

2012 Operating Budget

(\$ Millions)

	Operating Budget <u>2012</u>
<u>Operating Revenues:</u>	
Customer Revenues.....	\$2,173.0
NYISO Market Revenues.....	<u>695.9</u>
Total Operating Revenues	2,869.0
 <u>Operating Expenses:</u>	
Purchased Power.....	825.8
Fuel oil and gas.....	329.5
Wheeling Expenses.....	610.2
O&M Expenses.....	359.2
Other Expenses.....	194.3
Depreciation and Amortization.....	<u>222.2</u>
Total Operating Expenses	2,541.2
 NET OPERATING REVENUES	 327.7
 <u>Other Income:</u>	
Investment Income.....	31.4
Other Income.....	<u>87.5</u>
Total Other Income	119.0
 <u>Non-Operating Expenses</u>	
Interest & Other Expenses.....	195.1
Contributions to State.....	<u>85.0</u>
Total Non-Operating Expenses	280.1
 NET INCOME	 <u>\$166.6</u>

2011 - 2012 Plan Variance

(\$ Millions)

	Original Budget <u>2011</u>	Forecast <u>2011</u>	Budget <u>2012</u>	2011 Forecast vs. 2012 Budget <u>Variance</u>
<u>Operating Revenues:</u>				
Customer Revenues	\$2,078.6	\$1,995.2	\$2,173.0	\$177.9
NYISO Market Revenues	<u>\$600.7</u>	<u>\$718.2</u>	<u>\$695.9</u>	(<u>\$22.2</u>)
Total Operating Revenues	\$2,679.4	\$2,713.3	\$2,869.0	\$155.6
<u>Operating Expenses:</u>				
Purchased Power	\$912.8	\$870.5	\$825.8	(\$44.6)
Fuel oil and gas	\$295.6	\$288.5	\$329.5	\$41.0
Wheeling Expenses	\$543.4	\$550.0	\$610.2	\$60.2
O&M Expenses	\$316.3	\$324.8	\$359.2	\$34.5
Other Expenses	\$135.5	\$192.4	\$194.3	\$1.9
Depreciation and Amortization	<u>\$194.9</u>	<u>\$191.1</u>	<u>\$222.2</u>	<u>\$31.1</u>
Total Operating Expenses	\$2,398.4	\$2,417.3	\$2,541.2	\$124.0
NET OPERATING REVENUES	\$280.9	\$296.0	\$327.7	\$31.7
<u>Other Income:</u>				
Investment Income	\$32.4	\$44.3	\$31.4	(\$12.8)
Other Income	<u>\$88.4</u>	<u>\$99.1</u>	<u>\$87.5</u>	(<u>\$11.6</u>)
Total Other Income	\$120.9	\$143.4	\$119.0	(\$24.4)
<u>Non-Operating Expenses</u>				
Interest & Other Expenses	\$157.5	\$139.2	\$195.1	\$55.9
Contributions to State	<u>\$65.0</u>	<u>\$65.0</u>	<u>\$85.0</u>	<u>\$20.0</u>
Total Non-Operating Expenses	\$222.5	\$204.2	\$280.1	\$75.9
NET INCOME	\$179.3	\$235.2	\$166.6	(\$68.6)

