,002,365	1,488,266
Fossil	899,604	1,232,618
MSP	26,025	100,186
<b>TOTAL</b>	<b>1,927,994</b>	<b>2,821,070</b>
PRICES (\$/MWH)		
Hydro*	\$47.50	\$30.38
Fossil	\$77.30	\$43.07
MSP	\$41.19	\$33.98
<b>AVERAGE</b>	<b>\$61.32</b>	<b>\$36.05</b>

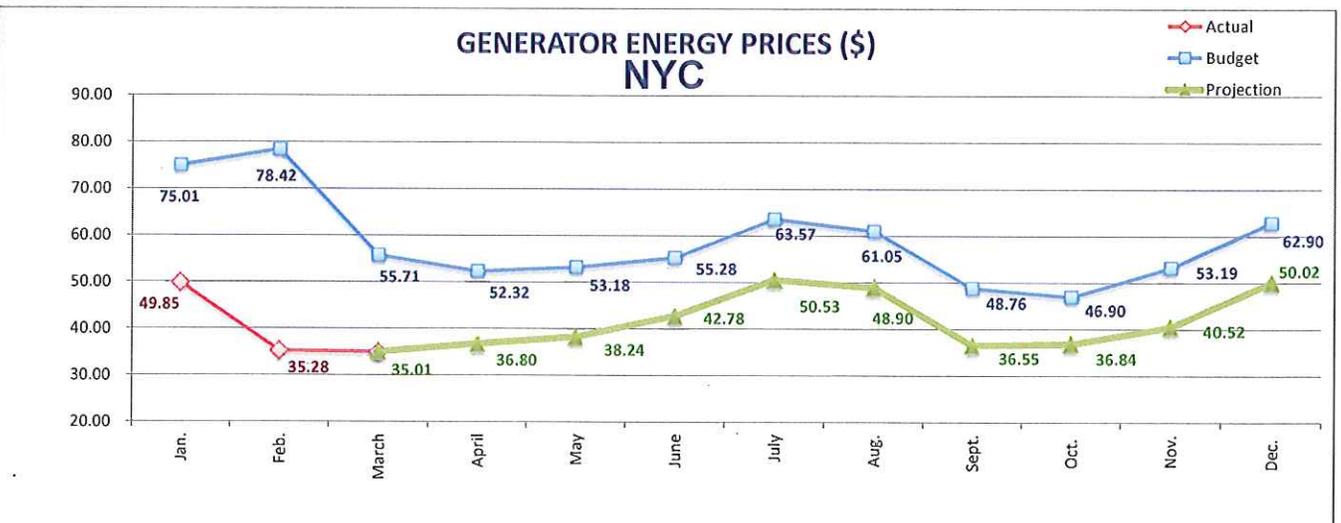
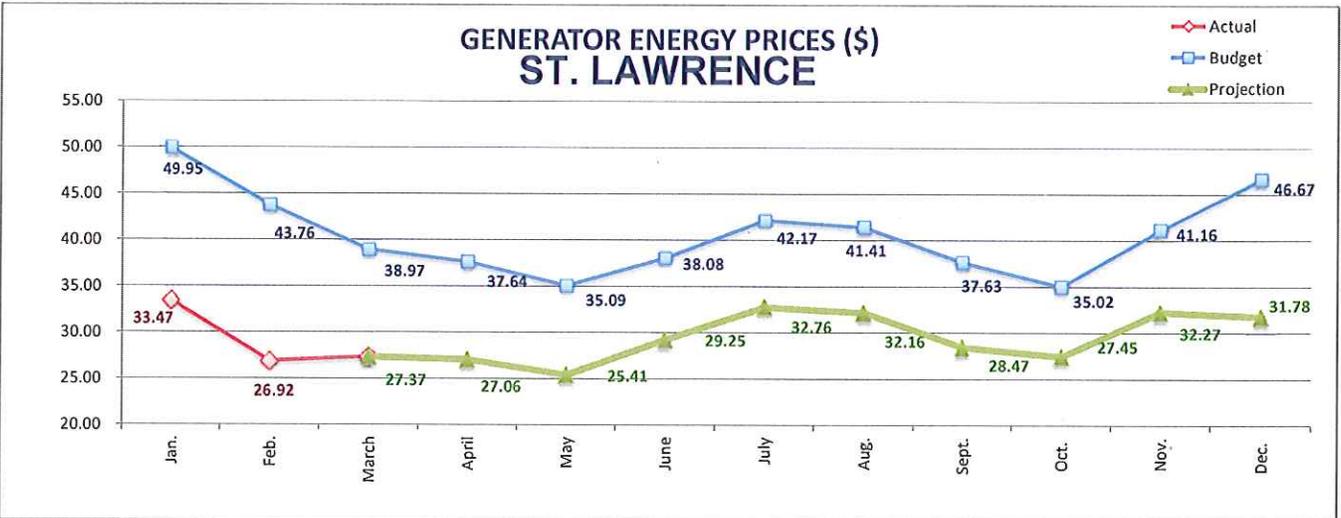
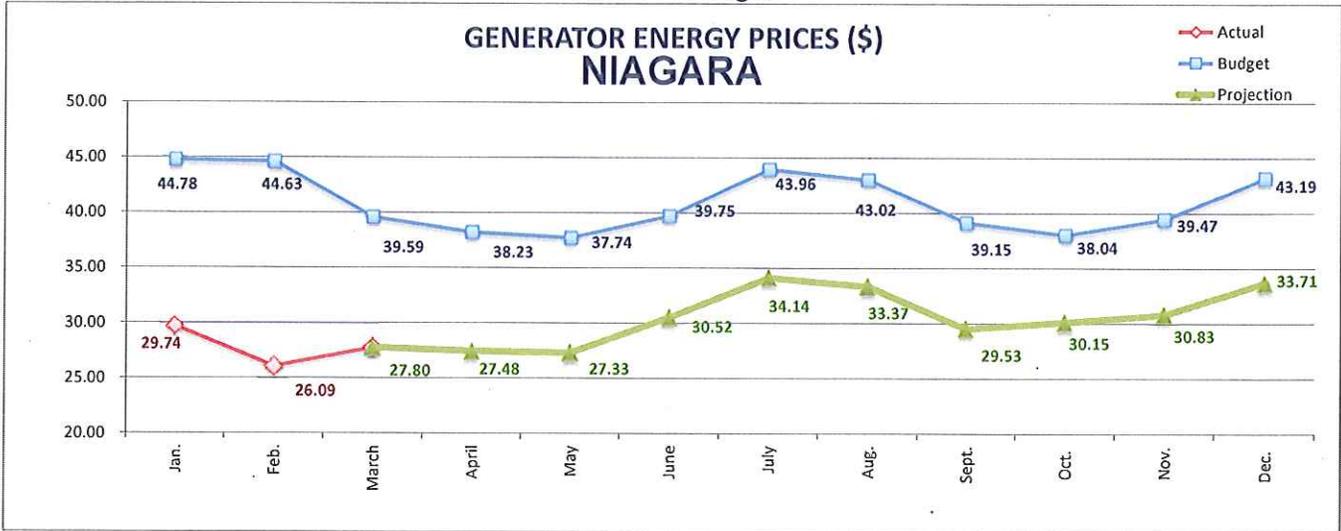
\* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

