New York Power Authority

Report of the Chief Financial Officer

For the Five Months Ended May 31, 2010

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Executive Summary

Results of Operations

Net income for the five months ended May 31, 2010 was $39.4 million which was $30.3 million lower than budgeted. Results through May included lower net margins on sales ($54.3 million) partially offset by lower O&M ($12.7 million) and higher non-operating income ($11.5 million). Net margins were lower at Niagara ($46.5 million) and Blenheim-Gilboa ($5.4 million) primarily due to lower volumes of market-based sales. Generation at Niagara was 8% lower than the forecast due primarily to lower than anticipated lake levels. In addition, at Niagara, average energy prices for sales into the market were approximately 20% lower than budgeted. Lower sales volumes at Blenheim-Gilboa were due to the limited price differential between peak and off-peak energy prices. O&M expenses were lower primarily due to timing differences related to the 500mw outage (budget assumed April, now scheduled for October) and non-recurring projects at St. Lawrence. Non-operating income included a positive variance ($10.9 million) resulting from a mark-to-market gain on the Authority's investment portfolio due to a decrease in market interest rates as well as lower costs on variable rate debt.

Year-end Projection

Net income for 2010 is projected to be $194 million, $8 million below last month's forecast and $114 million below the original budget of $308 million. This month's update reflects a change in the duration of the Flynn outage ($3 million), a reduction due to lower UCAP prices ($2.4 million) and other miscellaneous items ($3 million). While there was little change in the hydro generation projection this past month, the overall year-end results continue to be depressed by lower hydro generation and softer energy prices. The year-to-date precipitation in the Great Lakes area is only 60% of average, with the 2010 hydro generation forecast at 1.6 Twh below the official budget of 20.5 Twh. The estimated impact of this lower hydro generation is approximately $68 million. Further exacerbating the drop in net income are lower energy prices (24% below official forecast) and lower capacity prices, resulting in reductions in net income of $25 million and $15 million, respectively. The current year-end projection also includes the continuation of the hydro rate freeze ($7.5 million) and a $7 million annual net income reduction as a result of the unplanned Flynn outage. Lower interest rates continue to mitigate somewhat the impact of lower generation and prices, with a resulting decrease in debt service expenses ($7 million) and an increase in the mark-to-market valuation of the portfolio ($7 million). In addition, the delay in spending related to the renewable energy program is reflected in this forecast ($5 million).

Cash & Liquidity

The Authority ended the month of May with total operating funds of $900 million as compared to $907 million at the end of 2009. The decrease of $7 million was primarily attributed to a $119.5 million voluntary contribution to New York State and scheduled debt service payments, partially offset by positive net cash provided by Operating Activities and the Value Sharing payment of $72 million received from Entergy on January 15th. Looking forward, we are anticipating the operating fund balance to generally track the lower net income results. The year-end operating fund balance is currently projected to be $1.03 billion, an increase of $123 million during the year, but approximately $106 million below budgeted level.

Energy Risk

At May 31, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of $243 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a realized net loss of $35 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are incorporated into and recovered through Customer rates.

Enterprise Risk

On May 20, 2010, the Enterprise Risk Committee (ERC) approved a new risk response plan for "Staff Turnover due to Retirement" (06-2009). The risk response strategy is to continue to prepare the organization to identify and address leadership gaps via the succession planning process. Programs already instituted such as Knowledge Loss Risk Assessment (KLRA), knowledge transfer, recruitment strategy, and mentoring will better prepare employees to succeed vacated positions. The predominant actions that will achieve the desired future state include the following:

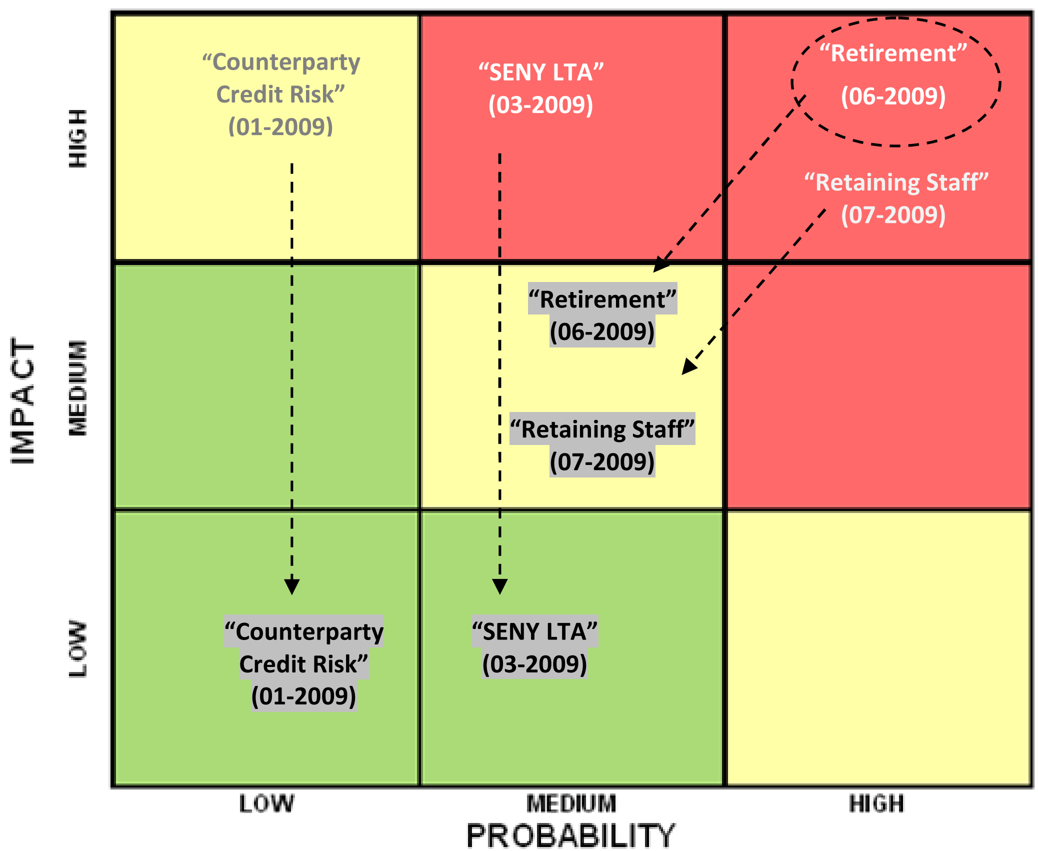
1. Create development plans based on successor readiness.

2. All Business Unit Leaders will be responsible for reporting on the progress of the completion of the development plans for all identified successors to the Executive Leadership Team on a Quarterly basis.

3. NYPA will establish a formal mentoring program.

The ERC has approved response plans for four of the top ten critical risks identified. As shown in the table below, these risk response plans project a reduction in the probability and potential impact of these critical risks. It is anticipated that the risk response plans for the six remaining critical risks will be completed, presented and approved by the ERC by September 30, 2010. The Enterprise Risk team continues to work with Risk Owners and Supporting Risk Owners to complete risk response plans in support of the Enterprise Risk program strategic milestones.