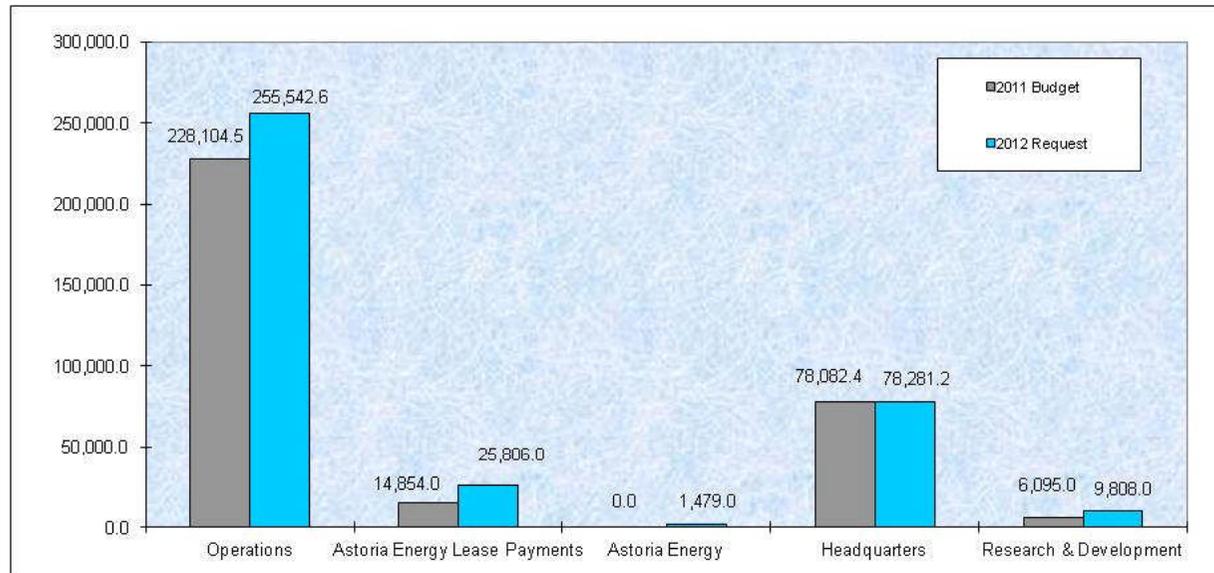
2012 Operating Forecast by Project (\$ Thousands)

	Niagara	St. Lawrence	B-G	SENY	SCPP	Market Supply Power & RNY	Flynn	Transmission	Eliminations & Adjustments	Total
Operating Revenues:										
Customer	240,336	112,423	10,381	1,562,825	0	141,816	101,882	60,486	(57,113)	2,173,037
Market- Based Sales	144,821	64,403	28,948	328,779	67,060	5,962	0	0	(91,228)	548,745
Ancillary Services	17,491	1,455	1,929	7,277	707	0	0	0	0	28,859
NTAC and Other	0	0	0	0	0	0	0	118,331	0	118,331
Total ISO	162,313	65,858	30,876	336,057	67,767	5,962	0	118,331	(91,228)	695,936
Total Operating Revenues	402,649	178,280	41,257	1,898,882	67,767	147,779	101,882	178,818	(148,341)	2,868,973
Operating Expenses:										
Purchased Power	15,464	16,867	13,464	636,231	1,814	123,989	0	0	(154,102)	653,727
Ancillary Services	20,876	12,746	67	35,573	126	7,120	0	0	0	76,507
Transmission Congestion	30,325	8,156	0	50,601	0	6,489	0	0	0	95,571
Fuel Consumed - Oil & Gas	0	0	0	229,448	30,486	0	69,570	0	0	329,503
Wheeling	7,578	1,315	0	596,522	0	4,421	360	0	0	610,196
Operations and Maintenance - NYPA	55,663	24,512	20,105	43,982	23,449	1,410	10,303	53,833	0	233,257
Operations and Maintenance - Lease	0	0	0	25,806	0	0	0	0	0	25,806
Administrative Expenses	31,304	14,164	13,470	19,096	1,678	1,140	4,285	26,717	0	111,854
Other Expenses	46,238	30,920	2,774	13,462	345	76,075	1,867	6,971	15,618	194,270
Depreciation & Amortization	36,067	19,363	9,176	90,756	19,377	837	5,423	41,223	0	222,223
Allocation to Capital	(3,265)	(1,477)	(1,405)	(1,994)	(175)	(119)	(447)	(2,787)	0	(11,670)
Total Operating Expenses	240,252	126,565	57,651	1,739,483	77,100	221,362	91,361	125,958	(138,485)	2,541,246
Net Operating Revenues	162,398	51,716	(16,394)	159,399	(9,333)	(73,583)	10,521	52,860	(9,857)	327,727
Investment Income	0	0	0	0	0	0	0	0	41,447	41,447
Post Nuclear Sale Income	0	0	0	0	0	0	0	0	86,901	86,901
Mark to Market Adjustments	0	0	0	0	0	0	0	0	(10,000)	(10,000)
Other Income	0	0	0	0	0	0	648	0	0	648
Investment and Other Income	0	0	0	0	0	0	648	0	118,348	118,996
Contributions to State	0	0	0	0	0	0	0	0	85,000	85,000
Interest and Other Expenses	28,395	18,450	(118)	119,368	5	4	15	12,424	16,560	195,105
Nonoperating Expenses	28,395	18,450	(118)	119,368	5	4	15	12,424	101,560	280,105
Net Income (loss)	\$ 134,002	\$ 33,265	\$ (16,276)	\$ 40,030	\$ (9,338)	\$ (73,587)	\$ 11,154	\$ 40,436	\$ 6,932	\$ 166,618

