New York Power Authority

Report of the Chief Financial Officer

For the Six Months Ended June 30, 2012

Report of the Chief Financial Officer
For the Month Ended June 30, 2012
Executive Summary

Results of Operations

Net income for the six months ended June 30 prior to the recognition of the voluntary contributions to New York State was $152.3 million, which was $28.6 million higher than the budget. Net income through June including the voluntary contributions was $77.3 million compared to a budget of $38.7 million resulting in a $38.6 million favorable variance. Year-to-date results included a higher net margin on sales ($7.1 million), higher non-operating income ($5.9 million), lower operations and maintenance expenses ($12.0 million), lower other operating expenses ($6.3 million), and lower than anticipated voluntary contributions to New York State ($10 million). Higher net margins on sales through June ($7.1 million) included positive variances in the MSP market area ($8.9 million, lower purchased power costs) and at the SCPP's ($10.5 million, higher capacity revenues), partially offset by negative results at Niagara ($10.9 million, lower energy prices). Non-operating income was higher than expected due primarily to lower than budgeted interest costs resulting from lower rates. Operations and maintenance expenses were lower than anticipated primarily due to timing differences in projects at Niagara, the Small Clean Power Plants and the transmission facilities. Other operating expenses reflected lower than anticipated costs related to the Industrial Incentive awards and Western New York economic development fund primarily due to lower market energy prices. Through June, voluntary contributions to New York State amounted to $75 million versus the $85 million budgeted. Production through June was 6% higher than budget reflecting higher net generation at St. Lawrence (11%), Niagara (6%) and the fossil facilities (2%).

Results for the six months ended June 30, 2012 ($77.3 million) were $5.3 million higher than the same period in 2011 ($72 million). The positive impact of lower purchased power costs at Niagara ($21.6 million) was partially offset by a higher voluntary contribution to New York State ($10 million) and lower non-operating income ($5.9 million) resulting from a mark-to-market loss on the Authority's investment portfolio. 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 year transmission line outage. Voluntary contributions were $75 million through June 2012 compared to $65 million through June 2011.

Cash & Liquidity

The Authority ended the month of June with total operating funds of $1,279 million as compared to $1,205 million at the end of 2011. The increase ($74 million) is primarily attributable to net cash from operations and the value sharing payment received from Entergy of $72 million substantially offset by $75 million in voluntary contributions to New York State.

Year-end Projection

While financial results through June show the Authority running ahead of budget, projections indicate that net income is expected to trend down to approximately $159 million - an estimated $8 million below the budget by year-end. Key drivers include general pricing trends in the energy and capacity markets as well as hydro flows, and certain other Authority expenses, as described below:

- **Energy Prices** – State-wide wholesale electricity prices have declined by approximately 30% relative to the budget primarily due to lower natural gas prices. While much of the Authority's generation is sold under contract to benefitting customers, the relatively small proportion of Authority generation in the wholesale market for its own account is affected by these lower prices resulting in a negative impact on net income.

- **Capacity Prices** – An increase in market-based capacity prices is being observed as a result of a pending increase in the locational capacity requirement for the New York City load pocket and an increased capacity requirement for the Rest-of-State market. In addition, prices are firming up as a result of approximately 600 MW's in generation being retired since the beginning of the year and the announced moth-balling of several additional generating stations in 2012 throughout New York in response to lower prices and lower demand. The resulting increase in market-based capacity prices is having a positive effect on the financial results, particularly for Blenheim-Gilboa and the Small Clean Power Plants.

- **Hydro Flows** – Net generation is expected to be below average levels for the remainder of the year offsetting higher than budgeted production during the first few months. Early spring run-off resulting from little snow-pack during the winter season, and below average spring rainfall over the Great Lakes has begun to have a negative effect on projected generation levels at the Niagara and St. Lawrence hydroelectric facilities.

- **O&M and Other Expenses** – O&M spending, running under budget through June, is expected to finish the year near target. The remainder of the voluntary contribution to the state, currently $10 million under budget, is expected to be considered for payment at a later date and therefore the full amount is included in the year-end projections.

At currently projected levels, the Authority's business requirements for cash flow (debt service coverage) and liquidity are expected to be met.

Net Income
Six months ended June 30, 2012
($ in millions)

	Actual	Budget	Variance
Niagara	$63.5	$64.8	($1.3)
St. Lawrence	5.2	5.0	0.2
Blenheim-Gilboa	(6.1)	(9.4)	3.3
SENY	15.8	16.6	(0.8)
SCPP	5.4	(7.2)	12.6
Market Supply Power	(15.3)	(24.5)	9.2
Flynn	7.9	5.6	2.3
Transmission	18.6	19.5	(0.9)
Non-facility	(17.7)	(31.7)	14.0
Total	**$77.3**	**$38.7**	**$38.6**

Major Factors	**Better (Worse)**
Niagara Lower net margins on sales ($10.9) due to lower energy prices, substantially offset by lower O&M ($4.7, timing of non-recurring projects) and lower other operating expenses ($4.7, primarily Industrial Incentive Awards).	($1.3)
Blenheim Gilboa Primarily higher capacity revenues.	3.3
SCPP Primarily higher capacity revenues (due to higher prices) and lower O&M (timing, Gowanus Bulkhead & Sinkhole Repairs).	12.6
Market Supply Power Lower purchased power costs due to lower prices.	9.2
Other facilities	0.8
Non-facility (including investment income) Primarily lower voluntary contribution to New York State ($75 vs $85 budgeted) and lower interest costs due to lower than anticipated market interest rates during the period.	14.0
Total	**$38.6**

Net Income
Six Months Ended June 30, 2012 and June 30, 2011
($ in millions)

	2012	2011	Variance Favorable/ (Unfavorable)
Operating Revenues	**1,254.7**	**1,234.2**	**20.5**
Operating Expenses			
Fuel consumed - oil & gas	95.2	117.2	22.0
Purchased power and ancillary services	338.1	471.9	133.8
Wheeling	261.8	228.2	(33.6)
Operations and maintenance	170.1	147.1	(23.0)
Other expenses	104.0	82.1	(21.9)
Depreciation and amortization	112.8	80.6	(32.2)
Allocation to capital	(4.5)	(3.2)	1.3
Total Operating Expenses	**1,077.5**	**1,123.9**	**46.4**
Net Operating Income	**177.2**	**110.3**	**66.9**
Investment and other income	71.0	71.0	-
Mark to Market Adjustment	(2.2)	3.7	(5.9)
Total Nonoperating Income	**68.8**	**74.7**	**(5.9)**
Contributions to New York State	75.0	65.0	(10.0)
Interest and other expenses	93.7	48.0	(45.7)
Total Nonoperating Expenses	**168.7**	**113.0**	**(55.7)**
Net Nonoperating Income (Loss)	**(99.9)**	**(38.3)**	**(61.6)**
Net Income	**77.3**	**72.0**	**5.3**