Figure 1: Critical Risk Assessment Matrix (Heat Map)



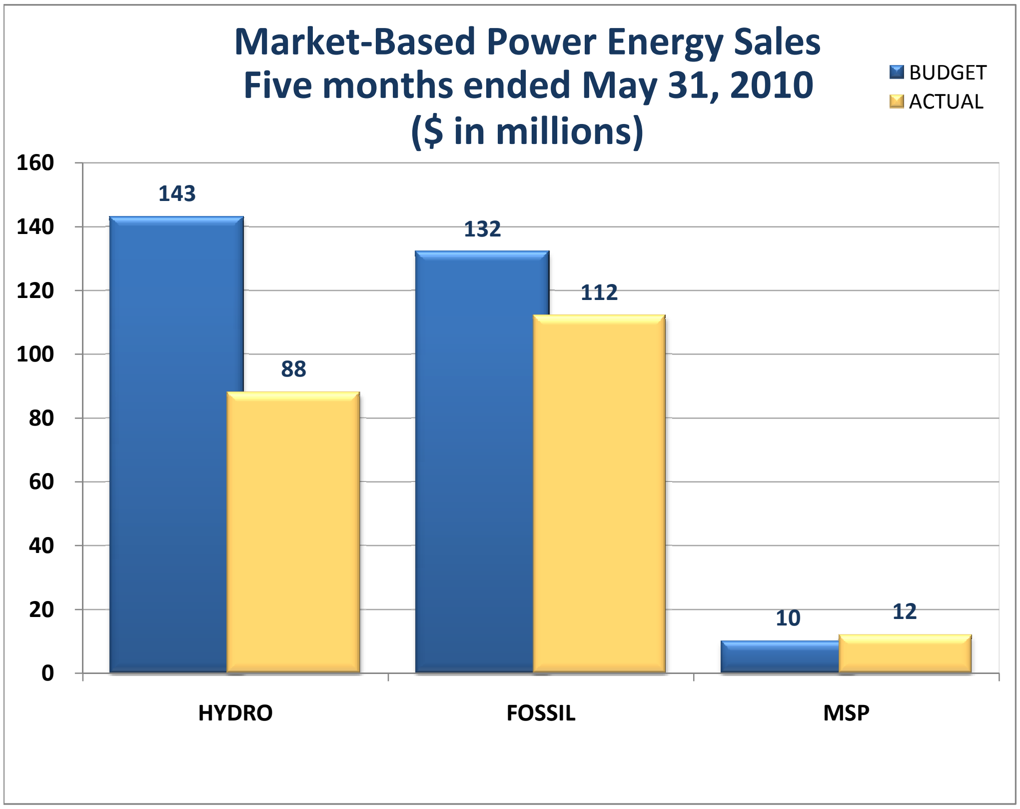
Net Income
Five Months ended May 31, 2010
($ in millions)

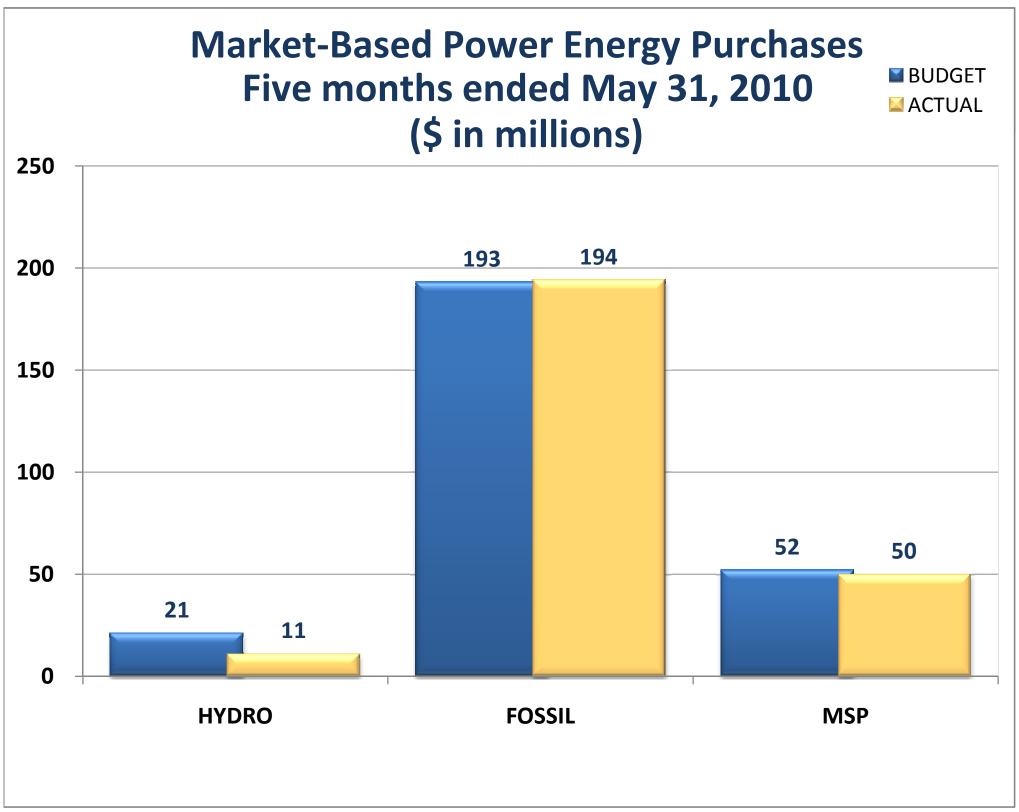
	Actual	Budget	Variance
Niagara	$45.8	$89.9	($44.1)
St. Lawrence	13.1	14.9	(1.8)
Blenheim-Gilboa	(0.5)	4.3	(4.8)
SENY	23.3	21.8	1.5
SCPP	1.0	0.5	0.5
Market Supply Power	(14.5)	(16.6)	2.1
Flynn	8.8	5.8	3.0
Transmission	14.2	12.2	2.0
Non-facility*	(51.8)	(63.1)	11.3
Total	**$39.4**	**$69.7**	**($30.3)**

** Includes a contribution of $107 to NY State (Actual & Budget).*

Major Factors	**Better (Worse)**
Niagara Lower net margins on sales ($46.5) primarily due to lower volumes available resulting from lower generation (8%). In addition, average energy prices for sales into the market were approximately 20% lower than budgeted ($37/mwh actual vs. $46/mwh budgeted).	($44.1)
St. Lawrence Lower net margins on sales ($5.5) resulting from lower prices for sales into the market partially offset by lower O&M due to timing differences in non-recurring projects.	(1.8)
Blenheim-Gilboa Lower net revenues as a result of lower volumes due to the limited price differential between peak and off-peak energy prices.	(4.8)
Flynn Higher net margin on sales primarily due to lower than anticipated fuel costs as a result of lower prices on natural gas and fuel mix. (Note: On May 7th the Flynn plant was taken out of service for unscheduled maintenance and is not expected to be back in service until mid-August).	3.0
Transmission Includes lower O&M due to timing differences in recurring maintenance.	2.0
Other facilities Higher net income at SENY (lower O&M due to a timing difference related to 500 MW outage) and MSP (lower purchased power costs due to lower prices).	4.1
Non-facility (including investment income) Primarily positive variance related to a mark-to-market gain ($10.9) on Authority's investment portfolio due to a decrease in market interest rates.	11.3
Total	**($30.3)**