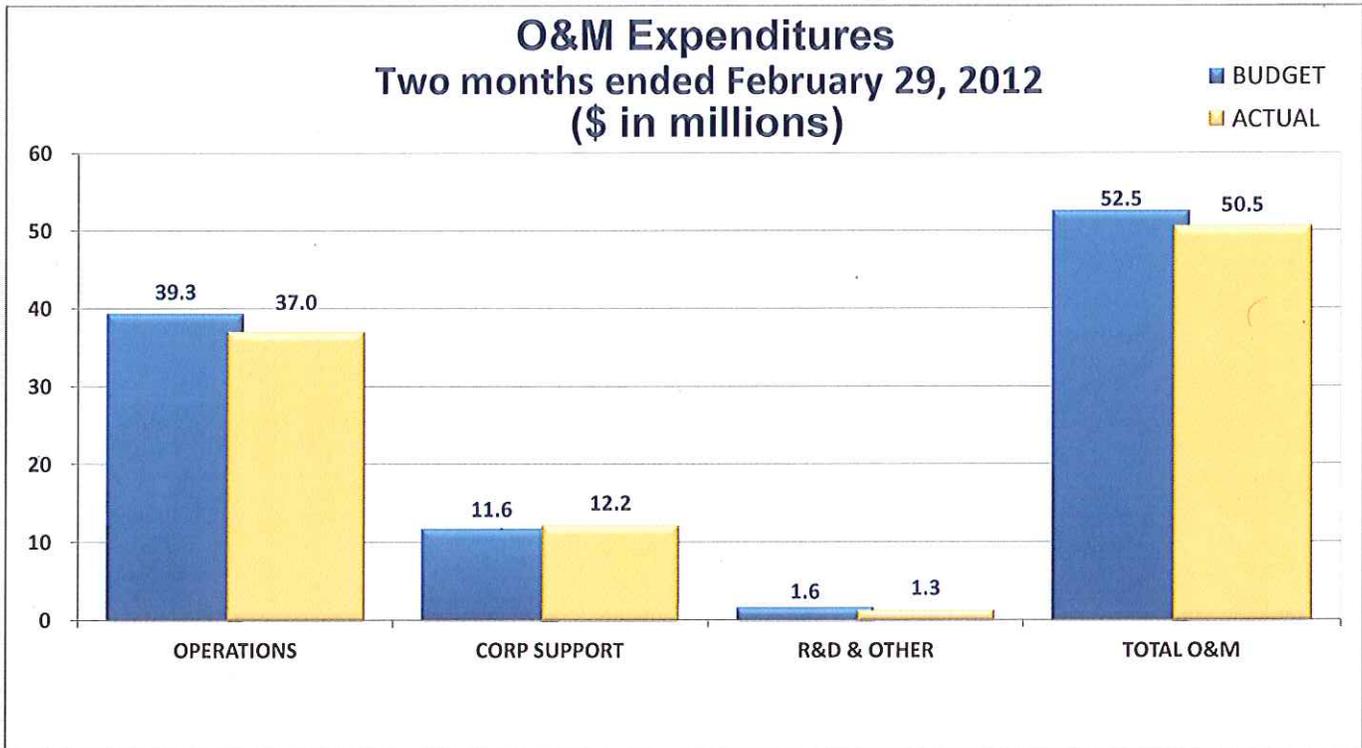
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	723,623	1,081,824
St. Law.	193,391	354,151
PRICES (\$/MWH)		
Niagara	\$43.82	\$29.62
St. Law.	\$43.90	\$30.20



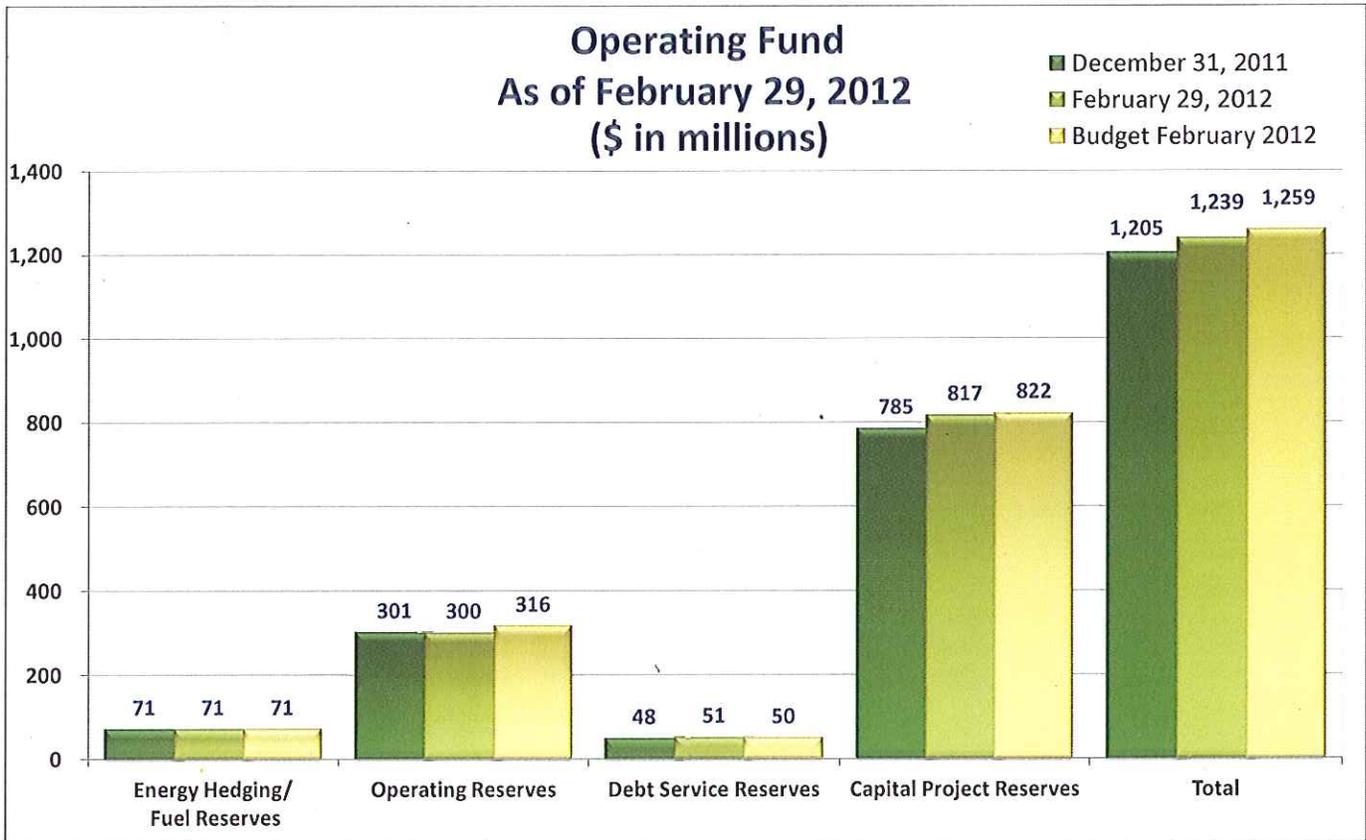
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	164,524	68,522
SENY	1,464,995	1,431,975
MSP	476,798	516,208
<b>TOTAL</b>	<b>2,106,317</b>	<b>2,016,705</b>
COSTS (\$/MWH)		
Hydro	\$29.24	\$26.20
SENY	\$56.36	\$49.51
MSP	\$45.99	\$32.39
<b>AVERAGE</b>	<b>\$51.90</b>	<b>\$44.33</b>

