

New York Power Authority

Report of the Acting Chief Financial Officer

For the Eleven Months Ended November 30, 2011

**Report of the Acting Chief Financial Officer
For the Eleven Months Ended November 30, 2011
Executive Summary**

Results of Operations

Net income for the eleven months ended November 30, 2011 was \$217.2 million which was \$52.3 million higher than budgeted. Positive variances attributable to higher net margins on sales (\$56.3 million), lower O&M (\$5.2 million) and higher non-operating income (\$38.6 million) were partially offset by higher other operating expenses (\$48.7 million).

Net margins were higher primarily at St. Lawrence (\$37.7 million) and Niagara (\$34.9 million) due to higher generation and higher prices on market-based sales. Net generation at Niagara and St. Lawrence was 16% higher than budgeted for the month of November and 14% higher than budgeted for the year-to-date. These positives were partially offset by a lower net margin at Blenheim-Gilboa (\$10.6 million) primarily due to lower prices on capacity sales. Lower O&M resulted primarily from lower payroll related costs associated with the high number of vacant positions, lower IT computer hardware and software costs, and the delayed start of the commercial operation date of Astoria Energy II. Non-operating income included a mark-to-market gain on the Authority's investment portfolio (\$11.3 million), lower interest costs (\$17.9 million) and the settlement of the spent nuclear fuel claim (\$11 million) against the United States Department of Energy not included in the budget. The mark-to-market gain and lower interest costs resulted primarily from lower than budgeted market interest rates. Other operating expenses were higher due to additional Power for Jobs related voluntary contributions to New York State (\$13.0 million) and the recognition of residential consumer discounts (\$33.2 million) included in the Recharge New York (RNY) Power Program legislation. The additional Power for Jobs voluntary contribution includes \$7.5 million relating to 2010 paid in June and accrual of a portion of the amount for 2011. On June 28, 2011, the Authority's Trustees authorized the use of revenues from the sale of withdrawn hydropower under the RNY legislation into the wholesale market or, as necessary, internal funds to fund the residential consumer discount program for its first six months.

Net income through November 2011 (\$217.2 million) was \$40.1 million higher than the comparable period in 2010 (\$177.1 million). Lower voluntary contributions to New York State (\$82 million) were partially offset by lower net operating income (\$9.4 million) and lower non-operating income (\$32.5 million) during the period. Year-to-date voluntary contributions were \$65 million in 2011 compared to \$147 million through November 2010. Net operating income was lower primarily due to higher retiree health benefits and higher Power for Jobs related contributions to New York State. Non-operating income in 2011 reflected a lower mark-to-market gain on the Authority's investment portfolio and higher interest costs (primarily Astoria II) than the comparable period in 2010.

Year-end Projection

Year-end net income is projected to be \$228 million, or \$49 million above the 2011 Budget of \$179 million. Lower market energy prices compared to last month's forecast contributed to a slight decrease in projected net income from November, however, overall net income remains significantly above the Budget. Hydro generation remains the largest contributor to the increase in net income (\$68 million) with a current forecast of 21.4 TWH for 2011 representing an increase of 12% over the 19.1 TWH in the Budget.

Additional factors affecting year-end net income positively include a \$12 million increase in the market valuation of the authority's investment portfolio, an \$11 million settlement received by NYPA from the Department of Energy regarding a spent nuclear fuel settlement, and an \$8 million increase due to increased energy prices as compared to the official budget.

Partially mitigating these gains are a \$15 million negative impact due to lower capacity prices, \$8.5 million higher voluntary contributions related to the Power for Jobs Program, \$6 million in additional operating and maintenance expenses and an estimated \$6 million due to the overall effect of the Recharge New York program for 2011.

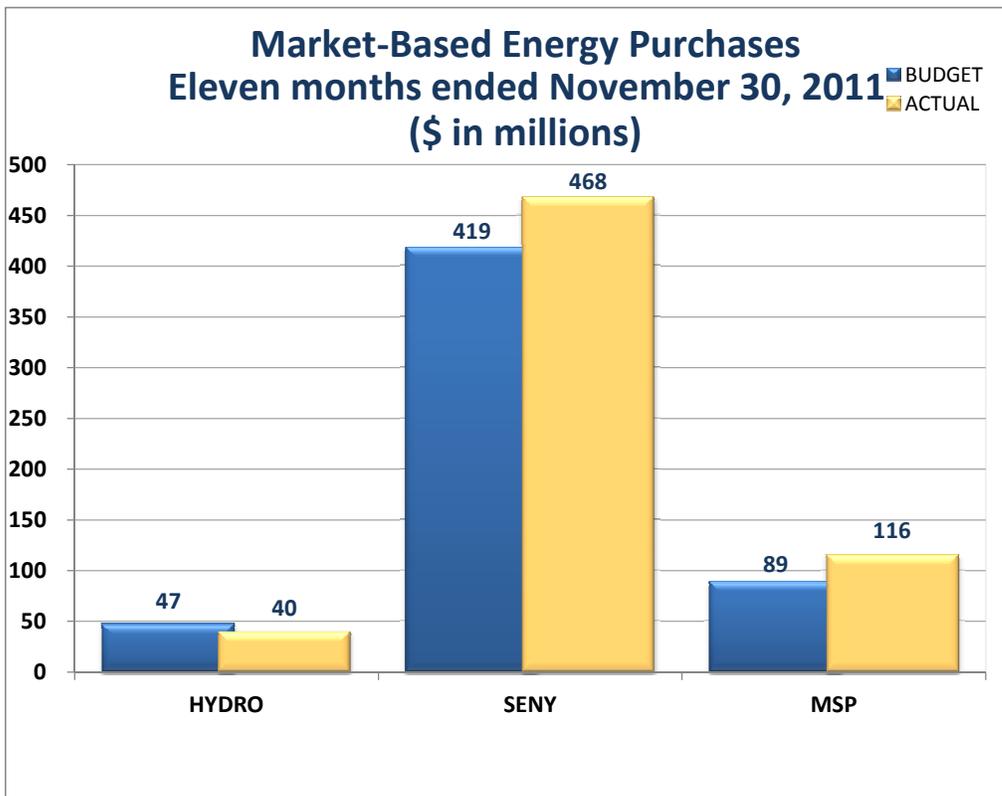
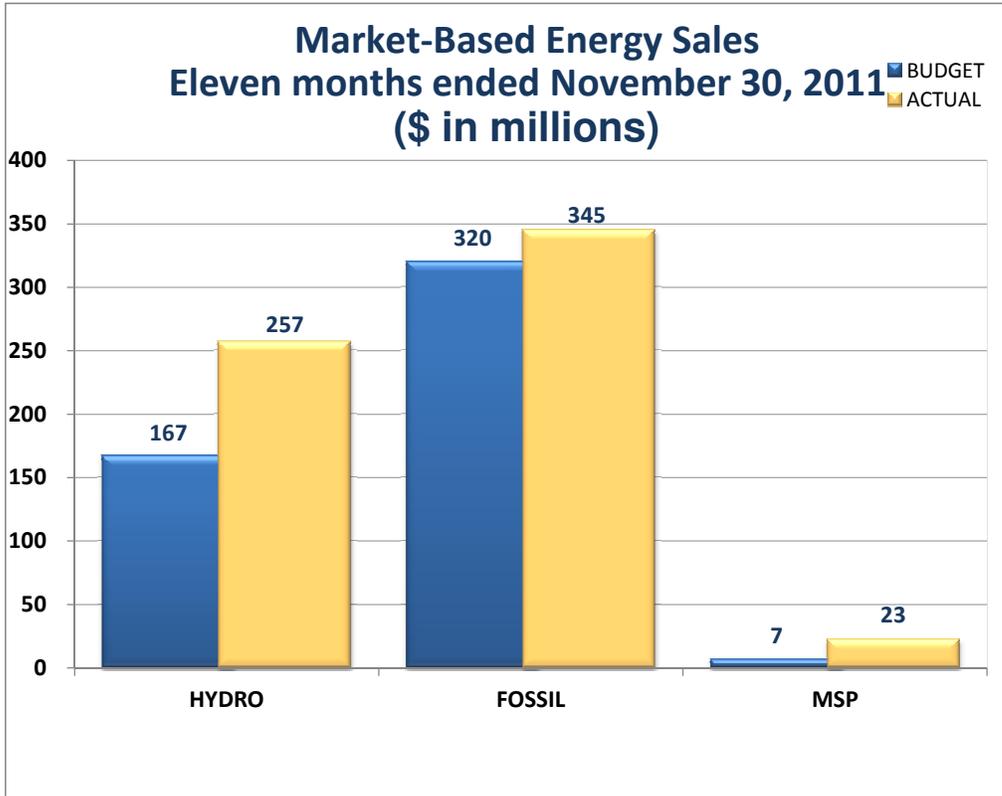
Cash & Liquidity

