

New York Power Authority

Report of the Chief Financial Officer

For the Two Months Ended February 28, 2010

**Report of the Chief Financial Officer
For the Two Months Ended February 28, 2010
Executive Summary**

Results of Operations

Net income for the two months ended February 28, 2010 was \$67.5 million, which was \$4.5 million below budget. Results through February included lower net margins on sales (\$13.6) substantially offset by higher non-operating income (\$9.3). Net margins were lower at Niagara (\$19.1) primarily due to lower volumes of market-based sales. Generation at Niagara was 9% lower than the forecast due primarily to lower than anticipated lake levels. In addition, at Niagara, average energy prices for sales into the market were approximately 19% lower than budgeted. The negative Niagara variance was partially offset by higher net margins at Flynn (\$2.7, lower fuel costs due to lower prices) and St. Lawrence (\$0.9, higher generation). Non-operating income included the positive impact of an unrealized gain (\$8.1) on the Authority's investment portfolio resulting from a decrease in market interest rates as well as lower costs on variable rate debt.

Year-end Projection

Below average precipitation and resulting water flows at the hydro projects, combined with lower market prices, continue to depress the 2010 Net Income projection with the current year-end projection at \$212 million, \$96 million below budget. Precipitation over the Great Lakes was recorded at only 61% of long-term average over the past four months. This has resulted in a lowering of the net generation projection at the hydro facilities by 1.6 twh to 18.9 twh for 2010 and a corresponding Net Income reduction of approximately \$61 million. Market prices for energy are presently projected to be about 18% below the official forecast, resulting in an estimated \$25 million reduction to Net Income. An additional \$19 million drop in Net Income is estimated as a result of lower capacity prices as compared to original forecast, with 2010 prices for NYC currently forecast at 15% below the official forecast and Rest-of-State capacity at 29% below forecast. Partially mitigating the negative effect of the lower hydro flows and market prices is an increase of \$9 million in miscellaneous items, including \$6 million attributable to the mark-to-market valuation of the portfolio.

Cash & Liquidity

The Authority ended the month of February with total operating funds of \$964 million as compared to \$907 million at the end of 2009. The increase of \$57 million was primarily attributed to positive net cash provided by Operating Activities and the Value Sharing payment of \$72 million received from Entergy on January 15th, partially offset by scheduled debt service payments on February 15th. Looking forward, we are anticipating the operating fund balance

to generally track the lower net income results. The year-end operating fund balance is currently projected to be \$1.04 billion, an increase of \$134 million during the year, but approximately \$95 million below budgeted level.

Energy Risk

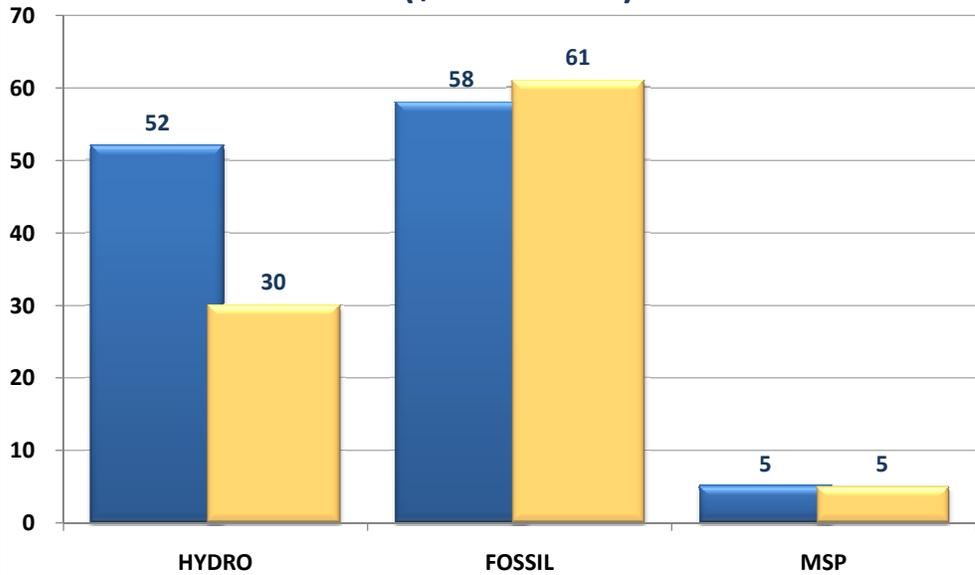
At February 28, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of \$247.5 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a net loss of \$4.9 million.

Net Income
Two Months ended February 28, 2010
(\$ in millions)

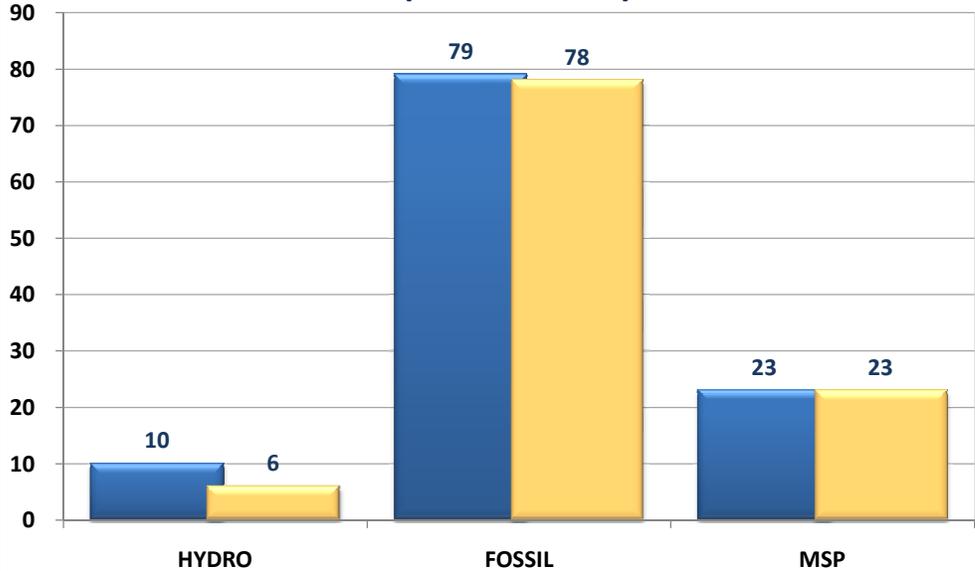
	Actual	Budget	Variance
Niagara	\$21.3	\$39.6	(\$18.3)
St. Lawrence	5.5	3.7	1.8
BG	0.3	2.3	(2.0)
SENY	10.4	8.7	1.7
SCPP	(2.5)	(1.9)	(0.6)
Market Supply Power	(6.9)	(6.7)	(0.2)
Flynn	5.6	2.7	2.9
Transmission	8.4	6.0	2.4
Non-facility	25.4	17.6	7.8
Total	\$67.5	\$72.0	(\$4.5)

