New York Power Authority

Report of the Chief Financial Officer

For the Two Months Ended February 28, 2011

Report of the Chief Financial Officer
For the Two Months Ended February 28, 2011
Executive Summary

Results of Operations

Net income for the two months ended February 28, 2011 was $6.4 million, which was $14.9 million below budget including lower net margins on sales ($11.5 million) and lower non-operating income ($2.1 million). Through February, lower net margins at Niagara ($17.2) primarily due to lower generation volumes (13%) were partially offset by higher net margins at St. Lawrence ($4.2 million) resulting from higher generation and higher prices on market-based sales. Net generation was lower than budgeted at Niagara due to low water flows and the need to manage ice conditions at the facility. In addition, higher than anticipated purchased power costs were incurred to support customer loads at Niagara due to an extended transmission line outage. Non-operating income reflected a mark-to-market loss on the Authority's investment portfolio resulting from an increase in market interest rates partially offset by lower interest costs.

Year-end Projection

Year-end net income is currently projected to be $125 million, $55 million below budget. The two primary drivers of the year-end variance to the budget continue to be lower than forecasted hydro flows and market prices for capacity, partially mitigated by increased energy prices and lower than forecasted interest expense.

The current annual hydro generation forecast of 18.2 TWh is 0.9 TWh below the budget, resulting in a $33 million negative impact on 2011 net income. The lower hydro generation is attributable to precipitation levels over the Great Lakes being 25% below average over the last four months. This forecast may change upward as March precipitation is considered. Lower capacity prices reduce forecasted annual net income by $26 million, with the most significant decreases attributed to Niagara, Blenheim Gilboa, and the Small Clean Power Plants. The reduction in expected annual interest expense of $4.6 million is largely due to the delayed issuance of new debt.

Cash & Liquidity

The Authority ended the month of February with total operating funds of $1,089 million as compared to $1,069 million at the end of 2010. The increase of $20 million was primarily attributable to net cash generated by operations and the Value Sharing payment received from Entergy in January partially offset by a voluntary contribution to New York State and scheduled debt service payments. Looking forward, we are anticipating the operating fund balance to increase to $1,182 million at the end of the year.

Energy Risk

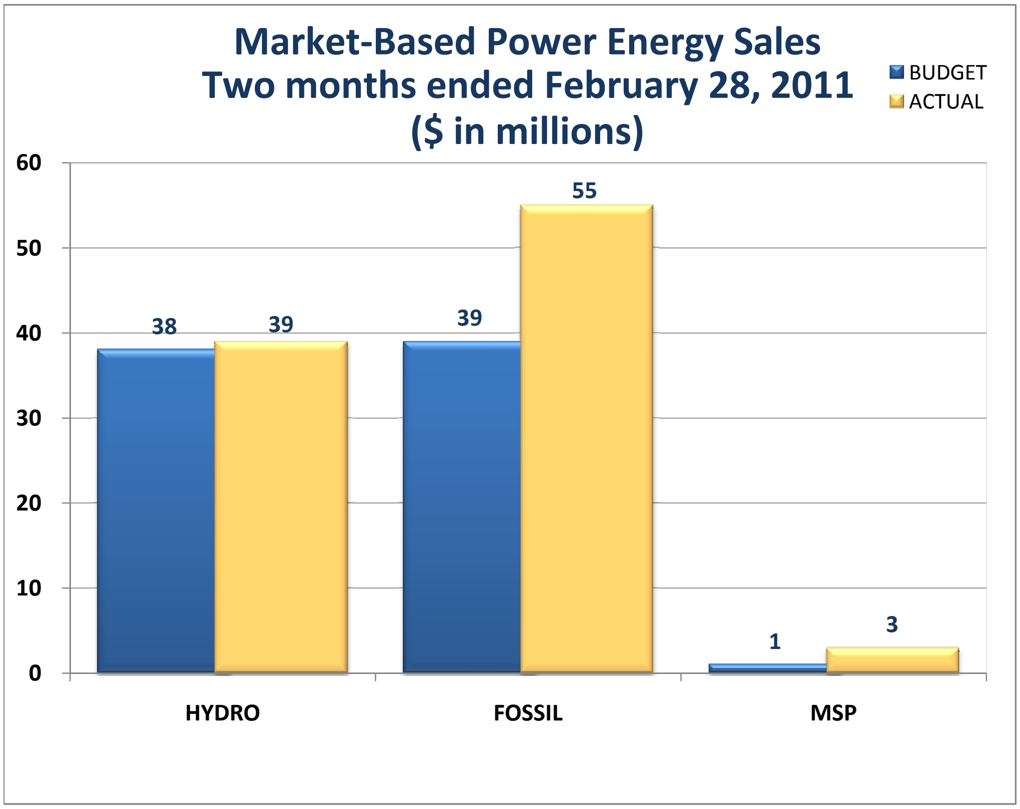
At February 28, 2011, the fair market value of outstanding energy derivatives was an unrealized loss of $255 million for contracts extending through 2017. Year to date, energy derivative settlements resulted in a realized net loss of $2 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are recovered through customer rates.