The Authority ended the month of November with total operating funds of \$1,190 million as compared to \$1,069 million at the end of 2010. The increase (\$121 million) is primarily attributable to net cash from operations and payments received from Entergy partially offset by voluntary contributions to New York State and scheduled debt service payments. Additionally, in November, a contribution of \$40 million was made to the OPEB Trust Fund.

Net Income
Eleven Months ended November 30, 2011
(\$ in millions)

	Actual	Budget	Variance
Niagara	\$103.8	\$79.8	\$24.0
St. Lawrence	43.1	24.7	18.4
Blenheim-Gilboa	(15.8)	(4.5)	(11.3)
SENY	36.9	35.9	1.0
SCPP	18.3	16.3	2.0
Market Supply Power	(49.8)	(35.5)	(14.3)
Flynn	6.6	2.2	4.4
Transmission	31.6	31.2	0.4
Non-facility	42.5	14.8	27.7
Total	\$217.2	\$164.9	\$52.3

<u>Major Factors</u>	<u>Better (Worse)</u>
<p><u>Niagara</u> Primarily higher net margin on sales and lower O&M. Net margins were higher (\$33.5) due to higher market based sales (12% higher net generation) partially offset by higher purchased power costs to support customer loads . Purchased power costs were higher due to an extended outage at an upstate transmission line early in the year. Lower O&M due to timing underruns in non-recurring projects were substantially offset by hydro subsidies related to the Recharge NY Power Program.</p>	\$24.0
<p><u>St. Lawrence</u> Higher net margin (\$37.7) resulting from 16% higher generation and higher prices on market sales (\$39/mwh vs \$36/mwh), partially offset by hydro subsidies related to the Recharge NY Power Program (\$18.3).</p>	18.4
<p><u>Blenheim-Gilboa</u> Lower prices on capacity sales into the market.</p>	(11.3)
<p><u>Market Supply Power</u> Primarily accruals and payment of voluntary contributions (\$13.0) not in budget (extension of Power for Jobs program).</p>	(14.3)
<p><u>Flynn</u> Primarily lower fuel costs due to lower prices.</p>	4.4
<p><u>Other facilities</u> Includes positive variance at the SCPP's (\$2.0) due to higher production and prices partially offset by higher O&M.</p>	3.4
<p><u>Non-facility (including investment income)</u> Mark-to-market gain on the Authority's investment portfolio (\$11.3) due to lower than budgeted market interest rates during the period and settlement of spent nuclear fuel claim (\$11.0).</p>	27.7
Total	\$52.3