<u>Major Factors</u>	<u>Better (Worse)</u>
<p><u>Niagara</u> Primarily lower revenues on market based sales (\$15.5) due to lower volumes available resulting from lower generation and lower regulation revenues (\$2.9). In addition, average energy prices for sales into the market were approximately 19% lower than budgeted (\$40/mwh) actual vs. \$50/mwh budgeted).</p>	(\$18.3)
<p><u>St. Lawrence</u> Higher volume of sales (7% higher generation) offset by lower prices.</p>	1.8
<p><u>B-G</u> Lower net revenues as a result of reduced generation due to the limited price differential between peak and off-peak energy prices.</p>	(2.0)
<p><u>Flynn</u> Lower than anticipated fuel costs due to lower prices on natural gas and less than anticipated consumption of oil resulting in increased margins on fuel.</p>	2.9
<p><u>Other facilities</u></p>	3.3
<p><u>Non-facility (including investment income)</u> Primarily positive impact of a mark-to-market gain (\$8.1) on Authority's investment portfolio due to a decrease in market interest rates.</p>	7.8
Total	(\$4.5)

Market-Based Power Energy Sales
Two months ended February 28, 2010
 (\$ in millions)



Market-Based Power Energy Purchases
Two months ended February 28, 2010
 (\$ in millions)



