NEW ISSUE—BOOK ENTRY ONLY

In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2011 A Revenue Bonds (the "2011 A Bonds") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2011 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See "Tax Matters" herein. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the 2011 A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the 2011 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

$108,415,000
Power Authority of the State of New York
Series 2011 A Revenue Bonds

Dated: Date of Delivery **Due: November 15, as shown on inside cover page**

The 2011 A Bonds will be issued only as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the 2011 A Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the 2011 A Bonds purchased. So long as DTC or its nominee is the registered owner of the 2011 A Bonds, payments of the principal of, and premium, if any, and interest on the 2011 A Bonds will be made directly to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and Indirect Participants. See "PART 1—APPENDIX B—Book-Entry-Only System Procedures" herein. The Bank of New York Mellon is the Trustee under the General Resolution Authorizing Revenue Obligations herein described. Interest on the 2011 A Bonds will be payable on November 15, 2011 and semiannually thereafter on each May 15 and November 15. Certain of the 2011 A Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The 2011 A Bonds will be payable from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), after the payment of Operating Expenses, including all revenues derived directly or indirectly from any of the Authority's operations other than those revenues attributable directly or indirectly to the ownership or operation of any Separately Financed Projects as described herein. The 2011 A Bonds are on a parity with other Obligations and the Parity Debt of the Authority. See "PART 1—SECURITY FOR THE 2011 A BONDS" herein.

The Authority has no taxing power and its obligations are not debts of the State of New York or of any political subdivision of the State, other than the Authority.

The 2011 A Bonds are offered when, as and if issued and accepted by the Underwriters, and subject to the approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Certain legal matters are subject to the approval of Nixon Peabody LLP, Special Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P. It is expected that the 2011 A Bonds in definitive form will be available for delivery in New York, New York, on or about October 6, 2011.

Ramirez & Co., Inc.

Barclays Capital **Citigroup** **Loop Capital Markets**

Morgan Stanley **Wells Fargo Securities**

BofA Merrill Lynch **Goldman, Sachs & Co.** **J.P. Morgan**

M.R. Beal & Company **Siebert Brandford Shank & Co., L.L.C.**

September 22, 2011

$108,415,000
Series 2011 A Revenue Bonds

SERIAL BONDS

Maturity November 15	Principal Amount	Interest Rate	Price or Yield	CUSIP (64989K)†
2012	$790,000	2.000%	0.24%	JC1
2013	805,000	2.000	0.37	JD9
2014	2,420,000	4.000	0.52	HR0
2015	2,525,000	4.000	0.74	HS8
2016	900,000	4.000	1.07	JE7
2017	2,275,000	4.000	1.33	HT6
2018	970,000	4.000	1.65	JF4
2019	1,930,000	5.000	1.91	HU3
2020	2,840,000	4.500	2.15	HV1
2021	2,995,000	5.000	2.32	HW9
2022	26,390,000	5.000	2.54	HX7
2023	975,000	3.000	2.79*	JG2
2024	1,005,000	3.000	100.00	JH0
2025	1,035,000	3.000	3.11	JJ6
2026	1,065,000	3.125	3.24	JK3
2027	1,100,000	3.250	3.34	JL1
2028	4,415,000	5.000	3.41*	HY5
2029	4,635,000	5.000	3.51*	HZ2
2030	4,870,000	5.000	3.61*	JA5
2031	5,375,000	5.000	3.69*	JB3

TERM BONDS

$960,000 4.00% Term Bonds Due November 15, 2038 – Price 100.00% CUSIP Number 64989KJM9†
$38,140,000 5.00% Term Bonds Due November 15, 2038 – Yield 3.95%* CUSIP Number 64989KJN7†

---

* Priced at the stated yield to the November 15, 2021 optional redemption date at a redemption price of 100%.

† CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the 2011 A Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the 2011 A Bonds or as indicated on the cover hereof.

No dealer, broker, salesperson or other person has been authorized by the Power Authority of the State of New York (the ''Authority'') to give any information or to make representations, other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2011 A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Authority and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The statements contained in this Official Statement that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumption and estimates and possible changes or development in various important factors. Accordingly, actual business and financial results may vary from the projections, forecasts and estimates contained it this Official Statement and such variations may be material.

In connection with the offering of the 2011 A Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of such bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONSISTS OF THE COVER PAGE, THE INSIDE FRONT COVER, THE TABLES OF CONTENTS, THE SUMMARY AND THIS PART 1, INCLUDING THE APPENDICES TO THIS PART 1 (ALL OF THE FOREGOING ARE REFERRED TO COLLECTIVELY AS ''PART 1''), AND THE ATTACHED PART 2, INCLUDING ALL APPENDICES THERETO (COLLECTIVELY, "PART 2"). BOTH THIS PART 1 AND PART 2 ARE DATED SEPTEMBER 22, 2011. THIS PART 1, TOGETHER WITH PART 2, CONSTITUTES THE AUTHORITY'S OFFICIAL STATEMENT RELATING TO THE 2011 A BONDS (AND ONLY SUCH BONDS). BOTH PART 1 AND PART 2 MUST BE READ IN THEIR ENTIRETY.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

[This page intentionally left blank]

SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Official Statement and any supplement or amendment hereto. Capitalized terms used in this Summary and not defined herein have the meanings given to such terms elsewhere in this Official Statement.

Issuer	Power Authority of the State of New York (the "Authority") is a corporate municipal instrumentality and political subdivision of the State of New York. The Authority generates, transmits and sells electric power and energy principally at wholesale. The Authority's primary customers are municipal and investor-owned utilities and rural electric cooperatives located throughout New York State, high load factor industries and other businesses, various public corporations located within the metropolitan area of New York City, and certain out-of-state customers. The Authority owns and operates five major generating facilities, 11 small electric generating facilities, and five small hydroelectric facilities, with a total installed capacity of 6,054 MW, and a number of transmission lines, including major 765-kV and 345-kV transmission facilities.
The 2011 A Bonds	The 2011 A Bonds are being offered in the principal amount per maturity and bearing the interest rates set forth on the cover and inside front cover pages of this Official Statement. The 2011 A Bonds will be issued pursuant to the Authority's General Resolution Authorizing Revenue Obligations, adopted on February 24, 1998, as amended and supplemented (the "General Resolution").
Denominations	$5,000 or any integral multiple thereof.
Interest Payment Dates	November 15, 2011 and semiannually thereafter on each May 15 and November 15.
Redemption	Certain of the 2011 A Bonds are subject to optional and mandatory redemption prior to maturity on the dates and at the redemption prices described herein under the caption "PART 1—THE 2011 A BONDS—Redemption."
Security for the 2011 A Bonds	The 2011 A Bonds will be payable from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), including all revenues derived directly or indirectly from any of the Authority's operations other than those revenues attributable directly or indirectly to the ownership or operation of any Separately Financed Projects and not including any Federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose. The General Resolution provides that the amounts in the Operating Fund are to be used to pay debt service on the Obligations, including the 2011 A Bonds, and to pay Parity Debt after the payment of Operating Expenses. See "PART 1—SECURITY FOR THE 2011 A BONDS."

Rate Covenant.................................	The Authority has covenanted in the General Resolution that it shall at all times maintain rates, fees or charges sufficient, together with other moneys available therefor, to pay all Operating Expenses of the Authority and to pay the debt service on all Obligations, including the 2011 A Bonds. See ''PART 1—SECURITY FOR THE 2011 A BONDS.'' The Authority is a party to various power sales agreements which impose limitations on the Authority's discretion to establish rate increases. See ''PART 2—POWER SALES.''
Application of Proceeds..................	The proceeds of the 2011 A Bonds will be used to refund $77,215,000 of the Authority's Series 2000 A Revenue Bonds, to refund $41,720,000 of the Authority's Series 2002 A Revenue Bonds, and to pay the costs of issuance of the 2011 A Bonds. See ''Part 1—USE OF PROCEEDS.''
General Resolution Funds..............	Two funds are established under the General Resolution: the Operating Fund and the Capital Fund, both held by the Authority. The Authority may also establish additional funds and accounts. Amounts in the Operating Fund shall be used in the following order of priority: to pay Operating Expenses; to pay debt service on Obligations, which includes the 2011 A Bonds and Parity Debt; to pay debt service on any Subordinated Indebtedness and Subordinated Contract Obligations; for withdrawal and deposit in the Capital Fund; and for withdrawal for any lawful corporate purpose, provided that such amounts are not needed at the time of such withdrawal to pay Operating Expenses or debt service as described above. See ''PART 1—SECURITY FOR THE 2011 A BONDS.'' The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Operating Fund for lawful corporate purposes, as described above, determine the amount, if any, to be held for reserves in the Operating Fund. Amounts in the Capital Fund shall be applied for the Capital Costs of the Authority, but must be applied to the payment of debt service on the Obligations, including the 2011 A Bonds and Parity Debt, if needed.
Additional Indebtedness; Parity Debt.....................................	As of June 30, 2011, the Authority had outstanding $1,134,375,000 (including the Revenue Bonds to be refunded) in principal amount of Revenue Bonds, which are Obligations on a parity with the 2011 A Bonds. As of June 30, 2011, the Authority had outstanding $122,935,000 of Adjustable Rate Tender Notes issued in 1985 (the "ART Notes"), which are on a parity with the Revenue Bonds, including the 2011 A Bonds.

The Authority may issue additional Obligations pursuant to the General Resolution, payable and secured on a parity with the 2011 A Bonds, for any purpose of the Authority authorized by the Act, as amended from time to time, or by other then-applicable State statutory provisions. The principal amount of the Obligations which may be delivered under the General Resolution is not limited, and there is no debt service coverage or historical or projected earnings test that must be satisfied as a precondition to any such delivery.

The Authority may also incur additional Parity Debt payable and secured on a parity with Obligations, including the 2011 A Bonds.

Parity Debt currently includes the ART Notes, any notes issued under a revolving credit agreement providing liquidity support for the ART Notes, and the scheduled payments to be made by the Authority under several interest-rate swap agreements (see ‘‘PART 1—SECURITY FOR THE 2011 A BONDS—Additional Debt Issuance’’). Parity Debt may also be incurred in connection with, among other things, Credit Facilities, Qualified Swaps and certain take-or-pay fuel or power contracts. See ‘‘PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt.’’

The Authority may issue Subordinated Indebtedness or incur Subordinated Contract Obligations payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations, including the 2011 A Bonds, and any Parity Debt, and secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations, including the 2011 A Bonds, and any Parity Debt.

As of June 30, 2011, the Authority had outstanding $612,904,000 of Subordinated Indebtedness.

The Authority may issue bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any project authorized by the Act or by other then applicable State statutory provisions. The Authority also may finance any such project from other available funds (any project so financed is referred to herein as a “Separately Financed Project”), if such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Authority’s share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other available funds of the Authority released from the lien on the Trust Estate in accordance with the General Resolution. There are currently no Separately Financed Projects.

Registration of the 2011 A Bonds....	The 2011 A Bonds will be issuable as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company (''DTC''). No person acquiring an interest in the 2011 A Bonds (a ''Beneficial Owner'') will be entitled to receive a 2011 A Bond in certificated form (a ''Definitive Obligation''), except under the limited circumstances described in this Official Statement under ''PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES.'' Unless and until Definitive Obligations are issued, all references to actions by Owners will refer to actions taken by DTC, upon instructions from DTC Participants, and all references herein to distributions, notices, reports and statements to Owners shall refer to distributions, notices, reports and statements, respectively, to DTC or Cede & Co., as the registered owner of the 2011 A Bonds, or to DTC Participants for distribution to Beneficial Owners in accordance with DTC procedures.
Tax Considerations	In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2011 A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the ''Code''), and (ii) interest on the 2011 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See ''PART 1—TAX MATTERS.'' In addition, in the opinion of Bond Counsel under existing statutes, interest on the 2011 A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the 2011 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers. See ''PART 1—TAX MATTERS.''
Trustee	The Bank of New York Mellon.
Authority's Financial Advisor	Public Financial Management, Inc.
Ratings	Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), a division of the McGraw-Hill Companies, Inc., and Fitch Ratings ("Fitch") have assigned ratings of "Aa2", "AA-", and "AA", respectively, to the 2011 A Bonds.

TABLE OF CONTENTS FOR PART 1

PART 1
of the
OFFICIAL STATEMENT
of the
POWER AUTHORITY OF THE STATE OF NEW YORK
$108,415,000
SERIES 2011 A REVENUE BONDS

This Official Statement provides certain information concerning the Power Authority of the State of New York (the ''Authority'') in connection with the issuance of the Authority's Series 2011 A Bonds (the ''2011 A Bonds''). This Official Statement is dated September 22, 2011 to reflect the execution of a Contract of Purchase for the 2011 A Bonds on that date. The 2011 A Bonds are authorized to be issued pursuant to the Power Authority Act of the State of New York (the ''State''), Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the ''Act''), and the Authority's ''General Resolution Authorizing Revenue Obligations,'' adopted on February 24, 1998, as amended and supplemented, including, in regard to the 2011 A Bonds, an Amended and Restated Ninth Supplemental Resolution adopted on July 26, 2011, which authorized the issuance of the 2011 A Bonds. The General Resolution Authorizing Revenue Obligations, as amended and supplemented, is herein collectively referred to as the ''General Resolution.'' The outstanding bonds, notes, and other obligations (including the 2011 A Bonds) of the Authority hereafter issued as parity obligations and outstanding pursuant to the General Resolution are referred to herein as the ''Obligations.'' All words and terms which are defined in the General Resolution are used herein as so defined.

INTRODUCTION

The Authority is a corporate municipal instrumentality and political subdivision of the State created in 1931 by the Act, which has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. The Authority generates, transmits and sells electric power and energy, principally at wholesale, as permitted or required by applicable law. The Authority's primary customers are municipal and investor-owned utilities and rural electric cooperatives located throughout New York State, high load factor industries, other businesses, various public corporations located within the metropolitan area of New York City, including The City of New York, and certain out-of-state customers.

The Authority owns and operates five major generating facilities, 11 small electric generating facilities, and five small hydroelectric facilities, with a total installed capacity of 6,054 megawatts (''MW''), and a number of transmission lines, including major 765-kilovolt (''kV'') and 345-kV transmission facilities (see ''PART 2—THE AUTHORITY'S FACILITIES'').

The Authority's generating facilities consist of two large hydroelectric facilities (Niagara and St. Lawrence-FDR), a large pumped-storage hydroelectric facility (Blenheim-Gilboa), two gas-and-oil-fired facilities (Flynn and the combined-cycle electric generating plant located in Queens, New York, referred to herein as the ''500-MW Plant''), 11 small electric generating facilities, and various small hydroelectric facilities. The Authority's net generation in 2010 by energy source was as follows: hydroelectric 82%; and gas/oil 18%. In 2010, the Authority generated approximately 15% of the electric energy used in New York State. The Authority also supplied a significant portion of its customers' needs through purchased power (see ''PART 2—POWER SALES''). Although the Authority's rates for power and energy vary depending upon a number of factors, overall, the Authority provides low cost power and energy to its customers.

The customers served by the Authority and the rates paid by such customers vary with the facility or other source supplying the power and energy (see ''PART 2—POWER SALES''). The following is a brief description of the customers served by the Authority.

St. Lawrence-FDR and Niagara Customers. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to New York investor-owned electric utilities, municipal electric systems, rural electric cooperatives, industrial customers, certain public bodies, and out-of-state customers.

Blenheim-Gilboa Customers. Blenheim-Gilboa power and energy are used to meet the requirements of the Authority's business and governmental customers and to provide services in the New York Independent System Operator (''NYISO'') markets. In addition, 50 MW of the Blenheim-Gilboa output is sold to a wholly-owned subsidiary of the Long Island Power Authority, which subsidiary is doing business as ''LIPA'' (hereinafter such subsidiary is referred to as ''LIPA'').

Southeastern New York (''SENY'') Governmental Customers. Power and energy purchased by the Authority in the capacity and energy markets, as supplemented by Authority resources, are sold to various municipalities, school districts and public agencies in the New York City and Westchester County area.

500-MW Plant. The power and energy of the 500-MW Plant is used to meet the requirements of the Authority's New York City governmental customers and to provide services in the NYISO markets for the benefit of those customers.

Flynn. The output of Flynn is being sold to LIPA.

Small Clean Power Plants. The power and energy of these plants is used to meet the requirements of the Authority's business and governmental customers and to provide services in the NYISO markets.

Certain Purchased Power and Energy Customers. The Authority also sells power and energy purchased in the capacity and energy markets to industrial customers, the United States Department of Energy (''DOE''), New York investor-owned electric utilities, Power for Jobs Program customers, businesses, municipal electric systems, rural electric cooperatives, and various municipal utility service agencies.

Transmission Facilities. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, more than any other utility in New York State, with the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edic transmission line, and the 345-kV Long Island Sound Cable (the ''Cable''). With the implementation of the NYISO arrangement in November 1999, all transmission service over the Authority's facilities is either pursuant to the NYISO tariffs or pre-existing Authority contracts (see ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR'').

Energy Services Program. The Authority is also carrying out an energy services program for certain of its customers and other entities in New York State, with outstanding aggregate expenditures under this program of $383 million as of June 30, 2011 (see ''PART 2—ENERGY SERVICES'').

Indebtedness. As of June 30, 2011, $1,134,375,000 of senior lien Obligations (the ''Revenue Bonds''), issued under the General Resolution, were outstanding including the Revenue Bonds to be refunded.

As of June 30, 2011, $122,935,000 of Adjustable Rate Tender Notes (the ''ART Notes''), were outstanding (see ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness''). The ART Notes are on a parity with the Revenue Bonds and other Obligations to be issued by the Authority under the General Resolution, including the 2011 A Bonds.

As of June 30, 2011, $474,654,000 of Commercial Paper Notes (''CP Notes'') were outstanding. The CP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

As of June 30, 2011, $138,250,000 of Extendible Municipal Commercial Paper Notes (the ‘‘EMCP Notes’’) were outstanding. The EMCP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

Information Included in this Official Statement. Part 1 of this Official Statement contains a description of the 2011 A Bonds and the security for the 2011 A Bonds, and a discussion of other matters relating to the 2011 A Bonds. In Part 2 of this Official Statement, there is a description of the Authority, its operations and financial condition and a discussion of the evolving New York electric utility industry, along with relevant developments nationwide. The financial statements of the Authority for the year ended December 31, 2008 was filed with the then nationally recognized municipal securities information repositories approved by the Securities and Exchange Commission (the ‘‘SEC’’). The financial statements of the Authority for the years ended December 31, 2009 and 2010 were provided to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“EMMA”).

The Authority’s financial statements for the year ended December 31, 2010, are hereby incorporated by reference in this Official Statement. Such information may be obtained directly from the EMMA system. Informational copies of the Authority’s financial statements for the years ended December 31, 2010, 2009, and 2008 are available on the Authority’s website at http://www.nypa.gov/financial/annualreports.htm. No information on the Authority’s website is deemed incorporated by reference in this Official Statement.

A discussion of certain litigation pending or threatened against the Authority, or involving or adversely affecting the property or assets of or under the control of the Authority, is set forth in Appendix D to Part 1 of this Official Statement. A summary of certain provisions of the General Resolution is set forth in Appendix 1 to Part 2 of this Official Statement. The proposed form of the approving opinion of Bond Counsel is set forth in Appendix A to Part 1 of this Official Statement. Extracts from the schedule of The Depository Trust Company (‘‘DTC’’) entitled ‘‘Sample Official Statement Language Describing Book-Entry-Only Issuance’’ are set forth in Appendix B to Part 1 of this Official Statement. Backgrounds of the Authority’s Trustees and certain senior management staff are set forth in Appendix 2 to Part 2 of this Official Statement. The form of the Continuing Disclosure Agreement that the Authority will execute in connection with the issuance of the 2011 A Bonds is set forth in Appendix C to Part 1 of this Official Statement.

SECURITY FOR THE 2011 A BONDS

The General Resolution authorizes the issuance of the Obligations for any purpose authorized by the Act or other New York State statutory provision then applicable. All Obligations, including the 2011 A Bonds, are payable from Revenues and secured by a pledge of the Trust Estate, subject to no prior pledge or lien.

Revenues

Revenues consist of all revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, insurance proceeds, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority’s operations, including but not limited to the ownership or operation of any Project, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project (see ‘‘PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Conditions for Issuance of Obligations’’) and not including any federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose.

Trust Estate

The Trust Estate consists of, collectively, (i) all Revenues; (ii) the proceeds of sale of the Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the General Resolution, including investment earnings thereon; and (iv) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee. Currently, the Trust Estate does not include any real property, structures, facilities, or equipment owned by the Authority. The Trust Estate also does not include the assets and income of the trusts established by the Authority to fund its Other Postemployment Benefits ("OPEB") obligations and certain decommissioning costs relating to the two nuclear plants it sold in 2000. See "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—State Pension Plan and Other Postemployment Benefits; Nuclear Plant Sale Matters."

Application of Revenues

The General Resolution requires that all Revenues, and such portion of the proceeds of any Obligations issued to pay Operating Expenses, be deposited into the Operating Fund. Amounts in the Operating Fund are to be paid out, accumulated or withdrawn from time to time for the following purposes and, as of any time, in the following order of priority:

(1) payment of reasonable and necessary Operating Expenses or accumulation in the Operating Fund as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, including, but not limited to, amounts determined by the Authority to be required as an operating reserve, or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction;

(2) payment of, or accumulation in the Operating Fund as a reserve for the payment of, interest on and the principal or Redemption Price of Obligations, which includes the 2011 A Bonds, and payments due under any Parity Debt, on a parity basis, on their respective due dates or redemption dates, as the case may be;

(3) payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due under any Subordinated Contract Obligation;

(4) withdrawal and deposit in the Capital Fund; and

(5) withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any such withdrawal, the Authority shall have determined, taking into account anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for any of the purposes set forth in paragraphs (1), (2) or (3) above (see ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION'').

In April 1998, the Authority adopted a resolution establishing an Operating Reserve of $150 million in the Operating Fund to support Authority operations if one of the Authority's plants were to become inoperative and require major expenditures to restore operations. In May 2007, in recognition of the increased volatility in recent years in the electricity and other commodity markets, and in consideration of certain broader enterprise-wide risks, the Authority by resolution increased the Operating Reserve to $175 million. While the Authority intends to maintain the $175 million Operating Reserve, the maintenance of the Reserve is at the discretion of the Authority's Board of Trustees and may at any time be modified or eliminated at the discretion of the Board.

Rate Covenant

The Authority has covenanted in the General Resolution that it shall at all times maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission or distribution of power shall contain rates, fees or charges, sufficient, together with other moneys available therefore (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes or other obligations or evidence of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt),

(i) to pay all Operating Expenses of the Authority,

(ii) to pay the debt service on all Obligations, including the 2011 A Bonds, then Outstanding and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and

(iii) to maintain any reserve established by the Authority pursuant to the General Resolution, in such amount as may be determined from time to time by the Authority in its judgment.

The Authority is a party to various power sales agreements which impose limitations on the Authority's discretion to establish rate increases (see ''PART 2—POWER SALES'').

The rates for firm power and associated energy from the St. Lawrence-FDR and Niagara hydroelectric facilities sold by the Authority have been established for certain customers in the context of an agreement settling litigation (see ''PART 2—POWER SALES—St. Lawrence-FDR and Niagara'').

The rates for power generated and transmission service provided by the Authority are not subject to the provisions of the New York Public Service Law nor to regulation by or the jurisdiction of the New York Public Service Commission (''PSC''). In connection with the establishment of rates or charges for the use of the Authority's transmission system, see the discussion of the NYISO arrangement in ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR.''

Covenant Regarding Projects

The General Resolution also requires the Authority to operate or cause to be operated each Project in a sound and economical manner and to maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, in good repair, working order and condition, and from time to time to make all necessary and proper repairs, replacements and renewals so that at all times the operations thereof may be properly and advantageously conducted. The General Resolution permits the Authority to cease operating or maintaining, and to lease or dispose of, any Projects (other than the Niagara and St. Lawrence-FDR Projects) if, in the judgment of the Authority, it is advisable to lease, dispose of, or not to operate and maintain the same and the operation thereof is not essential to the maintenance and continued operation of the rest of the Authority's Projects. See ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.''

Additional Debt Issuance

The General Resolution permits the Authority to issue additional Obligations for any purpose authorized by the Act or other applicable New York State statutory provision, without restriction as to amount and without having to satisfy any debt service coverage or historical or projected earnings test. The Authority has covenanted in the General Resolution not to issue any bonds or evidences of indebtedness, other than the Obligations, secured by a pledge of the Trust Estate, and not to create or cause to be created any lien or charge on the Trust Estate, except to the extent provided in the General Resolution; provided that the Authority may, at any time, or from time to time, incur Subordinated Indebtedness or enter into Subordinated Contract Obligations payable from Revenues and secured by a pledge of the Trust Estate, and such pledge shall be subordinate in all respects to the pledge created by the General Resolution as security for payment of the Obligations, including the 2011 A Bonds. As of the date of this Official Statement, the Subordinated Indebtedness issued by the Authority and outstanding consists of the CP Notes and the EMCP Notes (see ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness''). For a discussion of debt the Authority expects to issue in the period 2011-2014, see ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives.''

The Authority may also incur Parity Debt payable and secured on a parity with Obligations, including the 2011 A Bonds. Parity Debt currently consists of the ART Notes, notes issued under a revolving credit agreement providing liquidity support for the ART Notes (such notes having no amounts currently outstanding), and the scheduled payments to be made under several interest-rate swap agreements entered into by the Authority, as discussed below. Parity Debt may also be incurred in connection with, among other things, Credit Facilities, Qualified Swaps and certain take-or-pay fuel or power contracts (see ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt'').

In 1998, the Authority entered into several forward floating-to-fixed interest-rate swap agreements (collectively, the ''1998 Swap Agreements'') in connection with proposed future bond issues, of which a notional amount of approximately $81,815,000 remains outstanding. Pursuant to the General Resolution, payments to the counterparties relating to regularly scheduled payments under the 1998 Swap Agreements are on a parity with the principal and interest payments on the Obligations, including the 2011 A Bonds, and the payment of any termination, or other fees, expenses, indemnification or other obligations to the counterparties under such 1998 Swap Agreements are payable as Subordinated Contract Obligations.

The Authority entered into a ten-year floating-to-fixed interest rate swap agreement which commenced in September 2006 relating to its ART Notes (the ''ART Notes Swap Agreement''), having an initial notional amount of approximately $156 million, of which $122,935,000 is currently outstanding, and which declines over the term of the agreement to approximately $75 million. The ART Notes Swap Agreement and the payments relating to any termination or other fees, expenses, indemnification or other obligations to the counterparty under such agreement are subordinate to the Obligations, including the 2011 A Bonds. See the Authority's financial statements for the year ended December 31, 2010, Note 8, for further discussion of these interest rate swap agreements.

In connection with future or outstanding debt, the Authority may enter into additional interest rate swap agreements, either of the fixed-to-floating rate or floating-to-fixed rate variety, which may also include forward swaps. The regularly scheduled payments under any such swap agreements could be either on a parity with the Obligations, including the 2011 A Bonds, or subordinate to the Obligations, including the 2011 A Bonds, as determined by the Authority. The payments relating to any termination or other fees, expenses, indemnification or other obligations to the counterparties under such swap agreements would be subordinate to the Obligations, including the 2011 A Bonds.

The General Resolution also permits the Authority to issue bonds, notes, or any other obligations under another and separate resolution to finance a Separately Financed Project.

For a discussion of energy swap agreements entered into by the Authority, see the Authority's financial statements for the year ended December 31, 2010, Note 8.

General

The Authority has no taxing power and its obligations are not debts of the State or of any political subdivision of the State, other than the Authority. The 2011 A Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority. The issuance of the 2011 A Bonds will not obligate the State or any of its political subdivisions to levy or pledge the receipts from any form of taxation for the payment of the 2011 A Bonds.

For a description of other provisions of the General Resolution related to the security for the Obligations, including the 2011 A Bonds, see ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.''

USE OF PROCEEDS

The proceeds of the 2011 A Bonds will be used to (a) refund $77,215,000 of the Authority's Series 2000 A Revenue Bonds, (b) refund $41,720,000 of the Authority's Series 2002 A Revenue Bonds, and (c) pay the costs of issuance of the 2011 A Bonds.

Moneys will be derived from the sources and applied to the uses approximately as set forth below:

Sources of Funds	
Principal Amount of the 2011 A Bonds	$108,415,000.00
Net Original Issue Premium...	14,860,775.15
Available Authority Funds...	2,335,813.89
Total	$125,611,589.04
Application of Funds	
Refunding of Series 2000 A and 2002 A Revenue Bonds..	
Deposit into Operating Fund to Redeem 2000 A Revenue Bonds …………………………………...	$79,241,899.89
Deposit into Escrow Fund for 2002 A Revenue Bonds ..	44,547,040.00
Financing Costs (1)	1,822,649.15
Total	$125,611,589.04

(1) Includes costs of issuance, underwriters' discount, and State bond issuance fee.

THE 2011 A BONDS

General Terms

The 2011 A Bonds will be in the principal amount and will be dated, will mature at the times and in the principal amounts, will bear interest at the rates, and will be in the form of serial and term bonds, as set forth on the inside cover page of this Official Statement.

The 2011 A Bonds are issuable in fully registered form in the denominations of $5,000 or any integral multiple thereof, registered only in the name of Cede & Co., as nominee of DTC (see ''PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES''). So long as the 2011 A Bonds are registered in the name of Cede & Co., principal and interest will be payable solely to Cede & Co., as nominee of DTC, as the sole registered owner of the 2011 A Bonds, and, except under the caption ‘‘PART 1—TAX MATTERS,’’ references herein to the registered owner or owner shall be to DTC and not the beneficial owners.

The 2011 A Bonds will bear interest payable on November 15, 2011 and semiannually on each May 15 and November 15 thereafter, to the registered owners as of the close of business on the first day (whether or not a business day) of the month in which such interest payment date occurs by check or draft mailed to the address as it appears on the books of registry maintained by The Bank of New York Mellon, the Registrar pursuant to the General Resolution, at its principal corporate trust office.

Redemption

Optional Redemption

The 2011 A Bonds maturing on or after November 15, 2023 will be redeemable prior to maturity at the option of the Authority on or after November 15, 2021 at any time as a whole or in part as determined by the Authority, at a redemption price equal to the principal amount of the 2011 A Bonds to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption

Certain 2011 A Bonds will be subject to mandatory redemption through application of sinking fund installments prior to maturity in part by lot at 100% of the principal amount thereof plus accrued interest to the date of redemption, on the date and in the amounts of the sinking fund installments shown on the following schedule:

4.00% Term Bonds Due November 15, 2038

November 15	Principal Amount
2032	$135,000
2033	140,000
2034	145,000
2035	155,000
2036	160,000
2037	170,000
2038*	55,000

*Final maturity

5.00% Term Bonds Due November 15, 2038

November 15	Principal Amount
2032	$5,505,000
2033	5,780,000
2034	6,070,000
2035	6,370,000
2036	6,690,000
2037	7,020,000
2038*	705,000

*Final maturity

In the event that a principal amount of 2011 A Bonds of any maturity is deemed to be no longer Outstanding, except by mandatory redemption pursuant to the preceding paragraph, such principal amount shall be applied to reduce the remaining sinking fund installments for such 2011 A Bonds, and in such order of maturity, as may be determined by the Authority.