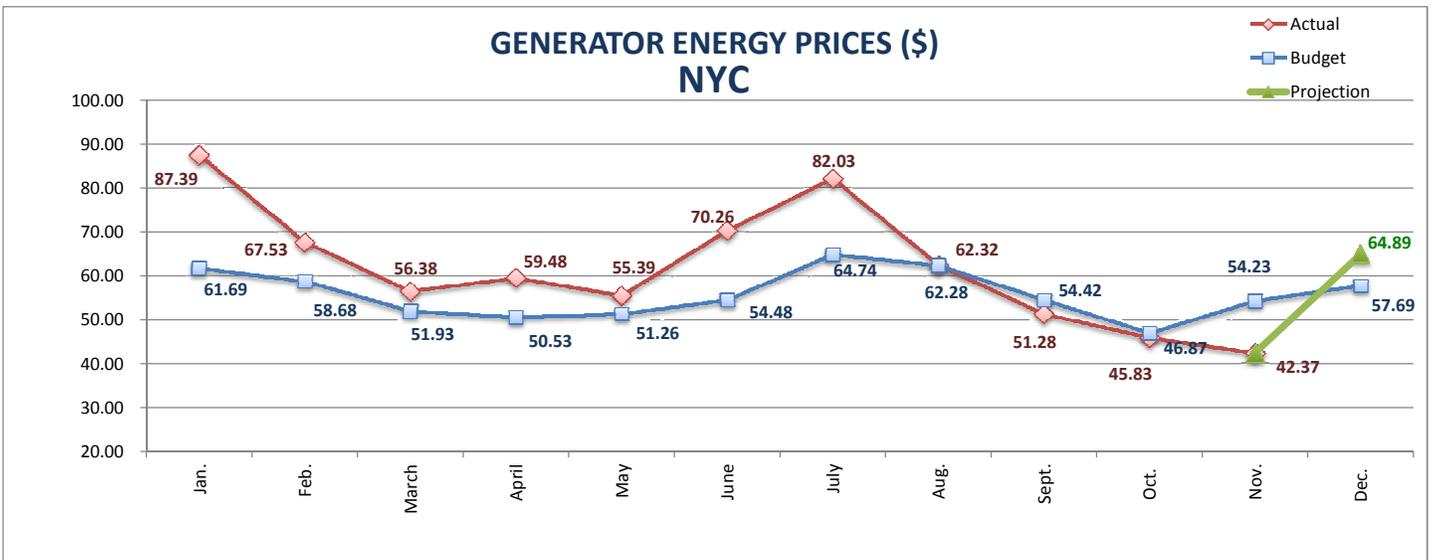
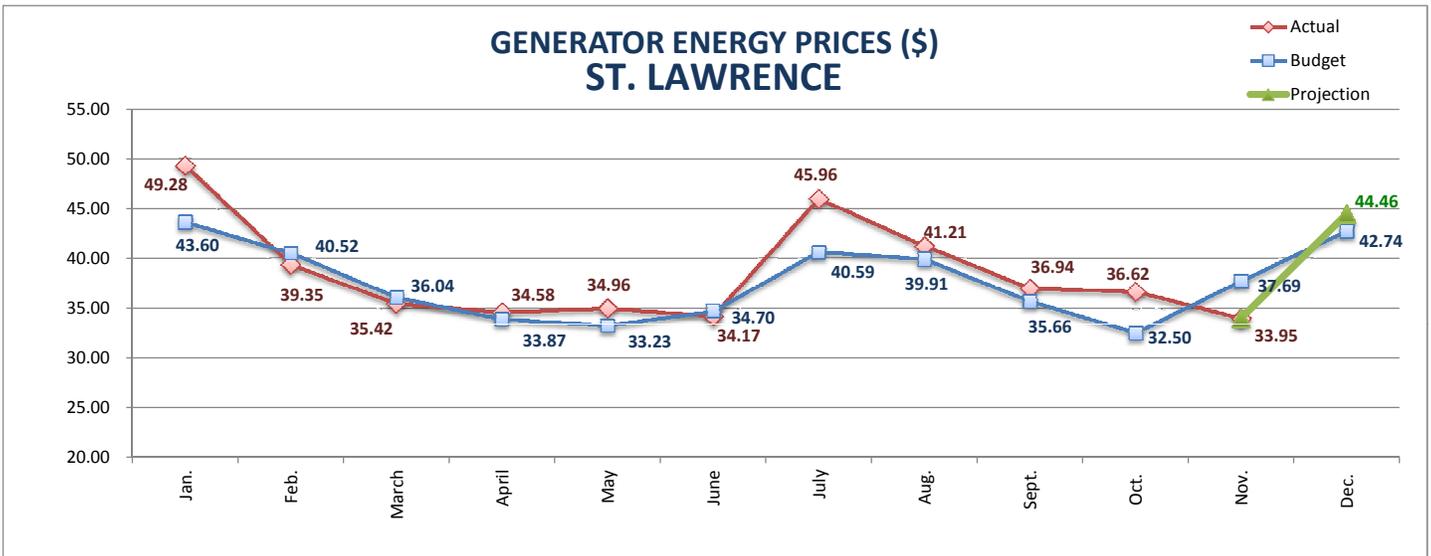
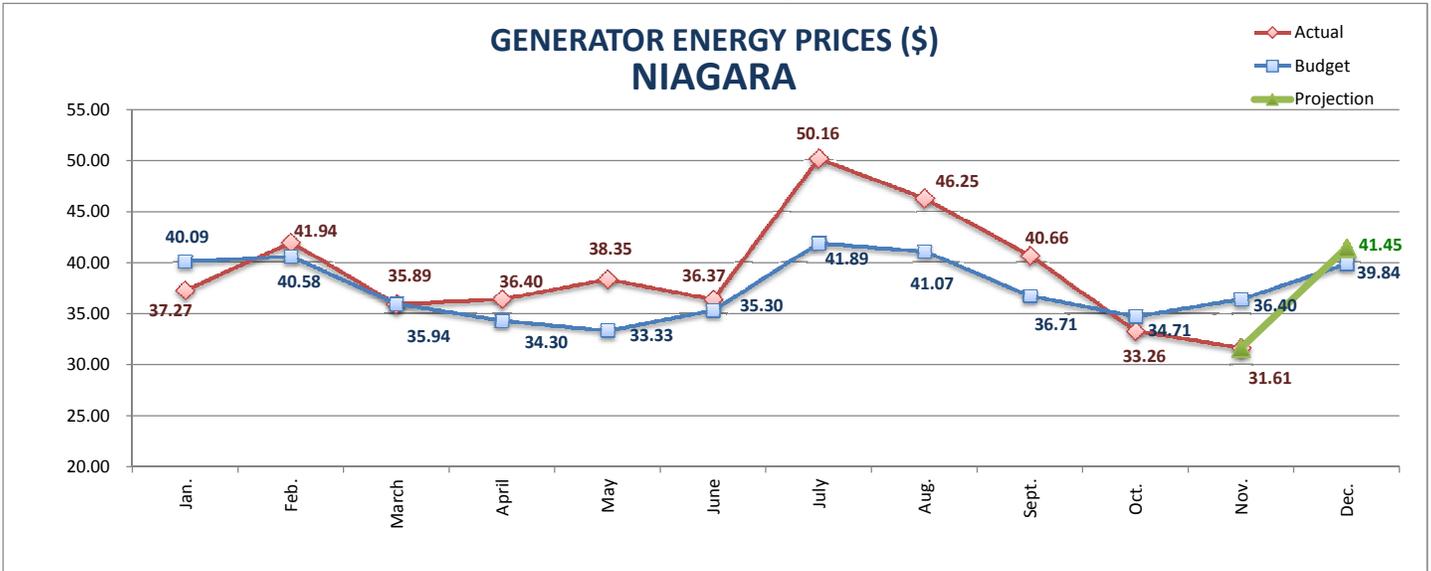
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	3,401,296	6,050,574
Fossil	5,013,911	5,054,059
MSP	203,619	496,074
TOTAL	8,618,826	11,600,707
PRICES (\$/MWH)		
Hydro*	\$40.85	\$40.96
Fossil	\$56.59	\$60.12
MSP	\$34.79	\$46.92
AVERAGE	\$49.92	\$49.56