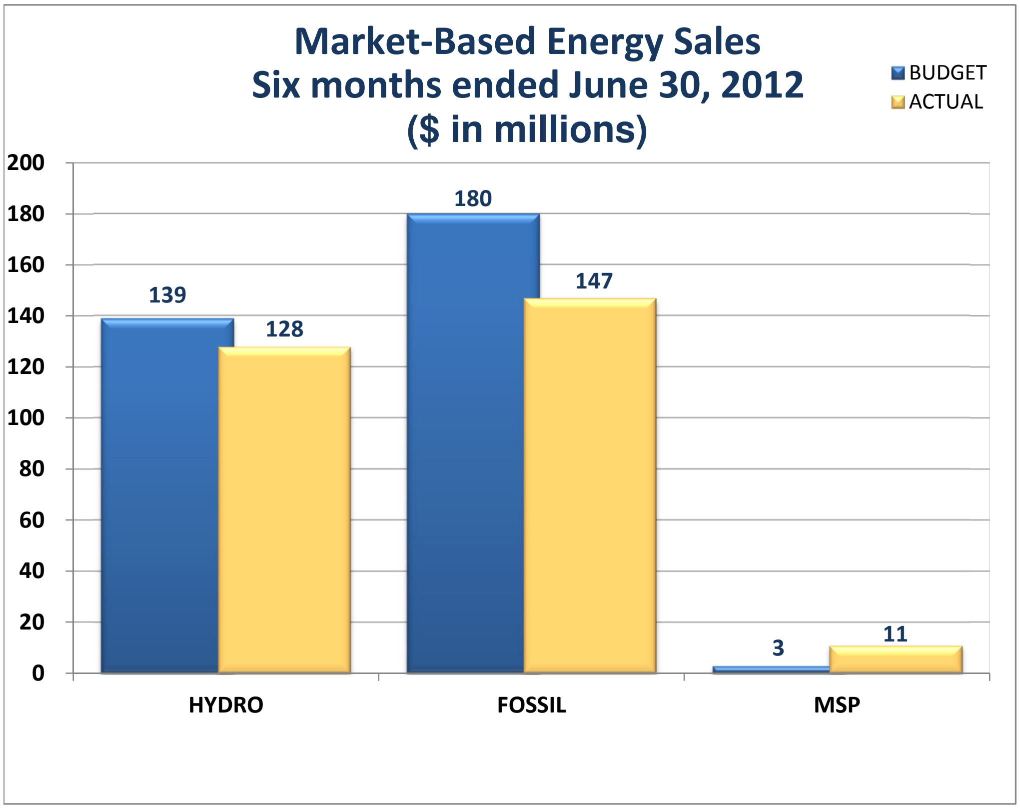
Net income through June 2012 ($77.3 million) was $5.3 million higher than the comparable period in 2011 ($72 million). The positive impact of lower purchased power costs at Niagara ($21.6 million) was partially offset by a higher voluntary contribution to New York State ($10 million) and lower non-operating income ($5.9 million) resulting from a mark-to-market loss on the Authority's investment portfolio.

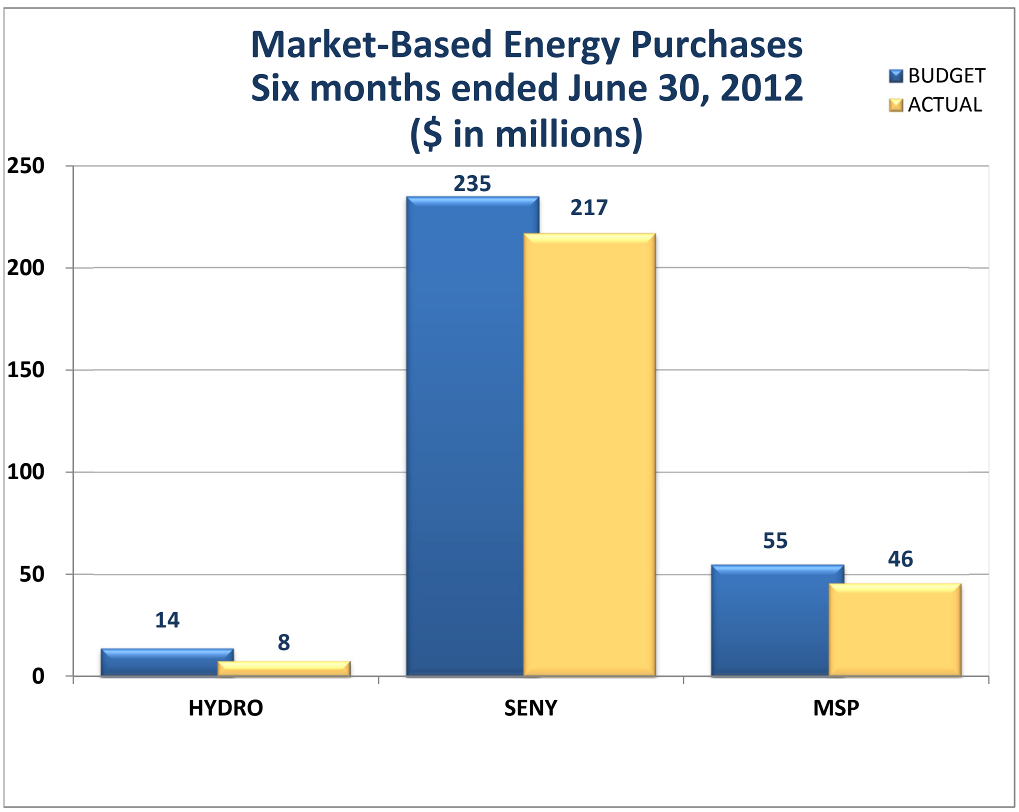
Purchased power costs were lower at Niagara in 2012 due to higher net generation and the need to purchase additional power in 2011 due to an early year transmission line outage.

Year-to-date voluntary contributions were $75 million in 2012 compared to $65 million through June 2011.

Year-to-year variances in operations and maintenance, depreciation and amortization, and interest expense were due primarily to Astoria II which went into commercial operation on July 1, 2011. These variances were offset by recoveries in operating revenues and had minimal impact on NYPA's current year net income.