O & M 2011-2012 Budget (\$ Thousands)

	2011 Budget	2012 Budget	INCREASE/(DECREASE)			2011 Budget	2012 Budget	INCREASE/(DECREASE)	
			\$'s	%				\$'s	%
EXECUTIVE OFFICE									
Executive	2,468.6	1,811.3	(657.3)	(26.6%)	ENERGY RESOURCE MANAGEMENT	2,314.8	2,200.1	(114.7)	(5.0%)
Law	7,999.9	7,667.6	(332.3)	(4.2%)	POWER SUPPLY				
Internal Audit	1,935.9	1,981.7	45.9	2.4%	Operations Shared Services	21,697.0	22,974.2	1,277.2	5.9%
Public, Governmental & Regulatory Affairs	1,829.5	1,807.1	(22.4)	(1.2%)	Clark	12,638.0	23,806.5	11,168.4	88.4%
Corporate Communications	4,222.1	4,198.9	(23.2)	(0.6%)	Blenheim-Gilboa	17,584.2	20,105.4	2,521.2	14.3%
Office Total	18,456.0	17,466.6	(989.4)	(5.4%)	Poletti	1,576.7	0.0	(1,576.7)	(100.0%)
BUSINESS SERVICES					500MW	27,204.4	31,564.5	4,360.1	16.0%
EVP Business Services	761.6	420.2	(341.4)	(44.8%)	Flynn	15,770.0	10,303.4	(5,466.7)	(34.7%)
Controller	4,960.2	4,889.0	(71.2)	(1.4%)	SENY	5,723.5	5,526.8	(196.7)	(3.4%)
Finance	4,555.9	4,911.0	355.1	7.8%	SCPP	12,513.2	23,448.8	10,935.6	87.4%
Treasury	1,321.5	1,143.2	(178.2)	(13.5%)	Niagara	50,799.9	55,663.0	4,863.1	9.6%
Energy Risk Assessment & Control	351.2	55.0	(296.2)	(84.3%)	St. Lawrence	20,961.9	24,512.1	3,550.2	16.9%
Office Total	11,950.4	11,418.4	(532.0)	(4.5%)	Small Hydros	5,132.7	5,411.6	278.8	5.4%
CORPORATE SUPPORT SERVICES					Transmission Lines	34,188.0	30,026.3	(4,161.6)	(12.2%)
SVP Corporate Support Services	652.7	781.1	128.4	19.7%	Office Total	225,789.7	253,342.5	27,552.8	12.2%
Corporate Support Services	7,864.5	8,466.6	602.2	7.7%	Astoria Energy II O&M	0.0	1,479.0	1,479.0	N/A
Fleet Management	915.0	1,063.8	148.9	16.3%	Research & Development	6,095.0	9,808.0	3,713.0	60.9%
Procurement	2,857.2	3,056.5	199.3	7.0%	TOTAL NYPA	312,281.9	345,111.0	32,829.1	10.5%
Real Estate	369.9	450.5	80.6	21.8%	Astoria Energy II Lease	14,854.0	25,806.0	10,952.0	73.7%
Information Technology	21,147.7	22,097.3	949.6	4.5%	TOTAL NYPA Includes Astoria II Lease	327,135.9	370,917.0	43,781.1	13.4%
Human Resources	5,224.4	5,152.4	(72.0)	0.0%					
Office Total	39,031.2	41,068.2	2,037.1	5.2%					
ENERGY MARKETING & ECONOMIC DEV.									
Energy Services	4,622.8	4,191.9	(430.9)	(9.3%)					
Marketing	4,022.0	4,136.1	114.1	2.8%					
Office Total	8,644.8	8,328.0	(316.8)	(3.7%)					

O & M: 2011 – 2012 Summary (\$ Thousands)