RESULTS OF OPERATIONS





REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	2,588,550	1,930,104
Fossil	1,465,599	1,526,233
MSP	238,756	319,525
TOTAL	4,292,905	3,775,862
PRICES ($/MWH)		
Hydro*	$55.42	$45.51
Fossil	$89.40	$73.52
MSP	$42.75	$38.13
AVERAGE	$66.63	$56.21

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

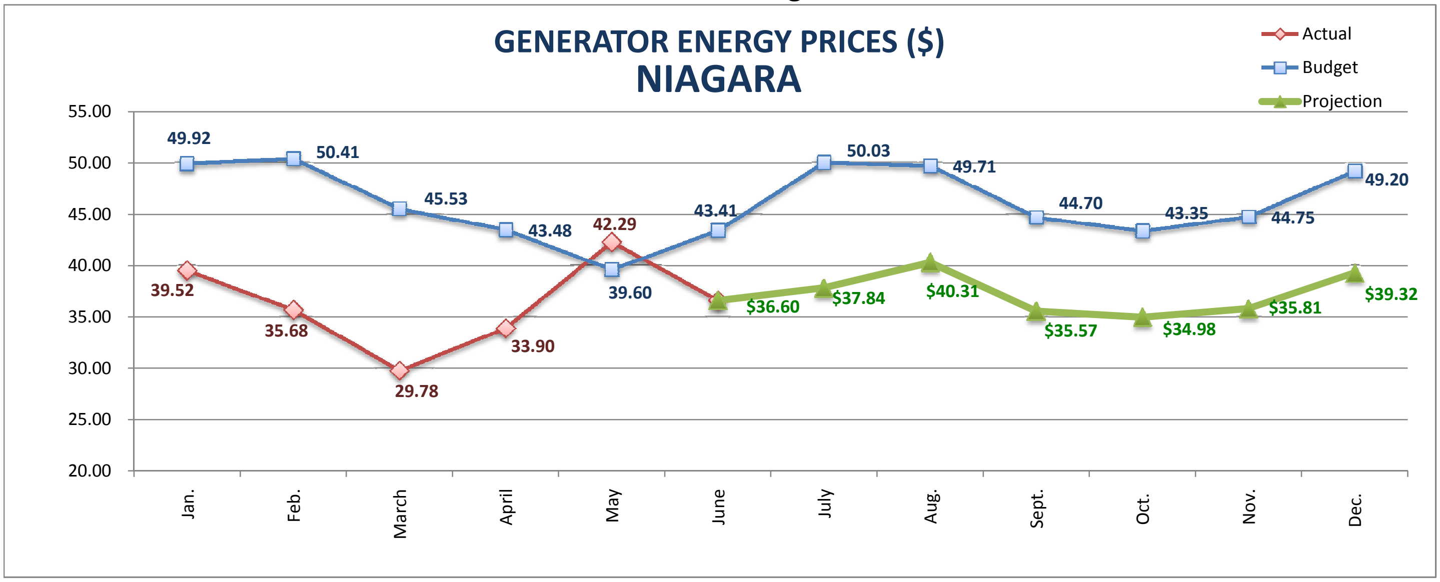
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,321,361	882,014
St. Law.	882,050	882,587
PRICES ($/MWH)		
Niagara	$46.05	$36.74
St. Law.	$43.79	$34.44

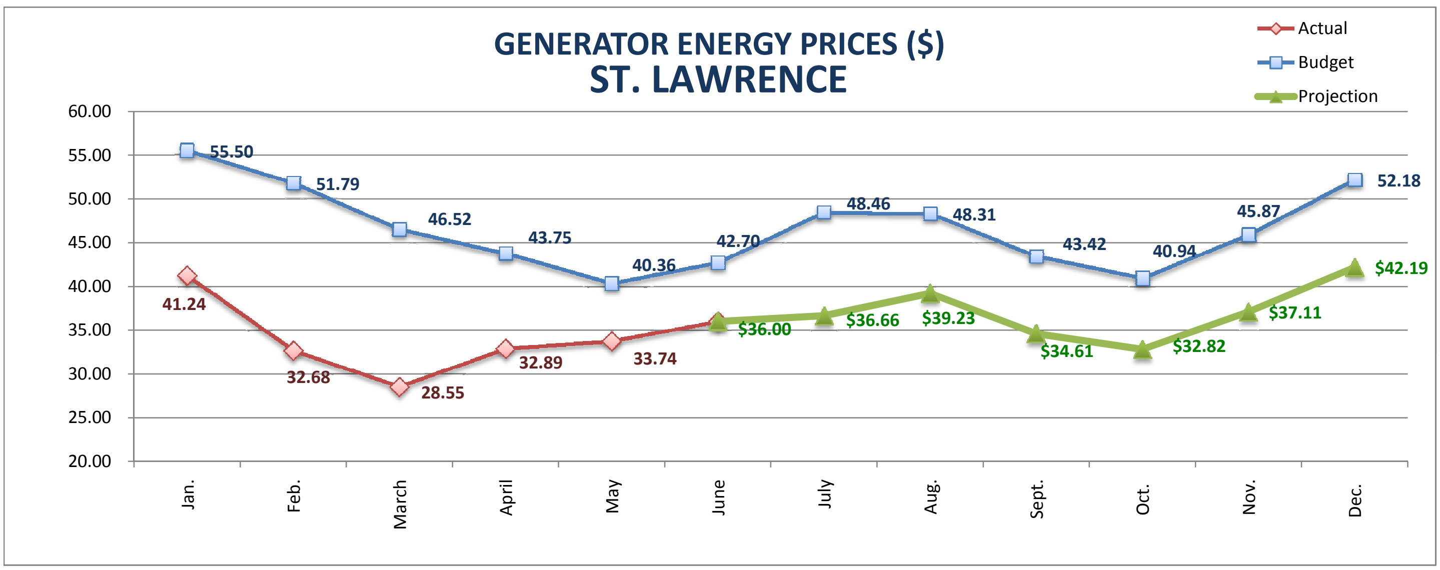
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	666,586	459,836
SENY	3,652,200	3,806,516
MSP	1,187,709	1,227,315
TOTAL	5,506,495	5,493,667
COSTS ($/MWH)		
Hydro	$31.43	$24.58
SENY	$52.75	$50.96
MSP	$44.13	$40.33
AVERAGE	$48.31	$46.38