RESULTS OF OPERATIONS





REVENUES

SALES (MWH)

	BUDGET	ACTUAL
Hydro*	3,208,309	3,906,954
Fossil	2,798,997	3,200,818
MSP	78,941	327,874
TOTAL	6,086,247	7,435,646
PRICES ($/MWH)		
Hydro*	$41.61	$30.26
Fossil	$61.78	$40.13
MSP	$37.37	$32.08
AVERAGE	$50.84	$34.57

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

REVENUES

SALES (MWH)

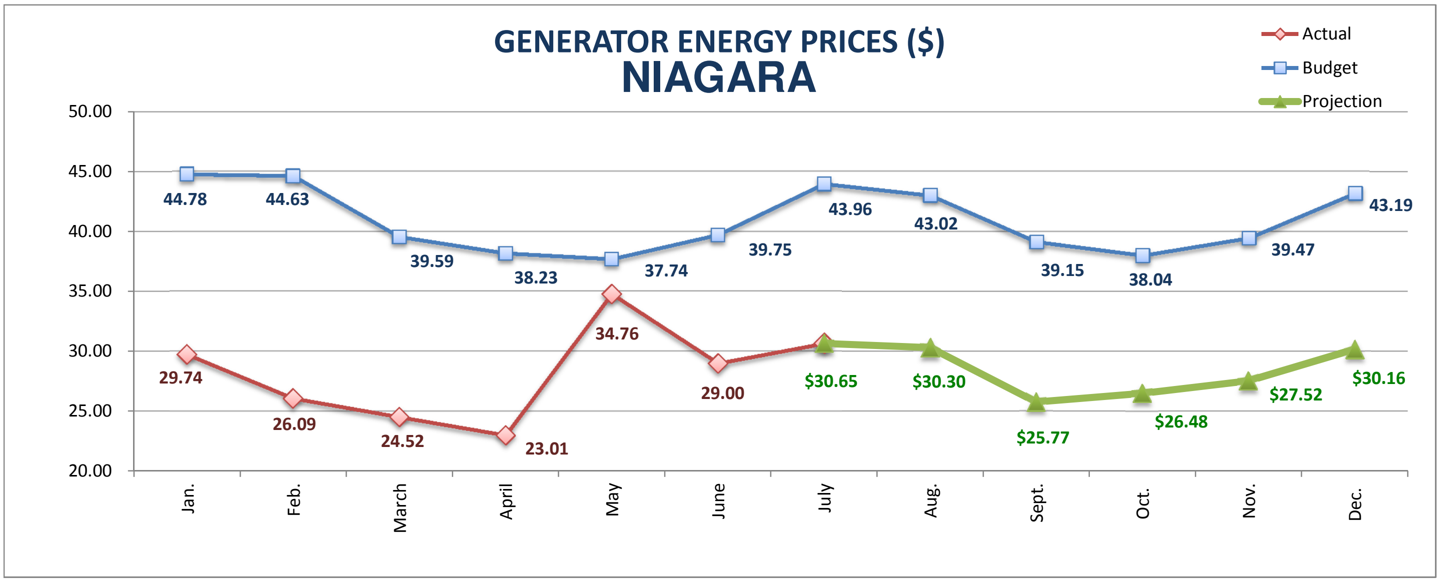
	BUDGET	ACTUAL
Niagara	1,999,990	2,461,153
St. Law.	987,191	1,269,297
PRICES ($/MWH)		
Niagara	$40.47	$29.34
St. Law.	$37.96	$27.32

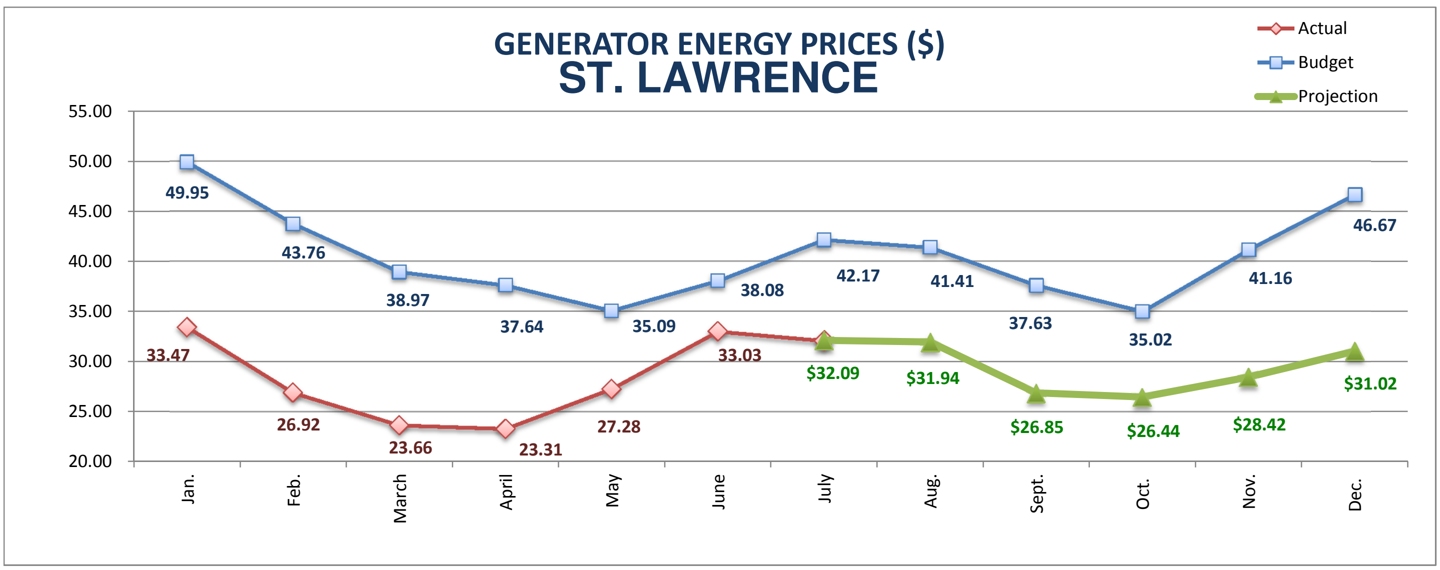
COSTS

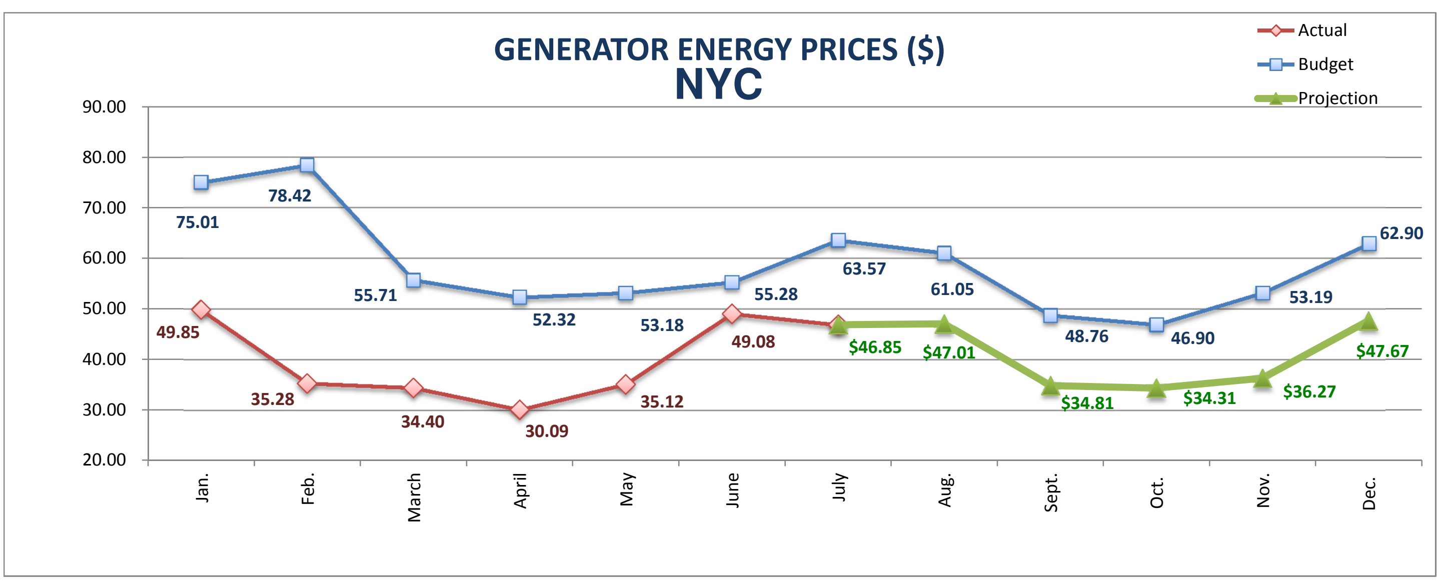
PURCHASES (MWH)

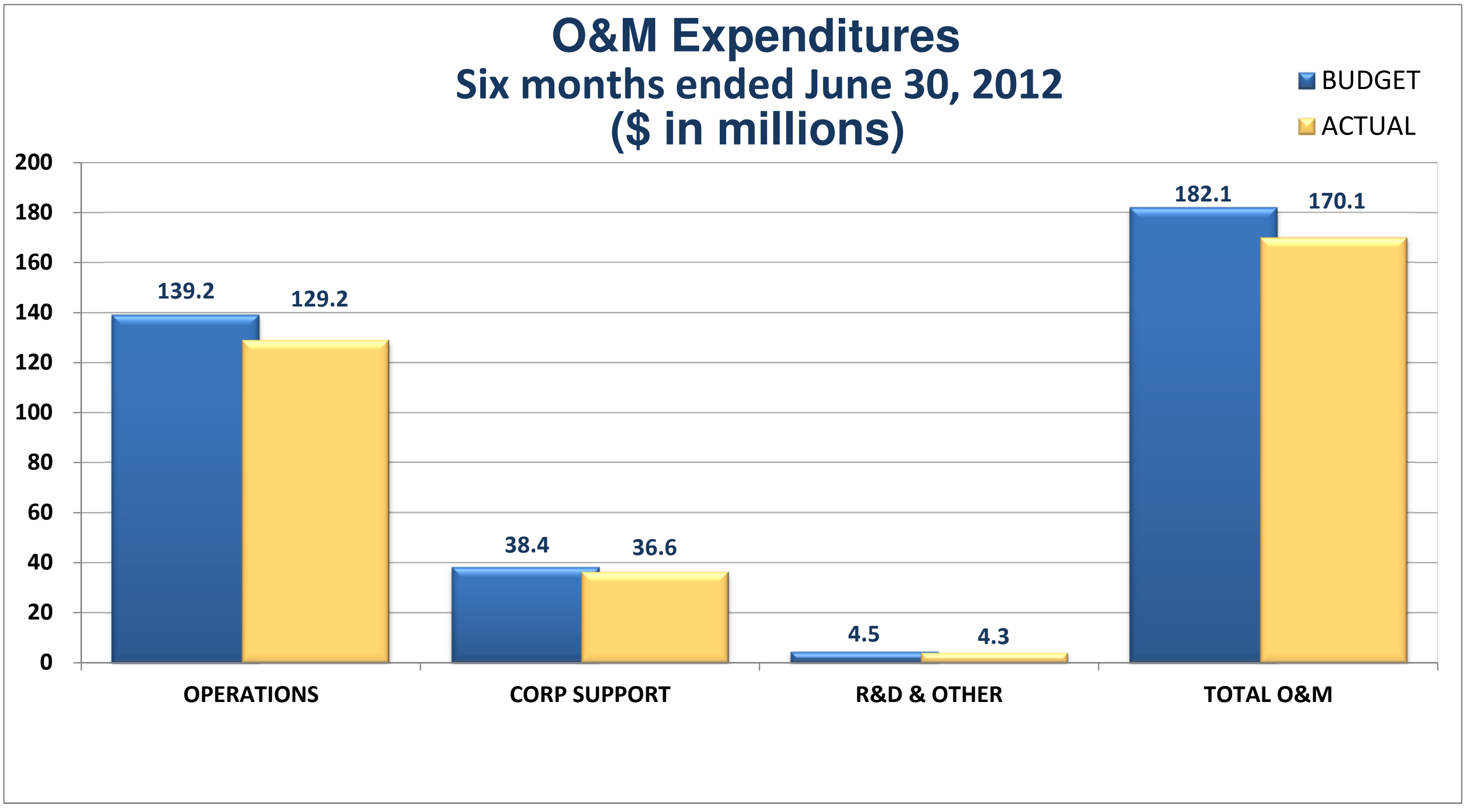
	BUDGET	ACTUAL
Hydro	576,327	343,085
SENY	4,313,179	4,403,927
MSP	1,339,785	1,516,213
TOTAL	6,229,291	6,263,225
COSTS ($/MWH)		
Hydro	$23.99	$21.94
SENY	$54.55	$49.34
MSP	$41.21	$30.17
AVERAGE	$48.85	$43.20