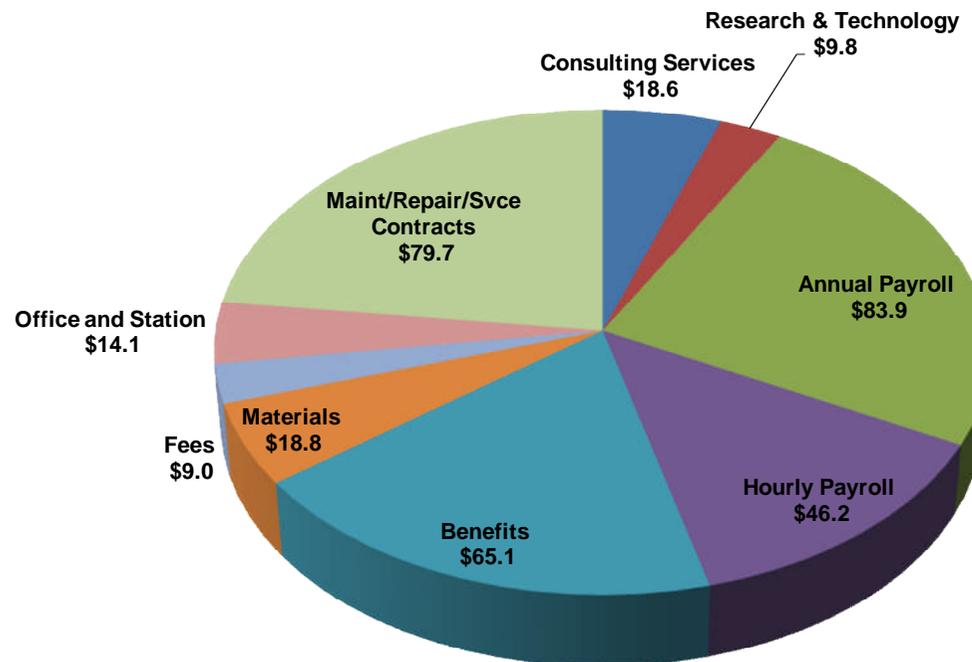
HIGHLIGHTS

- * The 2012 base request of \$345.1 million, which excludes \$25.8 million for Astoria Energy lease payments, is \$32.8 million (10.5%) greater than the 2011 approved budget. When including the O&M component of the Astoria Energy facility lease payment, which is fully recovered in customer rates, the 2012 request is \$370.9 million.
- * The requested staffing level is for 1,715 positions, down 14 (-0.8%) from January 2011. The decrease represents the elimination of twenty eight (28) transitional positions during 2011 and four (4) permanent positions in the 2012 budget request with some offset from the addition of six (6) new positions during 2011 and twelve (12) new positions for Power Supply in the 2012 budget request.
- * Fringe Benefits (O&M Component) increase of \$9.5 million is mostly driven by a substantial increase in pension costs (\$4.6 million) due to the performance of the New York State Retirement System portfolio from 2008 through mid-2011 and a \$3.8 million increase in Medical Insurance.
- * Planned outage costs for 2012 total \$13.2 million which is \$1.8 million less than the 2011 outage budget. The following is a breakdown of the outage request by facility:

-	500MW	\$10.1 million
-	SCPP's	\$3.0 million
-	Flynn	\$0.1 million
- * HQ request is essentially flat with 2011. Increases in benefits are offset by recent position reductions and other overhead savings.
- * The increase in Operations mainly reflects an increase of over \$15 million in non-recurring work and an increase in fringe benefits.

O & M: 2012 Budget by Cost Element (\$ Millions)

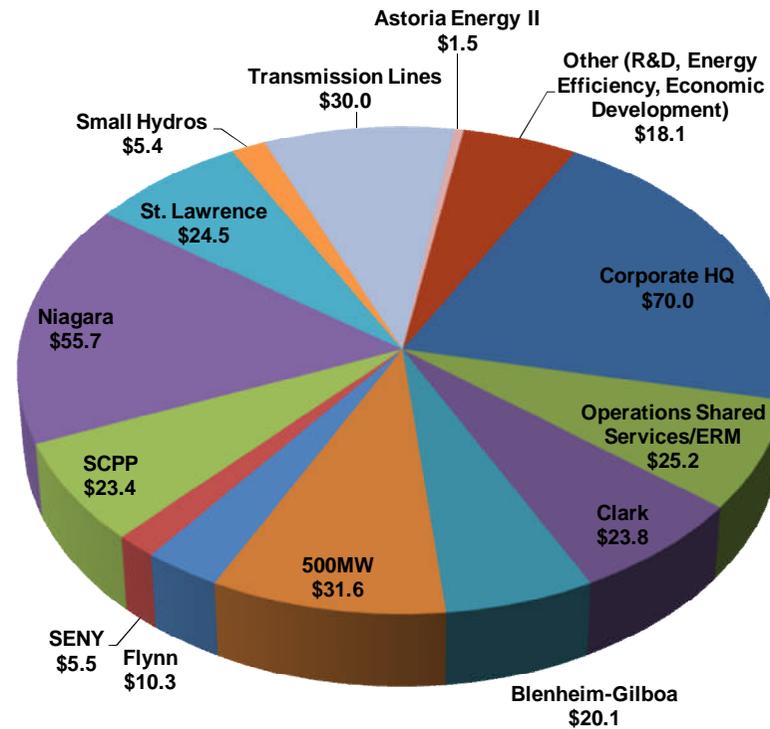
\$345.1M
(excludes AEII lease)