Selection of 2011 A Bonds to be Redeemed

In the event that less than all of the 2011 A Bonds of a maturity are redeemed, the 2011 A Bonds of such maturity to be redeemed will be selected by the Trustee in such manner as the Trustee shall deem appropriate and fair. In such event, for so long as a book-entry-only system is in effect with respect to the 2011 A Bonds, DTC or its successor, and direct and indirect DTC participants, will determine the particular ownership interests of 2011 A Bonds of such maturity to be redeemed. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to make such determination will not affect the sufficiency or the validity of the redemption of 2011 A Bonds to be redeemed (see ‘‘PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES’’).

Notice of Redemption

For so long as a book-entry-only system is in effect with respect to the 2011 A Bonds, notice of redemption of 2011 A Bonds to be redeemed is to be mailed, not less than 30 days nor more than 45 days prior to the redemption date, to DTC or its nominee or its successor. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to notify a beneficial owner of a 2011 A Bond of any redemption will not affect the sufficiency or the validity of the redemption of the 2011 A Bonds to be redeemed (see ‘‘PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES’’).

Neither the Authority nor the Trustee can give any assurance that DTC or its successor, or direct or indirect DTC participants, will distribute such redemption notices to the beneficial owners of the 2011 A Bonds, or that they will do so on a timely basis.

TAX MATTERS

Opinions of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2011 A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2011 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the 2011 A Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2011 A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the 2011 A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the 2011 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2011 A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2011 A Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2011 A Bonds in order that interest on the 2011 A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2011 A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2011 A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted under the General Resolution to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2011 A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2011 A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2011 A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2011 A Bonds.

Prospective owners of the 2011 A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2011 A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a 2011 A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the ''issue price'' of a maturity means the first price at which a substantial amount of the 2011 A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of 2011 A Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel further is of the opinion that, for any 2011 A Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2011 A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a 2011 A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2011 A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2011 A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2011 A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Proposed Tax Legislation; Miscellaneous

On September 12, 2011, President Obama sent to Congress draft legislation entitled the "American Jobs Act of 2011" (the "Jobs Act"). On September 13, 2011, Senate Majority Leader Reid introduced the Jobs Act in the Senate (S.1549). If enacted as proposed, the Jobs Act includes a provision that would limit the amount of exclusions (including tax-exempt interest) and deductions certain high income taxpayers could use to reduce their income tax for taxable years after 2012. It is not possible to predict whether this proposal will be enacted into law. Tax legislation (either proposed or future), administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2011 A Bonds under Federal or state law or otherwise prevent beneficial owners of the 2011 A Bonds from realizing the full current benefit of the tax status of such interest and could affect the market price or marketability of the 2011 A Bonds. Prospective investors should consult with their tax advisors on the foregoing matters as they consider an investment in the 2011 A Bonds.

UNDERWRITING

The Underwriters listed on the front cover page of this Official Statement, for which Ramirez & Co., Inc. is acting as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the 2011 A Bonds described on the cover of this Official Statement at a purchase price of $122,795,220.04. The purchase price reflects a net original issue premium of $14,860,775.15 and an underwriters discount of $480,555.11. The Underwriters will be obligated to purchase all 2011 A Bonds if any are purchased.

The Underwriters have advised the Authority that the 2011 A Bonds being reoffered may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such initial public offering prices. After the initial public offering, the public offering prices may be changed from time to time by the Underwriters.

Citigroup, one of the underwriters of the 2011 A Bonds, has informed the Authority that it has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2011 A Bonds.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the 2011 A Bonds, has entered into a retail brokerage joint venture with Citigroup. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2011 A Bonds.

Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the 2011 A Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the 2011 A Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2011 A Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2011 A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase 2011 A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2011 A Bonds that such firm sells.

CONTINUING DISCLOSURE UNDERTAKINGS FOR THE 2011 A BONDS

Pursuant to a Continuing Disclosure Agreement dated the date of the closing of the 2011 A Bonds, to be entered into by and between the Authority and the Trustee, the Authority will covenant, for the benefit of the holders of the 2011 A Bonds, to provide certain financial information and operating data relating to the Authority by no later than nine months after the end of each of the Authority's fiscal years (presently, by each September 30) (the ''Annual Report''), and to provide notices of the occurrence of certain enumerated events with respect to the 2011 A Bonds. Any filing under the Continuing Disclosure Agreement will be made solely by transmitting such filing to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system.

The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in the form of the Continuing Disclosure Agreement, which is included in its entirety in Appendix C to Part 1 of this Official Statement. The Authority's agreement will be made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12.

CREDIT RATINGS

Moody's, S&P, and Fitch have assigned ratings of ''Aa2'', ''AA-'', and ''AA'', respectively, to the 2011 A Bonds.

General

The respective ratings by Moody's, S&P, and Fitch of the 2011 A Bonds reflect only the views of such organizations and any desired explanation of the significance of such ratings and any outlooks or other statements given by the rating agencies with respect thereto should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, Standard & Poor's Ratings Service, 55 Water Street, New York, New York 10041, and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its ratings and outlook (if any) on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings for the 2011 A Bonds will continue for any given period of time or that any of such ratings will not be revised downward or withdrawn entirely by any of the rating agencies, if, in the judgment of such rating agency or agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2011 A Bonds.

LITIGATION

There is no litigation pending or threatened in any court (either State or Federal) to restrain or enjoin the issuance or delivery of the 2011 A Bonds or questioning the creation, organization or existence of the Authority, the title to office of the Trustees or officers of the Authority, the validity of the General Resolution, the pledge of the Trust Estate, the proceedings for the authorization, execution, authentication and delivery of the 2011 A Bonds or the validity of the 2011 A Bonds.

Litigation pending against the Authority (under the jurisdiction of either State or Federal courts or agencies) or threatened against the Authority, or involving or adversely affecting any of the property or assets of or under the control of the Authority, includes, among other matters, the matters described in Appendix D to Part 1 of this Official Statement. Appendix D to Part 1 also includes a description of one litigation matter involving the Authority that was recently concluded (see Item (f) therein).

The Authority is unable to predict the outcome of matters described in Appendix D (except for Item (f) therein which recently has been concluded), as well as the other actions or proceedings referred to in this Official Statement, but believes that the Authority has meritorious defenses or positions with respect thereto. Adverse decisions or determinations of certain types could, however, delay or impede the Authority's construction and operation of its existing or planned projects and could require the Authority to incur substantial additional costs, and such decisions or determinations could also adversely affect the Authority's revenues. See ''PART 2—CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY'' for information with respect to certain other regulatory and administrative matters.

LEGALITY FOR INVESTMENT

The Act provides that the 2011 A Bonds will be legal investments under present provisions of New York law for public officers and bodies of the State of New York and municipalities and municipal subdivisions, insurance companies and associations and other persons carrying on an insurance business, banks, bankers and trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies, and other persons carrying on a banking business, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds of the State of New York; but the 2011 A Bonds will not be eligible for the investment of funds, including capital, of trusts, estates or guardianships under the control of individual administrators, guardians, executors, trustees and other individual fiduciaries, except when such individual fiduciary is acting with a corporate co-fiduciary. Under the Act, the 2011 A Bonds will be eligible for deposit with all public officers and bodies of the State of New York for any purpose for which the deposit of the State's obligations is or may be authorized.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization and issuance of the 2011 A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. The approving opinion of Bond Counsel to be delivered with such Bonds will be in substantially the form attached to Part 1 of this Official Statement as Appendix A. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P. Certain legal matters are subject to the approval of Nixon Peabody LLP, Special Counsel to the Authority.

VERIFICATION OF CERTAIN CALCULATIONS

The accuracy of the mathematical computations of the adequacy of cash and federal securities to be held in the Escrow Fund together with the interest to be earned thereon, to pay the principal of, interest on, and any premium due in connection with the redemption of the refunded Series 2002 A Revenue Bonds when due and the computations supporting the conclusion of Bond Counsel that the 2011 A Bonds are not “arbitrage bonds” under the Code are to be verified by The Arbitrage Group.

MISCELLANEOUS

The references in this Official Statement (which consists of Part 1 and Part 2) to the General Resolution, the Act, the New York Public Service Law, the Niagara Redevelopment Act, the Federal Power Act, the Internal Revenue Code of 1986, as amended, certain legislation and court and Federal Energy Regulatory Commission decisions, orders and other actions, the licenses, certifications and permits and certain contracts and leases are brief summaries and outlines of certain portions or provisions thereof. Such summaries and outlines do not purport to be complete, and reference is made to such documents, legislation, decisions, laws, licenses and contracts for full and complete statements of such portions or provisions. Copies of such documents are on file at the offices of the Authority. All estimates and opinions presented herein are intended only as such and not as representations of fact.

The agreements with the Owners of the 2011 A Bonds are fully set forth in the General Resolution. This Official Statement does not constitute and is not intended to constitute a contract between the Authority and any Owner of any 2011 A Bond.

All inquiries to the Authority relating to this Official Statement should be addressed to Brian C. McElroy, Treasurer, Power Authority of the State of New York, 123 Main Street, White Plains, New York 10601 (telephone number: 914-287-3956).

The delivery of this Official Statement has been duly authorized by the Authority.

POWER AUTHORITY OF THE STATE OF NEW YORK

By: /s/ Gil C. Quiniones
Acting President and Chief Executive Officer

September 22, 2011

[This page intentionally left blank]

APPENDIX A

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP WITH RESPECT TO THE 2011 A BONDS

October __, 2011

Power Authority of the State of New York
123 Main Street
White Plains, New York 10601

Ladies and Gentlemen:

We have examined a certified copy of a record of proceedings relating to the issuance of Revenue Bonds, Series 2011 A in the principal amount of $108,415,000 ("2011 A Bonds") of the Power Authority of the State of New York (the ''Authority''), a body corporate and politic constituting a corporate municipal instrumentality and political subdivision of the State of New York (the ''State'').

The 2011 A Bonds are issued under and pursuant to the Constitution and statutes of the State, including the Power Authority Act, being Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (herein called the ''Act''), and under and pursuant to proceedings of the Authority duly taken, including a resolution of the Authority adopted on February 24, 1998, entitled ''General Resolution Authorizing Revenue Obligations'', as amended by the Third Supplemental Resolution adopted on June 6, 2001 (said General Resolution as so amended the ''General Resolution''), as supplemented by an Amended and Restated Ninth Supplemental Resolution adopted on July 26, 2011 (the ''Supplemental Resolution'', and together with the General Resolution, the ''Resolution'').

The 2011 A Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution.

The Authority reserves the right to issue additional bonds, notes and other obligations as parity obligations under the Resolution (collectively with the 2011 A Bonds and all other outstanding parity obligations under the Resolution, the ''Revenue Bonds'') on the terms and conditions, and for the purposes, stated in the Resolution. Under the provisions of the Resolution, all such Revenue Bonds will rank equally as to security and payment with the 2011 A Bonds.

We are of the opinion that:

1. The Authority is duly created and validly existing under the provisions of the Act.

2. The Authority has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the General Resolution, is authorized or permitted by the General Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Trust Estate (as defined and to the extent provided in the Resolution), subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The 2011 A Bonds have been duly and validly authorized and issued in accordance with law and in accordance with the Resolution, and are valid, binding, direct and general obligations of the Authority,

enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Act, payable solely from the Trust Estate as and to the extent provided in the Resolution. The Authority has good right and lawful authority under the Act to effectuate the purposes for which the proceeds of such Bonds will be utilized, subject to obtaining such licenses, orders or other authorizations, if any, as, at the date hereof, may be required to be obtained from any agency or regulatory body having lawful jurisdiction in order to effectuate such purposes. The Authority has no taxing power, the Bonds are not debts of the State or of any political subdivision of the State, other than the Authority, and the Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority.

4. Under existing statutes, interest on the 2011 A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York) and the 2011 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

5. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2011 A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the ‘‘Code’’), and (ii) interest on the 2011 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering the opinions in this paragraph 5, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the 2011 A Bonds, and we have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2011 A Bonds from gross income under Section 103 of the Code.

6. The original issue discount on the 2011 A Bonds, if any, that has accrued and is properly allocable to the owners thereof under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2011 A Bonds.

The opinions expressed in paragraphs 1, 2 and 3 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as expressly stated herein, we express no opinion regarding any other Federal or state tax consequences with respect to the 2011 A Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2011 A Bonds, or under state and local tax law.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the 2011 A Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority, other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2011 A Bonds.

We render this opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise, or supplement this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

[This page intentionally left blank]

APPENDIX B

BOOK-ENTRY-ONLY SYSTEM PROCEDURES

The information contained in the following paragraphs (1)-(11) of this Appendix has been extracted from a schedule prepared by The Depository Trust Company (''DTC''), entitled ''SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE.'' The Authority makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

1. The Depository Trust Company (''DTC''), New York, NY, will act as securities depository for the 2011 A Bonds. The 2011 A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the 2011 A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a ''banking organization'' within the meaning of the New York Banking Law, a member of the Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code, and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (''Direct Participants'') deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (''DTCC''). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies, DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (''Indirect Participants''). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of 2011 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011 A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2011 A Bond (''Beneficial Owner'') is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011 A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2011 A Bonds, except in the event that use of the book-entry system for the 2011 A Bonds is discontinued.

4. To facilitate subsequent transfers, all 2011 A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be

requested by an authorized representative of DTC. The deposit of 2011 A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011 A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2011 A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2011 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2011 A Bond documents. For example, Beneficial Owners of 2011 A Bonds may wish to ascertain that the nominee holding the 2011 A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2011 A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2011 A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2011 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the 2011 A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and correspondingly detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in ''street name,'' and will be the responsibility of such Participant and not of DTC nor its nominee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the 2011 A Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, 2011 A Bond certificates are required to be printed and delivered.

10. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2011 A Bond certificates will be printed and delivered.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY, THE TRUSTEE UNDER THE GENERAL RESOLUTION NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT OR TIMELINESS OF PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE 2011 A BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2011 A BONDS.

[This page intentionally left blank]

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the ''Agreement'') dated October __, 2011 by and between the Power Authority of the State of New York (the ''Issuer'') and The Bank of New York Mellon, as trustee (the ''Trustee'') under a resolution adopted by the Issuer on February 24, 1998, as supplemented (the ''Resolution''), is executed and delivered in connection with the issuance of the Issuer's $108,415,000 principal amount of Series 2011 A Bonds. Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. *Purpose.* This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. *Annual Financial Information.* (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2011, by no later than nine months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. *Audited Financial Statements.* If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. *Notice Events.* (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Trustee.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

(d) Each notice concerning a Notice Event relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event relates or, if the Notice Event relates to all bond issues of the Issuer including the Bonds, such notice need only include the CUSIP number of the Issuer.

Section 1.5. *Additional Disclosure Obligations.* The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.6. *Additional Information.* Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.7. *No Previous Non-Compliance.* The Issuer represents that it has previously entered into written contracts or agreements of the type referenced in paragraph (b)(5)(i) of the Rule and is in compliance with such agreements.

ARTICLE II

Operating Rules

Section 2.1. *Reference to Other Filed Documents.* It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. *Submission of Information.* Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. *Dissemination Agents.* The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.4. *Transmission of Notices, Documents and Information.* (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org. (b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. *Fiscal Year.* (a) The Issuer's current fiscal year is January 1-December 31, and the Issuer shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. *Effective Date; Termination.* (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance of all of the Bonds, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. *Amendment.* (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee) and acceptable to the Issuer, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to the Resolution as in effect at the time of the amendment, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and Trustee, to the effect that performance by the Issuer and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, or the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. *Benefit; Third-Party Beneficiaries; Enforcement.* (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and the Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. *Definitions.* The following terms used in this Agreement shall have the following respective meanings:

(1) ''Annual Financial Information'' means, collectively, (I)(a) the following financial information and operating data contained in the Official Statement for each fiscal year of the Issuer, as follows: (i) net revenue and expense data of the type set forth in Part 2 of the Official Statement under the heading ''CERTAIN FINANCIAL AND OPERATING MATTERS—Historical Net Income'', specifically under the table ''Summary Statements of Net Income'', and (ii) outstanding indebtedness of the Issuer set forth in Part 2 of the Official Statement under the heading ''CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness''; (b) generation, energy purchases, and power and energy sales of the Authority set forth in Part 2 of the Official Statement under the heading ''POWER SALES'', specifically under the table ''Generation, Energy Purchases, and Power and Energy Sales 2010''; and (c) capacity factors or availability factors information by unit; and (II) the information regarding amendments to this Agreement required

pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1) of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) ''Audited Financial Statements'' means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Issuer may, if permitted by GAAP, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific provision describing such accounting principles, or other description thereof.

(3) ''Counsel'' means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) ''GAAP'' means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(6) ''Notice Event'' means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes.

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(xiii) the consumption of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional Trustee or the change of name of a Trustee, if material.

(7) ‘‘Official Statement’’ means the Official Statement dated September 22, 2011, of the Issuer relating to the Bonds.

(8) ‘‘Rule’’ means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, ss.240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(9) ‘‘SEC’’ means the United States Securities and Exchange Commission.

(10) ‘‘State’’ means the State of New York.

(11) ‘‘Unaudited Financial Statements’’ means the same as Audited Financial Statements, except that they shall not have been audited.

(12) ‘‘Underwriters’’ means, collectively Ramirez & Co., Inc., Barclays Capital Inc., Citigroup, Loop Capital Markets, Morgan Stanley & Co. LLC, Wells Fargo Securities, Bank of America Merrill Lynch, Goldman, Sachs & Co., J.P. Morgan, M.R. Beal & Company, and Siebert Brandford Shank & Co., LLC.

ARTICLE V

Miscellaneous

Section 5.1. *Duties, Immunities and Liabilities of Trustee.* Article VII of the Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Resolution.

Section 5.2. *Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives all as of the date first above written.

POWER AUTHORITY OF THE STATE OF NEW YORK

By: ____________________________________
An Authorized Representative

THE BANK OF NEW YORK MELLON, as Trustee

By: ____________________________________

[This page intentionally left blank]

APPENDIX D

LITIGATION

Land Claims

(a) *Canadian St. Regis Band of Mohawk Indians (the ''Band''), et al., and the St. Regis American Mohawk Tribe (the ''Tribe''), et al. v. State of New York, et al.,* U.S. District Court, Northern District, New York.

In 1982 and again in 1989, several groups of Mohawk Indians, including a Canadian Mohawk tribe, filed lawsuits against the State, the Governor of the State, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority and others, claiming ownership to certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil Islands (''St. Regis litigation''). These islands are within the boundary of the Authority's St. Lawrence-FDR Project and Barnhart Island is the location of significant Project facilities. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of all Mohawk plaintiffs.

On May 30, 2001, the United States District Court (the ''Court'') denied, with one minor exception, the defendants' motion to dismiss the land claims. However, the Court barred the Federal government and one of the tribal plaintiffs, the American Tribe of Mohawk Indians, from relitigating a claim to 144 acres on the mainland which had been lost in the 1930s by the Federal government. The Court rejected the State's broader defenses, allowing all plaintiffs to assert challenges to the islands and other mainland conveyances in the 1800s, which involve thousands of acres.

On August 3, 2001, the Federal government sought to amend its complaint in the consolidated cases to name only the State and the Authority as defendants. The State and the Authority advised the Court that they would not oppose the motion but reserved their right to challenge, at a future date, various forms of relief requested by the Federal government.

The Court granted the Federal government's motion to file an amended complaint. The tribal plaintiffs still retain their request to evict all defendants, including the private landowners. Both the State and the Authority have answered the amended complaint. In April 2002, the tribal plaintiffs moved to strike certain affirmative defenses and, joined by the Federal government, moved to dismiss certain defense counterclaims. The defendants filed their opposition papers in September 2002. In an opinion, dated July 28, 2003, the Court left intact most of the Authority's defenses and all of its counterclaims.

Thereafter, settlement discussions produced a land claim settlement, which if implemented would include, among other things, the payment by the Authority of $2 million per year for 35 years to the tribal plaintiffs, the provision of up to 9 MW of low cost Authority power for use on the reservation, the transfer of two Authority-owned islands, Long Sault and Croil, and a 215-acre parcel on Massena Point to the tribal plaintiffs, and the tribal plaintiffs withdrawing any judicial challenges to the Authority's new license, as well as any claims to annual fees from the St. Lawrence-FDR Project. Members of all three tribal entities voted to approve the settlement, which was executed by them, the Governor and the Authority on February 1, 2005. The settlement also required, among other things, Federal and State legislation to become effective. Litigation in the case had been stayed to permit time for passage of such legislation and thereafter to await decisions of appeals in two relevant New York land claims litigations (''Cayuga'' and ''Oneida'') to which the Authority is not a party.

The legislation was never enacted and once the Oneida and Cayuga appellate decisions were issued in 2005 and 2006, respectively, efforts to obtain legislative approval for the settlement ceased. Because these appellate decisions dismissed land claims by the Cayugas and Oneidas based on the lengthy delay in asserting such claims (i.e., the defense of laches), on November 26, 2006, the defense in the St. Regis litigation moved to dismiss the three Mohawk complaints as well as the United States' complaint on similar delay grounds. The Mohawks and the Federal government filed papers opposing those motions in July 2007 and further briefing occurred. By order dated May 16, 2008, U.S. Magistrate Lowe granted the defense motion to stay all proceedings until the U.S. Court of Appeals for the Second Circuit issued its decision in the Oneida case, one raising similar laches issues.

On August 9, 2010, the Second Circuit issued a decision in the Oneida case, thereby lifting the stay of this litigation. The Second Circuit, in that case, dismissed both the Native American and U.S. claims in their entirety finding, among other things, that those claims were barred by equitable principles as articulated in the earlier Cayuga and other decisions. U.S. Magistrate Lowe then ordered all parties in the St. Regis case to submit supplemental briefs and, thereafter, oral argument on the pending motions was held before him on June 17, 2011. U.S. Magistrate Lowe is expected to issue his report and recommendation to U.S. District Court Judge Neal McCurn within several months of the oral argument.

Project Operations, Power Sales and Related Matters

(b) *Niagara County et al. v Power Authority of the State of New York et al. (Niagara County Supreme Court)*

In May 2009, the County of Niagara, "on behalf of its residents", and several individuals commenced an Article 78 lawsuit in Niagara County Supreme Court against the Authority, its Trustees, the State of New York, and the State Comptroller. The lawsuit challenges on numerous grounds the legality of two temporary asset transfers made by the Authority to the State totaling $318 million and two voluntary contributions made by the Authority to the State totaling $226 million (except as such contributions relate to the Power for Jobs Program). Among other things, the lawsuit seeks judgment providing for the return to the Authority of any such monies that have been paid; prohibiting such asset transfers and voluntary contributions in the future; directing the Authority to utilize such returned monies only for "statutorily permissible purposes"; directing the Authority to "rebate" to certain customers receiving hydropower from it some portion, to be determined, of the monies returned to the Authority; and directing that the Authority submit to an audit by the State Comptroller. No temporary or preliminary injunctive relief is sought in the petition. Petitioners later served an amended petition that simply dropped the Comptroller from the caption. By decision dated October 5, 2009, the court granted a cross-motion by petitioners to further amend the petition so as to remove the Comptroller from the amended petition's prayer for relief. That pleading was never filed.

By decision dated December 23, 2009, the court denied respondents' motions to dismiss the petition and granted petitioners' motion to file a complaint and serve discovery demands. Petitioners subsequently filed such complaint and discovery demands. The complaint contains new causes of action including unjust enrichment, conversion, breach of a fiduciary duty, and claims of deceptive acts and practices. The Authority filed a motion to dismiss and the State filed an answer; petitioners filed a partial motion for summary judgment; and respondents filed opposition papers to said motion. However, on March 5, 2010, the Appellate Division (Fourth Department) granted respondents' motions for permission to appeal the lower court's decision dated December 23, 2009.

By decision dated March 25, 2011, the Appellate Division reversed the lower court's ruling of December 23, 2009 and dismissed the amended petition in its entirety and denied petitioners' motion for leave to serve a complaint and discovery demands. On April 28, 2011, petitioners filed a motion with the Court of Appeals seeking leave to appeal and the Authority and the State have opposed that motion. By decision dated September 13, 2011, the Court of Appeals denied petitioners' motion. It is uncertain at this time whether petitioners will seek further judicial review.

Environmental Matters

(c) There are a number of claims currently pending in the environmental area, including claims under the Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, where the DEC, the United States Environmental Protection Agency or private plaintiffs have alleged that the Authority is responsible for all or a portion of the clean-up costs or for personal injuries or damages as a result of the alleged release or deposit of hazardous substances. While the Authority cannot presently predict the costs of such pending claims, or additional similar claims which may arise in the future, it does not believe that such claims individually or in the aggregate will materially adversely affect its financial position.

(d) State Pollutant Discharge Elimination System Permit

A renewed New York State Pollutant Discharge Elimination System (''SPDES'') permit was issued for the Authority's Blenheim-Gilboa Project in October 2002. This permit renewed the previously issued permits for the plant, including certain provisions of the permit that the Authority requested be eliminated as a permit condition. Particularly, the Authority had objected to a requirement that it file an application for a SPDES permit for the discharge from the plant's upper reservoir to its lower reservoir on the ground that the plant's Federal license obviated the need for such a permit. Subject to further administrative or judicial review, should the Authority's objection be finally denied, such circumstances could adversely impact operation of the facility by subjecting water flows at the plant to State regulation, which could affect power generation.

(e) American Eel litigation in Canada

In April 2007, a number of fishermen and fishing companies from Ontario, Canada, filed a lawsuit in Ontario Superior Court of Justice against Hydro Quebec, Ontario Power Generation, and the Authority. Plaintiffs allege, among other things, that hydroelectric facilities, including the St. Lawrence-FDR Project, have caused a decline in the American Eel population which has unreasonably interfered with plaintiffs' fishing licenses. In 2004, the Ontario Ministry of Natural Resources reduced the quota for American Eel fishing to zero. The lawsuit seeks $5 million in damages plus certain interest, costs, and taxes. Hydro Quebec has accepted service of the complaint, is defending the action, and has filed a demand for particulars. The Authority is represented by Canadian counsel in the matter but has not been served with the complaint.

(f) Power Authority of the State of New York v United States (U.S. Court of Federal Claims)

In 2000, the Authority filed a breach of contract action against the U.S. Department of Energy ("DOE"). The lawsuit alleged that DOE breached the "Standard Contract" executed by the Authority and DOE in 1983 which obligated DOE to begin to accept spent nuclear fuel and high level waste from Standard Contract holders by January 31, 1998. The contract covered two nuclear generating plants (Indian Point 3 and Fitzpatrick) that were owned by the Authority until their sale in November 2000.

Following the stay of the case for a period of years to await the outcome of appeals in other relevant cases, the parties served various motions and engaged in extensive discovery and other proceedings. Ultimately, in July 2011, the parties executed a settlement agreement in full and final settlement of the Authority's claims and pursuant to which the Authority received a payment, in August 2011, of $10.98 million. This litigation is now concluded.

Miscellaneous

Actions or claims against the Authority are pending for the taking of property in connection with its projects, for negligence, for personal injury (including asbestos-related injuries) for environmental matters, in contract and for other matters, all of which will in the opinion of the Authority be disposed of within the amounts of the Authority's insurance coverage, where applicable, or the amounts which the Authority has available therefore and without any material adverse effect on the business of the Authority.

PART 2

of the

OFFICIAL STATEMENT

of the

POWER AUTHORITY OF THE STATE OF NEW YORK

[This page intentionally left blank]

TABLE OF CONTENTS FOR PART 2

PART 2
of the
OFFICIAL STATEMENT
of the
POWER AUTHORITY OF THE STATE OF NEW YORK
$108,415,000
SERIES 2011 A REVENUE BONDS

THE AUTHORITY

The Power Authority of the State of New York (the ''Authority'') is a corporate municipal instrumentality and political subdivision of the State of New York (the ''State''), created in 1931 and authorized by the Power Authority Act of the State of New York (the ''Act'') to help provide a continuous and adequate supply of dependable electric power and energy to the people of New York State. Pursuant to the Act, the Authority is authorized to undertake the construction of such hydroelectric or energy storage projects as it deems necessary or desirable to contribute to the adequacy, economy and reliability of the supply of electric power and energy available in its service area or to conserve fuel, and such baseload nuclear generating facilities or other facilities using new energy technologies as in its judgment are necessary to make optimum use of its St. Lawrence-FDR and Niagara facilities, to attract and retain industry and to supply the future needs of the Authority's municipal and rural electric cooperative customers. The Authority is further authorized, among other things, to construct and/or acquire and complete such baseload generating, transmission and related facilities as it deems necessary or desirable to assist in maintaining an adequate and dependable supply of electricity to the Metropolitan Transportation Authority (''MTA''), the New York City Transit Authority, the Port Authority of New York and New Jersey (the ''Port Authority''), The City of New York, the State, the Federal government, other public corporations and electric corporations within the metropolitan area of New York City, and to provide power and energy for use by the Niagara Frontier Transportation Authority (''NFTA'') or its subsidiary corporation in the operation of a light rail rapid transit system.

Capitalized terms not otherwise defined in this Part 2 of the Official Statement have the meanings set forth in Appendix 1 to this Part 2 of the Official Statement.

Management

The Authority consists of seven Trustees appointed by the Governor of the State (the ''Governor''), with the advice and consent of the State Senate. The current Trustees are:

Trustees	Term Expires
Michael J. Townsend, Chairman	May 6, 2011[*]
Jonathan F. Foster, Vice Chairman	May 19, 2013
D. Patrick Curley	June 22, 2012
John S. Dyson	March 28, 2016
R. Wayne LeChase	June 5, 2014
Hon. Eugene L. Nicandri	May 19, 2013
Mark O'Luck	May 6, 2012

[*] Continues to serve as Trustee until his successor has been appointed by the Governor and confirmed by the State Senate.

The senior management staff of the Authority includes the following:

Gil C. Quiniones, Acting President and Chief Executive Officer;

Edward A. Welz, Acting Chief Operating Officer and Executive Vice President and Chief Engineer-Power Supply;

Donald A. Russak, Acting Executive Vice President and Chief Financial Officer and Senior Vice President - Corporate Planning and Finance;

Judith C. McCarthy, Acting General Counsel;

James F. Pasquale, Senior Vice President, Marketing and Economic Development;

Thomas P. Antenucci, Senior Vice President - Power Supply Support Services;

Steven J. DeCarlo, Senior Vice President - Transmission;

William J. Nadeau, Senior Vice President - Energy Resource Management;

Thomas J. Concadoro, Vice President and Controller;

Scott B. Scholten, Vice President and Chief Risk Officer; and

Brian C. McElroy, Treasurer.

See ‘‘PART 2—APPENDIX 2—BACKGROUNDS OF THE AUTHORITY’S TRUSTEES AND CERTAIN SENIOR MANAGEMENT STAFF.’’

Executive Management Committee

The Authority’s Executive Management Committee periodically reviews corporate strategies, policies and programs, and reports, with the Chairman’s concurrence, to the Board of Trustees. Currently, the Executive Management Committee includes the Acting President and Chief Executive Officer, the Acting Chief Operating Officer and Executive Vice President and Chief Engineer-Power Supply, the Acting Executive Vice President and Chief Financial Officer and Senior Vice President-Corporate Planning and Finance, the Acting General Counsel, and certain other members of the senior management staff of the Authority designated by the Acting President and Chief Executive Officer.

CERTAIN FINANCIAL AND OPERATING MATTERS

The Authority’s financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles. The financial statements for the years ended December 31, 2009 and December 31, 2010, were audited by KPMG LLP, independent auditors, whose reports dated March 12, 2010 and March 29, 2011, respectively expressed unqualified opinions on those statements. The financial statements for the year ended December 31, 2008 were audited by other auditors whose report dated February 26, 2009 expressed an unqualified opinion on those statements. Pursuant to continuing disclosure agreements entered into in connection with certain of the Authority’s outstanding debt, the financial statements for the years ended December 31, 2008 and December 31, 2009, respectively, were filed with the then existing nationally recognized municipal securities information repositories. The financial statements for the year ending December 31, 2010 were provided to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system.

