New York Power Authority

Report of the Chief Financial Officer

For the Six Months Ended June 30, 2011

Report of the Chief Financial Officer
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Executive Summary

Results of Operations

Net income for the six months ended June 30, 2011 was $72 million which was $7.8 million higher than budgeted, Positive variances attributable to higher net margins at the hydro facilities ($6.4 million), lower operations and maintenance expenses ($5.2 million), and a mark-to-market gain on the Authority's investment portfolio ($7.2 million) were partially offset by higher other operating expenses ($13.3 million). Higher net margins at St. Lawrence ($15.6 million) due to higher generation and higher prices on market-based sales were partially offset by lower margins at Niagara ($4.3 million, higher purchased power costs) and Blenheim-Gilboa ($4.9 million, lower prices on capacity sales). Operations and maintenance expenses were lower primarily due to timing differences in Human Resource contract services and computer service costs. The mark-to-market gain on the Authority's investment portfolio resulted from lower than budgeted market interest rates. Other operating expenses were higher due the recognition of unbudgeted voluntary contributions to NY State ($10.5 million) relating to the extension of the Power for Jobs program (including $7.5 million relating to 2010 paid in June and the accrual of half of the $6 million for 2011 scheduled to be paid in early 2012). The Astoria II generating unit began commercial operation on July 1, 2011, providing power to the Authority one month later than assumed in the budget. This delay resulted in large line item variances during the month but had no impact on net income as lower than anticipated revenues were offset by lower operating expenses.

Net income through June 2011 ($72 million) was $8.6 million lower than the comparable period in 2010 ($80.6 million). Lower net operating income ($42.5 million) and lower investment income ($9.8 million) during the period were substantially offset by lower voluntary contributions to New York State ($42 million). Net operating income was lower due to lower net margins on sales (12.5 million), higher O&M ($11.1 million) and higher other operating expenses ($20 million). 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 in 2011 at Blenheim-Gilboa and the Small Clean Power Plants due to lower prices. In 2011, O&M includes costs for a planned outage at the 500 MW plant and emergent work at the Small Clean Power Plants. Other operating expenses through June 2011 include higher retiree health benefits and higher Power for Jobs related contributions to NY State. Year-to-date voluntary contributions were $65 million in 2011 compared to $107 million through June 2010.

Year-end Projection

Year-end net income is projected to be $203 million based on current forward market prices and lake levels. This is $24 million above the 2011 budget and $6 million higher than last month's year-end forecast.

The current annual hydro generation forecast of 20.6 TWh is 1.5 TWh above budget reflecting the significant levels of precipitation during the late winter and spring months. The increased generation is contributing to a $42 million increase in net income over the 2011 budget. Higher energy prices have had a $13 million positive impact on projected net income, principally at Niagara, St. Lawrence and the SCPP's. Year-to-date pricing for energy is up an average of 15%. This is offset by a $17 million decline in rest-of-state capacity revenues for the year, principally at the Niagara and Blenheim-Gilboa facilities.

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.

Cash & Liquidity

The Authority ended the month of June with total operating funds of $1,117 million as compared to $1,069 million at the end of 2010. The increase of $48 million was primarily attributable to net cash by operations and the Value Sharing payment received from Entergy in January partially offset by voluntary contributions to New York State and scheduled debt service payments.

Energy Risk

At June 30, 2011, the fair market value of outstanding energy derivatives was an unrealized loss of $188 million for contracts extending through 2017. Year to date, energy derivative settlements resulted in a realized net loss of $33 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
Six Months ended June 30, 2011
($ in millions)

	Actual	Budget	Variance
Niagara	$47.5	$50.4	($2.9)
St. Lawrence	25.1	10.0	15.1
Blenheim-Gilboa	(8.5)	(3.8)	(4.7)
SENY	14.7	15.9	(1.2)
SCPP	3.1	4.5	(1.4)
Market Supply Power	(30.8)	(18.0)	(12.8)
Flynn	7.7	4.7	3.0
Transmission	22.1	19.2	2.9
Non-facility*	(8.9)	(18.7)	9.8
Total	**$72.0**	**$64.2**	**$7.8**

Major Factors	**Better (Worse)**
Niagara Lower net margin on sales due primarily to higher purchased power costs to support customer loads partially offset by higher market based sales due to higher net generation (4%). Purchased power costs were higher due to an extended outage at an upstate transmission line.	($2.9)
St. Lawrence Higher net margin ($15.6) resulting from 12% higher generation and higher prices on market sales ($39/mwh vs $36/mwh).	15.1
Blenheim-Gilboa Lower prices on capacity sales into the market.	(4.7)
Market Supply Power Higher purchased power costs (due to higher prices), combined with accruals and payment of voluntary contributions ($10.5) not in budget (extension of Power for Jobs program).	(12.8)
Other facilities	3.3
Non-facility (including investment income) Primarily mark-to-market gain on the Authority's investment portfolio due to lower than budgeted market interest rates during the period.	9.8
Total	**$7.8**

Net Income
Six Months Ended June 30, 2011 and June 30, 2010
($ in millions)

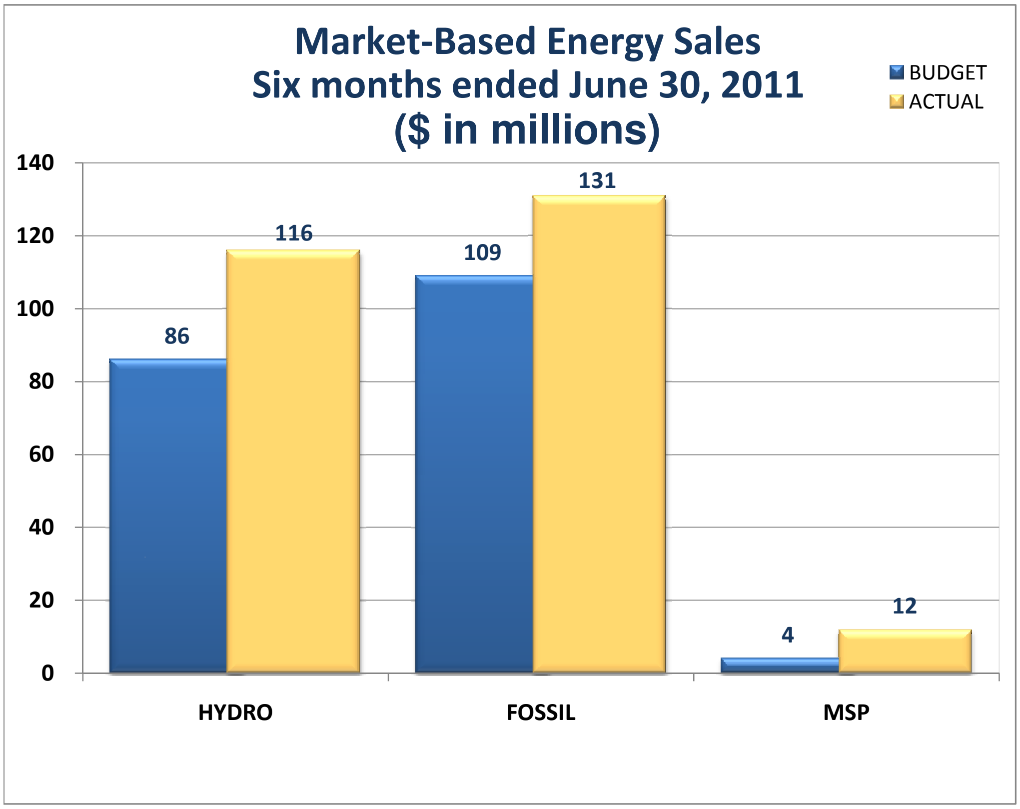
	2011	2010	Variance Favorable/ (Unfavorable)
Operating Revenues	**$1,234.2**	**$1,222.9**	**$11.3**
Operating Expenses			
Fuel consumed - oil & gas	117.2	114.8	(2.4)
Purchased power and ancillary services	471.9	438.9	(33.0)
Wheeling	228.2	239.8	11.6
	817.3	793.5	(23.8)
Net Margin	**416.9**	**429.4**	**(12.5)**
Operations and maintenance	147.1	136.0	(11.1)
Other expenses	82.1	62.1	(20.0)
Depreciation and amortization	80.6	82.8	2.2
Allocation to capital	(3.2)	(4.4)	(1.2)
Net Operating Income	**110.3**	**152.9**	**(42.6)**
Investment and other income	71.0	72.4	(1.4)
Mark to Market Adjustment	3.7	12.1	(8.4)
Total Nonoperating Income	**74.7**	**84.5**	**(9.8)**
Contributions to New York State	65.0	107.0	42.0
Interest and other expenses	48.0	49.8	1.8
Total Nonoperating Expenses	**113.0**	**156.8**	**43.8**
Net Nonoperating Income (Loss)	**(38.3)**	**(72.3)**	**34.0**
Net Income	**$72.0**	**$80.6**	**($8.6)**

Net income through June 2011 ($72 million) was $8.6 million lower than the comparable period in 2010 ($80.6 million). Lower net operating income ($42.5 million) and lower investment income ($9.8 million) during the period were substantially offset by lower non-operating expenses ($43.8 million). Net operating income was lower due to lower net margins on sales (12.5 million), higher O&M ($11.1 million) and higher other operating expenses ($20 million). 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 in 2011 at Blenheim-Gilboa and the Small Clean Power Plants due to lower prices. In 2011, O&M included costs for a planned outage at the 500 MW plant and emergent work at the Small Clean Power Plants. Other expenses through June 2011 include higher retiree health benefits and higher Power for Jobs related contributions to NY State.

Investment income was lower in 2011 due to smaller mark-to-market gains on NYPA's investment portfolio in 2011 compared to 2010.

Non-operating expenses in 2011 were lower than the prior year ($43.8 million) due to lower voluntary contributions to the State. A voluntary contribution of $107 million was made in March 2010. Voluntary contributions to the State in 2011 include $25 million made in January for the State's fiscal year 2010/2011 and $40 million made in June.

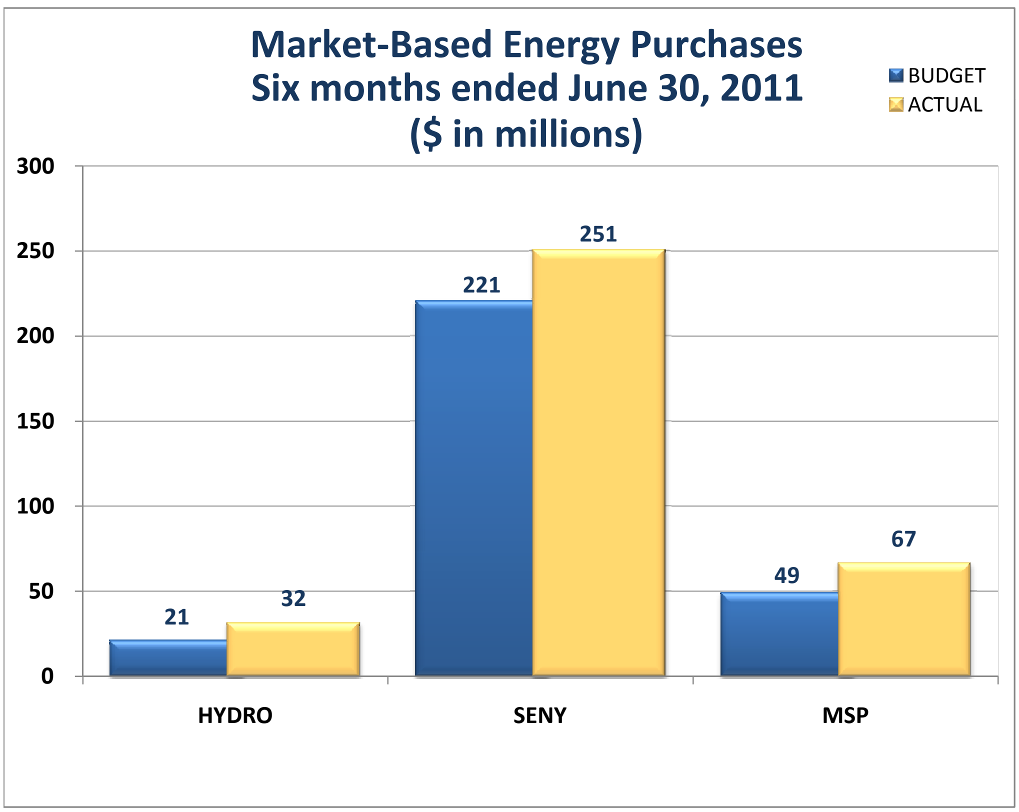
RESULTS OF OPERATIONS



REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	2,171,491	2,825,159
Fossil	1,963,930	2,012,007
MSP	110,345	274,799
TOTAL	4,245,766	5,111,965
PRICES ($/MWH)		
Hydro*	$39.65	$41.09
Fossil	$55.30	$64.89
MSP	$34.25	$44.89
AVERAGE	$46.75	$50.64

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

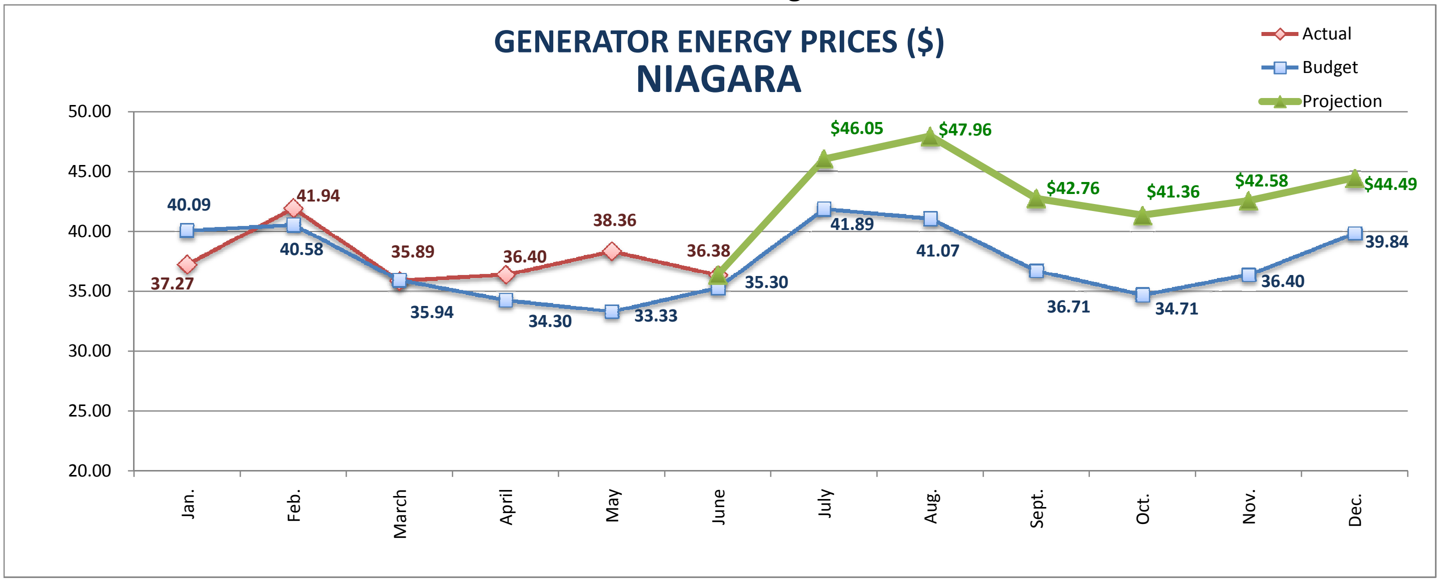
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,140,812	1,640,996
St. Law.	648,436	965,361
PRICES ($/MWH)		
Niagara	$37.65	$38.54
St. Law.	$36.13	$38.72

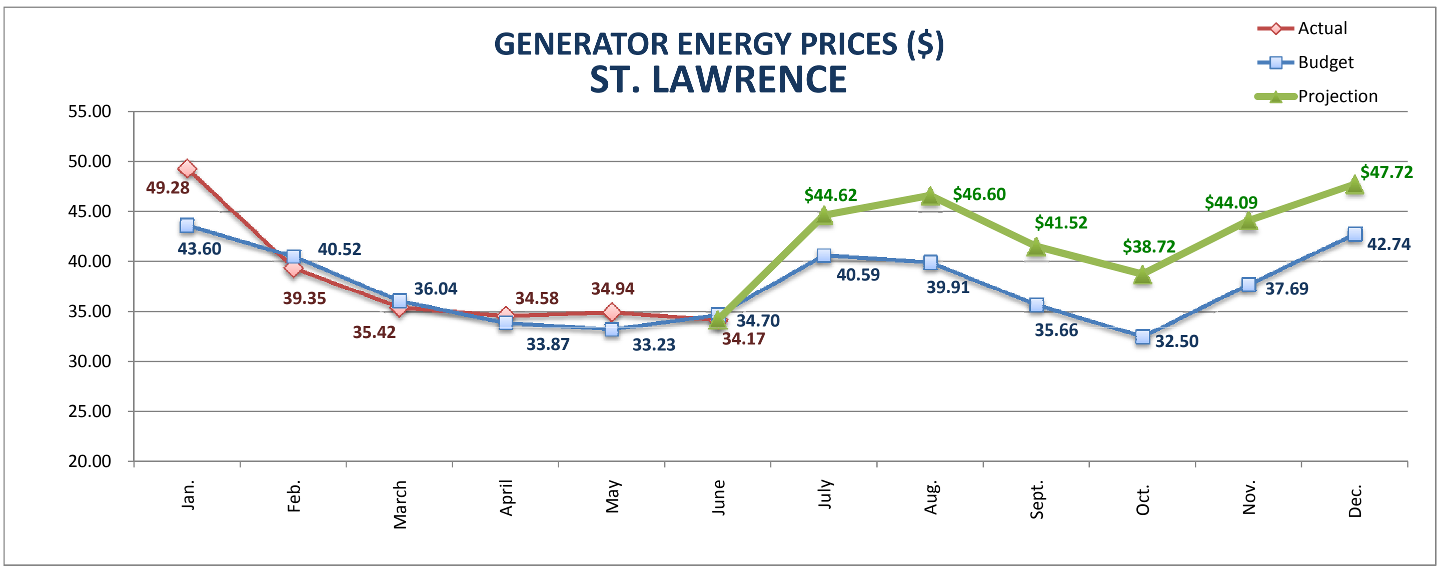


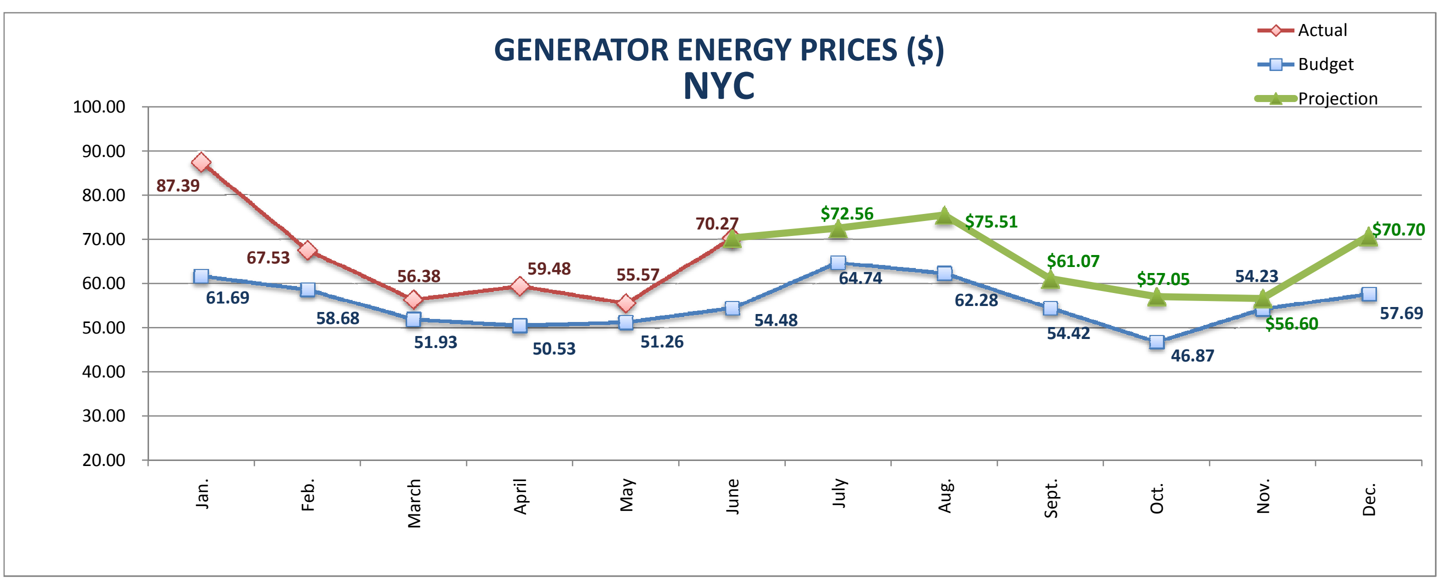
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	888,038	892,743
SENY	4,296,515	4,629,417
MSP	1,364,260	1,516,817
TOTAL	6,548,813	7,038,977
COSTS ($/MWH)		
Hydro	$23.59	$35.75
SENY	$51.33	$54.21
MSP	$36.18	$44.03
AVERAGE	$44.41	$49.68

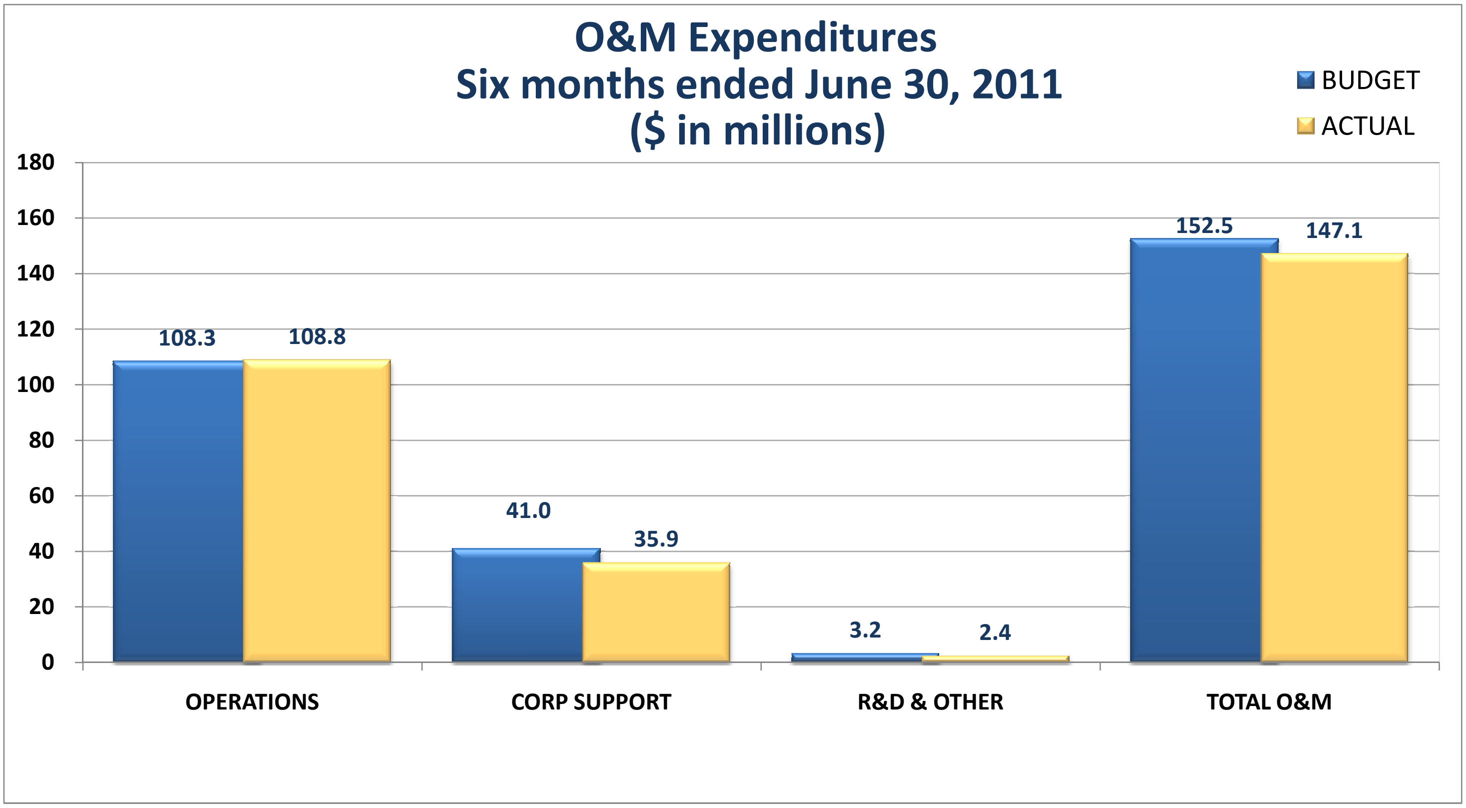
NewYorkPower Authority

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget





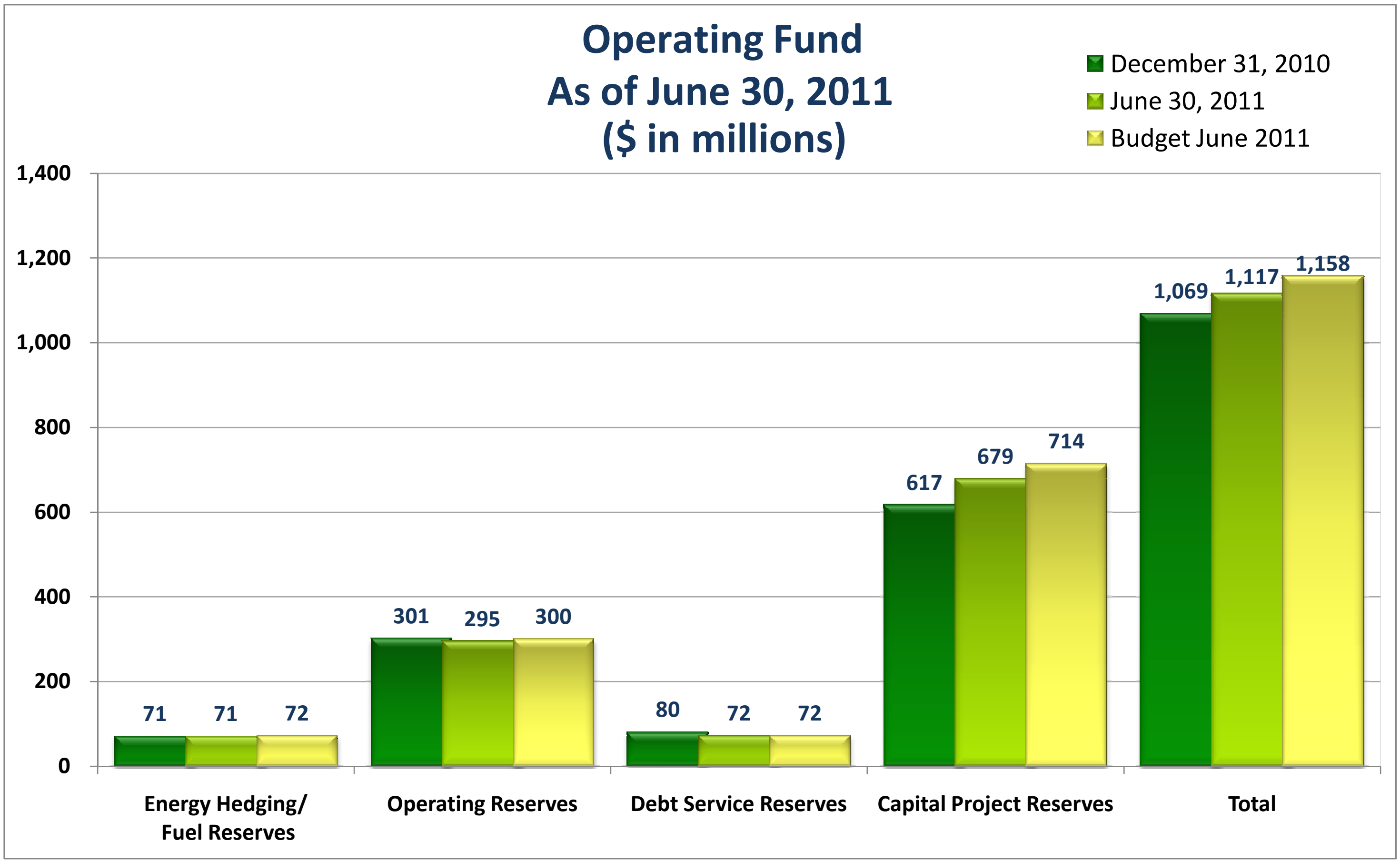




- Through June, O&M expenses were $5.4 lower than the budget.

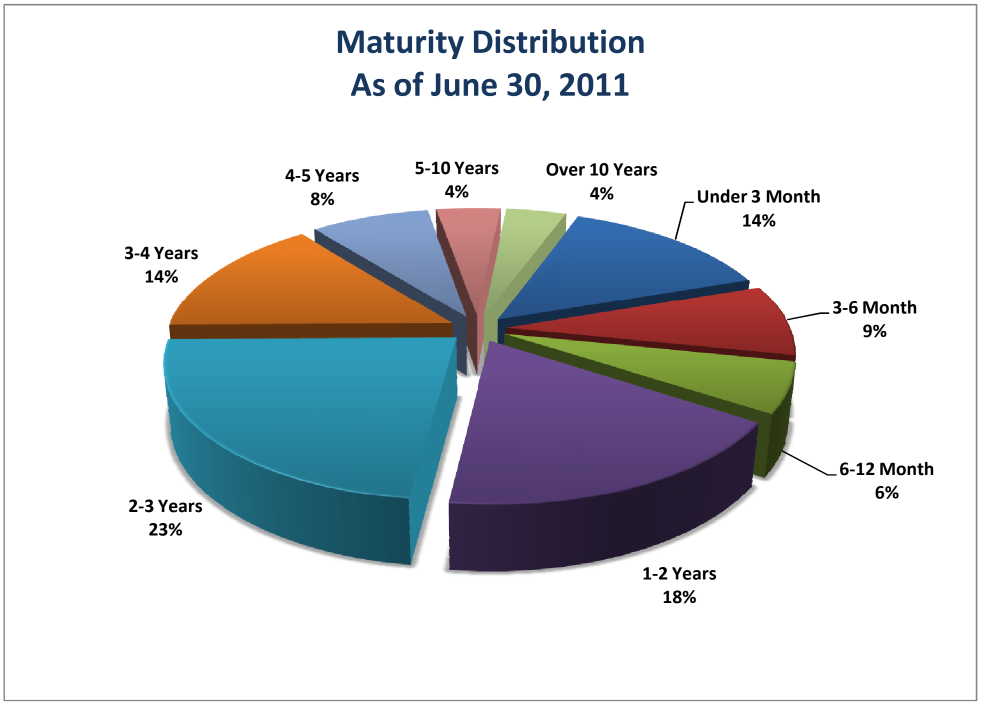
- HQ Corporate Support was under budget by $5.1 due to lower than expected expenses for Human Resource contract services, WPO building operations, computer software, hardware and services, and books and publications

- Operations expenditures were slightly 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. These negatives were substantially offset by timing underruns in non-recurring projects at Niagara and a one month delay in the commercial operation date for Astoria II to July 1st.

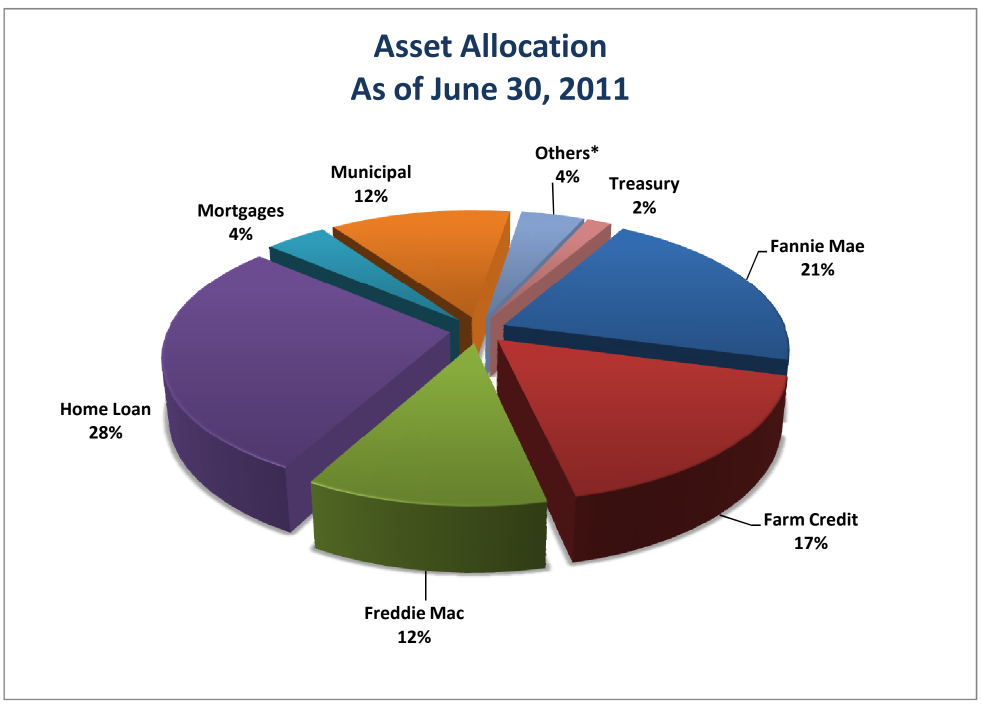


The increase of $48 in the Operating Fund (from $1,069 to $1,117) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of $72 received from Entergy, substantially offset by voluntary contributions to New York State ($73) and repayments on commercial paper ($50) 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 timing of cash payments related to prior year accruals.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO

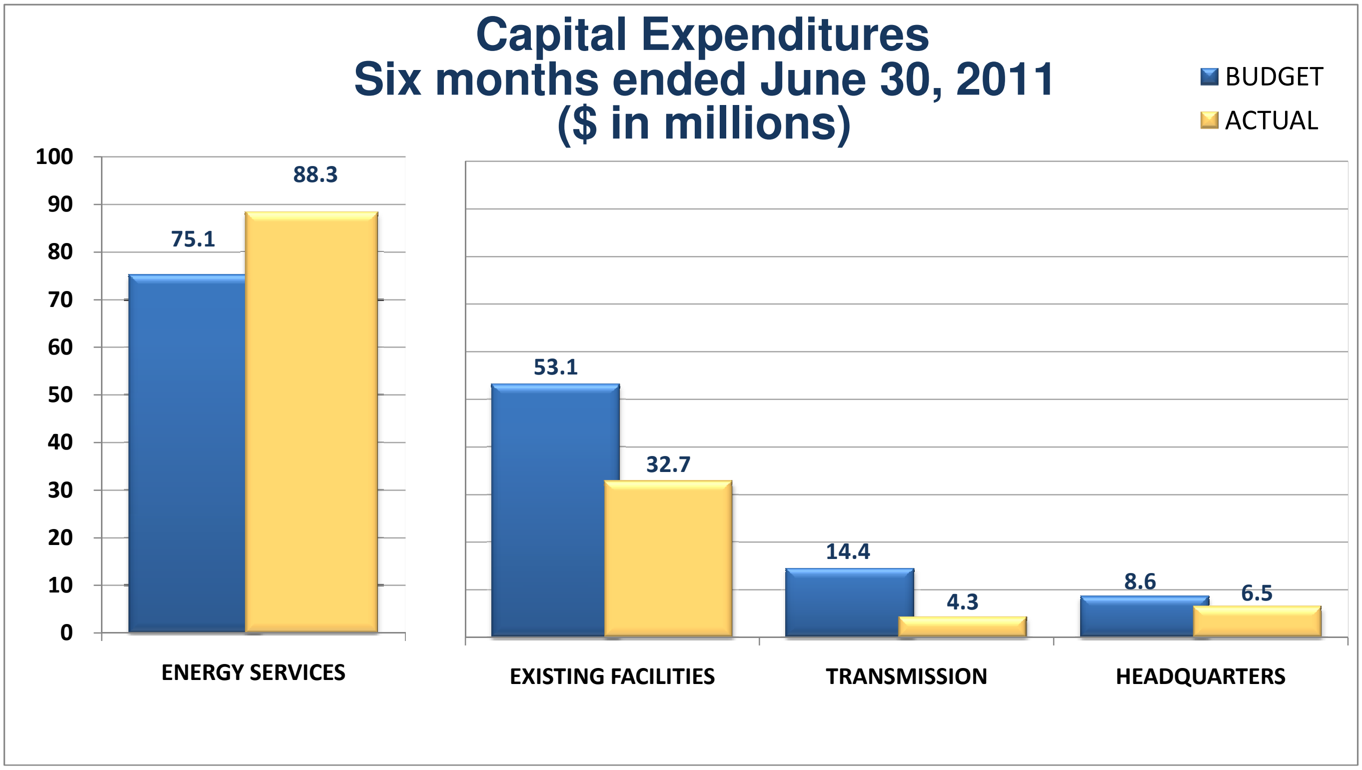


MATURITY DISTRIBUTION ($ in millions)	
Under 3 Month	$176.1
3-6 Month	107.2
6-12 Month	74.9
1-2 Years	221.7
2-3 Years	285.0
3-4 Years	182.0
4-5 Years	98.5
5-10 Years	53.4
Over 10 Years	49.8
Total	**1,248.6**



ASSET ALLOCATION ($ in millions)	
Fannie Mae	$260.3
Farm Credit	216.9
Freddie Mac	142.6
Home Loan	353.2
Mortgages	51.5
Municipal	151.3
Others*	52.8
Treasury	20.0
Total	**$1,248.6**

*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 $20.4 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.

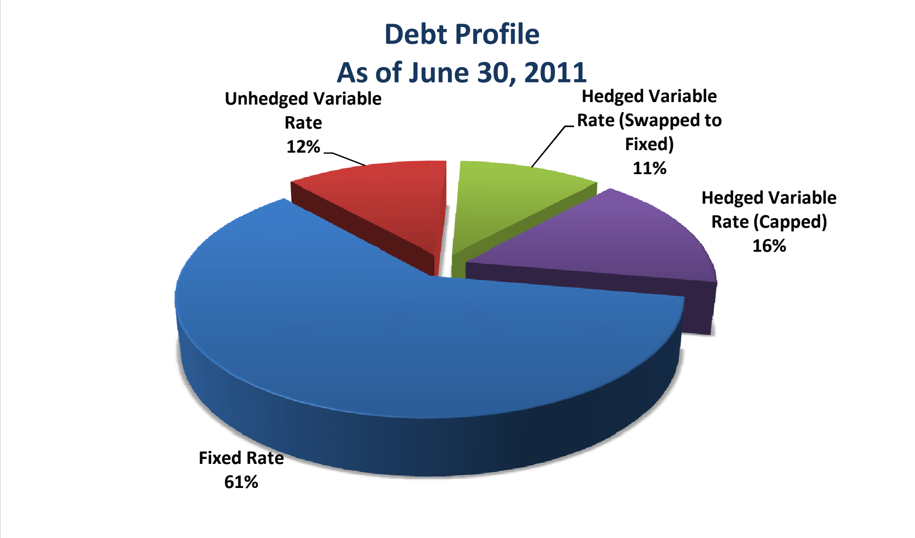
• Headquarters expenditures were less than budgeted due to timing for several IT projects.

• Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $13.1 for 2011. In June, the President authorized $0.4 for preliminary funding for St. Lawrence Nature Center.

YTD June 30, 2011 Debt Activity
($ in millions)

	Beginning Balance	New Issues	Scheduled Retirements	Additional Retirements	Ending Balance
Fixed Rate Debt	$1,134.4	-	-	-	$1,134.4
Variable Rate Debt	443.0	-	57.0	-	386.0
Variable Rate Energy Srvcs Debt	347.2	72.1	-	69.5	349.8
Sub-total Variable Rate Debt	790.2	72.1	57.0	69.5	735.8
Total	**$1,924.6**	**$72.1**	**$57.0**	**$69.5**	**$1,870.2**

DEBT



DEBT PROFILE	
($ in millions)	
Fixed Rate	1,134.4
Unhedged Variable Rate	231.1
Hedged Variable Rate (Swapped)	204.7
Hedged Variable Rate (Capped)	300.0
Total	**1,870.2**

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 approved by the Board of Trustees and is governed by NYPA's SWAP policy and an ISDA Master Agreement and Schedule to the Agreement with authorized Counterparties. The EVP, CFO and the Treasury department, in consultation with the Authority's financial advisor continually monitor market conditions for potential hedging strategies that may benefit the Authority and its customers. All transactions were competitively bid.

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.

On January 24, 2011 the Authority purchased an interest rate cap on the Series 1 Commercial Paper with a strike rate of 5.50% and term of 2 years. The transaction provides customers participating in the energy services program an interest rate ceiling on their financial rate. The cap was approved by the Board in October 2010 and the Authority's swap advisor administered the competitive bid.

Summary of Derivative Positions ($ in millions)

Transaction	Counterparty	Notional Amount*	Effective Date	Type of Swap	Mark-to-Market
1998B	Goldman Sachs Mitsui Marine Derivatives	$24.5	11/15/2002	Floating-to-Fixed	($2.4)
1998B	Merrill Lynch Cap. Srvcs	40.9	11/15/2002	Floating-to-Fixed	(4.0)
1998B	Citigroup Financial Prod.	16.4	11/15/2002	Floating-to-Fixed	(1.6)
ARTN	Merrill Lynch Cap. Srvcs	122.9	9/1/2006	Floating-to-Fixed	(13.9)
CP - 1	Morgan Stanley Cap. Srvcs	300.0	1/26/2011	CAP	-
Totals		**$504.7**			**($21.9)**

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

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of $32.6 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			
	YTD[1]	**2011**	**2012**	**>=2013**	**Total**
NYPA	$ 0.46	$ 0.59	$ -	$ -	$ 0.59
Customer Contracts	$ (33.09)	$ (35.44)	$ (78.94)	$ (74.55)	$ (188.93)
Total	**$ (32.63)**	**$ (34.85)**	**$ (78.94)**	**$ (74.55)**	**$ (188.34)**

[1]*Reflects June 2011 preliminary settlements.*

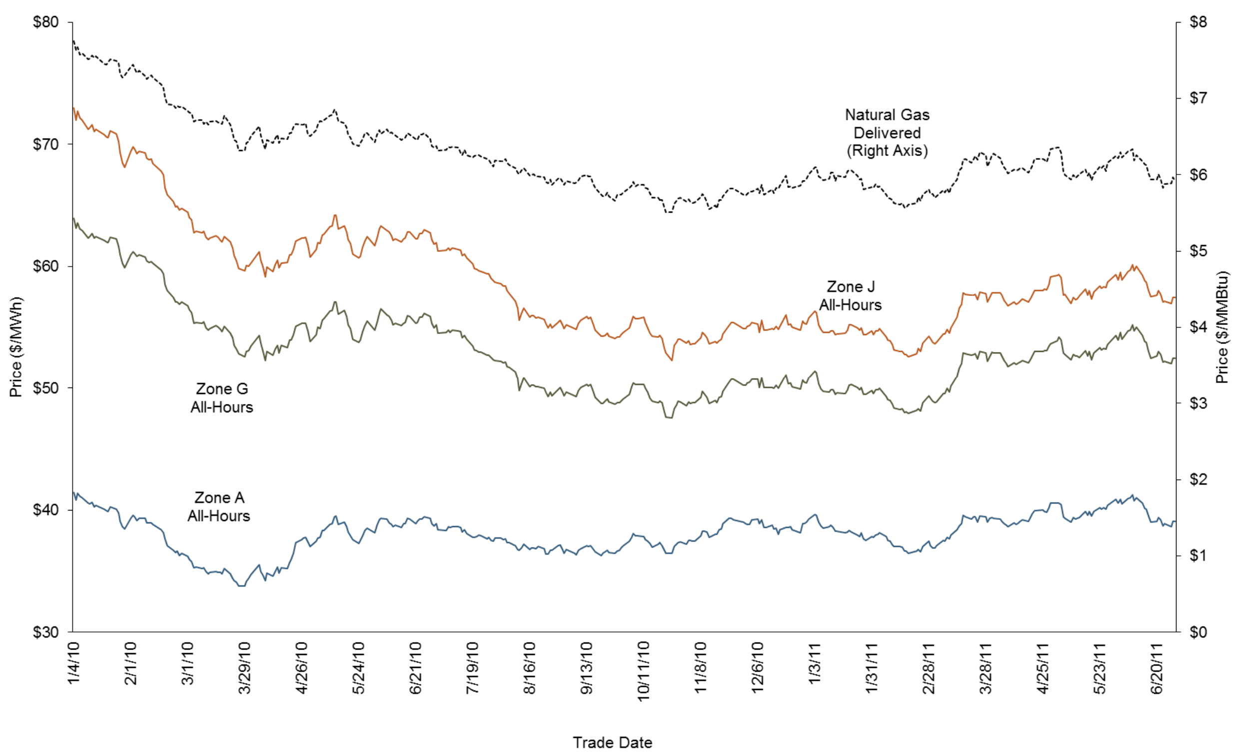
At the end of June, the fair market value of outstanding positions was valued at an unrealized loss of $188.3 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of August 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 August to December 2011 Forward Price

Exhibit 2: Average January to December 2012 Forward Price



STATEMENT OF NET INCOME
For the Six Months Ended June 30, 2011
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,070.5	Customer	**926.1**	**965.4**	**(39.3)**
463.4	Market-based power sales	235.5	186.8	48.7
30.6	Ancillary services	14.7	13.8	0.9
114.9	NTAC and other	57.9	58.3	(0.4)
608.9	Total	**308.1**	**258.9**	**49.2**
2,679.4	**Total Operating Revenues**	**1,234.2**	**1,224.3**	**9.9**
	Operating Expenses			
804.7	Purchased power	444.0	392.8	(51.2)
295.6	Fuel consumed - oil & gas	117.2	124.6	7.4
108.2	Ancillary services	27.9	52.2	24.3
543.4	Wheeling	228.2	229.7	1.5
327.1	Operations and maintenance	147.1	152.5	5.4
194.9	Depreciation and amortization	80.6	85.8	5.2
135.5	Other expenses	82.1	68.8	(13.3)
(10.9)	Allocation to capital	(3.2)	(4.8)	(1.6)
2,398.5	**Total Operating Expenses**	**1,123.9**	**1,101.6**	**22.3**
280.90	**Net Operating Income**	**110.3**	**122.7**	**(12.4)**
	Nonoperating Revenues			
88.0	Post nuclear sale income	51.2	51.2	-
39.9	Investment income	19.8	19.2	0.6
(7.0)	Mark to market - investments	3.7	(3.5)	7.2
120.9	**Total Nonoperating Revenues**	**74.7**	**66.9**	**7.8**
	Nonoperating Expenses			
65.0	Contributions to New York State	65.0	65.0	-
157.5	Interest and other expenses	48.0	60.4	12.4
222.5	**Total Nonoperating Expenses**	**113.0**	**125.4**	**12.4**
$179.3	**Net Income**	**72.0**	**64.2**	**7.8**

COMPARATIVE BALANCE SHEETS
June 30, 2011
($ in millions)

Assets		June 2011	June 2010	December 31, 2010
Current Assets				
	Cash	0.1	0.1	0.1
	Investments in government securities	1,143.2	953.8	1,091.1
	Interest receivable on investments	5.4	5.1	5.5
	Accounts receivable - customers	233.4	225.7	204.0
	Materials and supplies, at average cost:			
	Plant and general	76.5	85.4	75.1
	Fuel	15.2	17.6	15.3
	Prepayments and other	153.1	179.4	190.5
	Total Current Assets	**1,626.9**	**1,467.1**	**1,581.6**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,072.1	950.9	1,032.4
	Other	81.7	91.6	83.3
	Total Restricted Funds	**1,153.8**	**1,042.5**	**1,115.7**
Capital Funds	Investment in securities and cash	102.6	162.7	144.8
	Total Capital Funds	**102.6**	**162.7**	**144.8**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,314.2	3,301.2	3,344.1
	Construction work in progress	122.7	160.7	123.3
	Net Utility Plant	**3,436.9**	**3,461.9**	**3,467.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	585.8	594.0	604.6
	Notes receivable - nuclear plant sale	136.1	149.9	157.1
	Total other noncurrent assets	**1,039.9**	**1,061.9**	**1,079.7**
	Total Assets	**7,360.1**	**7,196.1**	**7,389.2**

Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	841.8	839.7	881.7
	Short-term debt	325.0	296.8	323.2
	Total Current Liabilities	**1,166.8**	**1,136.5**	**1,204.9**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,149.9	1,191.4	1,151.2
	Adjustable rate tender notes	122.9	130.5	130.5
	Commercial paper	287.9	342.2	336.5
	Total Long-term Debt	**1,560.7**	**1,664.1**	**1,618.2**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,072.1	950.9	1,032.4
	Disposal of spent nuclear fuel	216.2	216.0	216.1
	Deferred revenues and other	271.2	327.6	316.5
	Total Other Noncurrent Liabilities	**1,559.5**	**1,494.5**	**1,565.0**
Net Assets	Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
	Net Income	72.0	80.6	180.7
	Total Net Assets	**3,073.1**	**2,901.0**	**3,001.1**
	Total Liabilities and Net Assets	**7,360.1**	**7,196.1**	**7,389.2**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Six Months Ended June 30, 2011
($ in millions)

Operating Fund	
Opening	1,069.2
Closing	1,116.7
Increase/(Decrease)	**47.5**
Cash Generated	
Net Operating Income	110.3
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	80.6
Net Change in Receivables, Payables & Inventory	(58.8)
Other	(3.0)
Net Cash Generated from Operations	**129.1**
(Uses)/Sources	
Utility Plant Additions	(31.8)
Debt Service	
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(4.7)
ART Notes	(7.6)
Investment Income	12.6
Entergy Value Sharing Agreement	72.0
Voluntary Contributions to NY State	(72.5)
Other	(4.8)
Total (Uses)/Sources	**(81.6)**
Net Increase in Operating Fund	**47.5**