O & M: 2012 Budget by Facility

(\$ Millions)

\$345.1M



* Astoria does not reflect annual Lease payments

O & M: Headcount 2011 – 2012

- A net decrease of 14 positions reflects:
 - The request for 12 new positions in Operations included in the 2012 Budget; plus
 - Six positions added during 2011; offset by
 - Elimination of 4 permanent positions and 28 transitional positions

	<u>01/01/11</u>	<u>09/30/11</u>	<u>2012 Request</u>	<u>1/1/11-2012 Inc/(Dec)</u>
Headquarters				
Executive Offices	122	120	117	(5)
Business Services	109	109	108	(1)
Corporate Support Services	240	242	244	4
Marketing & Economic Development	<u>137</u>	<u>142</u>	<u>142</u>	<u>5</u>
Headquarters Total	608	613	611	3
Operations				
Energy Resource Management	59	59	56	(3)
Power Supply				
Operations Shared Services	302	278	284	(18)
Transmission/Clark	128	127	128	0
Blenheim-Gilboa	109	110	109	0
Poletti/500MW	69	68	67	(2)
R.M. Flynn	21	21	22	1
Niagara	260	258	260	0
St. Lawrence	<u>173</u>	<u>173</u>	<u>178</u>	<u>5</u>
Operations Total	1,121	1,094	1,104	(17)
NYPA Total	1,729	1,707	1,715	(14)

Capital 2011 - 2012 Budget (\$ Thousands)

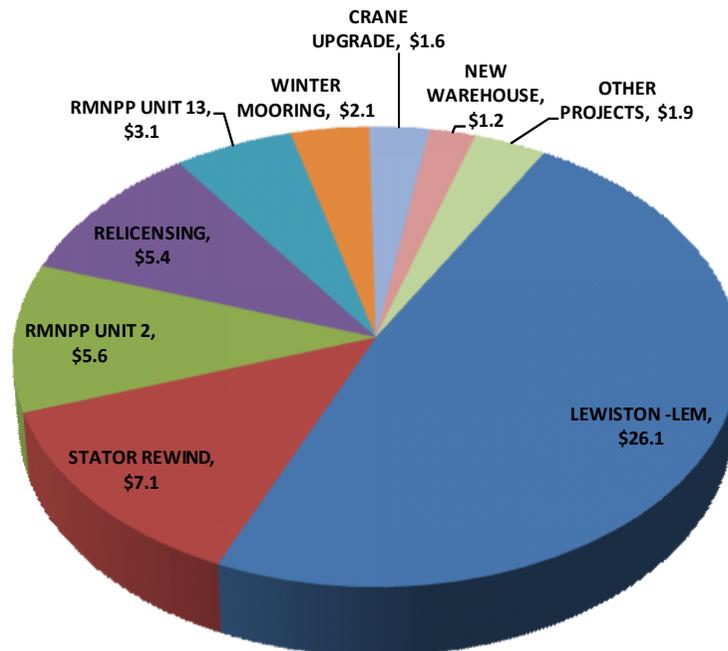
	2011 CAPITAL BUDGET	2012 CAPITAL BUDGET	INCREASE / DECREASE	% CHANGE
TRANSMISSION INITIATIVE	2,484	0	(2,484)	-100.00%
POWER SUPPLY				
TRANSMISSION	24,147	28,307	4,160	17.23%
NIAGARA*	62,818	54,139	(8,679)	-13.82%
ST. LAWRENCE*	40,702	35,457	(5,245)	-12.89%
BLENHEIM- GILBOA*	11,367	7,281	(4,086)	-35.95%
500 MW	7,350	9,708	2,358	32.08%
SCPP	228	3,570	3,342	>100%
FLYNN	5,378	3,365	(2,013)	-37.43%
SMALL HYDRO PLANTS	7,807	4,218	(3,589)	>100%
SUB-TOTAL	162,280	146,045	(16,235)	-10.00%
HEADQUARTERS	15,551	20,701	5,150	33.12%
TOTAL CAPITAL	177,831	166,746	(11,085)	-6.23%