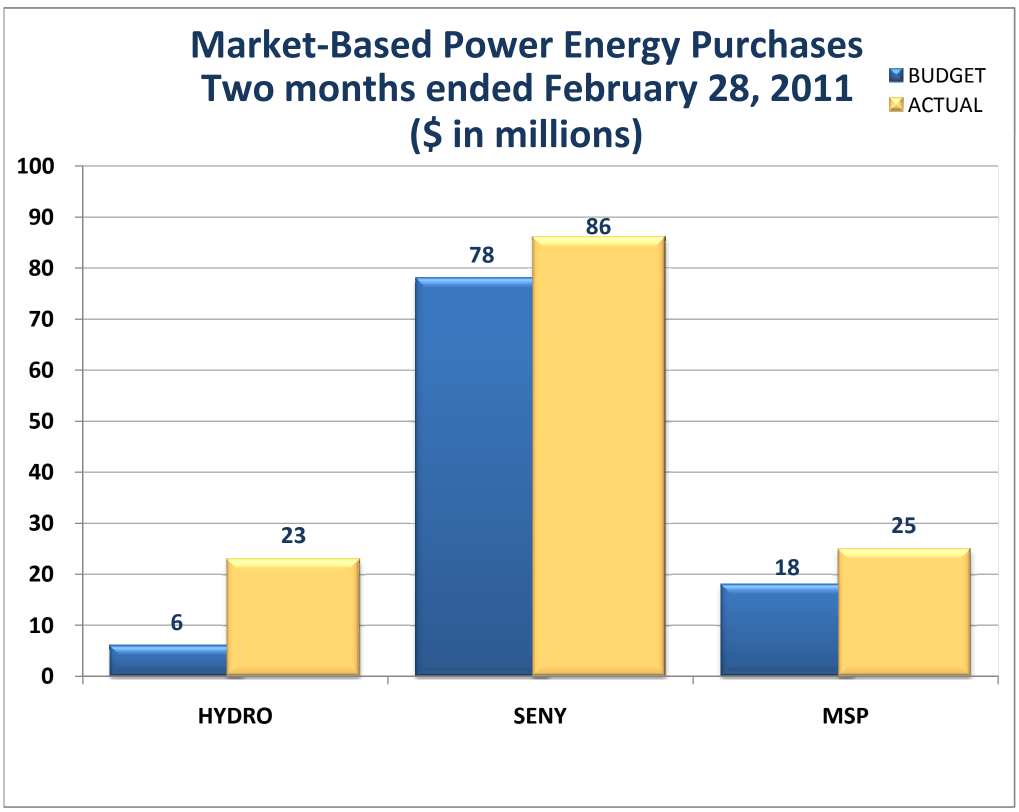
Net Income
Two Months ended February 28, 2011
($ in millions)

	Actual	Budget	Variance
Niagara	$4.0	$21.2	($17.2)
St. Lawrence	5.2	1.2	4.0
Blenheim-Gilboa	(2.1)	(1.5)	(0.6)
SENY	10.0	6.7	3.3
SCPP	(1.8)	(1.5)	(0.3)
Market Supply Power	(7.0)	(6.8)	(0.2)
Flynn	2.5	1.4	1.1
Transmission	8.5	9.1	(0.6)
Non-facility*	(12.9)	(8.5)	(4.4)
Total	**$6.4**	**$21.3**	**($14.9)**

Major Factors	**Better (Worse)**
Niagara Lower net margins on sales due to lower generation volumes (13%) resulting from lower hydro flows and ice management conditions. This resulted in lower market-based revenues and higher purchased power costs to support customer loads. Purchased power costs were also higher due to an extended outage at an upstate transmission line.	($17.2)
St. Lawrence Higher net margins ($4.2) resulting from 6% higher generation and higher prices on market sales ($45/mwh vs $40/mwh).	4.0
Other facilities Primarily SENY due to timing differences in recovery of fixed costs.	2.7
Non-facility (including investment income) Primarily mark-to-market loss on the Authority's investment portfolio due to an increase in market interest rates during the month.	(4.4)
Total	**($14.9)**

RESULTS OF OPERATIONS





REVENUES

SALES (MWH)	BUDGET	ACTUAL
Hydro*	788,296	789,790
Fossil	585,954	671,670
MSP	35,969	74,592
TOTAL	1,410,219	1,536,052
PRICES ($/MWH)		
Hydro*	$47.65	$49.76
Fossil	$67.21	$82.21
MSP	$38.14	$46.72
AVERAGE	$55.53	$63.15