**RESULTS OF OPERATIONS**  
**Market Energy Prices**  
**Actual vs Budget**



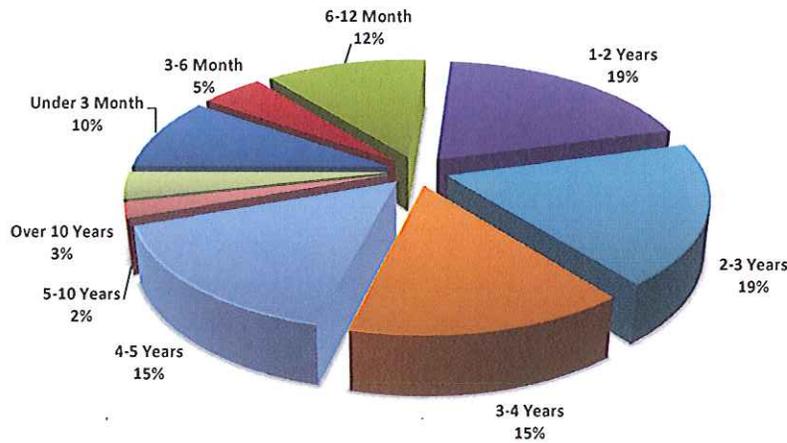


- For the two months ended February 29, 2012, O&M expenses were \$2.0 lower than the budget.
- Operations and maintenance expenses were lower than anticipated primarily due to early year timing differences in projects at Niagara, St. Lawrence and the transmission facilities.
- HQ Corporate Support was over budget by \$0.6 due to earlier than expected expenses for IT maintenance partially offset by lower than anticipated expenditures for outside legal consultants, Human Resources contract services and fuel cell maintenance.



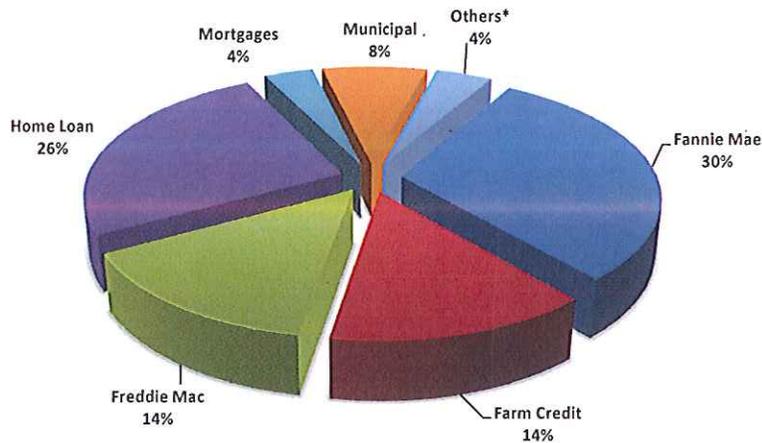
The increase of \$34 in the Operating Fund (from \$1,205 to \$1,239) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of \$72 received from Entergy, substantially offset by \$60 in voluntary contributions to New York State.