RESULTS OF OPERATIONS
Market Energy Prices





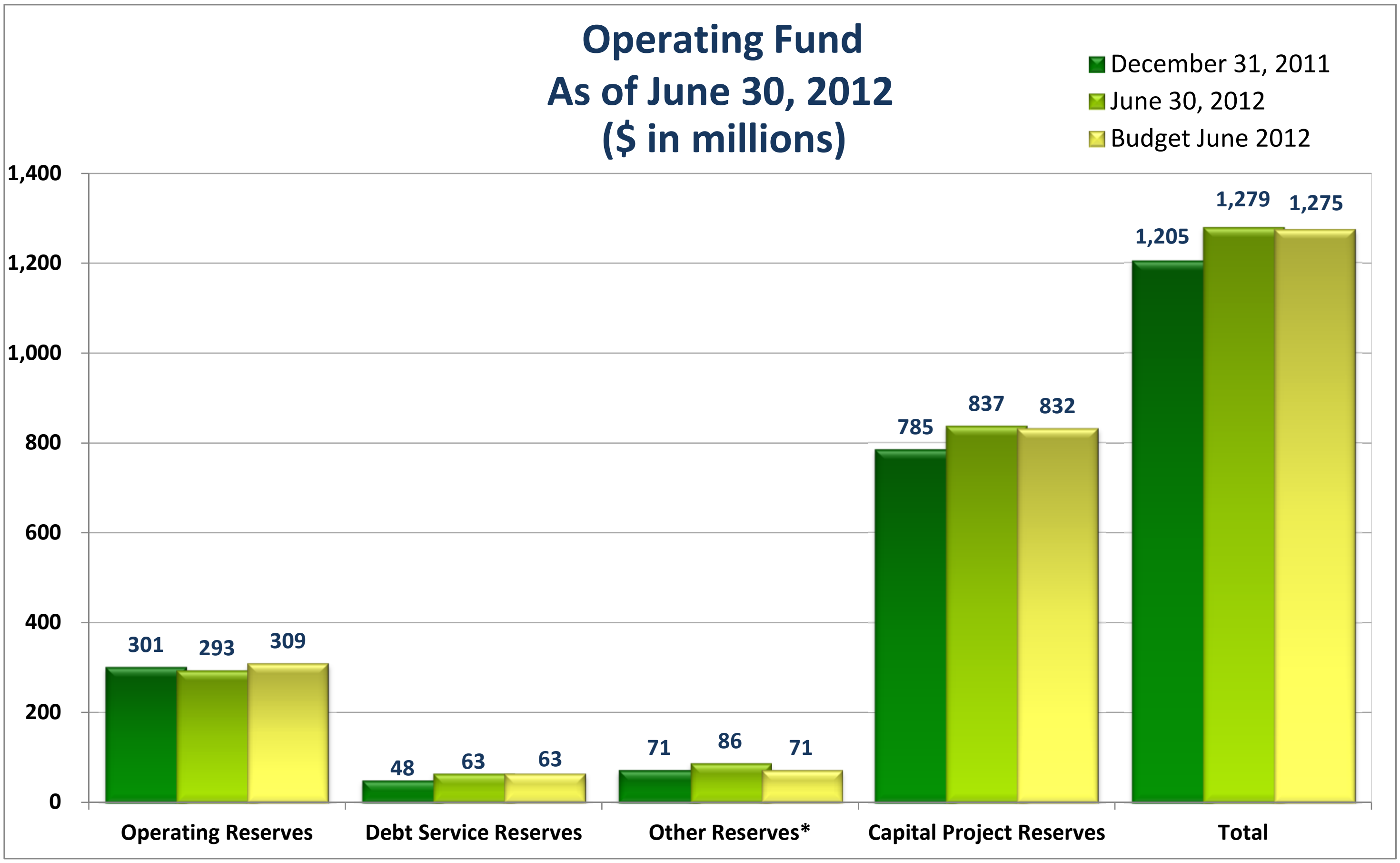




- For the six months ended June 30, 2012, O&M expenses were $12 lower than the budget.

- Operations expenditures were lower than anticipated primarily due to timing differences in projects at Niagara (RMNPP Head-gate Refurbishment and Unit #2 Standardization), the SCPP's (Gowanus Bulkhead & Sinkhole Repairs) and the transmission facilities (Transmission LEM Assessment and Marcy South Overhead Static Wire Evaluation).

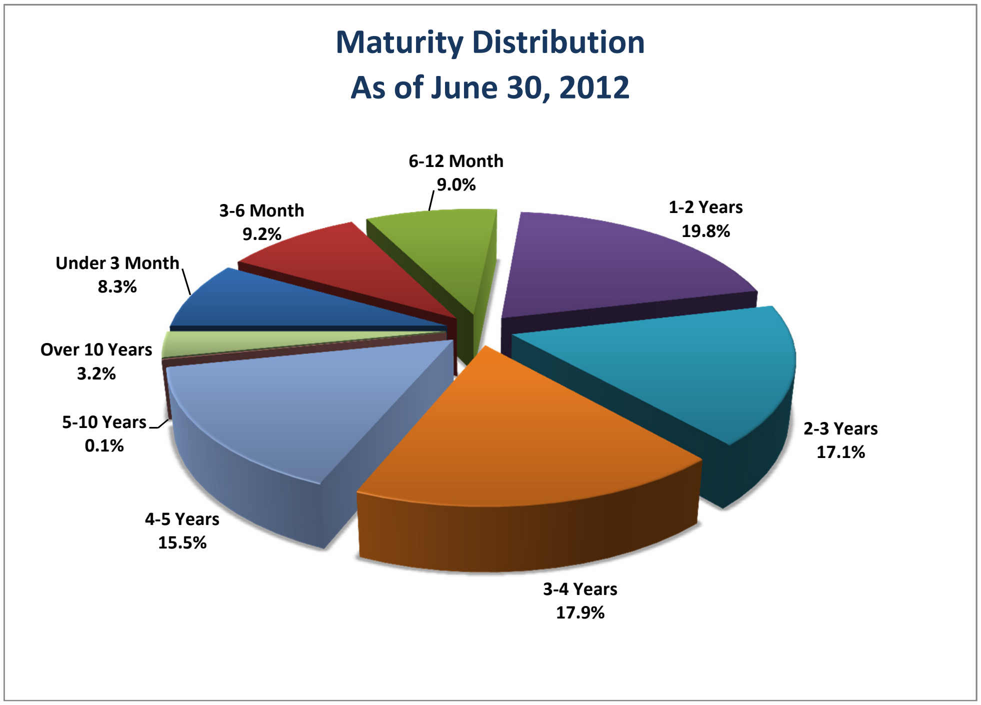
- HQ Corporate Support was under budget due to lower than anticipated expenditures for payroll, outside legal consultants and fuel cell maintenance, partially offset by earlier than expected expenses for IT maintenance.



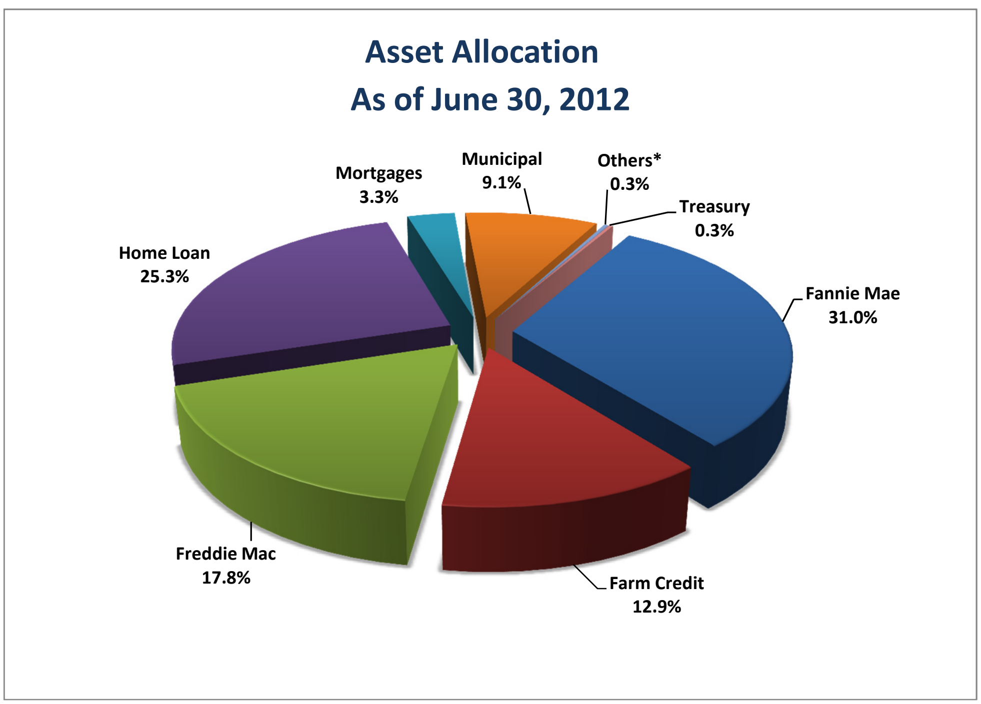
The increase of $74 in the Operating Fund (from $1,205 to $1,279) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of $72 received from Entergy, substantially offset by $75 in voluntary contributions to New York State.