Historical Net Income

The net income of the Authority for the three years ended December 31, 2010, derived from the Statements of Revenues, Expenses and Changes in Net Assets in the financial statements of the Authority for the years ended December 31, 2010, December 31, 2009 and December 31, 2008, are summarized below:

Summary Statements of Net Income
(In millions)

	2010	2009	2008
Operating revenues	$2,568	$2,595	$3,185
Operating expenses			
Purchased power	931	905	1,242
Fuel	224	366	615
Operations and maintenance	443	438	456
Wheeling	528	436	388
Depreciation	163	164	173
Total operating expenses	2,289	2,309	2,874
Operating income	279	286	311
Nonoperating revenues	138	132	164
Nonoperating expenses	236	165	176
Net income	$181	$253	$299

Management's Discussion of Financial Results and Operations

For a more complete statement of management's discussion and analysis, see pages 22-30 of the Authority's financial statements for the year ended December 31, 2010.

Financial Results and Operations—2010 vs 2009

Summary

The Authority had net income of $181 million in the year 2010, compared to $253 million in 2009. This $72 million decrease in net income is primarily due to higher nonoperating expenses ($65 million) as a result of higher voluntary contributions to New York State. Operating income was slightly lower ($7 million) than the prior year. Lower fuel costs and higher purchased power expenses in 2010 were substantially attributable to changes in resources utilized to serve the Authority's Southeast New York ("SENY") Governmental Customers necessitated by the cessation of operations of the Authority's Poletti plant on January 31, 2010. Wheeling expenses increased due to a Con Edison rate increase for delivery service to the SENY Governmental Customers. The majority of these cost variations were offset through revenues as they were reflected in customer rates. Nonoperating revenues increased by $6 million in 2010 including an increased mark-to-market adjustment for investments in 2010 due to lower market interest rates partially offset by lower realized investment income.

During 2010, long-term debt decreased by $118 million, or 7%, primarily due to scheduled maturities and cash funding of capital expenditures. Interest expense was $6 million lower than 2009 primarily due to decreases in interest rates on short-term debt. During the period 2000 to 2010, the Authority reduced its total debt/equity ratio from 1.48 to 0.65.

Operating Revenues

Operating revenues of $2,568 million in 2010 were $27 million or 1% lower than the $2,595 million in 2009, primarily due to lower market-based sales significantly offset by an increase in customer revenues related to the pass-through of increased wheeling charges. Market-based sales were lower mainly due to lower generation from the Niagara plant due to lower lake levels.

Purchased Power and Fuel

Purchased power costs increased by 3% in 2010 to $931 million from $905 million in 2009, primarily due to changes in the resources utilized to serve the SENY governmental customers necessitated by the cessation of operation of the Authority's Poletti plant on January 31, 2010. Fuel costs were $142 million (39%) lower during 2010, also primarily due to discontinued operations at Poletti.

Operations and Maintenance

O&M expenses increased by $5 million or 1% in 2010 to $443 million primarily due to expenditures relating to the North Country stimulus program at St. Lawrence ($9 million) and the Industrial Incentive Award program at Niagara ($5 million) which were partly offset by lower maintenance at the fossil fuel facilities due to the Poletti plant closure and less emergent work at the Small Clean Power Plants.

Nonoperating Expenses

For 2010, nonoperating expenses increased by $71 million or 43% primarily due to an increase of $77 million in the Authority's voluntary contribution to New York State ($147 million) that was not related to the Power for Jobs program partially offset by lower costs on variable rate debt ($6 million).

June 30, 2011 Financial Results (Unaudited)

On an unaudited basis, net income for the six months ended June 30, 2011 was $72 million which was $9 million lower than the comparable period in 2010. Lower net operating income ($43 million) and lower investment income ($10 million) during the period were substantially offset by lower nonoperating expenses ($44 million). Net operating income was lower due to lower net margins on sales ($13 million) related to higher replacement power costs at Niagara due to an extended transmission line outage; higher O&M expenses ($11 million) which included costs for a planned outage at the 500-MW Plant and unplanned equipment repairs at the Small Clean Power Plants; and higher other operating expenses ($20 million) which included higher retiree health benefits and higher Power for Jobs program related contributions to the State. Investment income was lower in the 2011 period due to lower mark-to-market gains on the Authority's investment portfolio.. Non-operating expenses in the 2011 period were lower than the prior year period due to lower voluntary contributions to the State. Voluntary contributions to the State were $65 million versus $107 million in the prior year period.

Net income for the year ended December 31, 2011 is estimated to be approximately $200 million compared to the originally budgeted amount of $179 million. Primary reasons for the estimated variance from the 2011 budget include higher generation from Niagara reflecting significant levels of precipitation during the late winter and spring months; and higher energy prices for the Authority's sales into the NYISO market. These increases are expected to be offset by a decline in rest-of-state capacity revenues for the year, principally at the Niagara and Blenheim-Gilboa facilities, and an increase in voluntary contributions associated with the Power for Jobs program.

New License for the Niagara Project

By order issued March 15, 2007, the Federal Energy Regulatory Commission (''FERC'') issued the Authority a new, 50-year license for the Niagara Project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered into by the Authority with various public and private entities. By decision dated March 13, 2009, the U.S. Court of Appeals for the District of Columbia Circuit denied a petition for review of FERC's order filed by certain entities, thereby concluding all litigation involving FERC's issuance of the new license. The Authority currently expects that the costs associated with the relicensing of the Niagara Project will be at least $495 million (2007 dollars) over a period of 50 years, which includes $50.5 million in administrative costs associated with the relicensing effort and does not include the value of certain power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. Of the $495 million, approximately $201 million has already been spent. The costs associated with the relicensing have been incorporated into the cost-based rates of the Project beginning in 2007. See ''PART 2—THE AUTHORITY'S FACILITIES—Generation—*Niagara Relicensing.*''

500-MW Plant and Cessation of Operation of Poletti Plant

The Authority's 500-MW Plant entered into commercial operation on December 31, 2005. In connection with the licensing of that facility, the Authority executed an agreement that resulted in the cessation of operation of its Poletti generating plant (which had entered into service in 1977) on January 31, 2010 (see ''PART 2—THE AUTHORITY'S FACILITIES—Generation—*500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant'').*

New Astoria Energy II Plant

Following a request for proposals issued in November 2007, the Authority entered into a long-term electricity supply agreement with Astoria Energy II LLC in 2008 for the purchase of the output of a natural-gas fueled generating plant proposed to be constructed in Astoria, Queens to serve the needs of the Authority's NYC Governmental Customers. The new 550-MW plant ("Astoria Energy II plant") entered into commercial operation on July 1, 2011. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (8)" for a discussion of related financial matters.

Hudson Transmission Partners, LLC Project

Following a request for proposals issued by the Authority in March 2005, the Authority executed a firm transmission capacity purchase agreement with Hudson Transmission Partners, LLC ("HTP") in April 2011. HTP is constructing a 345 kV underground/submarine transmission line extending from Bergen County, New Jersey to Con Edison's West 49th Street substation in midtown Manhattan. Construction of the transmission line commenced in May 2011 and completion of construction is expected to be in the summer of 2013. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (9)" for a discussion of related financial matters.

Certain SENY Governmental Customer Long-Term Agreements

The Authority and its major governmental customers in New York City (''NYC Governmental Customers''), including the MTA, The City of New York, the Port Authority, the New York City Housing Authority, and the New York State Office of General Services, have entered into long-term agreements (the ''2005 Agreements''). Under the 2005 Agreements, the NYC Governmental Customers have agreed to purchase their electricity from the Authority through December 31, 2017, with the NYC Governmental

Customers having the right to terminate service from the Authority at any time on three years' notice provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply the NYC Governmental Customers and, under certain limited conditions, on one year's notice. For a discussion of the 2005 Agreements, see ''PART 2—POWER SALES—Marketing Issues and Developments—Item (1).''

Recent Legislation Relating To Authority Power Allocation Programs

Legislation enacted into law in March 2011 creates a new economic development power program to commence July 1, 2012, the Recharge New York Power Program, to replace and expand upon the Authority's Power for Jobs and Energy Cost Savings Benefits programs. The new program will utilize 455 MW of hydropower from the Authority's Niagara and St. Lawrence-FDR projects combined with up to 455 MW of market-based power purchases (see "PART 2—POWER SALES—Marketing Issues and Developments—Item (4)"). Also, legislation enacted into law in August 2010 establishes a Western New York Economic Development Fund Benefit program which is to be funded from proceeds of the Authority's sale into the wholesale market of certain unallocated, relinquished, or withdrawn Expansion Power and Replacement Power (see "PART 2—POWER SALES—Marketing Issues and Developments—Item (5)").

Public Authority Reform Legislation

The ''Public Authorities Accountability Act of 2005'' (''PAAA'') was signed into law in January 2006 and its various provisions address public authority reporting, governance, budgeting, oversight, and auditing matters, among other things. Additional public authority reform legislation took effect on March 1, 2010 which provides, among other things, for State Senate approval of certain authorities' chief executive officers, including the Authority, and also provides the State Comptroller with discretionary authority to review and approve certain contracts entered into by public authorities, including the Authority. See ''PART 2—LEGISLATION AFFECTING THE AUTHORITY''.

State Pension Plan and Other Postemployment Benefits

The Authority and substantially all of its employees participate in the New York State and Local Employees' Retirement System ("ERS") and the Public Employees' Group Life Insurance Plan ("Plan"). These are cost-sharing, multiple-employer defined benefit retirement plans. The ERS and the Plan provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the State Comptroller serves as sole trustee and administrative head of the ERS and the Plan. The ERS is contributory except for employees who joined the ERS on or prior to July 27, 1976. Employees who joined between July 28, 1976 and December 31, 2009 and have less than ten years of service contribute 3% of their salary. Employees who join the ERS on or after January 1, 2010 contribute 3% of their salary during their entire length of service. Pursuant to the NYSRSSL, the State Comptroller certifies annually the rates expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Authority is required to contribute to the ERS and the Plan at an actuarially determined rate. The required contributions for 2010, 2009 and 2008 were $17.1 million, $9.6 million and $11.8 million, respectively. The Authority's contributions made to the ERS were equal to 100% of the contributions required for each year. During 2008, the global decline in financial markets adversely impacted state pension investment market values including the ERS. The average contribution rates applicable to payroll expense for the fiscal years ended March 31, 2011 and 2012 were fixed at approximately 10% and

16%, respectively. If ERS's investment market values do not recover, significant increases in the annual contributions to ERS in subsequent years are expected.

Regarding the Authority's Other Postemployment Benefits (''OPEB'') obligations, the Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer non-contributing (except for certain life insurance coverage) health care plan. Employees and/or their dependents become eligible for these benefits when the employee has at least 10 years of service and retires or dies while working at the Authority. Approximately 4,000 participants, including 1,600 current employees and 2,400 retired employees and/or spouses and dependents of retired employees, were eligible to receive these benefits at December 31, 2010.

Through 2006, OPEB provisions were financed on a pay-as-you-go basis and the plan was unfunded. In December 2006, the Authority's Trustees authorized staff to establish a trust for OPEB obligations, with the trust fund to be held by an independent custodian. The Authority funded the trust with contributions totaling \$225 million. At the time the trust fund was created, the Authority indicated that it would evaluate the performance of the fund before making decisions on additional actions. Since that time, the Authority has continued to pay for retiree benefits from cash from operations and has not made additional contributions to the trust fund. The Authority's most recent actuarial evaluation was performed as of January 1, 2010 and reported an actuarial accrued liability of \$400 million. As of June 30, 2011, the value of the OPEB trust fund totaled \$252 million.

The OPEB trust assets and all income therefrom do not and will not form part of the Trust Estate, and the 2011 A Bonds are not and will not be payable from or secured by the OPEB trust.

For a further discussion of these matters, see the Authority's financial statements for the year ended December 31, 2010, Note 9 and Required Supplementary Information.

Hydroelectric Power Curtailment

Beginning in 1999 and continuing through 2003, below average water levels in the Great Lakes reduced the amount of water available to generate power at the Authority's Niagara and St. Lawrence-FDR Projects, thereby requiring the periodic curtailment of electricity supplied to the Authority's customers from these Projects (see ''PART 2—POWER SALES—St. Lawrence-FDR and Niagara''). Flow conditions thereafter improved and hydroelectric generation levels have since returned to near long-term average, although such curtailment was required in two months in 2005. Since 2004, generation levels have largely remained within approximately 5% of long-term average with 2011 generation levels again expected to be near average levels. Below average water levels in the Great Lakes were experienced during the 1920s, the 1930s, the 1960s, and the early 2000s.

Outstanding Indebtedness

As of June 30, 2011, the total outstanding indebtedness of the Authority consisting of Revenue Bonds issued under the General Resolution Authorizing Revenue Obligations, adopted February 28, 1998, as amended and supplemented (the ''General Resolution''), the Adjustable Rate Tender Notes (''ART Notes''), the Authority's Commercial Paper Notes (''CP Notes''), and the Extendible Municipal Commercial Paper Notes (''EMCP Notes'') was \$1,870,214,000. After the issuance of the Series 2011 A Bonds and the application of the proceeds thereof to the refunding of \$77.215 million of the Series 2000 A Revenue Bonds and \$41.720 million of the Series 2002 A Revenue Bonds, the Authority will have outstanding (i) senior indebtedness of approximately \$1,246,790,000, consisting of \$1,123,855,000 in Revenue Bonds and \$122,935,000 of ART Notes, and (ii) approximately \$590,078,000 of Subordinated Indebtedness, as defined in the General Resolution, consisting of the CP Notes and the EMCP Notes.

Additionally, for a discussion of certain interest rate and energy swap agreements that the Authority has entered into and may enter into, see ''PART 1—SECURITY FOR THE 2011 A BONDS—Additional Debt Issuance.''

The Authority has entered into two revolving credit agreements with banks to provide liquidity support for the Series 1-3 CP Notes and the ART Notes. The agreement relating to the CP Notes provides for the Authority to borrow up to $550 million; the agreement terminates on January 20, 2014. The agreement relating to the ART Notes provides for the Authority to borrow up to $122.935 million and such agreement terminates on September 1, 2015. The Authority's obligation to reimburse the respective banks for any borrowing therefrom pursuant to the revolving credit agreements constitutes Parity Debt in the case of borrowings relating to the ART Notes, and Subordinated Indebtedness in the case of borrowings relating to the CP Notes. Any other payments under such revolving credit agreements will constitute Subordinated Contract Obligations.

Debt Service Requirements for Revenue Bonds

The following table shows the debt service for the Authority's outstanding Revenue Bonds, subsequent to the issuance of the Series 2011A Bonds.

Calendar	Outstanding Bonds		2011 A Bonds		
Year [1]	Principal ($)	Interest ($)	Principal ($)	Interest ($)	Total [2]
2011	40,715,861	57,950,556	100,944	1,218,022	99,985,383
2012	43,058,306	51,058,916	791,917	5,156,662	100,065,801
2013	47,883,139	49,001,949	1,011,361	5,140,824	103,037,273
2014	48,571,333	46,678,396	2,433,417	5,114,412	102,797,559
2015	51,103,056	44,322,081	2,317,361	5,017,076	102,759,573
2016	55,611,167	41,774,287	1,075,694	4,924,381	103,385,529
2017	60,365,083	38,977,445	2,108,250	4,881,353	106,332,132
2018	56,392,861	35,965,118	1,092,667	4,797,023	98,247,669
2019	62,835,972	33,101,545	2,046,278	4,750,851	102,734,646
2020	62,712,056	29,941,842	2,859,806	4,650,351	100,164,055
2021	45,667,639	26,824,696	5,984,361	4,519,747	82,996,442
2022	13,427,111	24,541,155	23,142,528	4,220,528	65,331,322
2023	14,192,222	23,777,396	978,833	3,065,894	42,014,345
2024	14,999,250	22,968,915	1,008,833	3,036,529	42,013,527
2025	15,860,639	22,106,531	1,038,833	3,006,264	42,012,267
2026	16,772,028	21,194,598	1,069,472	2,974,929	42,011,027
2027	17,734,694	20,230,239	1,523,583	2,941,332	42,429,849
2028	18,756,722	19,210,506	4,443,111	2,881,943	45,292,282
2029	19,836,306	18,130,459	4,665,028	2,659,788	45,291,580
2030	20,988,972	16,977,834	4,934,528	2,426,536	45,327,870
2031	22,204,194	15,758,219	5,408,861	2,179,810	45,551,084
2032	23,498,139	14,467,977	5,675,778	1,909,539	45,551,433
2033	22,851,500	13,102,531	5,957,694	1,627,107	43,538,832
2034	10,448,583	11,773,403	6,254,611	1,330,628	29,807,226
2035	11,068,056	11,156,414	6,566,528	1,019,361	29,810,358
2036	11,722,528	10,502,845	6,893,444	692,591	29,811,408
2037	12,413,278	9,810,630	6,368,389	349,531	28,941,828
2038	13,149,667	9,076,292	662,889	32,665	22,921,512
2039	13,935,417	8,289,285			22,224,701
2040	14,767,444	7,455,250			22,222,694
2041	15,653,833	6,571,418			22,225,252
2042	16,590,861	5,634,536			22,225,398
2043	17,577,778	4,646,820			22,224,598
2044	18,563,083	3,659,064			22,222,147
2045	19,452,556	2,772,475			22,225,031
2046	20,378,306	1,845,860			22,224,166
2047	18,508,556	877,586			19,386,142

(1) Debt service amounts are for the years in which they accrue, not for the years in which they are paid.
(2) Amounts may not add to total due to rounding.

Figures above do not reflect outstanding commercial paper or adjustable rate tender notes.

Projected Capital and Financing Requirements and Other Potential Initiatives

The Authority currently estimates that it will expend approximately $751 million for various capital improvements over the four-year period 2011-2014, some of which have already been made as of the date of this Official Statement. The Authority anticipates that these expenditures will be funded by existing construction funds, customer receipts, internally generated funds, and additional borrowings of approximately $190 million during the period 2011-2014. It is anticipated that such borrowings will be used to fund costs associated with the modernization of the Lewiston Pump-Generating Plant at the Niagara Project, and an upgrade of the Moses Adirondack Transmission Lines 1 and 2 (see "PART 2—THE AUTHORITY'S FACILITIES—Generation—*Niagara*; Transmission—*The Authority's Transmission System*").

The Authority's projected capital requirements for the period 2011-2014 are set forth below:

Projects	**Estimated Total Expenditures Over 4-Year Period 2011-2014 (in millions)**
Plant Modernization (Lewiston Pump, St. Lawrence)	$ 183
Moses Adirondack 1 and 2 Transmission Line	56
Switchyard Modernization Program	28
Transmission Initiative	2
Relicensing Compliance/Implementation	49
Niagara Stator Rewind and Restack Project	36
IT Initiatives	19
Niagara Unit 2 and 13 Standardization	26
Fleet	13
500-MW Plant Upgrades	45
Other (projects less than $9 million)	294
Total	$ 751

In addition, the Authority's capital plan includes the provision of $725 million in financing for energy service projects to be undertaken by the Authority's governmental customers and other public entities in the State (see "PART 2—ENERGY SERVICES"). The Authority anticipates that net debt issuance associated with the energy services program will be approximately $25 million over the four-year period due to principal recoveries from energy service program participants which are used to retired existing debt. The Authority has several other potential initiatives in varying stages of review and/or development which if they come to fruition will involve significant additional capital and/or operating expenses. These initiatives include the transmission line between Bergen County, New Jersey and midtown Manhattan currently under construction by HTP for which the Authority has entered into a firm transmission capacity purchase agreement; consideration of two off-shore wind generating facilities, one in the New York waters of the Great Lakes and the other in the Atlantic Ocean off of Long Island; and the potential development of 100 MW of solar photovoltaic systems throughout the State. See "PART 2—POWER SALES—Marketing Issues and Development—Items (9), (10), (11), (12)."

The construction costs of any other future facilities or any other improvements to existing facilities may be financed with the proceeds of additional Obligations, as defined in the General Resolution (see ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION''), or other debt issued by the Authority or through the use of existing construction funds or internal sources.

The Authority may issue additional Obligations under the General Resolution or additional Subordinated Indebtedness, as defined in the General Resolution, under subordinate resolutions for any purpose of the Authority authorized by the Act or other then-applicable State statutory provision. The principal amount of the Obligations or Subordinated Indebtedness which may be issued under the General Resolution or under subordinate resolutions, respectively, is not limited, and there is no debt service coverage or historical or projected earnings test that must be satisfied as a precondition to any such issuance. If Obligations are issued to finance a project (other than a Separately Financed Project as defined in the General Resolution), then the revenues from such project would be part of the Trust Estate, as defined in the General Resolution. The Authority may also determine to finance an additional project from internal funds, from bank borrowings, from bonds, notes or other obligations issued pursuant to a resolution other than the General Resolution, or from other sources; if such project qualifies as a Separately Financed Project, as defined in the General Resolution, the revenues from such additional project would not be Revenues under the General Resolution, and therefore not available to pay the 2011 A Bonds. The Authority currently does not have any Separately Financed Projects.

Voluntary Contributions to the State General Fund

Legislation enacted into law, as part of the 2000-2001 State budget, as amended up to the present time, provides that the Authority ''as deemed feasible and advisable by the trustees'', is authorized to make certain ''voluntary contributions'' into the ''state treasury to the credit of the general fund,'' in connection with the Power for Jobs Program. Commencing with its first payment in 2002, the Authority has made such voluntary contributions to the State totaling $469 million. In addition, the Authority has been authorized to make certain voluntary contributions to the State that are unrelated to the Power for Jobs Program, and the Authority has made $342 million of such voluntary contributions during the same period. Pursuant to authorizing legislation enacted in March 2011, the Authority expects to consider in the first quarter of 2012 the feasibility and advisability of (i) making an additional voluntary contribution of $6 million relating to the Power for Jobs program and (ii) making an additional voluntary contribution of $60 million unrelated to the Power for Jobs program.

On May 24, 2011, the Authority's Trustees adopted a policy statement ("Policy Statement") which relates to, among other things, voluntary contributions, transfers, or other payments to the State by the Authority after that date. The Policy Statement provides, among other things, that in deciding whether to make such contributions, transfers, or payments, the Authority shall use as a reference point the maintenance of a debt service coverage ratio of at least 2.0, in addition to making the other determinations required by the General Resolution. The Policy Statement may at any time be modified or eliminated at the discretion of the Authority's Trustees. For additional information relating to voluntary contributions, see the Authority's financial statements for the year ended December 31, 2010, management's discussion and analysis, ''Economic Conditions", and "PART 1—APPENDIX D—Litigation—Item (b).''

Temporary Transfer of Funds to State

By budget legislation enacted in February 2009, the Authority was authorized to make certain temporary asset transfers to the State of funds in reserves. Pursuant to the terms of a Memorandum of Understanding dated February 2009 ("MOU") between the State, acting by and through the Director of the Budget of the State, and the Authority, the Authority agreed to transfer $215 million associated with its spent nuclear fuel reserves and the MOU provides for the return of these funds to the Authority, subject to appropriation by the Legislature and other conditions, at the earlier of the Authority's payment obligations related to such spent nuclear fuel or September 30, 2017. The MOU also provides for the Authority to transfer $103 million of funds set aside for future construction projects, which amounts would be returned to the Authority, subject to appropriation by the Legislature and other conditions, at the earlier of when required for operating, capital or debt service obligations of the Authority or September 30, 2014. Both transfers were approved by the Authority's Trustees and made in 2009.

The MOU provides that the obligation of the State to return all or a portion of such funds would be subject to annual appropriation by the Legislature and would not constitute a debt of the State within the meaning of any constitutional or statutory provision, would be deemed executory only to the extent of monies available to the State, and no liability would be incurred by the State beyond monies available for such purpose. Further, the MOU provides that as a condition to any such appropriation for the return of the monies earlier than September 30, 2017 for the spent nuclear fuel reserves and earlier than September 30, 2014 for the construction projects, the Authority must certify that the monies available to the Authority are not sufficient to satisfy the purposes for which the reserves, which are the source of the funds for the transfer, were established. For a further discussion of this matter and litigation challenging the asset transfers, see the Authority's financial statements for the year ended December 31, 2010, management's discussion and analysis, "Economic Conditions", and "PART 1—APPENDIX D—Litigation—Item (b)."

Payments to the State Office of Parks, Recreation and Historic Preservation

Commencing with State Fiscal Year 2003-2004 and in connection with its Niagara and St. Lawrence-FDR Projects, the Authority has made annual payments of $8 million to or for the benefit of the New York State Office of Parks, Recreation and Historic Preservation (''OPRHP'') for operation and maintenance of Robert Moses State Park, Coles Creek State Park, Artpark, and the Niagara Reservation. In connection with the temporary transfer of funds to the State described in the preceding section, the MOU relieves the Authority of the annual $8 million payments for OPRHP from 2011 to 2017, up to a maximum of $43 million, and relieves the Authority of its obligation under the Public Authorities Law to pay the State's cost recovery fee for central governmental services attributable to public authorities, from 2009 to 2017, up to a maximum of $45 million.

The Authority has also agreed to provide $10 million to the OPRHP to fund the development of energy efficiency measures and clean energy technologies at the Rivers and Estuaries Center in Beacon, New York, of which approximately $2 million has been provided.

Energy Risk Assessment and Control Activities

In April 2002, the Authority created the position of Vice President, Chief Risk Officer—Energy Risk Assessment and Control ("ERAC"). This officer is responsible for establishing policies and procedures for identifying, reporting and controlling energy-commodity price risk and counterparty credit risk connected with energy commodity hedging transactions. This type of assessment and control has assumed greater importance in light of the Authority's participation in the NYISO energy markets (see ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR''), the Authority's increased reliance on market-based energy procurement since the sale of its two nuclear plants in 2000, and the financial market crisis that emerged in 2008.

ERAC is aimed at measuring and mitigating forward commodity price risk in order to contain financial outcomes within management-determined tolerances given volatile energy markets. The program focuses on containing outcomes with respect to net income, customer revenue requirements, Authority collateral requirements, counterparty credit exposure and other metrics as determined by Authority management. In May 2009, the Authority approved an initiative to create and implement an enterprise-wide program to promote continuous improvement in risk identification and assessment, and to enhance the Authority's capacity to fulfill its strategic and organizational goals. The Enterprise Risk Management program, based on the Committee of Sponsoring Organizations of the Treadway

Commission Enterprise Risk Management framework, sets forth the Authority's philosophy and structure for effective identification, assessment, reporting and management of its strategic, operational, marketing, legal, compliance, regulatory, and financial risks. For a further discussion of the Authority's risk management activities, see the Authority's financial statements for the year ended December 31, 2010, Note 8.

Security Matters

In the wake of the September 11, 2001 attacks, electric utilities were compelled to move beyond the traditional concept of emergency management and prepare to respond to the unique threats associated with terrorism. Consequently, the Authority pursued comprehensive efforts to evaluate the vulnerability of its physical assets and has revised plans, protocols and procedures to address the wider range of potential threats. The Authority has made substantial capital expenditures to enhance the security of all of its power projects, office facilities and personnel. The Authority has also implemented a system-wide security awareness training program for all Authority personnel. The Authority has worked to enhance security by coordinating closely with state and local law enforcement officials for support, expanding the Authority's support network to include national defense and homeland security personnel, and bringing the National Guard and other military officials to its facilities to review operations and facilitate continued cooperative initiatives. In February 2010, the Authority established the position of Vice President-Emergency Planning and Business Continuity, reporting to the President and Chief Executive Officer, with responsibility for development, management, implementation, and integration of emergency management and business continuity plans across the business units within the Authority.

Nuclear Plant Sale Matters

Pursuant to a purchase and sale agreement between the Authority and two subsidiaries of Entergy Corporation (the ''Entergy Subsidiaries''), on November 21, 2000, the Authority sold the Indian Point 3 and FitzPatrick nuclear plants to the Entergy Subsidiaries for cash and non-interest bearing notes totaling $967 million (subsequently reduced by closing adjustments to $956 million) maturing over a 15-year period. For a further discussion of matters relating to this sale, see the Authority's financial statements for the year ended December 31, 2010, Note 11.

NEW YORK INDEPENDENT SYSTEM OPERATOR

New York Independent System Operator Arrangement

In 1999, two not-for-profit organizations, the NYISO and the New York State Reliability Council (''Reliability Council''), were established. The mission of the NYISO is to assure the reliable, safe and efficient operation of the State's major transmission system, to provide open-access non-discriminatory transmission services and to administer an open, competitive and non-discriminatory wholesale market for electricity in New York State. The mission of the Reliability Council is to promote and preserve the reliability of electric service on the NYISO's system by developing, maintaining, and, from time to time, updating the reliability rules relating to the transmission system (the ''Reliability Rules''), to be complied with by the NYISO and all entities engaging in electric transmission, ancillary services, energy and capacity transactions. The Authority, each of the current investor-owned utilities (''IOUs'') and LIPA are among the many ''Market Participants'' (which includes any person engaged in the wholesale sale, transmission or purchase of electric energy) in the NYISO and members of the Reliability Council.

In addition to the IOUs, LIPA and the Authority, any Market Participant, including organizations representing residential and/or small commercial consumers and environmental organizations, may be members of the NYISO. The NYISO is governed by a Board of Directors consisting of the President of the NYISO and nine individuals. No member of the Board of Directors is able to own shares in or have a continuing business relationship with any Market Participant. The President of the NYISO is chosen by the other nine directors and is responsible for the day-to-day operation of the NYISO. The Authority is adequately represented on each of the NYISO's several committees, which are subject to the oversight of the Board of Directors, and on the Executive Committee of the Reliability Council, which consists of thirteen members which govern the Reliability Council.

On December 1, 1999, the NYISO officially assumed control of New York State's electric power grid pursuant to tariffs and market rules approved by FERC.

The NYISO dispatches power from generating facilities, including the Authority's units, based on the bid curves submitted by each of the generators. The NYISO coordinates the reliable dispatch of power and operates markets for the sale of electricity and ancillary services within New York State. The NYISO collects charges associated with the use of the transmission facilities and the sale of energy, capacity, and services through the markets that it operates and remits those proceeds to the owners of the facilities in accordance with its tariff and to the sellers of the electricity and services in accordance with their respective bids and applicable NYISO market procedures. See ''NYISO Market Procedures'' and ''Certain Authority Plant Outage Risks'' below.

Under the NYISO Open Access Transmission Tariff, certain charges for ancillary services (which include NYISO operating costs), congestion, losses, and a portion of the Authority's transmission costs are assessed against the Authority and other entities responsible for serving ultimate customers. Because such costs are currently passed through to most Authority customers, the Authority remains active in its participation in the governance affairs of the NYISO markets.

NYISO Market Procedures

Under NYISO procedures, Load Serving Entities (''LSEs'') represent electricity end-users in dealings with the NYISO. The Authority is an LSE for large segments of its load in New York State and must ensure it has sufficient installed capacity to meet its customers' needs and NYISO reliability rules, either through ownership of such capacity, bilateral installed capacity purchase contracts or auction purchases conducted by the NYISO (for a discussion of these installed capacity requirements relating to New York City and Long Island, see ''NYISO Capacity Requirements Matters,'' below, and ''PART 2— CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—New York State Electric Utility Industry Restructuring Matters —*New York City and Long Island Local Reliability Rule*'').