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

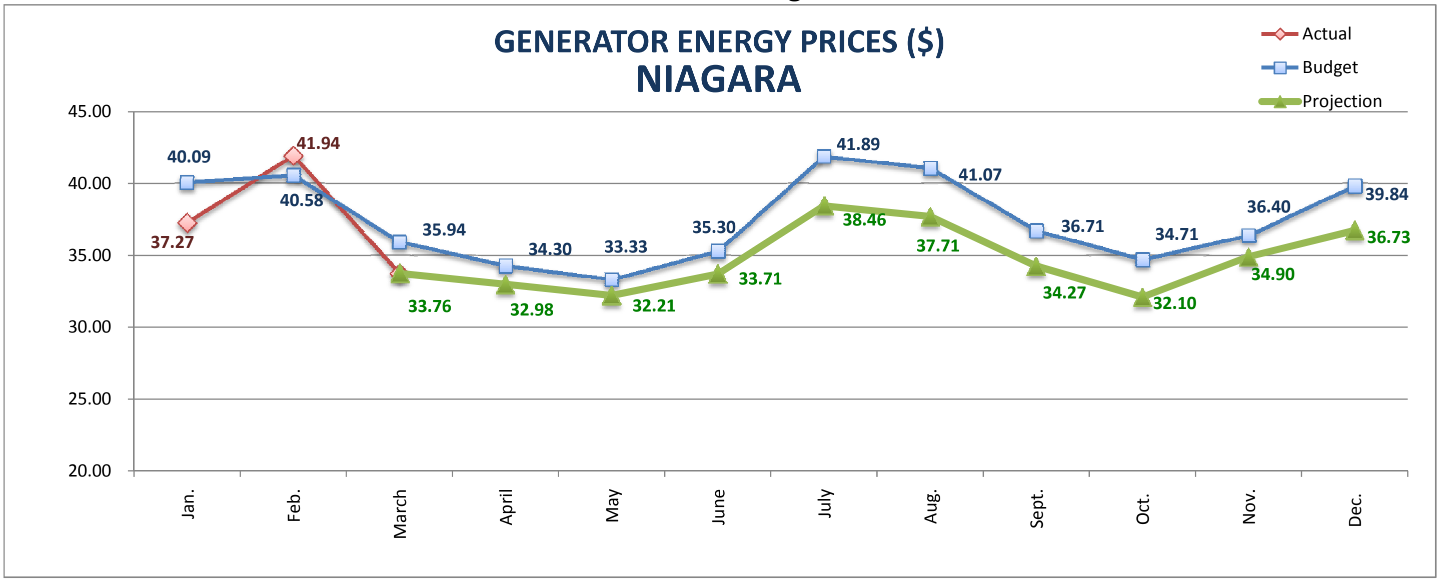
REVENUES

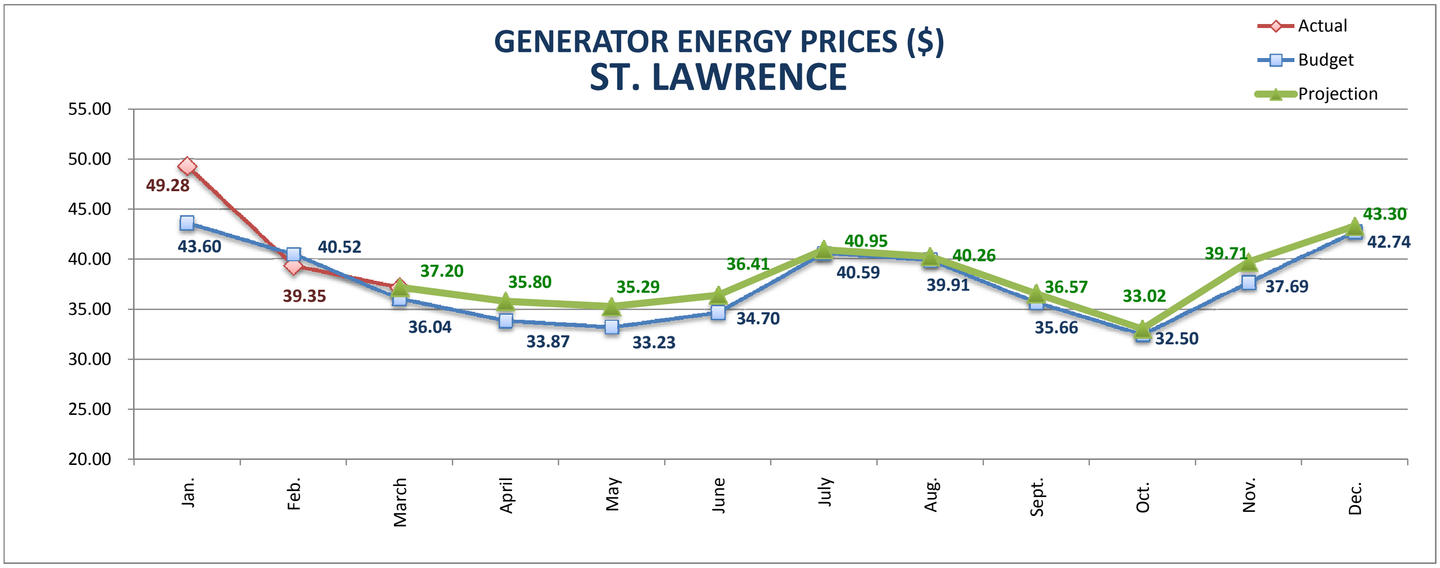
SALES (MWH)	BUDGET	ACTUAL
Niagara	436,776	427,414
St. Law.	217,283	278,905
PRICES ($/MWH)		
Niagara	$40.46	$39.25
St. Law.	$39.81	$45.46