* Includes Relicensing and Compliance / Implementation Expense

Niagara Project 2012 Capital Budget Request (\$ Millions)

TOTAL NYPA CAPITAL = \$166.7 MILLION
 NIAGARA INITIATIVES = \$ 54.1 MILLION / 32.5% OF TOTAL

Major Niagara Projects

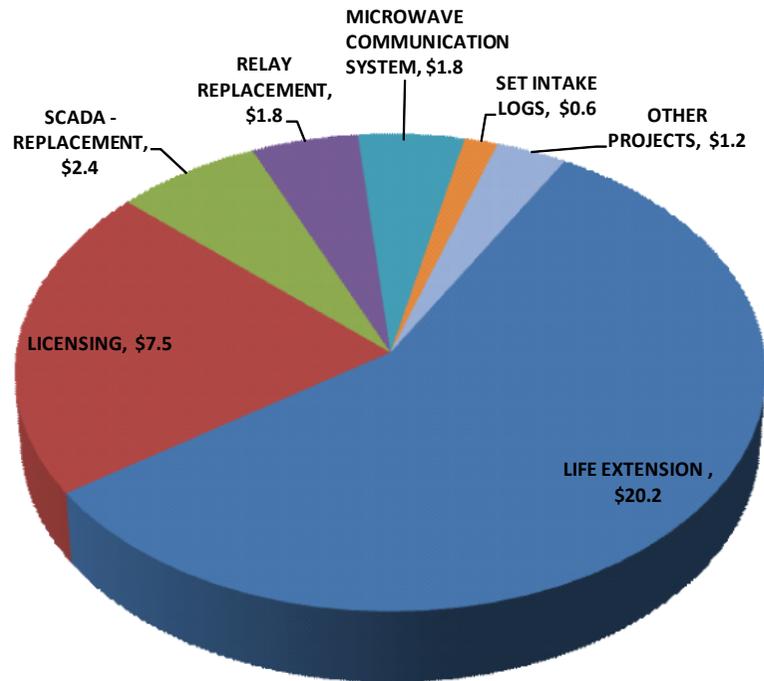


LEWISTON PUMP GENERATION PLANT-LIFE EXTENSION	\$ 26.1
NIAGARA STATOR REWIND - (NEC)	\$ 7.1
RMNPP UNIT 2 STANDARDIZATION	\$ 5.6
NIAGARA RELICENSING - COMPLIANCE & IMPLEMENTATION	\$ 5.4
RMNPP UNIT 13 STANDARDIZATION	\$ 3.1
NIAGARA - WINTER MOORING SITE	\$ 2.1
LPGP 5 TON TRAVELING CRANE UPGRADE	\$ 1.6
NEW NIAGARA WAREHOUSE	\$ 1.2
ALL OTHER NIAGARA PROJECTS	\$ 1.9
TOTAL NIAGARA	\$54.1

St. Lawrence Project 2012 Capital Budget Request (\$ Millions)