As an LSE, the Authority is also obligated to ensure that it has enough energy to meet its customers' load requirements. The energy needs can be met in the NYISO regime through the Authority's own generation, bilateral purchases from others, or purchases of energy in the NYISO ''day-ahead'' market (''DAM'') (wherein bids are submitted for energy to be delivered the next day) or in the NYISO ''real time'' market. A bilateral purchase is a transaction where a generator or a power marketer which has access to power and an LSE agree upon a specified amount of energy being supplied to the LSE by the generator or power marketer at specified prices.

Generators may bid their energy into the DAM and/or the real time market. However, generators whose installed capacity has been sold must then bid the energy from such claimed capacity into the DAM. To satisfy this requirement, the Authority bids into the DAM all of the Authority generation it claims to meet installed capacity requirements, which consists of virtually all of its generation. The Authority also bids the generation into the real time market in such amounts and at such bids as the Authority deems appropriate.

The NYISO evaluates the bids submitted in the DAM and the real time markets by generators and in the real time market dispatches the units on the basis of economic and reliability considerations to meet load needs at any point in time. Unless governed by a bilateral arrangement, the price a generator is paid and the price paid to the NYISO by an LSE purchasing energy is dependent upon the results of the bidding process and system conditions (for a discussion of certain NYISO rules having an impact on the bidding procedures, see ''NYISO Mitigation Measures'' below). A significant feature of the NYISO energy markets is that prices are determined on a location-specific basis taking into account local generating bids submitted and the effect of transmission congestion and electrical losses between regions of New York State.

The Authority, being an LSE and a generator, may choose to meet its LSE load requirements by a combination of (1) bilateral arrangements, which, in the Authority's case, would mean specified Authority generation and purchased energy under contractual arrangements, linked to specified Authority loads, and (2) purchases in the DAM or the real time market. The Authority's ownership of certain transmission-related rights serves to reduce uncertainty concerning congestion costs to the Authority of such bilateral arrangements and energy market transactions.

Certain Authority Plant Outage Risks

The NYISO administers the DAM and the real time market through which suppliers and purchasers of energy and ancillary services can sell and acquire such products. The Authority participates in these markets as both a buyer and a seller of electricity and ancillary services.

Because of NYISO installed capacity reserve requirements, the Authority is required to bid into the DAM virtually all of the installed capacity of its units. The NYISO then decides which Authority units will be dispatched, if any, and how much of such unit's generation will be dispatched. The dispatch of a particular unit's generation depends upon the bid prices for the unit submitted by the Authority, bids submitted by other generators, the amount of generation needed by the NYISO to meet expected demand and transmission limitations. If an Authority unit is dispatched by the NYISO, the Authority receives a fixed price for each hour (the ''Market Clearing Price''), based on NYISO pricing methodology, for the energy dispatched above that designated by the Authority as bilateral arrangement generation (the ''Excess Energy''). As to the bilateral arrangement generation (the ''Contract Energy''), the Authority receives the price in its contracts with its customers (the ''Contract Price'').

This procedure has provided the Authority with economic benefits from its units' operation when selected by the NYISO and may do so in the future. However, such selections in the DAM also obligate the Authority to supply the energy in question during a specified time period, which does not exceed two days (the ''Short-Term Period''), if the unit is selected. If a forced outage occurs at the Authority plant which is to supply such energy, then the Authority is obligated to pay during the Short Term Period (1) in regard to the Excess Energy amount, the difference between the price of energy in the NYISO real time market and the Market Clearing Price in the DAM, and (2) in regard to the Contract Energy amount, the price of energy in the NYISO real time market which is offset by the Contract Price. This real time market price may be subject to more volatility than the DAM price. The risk attendant with this outage situation is that, under certain circumstances, the Market Clearing Price in the DAM and the Contract Price may be well below the price in the NYISO real time market, with the Authority having to pay the difference. In times of maximum energy usage, this cost could be substantial. This outage cost risk is primarily of concern to the Authority in the case of its 500-MW Plant because of its size, nature, and location.

In addition to the risk associated with Authority generation bids into the DAM, the Authority could incur substantial costs in times of maximum energy usage in purchasing replacement energy for its customers in the DAM or through other supply arrangements to make up for lost energy due to an extended outage of its units and non-performance of counterparties to energy supply contracts.

As part of an ongoing risk mitigation program, the Authority implements financial hedging techniques to cover, among other things, future maximum energy usage periods and uses its various resources for outage risk mitigation purposes. In addition, the NYISO has implemented a FERC-approved bid cap on generator bids into the DAM and the real time market. The bid cap, which remains in effect until further FERC action, serves to limit the Authority's outage loss exposure.

Also, as noted above, economic benefits are derived by the Authority from this bidding mechanism when its units are operating. These benefits could serve to offset any losses which may be suffered by the Authority due to outage situations, the amount of such offset being dependent upon the amount of aggregate benefits derived by the Authority and the severity of the losses suffered as a result of such outages. Consequently, any use of these economic benefits for this offset purpose would serve to reduce the amount of these economic benefits available to meet outage expenses.

There can be no guarantee, however, that even with any protective hedging techniques, offsetting economic benefits, and a bid cap, the Authority would not suffer substantial economic loss in the future if one or more of its units were to suffer a forced outage during a maximum energy usage period or an extended forced outage period or a counterparty failed to perform under its energy supply contract.

NYISO Mitigation Measures

Pursuant to FERC approval, the NYISO implemented the Automated Mitigation Procedure (''AMP'') to apply mitigation thresholds and measures to detect and automatically mitigate Market Participant behavior that exceeds applicable conduct and market impact thresholds. Electric energy markets that are generally competitive may occasionally cease to be competitive if conditions arise that temporarily give Market Participants an ability to raise prices significantly by economically withholding capacity. High loads, facility outages, binding transmission constraints, or other factors can cause such instances, either singly or in combination. The NYISO developed the AMP for the automatic detection and mitigation of energy and other bids in the NYISO DAM and real time markets that exceed certain established criteria. The AMP procedures could result in a Market Participant's bid being mitigated if specified conduct and impact thresholds are exceeded.

In a January 14, 2005 opinion, a Federal appeals court vacated the FERC orders approving the DAM AMP. Following motions for rehearing and clarification, the D.C. Circuit Court of Appeals ruled on March 24, 2005 that its January 14, 2005 opinion applies only to the DAM AMP outside the New York City area. On May 27, 2005, the NYISO deactivated the rest-of-state (''ROS'') area DAM AMP. However, the ROS DAM remains subject to manual mitigation measures. Further, by order dated September 15, 2005, FERC denied a request for rehearing by the NYISO and ruled that the real time AMP for ROS be removed. The NYISO is now using real time scheduling software to apply conduct and impact mitigation in the real time ROS area.

In 2008, FERC ordered the NYISO to incorporate tariff language to establish mitigation rules intended to protect the New York City capacity market against uneconomic entry of new resources. Subsequent FERC orders in 2010 provided additional direction to the NYISO on these matters. These rules, commonly referred to as Buyer Side Mitigation, require the NYISO to evaluate new entry and determine if the new entry is an economic decision. If the NYISO determines a new entrant into the New York City capacity market is not economic, an offer floor price is established and the new entrant is required to bid into the spot market at the mitigation offer floor. Such a floor can result in the new resource not receiving capacity revenues for certain months. Capacity from new entrants is removed from the offer floor requirement after clearing the spot market for 12 non-continuous monthly spot auctions.

NYISO Capacity Requirements Matters

The installed capacity (''ICAP'') market in New York was created administratively to ensure the reliability of the electricity system. The Reliability Council annually sets New York State's minimum capacity requirement which is currently 115.5% of the State's peak load, and the NYISO has set the current New York City and Long Island locational ICAP requirements at 81% and 101.5% of their peak load levels, respectively. The New York City and Long Island ICAP requirements must be met with resources located within those areas, while the ICAP quantities above these locational ICAP requirement levels up to the minimum 115.5% level can be procured from anywhere in New York State and from external resources. The requirements are allocated among LSEs in proportion to the load they serve.

These capacity requirements must be met monthly for two capability periods: a summer period extending from May to October and a winter period ranging from November to April. The NYISO currently conducts auctions for each capability period (also known as ''strip auctions''), as well as monthly auctions to account for load-shifting and to resolve deficiencies. LSEs may meet their capacity requirements by self-supplying the capacity from their own resources, or with capacity acquired through bilateral contracts, or by purchasing the capacity through the auctions conducted by the NYISO. A deficiency price is imposed on any LSE that does not meet its capacity requirement.

The NYISO employs an ICAP demand curve which provides payments to ICAP providers for ICAP above the minimum level required for reliability in order to encourage the construction of new generating facilities in New York. Generally, these provisions have increased the amount of ICAP an LSE will be obligated to obtain to meet NYISO requirements, including separate requirements applicable for New York City and Long Island. The Authority has been able, as an LSE, to meet these revised requirements through its own units, contracts with other generators, and purchases in the capacity markets, and expects to be able to do so in the future.

POWER SALES

A summary of the Authority's generation, energy purchases, and power and energy sales for 2010 is set forth below:

Generation, Energy Purchases, and Power and Energy Sales 2010
(Megawatt Hours and Dollars in Thousands)
(Accrual Basis)

	MWh
Authority Generation and Purchases:	
Gross Generation	25,335
Station service, DOT feeder and pumping energy	(965)
Net Station Generation	24,370
Purchases from the NYISO, utilities and others	13,100
Losses and unaccounted for	(628)
Total Available	36,842

	MWh	Revenues From Power and Energy Sales (1)	% of Total Revenues
Sold to:			
Commercial and industrial customers	3,061	$90,900	4%
Municipal, other public and cooperative customers (2)	17,495	1,585,578	61%
Sales to utilities and the NYISO for resale (3)	16,286	891,547	35%
Total Sales	36,842	$2,568,025	100%

	MWh	% of Total
Authority Generation by Fuel Source:		
Hydroelectric	19,863	82%
Oil/Gas	3,999	16%
Gas Turbines	508	2%
	24,370	100%

(1) Includes wheeling and transmission charges.

(2) Includes sales to 47 municipal systems, 4 rural cooperatives, and more than 100 public agencies in New York State and to 7 neighboring states.

(3) Includes sales to the 6 investor-owned utilities in New York State, LIPA, and the NYISO. Sales to the NYISO amounted to 7,473,542 MWh. Portions were designated for resale to residential and farm customers and not-for-profit customers in the state.

The electric power and energy of the Authority are sold principally pursuant to contracts and agreements described below. In addition to these sales, the Authority has executed short-term supply agreements that provide for sales by the Authority of power and energy for periods of short duration (less than one year) on terms and conditions mutually agreeable to the Authority and customers. Such sales are only transacted after all firm commitments are satisfied. The Authority also bids its generation and buys energy in the markets administered by the NYISO.

Generally, the Authority has no obligation to meet load growth that may be experienced by its customers. However, pursuant to agreements with its SENY governmental customers, the Authority has assumed the load growth responsibility for its governmental customers in New York City and Westchester

County (see ''Marketing Issues and Developments,'' below). In addition, the Authority serves the full requirements of certain municipal electric system and rural cooperative system customers.

Contracts for the sale, transmission and distribution of power and energy generated by the Niagara and St. Lawrence-FDR Projects and by other projects (i) to provide an adequate supply of energy for optimum utilization of its hydroelectric projects, (ii) to attract and expand high load factor industry, (iii) to provide for the additional needs of the Authority's municipal electric and rural electric cooperative customers, and (iv) to assist in maintaining an adequate, dependable electric power supply for New York State, are subject to the approval process specified in Section 1009 of the Act. Such approval process requires, in addition to agreement between the Authority and the other contracting parties, (i) submission of the contract to the Governor and representatives of the State Senate and Assembly, (ii) public hearings and further review and, if deemed necessary, renegotiation of the contract by the Authority, and (iii) approval of the Governor.

Marketing Issues and Developments

(1) The power market in New York State has experienced significant changes over the last 15 years with the advent of a competitive marketplace and the creation of the NYISO. As a major participant in New York's power market, the Authority has been affected by these changes. With increased focus on customer needs, the Authority has initiated marketing programs and taken other actions to retain and provide value to its various customers. In this regard, in 2005, the Authority entered into the 2005 Agreements with all of its NYC Governmental Customers, including: the City of New York, the MTA, the Port Authority of New York and New Jersey, the New York City Housing Authority, and the New York State Office of General Services. The 2005 Agreements replaced the earlier long-term agreements with those customers that were in place. Under the 2005 Agreements, the NYC Governmental Customers will purchase their electricity from the Authority through December 31, 2017, with these customers having the right to terminate service from the Authority at any time on three years' notice provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply them, and, under certain limited conditions, on one year's notice.

Under the 2005 Agreements, the Authority implemented a price-setting process commencing with the 2006 rates, under which the NYC Governmental Customers request the Authority to provide indicative electricity prices for the following year reflecting market-risk hedging options designated by them. The NYC Governmental Customers can elect to have a full cost energy charge adjustment ("ECA") pass-through arrangement relating to fuel, purchased power, and NYISO-related costs, including such an arrangement with some cost hedging; a sharing plan pricing option; or a minimum price volatility pricing option. Except for any specific amounts borne by the Authority under a sharing plan and the minimum price volatility option; the NYC Governmental Customers pay all of the costs incurred to serve them, including hedging costs. If the customers choose a sharing plan pricing option, the customers and the Authority share equally in actual cost variations (up to $60 million) above a projected amount for the year, and cost variations in excess of $60 million are borne by the Authority. In addition, if actual costs are below the projected amount, the NYC Governmental Customers and the Authority share equally in such savings after the customers receive the first $10 million in savings, in the aggregate, over the term of the 2005 Agreements. For 2011, the NYC Customers chose a market-risk hedging price option designated an "ECA with hedging" pricing option whereby actual cost variations in variable costs are passed through to the customers as specified above.

Pursuant to the 2005 Agreements, the Authority will modify rates annually through a formal rate proceeding before the Authority if there is a change in fixed costs to serve the NYC Governmental Customers. Except for the minimum volatility price option, changes in variable costs, which include fuel and purchased power, will be captured through contractual pricing adjustment mechanisms. Under these mechanisms, actual and projected variable costs will be reconciled and either charged or credited to the NYC Governmental Customers. Pursuant to the 2005 Agreements, these customers are committed to pay for any supply secured for them by the Authority which results from the collaborative process provided for in the agreements, including the Astoria Energy II plant discussed in Item (8) below. Also, with the NYC Governmental Customers' guidance and approval, the Authority will continue to offer to these customers at least an aggregate of $100 million annually in financing for energy efficiency projects and initiatives at their facilities, with the costs of such projects to be recovered from them. Many of these projects fall within the scope of the Authority's existing energy services program (see ''PART 2—ENERGY SERVICES'').

The revenues from the NYC Governmental Customers were approximately 51% and 47% of the Authority's 2010 and 2009 Operating Revenues (including wheeling charges), respectively.

The Authority's other SENY Governmental Customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the ''Westchester Governmental Customers''). By early 2008, the Authority had entered into a new supplemental electricity supply agreement with all of its Westchester Governmental Customers. Among other things, under the new agreement, an energy charge adjustment mechanism is applicable, the Authority may modify the rates charged the customer pursuant to a specified procedure, the customer is committed to pay for any supply resources secured for it by the Authority under a specified collaborative process, and the Authority will continue to make available financing for energy efficiency projects and initiatives, with the costs thereof to be recovered from the customer. Under the agreement, customers are allowed to partially terminate service on at least two months' notice prior to the start of the NYISO capability periods and fully terminate service on at least one year's notice effective no sooner than January 1 following the one year notice.

The revenues from the Westchester Governmental Customers were approximately 3% of the Authority's 2010 and 2009 Operating Revenues (including wheeling charges).

(2) The Authority has existing power sales arrangements that contain certain pricing commitments with approximately 75 business customers served under programs formerly supplied from the Authority's James A. Fitzpatrick Nuclear Power Plant that was sold in 2000. In some instances, these customers are served directly by the Authority; in other cases, the customers receive Authority power through resale arrangements with municipal distribution agencies or investor-owned utilities. These agreements allow customers to purchase Authority power and energy for various periods of time, with the majority of the agreements extending until at least June 30, 2012. All contractual pricing provisions with these customers (with the exception of two customers) are in effect through June 30, 2012 and fall under the Energy Cost Savings Benefits Program that is discussed in section 3(d) below pursuant to contract modifications and Authority tariff provisions.

These agreements encompass approximately 388 MW of power and associated energy and accounted for approximately 4% of the Authority's 2010 and 2009 Operating Revenues (including wheeling charges).

(3) Legislation was enacted into law in July 2005 (Chapter 313 of the Laws of 2005) (the ''2005 Act'') which amended the Act and the New York Economic Development Law (''EDL'') in regard to several of the Authority's economic development power programs and the creation of new Energy Cost Savings Benefits to be provided to certain Authority customers. A summary of the 2005 Act and certain related legislation enacted subsequently is set forth below.

(a) Industrial Power Programs

The 2005 Act amended numerous provisions of the Act and the EDL to authorize the Authority to purchase power in the marketplace and to use certain other Authority resources to serve economic development power programs. Among the affected programs are the Economic Development Power program, which supplies electricity to businesses across New York State, the High Load Factor Power program, which provides electricity to energy-intensive manufacturers throughout New York State, and the Municipal Distribution Agency Power program, which supplies electricity for certain municipal distribution agencies (also known as municipal utility service agencies (''MUSAs'')) to serve businesses in their territories. Power supplied under these programs is hereinafter referred to as ''Industrial Power.''

(b) Replacement Power

The 2005 Act creates a state law basis for continuation of the ''Replacement Power'' program. These provisions ensure the continued availability of low-cost hydroelectric power from the Niagara Project to serve businesses in western New York State. Replacement Power was established by the federal Niagara Redevelopment Act (''NRA'') in 1957 and provided up to 445 MW of hydroelectric power to industries in the Niagara Mohawk Power Corporation (doing business as "National Grid") service territory within a 30-mile radius of the Niagara Project switchyard. The federal mandate for the Replacement Power program expired at the end of 2005. Virtually all existing Replacement Power contracts now run through 2012. The 2005 Act treats new applications for Replacement Power under the same criteria as apply to the Authority's existing ''Expansion Power'' program, established under the Act. Allocations are awarded on a competitive basis to businesses that commit to create jobs, increase electric load, build new or expanded facilities, and have at least 100 kilowatts (''kW'') of demand. The Expansion Power program, which provides up to 250 MW of hydroelectric power to businesses within a 30-mile radius of the Niagara Project, was not addressed by the 2005 Act.

(c) Preservation Power

The 2005 Act also created the Preservation Power program, which allows businesses in northern New York State to continue to be served with low-cost hydroelectric power from the St. Lawrence-FDR Project. The Preservation Power program governs the allocation of up to 490 MW of firm and interruptible power from the St. Lawrence-FDR Project to industry in Jefferson, St. Lawrence and Franklin Counties. It applies the same criteria for allocations as are applicable to Replacement Power and Expansion Power. Renewals of existing contracts for business use of power under the Preservation Power program are subject to the criteria in the Act, as amended by the 2005 Act.

(d) Energy Cost Savings Benefits

The 2005 Act revised the Act and the EDL to allow up to 70 MW of relinquished Replacement Power and up to 38.6 MW of Preservation Power that might be relinquished or withdrawn in the future to be sold by the Authority into the market and to use the net earnings along with other funds of the Authority, as deemed feasible and advisable by the Authority's Trustees, for the purpose of providing Energy Cost Savings Benefits (''ECS Benefits'') under the ECSB Program. The ECS Benefits are administered by the Economic Development Power Allocation Board (''EDPAB'') and awarded based on criteria designed to promote economic development, maintain and develop jobs, and encourage new capital investment throughout New York State. The ECS Benefits are available only for business customers served under the Authority's High Load Factor, Economic Development Power and Municipal Distribution Agency programs which would have, in the absence of the ECS Benefits, faced rate increases beginning November 1, 2005. In August 2006, legislation was enacted into law that extended the ECSB Program and also provided that the Authority make available for allocation to customers the hydropower that had been utilized as a source of funding the ECS Benefits. Subsequently, legislation has been enacted into law that extends the ECS Benefits Program through June 30, 2012 at which time the Program will end pursuant to the legislation establishing the Recharge New York Power Program discussed in section (4) below. From the inception of the ECSB Program through 2007, no ECS Benefits were paid by the Authority from internal funds, as opposed to funds derived from the sale of hydropower. For 2008, the Authority paid $20.7 million in ECS Benefits from internal funds. In 2009 and 2010, no ECS Benefits were paid from internal funds, which is reflective of the lower market prices for electric energy, nor is it expected that any ECS Benefits will be paid from internal funds in 2011.

(e) Power for Jobs Program

The 2005 Act amended the EDL to authorize the EDPAB to recommend contract extensions or certain electricity cost reimbursements to Power for Jobs Program recipients, discussed in section (6) below, on the basis of revised job creation or retention commitments.

(f) World Trade Center Economic Recovery

The 2005 Act authorized the Authority to approve renewals of contracts for periods of at least three years to business customers receiving allocations made under the World Trade Center Economic Recovery Power Program that are located in the Liberty and Resurgence Zones.

(4) Legislation enacted into law on March 31, 2011 (Chapter 60 of the Laws of 2011) establishes the "Recharge New York Power Program" ("RNYPP"). The RNYPP is a new, permanent power program, administered by the Authority and the EDPAB, which has as its central benefit up to 910 MW of power comprised of 455 MW of hydropower from the Niagara and St. Lawrence-FDR Projects (which power, until August 1, 2011, had been provided to residential and farm customers of three upstate utilities) and up to 455 MW of other power procured or produced by the Authority. The 910 MW of power will be available for allocation to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years effective no sooner than July 1, 2012. The legislation also temporarily extends the Power for Jobs ("PFJ") and ECSB Programs, through June 30, 2012, at which time the two programs will end and be replaced by the RNYPP. Those PFJ and ECSB Program customers that do not receive RNYPP allocations will be eligible to apply for certain "transitional electricity discounts". Under the legislation, these transitional discounts, which may be paid only if deemed feasible and advisable by the Authority's Trustees, will gradually decline to zero by June 30, 2016. The legislation also authorizes the Authority, as deemed feasible and advisable by its Trustees, to provide annual funding of $100 million for the first three years following withdrawal of the hydropower from the residential and farm customers, $70 million for the fourth year, $50 million for the fifth year, and $30 million each year thereafter, for the purpose of funding a residential consumer discount program for those customers that had received the hydropower that will be utilized in the RNYPP. The 455 MW of hydropower was withdrawn by the Authority on August 1, 2011. On June 28, 2011, the Authority's Trustees authorized

the use of revenues from the sales of such power into the wholesale market or, as necessary, internal funds to fund the residential consumer discount program for its first six months.

(5) Chapter 436 of the Laws of 2010 established a Western New York Economic Development Fund Benefit program and authorized the Authority to fund the program from net earnings from the Authority's sale of unallocated, relinquished, and withdrawn Expansion Power and Replacement Power into the wholesale market. Net earnings are defined as any excess revenues earned from such power allocated to the wholesale market over the revenues that would have been received had the power been sold at the Expansion Power and Replacement Power rates. Proceeds from the fund may be used to support eligible projects undertaken within a 30-mile radius of the Niagara Project that qualify under applicable criteria. The law authorizes the Authority to administer this new program with assistance from public and private entities. Authority revenues for the fund could range between $2 million and $12 million per year.

(6) In 1997 and subsequent years, legislation was enacted into New York law which authorized the Power for Jobs program (the "PFJ Program") to make available low-cost electric power to businesses, small businesses, and not-for-profit organizations. Under the PFJ Program, EDPAB recommends for Authority approval allocations to eligible recipients of power from power purchased by the Authority through a competitive procurement process and power from other sources. The Authority also is authorized to provide power through an alternate method to the competitive procurement process if the cost of the power through the alternate method is lower than the cost of power available through a competitive procurement process, provided that the use of power from Authority sources does not reduce the availability of, or cause an increase in the price of, power provided by the Authority for any other program. If the Authority decides to not make power available to an entity whose allocation has been recommended by EDPAB, the Authority must explain the reasons for such denial. The PFJ Program power is sold to the local utilities of the eligible recipients pursuant to sale for resale agreements at rates which are based on the cost of the competitive procurement (or alternate acquisition) power plus a charge for the transmission of such power.

In 2004, legislation was enacted into law which amended the PFJ Program in regard to contracts of certain customers. Under the amendment, certain contracts terminating in 2004 and 2005 could be extended by the affected customer, or the customer could opt for ''Power for Jobs electricity savings reimbursements'' ("PFJ Reimbursements") from the Authority. Generally, the amount of such PFJ Reimbursements for a particular customer is based on a comparison of the current cost of electricity to such customer with the cost of electricity under the prior Power for Jobs contract during a comparable period. Thereafter, the PFJ Program has been extended numerous times and pursuant to the legislation establishing the RNYPP, discussed in Item (4) above, the PFJ Program will end on June 30, 2012. The Authority approved PFJ Reimbursements totaling $241 million for the years 2005-2010 and expects such payments will not exceed $50 million for 2011. See ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Voluntary Contributions to the State General Fund'' for related information on the PFJ Program involving voluntary contributions to the State.

(7) To meet energy needs of its NYC Governmental Customers, the Authority has entered into (i) two energy supply contracts with one entity to supply an aggregate of 200 MW of energy for the period January 1, 2009-September 28, 2013; and (ii) contracts for differences with counterparties which will effectively result in the supply at specified prices of 500 MWs for the period 2011-2012 and 200 MW for the period 2013-2014. The costs for these purchases are recovered from the NYC Governmental Customers.

(8) The Authority, in November 2007, issued a nonbinding request for proposals ("RFP") for up to 500 MW of in-city unforced capacity and optional energy to serve the needs of its NYC Governmental Customers. In April 2008, the Authority's Trustees authorized negotiation of a long-term electricity supply contract with Astoria Energy II LLC for the purchase of the output of a new power plant (the "Astoria Energy II plant") to be constructed in Astoria, Queens adjacent to its existing plant. Following approval of the NYC

Governmental Customers, the Authority and Astoria Energy II LLC entered into a long-term supply contract in July 2008. The costs associated with the contract will be borne by these customers for the life of the contract. Construction of the 550-MW Astoria Energy II plant has been completed and the plant entered into commercial operation on July 1, 2011. The Authority is accounting for and reporting this transaction as a capital asset and a capitalized lease liability in the amount of $1.12 billion. Fuel for the Astoria Energy II plant is being procured by the Authority and the costs thereof are being recovered from the NYC Governmental Customers.

(9) In response to the Authority's Request for Proposals for Long-Term Supply issued in March 2005, Authority staff entered into negotiations for the execution of a firm transmission capacity purchase agreement with the winning bidder, Hudson Transmission Partners, LLC ("HTP") to serve the long-term requirements of the Authority's NYC Governmental Customers through the transmission rights associated with HTP's proposed 345 kV underground/submarine transmission line ("Line") extending from Bergen County, New Jersey, to Con Edison's West 49th Street substation in midtown Manhattan. The New York Public Service Commission issued a certificate of environmental compatibility and public need for the Line on September 15, 2010 determining, among other things, that the Line would improve electric system reliability and promote network security by enhancing New York City's transmission infrastructure and its access to generation resources outside of the City. On April 15, 2011, the Authority executed a Firm Transmission Capacity Purchase Agreement ("FTCPA") with HTP and the Line is currently under construction. The Authority's obligation to make payments under the FTCPA will begin upon commercial operation of the Line, which is expected in the summer of 2013. Under the FTCPA, the Authority also will pay the costs of certain interconnection and transmission upgrades associated with the Line once it enters into service, estimated to total approximately $200 million. The Authority is currently in negotiations with certain of its NYC Governmental Customers and other third parties regarding partial recovery of the costs of the Line. It is estimated that the revenues derived from the Authority's rights under the FTCPA will cover the Authority's costs over the life of the Line but will not be sufficient to fully cover the Authority's costs under the FTCPA during its initial 20 year term. Depending on a number of variables, it is estimated that the Authority's under-recovery of costs under the FTCPA could be in the range of approximately $40 million to $80 million per year during the first five years of commercial operation. The Authority expects based on current projections that with its entry into the FTCPA it will be able to continue to meet its debt service coverage ratio, cash, and reserve requirements in the future; however, there can be no assurance that such requirements actually will be met.

(10) The Authority issued a nonbinding RFP on December 1, 2009 soliciting between 120 MW up to 500 MW of energy, capacity, and environmental attributes from a new offshore wind generating facility to be developed in Lake Erie and/or Lake Ontario. The RFP indicates that the Authority would purchase the full output of the project under a long-term power purchase agreement. In June 2010, the Authority announced that five proposals had been received in response to the RFP and that evaluation of the proposals would be undertaken in the coming months. Proposals are currently under review and the evaluation process may result in a staff recommendation to the Authority's Trustees concerning next steps later in 2011.

(11) The Long Island-New York City Offshore Wind Collaborative ("Collaborative"), which consists of the Authority, Con Edison, the Long Island Power Authority ("LIPA"), the City of New York and other New York City and New York State governmental entities, is evaluating the potential development of between 350 MW up to 700 MW of offshore wind. The Collaborative is currently planning the next steps in project evaluation.

(12) In January 2010, the Authority issued an RFP for a 100 MW Statewide Solar Photovoltaic initiative seeking pricing for solar energy and related environmental attributes from 100 MW of solar power capacity to be installed statewide by 2014. The purpose of this initiative is to support New York State energy policies and, in particular, the "45 x 15" initiative which is seeking to meet 45% of the State's energy needs through

improved energy efficiency and clean, renewable energy by 2015. All of the solar photovoltaic ("PV") systems would be installed, owned and operated by solar developers who would sell all energy and environmental attributes to the Authority under a 20-year power purchase agreement with the Authority reselling the energy to the host site. The solar PV would be installed primarily at schools and government facilities statewide. Proposals received in April 2010 in response to the RFP are being reviewed by a team of Authority staff and consultants. Recommendations regarding possible awards are expected to be made to the Trustees later in 2011. Subject to Trustee approval and successful contract negotiations, the Authority would enter into contracts with selected bidders There is no assurance that the Authority would recover its full costs under these arrangements and estimates show the potential level of under-recovery to be no greater than $21 million in any given year.,

(13) Authority staff and National Grid are conducting joint planning studies regarding a potential new transmission line that would deliver power from Canada and upstate New York renewable energy projects to downstate New York. One concept has been identified for further study and a consulting firm is conducting an economic analysis of the concept. It is uncertain whether a transmission line of this type ultimately will be formally proposed by the Authority and National Grid and advance to the permitting stage.

(14) In response to the economic downturn's effects on New York's manufacturing sector, the Authority's Trustees in March 2009 approved execution of an agreement with the Aluminum Company of America ("ALCOA") to provide temporary relief from certain power sales contract provisions relating to the temporary shutdown of one of its two smelters served by the Authority in Massena, New York, including allowing ALCOA to release back to the Authority certain hydropower allocated to it, temporary waivers of certain minimum bill and employment thresholds, and entry into arrangements with the Authority for inclusion of a portion of ALCOA's load in the NYISO's demand response programs. In addition, in May 2009, the Authority's Trustees authorized a temporary program whereby up to $10 million would be utilized to provide electric bill discounts for up to a year to businesses located in Jefferson, St. Lawrence, and Franklin counties. These counties constitute the geographic region served by the Authority's Preservation Power program. The source of the $10 million was the net margin resulting from the sale of a portion of ALCOA's then unused Preservation Power allocation into the NYISO markets. In January 2011, ALCOA announced its plans to restart the temporarily curtailed facility beginning later in the first quarter of 2011, and the Authority announced that the associated bill discount program would end in May 2011.

(15) In March 2009, the Authority's Trustees approved the deferral of a proposed hydropower rate increase for the Authority's municipal electric and rural cooperative customers, neighboring state customers, upstate investor-owned utilities, and certain other customers that was scheduled to go into effect on May 1, 2009 . The deferral amounted to approximately $18.5 million through the end of 2010. The Authority has begun rate proceedings to phase-in increases to these hydropower rates for the period November 2011 through April 2015, and to recover any deferred amounts over a period of time. A determination by the Authority's Trustees in the matter is expected in the fourth quarter of 2011. If approved as proposed, the annual rate increases will average approximately $5.5 million per year.

(16) In March 2009, the Authority also suspended the application of two annual, contractually-indexed hydropower rate increases for its Replacement Power, Expansion Power, and certain other industrial customers that were scheduled to go into effect on May 1, 2009 and May 1, 2010, respectively, totaling approximately $6.9 million. The Authority's Trustees in July 2011 approved the reinstatement of these indexed rate adjustments, which will result in an increase in these hydropower rates effective September 1, 2011 in the annualized amount of approximately $5.3 million.

St. Lawrence-FDR and Niagara

Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities currently are sold to three investor-owned electric utility companies: National Grid, New York State Electric & Gas Corporation (''NYSEG''), and Rochester Gas and Electric Corporation (''RG&E''), 47 municipal electric systems and four rural electric cooperatives in New York State, three industrial plants at Massena, New York, the MTA, NFTA, seven neighboring state customers, seven Niagara host communities, Niagara University, the Tuscarora Nation and beginning in January 2011, the U.S. Department of Energy. Energy is also sold to the St. Lawrence Seaway Development Corporation and to the New York State Office of Parks, Recreation and Historic Preservation. Service is provided to the three investor-owned utilities under contracts providing for sale of 360 MW of peaking capacity through December 31, 2011, subject to withdrawal upon thirty days' notice by the Authority as may be authorized by law or otherwise as may be determined by the Trustees. Contracts expiring on June 30, 2013 provide for the sale of up to 250 MW of Expansion Power ("EP") to National Grid and NYSEG for resale to industries generally located within 30 miles of the Niagara Project. Contracts expiring on December 31, 2012 provide for the sale of up to 445 MW of Replacement Power ("RP") for industries located in the vicinity of the Niagara Project. In December 2010, the Governor approved the extension of virtually all RP and EP contracts through the end of 2020.

Contracts are in place through September 1, 2025 with entities that were part of the Niagara Project relicensing settlement agreements. Total power allocations for these entities amount to 25 MW, which is distributed among seven host communities, Niagara University and the Tuscarora Nation, with an additional 7 MW of power being sold into the NYISO market for the host communities' benefit. The Authority also has an annual minimum obligation of $5 million and $1.5 million respectively to the Host Community Fund and the Erie/Buffalo Waterfront Development Funds which is met via the monetization of power sales made into the NYISO market.

Contracts with ALCOA for an aggregate of 478 MW have been extended through December 31, 2013 under a supplemental agreement executed in 2011. The contracts with ALCOA provide for rate adjustments based upon a formula containing various indices and provision for job credits. The indices used in the ALCOA contracts are the average of the monthly United States Department of Labor, Bureau of Labor Statistics Producer Price Indices for Industrial Power and Industrial Commodities less fuel, which reflect the cost of electricity used by industry and the price of materials used by industry, and a third index based on the average revenues per kilowatt-hour for electric sales to the industrial sector in ten specified states, the bulk of which are in the northeast region. In February 2009, ALCOA entered into a long term contract with the Authority for the sale of 478 MW, effective July 1, 2013, for an initial term of 30 years with an option to extend for an additional 10 years under certain circumstances. The recent supplemental agreement changes the contract start date to January 1, 2014. The contract provides for rate adjustments based upon a formula containing various indices, and has provisions for price adjustments based on the price of aluminum on the London Metal Exchange. The contract has job compliance provisions based on employment commitments. The supplemental agreement provides for ALCOA to invest at least $600 million in a new East Plant, and construction of that plant must commence by June 2013 in order for the new long term contract to take effect.

Contracts for the sale of up to 764.8 MW of firm and 3.6 MW of peaking power through August 31, 2025 with the 47 municipal electric systems and four rural electric cooperatives which own their own electric distribution systems are in effect. A contract with the MTA for 10 MW expired in July 2000, but the Authority is continuing to provide service to the MTA on a month-to-month basis. Service to NFTA is also on a month-to-month basis.

In September 2010, the Authority's Trustees approved a contract for the sale of 1.3 MW of Preservation Power to Florelle Tissue Corporation (located in Jefferson County) that was subsequently approved by the Governor. In May 2011, the Authority's Trustees approved two Preservation Power allocations totaling 8 MW to Newton Falls Fine Paper and Upstate Niagara Cooperative. A contract for the sale of 20 MW of power to the Massena Electric Department ("MED") to be used for economic development purposes within St. Lawrence County was disapproved by the Governor in December 2010. The Authority is currently considering alternative approaches to the disapproved contract under which MED would be eligible to receive allocations of hydropower to use for economic development purposes. A contract executed in 2010 provides for the Authority's sale of 15 MW to LIPA for resale to the U.S. Department of Energy ("DOE") at Upton, New York, for a term of ten years with an option for the Authority to extend the contract for an additional five years. Sales under the contract commenced in March 2011.

Contracts with the seven out-of-state customers are in effect through August 31, 2025 and provide for the sale of 191.2 MW of firm and the 40.9 MW of peaking power from the Niagara Project. The new license issued to the Authority in 2003 for the St. Lawrence-FDR Project provides for the sale of approximately 4.25% of Project power, amounting to 34.5 MW of firm allocations to six neighboring state customers, along with a corresponding share of non-firm energy, at cost-based rates under contracts with terms through April 30, 2017.

The charges for firm and firm peaking power and associated energy sold by the Authority, as applicable, to the municipal electric systems and rural electric cooperatives in New York State, the MTA, the NFTA, the seven neighboring state customers, and the three investor-owned utility companies for the benefit of their rural and domestic customers have been established in the context of an agreement settling litigation respecting rates for hydroelectric power, judicial orders in that litigation, and contracts with certain of these customers. Essentially, the settlement agreement and relevant judicial orders define the rates charged to these customers as cost-based rates and specifically permit the inclusion of interest on indebtedness and continuing depreciation and inflation adjustment charges with respect to the capital costs of the Niagara and St. Lawrence-FDR Projects and preclude the inclusion of any expense associated with debt service for non-hydroelectric projects in the hydroelectric rates charged to wholesale customers for the benefit of rural and domestic customers. The basic rates for RP and EP have been set above costs and are subject to annual adjustment in May of each year, based on four economic indices. This pricing arrangement will continue through June 30, 2013. At their September 2010 meeting, the Trustees approved a new service tariff for all RP and EP customers that is scheduled to begin on July 1, 2013 and which provides for a three year phase-in to the new rates which will be based on Preservation Power rates. The new service tariff was incorporated into the extension of the RP and EP contracts through 2020, which were approved by the Governor in December 2010.

Contracts with National Grid, NYSEG and RG&E relating to hydroelectric power from the plants contain various limitations on the obligations of parties under particular circumstances, including, among other things, provisions allowing for withdrawal of power and energy to comply with the NRA, the Authority's Niagara and St. Lawrence-FDR licenses, and orders of FERC. The Authority may discontinue service upon 15-days' written notice for non-payment of bills and terminate any such contract upon 60-days' notice for violations of the terms thereof. A utility company may elect to terminate its contract for any reason on one year's notice to the Authority and on 90-days' notice in the event that the charge for service is increased or the terms, conditions or rules governing the service are materially modified without the agreement of the utility.

Blenheim-Gilboa

The Authority has contracts for the sale of 50 MW of capacity from the Blenheim-Gilboa Pumped Storage Power Project (''Blenheim-Gilboa Project'') to LIPA and 250 MW of capacity to its NYC Governmental Customers pursuant to the 2005 Agreements, each sale at a tariff rate established on the basis of cost. The remainder of the Project's capacity is used to meet the requirements of the Authority's business and governmental customers and to provide services in the NYISO market generally at the market-clearing price for capacity.

Service under the contract with LIPA commenced on April 1, 1989 and will terminate April 30, 2015, unless terminated by LIPA upon not less than 6 months advance notice. The Authority and LIPA have executed an agreement under which LIPA transferred its contractual rights to the Authority in return for the Authority agreeing to bid the full Blenheim-Gilboa Project generation into the NYISO markets or enter into other marketing arrangements relating to such generation and to make payment to LIPA based on an apportionment of the resultant net revenues on the basis of LIPA's contract demand. This agreement is currently being administered on a month-to-month basis and an agreement to extend it through June 30, 2012 is expected to be executed later in 2011. Unless other arrangements are negotiated, the original Blenheim-Gilboa LIPA contract will again become effective.

Sales of Purchased Power and Energy for Industrial Power

A total of eight contracts are in effect with five high-load factor industries, one business under legislation enacted into New York law in 1984, and the DOE at Upton, New York, which provide for the sale of approximately 173 MW of purchased power and energy. The DOE contract is currently subject to yearly Federal appropriations. A modification to the contract was executed in late 2010, extending the term through December 31, 2020, with a provision allowing for a renewal of an additional five years. The contract extension provides for market prices to be flowed through to the DOE. Three of the remaining contracts have termination dates of June 30, 2012, while the others do not have specific termination dates, and may be terminated by either party upon contractual notice. All of these contracts, with the exception of the DOE contract, are receiving the ECS Benefits discussed above (See ''PART 2—POWER SALES—Marketing Issues and Developments—Item (3)'').

A total of approximately 153 MW of economic development power (''EDP'') being supplied from purchased power and energy has been allocated to businesses recommended for allocation by EDPAB. These EDP contracts are receiving ECS Benefits and such contracts have provisions which allow for customer termination on written notice of one year or 90 days, depending upon the contract. The EDPAB legislation provides that power formerly supplied from the FitzPatrick nuclear plant which was voluntarily relinquished by businesses, designated as EDP, be made available for allocation to or for businesses recommended by EDPAB. EDPAB must evaluate all applications for the allocation of EDP in accordance with the criteria set forth in the statute and recommend to the Authority such applications which best meet the criteria, with such terms and conditions as it deems appropriate. If the Authority declines to make power available to or for a business whose allocation has been so recommended, it must specify its reasons in writing. At least one-half of all allocations must be recommended for applicants located in southeastern New York.

The legislation also directs the Authority ''to identify the net revenues produced by the sale of expansion power and further to identify an amount of the net revenues from the sale of expansion power which shall be used solely for industrial incentive awards.'' The statute provides that ''[n]otwithstanding other lawful purposes for which such revenues may be used, it shall be the preferred purpose of the [A]uthority to make available all such net revenues for industrial incentive awards.'' Industrial incentive awards ("Awards") are to be made in accordance with an economic development plan proposed by the Authority and approved by EDPAB.

The current process generally provides for the Authority to authorize Awards to individual manufacturing companies that provide explicit data demonstrating their risk of closure or relocation out of New York State. The form of the Award generally will be a ¢/kWh price discount on an agreed-to level of electricity consumption for one year. Awards would normally be for one year, with the ability to renew for one or two additional years provided the company continues to meet an agreed-to job commitment for New York. Additionally, participating companies may opt out should any new long-term economic development program be approved by the State that offers similar or greater value. EP net revenues for 2009 and 2010 are $7.6 million and $6.4 million, respectively. As of June 2011, ten customers had been approved to receive Awards, with total payments to date amounting to approximately $6.3 million. Two of these customers are approved to receive Awards for longer terms extending through December 31, 2016 and December 31, 2029, respectively.

The Authority has also contracted for the sale of up to 61.4 MW of Industrial Power to MUSAs, not all of which is presently allocated, located in the service territories served by Con Edison, LIPA, Orange & Rockland Utilities, Inc. (''Orange & Rockland''), and Central Hudson Gas & Electric Corporation (''Central Hudson''), for resale to business customers approved by the Authority. A total of 7.4 MW is being sold to the County of Westchester Public Utility Service Agency (''COWPUSA'') for resale to seven such customers, and 45.6 MW has been made available to the New York City Public Utility Service Agency for resale to ten such customers, of which 39.4 MW is currently being delivered. In addition, 4.7 MW of such power is being made available to the Suffolk County Electrical Agency for resale to five customers, and 3.8 MW has been made available to the Nassau County Public Utility Agency for resale to four customers.

The Authority currently utilizes approximately 71 MW of purchased power and energy to meet the needs of the Authority's PFJ Program customers that are receiving power allocations rather than PFJ Reimbursement payments (see ''PART 2—POWER SALES—Marketing Issues and Developments—Item (6)'').

The Authority also sells incremental purchased power and energy at full cost to 12 of its 51 municipal electric system and rural electric cooperative customers to meet their electric power requirements in excess of their hydroelectric power allocations, which incremental power amounts during the peak winter months, in the aggregate, to approximately 80 MW and during the off-peak summer period diminishes to about 33% of the winter amount.

SENY Governmental Customers

The Authority supplies power and energy from acquisitions in the energy and capacity markets, as well as from Authority sources, to the NYC Governmental Customers and the Westchester Governmental Customers for use for education, public housing, street lighting, subways, airports, bridges and tunnels and other public purposes. The contracts with such governmental bodies provide for firm power service under the Authority's applicable service tariffs and its rules and regulations for power service, as supplemented by long term agreements with many of these customers (see ''PART 2—POWER SALES—Marketing Issues and Developments—Item (1)''). The rates established vary from customer to customer in accordance with load characteristics, and, in most cases, include both demand and energy rates. Authority power is delivered to these customers over the transmission and distribution system of Con Edison. The Authority pays Con Edison a delivery service charge to cover the cost of delivering this power to the point of use by the customer, which cost is recovered by the Authority from the customer.

The Authority's Ashokan and Kensico facilities and Small Hydroelectric Development Project No. 1 are used to support service to SENY Governmental Customers under the arrangements discussed above.

To serve the NYC Governmental Customers, the Authority has as resources its existing generation, including the 500-MW Plant (see ''PART 2—THE AUTHORITY'S FACILITIES—Generation—500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant''), the power and energy from the Astoria Energy II plant that entered into service on July 1, 2011 for which it has a power supply contract, as well as market-based purchases. See "PART 2—POWER SALES—Marketing Issues and Development—Item 8)." The Authority anticipates that through these various sources it will be able to meet the power and energy needs of such customers. See ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR—Certain Authority Plant Outage Risks'' for a discussion of risks relating to outages at Authority units or non-performance of counterparties to energy supply contracts.

500-MW Plant

The installed capacity of the 500-MW Plant is being used by the Authority to meet a portion of its installed capacity needs in New York City. The Authority is bidding the generation of the plant into the DAM and the real time market of the NYISO for the benefit of its NYC Governmental Customers so as to, among other things, recover the costs of the operation of the unit and to maximize the unit's availability to the NYISO to assure the economical and reliable supply of electricity.

Small Clean Power Plants

The installed capacity of the SCPPs is being used by the Authority to meet its installed capacity needs or, if not needed by the Authority, is subject to sale to other users. The Authority is bidding the generation of the SCPPs into the DAM and the real time market in such a manner as the Authority deems advisable so as to maximize the SCPPs' availability to the NYISO to assure the economical and reliable supply of electricity in the SENY area. The Authority believes that the revenues derived from the sale of the SCPPs' generation into the NYISO energy markets, along with other available funds of the Authority, will be sufficient to meet the costs associated with the SCPPs.

Flynn

The Authority is supplying the full output of the Flynn plant to LIPA pursuant to a capacity supply agreement (the ''CS Agreement'') between the Authority and LIPA, which commenced in 1994 and had an initial term of 20 years. The CS Agreement was amended, effective January 1, 2004, by an agreement (the ''Supplementary Agreement''), which, among other things, extended the CS Agreement to April 30, 2020 (with either party having the right to terminate the extension on or before April 30, 2012). A subsequent amendment to the CS Agreement effective as of January 1, 2009, sets forth pricing terms through 2014. Under the revised energy pricing provisions, in addition to certain fixed cost charges collected under the CS Agreement, the daily energy price for all Flynn energy sold to LIPA is the lesser of a market-based gas price defined in the Supplementary Agreement or 95 percent of the 24-hour average of the day ahead market price (the ''LI Price'') for the NYISO Long Island zone. To the extent that 95 percent of LI Price applies for any day, the Authority would under-recover its gas cost. A daily shared savings arrangement allows the Authority the opportunity to recover some or all of its uncollected gas costs as long as LIPA's energy cost savings are at least 17 percent for the day. The intent of the Supplemental Agreement is to allow the Authority to recover more of its gas costs than would have been the case under the CS Agreement. Notwithstanding the Supplementary Agreement, the Authority cannot guarantee that this arrangement will allow it to recover all of its Flynn plant gas costs.

TRANSMISSION SERVICE

The NYISO is responsible for scheduling the use of the bulk transmission system in New York State, which normally includes all of the Authority's transmission facilities, and for collecting for ancillary services, losses and congestion fees from transmission customers. Each IOU, LIPA and the Authority retains ownership, and is responsible for maintenance, of its respective transmission lines. All customers of the NYISO pay fees to the NYISO for use of the transmission system. Each such customer also pays a separate fee for the benefit of the Authority that is designed to assure that the Authority will recover its entire annual transmission revenue requirement. If the NYISO does not maintain a FERC-accepted tariff which provides for full recovery by the Authority of its annual transmission revenue requirement, the Authority is permitted to withdraw from the NYISO on 90-days' notice to the other parties. In addition, any of the IOUs, LIPA and the Authority may withdraw from the NYISO on 90-days' notice to the Board of Directors of the NYISO, but, in the case of an IOU, such withdrawal is conditioned upon the effectiveness of an ''open access'' transmission facilities tariff on file with FERC. In 1996 the Authority adopted an open access transmission tariff.

In an order dated July 28, 1999, FERC approved the NYISO Open Access Transmission Tariff, the NYISO Market Administration and Control Area Tariff (under which non-transmission services are provided by the NYISO), and each of the related agreements submitted to it for approval in connection with the formation of the NYISO. In an Order issued January 27, 1999, FERC approved the use of the Authority's present transmission system revenue requirement in developing the rates for service under the NYISO tariff and declined to set the revenue requirement for hearing. Such action does not, however, foreclose further review by FERC of any modifications of the Authority's transmission system revenue requirement.

FERC also approved, among other things, the imposition of the NYPA Transmission Adjustment Charge ("NTAC") and the NYPA Transmission Service Charges (the tariff elements for the recovery of the Authority's annual transmission revenue requirement), establishment of the NYISO and the Reliability Council, the Reliability Rules, and the commencement of operations by the NYISO.

Transmission agreements between the IOUs, LIPA and the Authority and their customers in existence remain in effect unless modified pursuant to Sections 205 or 206 of the Federal Power Act (''FPA''). The IOUs have made Section 205 filings with respect to virtually all transmission agreements applicable to the Authority and its customers. The Authority concurred in these filings, and they have been approved by FERC. These customers, including customers of the Authority, have the right to elect to convert their service to service under the NYISO Open Access Transmission Tariff. Should any of the Authority's customers choose to convert to service under the NYISO Open Access Transmission Tariff, the Authority would fully collect the foregone Transmission Service Charge amounts under the NTAC provisions.

Cable Agreement

The Authority and LIPA are parties to the Sound Cable Facilities and Marketing Agreement (the ''Cable Agreement''), relating to the Authority's Long Island Sound Cable (the ''Cable'') (see ''PART 2—THE AUTHORITY'S FACILITIES—Transmission—*Long Island Sound Cable''),* which was executed for the purposes of providing lower cost energy from upstate New York and Canadian sources to consumers on Long Island and of increasing the reliability of their electric supply by strengthening interconnection capability between Long Island and the rest of New York State. The Cable Agreement provides that LIPA will reimburse the Authority for the costs it incurs in connection with the Cable, including but not limited to debt service, reserves, and operation and maintenance expenses, in return for the use of the capacity of the project. LIPA was initially allocated the full capacity of the Cable and to the extent that the Authority has allocated capacity to other parties, LIPA's payment obligations are proportionately reduced, with such other parties making payments pursuant to applicable rates. The Authority has allocated capacity of the Cable to certain loads served by the Authority in LIPA's service territory when there has been insufficient capacity to serve such loads on another cable jointly owned by LIPA and Con Edison.

ENERGY SERVICES

The Authority currently implements two main energy services programs, one for its SENY governmental customers and the other for various other public entities throughout the State. Under these programs, the Authority finances the installation of energy saving measures and equipment which are owned by the customers and public entities upon their installation and which focus primarily on the reduction of the demand for electricity and the efficient use of energy. The Authority has authorized as of June 30, 2011, the expenditure of an aggregate of $3.3 billion on these programs, the funds for which are provided from the sale of the Authority's Commercial Paper Notes and from internally generated funds. Except for certain limited energy audit costs, the Authority expects to recover its expenditures on these programs, including its financing costs, from the participants in these programs and/or, for certain of these expenditures which have been incurred, those customer classes receiving benefit from the programs, over periods not exceeding ten years, except for certain projects meeting specified criteria and implemented after April 1, 2002 which may have recovery periods extending up to 20 years. The Authority's energy services programs generally provide funding for, among other things, high efficiency lighting technology conversions, high efficiency heating, ventilating and air conditioning systems and controls, boiler conversions, replacement of inefficient refrigerators with energy efficient units in public housing projects, distributed generation technologies and clean energy technologies, and installation of non-electric energy saving measures. Participants in these programs include departments, agencies or other instrumentalities of the State, the Authority's SENY public customers, public school districts or boards and community colleges located throughout New York State, county and municipal entities with facilities located throughout New York State, certain not-for-profit entities, and the Authority's municipal and rural electric cooperative customers.

Legislation enacted in September 2009 enhances the Authority's authority to provide and finance energy services, including the issuance of bonds for that purpose, and also explicitly authorizes the Authority to provide energy services to virtually all of its commercial and industrial customers. By legislation enacted earlier, the Authority also was explicitly authorized to provide energy services to public and non-public elementary and secondary schools and specified military establishments in New York and to finance and administer programs to replace inefficient refrigerators with energy efficient units in certain public and private multiple dwelling buildings.

As of June 30, 2011, the Authority had outstanding aggregate expenditures of $383 million (excluding POCR funds, discussed below) for these programs and projects associated with POCR funding, discussed below, and expects to spend an additional $1.05 billion for these programs and projects over the period 2011-2014 (see ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives'').

The Authority has also established a variety of programs funded by available petroleum overcharge restitution (''POCR'') funds and, to a lesser extent, other State funds (see ''PART 2—LEGISLATION AFFECTING THE AUTHORITY''), with authorized funding of $60.9 million for programs. These programs primarily include grants for energy services projects throughout New York State. The Authority is statutorily authorized to utilize its internally generated funds and the proceeds of Authority debt to finance energy service projects receiving POCR financing.

The New York State Clean Water/Clean Air Bond Act of 1996 (the ''1996 Bond Act'') allocated to the Authority $125 million of 1996 Bond Act proceeds to undertake the implementation of Clean Air for Schools projects for elementary, middle and secondary schools, which funds have been received. These projects are designed to improve air quality for schools, including, but not limited to, the replacement of coal-fired and certain other furnaces and heating systems with furnaces and systems fueled by oil or gas. The Authority anticipates that the funding for the projects will allow the conversion of 80 schools, of which 76 have been completed. The conversion program is scheduled to be completed in 2013.

Funds received by the Authority under the 1996 Bond Act and POCR funds received by the Authority are not available to pay debt service on the Authority's debt obligations.

THE AUTHORITY'S FACILITIES

Generation

General Information

The Authority's generating facilities and certain related capacity and generation information are listed in the following table:

Authority Generating Facilities*

	Type	First Year of Operation	Total Installed Capability-MW	Net Dependable Capability-MW(1)	2010 Net Generation MWh(2)
St. Lawrence-FDR..........	Hydro	1958	912	735	6,611,236
Niagara...........................	Hydro	1961	2,755	2,674	13,241,815(3)
Blenheim-Gilboa	Pumped Storage	1973	1,160	1,140	(145,911)(3)
Flynn.............................	Gas/Oil	1994	170	135	942,487
SCPPs(4)	Gas	2001	517	443	508,120
Small hydroelectric(5)	Hydro	See note(5)	40	12(6)	155,903
500-MW Plant................	Gas/Oil	2005	500	462	2,944,714
Totals			6,054	5,601	24,258,364

(*) Does not include the Poletti plant which ceased operation on January 31, 2010. The plant's total installed capability was 885 MW and its net generation in 2010 was 111,892 MWh.

(1) Summer capability period rating.
(2) Subject to NYISO adjustments.
(3) Net of pumping energy.
(4) Consists of 10 generating units located in New York City and one located in the service territory of LIPA.
(5) Consists of Ashokan and Kensico facilities, which were placed in service in 1982 and 1983, respectively, and facilities at the Hinckley (Jarvis plant), Crescent and Vischer Ferry sites, which are part of Small Hydroelectric Development Project No. 1 and which went into commercial operation on July 1, 1991.
(6) Consistent with NYISO filed tariff revisions to modify methodologies in calculating capability limited control run of river small hydros.

St. Lawrence-FDR

The St. Lawrence-FDR Project consists primarily of the Robert Moses Power Dam located at Massena, New York, and two additional dams. The construction and operation of the St. Lawrence-FDR Project were authorized by a 50-year license issued to the Authority by the Federal Power Commission effective as of November 1, 1953. By order issued October 23, 2003, a new 50-year license was issued to the Authority by FERC (see ''St. Lawrence-FDR Relicensing'' below). Commercial production of power started in July 1958. All power is generated at the Robert Moses Power Dam, which contains sixteen 57-MW hydro-turbine generators having an aggregate nameplate capacity of 912 MW. Under the new license, a specified amount of the plant's output must be made available to neighboring states (see ''St. Lawrence-FDR Relicensing'' below). For a discussion of litigation commenced by Native American tribes claiming ownership of various lands within the boundary of the boundary of the St. Lawrence-FDR Project, see "PART 1—APPENDIX D—Litigation—Item (a)."

St. Lawrence-FDR Relicensing

On October 23, 2003, FERC approved a comprehensive relicensing settlement agreement reached by the Authority and numerous parties and issued the Authority a new 50-year license (the ‘‘New License’’) for the St. Lawrence-FDR Project. Among other things, the New License provides for the following:

(1) establishment of a $24 million fund for fish enhancement and mitigation to be used for research, construction and operation of projects benefiting fisheries in the Lake Ontario/St. Lawrence River basin;

(2) construction of a fish ladder to assist the upstream passage of American eel;

(3) allocation of 34.5 MW of power from the Project to the states of Vermont, Rhode Island, Connecticut, New Jersey, Pennsylvania and Ohio;

(4) development of various habitat improvement projects within the Project boundary;

(5) construction of new recreational facilities and rehabilitation and expansion of existing recreational facilities, including additional trails, camping facilities and boat launches; and

(6) a shoreline management plan to effectively maintain eroding shorelines in the Project’s boundary.

The Authority estimates that the total costs associated with the relicensing of the St. Lawrence-FDR Project for a period of 50 years will be approximately $210 million, of which approximately $165 million has already been spent. These total costs could increase in the future as a result of authorities reserved by FERC in the New License. A portion of these costs is reflected in the Authority’s estimate of its capital requirements for the period 2011-2014 (see ‘‘PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives’’). The Authority is collecting in its rates for the sale of St. Lawrence-FDR power amounts necessary to fund such relicensing costs.

St. Lawrence-FDR Modernization Program

The St. Lawrence-FDR Project commenced commercial operation in 1958. The Authority’s Trustees in 1997 approved initiation of a program to extend the life of, and modernize, the generation equipment at the Project, including turbines, new generation control systems, generator exciters, generator circuit breakers, and rotor pole modifications (the ‘‘Modernization Program’’).

The Authority expects that installation of new turbines will result in a two-to-four percent increase in efficiency. In addition, the Modernization Program is expected to accomplish the following: reduce the probability of catastrophic equipment failures; result in a renovated plant that is maintainable for another 50 years; reduce maintenance requirements of equipment; and render the Project capable of improved response.

The Modernization Program commenced in 1998 and is expected to be completed in 2013. The Program’s schedule allowed four years for engineering through the testing of a prototype unit and then rehabilitation of approximately three units every two years until completion. The Authority believes this timetable to be optimal for minimizing generation revenue loss while the units are being modernized.

Modernization of 14 of the 16 units has been completed.

The estimated cost of the Modernization Program is $281 million, of which approximately $223 million has been expended through June 30, 2011.

Niagara

The Niagara Project consists of a water intake, waterways, a generating plant (the ''Robert Moses Niagara Power Plant''), a pump-generating plant (the ''Lewiston Pump-Generating Plant'') with storage reservoir, and power transformation and transmission facilities. It is located at Lewiston, New York, and was constructed to implement a 1950 treaty between the United States and Canada. Power was first generated in January 1961, and the final generator went into commercial operation in October 1962.

The Robert Moses Niagara Power Plant contains thirteen hydro-turbine generators, with a nameplate capacity totalling 2,429 MW, and the Lewiston Pump-Generating Plant contains twelve hydro-turbine motor-generators, with a nameplate capacity totalling 240 MW. The nameplate capacity of Niagara is 2,669 MW.

Pursuant to a FERC-approved license amendment, the Authority, in December 2006, completed a $298 million upgrade (including licensing and preliminary engineering costs) of the 13 generating units at the Robert Moses Niagara Plant. As a result of this work, the Niagara Project is able to produce approximately 32 additional MW of power that is available on a firm basis.

In June 2010, the Authority's Trustees approved a $460 million Life Extension and Modernization ("LEM") Program at the Lewiston Pump-Generating Plant. The work to be done includes a major overhaul of the plant's 12 pump turbine generator units. The LEM Program will increase pump and turbine efficiency, operating efficiency, and the peaking capacity of the overall Niagara Project. The Authority intends to file an application with FERC for a non-capacity license amendment in connection with the program. The unit work is scheduled to begin in late 2012, with the final unit being completed in 2020.

Niagara Relicensing

In 1958 the Federal Power Commission issued the Authority a license for a period of 50 years, effective as of September 1, 1957 and expiring August 31, 2007, for the construction, operation and maintenance of the Niagara Project. Under the NRA, pursuant to which the license was granted, the Authority must give preference to public bodies and non-profit cooperatives in disposing of half of the Project's total output. A reasonable amount of such total output subject to preference (not in excess of 10% of total output) must be made available to neighboring states.

The Authority filed its application for a new Niagara Project license (''Application'') with FERC on August 18, 2005. By order issued March 15, 2007, FERC issued the Authority a new, 50-year license for the Niagara Project effective September 1, 2007, and approved various settlement agreements addressing numerous topics ("Settlement Packages") as set forth below. In mid-April 2007, two petitions for rehearing were filed by certain entities with FERC regarding its March 15, 2007 order, which petitions were denied by FERC in its order issued September 21, 2007. By decision dated March 31, 2009, the U.S. Court of Appeals for the District of Columbia Circuit denied a petition for review of FERC's orders filed by certain entities, thereby concluding all litigation involving FERC's issuance of the new license. A description of the Settlement Packages follows.

(1) Greenway

In 2004, legislation was enacted into law creating the Niagara Greenway Commission (''Greenway Commission''), a new entity charged with developing and implementing a plan to create a greenway that will ''enhance waterfront access, complement economic revitalization of the communities along the river, and ensure the long-term maintenance of the greenway''. The aggregate amount of the greenway Settlement Package funds is calculated by assuming that $7 million per year will be made available for the term of a 50-year license. The net present value of this Settlement Package is estimated at approximately $113.3 million. (All dollar amounts in these Settlement Packages descriptions are expressed in terms of net present value using 2007 as the base year.) Certain of the greenway funds are earmarked for ecological, parks and recreation, and tourism projects.

(2) Ecological

Pursuant to Section 401 of the Federal Clean Water Act (''CWA''), the New York State Department of Environmental Conservation (''DEC'') conditioned the new license issued by FERC for the Niagara Project through the issuance of a certificate confirming that the license will comply with CWA requirements. In addition, the Federal Power Act confers authority on federal and state wildlife agencies to recommend conditions to be included in the FERC license. In view of these provisions, the Authority engaged in discussions with DEC, the Fish and Wildlife Service of the U.S. Department of the Interior, and certain other interested organizations regarding appropriate enhancement and protection of ecological resources in and around the Niagara River. The resulting Settlement Package includes construction, operation, and maintenance of 8 ''Habitat Improvement Projects,'' a Fish and Wildlife Habitat Enhancement and Restoration Fund, and a Land Acquisition Fund. The net present value of this Settlement Package is estimated at approximately $30.7 million.

(3) Recreational

The original design of the Niagara Project involved the creation of Reservoir State Park within the Niagara Project Boundary established by FERC pursuant to the original license. Studies conducted as a part of the relicensing of the Niagara Project confirmed that Reservoir State Park and a number of other recreational facilities located on Authority lands within or in the vicinity of the Niagara Project Boundary were in need of repair, maintenance, and/or rehabilitation. To address this concern, a Settlement Package was developed around a series of improvements to be undertaken at Reservoir State Park, the Niagara Project Intakes, the Niagara Discovery Center, Artpark, and other public access improvements. The net present value of this Settlement Package is estimated at approximately $11.1 million.

(4) Groundwater Infiltration Abatement

Pursuant to Section 10(a) of the FPA, FERC has jurisdiction to require the modification of a project to address adverse impacts arising out of project operations. Studies conducted as part of the relicensing of the Niagara Project confirmed that, in the vicinity of the intersection of the Niagara Project Conduits (''Conduits'') and the Falls Street Tunnel (''Tunnel''), which has been incorporated into the wastewater treatment system operated by the Niagara Falls Water Board, the hydraulic influence of the Conduits causes an increase in the infiltration of groundwater into the Tunnel. Given the demonstrated impact of the Project on the Tunnel, a Settlement Package was developed around a project that involves reducing infiltration of groundwater into the Tunnel. The net present value of this Settlement Package is estimated at $19 million.

(5) Tuscarora Nation

To address a number of concerns advanced by the Tuscarora Nation (''Nation''), including cultural, environmental and historical concerns, a Settlement Package was developed involving establishment of a community fund, the conveyance of certain surplus land, the provision of up to one megawatt of low-cost power to serve the Nation's needs, the creation of a scholarship program, and the conferral of certain other benefits. The net present value of this Settlement Package is estimated at approximately $27.6 million (which includes the value of the power allocation), including payments totaling approximately $23.8 million in net present value (2007 dollars) over the term of the new license, either in the form of a single payment or a series of payments.

(6) Out-of-State Power Allocations

Pursuant to the requirements of the NRA, the Authority is required to sell fifty percent of Niagara Project power as ''preference power'' to public bodies and non-profit cooperatives and of that amount a ''reasonable portion'' but not more than twenty percent of the preference portion (or ten percent of the total) must be made available for sale in ''neighboring states''. The Authority is currently selling ten per cent of Niagara Project firm and peaking power to seven ''neighboring states'', the State of Connecticut; the Commonwealth of Massachusetts; the State of New Jersey; the State of Ohio; the Commonwealth of Pennsylvania; the State of Rhode Island; and the State of Vermont. The Authority reached a settlement with the neighboring states under which license articles consistent with the NRA's neighboring state sales requirements would be included in the Authority's new license for the Project and the seven states would support the Authority's application to FERC for a new fifty-year license and the settlements with other parties. The settlement also provides that the Authority staff will recommend to its Trustees that they approve and recommend to the Governor for his approval new contracts with terms through September 1, 2025 for the continued sale of ten percent of Project power to the states at cost-based rates. Such contracts were subsequently approved by the Governor and are in place. The form of contract allows the Authority to petition FERC to allow the sale of less than ten percent (but not less than 7.5%) of Niagara Project power to the neighboring states, with such reduction to take effect prospectively only after a final, non-appealable FERC order.

(7) Host Communities

The Niagara Project Boundary encompasses lands within seven taxing jurisdictions: Niagara County, the Towns of Lewiston and Niagara, the City of Niagara Falls, and three school districts. While some of these lands were acquired by the Authority from entities that were already tax-exempt (e.g., Niagara University and the Tuscarora Nation), most of the land so acquired became tax-exempt at the time the Niagara Project was created. To address this concern and a number of other concerns advanced by these municipal entities, including socioeconomic concerns, a Settlement Package was developed that involves establishing a community fund, conveying certain surplus land, and providing 25 MW of low-cost power. The net present value of this Settlement Package is estimated at approximately $182.6 million (which includes the value of the power allocation).

Further, in December 2005, the Authority reached an additional relicensing settlement agreement with the City of Buffalo and Erie County. The Authority's commitments pursuant to this agreement include establishment of an Erie County Greenway Fund to be funded by the Authority through annual payments of $2 million throughout the term of the new license; contribution of a minimum payment of $2.5 million per year throughout the term of the new license into a Buffalo Waterfront Development Fund, $1.5 million of which will represent the net value of 5 MW of firm hydropower sold into the NYISO market; the payment of $4 million to be used for projects on Buffalo's waterfront; the payment of $1 million annually to Empire State Development Corporation for economic development and revitalization activities in the vicinity of Buffalo's waterfront; and the possible return of a parcel of waterfront property currently used by the Authority as an ice boom storage area. In July 2010, the Authority agreed to an amendment of this settlement agreement to accelerate the payments for Buffalo's waterfront development to $4.7 million per year for twenty years versus the original $3.5 million per year for fifty years in order to facilitate the development of the proposed Canal Side project in Buffalo.

Further, in May 2006, the Authority entered into a settlement agreement with Niagara University consisting of a $10.5 million capital/aesthetics fund and a 3 MW power allocation from the Niagara Project to be sold to the university at the Authority's business rate. The net present value of this settlement package (including the value of the power allocation) is estimated to be $21.6 million.

Each settlement agreement was, among other things, conditioned on issuance of a 50-year license by FERC that is fully consistent with the terms set forth therein, and that FERC's action on the final license application must be preceded by and based on review of associated environmental impacts pursuant to the National Environmental Policy Act.

The Authority currently expects that the costs associated with the relicensing of the Niagara Project for a period of 50 years will be at least $495 million (2007 dollars) which includes $50.5 million in administrative costs associated with the relicensing effort and does not include the value of certain power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. Of the $495 million, approximately $201 million has already been spent. The Authority expects to collect in its rates for the sale of Niagara power amounts necessary to fund such relicensing costs.

Blenheim-Gilboa

The Blenheim-Gilboa Project is located on the Schoharie Creek in the towns of Blenheim and Gilboa, Schoharie County, New York, and was built pursuant to a 50-year license issued by the Federal Power Commission effective May 1, 1969. The Project was first operated in 1973, and consists primarily of a lower and upper reservoir and pump-generating power plant containing four reversible hydraulic pump-turbines. With the recent completion of the LEM Program (discussed below), the Project now has an installed capacity of 1,160 MW.

In November 2003, the Authority's Trustees approved the initiation of a Life Extension and Modernization Program (''LEM Program''), estimated to cost $135.5 million, to renovate and modernize the Blenheim-Gilboa Project's generating equipment. A principal component of the LEM Program was the replacement of the four pump turbines with modern designs to achieve improvements in cycle efficiency, pumping flows and range of operation. The LEM Program also involved the rehabilitation and modernization of numerous Project systems, including structural rehabilitation of the motor-generators, replacement of the main power transformers and rehabilitation of the spherical valves that seal the units from the upper reservoir. The LEM Program began in the Fall of 2006 and was completed in May 2010. The increase in plant capacity as a result of the new pump turbines (120 MW) required the Authority to file an application for an amendment to its FERC license, which FERC approved in April 2006.

500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant

To serve its NYC Governmental Customer load and to comply with the NYISO in-City capacity requirement in the New York City area (see ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR—NYISO Capacity Requirements Matters''), the Authority constructed a 500-MW combined-cycle natural-gas-and-distillate-fueled power plant in Queens, New York, as the most cost-effective means of effectuating such compliance. The 500-MW Plant entered into commercial operation in December 2005. In connection with the licensing of the 500-MW Plant, the Authority entered into a stipulation agreement that required, and resulted in, the cessation of operation of the Poletti generating plant (which had entered into service in 1977) on January 31, 2010. At the time of cessation, the Poletti Plant was fully depreciated and no debt remained outstanding; however, the Authority is expecting to incur as much as $90 million in costs associated with the decommissioning of the Plant. The timing for and ultimate cost of decommissioning are still under review. The anticipated costs of decommissioning are being amortized in the NYC Governmental Customer rates over a 25-year period beginning in 2005.

In June 2007, the Authority awarded a long-term service agreement (''LTSA'') for the 500-MW Plant with a term of up to 15 years and at a cost of up to $105 million. The LTSA covers scheduled major maintenance, including parts and labor; contingencies for escalation of materials and labor; and potential extra work.

SCPPs

To meet potential capacity deficiencies in the New York City metropolitan area, which could also adversely affect the statewide electric pool, and to meet installed capacity requirements relating to its SENY and Long Island customers, the Authority installed eleven natural-gas-fueled electric generation units at six sites in New York City and at one site on Long Island which entered into commercial operation in 2001. Each small power plant has a nameplate rating of 47 MW. However, as a result of commitments made by the Authority in the course of obtaining regulatory authorizations for the plants, at sites which house two units, the combined output of the plants cannot exceed 79.9 MW.

The New York City plants are located as follows: one plant is located at a site in Williamsburg, Brooklyn; one plant is located at a site in Staten Island at Lynhurst Avenue and Edgewater; two plants are located at a site in Sunset Park, Brooklyn; two plants are located at a site in Long Island City, Queens; two plants are located at a site in the Bronx at Hell Gate; and two plants are located at a site in the Bronx at the Harlem River Yards.

In December 2001, the Authority, DEC, The City of New York (the ''City''), and certain of the petitioners involved in litigation relating to the SCPPs located at Vernon Boulevard, Long Island City, site in Queens (the ''Stipulation Petitioners'') entered into a Stipulation of Settlement (the ''Stipulation'') which settled the litigation. Among other things, the Stipulation provides that the Authority will cease operations of its two small power plants (the ''VB Power Plants'') at the Vernon Boulevard site (the ''VB Site'') upon the date of commencement of the commercial operation of either:

(i) the Authority's 500-MW Plant; or

(ii) a proposed 1000-MW plant (the ''1000-MW Plant'') to be built by another entity and known as the Astoria Energy LLC project;

provided that the Authority's cessation and removal obligations can only be enforced by the Mayor of the City of New York, when the Mayor deems it advisable and after consulting with the President of the Borough of Queens and the Councilmember from the 26th Council District in Queens, New York City.

Upon a decision to remove the plants, the Authority would be required to expeditiously remove the turbines, generators, skids and associated equipment from the VB Site within 90 days after such cessation. Under the Stipulation, the Stipulation Petitioners agree to reasonably support any voluntary activities by the Authority, to the extent permitted by law, aimed at relocating the two VB Power Plants to an appropriate site in the Borough of Queens.

The Stipulation also provides that if, as of the day prior to the date on which the Authority is obligated to cease operations of the VB Power Plants pursuant to the Mayor's enforcement action, discussed above, the aggregate electrical generating capacity (exclusive of the VB Power Plants) as determined by the NYISO or any successor entity, amounts to less than 81% of the total in-City projected peak electrical demand as determined by the NYISO or a successor entity for the summer of the year in which the Authority ceases such operation, then the City shall, within 6 months of receipt of documentation of project cost and expenses, reimburse the Authority in an amount equal to the Authority's unamortized cost for the Vernon Boulevard facility (including, without limitation, the costs of purchasing and installing the units and all associated equipment, all site acquisition and remediation costs, and the costs of all foundation, piling and duct work), but in no event shall such reimbursement exceed $40 million. The City's payment obligation, however, is conditioned upon the Authority having offered, for a specified period, to sell at fair market value the VB Power Plants to an entity willing to remove and relocate those units to another location serving the New York City load pocket. For purposes of this payment obligation, such unamortized cost shall equal the Authority's documented Vernon Boulevard facility costs up to an aggregate of $100 million, plus the amount the Authority pays for removal, less (a) any net revenue received by the Authority from operation of the VB Power Plants, including, without limitation, capacity, energy and ancillary service revenues, if such services are being billed through the contracts with the City, (b) the actual resale value or the fair market value, whichever is greater, of any such equipment sold or otherwise disposed of by the Authority upon the cessation of operations of the VB Power Plants and (c) the fair market value of the VB Site at such time.

The Authority does not believe that cessation of operations and removal of the VB Power Plants, if that should occur, will have any additional material impact on the Authority.

Flynn

The Flynn Project consists of a combined-cycle, natural-gas-and-distillate-fueled electric-generating plant and associated facilities, including a 102-MW combustion turbine-generator, a 56-MW steam turbine-generator, and a heat-recovery steam generator. The plant was built on a site at Holtsville in Suffolk County, New York. The Project began commercial operation in May 1994. The Flynn plant has a nameplate rating of 164 MW. The full output of Flynn is being sold to LIPA under a capacity supply agreement, as amended (see ''PART 2—POWER SALES—Flynn'').

The availability factors for the Flynn Plant for 2009 and 2010 were 99.5% and 72.7%, respectively. The drop in 2010 was due to an unplanned gas turbine generator outage from May to August.

Small Hydroelectric Facilities

(1) Ashokan and Kensico. Ashokan is a small hydroelectric facility with a nameplate rating of 4.75 MW, consisting of the addition of hydroelectric generating equipment to the headworks of the Catskill Aqueduct at Ashokan Reservoir, in the Township of Olive, near Kingston, in Ulster County, New York. Kensico is a small hydroelectric facility with a nameplate rating of 3 MW, consisting of the addition of hydroelectric generating equipment to the headworks of the lower Catskill Aqueduct at Kensico Reservoir in the Town of Mount Pleasant, near White Plains, in Westchester County, New York. The plants are exempt from Federal licensing requirements. The Authority is planning on retiring the Kensico facility in 2013.

(2) Small Hydroelectric Development Project No. 1. The Project facilities have a combined nameplate capacity of 32.2 MW and are located at the following sites in New York State: Crescent Dam on the Mohawk River in Albany and Saratoga Counties; Vischer Ferry Dam on the Mohawk River in Saratoga and Schenectady Counties; and Hinckley Dam on West Canada Creek, near the Hamlet of Hinckley in Oneida and Herkimer Counties. The 40-year FERC licenses for these facilities expire on May 31, 2024, May 31, 2024 and July 31, 2022, respectively.

Tropical Storm Irene

In late August 2011, Tropical Storm Irene passed through the Northeast and caused, among other things, widespread and severe flooding. The Authority's facilities that were impacted were the Vischer Ferry small hydroelectric plant (which is part of the Small Hydroelectric Development Project No. 1, discussed immediately above) and the Blenheim-Gilboa Project (see "PART 2—THE AUTHORITY'S FACILITIES—Generation—*Blenheim-Gilboa*"). Both plants are operational. As a result of the storm, the Authority estimates it will expend (i) approximately $5 million at the Vischer Ferry plant to make certain repairs and improvements to the locks and related berms and (ii) between approximately $4-$7 million at the Blenheim-Gilboa Project to restore and improve containment berms and to remove and secure debris. It is possible that some of these expenditures may be offset by insurance recoveries and/or reimbursement by the Federal Emergency Management Agency.

Transmission

The Authority's Transmission System

The Authority owns, operates and maintains more than 1,400 circuit miles of high voltage (115-kV-765-kV) transmission lines in New York State. These lines include a 765-kV line south from the Canadian border to Marcy, New York; two 345-kV lines from the Niagara Project east to Niagara Mohawk's Edic Substation in central New York; two 345-kV lines from Marcy, New York, connecting to other utility substations in southeastern New York; three 345-kV lines from the Blenheim Gilboa Project extending to substations near Athens, New Scotland, and Delhi, respectively; two 230-kV lines extending east from the St. Lawrence Project to Plattsburgh, New York, and to the Vermont border; two 230-kV lines extending south from the St. Lawrence Project to Belfort, New York; a single circuit underground and underwater line extending across Long Island Sound between Con Edison's substation in Westchester County and LIPA's substation in Nassau County, New York; several 115-kV lines connected directly to large industrial customers and other shorter lines connecting the Authority's generating facilities to the transmission grid.

In 2003, the Authority completed construction of a transmission control device known as the Convertible Static Compensator at its Marcy substation. This technology provides voltage control and helps reduce congestion on heavily used transmission lines between Utica and Albany, New York.

Long Island Sound Cable

The Cable consists of a 345-kV underground and underwater transmission cable, extending for approximately 26.6 miles from the Sprain Brook substation owned by Con Edison in Westchester County, New York, to the East Garden City substation owned by LIPA in Nassau County, New York, and includes an underwater crossing of approximately 7.9 miles of Long Island Sound. Installation of the Cable was completed in 1991.

Tri-Lakes Transmission Reinforcement Project

In September 2004, the Authority, National Grid, and the Villages of Tupper Lake and Lake Placid executed a settlement agreement designed to settle a dispute relating to cost responsibility for certain transmission system upgrades. Under the settlement agreement, National Grid is responsible for the construction of substation equipment and a new overhead line to alleviate serious transmission capacity deficiencies in the Lake Placid, Tupper Lake and Saranac Lake, New York, area of the Adirondacks. The upgrades consist of (a) one 46-kV Static Var Compensator (''SVC'') at Tupper Lake and one 115-kV SVC at Lake Colby (collectively, the ''SVCs''); and (b) a new overhead 46-kV line from Stark/Townline substation to a new regulator station at Piercefield (the ''New Line'') (collectively, the ''Tri-Lakes Project'').

National Grid is responsible for the design, engineering, procurement, construction, installation, testing, and overall project management for the Tri-Lakes Project, subject to oversight by the Authority. The Authority was the applicant for governmental permits or approvals required for the siting or construction of the New Line, and National Grid was the applicant for permits or approvals required for the SVCs. The SVCs were placed into service in 2007 and the New Line entered into service in May 2009. The settlement agreement contemplated that the Authority would own and finance the Tri-Lakes Project up to January 1, 2012, at which time the Tri-Lakes Project would be transferred to National Grid upon payment of the Net Project Cost, as defined below. The parties are considering advancing the transfer date.

The current cost estimate for the Tri-Lakes Project is $52.9 million (''Total Project Cost''). The Net Project Cost shall equal the Total Project Cost less $9.7 million (in 2004 dollars), which is the portion of the Tri-Lakes Project cost borne by Tupper Lake ($3.2 million) and Lake Placid ($6.5 million). The Authority will finance both National Grid's and the Villages' share of the Total Project Cost but will be reimbursed for these costs. The Authority and National Grid will share equally in any cost increases above the estimated cost of the transmission line part of the Project (estimated to cost $15.8 million in 2004 dollars). The Authority's share of cost increases is estimated to be less than $10 million.

Certain Operating Information

Effective in 1965, the Authority and Ontario Hydro entered into a Memorandum of Understanding containing provisions for coordinated operation of the two systems, for interchange of power and energy at the Niagara and St. Lawrence-FDR Project interconnections and for the use of generating equipment of either system by the other in order to make optimum use of all available water at all times. The agreement provides for the sale by either party to the other of various classes of power and energy, and continues in force from year to year, subject to termination by either party on not less than five years' prior notice in writing.

The operation of Authority projects is subject to various federal and State licensing and permit requirements which have constrained facility operations and have caused and are expected to continue to cause the Authority to incur additional costs or to experience a reduction of revenues. Further plant improvements and modifications may be required by regulatory action or be deemed desirable by the Authority as the result of problems identified from its operating experience or that of operators of similar facilities.

Fuel Supply

Flynn, 500-MW Plant, SCPPs, and Astoria Energy II plant

The Authority endeavors to purchase sufficient amounts of fuel for Flynn, the 500-MW Plant, the SCPPs, and the Astoria Energy II plant to meet the fuel requirements of these plants. Natural gas is secured for these plants as required while the Authority maintains adequate oil inventory at the 500-MW Plant, Flynn, and the Astoria Energy II plant to supplement natural gas consumption. Fuel purchases are effectuated in the spot market and, at times, through longer term supply contracts for natural gas.

Gas Transportation and Supplies

The Authority has entered into service agreements with Texas Gas Transmission, LLC, Dominion Transmission, Inc., and Transcontinental Gas Pipe Line Corporation terminating in October 2016 under which these pipelines provide firm natural gas transportation service at an estimated average annual cost to the Authority of $7.5 million per year, based on current rates applied to the Authority's full allocation of capacity. The transportation primarily serves the Flynn plant, and also serves the SCPPs, the 500-MW Plant, and the Astoria Energy II plant. To the extent transportation costs are for gas used at the Flynn plant, the recovery of such costs from LIPA would be governed by the terms of the capacity supply agreement, as supplemented, relating to the plant (see ''PART 2—POWER SALES—Flynn'').

The Authority entered into an agreement with Con Edison ending April 30, 2016 which provides gas transportation and balancing services to the Authority to serve its expected fuel needs for the 500-MW Plant, the Astoria Energy II plant, and the SCPPs located in Con Edison's service territory, at an estimated annual cost of $2.7 million, exclusive of applicable taxes and balancing charges, if any. The Authority has also entered into gas transportation and balancing agreements with National Grid Delivery Long Island, Inc., and National Grid Delivery New York, Inc., ending February 28, 2014, which provide gas transportation and balancing needs of its SCPPs located in the service territories of such utilities, at an estimated annual cost of $1.2 million, exclusive of applicable taxes and balancing charges, if any.

LEGISLATION AFFECTING THE AUTHORITY

Section 1011 of the Act constitutes a pledge of the State to holders of Authority obligations not to limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged or unless adequate provision is made by law for the protection of the holders thereof. Bills are periodically introduced into the State Legislature which propose to limit or restrict the powers, rights and exemption from regulation which the Authority currently possesses under the Act and other applicable law or otherwise would affect the Authority's financial condition or its ability to conduct its business, activities, or operations, in the manner presently conducted or contemplated hereby. It is not possible to predict whether any such bills or other bills of a similar type which may be introduced in the future will be enacted.

In addition, from time to time, legislation is enacted into New York law which purports to impose financial and other obligations on the Authority, either individually or along with other public authorities or governmental entities. The applicability of such provisions to the Authority would depend upon, among other things, the nature of the obligations imposed and the applicability of the pledge of the State set forth in Section 1011 of the Act to such provisions. There can be no assurance that in the case of each such provision, the Authority will be immune from the financial obligations imposed by such provision. Examples of such legislation affecting only the Authority include legislation, discussed above, relating to the Authority's voluntary contributions to the State, the Authority's temporary transfer of funds to the State, the Power for Jobs and Energy Cost Savings Benefits programs, and the establishment of the Western New York Economic Development Fund Benefit program (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Voluntary Contributions to the State General Fund, Temporary Transfer of Funds to State; POWER SALES—Marketing Issues and Developments—Items (3), (5), (6)"). Set forth below are descriptions of certain other legislative provisions that are relevant to the Authority.

(1) Section 2975 of the New York Public Authorities Law establishes a Governmental Cost Recovery System, pursuant to which certain public benefit corporations, defined as having three or more members appointed by the Governor, are subjected to assessment for the costs of central governmental services attributable to such public benefit corporations, pursuant to a statutory assessment methodology. Such a public benefit corporation may, however, pursuant to Section 2975, opt to enter into an agreement with the State Director of the Budget providing for alternative cost recovery to the State. Consistent with such alternative agreement mechanism, the Authority in the past has voluntarily entered into agreements with the Division of the Budget pursuant to which the Authority has made payments to the State relating to such cost recovery assessments. In connection with the Authority's temporary transfer of funds to the State in 2009 (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Temporary Transfer of Funds to State"), the Authority executed an alternative cost recovery agreement with the Director of the Budget whereby the Authority was relieved of any obligation to make payments under Section 2975 from 2009 to 2017, up to a maximum of $45 million.

(2) In 1995 and thereafter, legislation was enacted into New York law which authorizes the Authority to utilize an aggregate of $60.3 million in POCR funds and $600,000 of other State funds, to be made available

to the Authority by the State pursuant to the legislation, for a variety of energy-related purposes with certain funding limitations. The legislation also states that the Authority ‘‘shall transfer’’ equivalent amounts of money to the State prior to dates specified in the legislation. The use of POCR funds is subject to comprehensive Federal regulations and judicial orders, including restrictions on the type of projects which can be financed with POCR funds, the use of funds recovered from such projects, and the use of interest and income generated by such funds and projects. Pursuant to the legislation, the Authority is implementing various energy services programs utilizing such appropriated funds, which programs have received all necessary approvals (see ‘‘PART 2—ENERGY SERVICES’’). The Authority entered into agreements with the State Division of the Budget obligating it to transfer $60.9 million to the State upon the transfer of the $60.9 million in POCR and other State funds to the Authority. The disbursement of the appropriated funds to the Authority, and the Authority’s transfer of $60.9 million to the State, has occurred. The appropriated funds are being held in an escrow account for the approved purposes.

(3) The New York Executive Law was amended in 2004 to add a new Section 713, entitled ‘‘Protection of Critical Infrastructure including Energy Generating and Transmission Facilities.’’ The statute provides, in relevant part, that the New York State Director of Public Security (‘‘Director of Public Security’’) shall conduct a review and analysis of measures being taken by the New York Public Service Commission (‘‘PSC’’) and any other agency or authority of the State or any political subdivision thereof and, to the extent practicable, of any federal entity, to protect the security of critical infrastructure related to energy generation and transmission located within New York State. The Director of Public Security is granted the authority to review any audits or reports related to the security of such critical infrastructure, including audits or reports conducted at the request of the PSC or any other agency or authority of the State or any political subdivision thereof or, to the extent practicable, of any federal entity. The statute provides for periodic reporting by the Director of Public Security to the Governor, the Temporary President of the New York Senate, the Speaker of the New York Assembly, the Chairperson of the PSC and the chief executive of any affected generating or transmission company or his or her designee. Such reports are to review the security measures being taken regarding critical infrastructure related to energy generating and transmission facilities, assess the effectiveness thereof, and include recommendations to the State Legislature or the PSC if the Director of Public Security determines that additional measures are required to be implemented, considering, among other factors, the unique characteristics of each energy generating or transmission facility.

The statute provides that ‘‘[e]xcept in the case of federally licensed electric generating facilities, the public service commission shall have the discretion to require that the recommendations of the director of public security be implemented by any owner or operator of an energy generating or transmission facility.’’ For the purposes of the statute, ‘‘critical infrastructure’’ means systems, assets, or things, whether physical or virtual, so vital to the State that the disruption, incapacitation or destruction of such systems, assets, places or things could jeopardize the health, safety, welfare or security of the State, its residents or its economy.

(4) The ‘‘Public Authorities Accountability Act of 2005’’ (‘‘PAAA’’) was signed into law in 2006, and it addresses a wide range of matters pertaining to many public authorities in the State, including the Authority. Among other things, the PAAA increases the number of Trustees of the Authority from five to seven; increases requirements applicable to public authorities’ annual reports; sets forth requirements relating to independent audits and audit reports of public authorities; sets forth roles and responsibilities of public authority board members and establishes certain restrictions on such board members; establishes certain rules regarding board membership, including financial disclosure requirements; sets forth requirements pertaining to public authorities’ disposition of real and personal property; and creates a State Authority Budget Office and a State Inspector General’s Office. Additional public authority reform legislation took effect on March 1, 2010 which provides, among other things, for State Senate approval of various public authorities’ chief executive officers, including the Authority, and grants the State Comptroller discretionary authority to review and approve certain contracts entered into by public authorities, including the Authority.

(5) On October 1, 2010, the Governor signed into law the North Country Power Authority Act ("Act") creating in law the North Country Power Authority ("NCPA"). The NCPA's purpose is to finance and operate a municipal electric system serving a group of 24 municipalities in the New York State counties of St. Lawrence and Franklin. It is anticipated that the NCPA would purchase certain distribution and related assets from National Grid to provide utility service to this area. The Act provides for the NCPA's powers and duties, and authorizes the NCPA to, among other things, enter into contracts to purchase power from the Authority and other available sources. It is unclear when the NCPA may begin operations. It has no assets and many of the actions it must undertake in order to operate are subject to approval of New York State regulatory bodies. Accordingly, at this time, it is uncertain what effect if any the Act will have on the Authority's operations.

Information on legislation affecting the Authority is also available from many sources in the public domain, and potential purchasers of the 2011 A Bonds should obtain and review such information.

EXECUTIVE ORDER NO. 111

In Executive Order No. 111, issued in 2001 (the ''Executive Order''), the Governor, among other things, required State agencies and other affected entities, as defined in the Executive Order, with responsibility for purchasing energy to increase their purchases of energy generated from the following renewable energy technologies: wind, solar thermal, photovoltaics, sustainably managed biomass, tidal, geothermal, methane waste and fuel cells. State agencies and other affected entities must seek to purchase sufficient quantities of energy (or renewable energy attributes) from these technologies so that 10 percent of the overall annual electric energy requirements of buildings owned, leased or operated by such entities was met through these technologies by 2005, increasing to 20 percent by 2010. No agency or affected entity is exempt from these goals except pursuant to criteria developed by the New York State Energy Research and Development Authority. For the purposes of the Executive Order, ''State agencies and affected entities'' means agencies and departments over which the Governor has Executive authority and all public benefit corporations and public authorities the heads of which are appointed by the Governor. Regarding those Authority governmental customers falling within the scope of the Executive Order, the Authority has offered to provide such renewable energy attributes, and is providing them, to several such customers with full costs being recovered by the Authority.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The Electric Utility Industry Generally

Energy Policy Act of 1992

The Energy Policy Act of 1992 made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition in the wholesale electric power supply market. These changes have increased competition in the electric utility industry.

Federal Initiatives under the Energy Policy Act of 1992

On April 24, 1996, FERC issued a Final Rule (''Order No. 888'') significantly changing the regulation of transmission service performed by electric utilities subject to FERC's jurisdiction under sections 205 and 206 of the FPA. Among other things, FERC ordered pro forma, open-access, non-discriminatory transmission tariffs be placed into effect for all jurisdictional utilities on or before July 9, 1996. The goal of Order No. 888, according to FERC, was to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient lower cost power to the nation's electricity consumers by denying to a generator of electric energy any unfair advantage over its competitors that exists by virtue of its ownership of its transmission system.

Although the Authority was not subject to FERC's jurisdiction under sections 205 and 206 of the FPA at the time Order No. 888 was issued, Order No. 888 nevertheless has had a significant effect on the Authority and was the impetus to the Authority participating in the formation of the NYISO (see ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR''). In Order No. 888, FERC stated that it intended to apply the principles set forth in Order No. 888 to the maximum extent to consumer-owned and other non-jurisdictional utilities, both in deciding cases brought under sections 211 and 212 of the FPA and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs (see ''Energy Policy Act of 2005'' below).

Energy Policy Act of 2005

The ''Energy Policy Act of 2005'' (the ''Energy Policy Act''), among other things: (a) authorizes FERC to require ''unregulated transmitting utilities'' that formerly were exempt from regulation under sections 205 and 206 of the FPA (including the Authority) to provide open access to their transmission systems and to comply with certain rate change provisions of section 205 of the FPA; authorizes FERC to order refunds for certain short-term wholesale sales made by state and municipal power entities (including the Authority) if such sales violate FERC-approved tariffs or FERC rules; (c) allows load serving entities holding certain firm transmission rights to continue to use those rights to serve their customers; (d) provides that an ''electric reliability organization'' (''ERO'') shall develop reliability standards for operation of the transmission grid subject to FERC approval, that compliance with such standards will be mandatory and enforceable by the ERO and FERC, and that the ERO may delegate its authority to regional entities subject to FERC approval (see North American Electric Reliability Corporation ("NERC") Reliability Standards, below); (e) adds to the FPA a prohibition on market manipulation and submission of false information, and expands civil and criminal penalties for violation of the FPA; (f) authorizes FERC to issue construction permits for transmission projects located in ''national interest electric transmission corridors'' (to be designated by DOE) in circumstances where the applicable state or regional siting agency does not timely authorize a project or imposes unreasonable conditions; (g) eliminates certain ownership restrictions on electric utilities regarding ''qualifying facilities'' under section 210 of the Public Utility Regulatory Policies Act (''PURPA''), and authorizes FERC to eliminate prospectively the obligation of electric utilities to purchase and sell electricity to such qualifying facilities if certain market condition findings are made by FERC; (h) requires state utility regulatory commissions and ''non-regulated electric utilities'' (including the Authority) to consider adopting certain standards on net metering, fuel diversity, fossil fuel plant diversity, certain metering and time-based rate schedules and demand response, and interconnection with distributed generation facilities; (i) repeals the Public Utility Holding Company Act (''PUHCA''), effective six months after enactment of the Energy Policy Act; (j) increases FERC's authority to review mergers of public utility companies; and (k) directs FERC to establish transmission investment incentives in transmission rate structures for public utilities. The foregoing discussion of certain provisions of the Energy Policy Act does not purport to be a comprehensive discussion of the Energy Policy Act. Information on the Energy Policy Act is available from many sources in the public domain, and potential purchasers of the 2011 A Bonds should obtain and review such information.

North American Electric Reliability Corporation ("NERC") Reliability Standards

Pursuant to the Energy Policy Act, FERC in 2006 certified NERC as the nation's ERO and as of June 2007 granted it legal authority to enforce comprehensive Reliability Standards for all users, owners, and operators of the bulk power system in the United States, including the Authority. NERC has authority to levy penalties for non-compliance with the Reliability Standards, with fines of up to $1 million per day per violation for the most serious violations. FERC has approved a set of agreements between NERC and Regional Entities (in the Northeast United States, the Northeast Power Coordinating Council, "NPCC") delegating to them certain authority to monitor and enforce compliance with the Reliability Standards.

The Reliability Standards became effective in June 2007, with additional standards under development and existing standards undergoing revision. The Reliability Standards are applied according to a Functional Model established by FERC that places responsibility for compliance with entities that perform the various Functions. The Authority is currently registered with FERC to perform five of these Functions: Transmission Owner, Generation Owner, Generation Operator, Purchasing Selling Entity, and Load Serving Entity, and the Authority is required to comply with the Reliability Standards applicable to these Functions.

Dodd-Frank Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act ("DF Act") which addresses, among other things, interest rate and energy swap transactions of the type in which the Authority engages ("Swaps"). Many of the requirements and processes in this area are to be set forth in regulations promulgated by the Commodities Futures Trading Commission ("CFTC"). The CFTC issued an order on July 14, 2011 that delayed implementation of many of the substantive provisions of the DF Act until December 31, 2011. Depending on the ultimate resolution of numerous issues, which is uncertain, including whether and to what extent Swaps are required to be cleared through clearinghouses and/or traded on exchanges with accompanying collateral and/or margin requirements; whether and to what extent Swaps entered into prior to the enactment of the DF Act are required to be collateralized; and whether and to what extent public power entities such as the Authority are exempted from these requirements, the impact of the DF Act on the Authority's liquidity and/or future risk mitigation activities could be significant. In the event that the DF Act provisions are applied retroactively to Swap positions predating the enactment of the DF Act, it could require the Authority to post as much as $180 million in collateral to maintain its open hedge positions. The Authority currently has sufficient liquidity to post such collateral, if required. Extensive information on the DF Act is available from many sources in the public domain, and potential purchasers of the 2011 A Bonds should obtain and review such information.

New York State Electric Utility Industry Restructuring Matters

Development of a Competitive Market for Electricity in New York

Following extensive proceedings, the PSC issued an Opinion and Order on May 20, 1996 (''Order 96-12'') in the competitive opportunities proceeding which set forth the PSC's goals of, among other things, increasing competition and customer choice in the retail electric market, lowering electric rates, and encouraging the New York investor-owned electric utilities to divest their generation assets. In Order 96-12, the PSC required these investor-owned electric utilities (with certain exceptions) to file individual restructuring and rate proposals that were responsive to the PSC's goals. The PSC ultimately approved multi-year restructuring and rate plans for each of the investor-owned electric utilities that the PSC deemed to be consistent with its goals set forth in Order 96-12.

In its appearances in proceedings before the PSC, the Authority has been primarily concerned with the level and structure of the utilities' delivery rates, as well as the potential application of charges for the ''stranded costs'' of the utilities, that would be applicable to the Authority and its customers. Treatment of these matters under the National Grid, Con Edison and NYSEG rate plans currently in effect is described below.

National Grid

In January 2010, National Grid filed a proposed multi-year rate plan to supplant its existing rate plan that generally governed its delivery rates through 2011. Evidentiary hearings were conducted on the filing which concluded in September 2010. A final PSC order was issued on January 24, 2011.

National Grid's filing would have imposed large delivery rate increases on all of the Authority's customers effective in 2012 and 2013; however, the company later withdrew its proposal for rate increases in 2012 and 2013, and the proceeding only concerned the 2011 rate year. Based on stipulations reached in the case, the final PSC order established that the delivery rates applicable to the Authority's "existing" allocations for RP, EP, EDP, PFJ power, and certain high load factor power would continue unchanged through 2011 and the current broad exemption from stranded cost recovery would continue for Authority customers through 2011. "New" allocations of Authority power, which were already subject to National Grid's regular tariff delivery rates, became subject to the revised delivery rates ultimately approved by the PSC in the case. Finally, the PSC's approved rate plan provides for National Grid's stranded costs to be fully recovered by the end of the 2011 rate year.

Con Edison

By order issued March 26, 2010, the PSC approved a settlement agreement, materially as submitted, by Con Edison and other parties, including the Authority, pertaining to Con Edison's delivery charges for the three-year period ending March 31, 2013 (''Joint Proposal''). Under the Joint Proposal, Con Edison's delivery revenues will increase by $420.4 million in each of the three rate years. The overall bill impact on Con Edison customers is an increase of approximately 3.6% in each year. The Authority's SENY Governmental and EDP customer class rates were assigned certain cost of service deficiency surcharges totaling $25.2 million over the three-year period which were significantly less than the $43.2 million proposed by Con Edison. Under the rates approved by the PSC, the Authority's customers generally will continue to be exempt from paying any stranded costs of Con Edison.

NYSEG

By order issued September 21, 2010, the PSC approved a settlement agreement governing NYSEG's rates through December 31, 2013. Most of the Authority's EP customers served by NYSEG are grandfathered into certain rates through 2013, and RP and EDP customers receiving service under a 2007 agreement will receive a 1.3% decrease, a 2.1% increase, and a 2.6% increase, respectively, during the three rate years of 2011-2013. Under previous agreements approved by the PSC, the Authority's existing allocations and new allocations up to 100 MW have been exempted from stranded cost recovery, and those agreements are not disturbed by the PSC's September 2010 order.

New York City and Long Island Local Reliability Rules

The NYISO has established local reliability rules for New York City and Long Island, New York, that require entities serving load in these areas to have at least 81% and 101.5% of the capacity necessary to service such load located in New York City and on Long Island, respectively. Through a combination of existing generation, capacity purchases and other arrangements, the Authority met the NYISO's capacity requirements for the Summer 2010 Capability Period and expects to meet through these means future capacity requirements.

Environmental

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the Authority's facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in substantial additional capital expenditures to comply, reduced operating levels or the complete shutdown of individual electric generating units not in compliance, and an adverse impact on Authority revenues.

On July 6, 2005, the U.S. Fish and Wildlife Service (''FWS'') initiated a status review under the Endangered Species Act (16 U.S.C. 1531 *et seq.)* to determine if listing the American eel as threatened or endangered is warranted. American eels are a fish species that migrate between freshwater and the ocean, and their wide range includes the Atlantic seaboard of the United States and Canada and the Great Lakes' drainages. In findings issued February 2, 2007, the FWS determined that such a listing is not warranted. However, in April 2010, the FWS was again petitioned to list the American eel as threatened or endangered and a preliminary determination to conduct another full review is pending before the FWS. In the event the FWS were to determine in the future to list the American eel as threatened or endangered, such a determination could potentially result in significant additional costs and operational restrictions on hydroelectric generating facilities located within the range of the species, including the Authority's St. Lawrence-FDR Project.

There is concern by individuals, the scientific community and Congress regarding possible environmental damage resulting from the use of fossil fuels. The Authority's 500-MW Plant, Flynn plant and its SCPPs use fossil fuels as does the Astoria Energy II plant. Congressional and regulatory action for the increased regulation of air, water and contaminants is periodically considered, and there are a number of pending or enacted legislative proposals which may affect the electric utility industry. The impact on the Authority's operations of any such laws or regulations is not presently predictable or quantifiable.

On March 10, 2005, the U.S. Environmental Protection Agency ("EPA") issued the Clean Air Interstate Rule ("CAIR"), seeking to achieve the largest reduction in air pollution in more than a decade, using a cap and trade system to reduce emissions of sulfur dioxide (SO_2) and nitrogen oxides (NOX) in the eastern United States. The CAIR allowances consisted of SO_2, annual NOX, and ozone season NOX allowances. On July 11, 2008, the U.S. Court of Appeals for the D.C. Circuit issued an opinion finding several flaws in the CAIR, vacated the rule and remanded the matter to the EPA. The EPA petitioned the Court for relief and the Court granted a remand without vacatur on December 23, 2008. This ruling by the Court left CAIR and the CAIR Federal Implementation Plans, including the CAIR trading programs, in place until EPA issued a new rule to replace CAIR. Accordingly, the previous allowance allocations continued to be valid until the CAIR rules were replaced. The Authority has been able to operate its fossil units within the limits of the allocated allowances.

On July 6, 2010, the EPA proposed the Transport Rule, which was promulgated to address the Court's opinion and remand of CAIR and to replace CAIR. On July 6, 2011, the Transport Rule was finalized by the EPA as the Cross-State Air Pollution Rule ("CSAPR"). The CSAPR requires eastern states, including New York, to improve air quality by reducing power plant emissions that cross state lines and contribute to fine particle pollution and ground level ozone (NOX, ozone season and annual limits, and SO_2, annual limit only). The impact on the Authority's operations of the CSAPR cannot be fully predicted at the present time pending finalization by the EPA of allowances to the States, which will be further allocated to individual units. It is expected that the allocation of allowances will not impact operation of the Authority's fossil-fired generating units nor the Astoria Energy II plant.

The Regional Greenhouse Gas Initiative (''RGGI'') is a cooperative effort by Northeastern and Mid-Atlantic states (including New York) to hold carbon dioxide emission levels steady from 2009 to 2014 and then reduce such levels by 2.5% annually in the years 2015-2018 for a total 10% reduction. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires electricity generators to hold carbon dioxide allowances in a compliance account in a quantity that matches their total emissions of carbon dioxide for the compliance period. The Authority's Flynn, SCPPs, and 500-MW Plant are subject to the RGGI requirements as is the Astoria Energy II plant. The Authority has participated in program auctions commencing September 2008 and expects to recover RGGI costs through its power sales revenues. The Authority is monitoring federal legislation and proposed programs that would impact RGGI.

Other Factors

The electric utility industry in general has been, and in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities, including the Authority, and the level of utilization of their generating and transmission facilities.

Electric and magnetic fields (''EMF'') exist wherever electricity flows, around high voltage transmission and distribution equipment (''power Frequency EMF''), as well as near electrical appliances, computers, and other electrical devices. Epidemiological studies, clinical studies and laboratory experiments have shown that EMF can cause changes in living cells, but there is little evidence that these changes suggest any risk to human health.

In 1999, the National Institute of Environmental Health Sciences (''NIEHS'') completed a five-year federally supported EMF research program, concluding that the scientific evidence suggesting that power frequency EMF exposures pose any health risk is weak. The NIEHS study, however, could not discount the epidemiological findings showing associations observed in human populations with two forms of cancer: childhood leukemia and chronic lymphocytic leukemia in occupationally exposed adults. In 2001, the International Agency for Research on Cancer conducted a similar evaluation, and it classified power frequency EMF fields as ''possibly carcinogenic to humans'' based on a statistical association of power frequency EMF with increased risk of childhood leukemia. ''Possibly carcinogenic to humans'' is a classification used to denote an agent for which there is limited evidence of carcinogenicity in humans and less than sufficient evidence for carcinogenicity in experimental animals. In 2002, the California Department of Health Services prepared a report examining the evidence regarding possible EMF risk for some 21 different diseases. The report found that the possible risk, while potentially low, nonetheless could be of concern to regulators. Claims for damages against electric utilities for injuries alleged to have been caused by power frequency EMF have increased electric utilities' attention to this issue. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which power frequency EMF may have on the Authority and other electric utilities.

In addition to the factors affecting the electric utility industry discussed above, such factors also include, among others: (a) effects of compliance with rapidly changing environmental (including climate change), safety, licensing, regulatory and legislative requirements other than those described above, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and ''strategic alliances'' of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (d) the role of independent power producers and marketers, brokers and federal power marketing agencies in power markets, (e) ''self-generation'' or ''distributed generation'' (such as microturbines and fuel cells) by industrial and commercial customers and others, (f) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (g) changes from projected future load requirements, (h) increases in costs and uncertain availability of capital, (i) shifts in the availability and relative costs of different fuels (including the cost of natural gas), (j) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, (k) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, and (l) legislative changes, voter initiatives, referenda and statewide propositions. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including the Authority, and likely will affect individual utilities in different ways.

Effects on the Authority

Currently, the Authority is a provider of low cost power and energy in New York State. However, the Authority cannot predict what effect any of the foregoing factors will have on the business operations and financial condition of the Authority, but the effect could be significant. The Authority can give no assurance that it will not lose customers in the future as a result of the restructuring of the New York State electric utility industry and the emergence of new competitors or increased competition from existing competitors. In addition, the Authority's ability to market power and energy on a competitive basis is limited by provisions of the Act, restrictions under State and federal law as to the sale and pricing of a large portion of the output from the Niagara and St. Lawrence-FDR Projects, and restrictions on marketing arising from Federal tax laws and regulations.

The foregoing is a brief discussion of certain factors affecting the electric utility industry. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2011 A Bonds should obtain and review such information.

REGULATION

The operations of the Authority are subject to regulation or review by various State and federal agencies, discussions of which appear in various segments throughout this Official Statement. The principal agencies having a regulatory impact on, or a monitoring function over, the Authority and the conduct of its activities, are as follows:

New York State

Public Service Commission and Siting Board. The PSC is the principal agency in the State regulating the generation, transmission and sale of electric power and energy. It has no jurisdiction over rates for power generated or transmitted by the Authority but does regulate the rates of New York State's investor-owned utilities and certain municipal systems to which the Authority sells power. The PSC is empowered by the Public Service Law to issue Certificates of Environmental Compatibility and Public Need prior to the construction of power transmission lines of certain capacities and lengths.

On August 4, 2011, the Governor signed into law a new Article X of the Public Service Law governing the siting and construction of virtually all new electric generating plants of 25 MW or more in New York State including any such facilities of the Authority. An earlier version of Article X expired on January 1, 2003. Under the new Article X, a Siting Board, chaired by the chair of the PSC and comprised of four other state agency officials and two ad hoc members, is empowered to issue Certificates of Environmental Compatibility and Public Need authorizing construction of such plants. The Siting Board is not authorized to accept applications under the new Article X until the DEC has issued certain regulations involving environmental justice and air quality issues.

Department of Environmental Conservation. The DEC administers and manages the State program for oil and chemical containment and spill prevention and provides for abatement of water, land and air pollution. Pursuant to State and federal laws, the DEC regulates the transport, treatment and disposal of hazardous and toxic wastes. In addition, the DEC regulates the use of tidal and freshwater wetlands and flood plains. Before any Federal license or permit can be issued for any activity involving a discharge into navigable waters, the DEC must certify that the discharge will comply with the State water quality standards, or otherwise waive certification. Certain aspects of the DEC's regulatory authority over pollutant discharge permits, air quality and hazardous waste regulation arise from delegation of such authority to the State by federal legislation.

New York State Comptroller. Pursuant to legislation enacted in 1989, the Office of the State Comptroller (the "OSC") is required to undertake a "program, financial and operations" audit of the Authority at least once every five years, and the OSC periodically conducts other audits as well. In March 2011, the OSC commenced its most recent ''program, financial and operations audit'' of the Authority by auditing the Authority's personal service contracts, cost of debt, and discretionary spending. In its report issued in July 2011, the OSC "found the Authority's management and operating practices generally resulted in appropriate expenditures in all areas examined." The report also contained one recommendation (to "[l]imit or eliminate spending on nonessential items such as parties, ceremonies, gifts and memberships") which the Authority stated it agreed with and would implement.

In January 2010, the OSC commenced an audit of the Authority's controls over overtime for the period January 1, 2007 to April 13, 2010 to determine whether overtime hours were: 1) necessary, 2) distributed equitably among employees, and 3) actually worked. The OSC's July 2010 report was affirmative in all three determinations. The OSC recommended that the Authority monitor staffing levels continuously to ensure sufficient staff is hired to maintain adequate staffing levels and that the Authority communicate with union representatives to explore opportunities to shorten the time to complete the apprenticeship program. The Authority agreed with both recommendations and has taken steps to implement them.

In March 2006, the OSC issued regulations that are applicable in whole or in part to many public authorities in New York State, including the Authority. Among other things, the regulations require public authorities, including the Authority, to adhere to prescribed budgeting and financial plan procedures, certain financial reporting and certification requirements, and detailed investment guidelines and procedures, including obtaining the approval of the OSC before adoption of certain changes in accounting principles. In addition, legislation that took effect on March 1, 2010 provides the OSC with discretionary authority to review and approve certain contracts to be entered into by public authorities, including the Authority. In October 2010, the OSC issued regulations to implement this legislation.

State Inspector General. In February 2011, the State Inspector General ("SIG") informed the Authority that the SIG was initiating an inquiry focusing on contributions, sponsorships, grants and other payments made by the Authority from October 2008 to the present, and other related matters. The Authority is cooperating fully with the SIG in the ongoing investigation.

Federal

Federal Energy Regulatory Commission. FERC exercises regulatory authority over the NYISO's operations and the Authority participates extensively in the NYISO's markets (see "PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR"). FERC is also authorized by the FPA to license certain hydroelectric power plants and transmission lines, to issue wheeling and interconnection orders and to prescribe rules for the sale of electrical energy to and the purchase of energy from qualifying cogeneration and small power production facilities. See ''PART 2—CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—The Electric Utility Industry Generally—*Energy Policy Act of 2005''* for a discussion of FERC's increased regulatory authority over certain entitites, including the Authority.

Environmental Protection Agency. With the exception of the nuclear facilities matters regulated by the United States Nuclear Regulatory Commission, the EPA is the principal agency of the Federal government regulating air and water quality and the use, storage and disposal of hazardous substances. While most of its air, water and waste programs have been delegated to the State, the EPA retains approval authority over the individual state programs, in many instances disapproval authority over individual permit issuance and enforcement authority over all the delegated programs. It is also empowered to initiate administrative and legal action to compel responsible parties to clean up hazardous waste sites. The Authority is subject to EPA rules requiring the securing of routine discharge permits for emissions and effluents from all Authority facilities.

Department of Energy. The Economic Regulatory Administration of DOE is authorized to issue Presidential permits for international transmission interconnections.

[This page intentionally left blank]

APPENDIX 1

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a summary of certain provisions of the General Resolution. The following summary is not to be considered a full statement of the terms of the General Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise previously defined in this Official Statement or defined below have the meaning set forth in the General Resolution.

Definitions

The following are definitions in summary form of certain terms contained in the General Resolution and used hereinafter:

Authorized Investments means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds pursuant to any law, to the extent permitted under any applicable regulation, guideline and policy of the Authority as each is in effect from time to time: (i) any security which is (a) a direct obligation of, or is unconditionally guaranteed by, the United States of America or the State for the payment of which the full faith and credit of the United States of America or the State is pledged or (b) an obligation of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America; (ii) any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision (''Municipal Bond'') which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest Rating Category by at least two Rating Agencies and provided, however, that such Municipal Bond is accompanied by (1) a Counsel's Opinion to the effect that such Municipal Bond is not subject to redemption prior to the date the proceeds of such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified accountant verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond; (iii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, the Federal Housing Administration, the Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, or any other agency controlled by or supervised by and acting as an instrumentality of the United States government; (iv) obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which shall be rated at the time of the investment in any of the three highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; (v) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on Municipal Bonds provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee pursuant to the General Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which at the date of investment shall have an outstanding, unsecured, uninsured and unguaranteed debt issue rated in the highest Rating Category by a Rating Agency or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on Municipal Bonds, such insurance policy shall result in such Municipal Bonds being rated in the highest Rating Category by a Rating

Agency; (vi) certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i) or (ii) above, provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee pursuant to the General Resolution; (vii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of the 25 largest Banks (measured by aggregate capital and surplus) in the United States or commercial paper issued by the parent holding company of any such Bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short-term Rating Category by a Rating Agency (including the Trustee and its parent holding company, if any, if it otherwise qualifies); (viii) any repurchase agreement or other investment agreement with any Bank as defined in clause (i) or (ii) of the definition thereof or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clause (i), (iii) or (vii) above, which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another such Bank, as custodian; (ix) any agreement or other investment agreement with any insurance company or reinsurance company or investment affiliates thereof the obligations of which are rated by a Rating Agency in one of the two highest Rating Categories, which agreement is continuously secured by any one or more of the securities described in clause (i), (iii) or (vii) above, which securities shall at all times have a market value of not less than the full amount held or invested pursuant to the agreement and be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian; (x) obligations of any domestic corporation which shall be rated at the time of the investment in either of the two highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; and (xi) any other investment in which the Authority is permitted to invest under applicable law, notwithstanding any limitations set forth in clauses (i) through (x) above.

Authorized Officer means any trustee of the Authority or officer of the Authority and any other person authorized by by-laws or resolution of the Authority to perform the act or sign the document in question.

Bank means any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Capital Costs means the Authority's costs of (i) physical construction of or acquisition of real or personal property or interests therein for any Project, together with incidental costs, working capital and reserves deemed necessary or desirable by the Authority and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Authority may be issued under the Act or under other applicable State statutory provisions (whether or not also classifiable as an Operating Expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of any (a) Obligations issued by the Authority for the payment of any of the costs specified above, (b) any Obligations issued to refund such Obligations, or (c) Obligations issued to pay capitalized interest; provided, however, that the term Capital Costs shall not include any costs of the Authority relating to a Separately Financed Project.

Capital Fund means the fund by that name established pursuant to the General Resolution.

Commercial Paper Notes means any notes issued and outstanding at any time under the Commercial Paper Resolution.

Commercial Paper Resolution means the Amended and Restated Resolution Authorizing Commercial Paper Notes adopted by the Authority on November 25, 1997, as the same may be amended and supplemented in accordance with its terms.

Counsel's Opinion means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority.

Credit Facility means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement thereof, which is obtained by the Authority and is issued by a financial, insurance or other institution and which provides security or liquidity in respect of any Outstanding Obligations, Parity Debt or Subordinated Indebtedness.

Defeasance Security means (a) an Authorized Investment as specified in clause (i) of the definition thereof, which is not callable or redeemable at the option of the issuer thereof; (b) any depositary receipt issued by a Bank as custodian with respect to any Defeasance Security which is specified in clause (a) above and held by such Bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Security which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Security or the specific payment of principal or interest evidenced by such depositary receipt; (c) any certificate of deposit specified in clause (vii) of the definition of Authorized Investments, including certificates of deposit issued by the Trustee or by a Paying Agent; (d) an Authorized Investment as specified in clause (ii) of the definition thereof and (e) any other security designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the Obligations authorized by such Supplemental Resolution.

Event of Default has the meaning provided in the discussion of **Event of Default** below.

Fiduciary or Fiduciaries means the Trustee, any Registrar, any Paying Agent, or any or all of them, as may be appropriate.

General Resolution means the Power Authority of the State of New York General Resolution authorizing Revenue Obligations adopted on February 24, 1998, as from time to time amended or supplemented by any Supplemental Resolutions.

1985 Note Resolution means the resolution adopted by the Authority on April 30, 1985 entitled ''Resolution Authorizing the Issuance of $200,000,000 Adjustable Rate Tender Notes,'' as amended and supplemented in accordance with the terms thereof.

1985 Notes means any notes issued and outstanding under the 1985 Note Resolution.

1974 Bonds means any bond or bonds issued in one or more series under the 1974 Resolution.

1974 Resolution means the General Purpose Bond Resolution adopted by the Authority on November 26, 1974, as amended and supplemented in accordance with the terms thereof.

Obligations means any obligations, issued in any form of debt, authorized by a Supplemental Resolution, including, but not limited to, bonds, notes, bond anticipation notes, and commercial paper, which are delivered under the General Resolution, but such term shall not include any Subordinated Contract Obligation or Subordinated Indebtedness.

Operating Expenses means the Authority's expenses for operation, maintenance, ordinary repairs and ordinary replacements of any Project, including, without limiting the generality of the foregoing, the costs of supplies, fuel, fuel assemblies and components required by the Authority for the operation of any Project (including any payments made pursuant to a ''take-or-pay'' fuel supply or energy contract that obligates the Authority to pay for fuel, energy or power regardless of whether fuel or energy is delivered or made available for delivery, other than any such contract or portion thereof that is designated by the Authority as either a Subordinate Contract Obligation or a Parity Contract Obligation), administrative expenses, insurance premiums, legal and engineering expenses, consulting and technical services, payments for energy conservation and load management programs, payments relating to fuel or electricity hedging instruments, payments for employee benefits, including payments to savings, pension, retirement, health and hospitalization funds, charges payable by the Authority pursuant to any licenses, orders or mandates from any agency or regulatory body having lawful jurisdiction, any payments in lieu of taxes or other payments to municipal governments agreed to be paid by the Authority and any taxes, governmental charges, and any other expenses required to be paid by the Authority, all to the extent properly and directly attributable to any Project; financing costs of any Series of Obligations; the expenses, liabilities and compensation of the fiduciaries required to be paid under the General Resolution or pursuant to any agreement executed by the Authority; all costs and expenses associated with or arising out of the research, development (including feasibility and other studies) and/or implementation of any project, facility, system, task or measure deemed desirable or necessary by the Authority; and all other costs and expenses arising out of or in connection with the conduct of Authority business (other than costs and expenses attributable to a Separately Financed Project), including those expenses the payment of which is not immediately required, such as those expenses referenced in the second paragraph of the discussion of **Operating Fund.** Operating Expenses shall not include any costs or expenses for new construction or for reconstruction other than restoration of any part of a Project to the condition of serviceability thereof when new.

Operating Fund means the fund by that name established pursuant to the General Resolution.

Outstanding, when used with reference to Obligations or Obligations of a Series, means, as of any date, Obligations or Obligations of such Series theretofore or thereupon being delivered under the General Resolution except: (i) Any Obligations cancelled at or prior to such date; (ii) Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof; (iii) Obligations in lieu of or in substitution for which other Obligations shall have been delivered pursuant to the General Resolution; (iv) Obligations deemed to have been paid as provided in the General Resolution; and (v) Put Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Obligations on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

Owner or any similar terms, means the registered owner of any Obligation as shown on the books for the registration and transfer of Obligations maintained in accordance with the General Resolution.

Parity Contract Obligation has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

Parity Debt means the 1985 Notes, any note issued pursuant to the 1995 Revolving Credit Agreement, and any Parity Contract Obligation, Parity Reimbursement Obligation or Parity Swap Obligation.

Parity Reimbursement Obligation has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

Parity Swap Obligation has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

Paying Agent means any paying agent for the Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the General Resolution.

Person means any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company, or other legal entity or group of entities, including a governmental entity or any agency or subdivision thereof.

Project means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the generation, production, transportation, distribution, transmission, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions; provided, however, that the term ‘‘Project’’ shall not include any Separately Financed Project.

Purchase Price means, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

Put Obligations means Obligations which by their terms may be tendered by and at the option of the owner thereof, or are subject to a mandatory tender, for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Swap with respect to such Obligations.

Qualified Swap Provider means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, financial program rating, counterparty rating, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

Rating Agency means each nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of the Authority.

Rating Category means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Redemption Price means, with respect to any Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the General Resolution.

Registrar means any registrar for the Obligations of any Series and its successor or successors and any other person which may at any time be substituted in its place pursuant to the General Resolution.

Revenues means all revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, proceeds of insurance, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority's operations, including but not limited to the ownership or operation of any Project, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose.

Separately Financed Project means any project described as such pursuant to the General Resolution.

Series means all of the Obligations delivered upon original issuance pursuant to a single Supplemental Resolution and denominated therein a single series, and any Obligations thereafter delivered in lieu of or in substitution therefor pursuant to the General Resolution, regardless of variations in maturity, interest rate, or other provisions.

Subordinated Contract Obligation means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated as constituting a ''Subordinated Contract Obligation'' in a certificate of an Authorized Officer delivered to the Trustee, (b) any Qualified Swap which has been designated as constituting a ''Subordinated Contract Obligation'' in a certificate of an Authorized Officer delivered to the Trustee, (c) the 1995 Revolving Credit Agreement, and (d) any other contract, agreement or other obligation authorized by resolution of the Authority and designated as constituting a ''Subordinated Contract Obligation'' in a certificate of an Authorized Officer delivered to the Trustee. Each Subordinated Contract Obligation shall be payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in the General Resolution and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created pursuant to the Resolution for the payment of the Obligations and Parity Debt.

Subordinated Indebtedness means any Commercial Paper Notes, and any bond, note or other indebtedness authorized by resolution of the Authority and designated as constituting ''Subordinated Indebtedness'' in a certificate of an Authorized Officer delivered to the Trustee, and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations and Parity Debt.

Supplemental Resolution means any resolution supplemental to or amendatory of the General Resolution, adopted by, or adopted pursuant to authorization granted by, the Authority in accordance with the General Resolution.

Tax-Exempt Obligations means any Obligations the interest on which is intended by the Authority to be excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Obligations in the Supplemental Resolution authorizing such obligations.

Trust Estate means, collectively: (i) all Revenues; (ii) the proceeds of the sale of Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the General Resolution, including investment earnings thereon; and (iv) all funds, moneys, and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security pursuant to the General Resolution for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times, and to hold and apply the same subject to the terms of the General Resolution.

Trustee means the trustee appointed in accordance with the General Resolution, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the General Resolution.

(General Resolution, Sec. 101)

Book-Entry-Only System

Notwithstanding any other provision of the General Resolution, the Authority may employ a book-entry-only system of registration with respect to any Obligations, all as more fully set forth in the General Resolution and the Supplemental Resolution authorizing such Obligations. Any provisions of the General Resolution inconsistent with book-entry-only Obligations shall not be applicable to such book-entry-only Obligations.