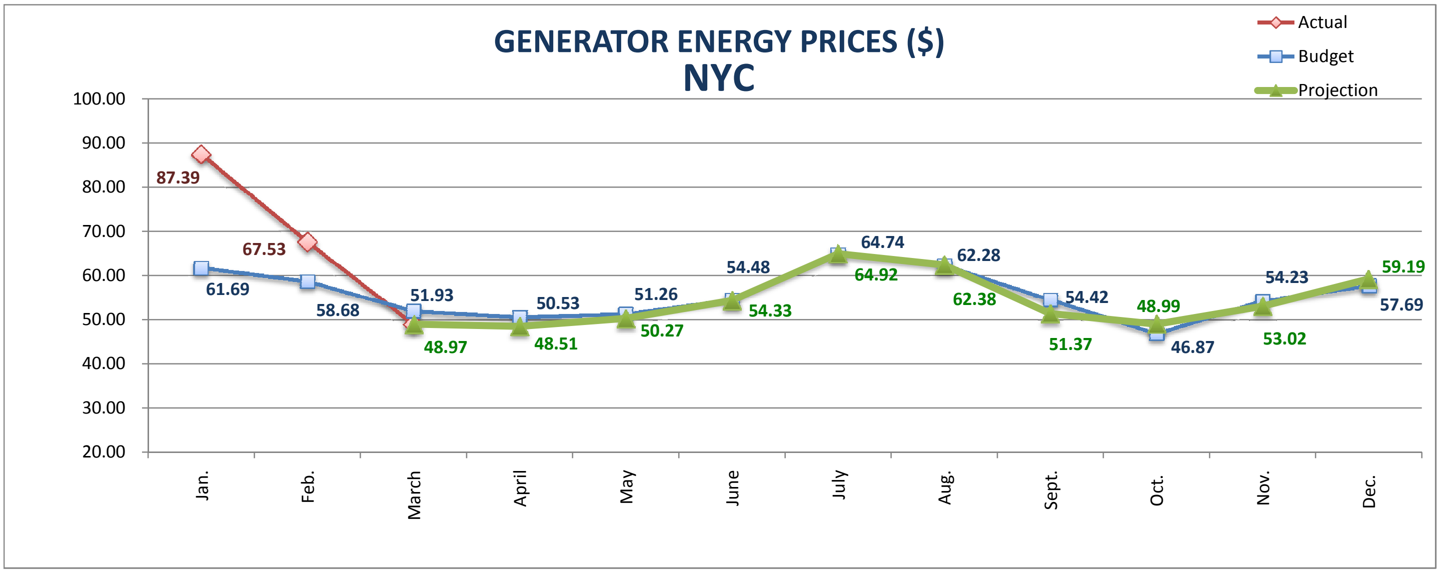
COSTS

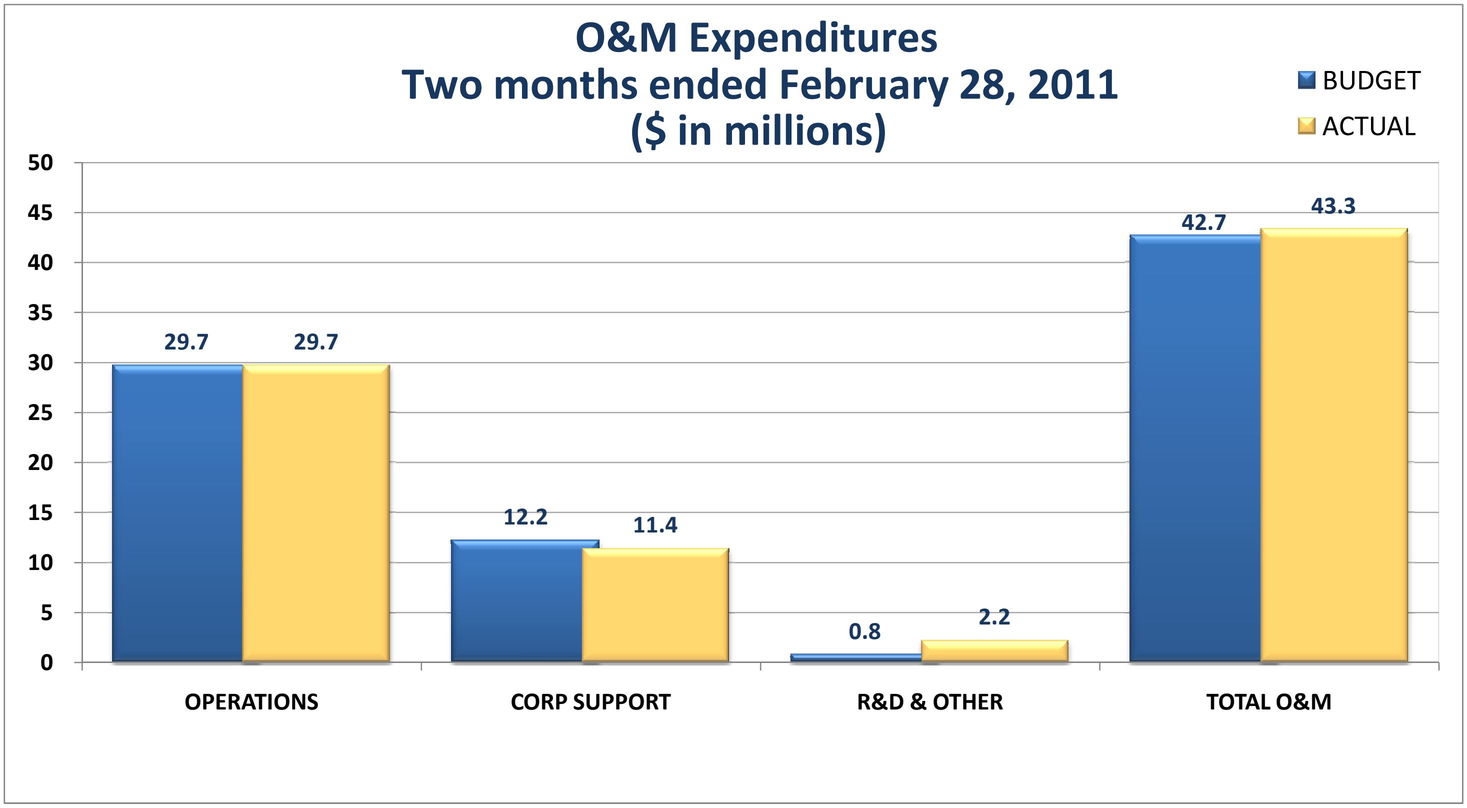
PURCHASES (MWH)	BUDGET	ACTUAL
Hydro	231,413	562,654
SENY	1,456,621	1,518,629
MSP	456,475	519,197
TOTAL	2,144,509	2,600,480
COSTS ($/MWH)		
Hydro	$26.29	$41.06
SENY	$53.20	$56.54
MSP	$39.55	$48.80
AVERAGE	$47.39	$51.64