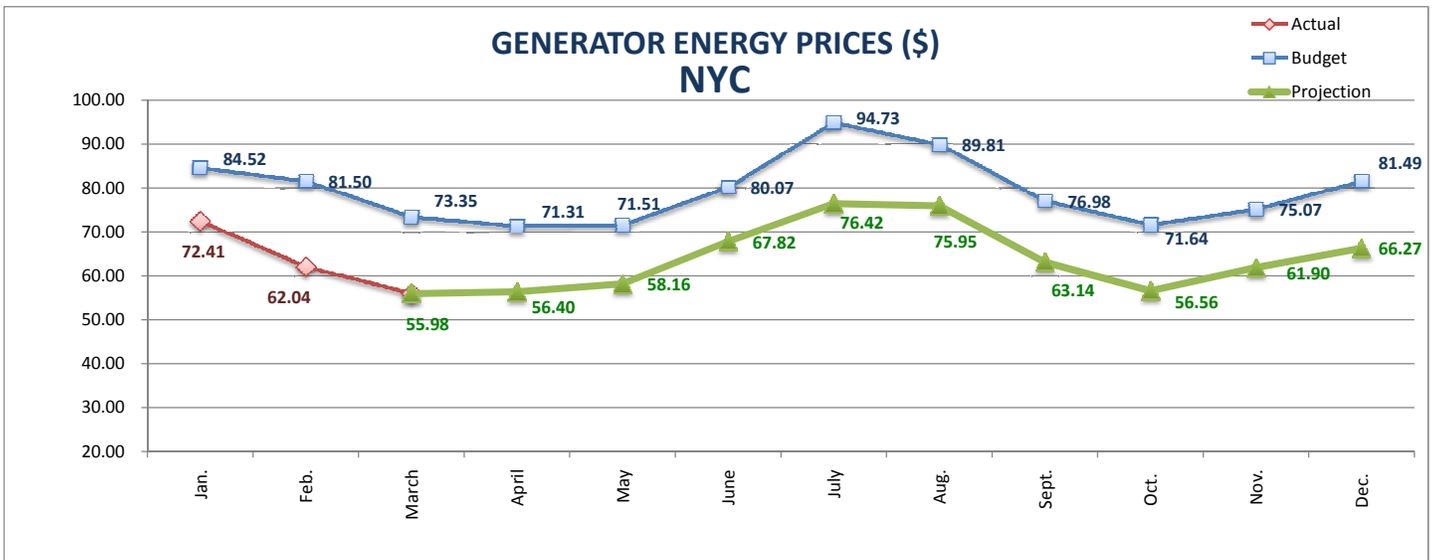
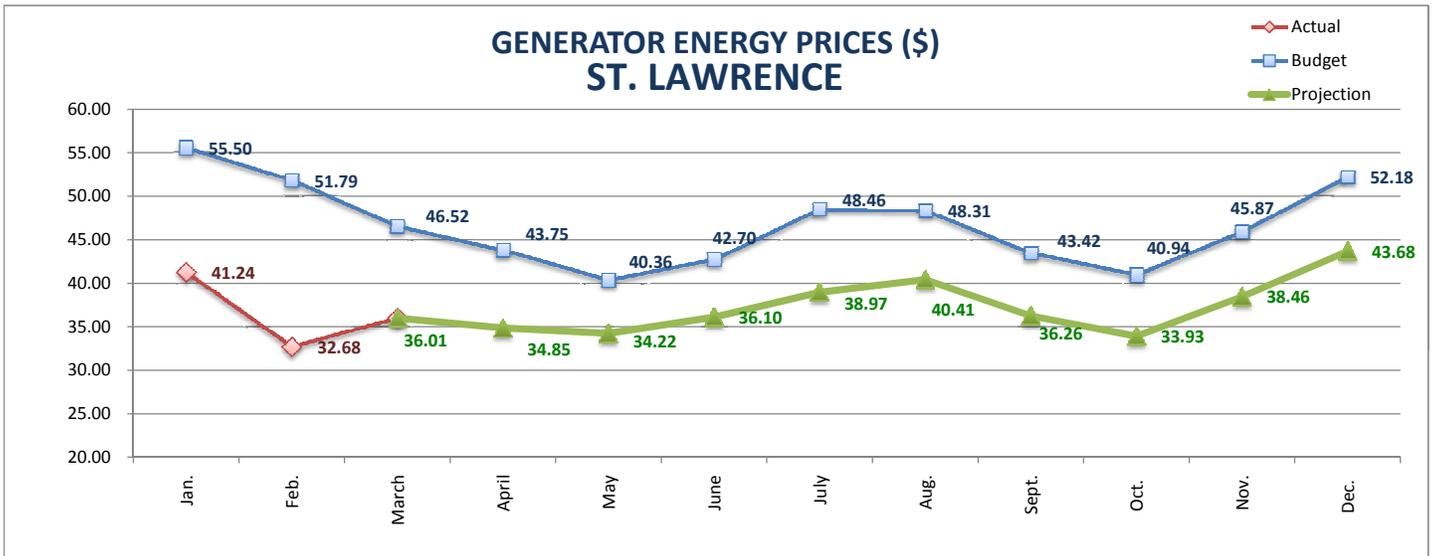
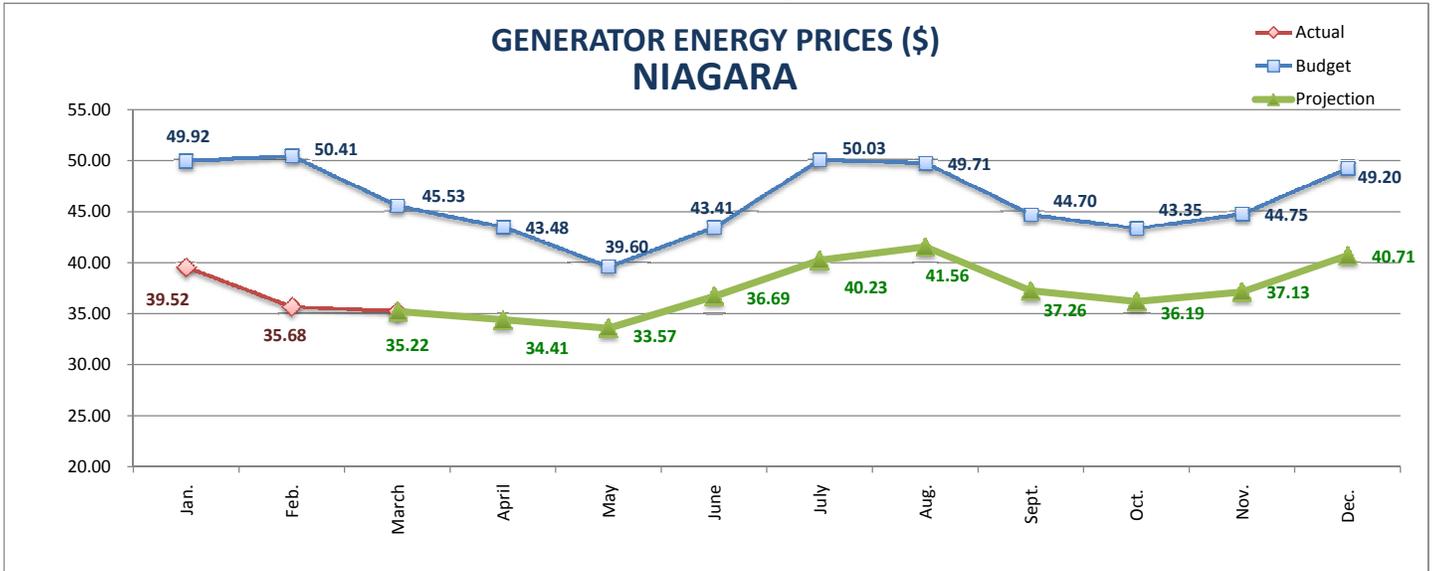
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	964,037	714,755
Fossil	518,189	618,200
MSP	95,297	116,262
TOTAL	1,577,523	1,449,217
PRICES (\$/MWH)		
Hydro*	\$54.66	\$42.28
Fossil	\$111.41	\$99.04
MSP	\$47.02	\$38.05
AVERAGE	\$72.85	\$66.15