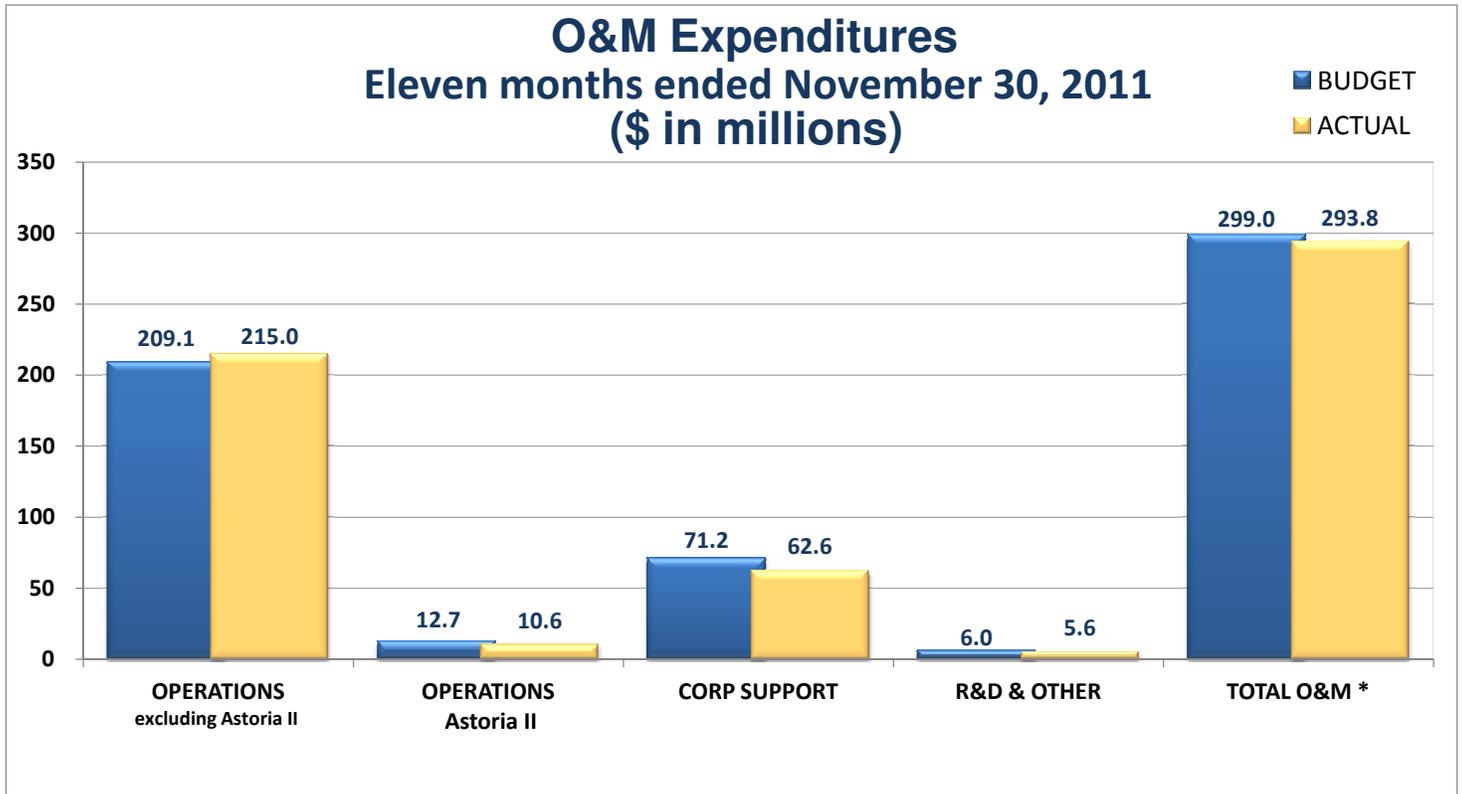
* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,697,410	3,646,887
St. Law.	1,046,658	2,029,367
PRICES (\$/MWH)		
Niagara	\$38.58	\$39.05
St. Law.	\$36.14	\$38.57

COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	1,904,380	1,189,992
SENY	8,114,137	8,274,604
MSP	2,446,697	2,691,696
TOTAL	12,465,214	12,156,292
COSTS (\$/MWH)		
Hydro	\$24.78	\$33.76
SENY	\$51.58	\$56.50
MSP	\$36.46	\$43.02
AVERAGE	\$44.52	\$51.29