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget







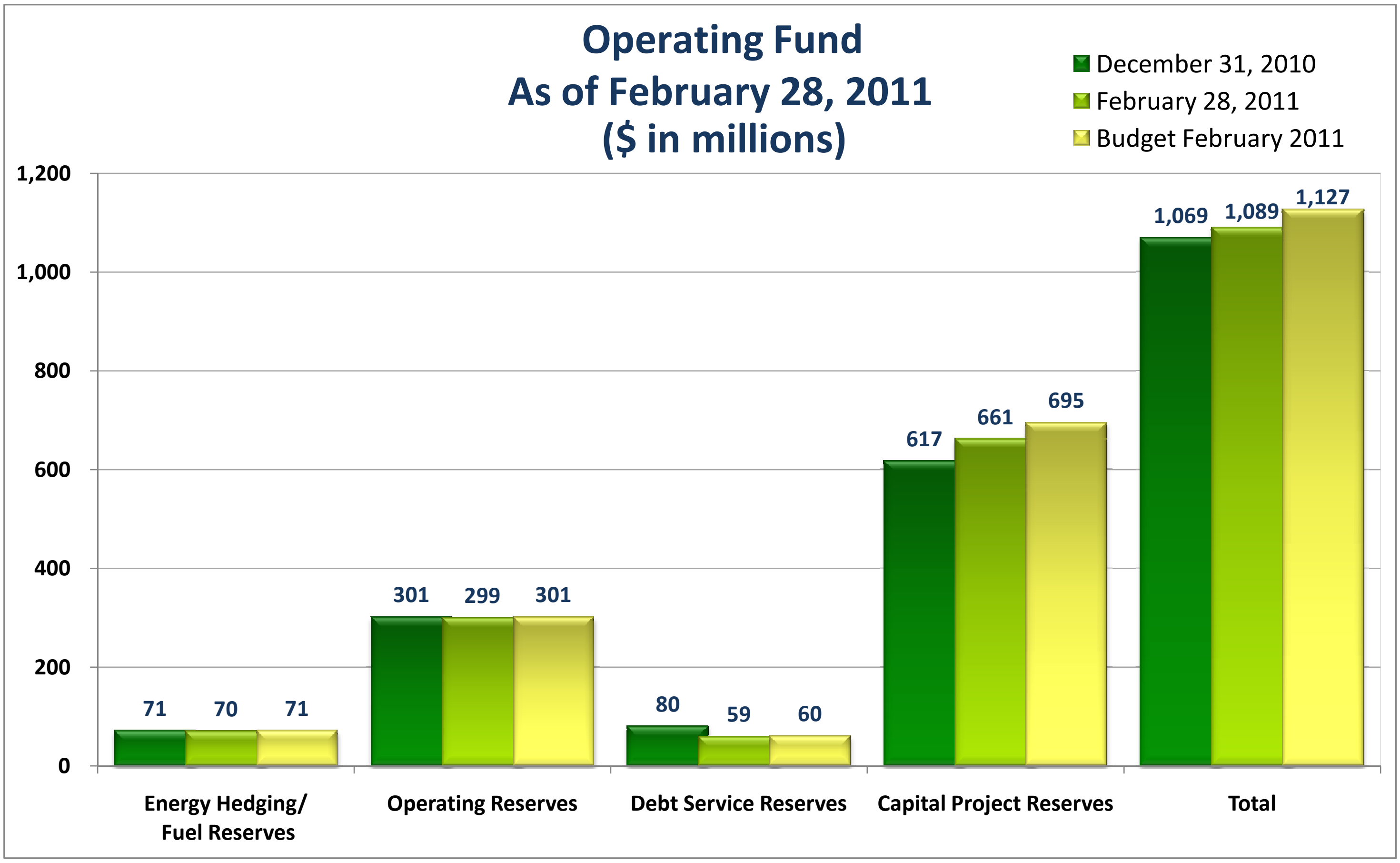


- Through February, O&M expenses were $0.6 higher than the budget.

- Operations expenditures were on budget. A minor overrun in Operations Shared Services was offset by under budget spending at the transmission facilities for non-recurring projects.

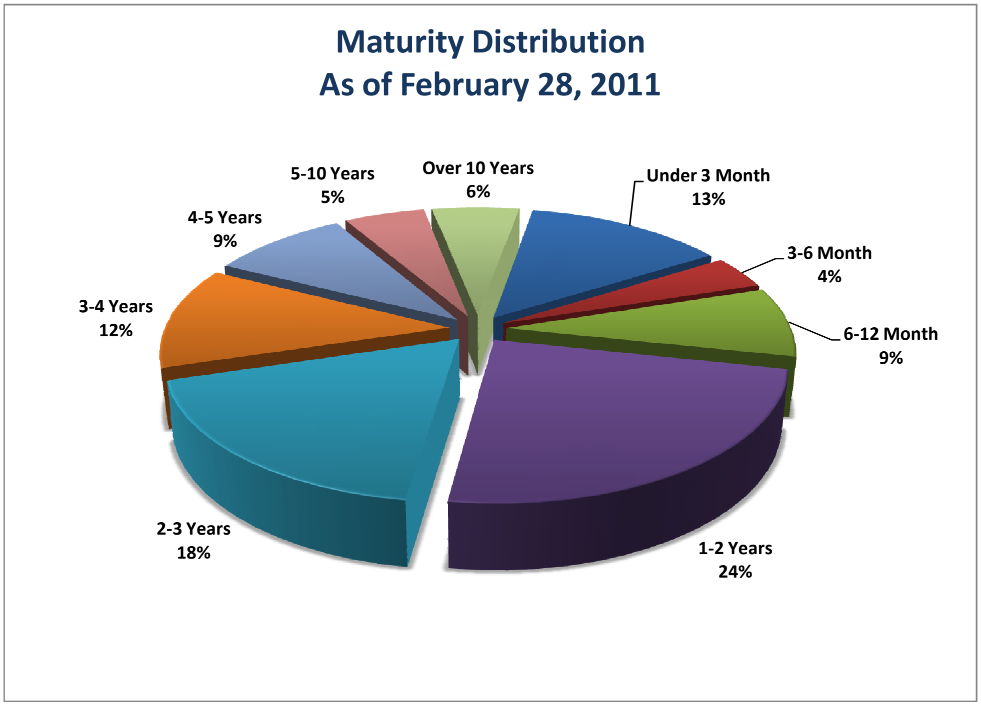
- HQ Corporate Support was under budget by $0.8 mostly due to lower expenditures for outside legal counsel and lower than expected WPO building expenses.

- Research and Development was over budget due to earlier than expected spending by Energy Services on renewable energy related projects.

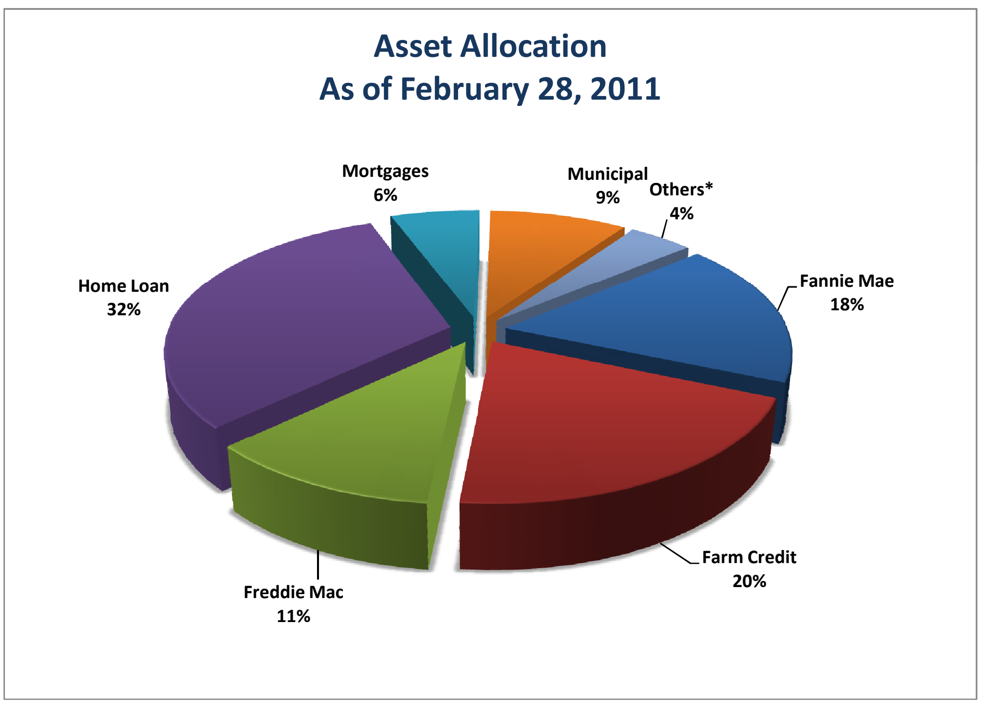


The increase of $20 in the Operating Fund (from $1,069 to $1,089) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of $72 received from Entergy, substantially offset by voluntary contributions to New York State ($25) and repayments on commercial paper ($50). The variance from budget is the result of lower net income for the period and the timing of cash payments related to prior year accruals.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO

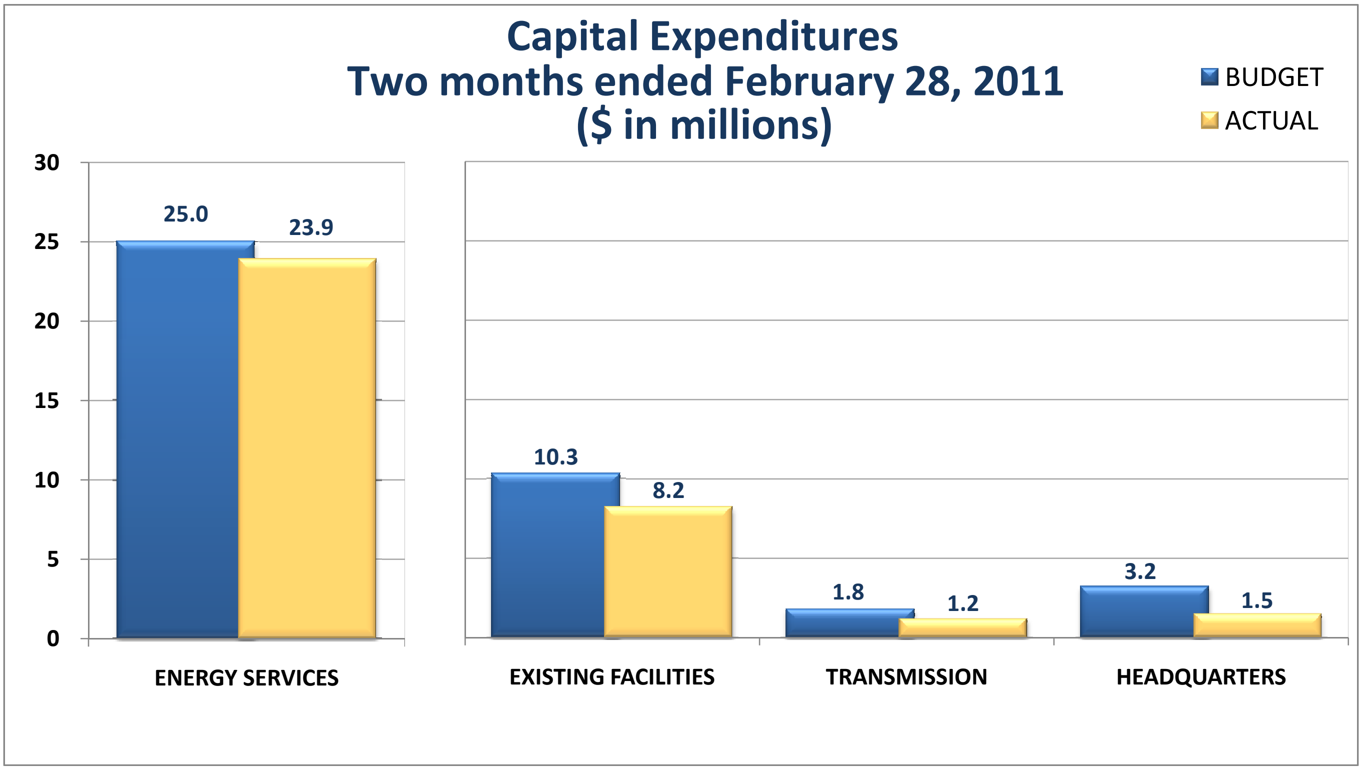


MATURITY DISTRIBUTION ($ in millions)	
Under 3 Months	$158.1
3-6 Months	47.2
6-12 Months	99.6
1-2 Years	285.3
2-3 Years	214.5
3-4 Years	145.6
4-5 Years	108.8
5-10 Years	63.5
Over 10 Yrs	69.5
Total	**$1,192.1**



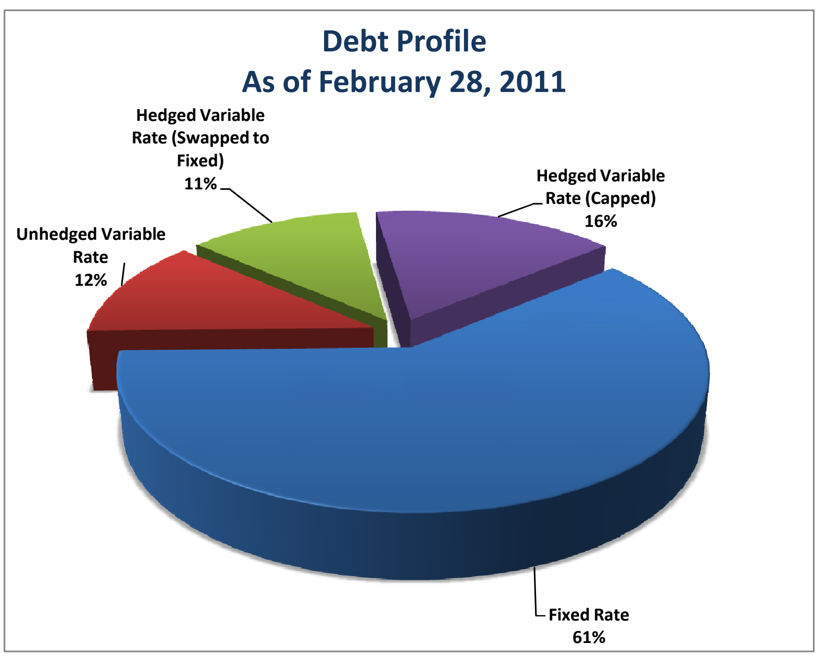
ASSET ALLOCATION ($ in millions)	
Fannie Mae	$209.3
Farm Credit	240.9
Freddie Mac	133.9
Home Loan	375.6
Mortgages	71.4
Municipal	109.7
Others*	51.3
Total	**$1,192.1**