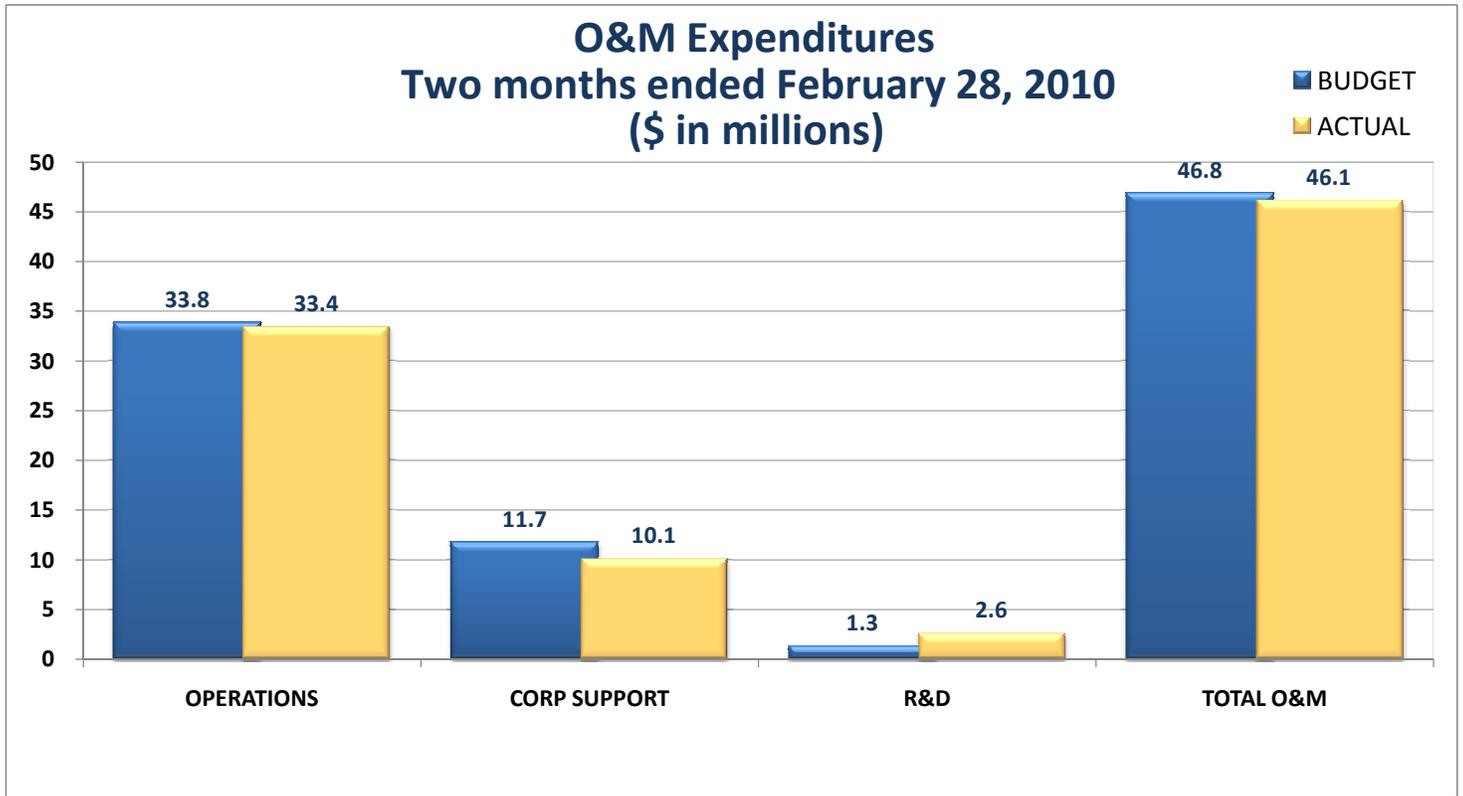
* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	539,403	334,693
St. Law.	260,005	315,841
PRICES (\$/MWH)		
Niagara	\$49.76	\$40.32
St. Law.	\$49.90	\$38.05

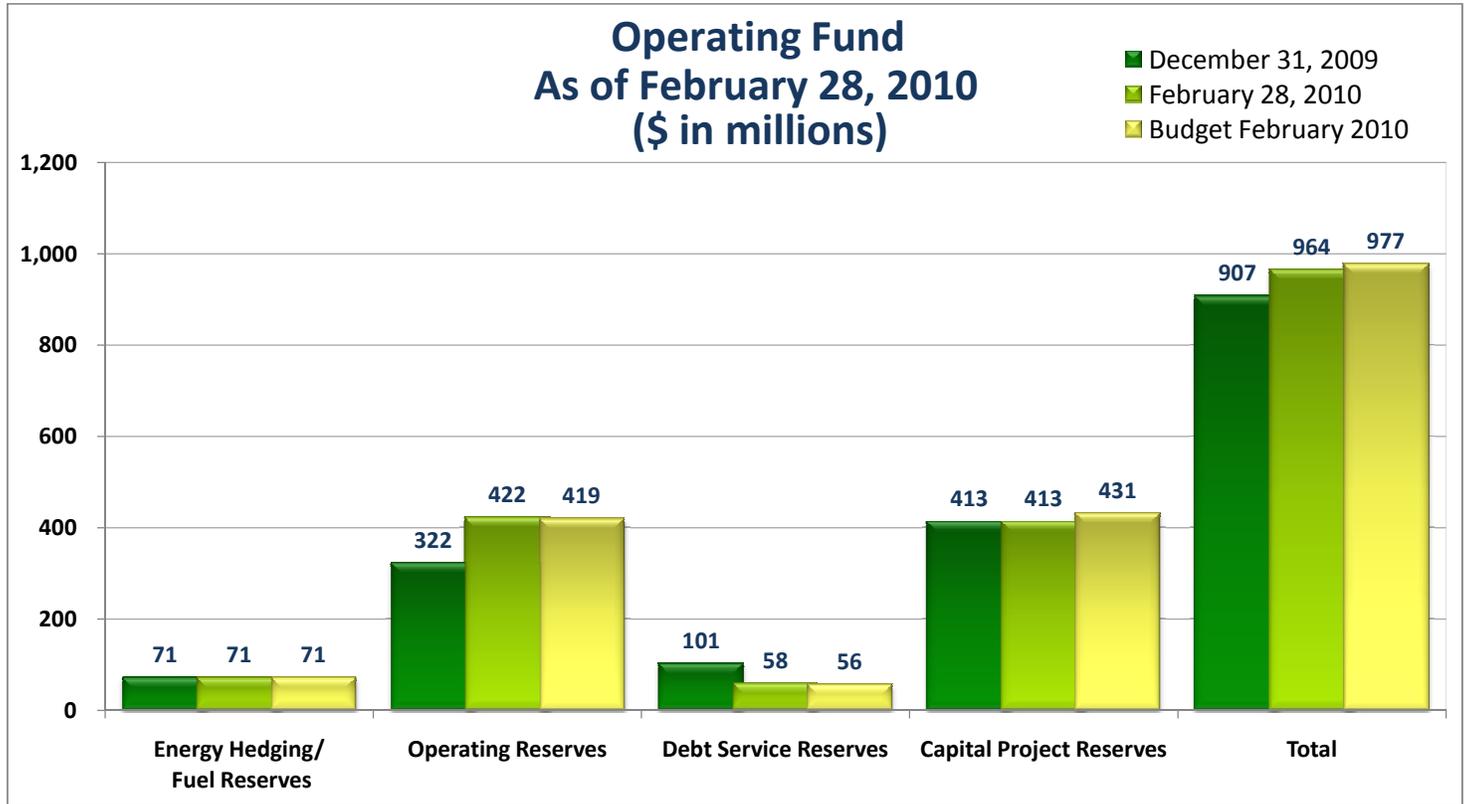
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	273,447	185,510
SENY	1,449,634	1,523,110
MSP	486,604	513,601
TOTAL	2,209,685	2,222,221
COSTS (\$/MWH)		
Hydro	\$37.21	\$30.18
SENY	\$54.25	\$51.73
MSP	\$47.13	\$44.60
AVERAGE	\$50.57	\$48.28