**Maturity Distribution  
As of February 29, 2012**



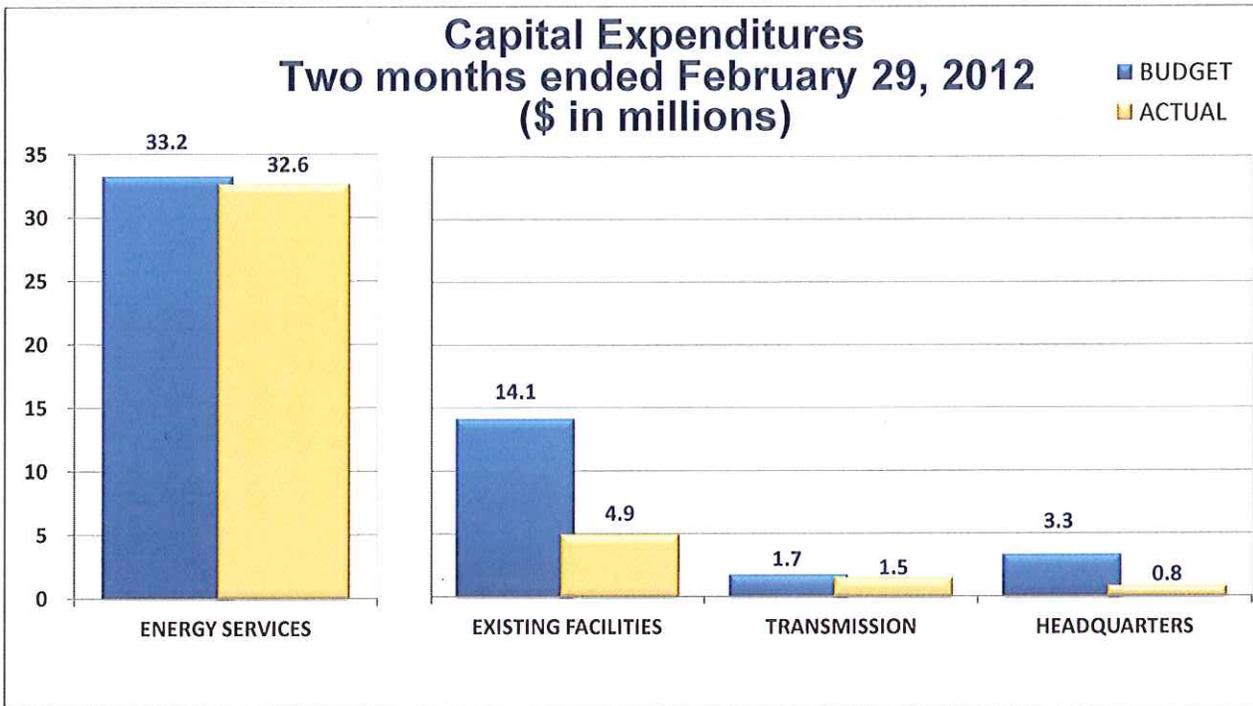
MATURITY DISTRIBUTION	
(\$ in millions)	
Under 3 Month	\$122.9
3-6 Month	58.8
6-12 Month	152.8
1-2 Years	249.0
2-3 Years	238.4
3-4 Years	186.9
4-5 Years	198.2
5-10 Years	26.1
Over 10 Years	45.4
<b>Total</b>	<b>\$1,278.5</b>

**Asset Allocation  
As of February 29, 2012**



ASSET ALLOCATION	
(\$ in millions)	
Fannie Mae	\$387.5
Farm Credit	177.4
Freddie Mac	181.8
Home Loan	327.3
Mortgages	46.9
Municipal	100.3
Others*	53.8
Treasury	3.5
<b>Total</b>	<b>\$1,278.5</b>

\*Includes CDs and Repos

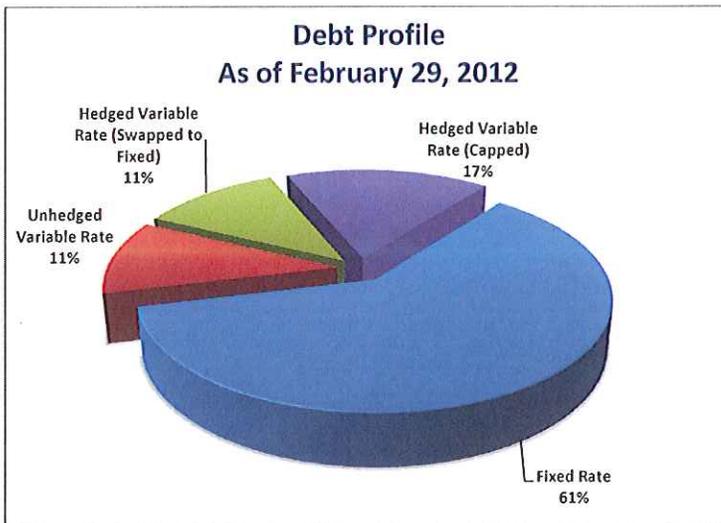


Existing Facilities were under budget by \$9.2 primarily due to delays related to the Niagara Unit 2 Standardization project, the LPGP, the St. Lawrence Microwave Communication project and Astoria Infrastructure Upgrade.

Headquarters expenditures were under budget by \$2.5 primarily due to early year timing differences related to IT Initiative Projects.

Under the Expenditure Authorization Procedure, the President authorized new expenditures on budgeted capital projects of \$7.9. The following expenditure was authorized in February:

SCCP Spare Transformer - \$0.8



DEBT PROFILE (\$ in millions)	
Fixed Rate	\$1,083.4
Unhedged Variable Rate	203.1
Hedged Variable Rate (Swapped to Fixed)	188.4
Hedged Variable Rate (Capped)	300.0
<b>Total</b>	<b>\$1,774.9</b>



**ENERGY DERIVATIVES**

**Results**

Year-to-date, energy derivative settlements have resulted in a net loss of \$24.66 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 2012 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions***  
*(\$ in Millions)*

	Settlements	Fair Market Value			
	YTD <sup>1</sup>	2012	2013	>=2014	Total
NYPA	\$ -	\$ (0.83)	\$ -	\$ -	\$ (0.83)
Customer Contracts	\$ (24.66)	\$ (130.73)	\$ (55.61)	\$ (69.40)	\$ (255.74)
<b>Total</b>	<b>\$ (24.66)</b>	<b>\$ (131.56)</b>	<b>\$ (55.61)</b>	<b>\$ (69.40)</b>	<b>\$ (256.58)</b>

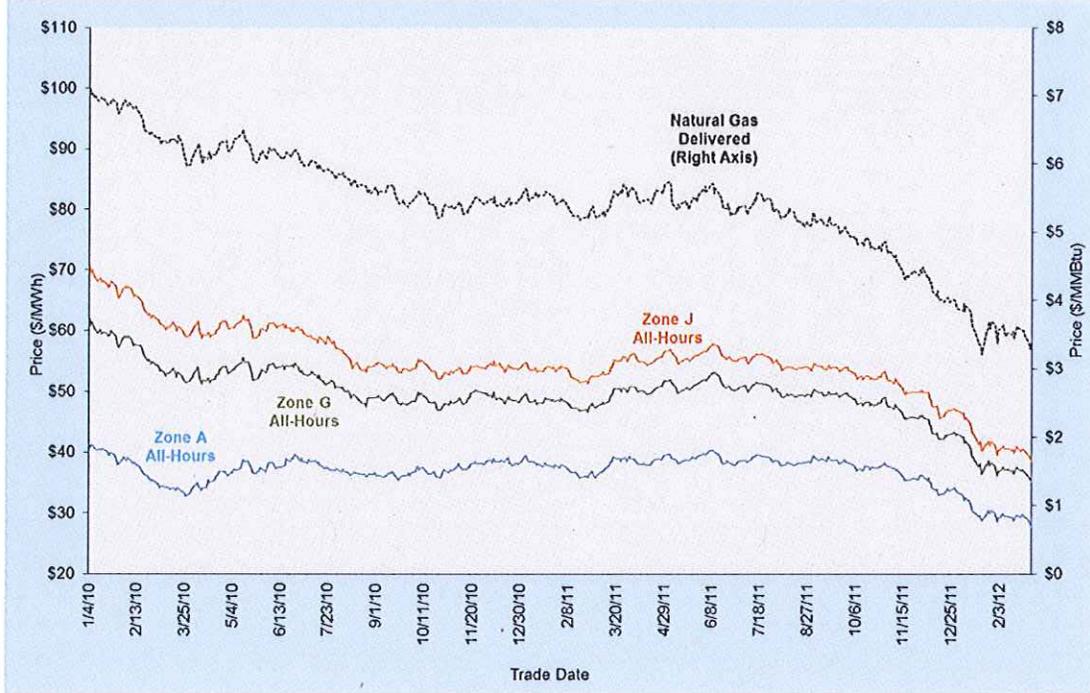
<sup>1</sup>Reflects February preliminary settlements.

At the end of February, the fair market value of outstanding positions was at an unrealized loss of \$256.58 million for positions extending through 2017.