*Includes CDs and Repos



- Energy Services expenditures were under budget by $2.1 due primarily to the cancellation of the LIRR flywheel project.
- Existing facilities, headquarters and transmission expenditures were under budget due to early year timing differences.
- Under the Expenditure Authorization Procedure in the month of February 2011, the President has authorized the following new headquarters expenditures for budgeted capital projects:

Storage Area Network	$2.9
Long Term Load Forecasting	1.3
Generation Optimization	1.4
IT Infrastructure	1.6



DEBT PROFILE ($ in millions)	
Fixed Rate	$1,134.4
Unhedged Variable Rate	221.2
Hedged Variable Rate (Swapped to Fixed)	212.3
Hedged Variable Rate (Capped) **(1)**	300.0
Total	**$1,867.9**

(1) ***In*** *January 2011 the Authority purchased a SIFMA based interest rate cap on a $300 notional amount of Commercial Paper Series 1 Notes.*

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements has resulted in a net loss of $2.4 million by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. 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	**2011**	**2012**	**>2012**	**Total**
NYPA	$ (0.06)	$ (1.21)	$ -	$ -	$ (1.21)
Customer Contracts	$ (2.29)	$ (77.40)	$ (92.28)	$ (83.75)	$ (253.43)
Total	**$ (2.35)**	**$ (78.61)**	**$ (92.28)**	**$ (83.75)**	**$ (254.65)**

At the end of February, the fair market value of outstanding positions was valued at an unrealized loss of $255 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of April to December 2011 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 2012.

Exhibit 1: Average April to December 2011 Forward Price

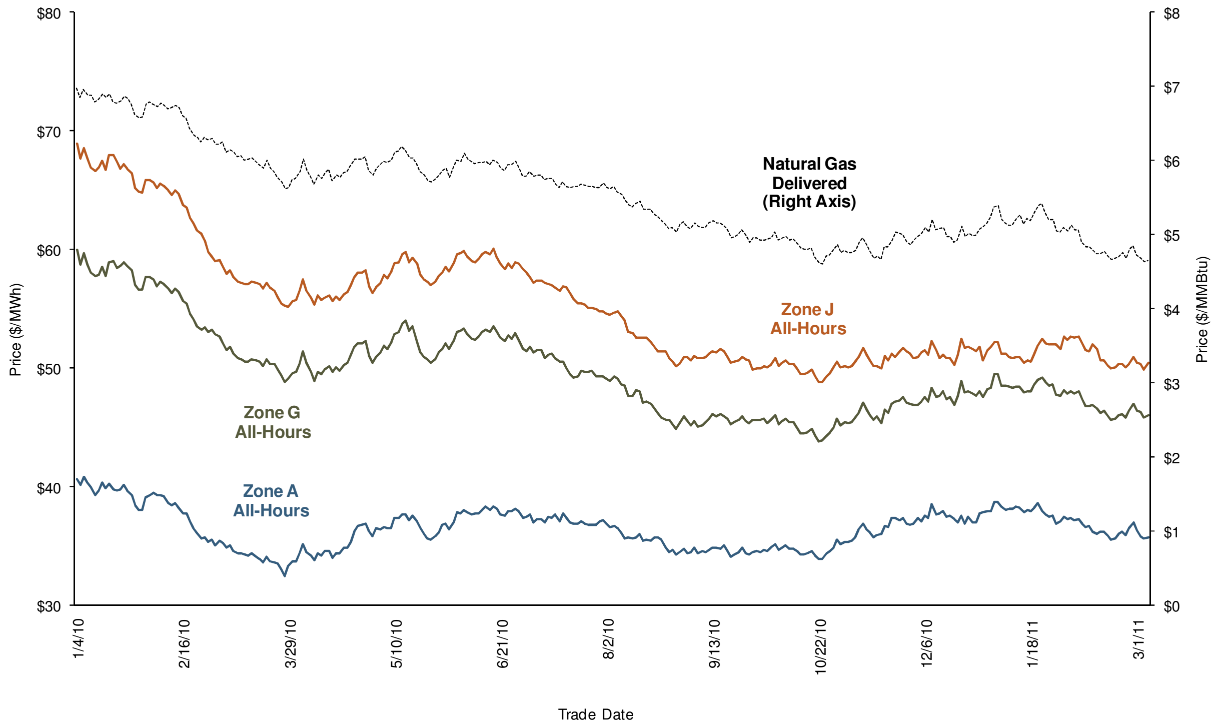
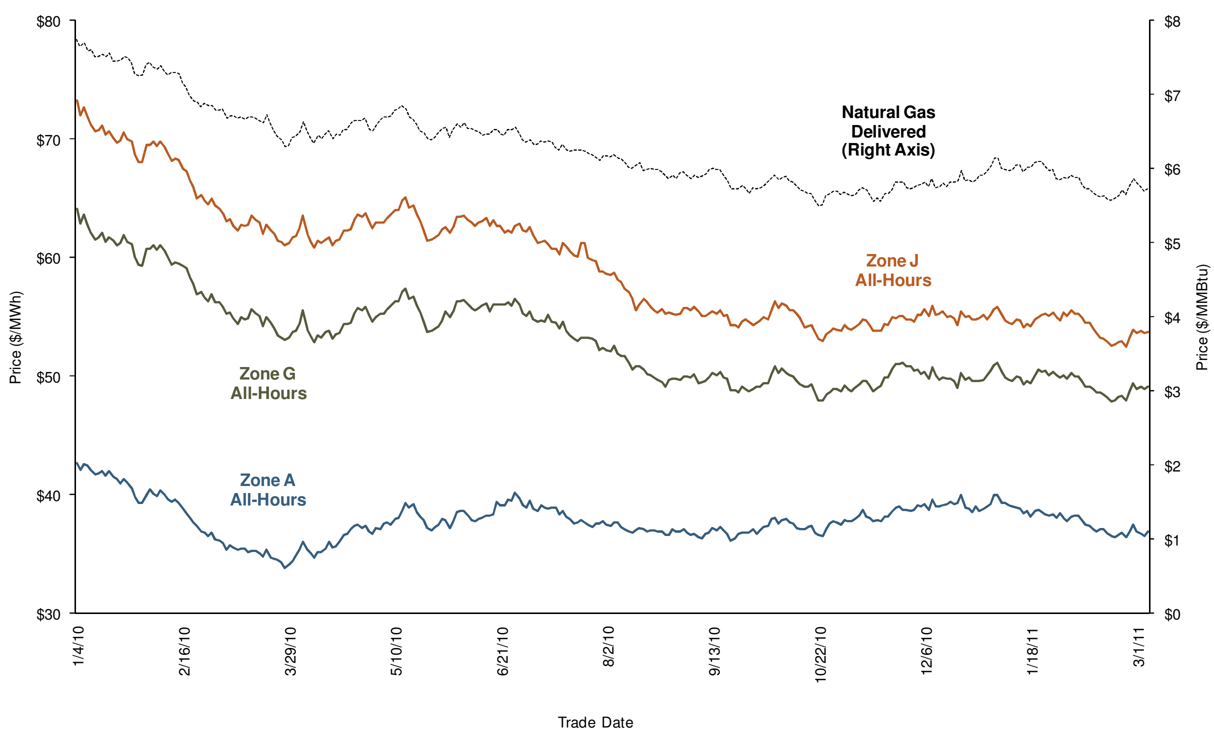