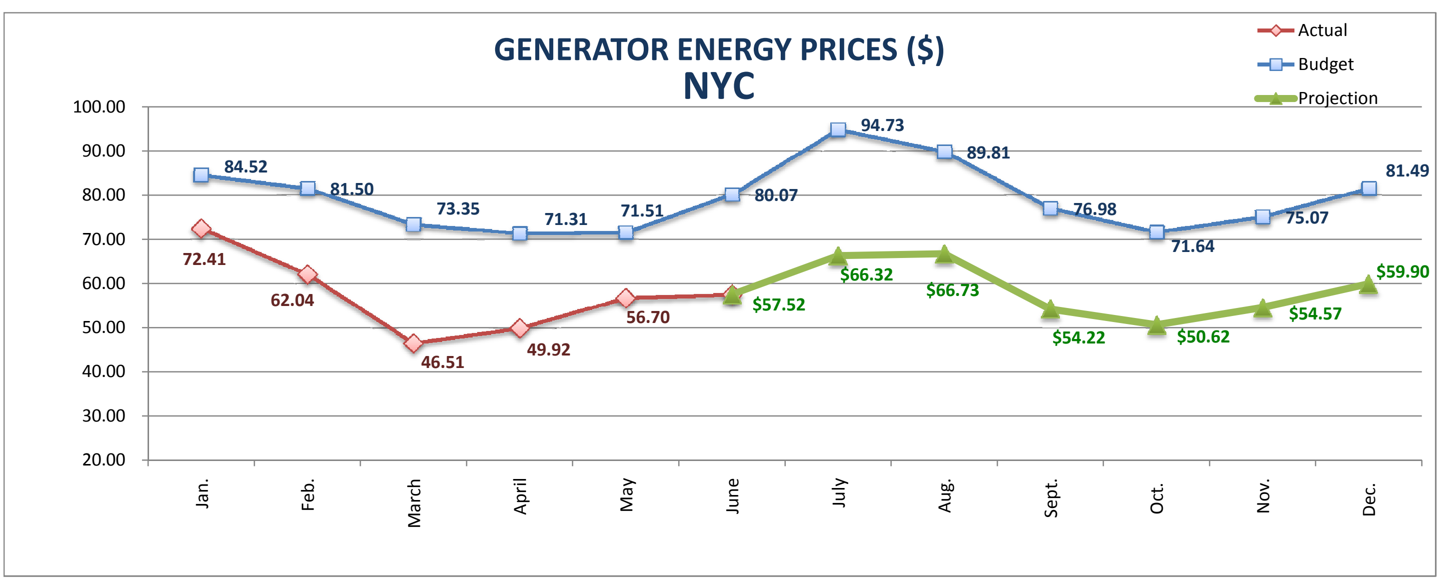
RESULTS OF OPERATIONS

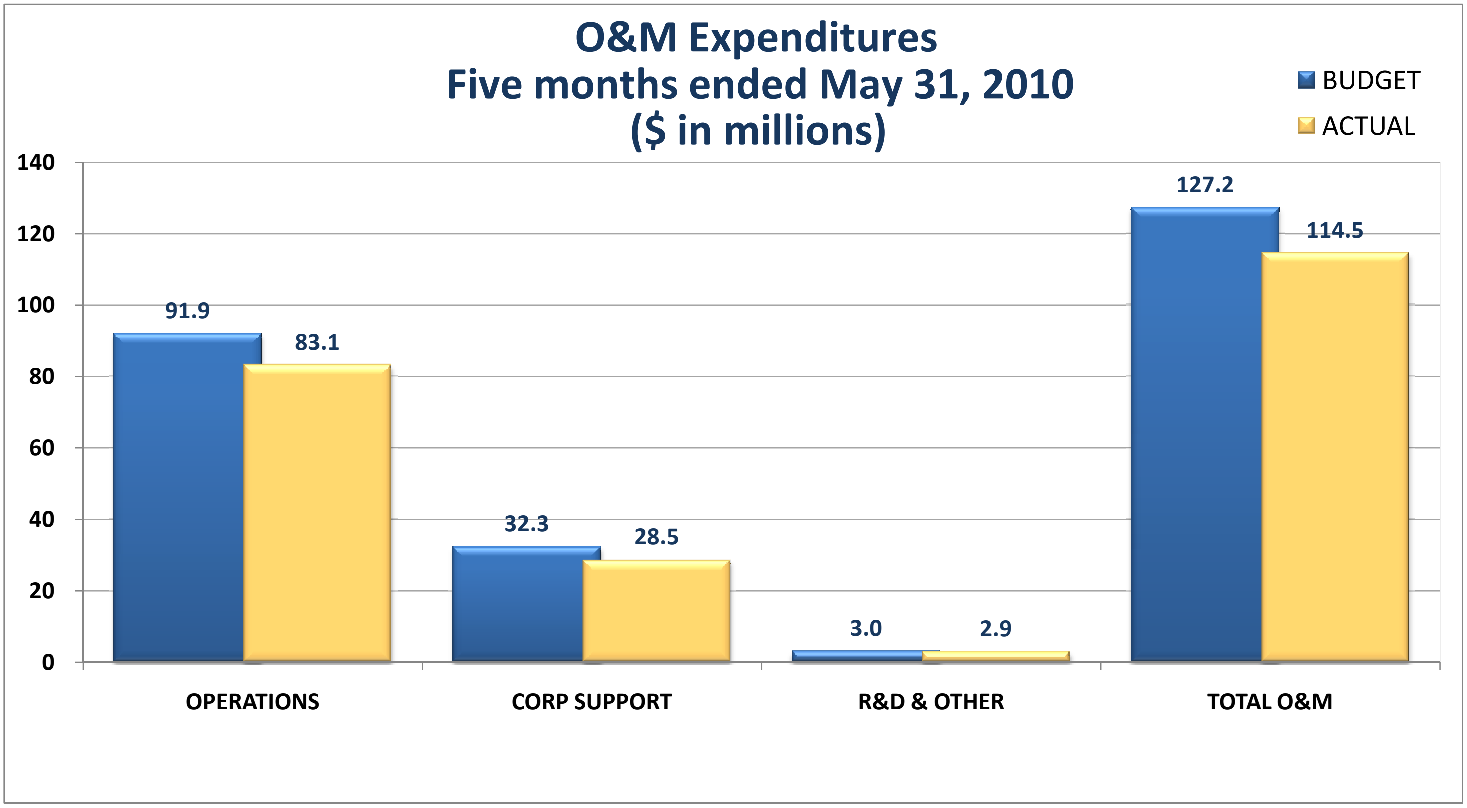
Energy Prices

Actual vs Budget

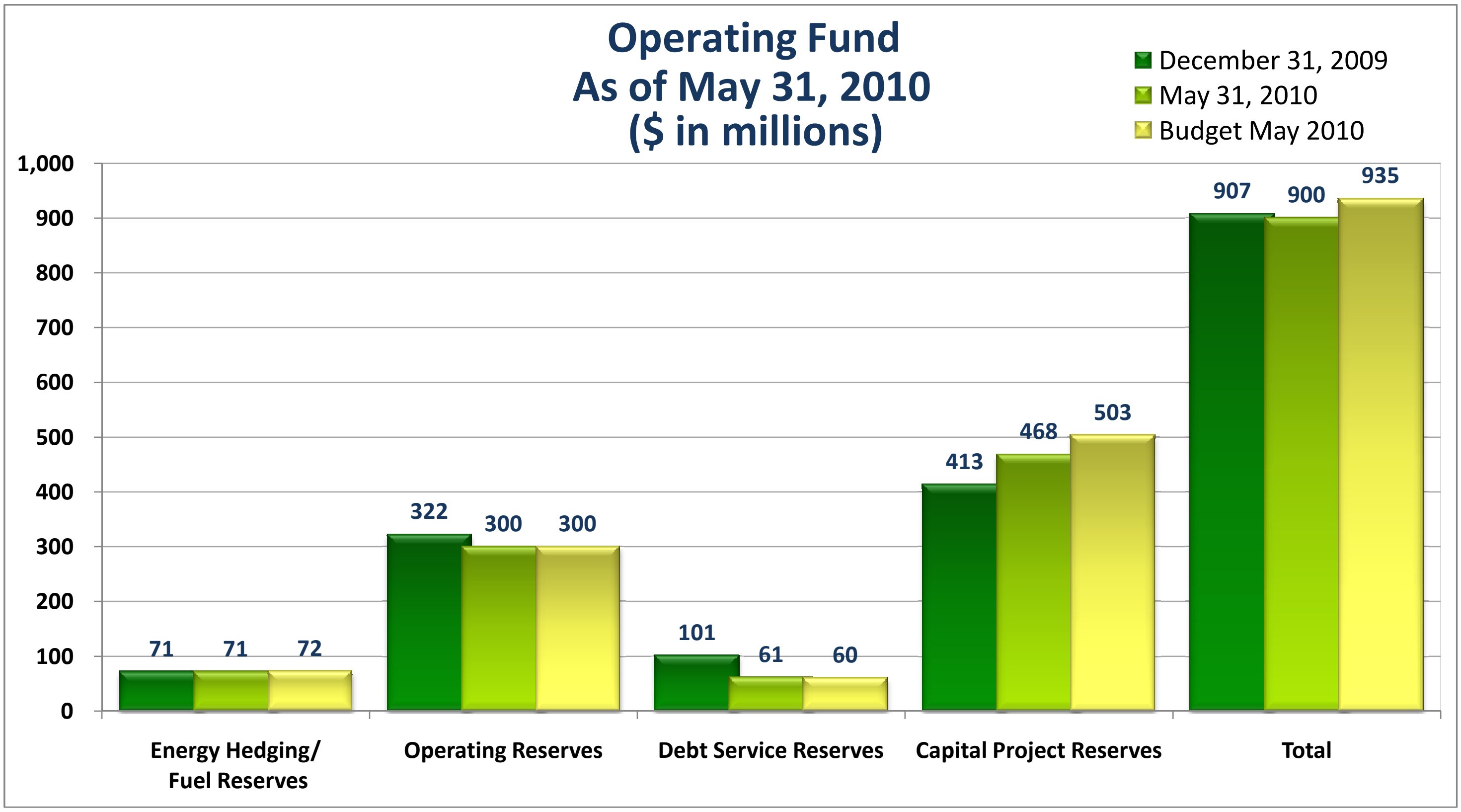






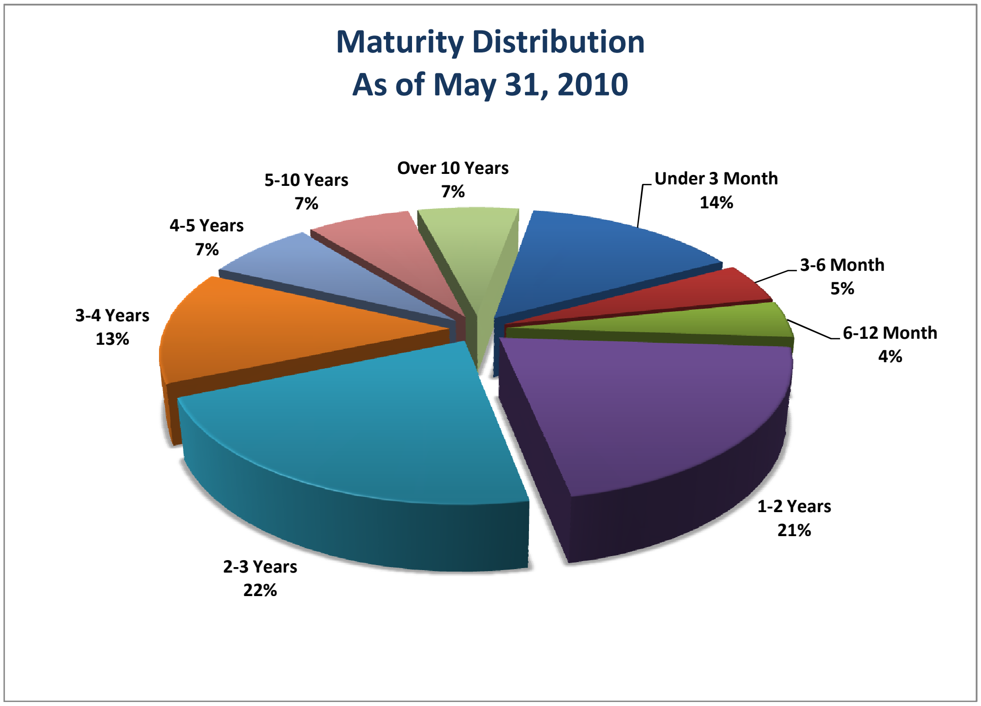


- Through May, O&M expenses were $12.7 lower than the budget.
- Operations expenditures were $8.8 lower than budgeted due primarily to timing for contractor services for the 500 MW unit. In addition, through May, there were lower than expected expenditures for non-recurring work at St. Lawrence and recurring maintenance at Flynn and the Transmission facilities.
- Corporate Support expenses were under budget by $3.8 due mostly to under spending for fuel cell maintenance, legal consultants, timing for telecommunication equipment and computer software, and payroll due to unfilled vacancies, as well as higher than anticipated rental income.

