

Compliance Report of Independent Auditors

February 17, 2004

Power Authority of the State of New York
New York, New York

We have audited the financial statements of the Power Authority of the State of New York (the "Authority"), as of and for the year ended December 31, 2003, and have issued our report thereon dated February 17, 2004. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance with the Authority's Investment Guidelines, the New York State ("NYS") Comptroller's Investment Guidelines and Section 2925 of the NYS Public Authorities Law (collectively, the "Investment Guidelines") is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the Investment Guidelines, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Audit Committee and management of the Authority, and the Office of the New York State Comptroller and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP