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Audit Committee
Power Authority of the State of New York

In planning and performing our audit of the financial statements of Power Authority of the State of New York (the "Authority") as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our review of general controls over information technology, we identified certain areas where the Authority could strengthen its internal controls as follows:

- SAP* is a high-powered generic SAP account. Management should consider locking this account at all times and only use it in the case of an emergency. The use of this emergency account should be authorized, documented and monitored.

  Management's Response

  Management agrees and has locked the SAP* account and will log any activation of this account.

- We found four instances in which former employees' access to the SAP system was terminated more than 30 days after their last work day. Management should review existing termination procedures to ensure terminated SAP users are disabled on more a timely basis.

  Management's Response

  Management has reviewed the current practices and instituted some changes. When notification is received on terminations of staff, the network logon ID will be immediately disabled. All existing applications that require secondary logon ID's will be removed, including SAP R/3. Human Resources and the IG's office have formal notification processes in place to notify Information Technology of all terminations of access.

- Management should consider maintaining a log of key events within the Oracle Database and implement a process of reviewing the logs on a regular basis.

  Management's Response

  Management agreed to perform a cost/benefit analysis when this comment was originally presented last year. This analysis was completed in late 2006 and staff subsequently activated logging parameters on our production system.

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

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young LLP

February 16, 2007