New York Power Authority

Report of the Chief Financial Officer

For the Three Months Ended March 31, 2012

Report of the Chief Financial Officer
For the Month Ended March 31, 2012
Executive Summary

Results of Operations

Net income for the three months ended March 31, 2012 prior to the recognition of the voluntary contribution to New York State was $73 million, which was $9.4 million higher than the budget. Net income through March including the budgeted $60 million voluntary contribution was $13 million compared to a budget of $3.6 million. Results for the first quarter were better than budgeted primarily due to higher non-operating income ($2.8 million), lower operations and maintenance expenses ($5.0 million), and lower other operating expenses ($2.5 million). Non-operating income was lower than expected due to lower than budgeted interest costs due to lower rates. Operations and maintenance expenses were lower than anticipated primarily due to early year timing differences in projects at Niagara, the Small Clean Power Plants and the transmission facilities. Other operating expenses reflected lower than anticipated costs related to the Industrial Incentive awards and Western New York economic development fund. Net margins on sales were on budget through March, as the positive impact of higher net generation was offset by lower energy prices in the ISO market and other factors. On a facility basis, positive variances in the MSP market area ($6 million, lower purchased power costs) and at the SCPP's ($3.1 million, higher capacity prices) were offset by negative variances at Niagara ($6.1 million, lower energy prices) and the transmission facilities ($3 million, lower FACTS revenue). Production through March was 13% higher than budget reflecting higher net generation at St. Lawrence (18%), Niagara (11%) and the fossil facilities (13%).

Results for the three months ended March 31, 2012 ($13 million) were $16.7 million lower than the same period in 2011. The current year reflected a higher voluntary contribution to New York State substantially offset by lower purchased power costs. Voluntary contributions were $60 million through March 2012 compared to $25 million through March 2011. Purchased power costs were lower in 2012 due to higher net generation and the need to purchase additional power at Niagara in 2011 due to an early year transmission line outage.

Cash & Liquidity

The Authority ended the month of March with total operating funds of $1,248 million as compared to $1,205 million at the end of 2011. The increase ($43 million) is primarily attributable to net cash from operations and the value sharing payment received from Entergy of $72 million substantially offset by a $60 million voluntary contribution to New York State.

Year-end Projection

Developing trends during the first quarter of 2012 indicate that year-end net income is expected to under-run by approximately $10 million relative to the $167 million budget. Key drivers include:

- **Energy Prices** – Lower prices in the natural gas markets continue to drive electricity prices down, resulting in a 32% decline in wholesale electric prices state-wide. While most of the Authority's generation is sold under contract to benefitting customers, the small proportion of Authority generation in the wholesale market is affected by these lower prices resulting in a negative impact on net income.

- **Capacity Prices** – An increase in market-based capacity prices are being observed as a result of a pending increase in the locational capacity requirement for the New York City load pocket and an increased capacity requirement for the Rest-of-State market. In addition, prices are firming up as a result of the announced moth-balling of several generating stations throughout New York in response to lower prices and lower demand. The resulting increase in market-based capacity prices is having a positive effect on net income projections, particularly for the Blenheim-Gilboa Project and the Small Clean Power Plants.

- **Hydro Flows** – The relatively warm winter and little snow-pack around the Great Lakes are resulting in an early spring run-off. As a result, net generation at the Niagara and St. Lawrence hydroelectric facilities has been running above forecast for the first quarter, but at this time, is expected to revert back to near budgeted levels by year-end.

At currently projected levels, the Authority's business requirements for cash flow (debt service coverage) and liquidity are expected to be met.

Net Income
Three Months ended March 31, 2012
($ in millions)

	Actual	Budget	Variance
Niagara	$39.1	$42.2	($3.1)
St. Lawrence	1.7	(0.8)	2.5
Blenheim-Gilboa	(6.1)	(4.6)	(1.5)
SENY	4.7	4.3	0.4
SCPP	(1.9)	(6.9)	5.0
Market Supply Power	(7.0)	(13.0)	6.0
Flynn	3.6	3.1	0.5
Transmission	10.3	12.3	(2.0)
Non-facility	(31.4)	(33.0)	1.6
Total	**$13.0**	**$3.6**	**$9.4**