RESULTS OF OPERATIONS
Energy Prices
Actual vs Budget

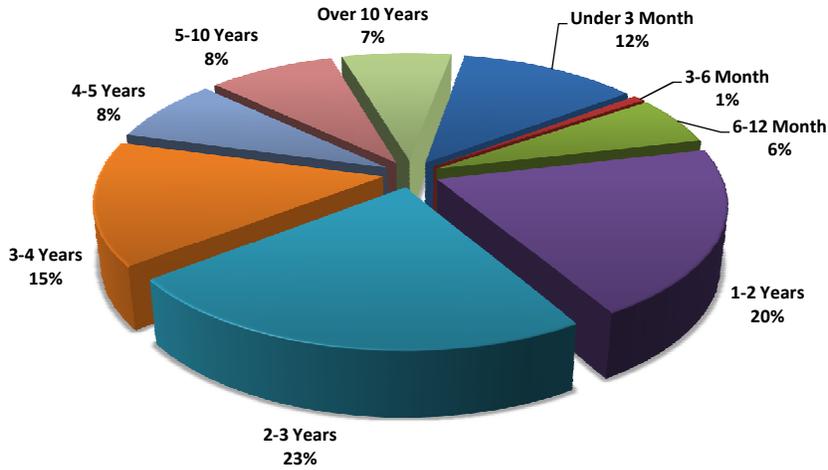




- Through February, O&M expenses were \$0.7 lower than the budget.
- Corporate Support expenses were under budget by \$1.6 due mostly to timing differences related to spending for corporate support building maintenance, business customer energy efficiency audits and legal consultants.
- Operations expenditures were \$0.4 lower than budgeted due primarily to lower than expected expenditures for recurring work at the transmission facilities partially offset by higher expenditures at the SCPP's, resulting from the timing of outage work budgeted in March.

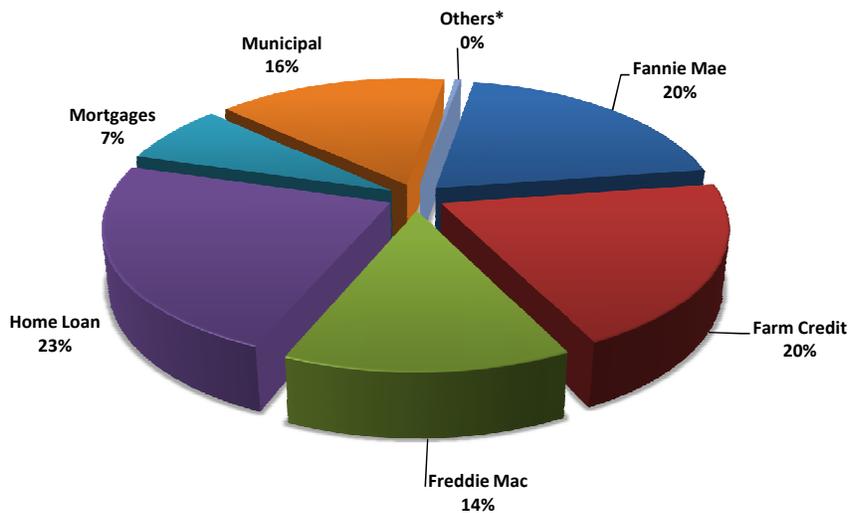


The increase in the operating reserve balance resulted primarily from the receipt of a \$72 million payment from Entergy, relating to the Value Sharing Agreement.

**Maturity Distribution
As of February 28, 2010**

MATURITY DISTRIBUTION

(\$ in millions)