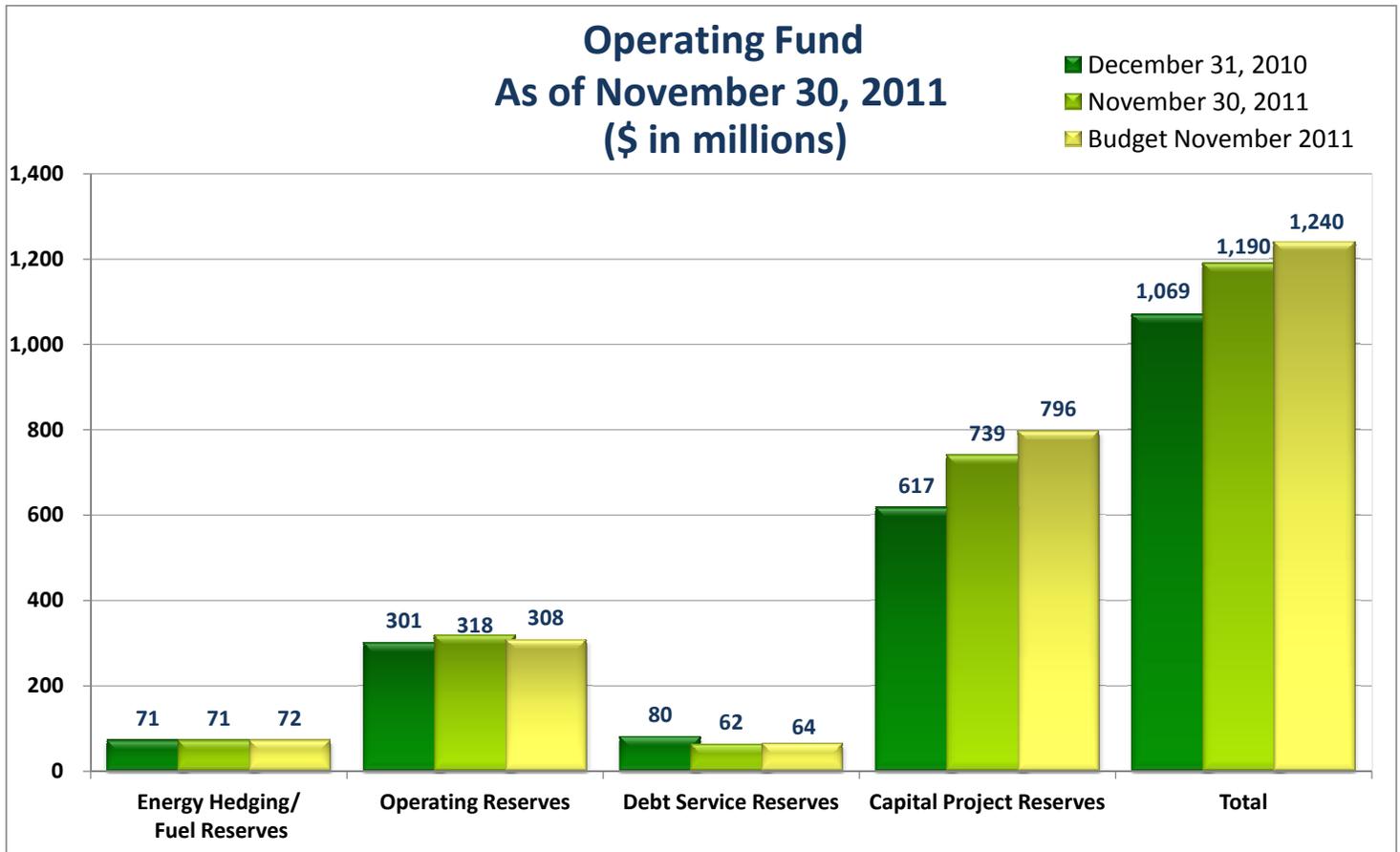
RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget



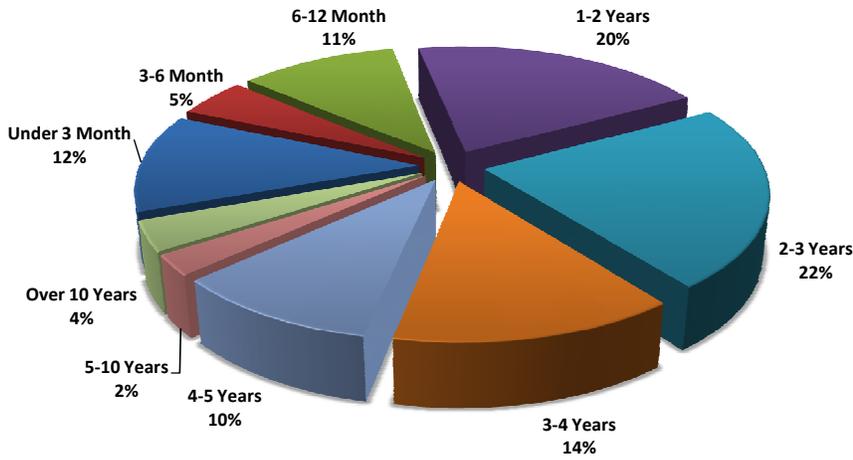


- Through November, O&M expenses were \$5.2 lower than the budget.
- HQ Corporate Support was under budget by \$8.6 due to lower than expected expenses for Human Resource contract services and employment agency fees, WPO building operations, computer software, hardware and services, and fuel cell maintenance.
- Operations expenditures excluding Astoria II were \$5.9 higher than budgeted. Overruns totaling \$11.7 at the Small Clean Power Plants (\$7.4) and Operations Shared Services (\$4.3) were offset by under-runs at Niagara (\$4.5). Higher than anticipated expenditures at the SCPP's resulted from emergent work (Harlem River Step Up Transformer and Pouch Blade Repair). Operations Shared Services reflected less than anticipated labor charged to capital projects. These negatives were offset by timing under runs in non-recurring projects at Niagara and in recurring maintenance at St. Lawrence and the Small Hydro facilities (\$2.3). Operations O&M was also lower by \$2.1 for Astoria II as a result of a one-month delay in the commercial operation date.

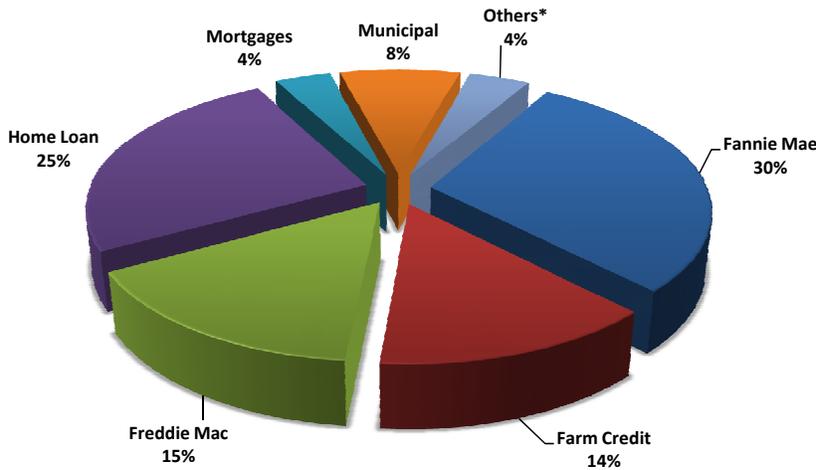
* In September, the Trustees approved an additional \$9.6 primarily for emergent work at the SCPP's and the transmission facilities. This amount is not included in the budgeted amounts above.



The increase of \$121 in the Operating Fund (from \$1,069 to \$1,190) was primarily attributable to positive net cash provided by operating activities, the payments received from Entergy (\$102) and the settlement of the spent nuclear fuel claim (\$11), substantially offset by voluntary contributions to New York State (\$73) and scheduled debt service payments. In addition, the Authority made a contribution of \$40 to the OPEB Trust Fund, which was the primary reason for the negative variance from the budget.