Exhibit 2: Average January to December 2012 Forward Price



STATEMENT OF NET INCOME
For the Two Months Ended February 28, 2011
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,070.5	Customer	**$314.4**	**$316.7**	**($2.3)**
463.4	Market-based power sales	85.9	59.4	26.5
30.6	Ancillary services	5.4	5.5	(.1)
114.9	NTAC and other	19.9	21.0	(1.1)
608.9	Total	**111.2**	**85.9**	**25.3**
2,679.4	**Total Operating Revenues**	**425.6**	**402.6**	**23.0**
	Operating Expenses			
804.7	Purchased power	168.0	131.5	(36.5)
295.6	Fuel consumed - oil & gas	52.0	48.4	(3.6)
108.2	Ancillary services	10.4	17.1	6.7
543.4	Wheeling	73.4	72.3	(1.1)
327.1	Operations and maintenance	43.3	42.7	(.6)
194.9	Depreciation and amortization	26.2	27.0	.8
135.5	Other expenses	25.5	24.2	(1.3)
(10.9)	Allocation to capital	(.9)	(1.1)	(.2)
2,398.5	**Total Operating Expenses**	**397.9**	**362.1**	**35.8**
280.90	**Net Operating Income**	**27.7**	**40.5**	**(12.8)**
	Nonoperating Revenues			
88.0	Post nuclear sale income	17.1	17.1	-
39.9	Investment income	7.2	6.3	.9
(7.0)	Mark to market - investments	(4.7)	-	(4.7)
120.9	**Total Nonoperating Revenues**	**19.6**	**23.4**	**(3.8)**
	Nonoperating Expenses			
65.0	Contributions to New York State	25.0	25.0	-
157.5	Interest and other expenses	15.9	17.6	1.7
222.5	**Total Nonoperating Expenses**	**40.9**	**42.6**	**1.7**
(101.6)	**Net Nonoperating Income (Loss)**	**(21.3)**	**(19.2)**	**(2.1)**
$179.3	**Net Income**	**$6.4**	**$21.3**	**($14.9)**

COMPARATIVE BALANCE SHEETS
February 28, 2011
($ in millions)

Assets		February 2011	February 2010	December 2010
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,106.7	987.6	1,091.1
	Interest receivable on investments	7.0	7.7	5.5
	Accounts receivable - customers	273.1	184.7	204.0
	Materials and supplies, at average cost:			
	Plant and general	76.6	84.1	75.1
	Fuel	15.1	17.1	15.3
	Prepayments and other	186.8	151.9	190.5
	Total Current Assets	**1,665.4**	**1,433.2**	**$1,581.6**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,057.1	952.2	1,032.4
	Other	83.4	94.7	83.3
	Total Restricted Funds	**1,140.5**	**1,046.9**	**1,115.7**
Capital Funds	Investment in securities and cash	128.3	185.5	144.8
	Total Capital Funds	**128.3**	**185.5**	**144.8**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,330.5	3,320.6	3,344.1
	Construction work in progress	122.4	156.5	123.3
	Net Utility Plant	**3,452.9**	**3,477.1**	**3,467.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	618.3	625.5	604.6
	Notes receivable - nuclear plant sale	102.1	116.2	157.1
	Total other noncurrent assets	**1,038.4**	**1,059.7**	**1,079.7**
	Total Noncurrent Assets	**5,760.1**	**5,769.2**	**5,807.6**
	Total Assets	**$7,425.5**	**$7,202.4**	**$7,389.2**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$947.5	$817.8	$880.4
	Short-term debt	315.4	294.5	323.2
	Total Current Liabilities	**1,262.9**	**1,112.3**	**1,203.6**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,150.8	1,192.3	1,151.2
	Adjustable rate tender notes	130.5	137.5	130.5
	Commercial paper	287.6	340.8	336.5
	Total Long-term Debt	**1,568.9**	**1,670.6**	**1,618.2**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,057.1	952.2	1,032.4
	Disposal of spent nuclear fuel	216.2	215.9	216.1
	Deferred revenues and other	312.9	363.5	316.5
	Total Other Noncurrent Liabilities	**1,586.2**	**1,531.6**	**1,565.0**
	Total Noncurrent Liabilities	**3,155.1**	**3,202.2**	**3,183.2**
	Total Liabilities	**4,418.0**	**4,314.5**	**4,386.8**
Net Assets	Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
	Net Income	6.4	67.5	182.0
	Total Net Assets	**3,007.5**	**2,887.9**	**3,002.4**
	Total Liabilities and Net Assets	**$7,425.5**	**$7,202.4**	**$7,389.2**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Two Months Ended February 28, 2011
($ in millions)

Operating Fund	
Opening	$1,069.2
Closing	1,089.4
Increase/(Decrease)	**20.2**
Cash Generated	
Net Operating Income	27.7
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	26.2
Net Change in Receivables, Payables & Inventory	(24.4)
Other	(1.0)
Net Cash Generated from Operations	**28.5**
(Uses)/Sources	
Utility Plant Additions	(7.8)
Debt Service	
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(4.7)
Investment Income	4.6
Entergy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(25.0)
Other	(2.6)
Total (Uses)/Sources	**(8.3)**
Net Increase in Operating Fund	**$20.2**