Major Factors	**Better (Worse)**
Niagara Lower net margins on sales ($6.1) due to lower prices, partially offset by lower O&M (non-recurring projects).	($3.1)
St. Lawrence Primarily higher net margin on sales ($2.3) resulting from higher volumes (18% higher generation) partially offset by lower prices on market based sales.	2.5
SCPP Primarily higher capacity prices and lower O&M (timing, Hell Gate gas turbine overhaul).	5.0
Market Supply Power Lower purchased power costs due to lower prices.	6.0
Transmission Primarily lower FACTS revenue.	(2.0)
Other facilities Includes lower net margins on sales at Blenheim-Gilboa due to lower prices.	(0.6)
Non-facility (including investment income) Primarily lower interest expense ($1.7) due to lower than anticipated market interest rates during the period.	1.6
Total	**$9.4**

Net Income
Three Months Ended March 31, 2012 and March 31, 2011
($ in millions)

	2012	2011	Variance Favorable/ (Unfavorable)
Operating Revenues	**$612.2**	**$620.1**	**($7.9)**
Operating Expenses			
Fuel consumed - oil & gas	54.1	70.6	16.5
Purchased power and ancillary services	154.2	250.1	95.9
Wheeling	125.1	106.7	(18.4)
Operations and maintenance	86.0	68.7	(17.3)
Other expenses	52.9	37.6	(15.3)
Depreciation and amortization	56.4	39.5	(16.9)
Allocation to capital	(1.7)	(1.3)	.4
Total Operating Expenses	**527.0**	**571.9**	**44.9**
Net Operating Income	**85.2**	**48.2**	**37.0**
Investment and other income	35.5	35.3	.2
Mark to Market Adjustment	(1.7)	(5.1)	3.4
Total Nonoperating Income	**33.8**	**30.2**	**3.6**
Contributions to New York State	60.0	25.0	(35.0)
Interest and other expenses	46.0	23.7	(22.3)
Total Nonoperating Expenses	**106.0**	**48.7**	**(57.3)**
Net Nonoperating Income (Loss)	**(72.2)**	**(18.5)**	**(53.7)**
Net Income	**$13.0**	**$29.7**	**($16.7)**

Net income through March 2012 ($13) was $16.7 lower than the comparable period in 2011 ($29.7). Higher voluntary contributions to New York State ($35) were partially offset by lower purchased power costs at Niagara ($17.5) during the period.

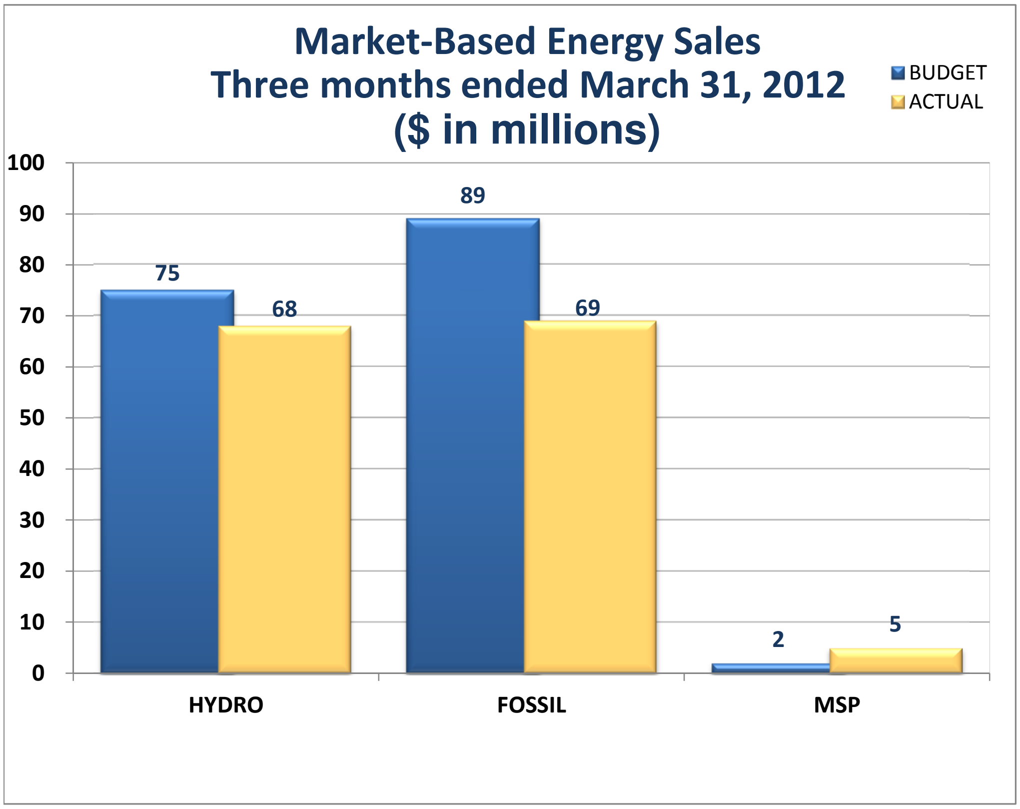
Year-to-date voluntary contributions were $60 in 2012 compared to $25 through March 2011.