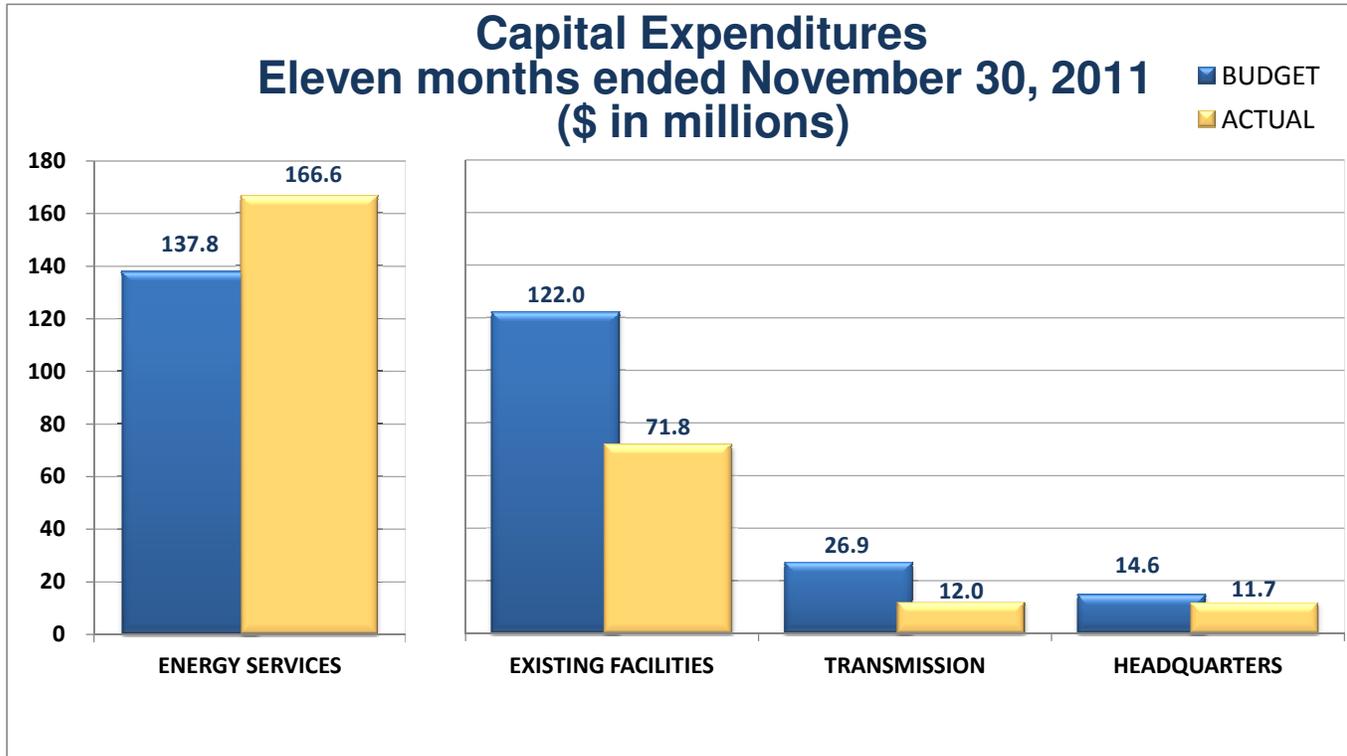
**Maturity Distribution
As of November 30, 2011**


MATURITY DISTRIBUTION	
(\$ in millions)	
Under 3 Month	\$156.7
3-6 Month	61.2
6-12 Month	138.3
1-2 Years	260.5
2-3 Years	291.2
3-4 Years	178.4
4-5 Years	130.8
5-10 Years	32.4
Over 10 Years	47.3
Total	\$1,296.8

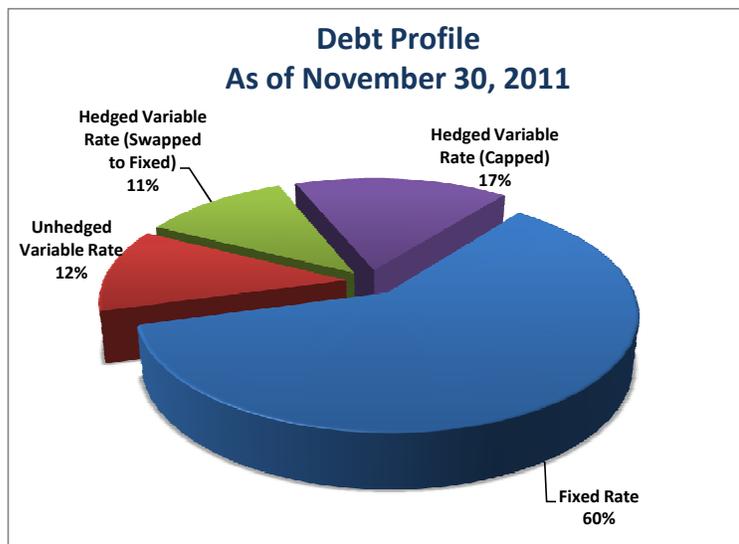
**Asset Allocation
As of November 30, 2011**


ASSET ALLOCATION	
(\$ in millions)	
Fannie Mae	\$382.0
Farm Credit	177.5
Freddie Mac	200.3
Home Loan	328.3
Mortgages	48.9
Municipal	106.6
Others*	53.2
Total	\$1,296.8

*Includes CDs and Repos



- Energy Services expenditures were over budget primarily due to accelerated construction activity in the Governmental Services Program (primarily Queens Supreme Court-Chiller).
- Existing facilities expenditures were under budget by \$50.2 primarily due to the delays in permitting for projects related to the Niagara and St. Lawrence Relicensing Implementation and Compliance.
- Transmission expenditures were less than anticipated due to timing for several projects, primarily the 765 kv transmission line relay and switch replacements.
- Headquarters expenditures were less than budgeted due to timing for several IT projects.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$25.0 for 2011. In November, the President authorized \$2.9 for the St. Lawrence SCADA system replacement.