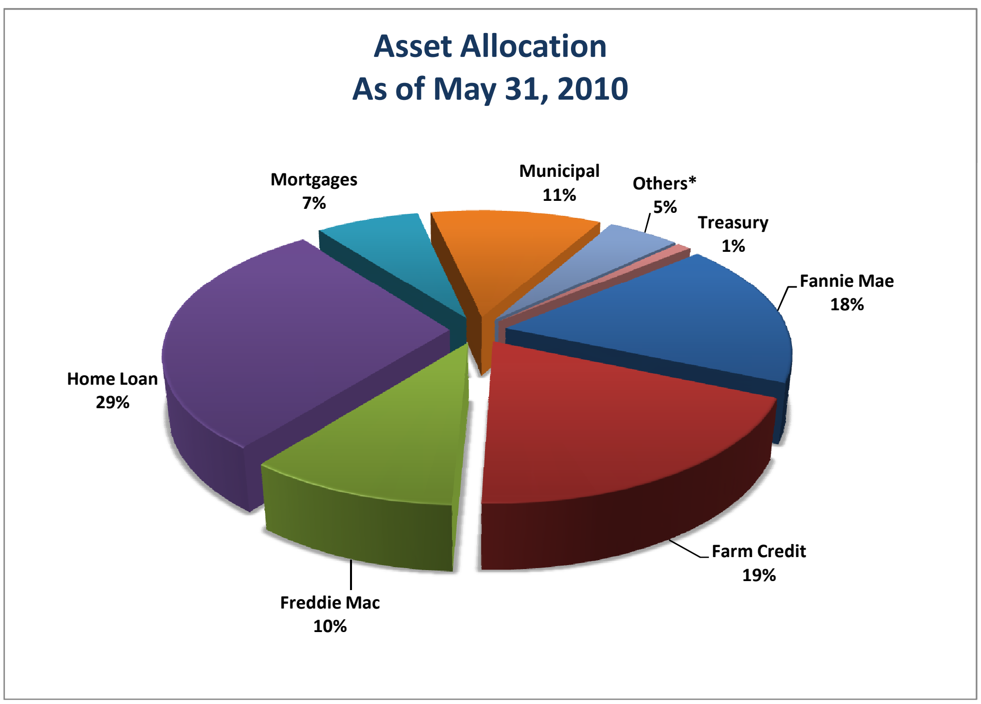


The year-to-date decrease of $7 in the Operating Fund (from $907 to $900) was primarily attributable to a $119.5 voluntary contribution to New York State and scheduled debt service payments, partially offset by positive net cash provided by Operating Activities and the Value Sharing payment of $72 received from Entergy in January. The variance from budget is a result of lower net income for the period.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO

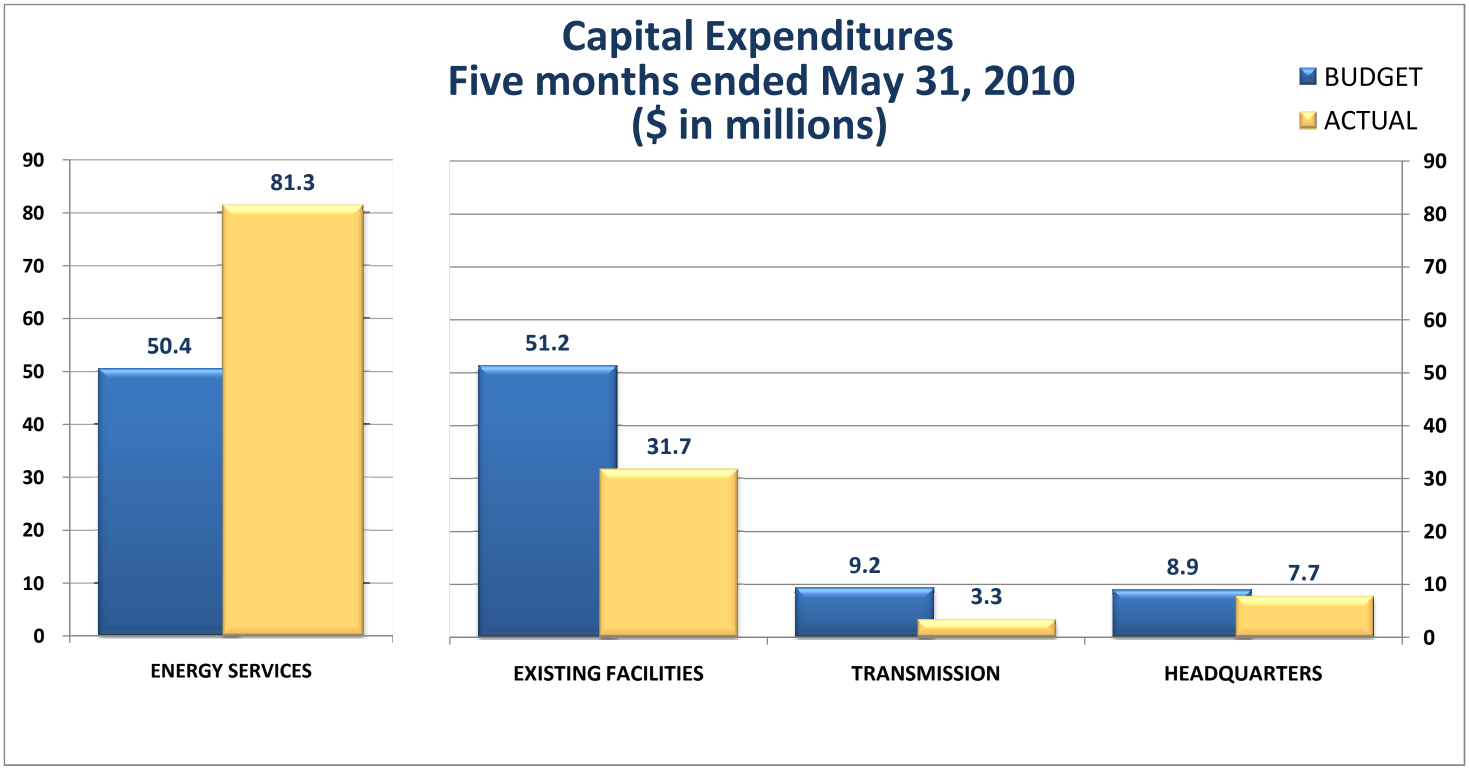


MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Months	$154.3
3-6 Months	49.9
6-12 Months	47.4
1-2 Years	224.4
2-3 Years	234.2
3-4 Years	145.7
4-5 Years	77.0
5-10 Years	73.8
Over 10 Yrs	72.6
Total	$1,079.4

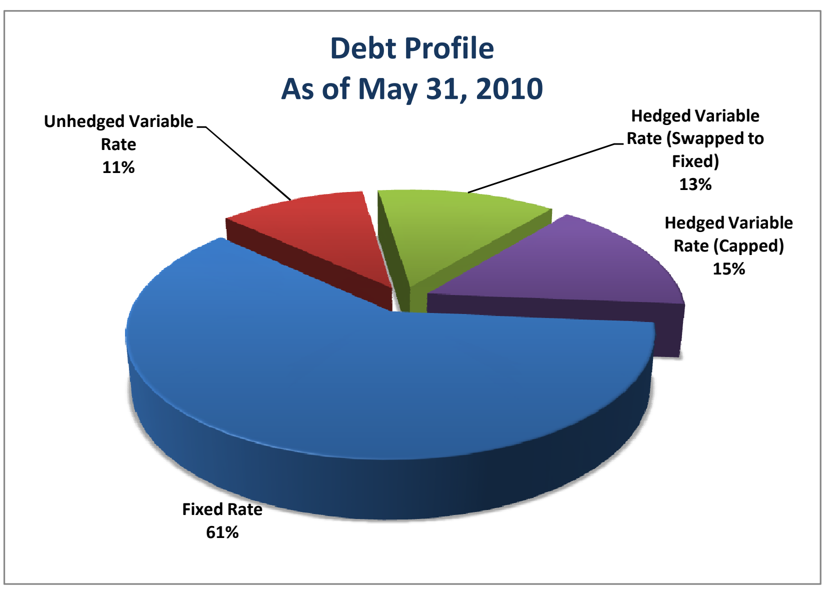


ASSET ALLOCATION	
($ in millions)	
Fannie Mae	$189.9
Farm Credit	207.1
Freddie Mac	107.4
Home Loan	313.6
Mortgages	74.9
Municipal	124.1
Others*	52.4
Treasury	10.0
	$1,079.4