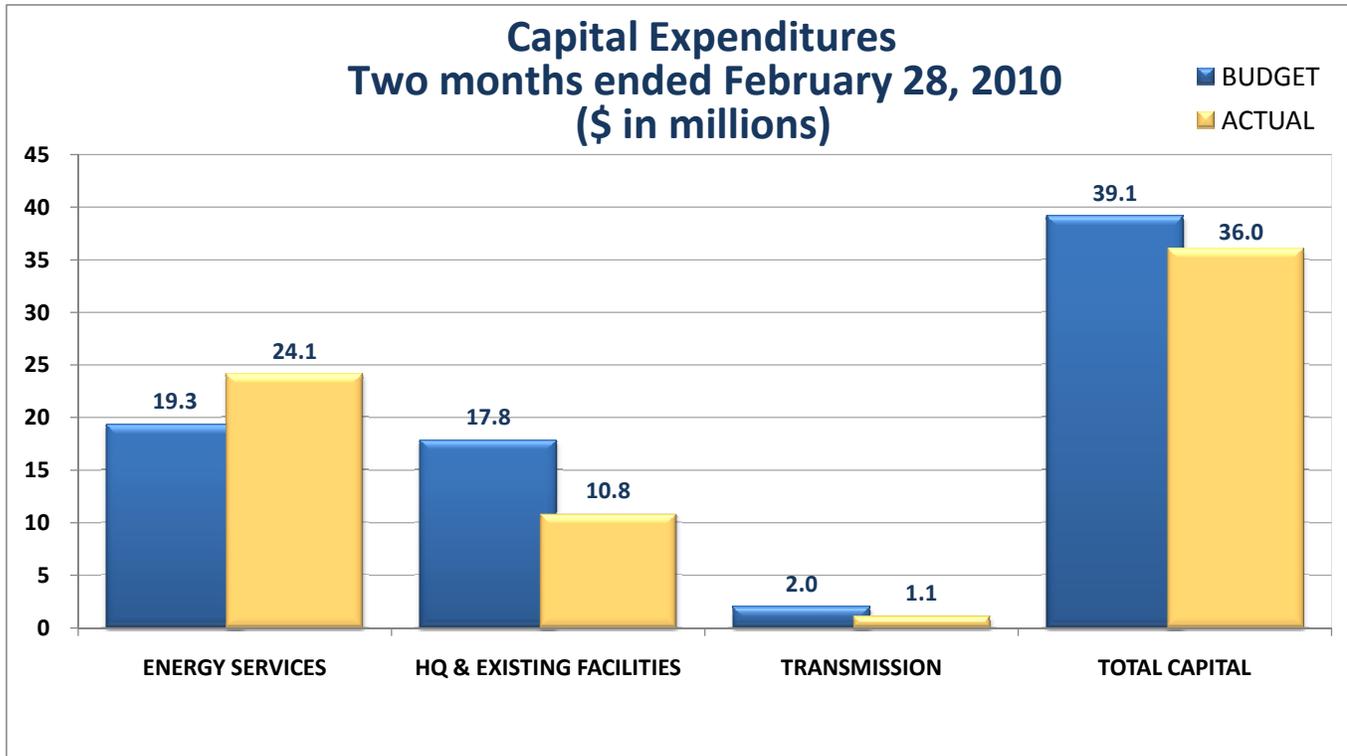
Under 3 Months	\$123.2
3-6 Months	7.7
6-12 Months	60.9
1-2 Years	208.7
2-3 Years	236.8
3-4 Years	153.5
4-5 Years	79.7
5-10 Years	87.4
Over 10 Yrs	75.5
Total	\$1,033.4

**Asset Allocation
As of February 28, 2010**

ASSET ALLOCATION

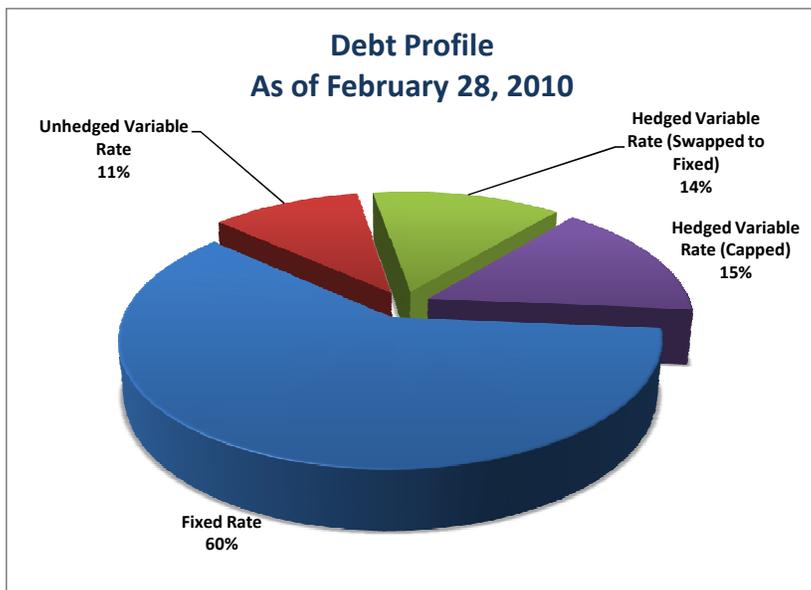
(\$ in millions)

Farm Credit	\$205.3
Home Loan	207.1
Freddie Mac	140.9
Fannie Mae	240.2
MORTGAGES	76.0
MUNI	160.1
OTHERS*	3.8
Total	\$1,033.4

*Includes CDs and Repos



- Capital expenditures through February were under budget by \$3.1.
- Lower capital expenditures at HQ and Existing Facilities were primarily due to timing differences related to B-G and St. Lawrence life extension and modernization projects.
- Energy Services expenditures exceeded the budget due to accelerated construction activity related to NYCHA’s hot water storage tank replacement and CUNY & Brooklyn College Steel Trap Replacement Project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$9.3 for the year to date. There were no new expenditures authorized in February.



DEBT PROFILE	
(\$ in millions)	
Fixed Rate	\$1,173.4
Unhedged Variable Rate	\$208.6
Hedged Variable Rate (Swapped to Fixed)	\$264.1
Hedged Variable Rate (Capped)	\$300.0
Total	\$2,011.6

ENERGY DERIVATIVES

Results

Year-to-date financial energy derivative settlements resulted in a net loss of \$4.9 million that was incurred by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. Of that total amount, \$5.3 million in losses would be subject to cost recovery mechanisms where the resulting hedge settlements would be incorporated into and recovered through Customer rates. Energy derivatives that were transacted by the Authority for their own account resulted in savings close to \$0.4 million.