* Includes $71 in Energy Hedging/Fuel Reserves and $15 in the Western New York Economic Development Fund. The Western New York Economic Development Fund represents net earnings from the sale of unallocated Expansion Power and Replacement Power from August 30, 2010 to May 31, 2012. These reserves will be used to fund economic development projects by private businesses located within New York State, as approved by the Board at the June 2012 meeting.

CASH AND LIQUIDITY INVESTMENT PORTFOLIO

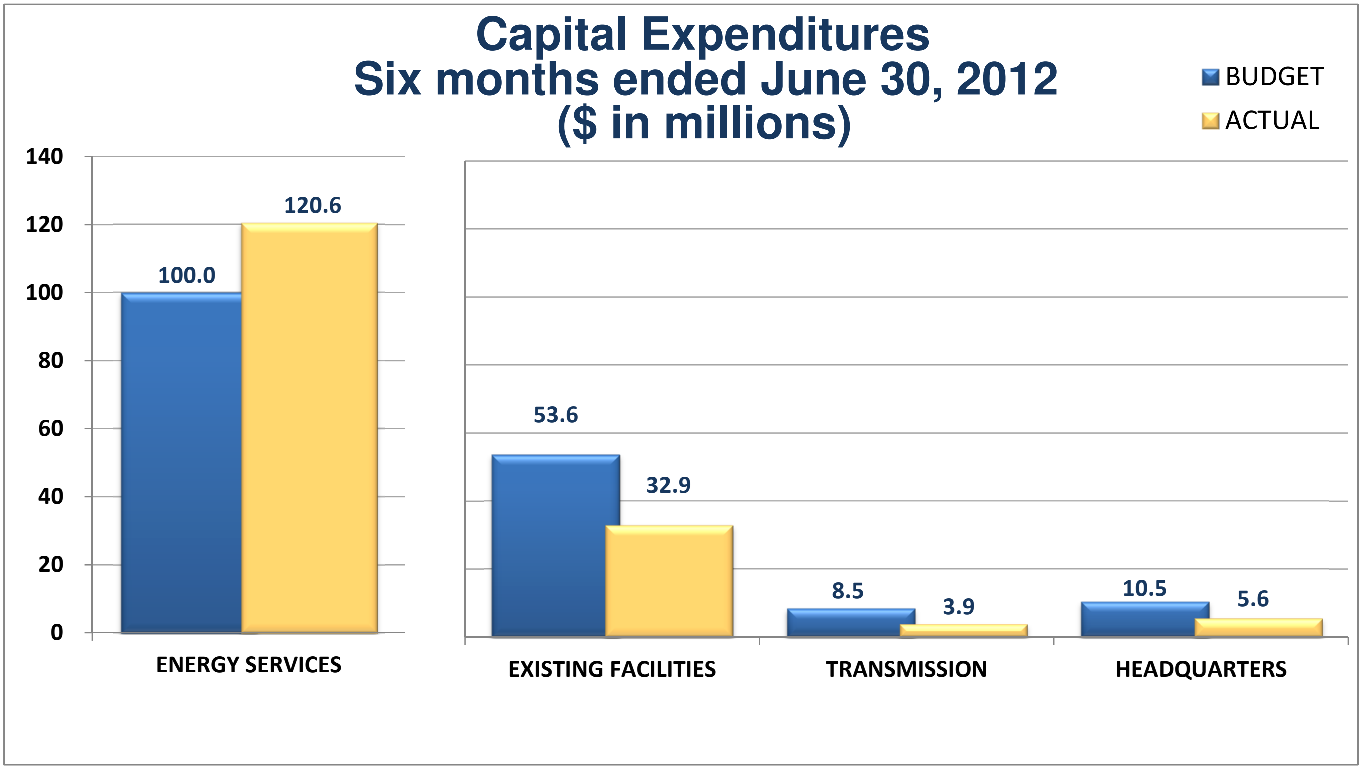


MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Month	$110.6
3-6 Month	123.3
6-12 Month	119.8
1-2 Years	263.8
2-3 Years	227.5
3-4 Years	238.9
4-5 Years	206.2
5-10 Years	1.2
Over 10 Years	42.0
Total	**$1,333.3**



ASSET ALLOCATION	
($ in millions)	
Fannie Mae	$413.5
Farm Credit	172.5
Freddie Mac	237.8
Home Loan	337.0
Mortgages	43.4
Municipal	121.6
Others*	4.0
Treasury	3.5
Total	**$1,333.3**

*Includes CDs and Repos



- Existing Facilities were under budget by $20.7 primarily due to delays related to the Niagara and Blenheim Gilboa relicensing projects, the St. Lawrence Microwave Communication project and Astoria Infrastructure Upgrade.
- Transmission expenditures were less than anticipated due to delays in the Transmission Initiative and the Moses-Willis Double Circuitry projects.
- Headquarters expenditures were under budget primarily due to delays and timing differences related to IT Initiative Projects.
- Energy Services expenditures were over budget by $20.6 due to greater than expected spending in the Governmental Services program.
- Under the Expenditure Authorization Procedure, the President authorized new expenditures on budgeted and emergent capital projects of $12.7 through June. The following expenditure was authorized for June:

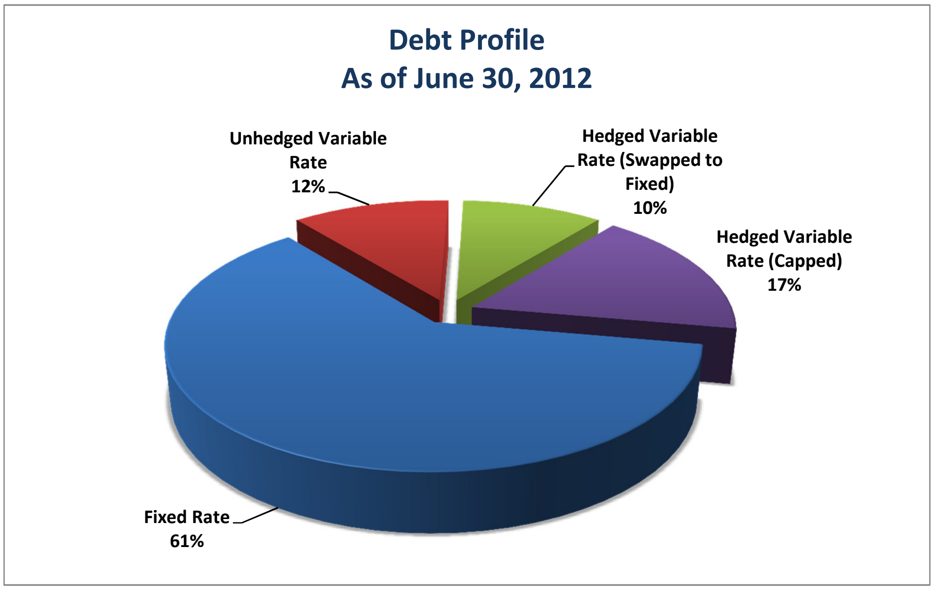
  Lewiston Pump Generating Plant 5 Ton Crane $0.9

Debt Activity
YTD June 30, 2012
($ in millions)

	Beginning Balance	New Issues	Scheduled Retirements	Additional Retirements	Ending Balance
Fixed Rate Debt	$1,083.4	-	-	-	$1,083.4
Variable Rate Debt	274.7	-	-	-	274.7
Variable Rate Energy Srvcs Debt	395.4	24.2	-	12.7	406.9
Sub-total Variable Rate Debt	670.1	24.2	-	12.7	681.6
Total	**$1,753.5**	**$24.2**	**-**	**$12.7**	**$1,765.0**

New York Power Authority

DEBT



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,083.4
Unhedged Variable Rate	201.4
Hedged Variable Rate (Swapped)	180.2
Hedged Variable Rate (Capped)	300.0
Total	**$1,765.0**

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	$19.6	11/15/2002	Floating-to-Fixed	($1.4)
1998B	Merrill Lynch Cap. Srvcs	32.7	11/15/2002	Floating-to-Fixed	(2.3)
1998B	Citigroup Financial Prod.	13.1	11/15/2002	Floating-to-Fixed	(0.9)
ARTN	Merrill Lynch Cap. Srvcs	114.8	9/1/2006	Floating-to-Fixed	(12.8)
CP - 1	Morgan Stanley Cap. Srvcs	300.0	1/26/2011	CAP	-
Totals		**$480.2**			**($17.4)**

** 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 $83.99 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[1]	**2012**	**2013**	**>=2014**	**Total**
NYPA	$ (0.62)	$ -	$ 0.13	$ 0.10	$ 0.22
Customer Contracts	$ (83.37)	$ (67.46)	$ (56.92)	$ (74.43)	$ (198.81)
Total	**$ (83.99)**	**$ (67.46)**	**$ (56.79)**	**$ (74.34)**	**$ (198.59)**

[1] *Reflects June preliminary settlements.*

At the end of June, the fair market value of outstanding positions was at an unrealized loss of $198.59 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of August 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: August to December 2012 Forward Price

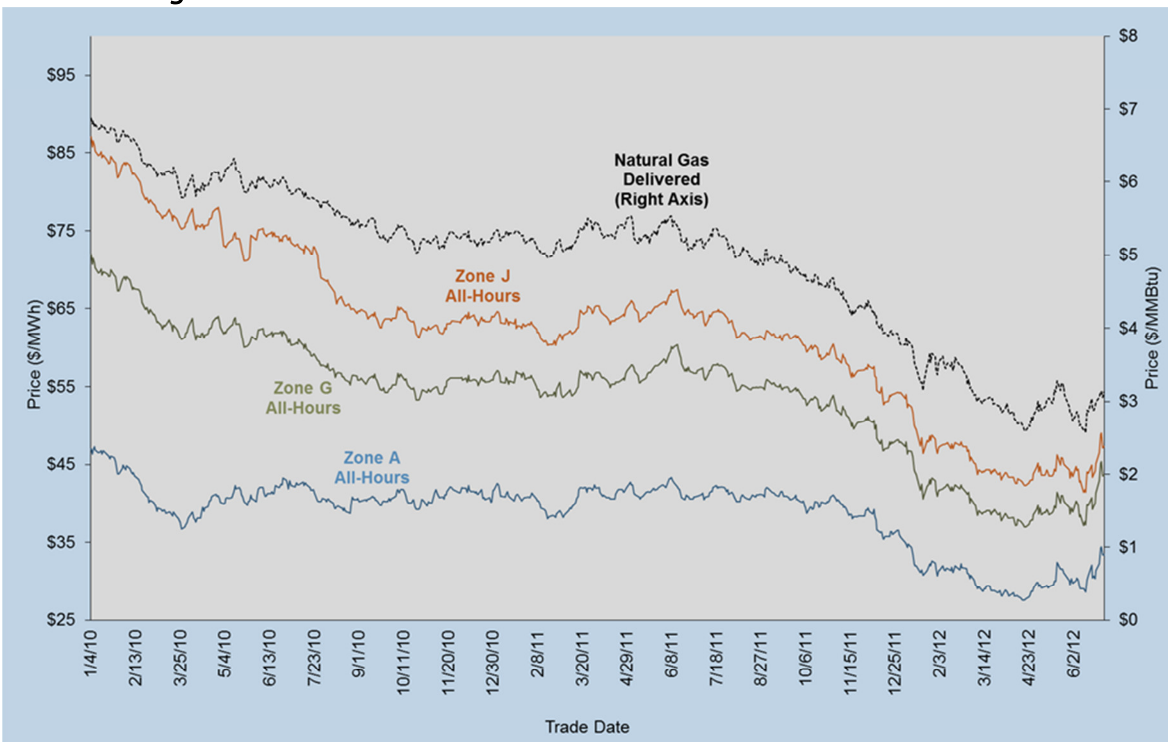
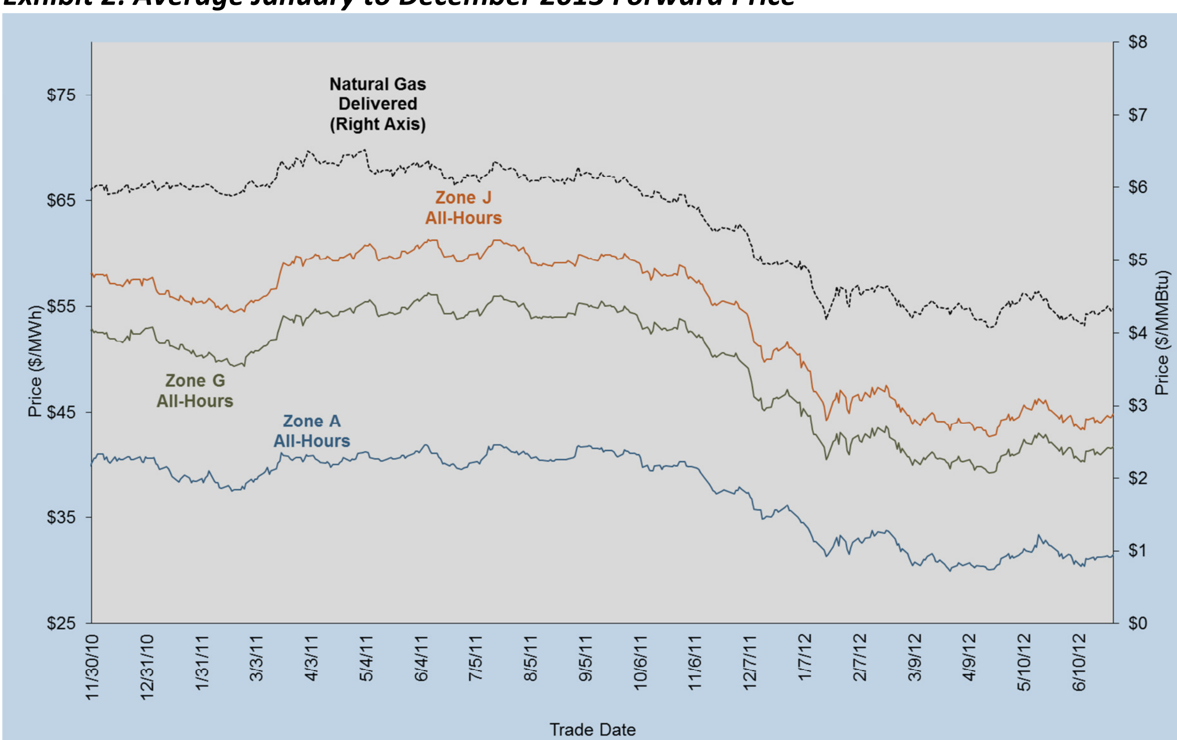