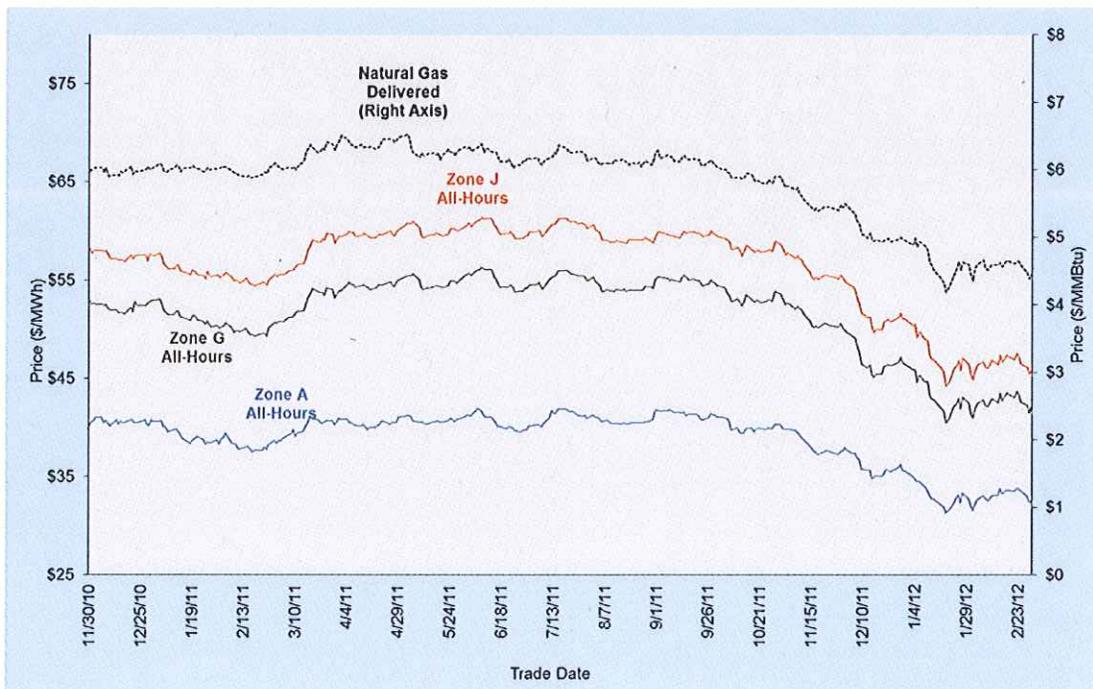
**Market Summary**

Exhibit 1 shows the average price of April to December 2012 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 2013 since 11/30/2010.

**Exhibit 1: April to December 2012 Forward Price**



**Exhibit 2: Average January to December 2013 Forward Price**



**STATEMENT OF NET INCOME**  
For the Month Ended February 29, 2012  
(\$ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	<b>Operating Revenues</b>			
\$2,173.0	Customer	\$311.8	\$364.2	(\$52.4)
552.7	Market-based power sales	84.1	94.0	(9.9)
28.9	Ancillary services	4.3	5.6	(1.3)
118.3	NTAC and other	15.8	20.5	(4.7)
699.9	<b>Total</b>	<b>104.2</b>	<b>120.1</b>	<b>(15.9)</b>
<b>2,872.9</b>	<b>Total Operating Revenues</b>	<b>416.0</b>	<b>484.3</b>	<b>(68.3)</b>
	<b>Operating Expenses</b>			
752.9	Purchased power	98.8	122.7	23.9
329.5	Fuel consumed - oil & gas	46.0	80.9	34.9
76.5	Ancillary services	8.1	12.8	4.7
610.2	Wheeling	79.6	84.6	5.0
370.9	Operations and maintenance	50.5	52.5	2.0
222.2	Depreciation and amortization	37.6	37.0	(0.6)
194.3	Other expenses	36.4	37.0	0.6
(11.7)	Allocation to capital	(1.0)	(1.6)	(0.6)
2,544.8	<b>Total Operating Expenses</b>	<b>356.0</b>	<b>425.9</b>	<b>(69.9)</b>
<b>328.10</b>	<b>Net Operating Income</b>	<b>60.0</b>	<b>58.4</b>	<b>1.6</b>
	<b>Nonoperating Revenues</b>			
86.9	Post nuclear sale income	16.9	16.9	-
42.1	Investment income	6.9	7.6	(0.7)
(10.0)	Mark to market - investments	0.7	-	0.7
<b>119.0</b>	<b>Total Nonoperating Revenues</b>	<b>24.5</b>	<b>24.5</b>	<b>-</b>
	<b>Nonoperating Expenses</b>			
85.0	Contributions to New York State	60.0	60.0	-
195.1	Interest and other expenses	30.7	32.5	1.8
<b>280.1</b>	<b>Total Nonoperating Expenses</b>	<b>90.7</b>	<b>92.5</b>	<b>1.8</b>
<b>\$167.0</b>	<b>Net Income (Loss)</b>	<b>(\$6.2)</b>	<b>(\$9.6)</b>	<b>\$3.4</b>