Year-to-Date 2010 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions (\$ in millions)

	Settlements ¹	Fair Market Value			Total
	YTD	2010	2011	>2011	
NYPA	\$0.4	(\$0.4)	-	-	(\$0.4)
Customer Contracts	(5.3)	(72.1)	(58.9)	(116.1)	(\$247.1)
Total	(\$4.9)	(\$72.5)	(\$58.9)	(\$116.1)	(\$247.5)

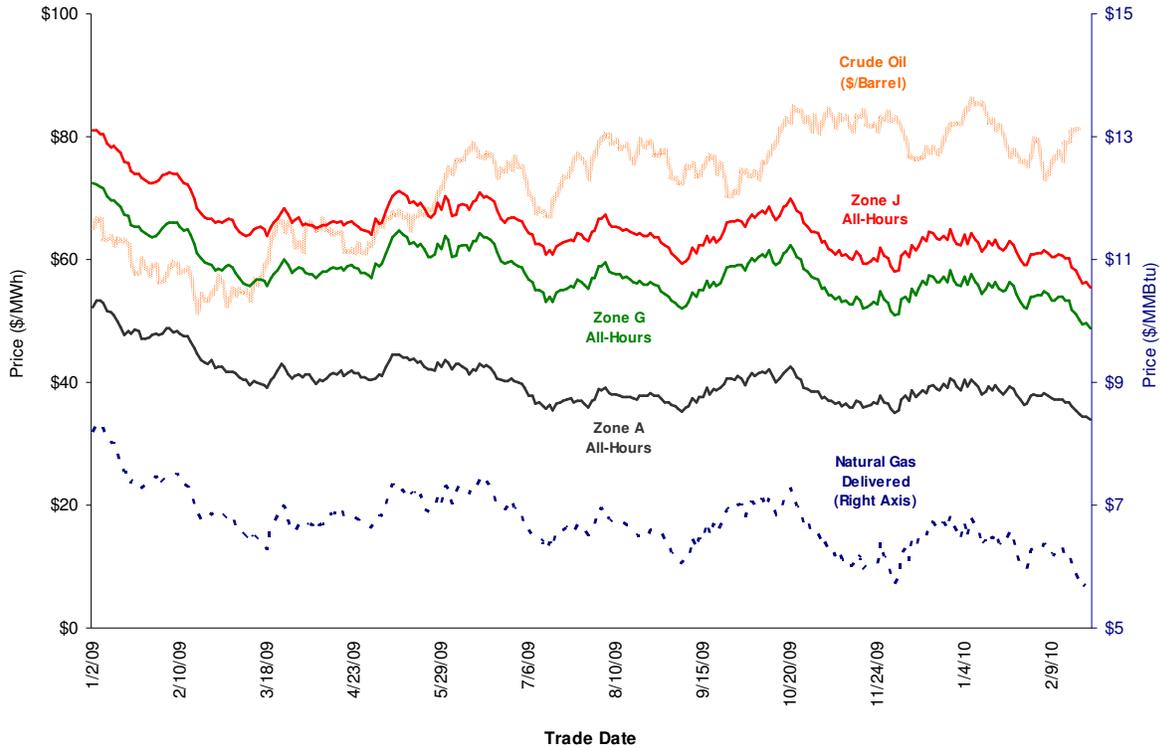
¹ Based on Preliminary Settlement Figures through February 2010.

At the end of February, the fair market value of outstanding positions was valued at an unrealized loss of \$247.5 million for positions extending through 2017.

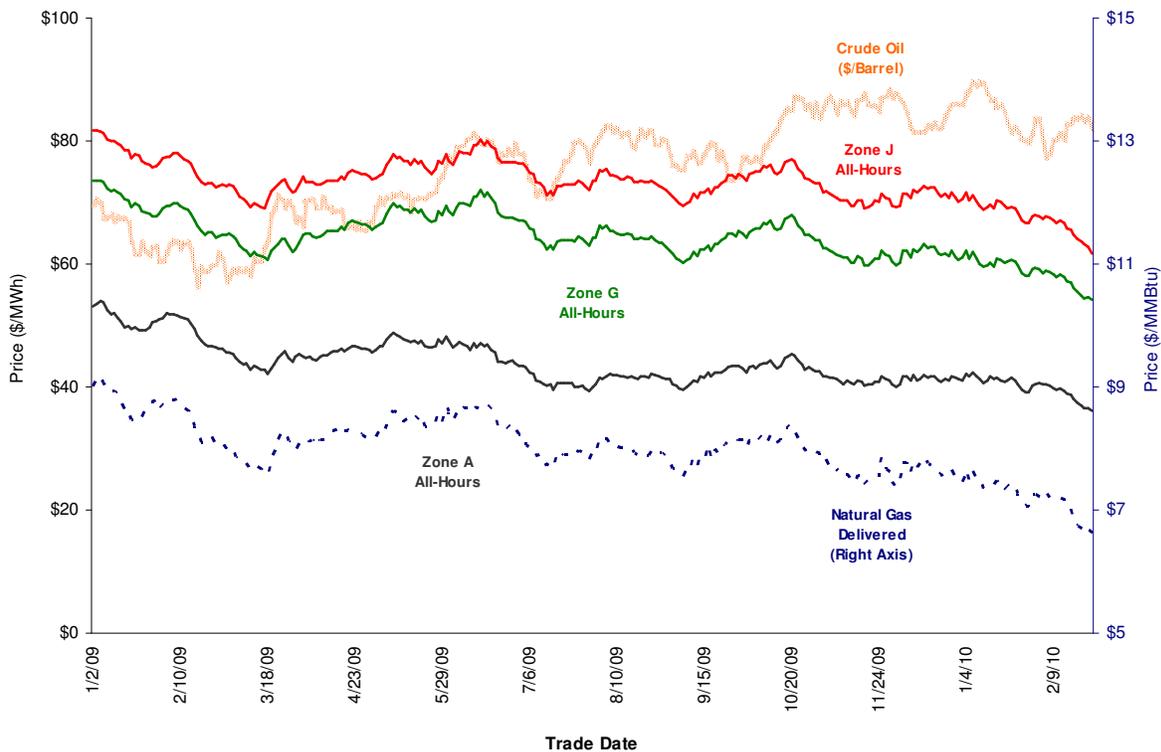
Market Summary

The exhibit below shows the average price of futures contracts for the balance of 2010 (March to December 2010) and how they have traded since 2009, while the next exhibit illustrates the average price of futures contracts for 2011. Warmer than average temperatures have dampened energy and natural gas demand, which has resulted in soft pricing throughout the month of February.

Average March to December 2010 Forward Price as Traded



Average January to December 2011 Forward Price as Traded



STATEMENT OF NET INCOME
For the Two Months Ended February 28, 2010
(\$ in Millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
\$2,062.3	Customer	\$321.0	\$330.1	(\$9.1)
591.7	Market-based power sales	73.8	82.6	(8.8)
54.4	Ancillary services	7.5	11.8	(4.3)
102.9	NTAC and other	19.7	16.8	2.9
749.0	Total	101.0	111.2	(10.2)
2,811.3	Total Operating Revenues	422.0	441.3	(19.3)
	Operating Expenses			
864.8	Purchased power	132.1	131.0	(1.1)
340.8	Fuel consumed - oil & gas	59.4	65.0	5.6
91.0	Ancillary services	13.0	14.8	1.8
519.9	Wheeling	70.1	70.2	.1
312.3	Operations and maintenance	46.1	46.8	.7
160.3	Depreciation and amortization	27.3	26.7	(.6)
141.7	Other expenses	23.3	23.1	(.2)
(10.4)	Allocation to capital	(1.1)	(1.2)	(.1)
2,420.4	Total Operating Expenses	370.2	376.4	6.2
390.90	Net Operating Income	51.8	64.9	(13.1)
	Nonoperating Revenues			
88.9	Post nuclear sale income	17.2	17.2	-
53.1	Investment income	8.0	8.8	(.8)
(5.8)	Mark to market - investments	7.1	(1.0)	8.1
136.2	Total Nonoperating Revenues	32.3	25.0	7.3
	Nonoperating Expenses			
107.0	Contributions to New York State	-	-	-
112.3	Interest and other expenses	16.6	18.7	2.1
219.3	Total Nonoperating Expenses	16.6	18.7	2.1
(83.1)	Net Nonoperating Income (Loss)	15.7	6.3	9.4
\$307.8	Net Income (Loss)	\$67.5	\$71.2	(\$3.7)

**COMPARATIVE BALANCE SHEETS
February 28, 2010**

		February 2010	February 2009	December 2009
Assets				
Current Assets				
	Cash	\$0.1	\$0.1	\$0.1
	Investments in government securities	987.6	866.9	913.4
	Interest receivable on investments	7.7	8.7	5.8
	Accounts receivable - customers	184.7	232.6	158.7
	Materials and supplies, at average cost:			
	Plant and general	84.0	82.5	82.3
	Fuel	17.1	34.1	21.7
	Prepayments and other	94.3	199.2	103.8
	Total Current Assets	1,375.5	1,424.1	\$1,285.8
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	952.2	789.8	942.4
	Other	94.7	99.2	94.1
	Total Restricted Funds	1,046.9	889.0	1,036.5
Capital Funds	Investment in securities and cash	185.5	202.0	189.2
	Total Capital Funds	185.5	202.0	189.2
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,320.6	3,346.0	3,347.8
	Construction work in progress	156.5	171.1	144.8
	Net Utility Plant	3,477.1	3,517.1	3,492.6
Other Noncurrent Assets	Receivable - NY State	318.0	-	318.0
	Deferred charges, long-term receivables and other	683.1	491.9	566.2
	Notes receivable - nuclear plant sale	116.2	127.6	170.1
	Total other noncurrent assets	1,117.3	619.5	1,054.3
	Total Noncurrent Assets	5,826.8	5,227.6	5,772.6
	Total Assets	\$7,202.3	\$6,651.7	\$7,058.4
Liabilities and Net Assets				
Current Liabilities				
	Accounts payable and accrued liabilities	\$1,048.3	\$917.8	\$911.0
	Short-term debt	294.4	259.8	289.2
	Total Current Liabilities	1,342.7	1,177.6	1,200.2
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,192.3	1,232.6	1,192.7
	Adjustable rate tender notes	137.5	144.0	137.5
	Commercial paper	340.8	421.4	413.3
	Total Long-term Debt	1,670.6	1,798.0	1,743.5
Other Noncurrent Liabilities	Nuclear plant decommissioning	952.2	789.8	942.4
	Disposal of spent nuclear fuel	215.9	215.5	215.8
	Deferred revenues and other	133.0	138.3	136.0
	Total Other Noncurrent Liabilities	1,301.1	1,143.6	1,294.2
	Total Noncurrent Liabilities	2,971.7	2,941.6	3,037.7
	Total Liabilities	4,314.4	4,119.2	4,237.9
Net Assets				
	Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
	Net Income (Loss)	67.5	(34.3)	253.6
	Total Net Assets	2,887.9	2,532.5	2,820.5
	Total Liabilities and Net Assets	\$7,202.3	\$6,651.7	\$7,058.4

SUMMARY OF OPERATING FUND CASH FLOWS
For the Two Months Ended February 28, 2010
(\$ in millions)

Operating Fund	
Opening	\$906.8
Closing	964.1
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Increase/(Decrease)	57.3
 Cash Generated	
Net Operating Income	51.8
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	27.3
Net Change in Receivables, Payables & Inventory	(9.2)
Other	(1.0)
 Net Cash Generated from Operations	 68.9
 (Uses)/Sources	
Utility Plant Additions	(14.7)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(5.4)
Investment Income	5.1
Entergy Value Sharing Agreement	72.0
Other	(1.0)
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Total (Uses)/Sources	(11.6)
 Net Increase in Operating Fund	 57.3