Exhibit 2: Average January to December 2013 Forward Price



STATEMENT OF NET INCOME
For the Six Months Ended June 30, 2012
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable
	Operating Revenues			
$2,173.0	Customer	**$954.9**	**$1,050.2**	**($95.3)**
552.7	Market-based power sales	232.7	265.6	(32.9)
28.9	Ancillary services	12.1	15.4	(3.3)
118.3	NTAC and other	55.0	57.2	(2.2)
699.9	Total	**299.8**	**338.2**	**(38.4)**
2,872.9	**Total Operating Revenues**	**1,254.7**	**1,388.4**	**(133.7)**
	Operating Expenses			
752.9	Purchased power	314.7	358.7	44.0
329.5	Fuel consumed - oil & gas	95.2	167.6	72.4
76.5	Ancillary services	23.3	37.7	14.4
610.2	Wheeling	261.8	271.9	10.1
370.9	Operations and maintenance	170.1	182.1	12.0
222.2	Depreciation and amortization	112.8	111.1	(1.7)
194.3	Other expenses	104.0	110.3	6.3
(11.7)	Allocation to capital	(4.4)	(5.5)	(1.1)
2,544.8	**Total Operating Expenses**	**1,077.5**	**1,233.9**	**156.4**
328.10	**Net Operating Income**	**177.2**	**154.5**	**22.7**
	Nonoperating Revenues			
86.9	Post nuclear sale income	50.7	50.7	-
42.1	Investment income	20.3	21.1	(0.8)
(10.0)	Mark to market - investments	(2.2)	(5.0)	2.8
119.0	**Total Nonoperating Revenues**	**68.8**	**66.8**	**2.0**
	Nonoperating Expenses			
85.0	Contributions to New York State	75.0	85.0	10.0
195.1	Interest and other expenses	93.7	97.6	3.9
280.1	**Total Nonoperating Expenses**	**168.7**	**182.6**	**13.9**
$167.0	**Net Income**	**$77.3**	**$38.7**	**$38.6**

New York Power Authority
Financial Reports

COMPARATIVE BALANCE SHEETS
June 30, 2012
($ in millions)

Assets		June 30, 2012	June 30, 2011	December 31, 2011
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,305.3	1,143.2	1,233.0
	Interest receivable on investments	5.8	5.4	5.6
	Accounts receivable - customers	229.5	233.4	188.0
	Materials and supplies, at average cost:			
	Plant and general	81.7	76.5	80.1
	Fuel	22.7	15.2	23.0
	Prepayments and other	219.0	153.1	263.5
	Total Current Assets	**1,864.1**	**1,626.9**	**1,793.3**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,146.9	1,072.1	1,089.8
	Other	73.7	81.7	76.4
	Total Restricted Funds	**1,220.6**	**1,153.8**	**1,166.2**
Capital Funds	Investment in securities and cash	86.0	102.6	97.2
	Total Capital Funds	**86.0**	**102.6**	**97.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,376.1	3,314.2	3,414.5
	Capital lease, less accumulated amortization	1,097.7	-	1,126.5
	Construction work in progress	132.9	122.7	133.4
	Net Utility Plant	**4,606.7**	**3,436.9**	**4,674.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	645.3	585.8	614.4
	Notes receivable - nuclear plant sale	121.8	136.1	143.0
	Total other noncurrent assets	**1,085.1**	**1,039.9**	**1,075.4**
	Total Assets	**$8,862.5**	**$7,360.1**	**$8,806.5**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$866.6	$841.8	$905.9
	Short-term debt	300.3	325.0	373.7
	Total Current Liabilities	**1,166.9**	**1,166.8**	**1,279.6**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,105.6	1,149.9	1,107.4
	Adjustable rate tender notes	114.8	122.9	122.9
	Commercial paper	266.6	287.9	204.2
	Total Long-term Debt	**1,487.0**	**1,560.7**	**1,434.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,146.9	1,072.1	1,089.8
	Disposal of spent nuclear fuel	216.3	216.2	216.2
	Capital lease obligation	1,239.7	-	1,241.3
	Deferred revenues and other	232.9	271.2	249.6
	Total Other Noncurrent Liabilities	**2,835.8**	**1,559.5**	**2,796.9**
Net Assets	Total Net Assets	**3,372.8**	**3,073.1**	**3,295.5**
	Total Liabilities and Net Assets	**$8,862.5**	**$7,360.1**	**$8,806.5**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Six Months Ended June 30, 2012
($ in millions)

Operating Fund	
Opening	$1,204.6
Closing	1,279.2
Increase/(Decrease)	**74.6**
Cash Generated	
Net Operating Income	177.2
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	112.8
Net Change in Receivables, Payables & Inventory	(137.2)
Other	(2.9)
Net Cash Generated from Operations	**149.9**
(Uses)/Sources	
Utility Plant Additions	(49.3)
Debt Service	
Commercial Paper 2	(16.4)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(7.5)
ART Notes	(8.3)
Investment Income	12.9
Entergy Value Sharing Agreement	72.0
Voluntary Contributions to NY State	(81.0)
Other	2.3
Total (Uses)/Sources	**(75.3)**
Net Increase in Operating Fund	**$74.6**