DEBT PROFILE (\$ in millions)	
Fixed Rate	\$1,083.4
Unhedged Variable Rate	212.7
Hedged Variable Rate (Swapped to Fixed)	204.7
Hedged Variable Rate (Capped)	300.0
Total	\$1,800.8

On September 21, 2011, the Authority priced and sold the Series 2011 A Bonds. The proceeds were used to current refund \$77.2 of the Series 2000A bonds on November 15, 2011 and advance refund, on November 15, 2012, \$41.7 of the Series 2002A bonds. The refunding transaction will result in \$19.4 in present value savings or 16.3% of the par amount of bonds refunded. The transaction closed on October 6, 2011.

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of \$71.9 million. Gains and losses on these positions are substantially passed through to customers as resulting hedge settlements are incorporated into and recovered through customer rates.

Year-to-Date 2011 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions
(\$ in Millions)

	Settlements	Fair Market Value			
	YTD ¹	2011	2012	>=2013	Total
NYP&A	\$ (0.45)	\$ (0.21)	\$ -	\$ -	\$ (0.21)
Customer Contracts	\$ (71.41)	\$ (7.34)	\$ (102.52)	\$ (93.56)	\$ (203.42)
Total	\$ (71.86)	\$ (7.55)	\$ (102.52)	\$ (93.56)	\$ (203.63)

¹Reflects November 2011 preliminary settlements.

At the end of November, the fair market value of outstanding positions was valued at an unrealized loss of \$203.6 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of January to December 2012 futures contracts and how they have traded since the beginning of 2010, while Exhibit 2 illustrates the average price of futures contracts for entire year 2013 since 11/30/2010.

Exhibit 1: Average January to December 2012 Forward Price

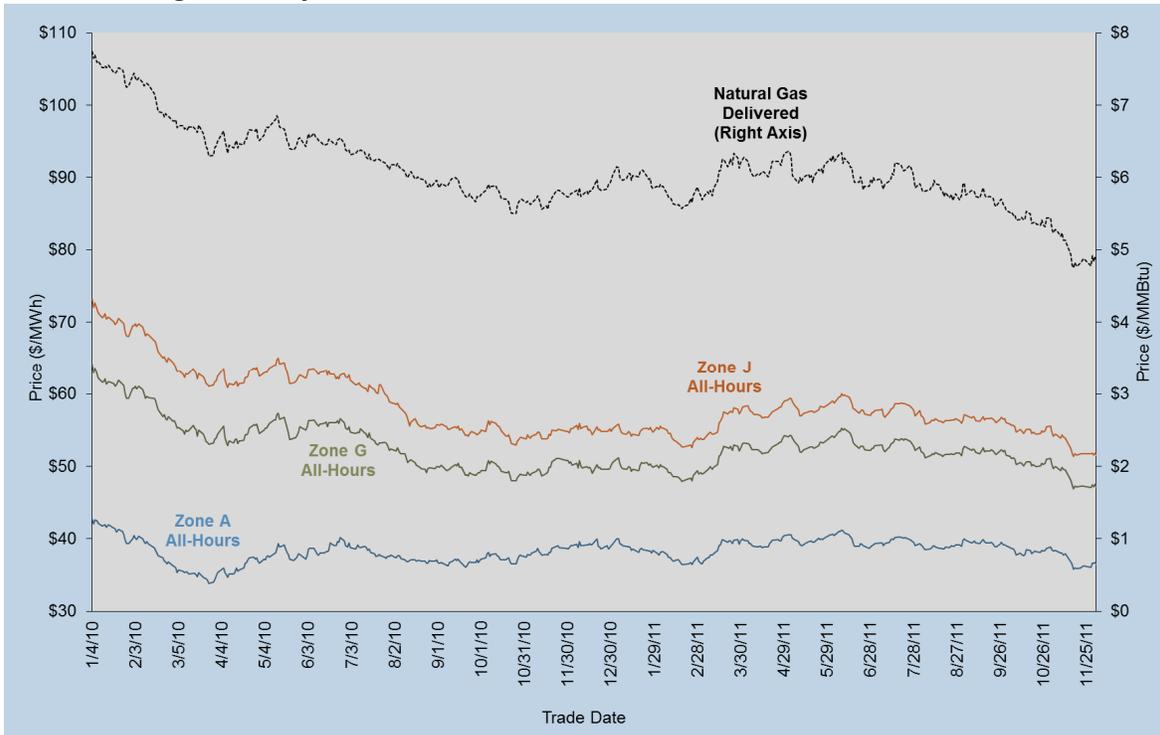
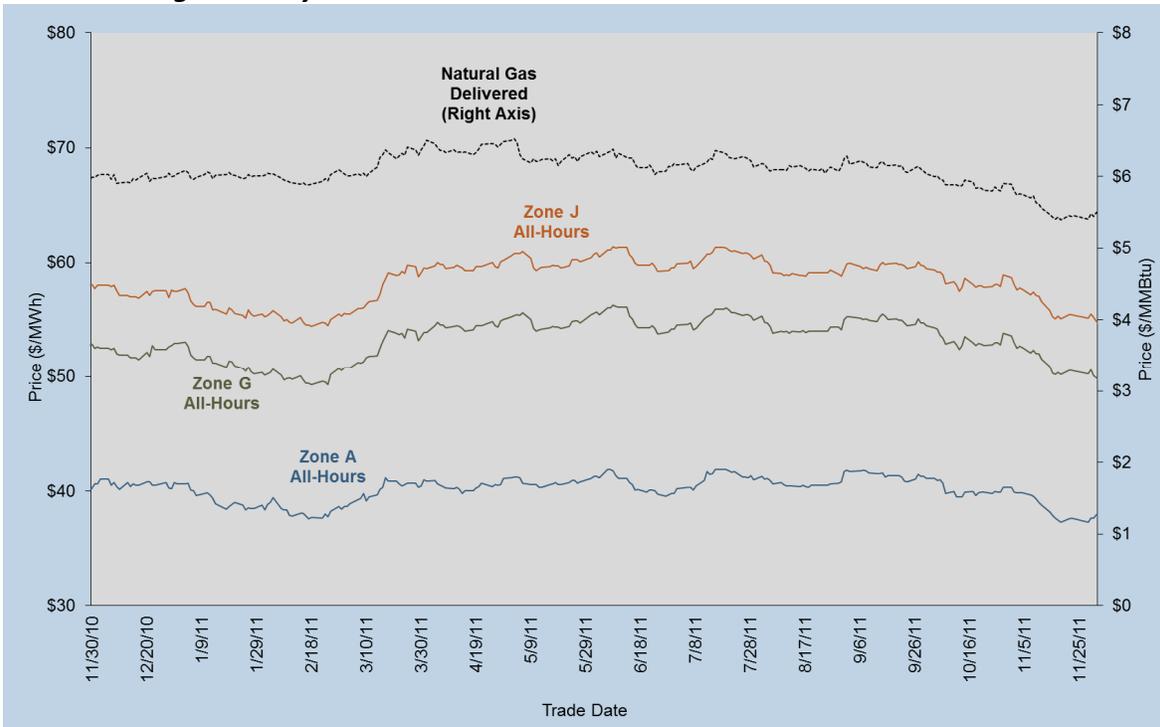