(General Resolution, Sec. 309)

Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt

The Authority may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Obligations secured by a Credit Facility as the Authority deems appropriate, and no such provisions shall be deemed to constitute an amendment to the General Resolution.

The Authority may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, the **''Reimbursement Obligation'');** provided, however, that no Reimbursement Obligation shall be created, for purposes of the General Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by the General Resolution to secure the Obligations (a **‘‘Parity Reimbursement Obligation’’),** but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Obligations, without acceleration, or may constitute a Subordinated Contract Obligation, as determined by the Authority. In addition, the Authority may enter into a Reimbursement Obligation with respect to a Credit Facility securing Parity Debt, and any such Reimbursement Obligation may be a Parity Reimbursement Obligation (but only to the extent principal amortization requirements with respect to such reimbursement are substantially equal to the amortization requirements [including principal payments in connection with any optional or mandatory tender for purchase] for such related Parity Debt, without acceleration) or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Obligations or Parity Debt, which payments shall be Subordinated Contract Obligations.

In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Authority also may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Authority’s obligation to pay any amount under any Qualified Swap may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created pursuant to the General Resolution to secure the Obligations (a **‘‘Parity Swap Obligation’’),** or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

The Authority’s obligation to pay that portion of any rates, fees, charges or payments which the Authority is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of meeting principal or interest or both on that entity’s obligations directly associated with such contract and payable to such entity regardless of whether fuel or energy is delivered or made available for delivery, may be secured by a pledge of, and lien on, the Trust Estate on a parity with the lien created by the General Resolution to secure the Obligations (a **‘‘Parity Contract Obligation’’),** or may constitute a Subordinated Contract Obligation or an Operating Expense, as determined by the Authority.

(General Resolution, Sec. 310)

Pledge of Revenues and Funds

The Trust Estate is pledged for the payment of the principal and Redemption Price of, and interest on, the Obligations and, on a parity basis, the Parity Debt, in accordance with their terms and the provisions of the General Resolution.

(General Resolution, Sec. 501)

The General Resolution establishes the following funds:

(1) Operating Fund, to be held by the Authority, and

(2) Capital Fund, to be held by the Authority.

The Authority may establish one or more additional funds, accounts or subaccounts by delivering to the Trustee a certificate of an Authorized Officer.

(General Resolution, Sec. 502)

Operating Fund

The General Resolution provides that the Authority shall pay into the Operating Fund all Revenues as and when received. The Authority shall also pay into the Operating Fund such portion of the proceeds of any Series of Obligations which may have been issued to pay Operating Expenses as shall be specified pursuant to the Supplemental Resolution authorizing such Series. Amounts in the Operating Fund shall be paid out or accumulated or withdrawn from time to time for the following purposes and, as of any time, in the following order of priority: (a) payment of reasonable and necessary Operating Expenses or accumulation in the Operating Fund as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction; (b) payment of, or accumulation in the Operating Fund as a reserve for the payment of, interest on and the principal or Redemption Price of the Obligations and Payment of Parity Debt, on a parity basis, on their respective due dates or redemption date, as the case may be; (c) payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due under any Subordinated Contract Obligation; (d) withdrawal and deposit in the Capital Fund; and (e) withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any withdrawal pursuant to this clause (e), the Authority shall have determined, taking into account among other considerations, anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for any of the purposes set forth in clauses (a), (b) or (c) herein. Amounts paid out, or withdrawn pursuant to clause (e) shall be free and clear of the lien and pledge created by the General Resolution.

The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Operating Fund pursuant to clause (e) of the preceding paragraph, determine (i) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate for the purpose of providing for the costs of emergency repairs or replacements essential to restore or prevent physical damage to, and prevent loss of Revenues from, any Project and (ii) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to any Project necessary to keep the same in operating condition or required by any governmental agency having jurisdiction over such Project and to provide a reserve for the retirement from service, decommissioning or disposal of facilities comprising either a Project or a part of a Project.

Amounts in the Operating Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Operating Fund shall be deposited in the Operating Fund. The Authority may sell any such Authorized Investments at any time and the proceeds of such sale shall be deposited in the Operating Fund.

The General Resolution provides that purchases of Obligations, 1985 Notes or Subordinated Indebtedness from amounts in the Operating Fund shall be made at the direction of the Authority, with or without advertisement and with or without notice to other holders of Obligations, 1985 Notes, or Subordinated Indebtedness. In addition, any amounts set aside by the Authority in one or more reserve accounts in the Operating Fund may be used by the Authority as determined by the Authority for the purpose of paying all or a portion of the interest, principal or Redemption Price of Obligations and payment of Parity Debt, on a parity basis.

(General Resolution, Sec. 503)

Capital Fund

The General Resolution provides that the Authority shall pay into the Capital Fund the amounts required to be so paid pursuant to the General Resolution and any Supplemental Resolution authorizing the issuance of any Series of Obligations, for the purpose of financing Capital Costs, including, without limitation, the portion of the proceeds of any such Obligations specified in such Supplemental Resolution, except as may be otherwise provided in a Supplemental Resolution with respect to those Capital Costs referenced in clauses (iv) or (v) of the definition thereof. Amounts in the Capital Fund shall be applied solely to the Capital Costs of the Authority. Any amounts in the Capital Fund which are in excess of the amounts required to pay for such costs may at the direction of the Authority be transferred to the Operating Fund. Amounts in the Capital Fund may in the discretion of the Authority be invested in an Authorized Investments. Earnings on moneys and investments in the Capital Fund shall be deposited in the Capital Fund. The Authority may, and to the extent required for payments from the Capital Fund shall, sell any such obligations at any time, and the proceeds of such sale and of all payment of principal or interest received at maturity or upon redemption or otherwise of such obligations shall be deposited in the Capital Fund. In addition, the General Resolution requires that amounts in the Capital Fund must be applied to the payment of principal and Redemption Price of and interest on the Obligations and the payment of Parity Debt, on a parity basis, when due at any time that other moneys are not available therefor.

(General Resolution, Sec. 504)

Conditions for Issuance of Obligations

General Provisions for Issuance of Obligations. Obligations may be issued pursuant to a Supplemental Resolution in such principal amount or amounts for each such Series as may be specified in such Supplemental Resolution. A Supplemental Resolution shall specify, among other things, the purpose or purposes for which such Obligations are being issued, the authorized principal amount and Series of such Obligations, the maturity date or dates and interest rate or rates of the Obligations and the forms of the Obligations which shall specify terms with respect to tender or redemption, if any. Such Obligations shall be delivered by the Authority under the General Resolution upon the delivery of, among other things, a Supplemental Resolution authorizing such Obligations, a Counsel's Opinion with respect to the validity of the Obligations and a certificate of an Authorized Officer to the effect that, upon delivery of the Obligations, the Authority will not be in default in the performance of the terms and provisions of the General Resolution or of any of the Obligations.

(General Resolution, Sec. 202)

Separately Financed Project. Nothing in the General Resolution shall prevent the Authority from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any purpose of the Authority authorized by the Act or by other applicable State statutory provisions (such purpose being referred to herein as a ''Separately Financed Project''), which bonds, notes, or other obligations, or evidences of indebtedness and the Authority's share of any operating expenses related to such Separately Financed Project, shall be payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other funds withdrawn by the Authority pursuant to the General Resolution.

(General Resolution, Sec. 203)

Rate Covenant

The Authority shall at all times maintain rates, fees or charges and any contracts entered into by the Authority for the sale, transmission or distribution of power shall contain rates, fees or charges, sufficient, together with other moneys available therefor (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes, or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt but not including any anticipated or actual proceeds from the sale of any Project), (i) to pay all Operating Expenses of the Authority, (ii) to pay the debt service on all Obligations then Outstanding and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and (iii) to maintain any reserve established by the Authority pursuant to the General Resolution, in such amount as may be determined from time to time by the Authority in its judgment.

(General Resolution, Sec. 606)

Supplemental Resolutions; Amendments

Any of the provisions of the General Resolution may be amended by the Authority, upon the written consent of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given, and in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under the General Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Obligation, or shall reduce the percentages or otherwise affect the classes of Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment, create a preference or priority of any Obligation or Obligations over any other Obligation or Obligations (without the consent of the Owners of all such Obligations), create a lien prior to or on a parity with the lien of the General Resolution, without the consent of the Owners of all of the Obligations then Outstanding, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For purposes of this paragraph, an Obligation shall be deemed to be affected by a modification or amendment of the General Resolution if the same materially and adversely affects the rights of the Owner of such Obligation.

The Authority may adopt (without the consent of any Owner) supplemental resolutions to authorize additional Obligations; to add to the restrictions contained in the General Resolution upon the issuance of additional indebtedness; to add to the covenants of the Authority contained in, or surrender any rights reserved to or conferred upon it by, the General Resolution; to confirm any pledge under the General Resolution of Revenues or other moneys; to amend the General Resolution in such manner as to permit qualification of the General Resolution under the Trust Indenture Act of 1939 or any similar Federal statute and permit the qualification of the Obligations for sale under the securities laws of any state in the United States; to comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system; or otherwise to modify any of the provisions of the General Resolution (but no such other modification may be effective while any of the Obligations of any Series theretofore issued are Outstanding); or to cure any ambiguity, supply any omission or to correct any defect or inconsistent provision in the General Resolution or to insert such provisions or make such other amendments to the General

Resolution as are necessary or desirable which will not be materially adverse to the rights of the Owners of Obligations (provided that the Trustee shall consent thereto).

(General Resolution, Secs. 801, 802, and 902)

Event of Default; Remedies Upon Default

Pursuant to the General Resolution, any of the following events set forth in clauses (i) through (v) constitutes an ''Event of Default'' if the Authority defaults (i) in the payment of principal or Redemption Price of any Obligation, or (ii) in the payment of interest thereon and such default continues for 30 days, or (iii) in the performance or observance of any other covenant, agreement or condition in the General Resolution or the Obligations, and such default continues for 60 days after written notice thereof, provided, however, that if such default shall be such that it cannot be corrected within such 60 day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or (iv) if the Authority (1) files a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or any other applicable law or statute of the United States of America or of the State; (2) consents to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or any substantial portion of its property; (3) makes any assignment for the benefit of creditors; (4) admits in writing its inability generally to pay its debts generally as they become due; or (5) takes action in furtherance of any of the foregoing or (v) if (1) a decree or order for relief is entered by a court having jurisdiction of the Authority adjudging the Authority a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Authority in an involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order remains unstayed and in effect for a period of sixty (60) consecutive days. Upon an Event of Default, the Trustee or the Owners of 25% in principal amount of the Obligations then Outstanding may declare the principal and accrued interest on the Obligations then Outstanding due and payable immediately, subject, however, to rescission of such declaration and annulment of the default upon the remedying thereof.

Under the General Resolution, the Authority covenants that upon a default the books of record of the Authority and all other records relating to all projects and facilities of the Authority will be subject to the inspection and use by the Trustee, and that the Authority will, upon demand by the Trustee, account for the Trust Estate under the General Resolution as if the Authority were the trustee of an express trust. Upon a default, the Trustee may protect and enforce its and the Owners' rights under the General Resolution by a suit in equity or at law, whether for the specific performance of any covenant contained in the General Resolution, or in aid of execution of any power granted therein or for an accounting against the Authority as if it were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee deems most effectual to enforce its rights or perform its duties under the General Resolution. No Owner has any right to institute suit to enforce any provision of the General Resolution or the execution of any trust thereunder or for any remedy thereunder, unless the Trustee has been requested by at least 25% of the Owners, and such Owners shall have offered the Trustee adequate security against expenses and liabilities to be incurred therein, and the Trustee has failed to commence such suit in the manner provided in the General Resolution.

(General Resolution, Art. X)

Defeasance

Outstanding Obligations or any portion thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid pursuant to the General Resolution and shall cease to be entitled to any lien, benefit or security under the General Resolution if the following conditions are met: (i) in the case of Obligations to be redeemed, the Authority shall have given to the Trustee irrevocable instructions to mail the notice of redemption therefor, (ii) there shall have been irrevocably deposited with the Trustee in trust either moneys in an amount which shall be sufficient, or Defeasance Security, the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or Redemption Price, if applicable, and interest due and to become due on such Obligations on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such Obligations are not maturing or subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Obligations that the above deposit has been made with the Trustee and that such Obligations are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, of such Obligations.

(General Resolution, Sec. 1101)

Unclaimed Moneys

Any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Obligations which remain unclaimed for 2 years after the date when such principal, Redemption Price or interest, respectively, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary after such date, or for 2 years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such principal, Redemption Price or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the principal, Redemption Price or interest, respectively. Any moneys held by a Fiduciary in trust for the payment and discharge of any Obligations which remain unclaimed after such moneys were to be applied to the payment of such Obligations in accordance with the General Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Authority or the Comptroller of the State for the payment of such Obligations. Before being required to make any such payment to the Authority or to apply such moneys in accordance with the Abandoned Property Law of the State, the Fiduciary shall, at the expense of the Authority, cause to be mailed to the Owners entitled to receive such moneys a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law of the State, as the case may be.

(General Resolution, Sec. 1101)

[This page intentionally left blank]

APPENDIX 2

BACKGROUNDS OF THE AUTHORITY'S TRUSTEES AND CERTAIN SENIOR MANAGEMENT STAFF

Trustees

Michael J. Townsend, Chairman

Mr. Townsend was appointed a Trustee of the Authority in February 2004 and was elected Vice Chairman in April 2006. He was elected Chairman of the Authority in February 2009. He is a partner in Harris Beach PLLC, a law firm based in Rochester, New York, and focuses his practice in the areas of public finance, commercial real estate, and mergers and acquisitions. Mr. Townsend is a member of the Board of Directors of the New York State Energy Research and Development Authority and also serves as a director of the State Tobacco Settlement Finance Corporation and the State Mortgage Bond Bank Agency. He is a member of the Board of Advisors of Ticor Title Insurance Co. and the New York State Economic Development Council. Mr. Townsend also serves as an attorney for the Civic Center Monroe County Parking Facility Corporation and the Monroe County New Power Corporation. Prior to joining Harris Beach PLLC, he served as counsel to the Rochester-Genesee Regional Transit Authority, Monroe County Empire Zone, Monroe County Industrial Development Agency, Greater Rochester Outdoor Sports Facility, and the Greater Rochester Sports Authority. Mr. Townsend is a member of the Monroe County Bar Association and the New York State Bar Association where he is a member of the Real Property Law Section. Mr. Townsend received a Bachelor of Science degree from the University of Maine in 1976 and received his Juris Doctor degree with honors from Western New England School of Law in 1981.

Jonathan F. Foster, Vice Chairman

Mr. Foster was appointed a Trustee of the Authority in September 2008 and was elected as Vice Chairman in February 2009. Mr. Foster is Managing Director of Current Capital LLC, a private equity firm focused on investments in lower middle market industrial and business service companies. Mr. Foster is a Director of Masonite Inc., Lear Corporation, and Chemtura Corporation. From 2007 through 2008, Mr. Foster was Managing Director and Co-Head of Diversified Industrials & Services at Wachovia Securities. From 2005 through 2007, he was Executive Vice President of Finance and Business Development at Revolution Living, one of three business groups in the Revolution family of companies founded by Steve Case, co-founder of AOL. Previously, from 2002 through 2004, Mr. Foster served as a Managing Director of The Cypress Group, a private equity investment firm, where he led the industrial and services group and served as a member of the investment and management committees. Mr. Foster also served as Senior Managing Director at Bear Stearns & Co. from 2001 through 2002 where he was responsible for mergers and acquisitions in industrial products and services. From 2000 through 2001, he served as Executive Vice President, Chief Operating Officer and Chief Financial Officer of Toysrus.com. Previously, from 1988 through 1999, Mr. Foster was at Lazard LLC, ultimately as a Managing Director where he worked on a wide range of mainly industrial and services mergers and acquisitions transactions. Mr. Foster received a Bachelor of Business Administration in Accounting from Emory University, and a Master of Science in Accounting and Finance from the London School of Economics.

D. Patrick Curley, Trustee

Mr. Curley was appointed a Trustee of the Authority in October 2007. He is the President of St. Lawrence Business Consultants, a financial consulting firm which he founded in 1977, with clients in banking, manufacturing, education and other interests in the private and not-for-profit sectors. Mr. Curley has served on the boards of several corporations and is a member of the Industry Trade Advisory Committee, a high security, public-private partnership that engages business leaders in formulating U.S. trade policy. Mr. Curley chairs the Board of Trustees of Erie County Central Police Services and for nearly 40 years, he has been a member of the Orchard Park Fire Company. He previously served three terms on the Orchard Park Town Board. Mr. Curley is the founder of the Orchard Park Council of the Arts and has been a member of the National Board of Directors of the American Heart Association. He has also served on the board of Mercy Hospital of Buffalo and on the President's Council of D'Youville College in Buffalo, where he also taught courses in statistics, accounting, and business valuation techniques. Mr. Curley received a Bachelor of Arts degree from Boston College and a Master of Science degree from Canisius College in Buffalo.

John S. Dyson, Trustee

Mr. Dyson was appointed a Trustee of the Authority in March 2011. Mr. Dyson is Chairman of Millbrook Capital Management, Inc., an investment firm. From 1997 to 2001, Mr. Dyson served as Chairman of the New York City Mayor's Council of Economic Advisors. From 1994 to 1996 he served as New York City's Deputy Mayor for Economic Development and Finance. Previously, from 1979 to 1985, Mr. Dyson served as Chairman of the Authority, where he led efforts to license the Marcy South transmission line, build small-hydroelectric power plants and develop programs for allocating low cost power to business in return for job commitments. Mr. Dyson also headed the New York State Department of Commerce from 1975 to 1979 during which time the agency launched the "I Love New York" advertising campaign. From 1968 to 1970, he served as a First Lieutenant in the United States Army, Military Intelligence, where he was awarded the Bronze Star Medal. Mr. Dyson served on the Cornell University Board of Trustees from 1981 to 2001 and was elected Emeritus Trustee in 2001. Mr. Dyson received a Bachelor of Science degree in Agricultural Economics from Cornell University, and a Master's degree in Public Affairs from the Woodrow Wilson School of Public and International Affairs at Princeton University.

R. Wayne LeChase, Trustee

Mr. LeChase was appointed a Trustee of the Authority in June 2011. He is currently Chairman of LeChase Construction Services, LLC in Rochester, NY. In addition to its Rochester headquarters, the company has New York offices in Albany, Binghamton, Corning and Syracuse. Before LeChase Construction, Mr. LeChase was a partner in the law firm of LaDuca, Offen and LeChase. He was admitted to the New York State Bar in 1968. Mr. LeChase is an active member of the Rochester Business Alliance's Executive Committee, former chairman of the Greater Rochester Enterprise, and serves on a number of community organizations including the University of Rochester, St. John Fisher College, Diocese of Rochester Stewardship Council, and the New York State Trooper Foundation. Mr. LeChase's education includes a Bachelor of Science from John Carroll University and a Juris Doctorate from the State University of New York at Buffalo, School of Law. He is the recipient of the Herbert W. VanderBrul Entrepreneurial Award from Rochester Institute of Technology and the Justinian Order Medal from St. John Fisher College. He is an inductee into the Rochester Business Hall of Fame (an award which recognizes exemplary leaders who have made outstanding and enduring contributions to business and community in the Greater Rochester region), and the Alfred University Galanis Excellence in Family Business Award. Other honors include the Distinguished Citizen of the Year by the Otetiana Council - Boy Scouts of America, Volunteer of the Year by the Chamber of Commerce, the Visionary Award by the Association for the Blind and Visually Impaired, and honorary Doctor of Laws from St. John Fisher College.

Eugene L. Nicandri, Trustee

Judge Eugene L. Nicandri of Massena was appointed a Trustee of the Authority in August 2008. He served on the St. Lawrence County Court from 1985 until his retirement in 2004. Judge Nicandri was president of the New York State County Judge Association from 1999-2000. Prior to serving on the bench, Judge Nicandri was a partner in the Massena law firm of Lavigne & Nicandri from 1966 to 1985 and served at various times as the attorney for the Towns of Massena, Brasher, Louisville and Lawrence, and the Village of Massena. Judge Nicandri's legal work contributed to the establishment of the Massena Electric Department in 1981. Judge Nicandri holds a Bachelor of Arts degree from the University of Rochester, and he received a Juris Doctor degree from Albany Law School. Prior to attending law school, Judge Nicandri served on active duty with the U.S. Navy as a commissioned officer.

Mark O'Luck, Trustee

Mr. O'Luck was appointed a Trustee of the Authority in April 2010. Mr. O'Luck is the Founder and Chief Executive Officer of Spectrum Personal Communications Corporation, a diversified business consulting firm providing services to large construction companies, large construction projects, government agencies, and Fortune 500 companies. Earlier, he was the Co-Founder and President of SBMA, Inc., a small business consulting firm. Mr. O'Luck has served as Chairman Emeritus and past Chairman of the Brooklyn Economic Development Corporation; Vice Chairman of the Brooklyn Chamber of Commerce; Regent of Long Island College Hospital; and Director of the Brooklyn Bureau of Community Service. He has also served on the New York State Public Service Commission Consumer Advisory Council; the Con Edison Business Advisory Board; the Independence Community Bank Business Advisory Board; and the Kings County Overall Economic Development Planning Committee. Mr. O'Luck is a graduate of Norfolk State University in Norfolk, Virginia, and a former Adjunct Professor at New York University. In 1992, Mr. O'Luck gave the commencement address and received an Honorary Doctor of Laws degree from St. Joseph's College.

Senior Management Staff

The senior management staff of the Authority includes the following:

Gil C. Quiniones, Acting President and Chief Executive Officer[*]

Mr. Quiniones assumed his current position in September 2011. From June 2008 to September 2011, he was Chief Operating Officer. In that capacity, he managed and monitored the Authority's day-to-day activities and oversees the Power Supply, Energy Resource Management, and Special Projects and Business Integration units. Mr. Quiniones is a member of the Board of Directors of the Electric Power Research Institute and serves on the Steering Committee of the Large Public Power Council. Mr. Quiniones is also the Authority's principal representative to the American Public Power Association. Before joining the Authority in October 2007 as Executive Vice President of Energy Marketing and Corporate Affairs, Mr. Quiniones served for more than four years as Senior Vice President of Energy and Telecommunications for the New York City Economic Development Corporation (EDC). In that capacity, he was the city's chief consultant on energy policy issues and established and led Mayor Michael R. Bloomberg's Energy Policy Task Force, a public-private group that developed a comprehensive strategy for meeting future energy needs and helped formulate the energy-related initiatives in PlaNYC, the city's long-term sustainability plan. He also represented the city on then-Lieutenant Governor David A. Paterson's Renewable Energy Task Force and was the Chairman of the group's Subcommittee on Distributed Generation. Also during his tenure at the EDC, Mr. Quiniones was

[*] The Authority is conducting a national search for a new President and Chief Executive Officer.

Co-Chair of the New York City Telecommunications Task Force and of the city's Telecommunications Policy Advisory Group. He previously worked at Consolidated Edison and was one of four co-founders of Con Edison Solutions, the utility's unregulated energy services company. Mr. Quiniones received a Bachelor of Science degree in mechanical engineering from De La Salle University in Manila and has completed graduate courses in engineering management and technology management at the Stevens Institute of Technology in Hoboken, New Jersey. He has also participated in executive education programs at the Columbia University Business School.

Edward A. Welz, Acting Chief Operating Officer and Executive Vice President and Chief Engineer - Power Supply

Mr. Welz was designated Acting Chief Operating Officer in September 2011 with responsibility for all of Operations, including Energy Resource Management and Power Supply. He was appointed Executive Vice President and Chief Engineer-Power Supply in 2008. From 2004 to 2008, he was Senior Vice President and Chief Engineer-Power Generation. Mr. Welz joined the Authority in 1982 and throughout his tenure has assumed increasing responsibility in the power engineering, operation and maintenance, and project and construction management areas. In his capacity as Executive Vice President and Chief Engineer-Power Supply, Mr. Welz is responsible for the operation and maintenance, engineering, project management, and asset management of the Authority's generation and transmission facilities, together with the environmental, health, and safety aspects of the Authority's facilities and operations. He is a member of the EPRI Research Council for Power Generation. Mr. Welz is a licensed professional engineer and holds an Associate degree from Queensborough Community College and a Bachelor of Science degree in electric engineering from Pratt Institute in Brooklyn, New York.

Donald A. Russak, Acting Executive Vice President and Chief Financial Officer and Senior Vice President - Corporate Planning and Finance

Mr. Russak was designated Acting Executive Vice President and Chief Financial Officer in September 2011 with responsibility for overseeing the Finance organization and all of Business Services. He was appointed Senior Vice President-Corporate Planning and Finance in 2008 after having served as Vice President-Finance from 2003 to 2008. In his capacity as Senior Vice President-Corporate Planning and Finance, he is responsible for the Authority's budgeting, strategic planning and financial planning activities and also has oversight of the revenue planning and physical asset insurance functions. Mr. Russak joined the Authority in 1979 and held several positions in the marketing, transmission and finance departments including the positions of Senior Economist from 1987 to 1997 and Director-Financial Planning from 1997-2003. Prior to joining the Authority, he worked in various capacities in the pension-actuarial department of the Mutual Life Insurance Company of New York. Mr. Russak holds a Bachelor of Arts degree in Mathematical-Economics from Colgate University.

Judith C. McCarthy, Acting General Counsel

Ms. McCarthy joined the Authority in her current position in January 2011. Before coming to the Authority, she served in the New York State Attorney General's Office as the Assistant Attorney General in charge of the Westchester Regional Office. In this position, Ms. McCarthy represented the Attorney General in the region, brought affirmative litigation on behalf of the People of the State of New York, and supervised a team of attorneys representing New York State in all phases of litigation affecting Westchester, Rockland and Putnam counties. Prior to joining the Attorney General's Office in 2002, Ms. McCarthy served as the First Deputy General Counsel for the New York City Human Resources Administration, Office of Legal Affairs. From 1992 to 1998, Ms. McCarthy served in the New York City Corporation Counsel's Office, General Litigation Division, where she rose to the title of Deputy Assistant

Division Chief. Ms. McCarthy received a Bachelor's degree from Barnard College, Columbia University, and a Juris Doctorate from CUNY Law School at Queens College.

James F. Pasquale, Senior Vice President, Marketing and Economic Development

Mr. Pasquale assumed his current position in July 2009. He is responsible for Authority customer account management for government, business, municipal, cooperative and utility customers, customer load forecasting, management of the Authority's power programs for economic development, load research, demand response programs, and customer pricing. Mr. Pasquale joined the Authority in 1986 as a senior accountant in the Controller's group and moved to the Marketing and Economic Development group in 1995. In 1997, he became manager of Business Power Allocations and Compliance, coordinating NYPA's then newly enacted Power for Jobs program. Later, customer billing and municipal and cooperative marketing also became his responsibilities. Before joining the Power Authority, Mr. Pasquale worked for five years with the Eisner and Lubin accounting firm in New York City. He earned a Bachelor of Business Administration degree from Pace University.

Thomas P. Antenucci, Senior Vice President - Power Supply Support Services

Mr. Antenucci assumed his current position in August 2009. From 2002 to 2009, he was Vice President of Project Management, Power Generation. Mr. Antenucci joined the Power Authority in 1980 and held a number of positions of increasing responsibility in the design and construction of such major projects as the Marcy-South Transmission Line, the R. M. Flynn Combined Cycle Plant, and hydroelectric Life Extension and Modernization Programs. Mr. Antenucci is responsible for managing the Support Services Group which is comprised of six divisions: Engineering, Project Management, Environmental Health & Safety, Project Development & Licensing, Asset & Investment Planning, and Asset & Maintenance Management. He provides oversight and coordination of technical, planning, implementation, regulatory, maintenance, and budgetary needs to support operation of existing projects and planning and construction of new projects. Prior to joining the Authority he worked for the American Electric Power Service Corporation. Mr. Antenucci is a licensed professional engineer and received a Bachelor of Arts degree from Columbia College, Columbia University, and a Bachelor of Engineering (Civil) from the City College of New York.

Steven J. DeCarlo, Senior Vice President - Transmission

Mr. DeCarlo was appointed to his current position in September 2005. He is responsible for the Authority's Energy Control Center, operations and maintenance of the Authority's transmission system, transmission and operations planning, transmission interconnection agreements, and reliability compliance. Mr. DeCarlo joined the Authority in 1985 as an electrical engineer and throughout his tenure has assumed increasing responsibility in operations, maintenance, engineering, and asset management. He has previously served as Operations Supervisor, Central Region Operations Superintendent, and Regional Manager, Central New York. Mr. DeCarlo is a member of several professional committees. He is a graduate of Manhattan College in Riverdale, New York, with a Bachelor of Engineering degree in electrical engineering and holds an MBA degree in finance from the Long Island University.

William J. Nadeau, Senior Vice President - Energy Resource Management

Mr. Nadeau joined the Authority in his current position in September 2006. He is responsible for generation resource management, including bidding the Authority's generation resources into the New York Independent System Operator markets, fuel planning and operations, load scheduling and financial settlements, and energy market analysis. Previously, Mr. Nadeau worked for Northeast Utilities System

(NU) companies for over 25 years, including service as Vice President and Chief Operating Officer of Northeast Generation Services Company and as Vice President, Fossil and Hydro Engineering and Operations, with responsibilities for all generating assets for the three New England states served by NU. From 1972 to 1980, he served in the U.S. Navy's nuclear submarine force on three different nuclear submarines, culminating with his becoming Chief Engineer of the USS Shark. Mr. Nadeau earned a Bachelor of Science degree in Physics from the U.S. Naval Academy, a Master of Science degree in Nuclear Engineering from M.I.T., and a MBA from the University of New Haven. Mr. Nadeau also completed the Executive Management Program at Penn State University's Smeal School of Business.

Thomas J. Concadoro, Vice President and Controller

Mr. Concadoro was appointed to his current position in August 2010. He is responsible for the accounting and financial reporting activities of the Authority and oversees the accounts payable, payroll and customer billing functions. Mr. Concadoro joined the Authority's Accounting Department in 1985 and served as the Director of Accounting from 1998 to 2009. Before joining the Authority, he worked for seven years with Coopers & Lybrand L.L.P. primarily performing independent audits of public utilities. Mr. Concadoro is a licensed certified public accountant and holds a Bachelor of Business Administration degree from Pace University.

Scott B. Scholten, Vice President and Chief Risk Officer

Mr. Scholten joined the Authority in his current position in August 2010. He is responsible for implementation and oversight of broad-based risk management initiatives, including the Authority's energy commodity and enterprise risk management programs. Mr. Scholten has over 20 years of experience in energy risk management, utility regulation and resource planning. Prior to joining the Authority, Mr. Scholten was Executive Vice President and Managing Director of the Utilities and Risk business unit of Pace Global Energy Services. His previous experience includes senior management positions with Vermont Gas Systems and National Grid. He holds a Bachelor's degree in Economics-Finance from Bentley University and an MBA from Babson College.

Brian C. McElroy, Treasurer

Mr. McElroy was appointed Treasurer in January 2007. He is responsible for the Authority's cash and investment management, debt management and its interest rate swap program. Mr. McElroy began his career with the Authority in 1989. He has held positions of increasing responsibility, including Treasury Analyst, Senior Investment Analyst, and Deputy Treasurer. He holds a Bachelor of Science degree in Management Information Systems and Managerial Sciences from Manhattan College, and holds an MBA in Professional Accounting from Fordham University.

[This page intentionally left blank]

[This page intentionally left blank]

MIX
From responsible sources
FSC™ C017146
www.fsc.org

Printed by: ImageMaster
www.ImageMaster.com