*Includes CDs and Repos



- Energy Services expenditures exceeded the budget by $30.9 due to accelerated construction activity related to NYCHA's Hot Water Storage Tank Replacement and CUNY Central Heating and Cooling Project.
- Lower capital expenditures at Existing Facilities were primarily due to timing differences related to B-G and St. Lawrence life extension and modernization projects.
- Transmission was under budget due to timing differences related to the Niagara 115 kv OCB upgrade project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $15.9 for the year to date. There were no new expenditures authorized in May.



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,173.4
Unhedged Variable Rate	$209.9
Hedged Variable Rate (Swapped to Fixed)	$257.1
Hedged Variable Rate (Capped)	$300.0
Total	$1,940.4

ENERGY DERIVATIVES

Results

Year-to-date financial energy derivative settlements resulted in a net loss of $35.24 million that was incurred by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. The amount of losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are incorporated into and recovered through Customer rates.

Year-to-Date 2010 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions

($ in millions)

	Settlements[1]	Fair Market Value			
	YTD	**2010**	**2011**	**>2011**	**Total**
NYPA	$ (0.05)	$ -	$ -	$ -	$ -
Customer Contracts	$ (35.19)	$ (50.98)	$ (64.32)	$ (127.78)	$ (243.08)
Total	**$ (35.24)**	**$ (50.98)**	**$ (64.32)**	**$ (127.78)**	**$ (243.08)**

[1] *Based on Updated Final Settlements for April & Preliminary Settlement Figures through May 2010.*

At the end of May, the fair market value of outstanding positions was valued at an unrealized loss of $243.08 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for the balance of 2010 (June to December 2010) and how they have traded since 2009, while Exhibit 2 illustrates the average price of futures contracts for 2011. Cooler temperatures experienced during the middle of May, together with forecasts calling for an active hurricane season, pushed energy prices higher, but the market rally was tempered as milder weather prevailed towards the end of the month.

New York Power Authority

Exhibit 1: Average June to December 2010 Forward Price as Traded

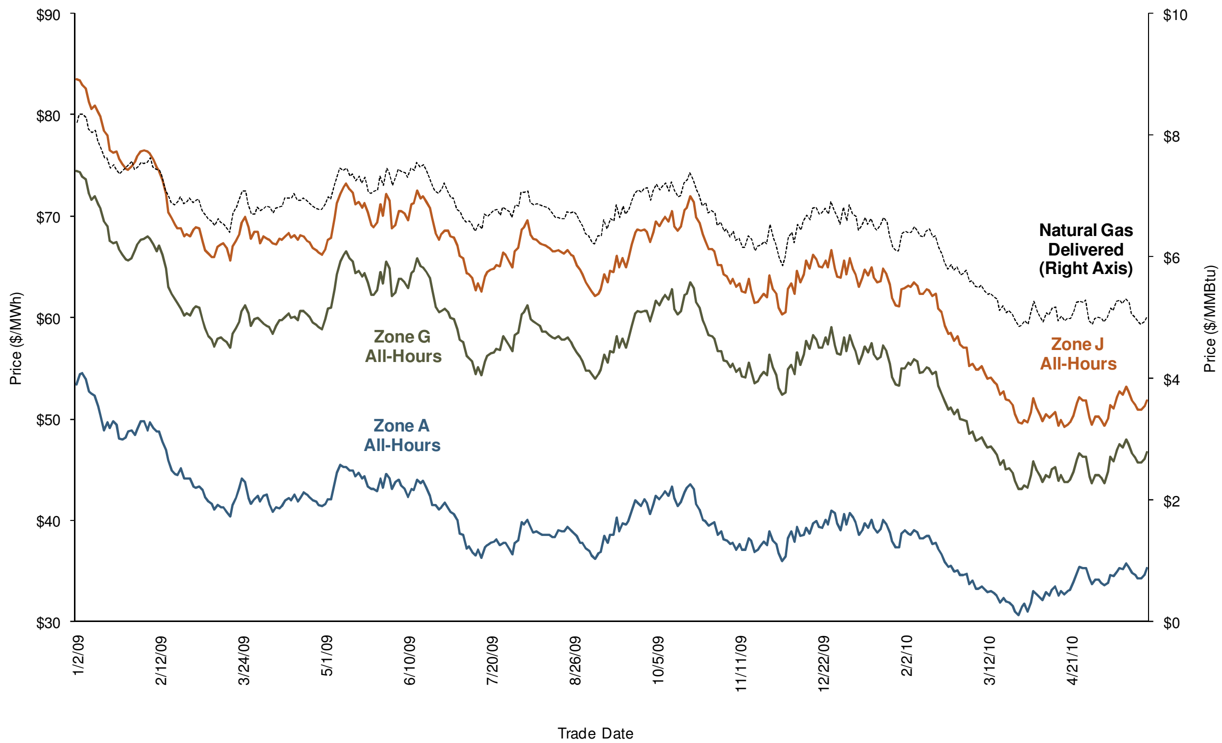
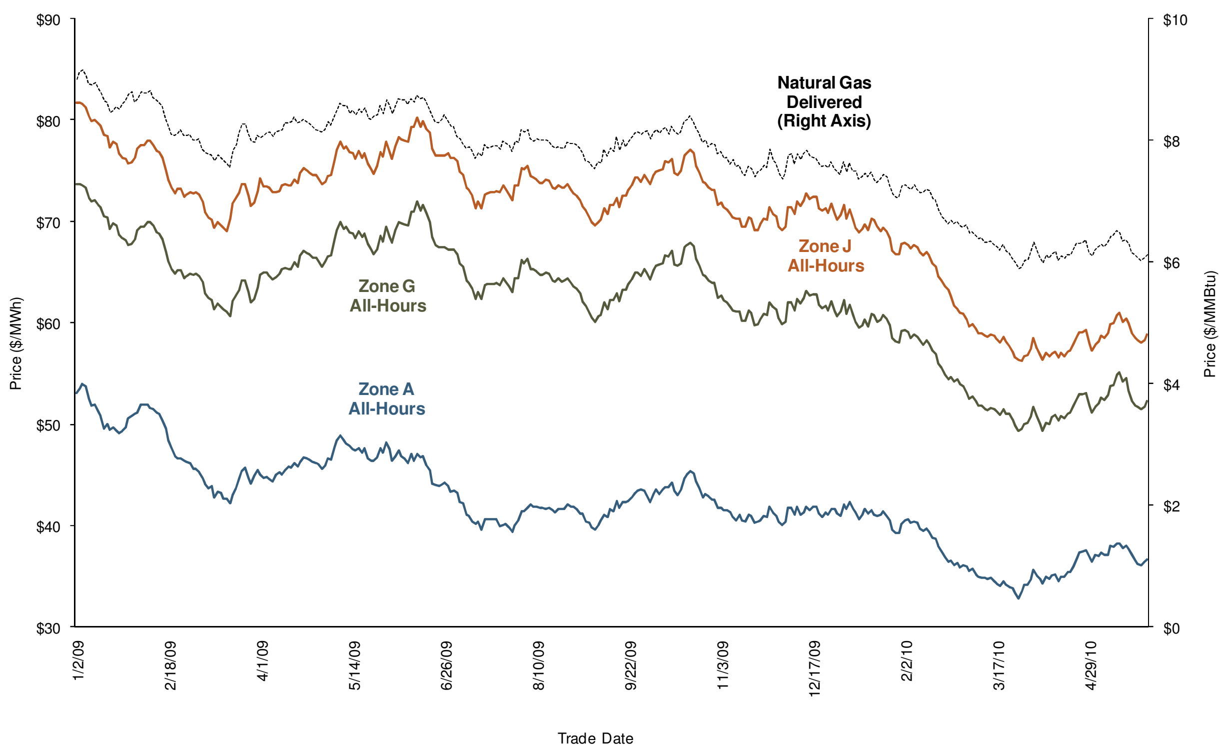