**New York Power Authority  
Financial Reports**

**COMPARATIVE BALANCE SHEETS  
February 29, 2012  
(\$ in millions)**

Assets	February 29, 2012	February 29, 2011	December 31, 2011
<b>Current Assets</b>			
Cash	\$0.1	\$0.1	\$0.1
Investments in government securities	1,268.7	1,106.7	1,233.0
Interest receivable on investments	7.0	7.0	5.6
Accounts receivable - customers	223.5	273.1	188.0
Materials and supplies, at average cost:			
Plant and general	79.1	76.6	80.1
Fuel	22.6	15.1	23.0
Prepayments and other	265.6	186.8	263.5
<b>Total Current Assets</b>	<b>1,866.6</b>	<b>1,665.4</b>	<b>1,793.3</b>
<b>Noncurrent Assets</b>			
<b>Restricted Funds</b>			
Investment in decommissioning trust fund	1,131.4	1,057.0	1,089.8
Other	76.4	83.4	76.4
<b>Total Restricted Funds</b>	<b>1,207.8</b>	<b>1,140.4</b>	<b>1,166.2</b>
<b>Capital Funds</b>			
Investment in securities and cash	99.0	128.3	97.2
<b>Total Capital Funds</b>	<b>99.0</b>	<b>128.3</b>	<b>97.2</b>
<b>Net Utility Plant</b>			
Electric plant in service, less accumulated depreciation	3,399.0	3,330.5	3,414.5
Capital lease, less accumulated amortization	1,116.9	-	1,126.5
Construction work in progress	129.7	122.4	133.4
<b>Net Utility Plant</b>	<b>4,645.6</b>	<b>3,452.9</b>	<b>4,674.4</b>
<b>Other Noncurrent Assets</b>			
Receivable - NY State	318.0	318.0	318.0
Deferred charges, long-term receivables and other	636.6	618.3	614.4
Notes receivable - nuclear plant sale	88.0	102.2	143.0
<b>Total other noncurrent assets</b>	<b>1,042.6</b>	<b>1,038.5</b>	<b>1,075.4</b>
<b>Total Assets</b>	<b>\$8,861.6</b>	<b>\$7,425.5</b>	<b>\$8,806.5</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$920.0	\$947.5	\$905.9
Short-term debt	366.3	315.4	373.7
<b>Total Current Liabilities</b>	<b>1,286.3</b>	<b>1,262.9</b>	<b>1,279.6</b>
<b>Noncurrent Liabilities</b>			
<b>Long-term Debt</b>			
Revenue bonds	1,106.8	1,150.8	1,107.4
Adjustable rate tender notes	122.9	130.5	122.9
Commercial paper	202.3	287.6	204.2
<b>Total Long-term Debt</b>	<b>1,432.0</b>	<b>1,568.9</b>	<b>1,434.5</b>
<b>Other Noncurrent Liabilities</b>			
Nuclear plant decommissioning	1,131.4	1,057.1	1,089.8
Disposal of spent nuclear fuel	216.2	216.2	216.2
Capital lease obligation	1,240.8	-	1,241.3
Deferred revenues and other	265.6	312.9	249.6
<b>Total Other Noncurrent Liabilities</b>	<b>2,854.0</b>	<b>1,586.2</b>	<b>2,796.9</b>
<b>Net Assets</b>			
Accumulated Net Revenues - January 1	3,236.0	3,001.1	3,001.1
Contributed capital*	59.5	-	59.5
Net Income (Loss)	(6.2)	6.4	234.9
<b>Total Net Assets</b>	<b>3,289.3</b>	<b>3,007.5</b>	<b>3,295.5</b>
<b>Total Liabilities and Net Assets</b>	<b>\$8,861.6</b>	<b>\$7,425.5</b>	<b>\$8,806.5</b>

\* Windfarm related transmission assets transferred to NYPA from Noble and Marble River AES accounted for as a capital contribution.

**SUMMARY OF OPERATING FUND CASH FLOWS**  
For the Month Ended February 29, 2012  
(\$ in millions)

<b>Operating Fund</b>	
Opening	\$1,204.6
Closing	1,239.4
	<hr/>
Increase/(Decrease)	<b>34.8</b>
 <b>Cash Generated</b>	
Net Operating Income	60.0
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	37.6
Net Change in Receivables, Payables & Inventory	(41.1)
Other	(1.0)
 <b>Net Cash Generated from Operations</b>	 <b>55.5</b>
 <b>(Uses)/Sources</b>	
Utility Plant Additions	(15.2)
Debt Service	
Commercial Paper 2	(16.4)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(5.9)
Investment Income	4.3
Entergy Value Sharing Agreement	72.0
Voluntary Contributions to NY State	(60.0)
Other	0.5
	<hr/>
<b>Total (Uses)/Sources</b>	<b>(20.7)</b>
 <b>Net Increase in Operating Fund</b>	 <b>\$34.8</b>