Exhibit 2: Average January to December 2013 Forward Price



STATEMENT OF NET INCOME
For the Eleven Months Ended November 30, 2011
(\$ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
\$2,070.5	Customer	\$1,801.8	\$1,888.0	(\$86.2)
463.4	Market-based power sales	516.9	424.8	92.1
30.6	Ancillary services	22.9	26.3	(3.4)
114.9	NTAC and other	102.0	105.1	(3.1)
608.9	Total	641.8	556.2	85.6
2,679.4	Total Operating Revenues	2,443.6	2,444.2	(0.6)
	Operating Expenses			
804.7	Purchased power	752.5	736.6	(15.9)
295.6	Fuel consumed - oil & gas	236.4	263.8	27.4
108.2	Ancillary services	50.9	98.6	47.7
543.4	Wheeling	503.7	501.5	(2.2)
327.1	Operations and maintenance	293.8	299.0	5.2
194.9	Depreciation and amortization	172.7	176.7	4.0
135.5	Other expenses	173.2	124.5	(48.7)
(10.9)	Allocation to capital	(6.8)	(10.0)	(3.2)
2,398.5	Total Operating Expenses	2,176.4	2,190.7	(14.3)
280.90	Net Operating Income	267.2	253.5	13.7
	Nonoperating Revenues			
88.0	Post nuclear sale income	86.7	86.7	-
39.9	Investment income	34.5	36.3	(1.8)
(7.0)	Mark to market - investments	6.0	(5.2)	11.2
-	Other income	11.2	-	11.2
120.9	Total Nonoperating Revenues	138.4	117.8	20.6
	Nonoperating Expenses			
65.0	Contributions to New York State	65.0	65.0	-
157.5	Interest and other expenses	123.4	141.4	18.0
222.5	Total Nonoperating Expenses	188.4	206.4	18.0
\$179.3	Net Income	\$217.2	\$164.9	\$52.3

**COMPARATIVE BALANCE SHEETS
November 30, 2011
(\$ in millions)**

Assets	November 2011	November 2010	December 31, 2010
Current Assets			
Cash	\$0.1	\$0.1	\$0.1
Investments in government securities	1,215.6	1,070.4	1,091.1
Interest receivable on investments	5.5	5.7	5.5
Accounts receivable - customers	205.9	223.4	204.0
Materials and supplies, at average cost:			
Plant and general	79.7	77.2	75.1
Fuel	23.1	17.3	15.3
Prepayments and other	202.8	161.2	190.5
Total Current Assets	1,732.7	1,555.3	1,581.6
Noncurrent Assets			
Restricted Funds			
Investment in decommissioning trust fund	1,078.2	1,012.6	1,032.4
Other	80.2	87.8	83.3
Total Restricted Funds	1,158.4	1,100.4	1,115.7
Capital Funds			
Investment in securities and cash	108.1	149.6	144.8
Total Capital Funds	108.1	149.6	144.8
Net Utility Plant			
Electric plant in service, less accumulated depreciation	3,394.7	3,336.3	3,344.1
Capital lease, less accumulated amortization	1,013.3	-	-
Construction work in progress	105.4	111.3	123.3
Net Utility Plant	4,513.4	3,447.6	3,467.4
Other Noncurrent Assets			
Receivable - NY State	318.0	318.0	318.0
Deferred charges, long-term receivables and other	638.7	645.1	604.6
Notes receivable - nuclear plant sale	141.8	155.7	157.1
Total other noncurrent assets	1,098.5	1,118.8	1,079.7
Total Assets	\$8,611.1	\$7,371.7	\$7,389.2
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	\$868.1	\$860.3	\$881.7
Short-term debt	362.4	311.9	323.2
Total Current Liabilities	1,230.5	1,172.2	1,204.9
Noncurrent Liabilities			
Long-term Debt			
Revenue bonds	1,110.7	1,151.2	1,151.2
Adjustable rate tender notes	122.9	130.5	130.5
Commercial paper	232.1	344.1	336.5
Total Long-term Debt	1,465.7	1,625.8	1,618.2
Other Noncurrent Liabilities			
Nuclear plant decommissioning	1,078.2	1,012.6	1,032.4
Disposal of spent nuclear fuel	216.2	216.1	216.1
Capital lease obligation	1,124.0	-	-
Deferred revenues and other	278.2	347.5	316.5
Total Other Noncurrent Liabilities	2,696.6	1,576.2	1,565.0
Net Assets			
Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
Net Income	217.2	177.1	180.7
Total Net Assets	3,218.3	2,997.5	3,001.1
Total Liabilities and Net Assets	\$8,611.1	\$7,371.7	\$7,389.2

SUMMARY OF OPERATING FUND CASH FLOWS
For the Eleven Months Ended November 30, 2011
(\$ in millions)

Operating Fund	
Opening	\$1,069.2
Closing	1,190.5
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Increase/(Decrease)	121.3
 Cash Generated	
Net Operating Income	267.2
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	172.7
Net Change in Receivables, Payables & Inventory	(81.8)
Other	(5.3)
 Net Cash Generated from Operations	 352.8
 (Uses)/Sources	
Utility Plant Additions	(52.9)
Debt Service	
Issuance of 2011A Bonds	123.3
Defeasance of 2002A Bonds	(46.0)
Retirement of 2000A Revenue Bonds	(79.2)
Revenue Bonds Principal and Interest	(67.6)
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(61.6)
ART Notes	(7.6)
Investment Income	21.1
Contribution to OPEB Trust Fund	(40.0)
Entergy Value Sharing Agreement	72.0
Entergy IP2 Purchase Agreement	10.0
Entergy Additional Facilities Note	20.0
Voluntary Contributions to NY State	(72.5)
Other	(5.7)
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Total (Uses)/Sources	(231.5)
 Net Increase in Operating Fund	 \$121.3