Exhibit 2: Average January to December 2011 Forward Price as Traded



STATEMENT OF NET INCOME
For the Five Months Ended May 31, 2010
($ in Millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,052.0	Customer	**$767.4**	**$807.9**	**($40.5)**
601.8	Market-based power sales	157.4	219.2	(61.8)
54.4	Ancillary services	15.4	25.6	(10.2)
102.9	NTAC and other	48.0	42.9	5.1
759.1	Total	**220.8**	**287.7**	**(66.9)**
2,811.1	**Total Operating Revenues**	**988.2**	**1,095.6**	**(107.4)**
	Operating Expenses			
864.8	Purchased power	324.1	330.9	6.8
340.8	Fuel consumed - oil & gas	100.1	140.9	40.8
91.0	Ancillary services	28.1	37.0	8.9
519.9	Wheeling	181.1	177.7	(3.4)
312.3	Operations and maintenance	114.5	127.2	12.7
160.3	Depreciation and amortization	69.0	66.8	(2.2)
141.7	Other expenses	56.1	58.2	2.1
(10.8)	Allocation to capital	(3.8)	(3.9)	(.1)
2,420.0	**Total Operating Expenses**	**869.2**	**934.8**	**65.6**
391.10	**Net Operating Income**	**119.0**	**160.8**	**(41.8)**
	Nonoperating Revenues			
88.9	Post nuclear sale income	43.1	43.1	-
53.1	Investment income	17.2	22.0	(4.8)
(5.8)	Mark to market - investments	8.4	(2.4)	10.8
136.2	**Total Nonoperating Revenues**	**68.7**	**62.7**	**6.0**
	Nonoperating Expenses			
107.0	Contributions to New York State	107.0	107.0	-
112.3	Interest and other expenses	41.3	46.8	5.5
219.3	**Total Nonoperating Expenses**	**148.3**	**153.8**	**5.5**
(83.1)	**Net Nonoperating Income (Loss)**	**(79.6)**	**(91.1)**	**11.5**
$308.0	**Net Income**	**$39.4**	**$69.7**	**($30.3)**

COMPARATIVE BALANCE SHEETS
May 31, 2010

Assets		May 2010	May 2009	December 2009
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	919.8	762.9	913.4
	Interest receivable on investments	5.3	5.2	5.8
	Accounts receivable - customers	214.0	248.5	158.7
	Materials and supplies, at average cost:			
	Plant and general	85.0	82.3	82.3
	Fuel	17.6	30.0	21.7
	Prepayments and other	120.6	297.7	124.4
	Total Current Assets	**1,362.4**	**1,426.7**	**$1,306.4**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	959.4	818.4	942.4
	Other	93.3	100.4	94.1
	Total Restricted Funds	**1,052.7**	**918.8**	**1,036.5**
Capital Funds	Investment in securities and cash	180.2	219.2	189.2
	Total Capital Funds	**180.2**	**219.2**	**189.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,290.6	3,347.8	3,347.8
	Construction work in progress	174.8	147.3	144.8
	Net Utility Plant	**3,465.4**	**3,495.1**	**3,492.6**
Other Noncurrent Assets	Receivable - NY State	318.0	215.0	318.0
	Deferred charges, long-term receivables and other	673.7	430.9	545.6
	Notes receivable - nuclear plant sale	141.2	153.7	170.1
	Total other noncurrent assets	**1,132.9**	**799.6**	**1,033.7**
	Total Noncurrent Assets	**5,831.2**	**5,432.7**	**5,752.0**
	Total Assets	**$7,193.6**	**$6,859.4**	**$7,058.4**

Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$826.3	$925.3	$776.5
	Short-term debt	294.7	273.1	289.2
	Total Current Liabilities	**1,121.0**	**1,198.4**	**1,065.7**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,191.8	1,231.8	1,192.7
	Adjustable rate tender notes	130.5	137.5	137.5
	Commercial paper	341.8	421.3	413.3
	Total Long-term Debt	**1,664.1**	**1,790.6**	**1,743.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	959.4	818.4	942.4
	Disposal of spent nuclear fuel	215.9	215.6	215.8
	Deferred revenues and other	373.4	209.3	270.5
	Total Other Noncurrent Liabilities	**1,548.7**	**1,243.3**	**1,428.7**
	Total Noncurrent Liabilities	**3,212.8**	**3,033.9**	**3,172.2**
	Total Liabilities	**4,333.8**	**4,232.3**	**4,237.9**
Net Assets	Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
	Net Income	39.4	60.3	253.6
	Total Net Assets	**2,859.8**	**2,627.1**	**2,820.5**
	Total Liabilities and Net Assets	**$7,193.6**	**$6,859.4**	**$7,058.4**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Five Months Ended May 31, 2010
($ in millions)

Operating Fund	
Opening	$906.8
Closing	899.9
Increase/(Decrease)	**(6.9)**
Cash Generated	
Net Operating Income	119.0
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	69.0
Net Change in Receivables, Payables & Inventory	(39.4)
Other	(2.4)
Net Cash Generated from Operations	**146.2**
(Uses)/Sources	
Utility Plant Additions	(31.3)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(5.4)
ART Notes	(7.3)
Investment Income	10.9
Entergy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(119.5)
Other	(4.9)
Total (Uses)/Sources	**(153.1)**
Net Decrease in Operating Fund	**(6.9)**