TOTAL NYPA CAPITAL = \$166.7 MILLION
ST. LAWRENCE INITIATIVES = \$ 35.5 MILLION / 21.3% OF TOTAL

Major St. Lawrence Projects

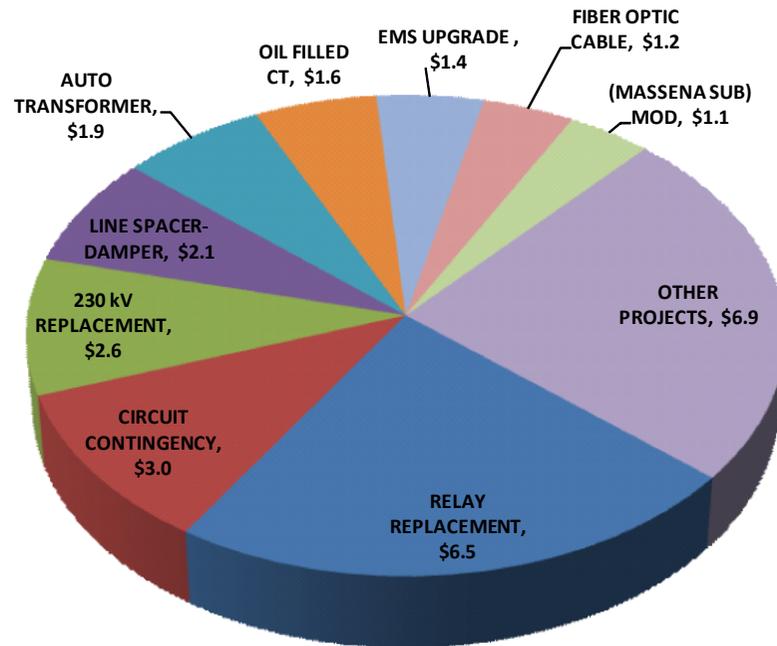


ST. LAWRENCE LIFE EXTENSION	\$ 20.2
ST. LAWRENCE LICENSING COMPLIANCE & IMPLEMENTATION	\$ 7.5
SCADA - COMPLETE SYSTEM REPLACEMENT	\$ 2.4
ST. LAWRENCE RELAY REPLACEMENT PROGRAM	\$ 1.8
ST. LAWRENCE MICROWAVE COMMUNICATION SYSTEM	\$ 1.8
ADDITIONAL SET INTAKE STOP LOGS	\$ 0.6
ALL OTHER ST. LAWRENCE PROJECTS	\$ 1.2
TOTAL ST. LAWRENCE	\$35.5

Transmission Facilities 2012 Capital Budget Request (\$ Millions)

TOTAL NYPA CAPITAL = \$166.7 MILLION
TRANSMISSION INITIATIVES = \$ 28.3 MILLION / 17.0% OF TOTAL

Major Transmission Projects



NIAGARA RELAY REPLACEMENT PROGRAM	\$ 6.5
MOSES-WILLIS DOUBLE CIRCUIT CONTINGENCY	\$ 3.0
MA1 & MA2 LINE - 230 KV REPLACEMENT	\$ 2.6
765KV TRANS LINE SPACER-DAMPER REPLACEMENT	\$ 2.1
MASSENA 765/230KV AUTOTRANSFORMER REPLACEMENT	\$ 1.9
MASSENA 765KV OIL FILLED CT REPLACEMENT	\$ 1.6
EMS UPGRADE	\$ 1.4
FIBER OPTIC CABLE LINE BETWEEN L33P/L34P	\$ 1.2
765KV (MASSENA SUB) MOD REPLACEMENT	\$ 1.1
ALL OTHER TRANSMISSION PROJECTS	\$ 6.9
TOTAL TRANSMISSION	\$28.3

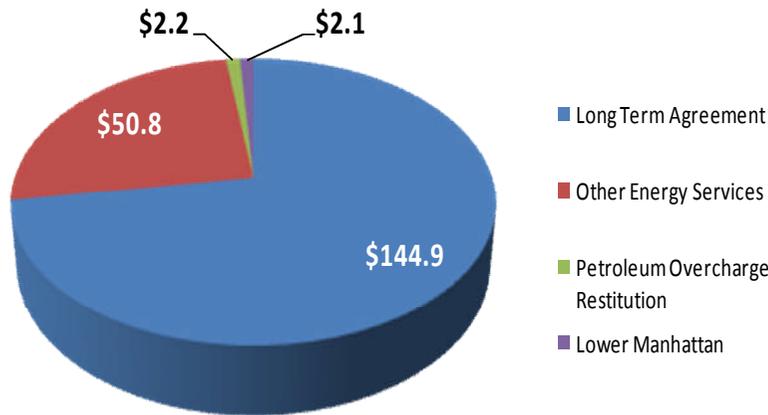
ENERGY SERVICES

2012 BUDGET (\$ Thousands)

	2011 Budget	2012 Budget	INCREASE/(DECREASE)	
			\$'s	%
Long Term SENY Governmental Customers Program	98,306	144,921	46,615	47.42%
Other NYPA Funded Programs	46,057	50,756	4,699	10.20%
POCR Funded Programs	2,499	2,195	(304)	-12.16%
Lower Manhattan Energy Initiative	3,420	2,128	(1,292)	-37.78%
TOTAL ENERGY SERVICES	\$ 150,282	\$200,000	\$49,718	33.08%

2012 Energy Services Capital Plan Request (\$ Millions)

\$200 million



Long Term Agreement Program:

The Long Term Energy Program includes the Governmental Services Program and the Peak Load Management Program. The Governmental Services Program encompasses energy efficiency and clean technology projects for the Authority's governmental customers in the downstate region. The Peak Load Management Program will be used to upgrade generation equipment and related systems at facilities of customers participating in the Peak Load Management Program.

Other Energy Services Programs:

Other programs that are part of the Energy Service capital plan include the Energy Service Program, NYPA facility efficiency program, the Municipal and Cooperative Electric Vehicle program and the Clean Air for Schools Program. These programs will provide public entities with a comprehensive mix of energy efficiency measures, which include, but are not limited to, lighting, boilers, chillers, motors, energy management systems, sensors and drive power improvements.

Petroleum Overcharge Restitution (POCR):

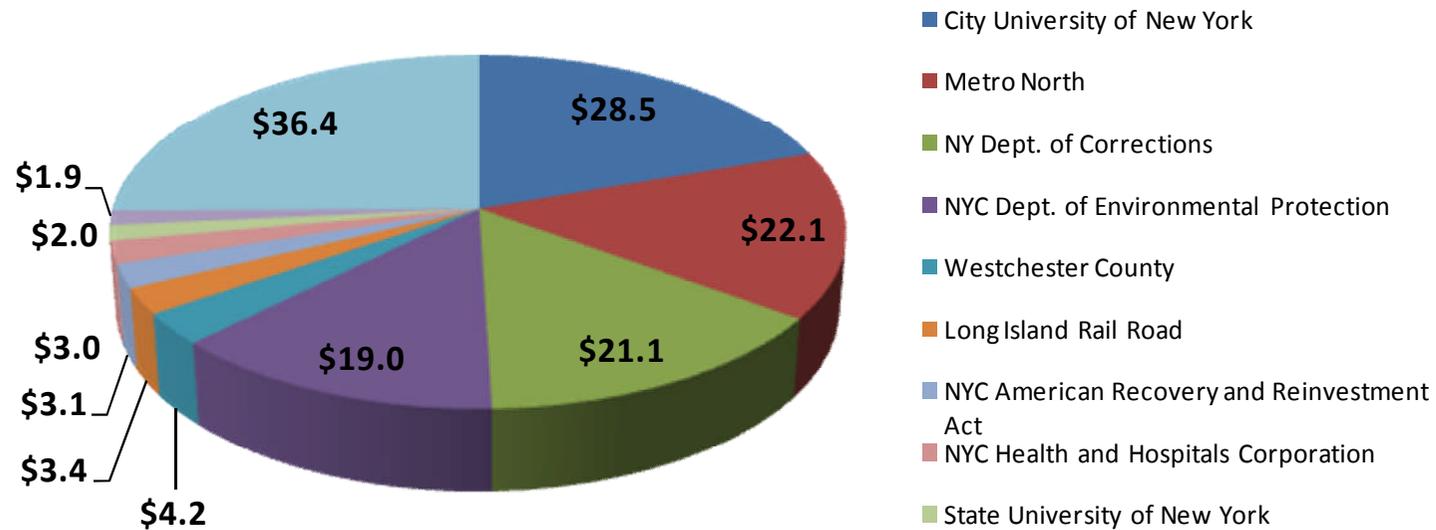
Grants will be provided to participants who implement energy efficient projects. Eligible measures include lighting, motors, roofing, window replacement, fuel cells, energy management systems, HVAC and other projects that meet the eligibility criteria.

Lower Manhattan Energy Initiative Program:

The State of New York has appropriated \$25.0 million for the Lower Manhattan Energy Independence Initiative (LMEI Account). These funds will be allocated to the Power Authority to fund energy efficiency measures and clean energy technologies for the World Trade Center (WTC) site. The 2012 planned expenditures are for the procurement of fuel cells and the WTC Memorial Foundation.

Energy Services 2012 Long Term Agreement Program (\$ Millions)

\$145 million



Energy Services

2012 Other Energy Services Programs (\$ Millions)

\$51 million