Purchased power costs were lower at Niagara in 2012 due to higher net generation and the need to purchase additional power in 2011 due to an early year transmission line outage.

Year-to-year variances in operations and maintenance, depreciation and amortization, and interest expense were due primarily to Astoria II which went into commercial operation on July 1, 2011. These variances were offset by recoveries in operating revenues and had minimal impact on NYPA's current year net income.

New York Power Authority

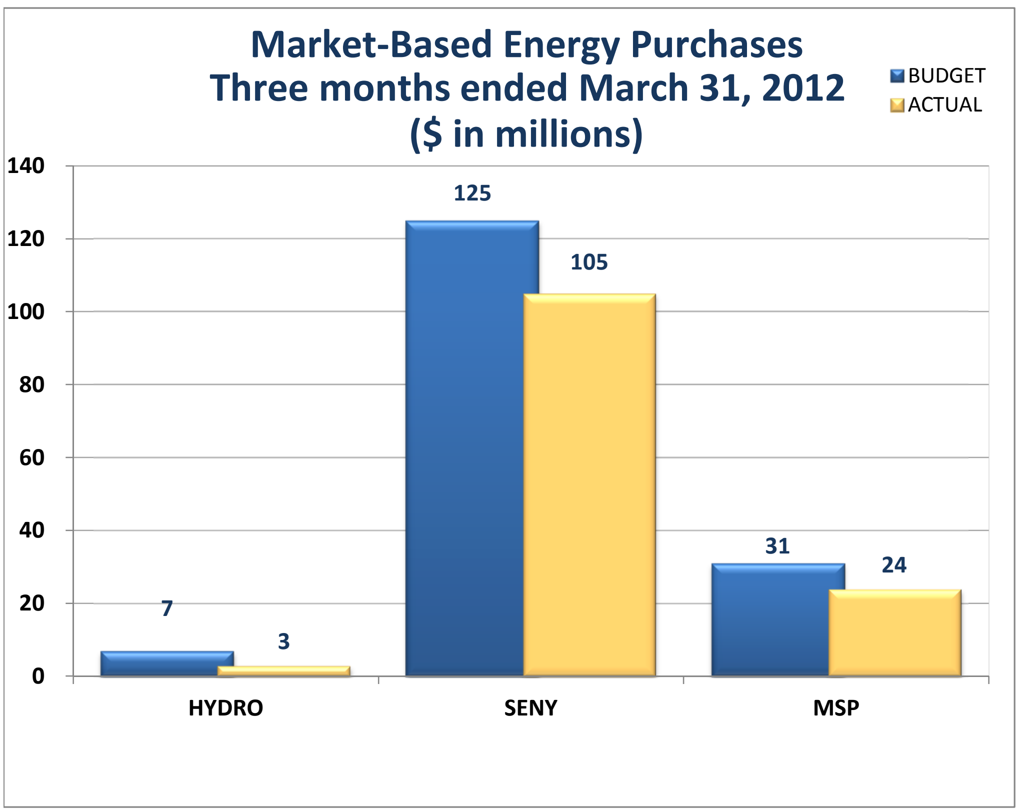
RESULTS OF OPERATIONS



REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	1,673,343	2,351,907
Fossil	1,190,697	1,551,600
MSP	39,471	161,947
TOTAL	2,903,511	4,065,454
PRICES ($/MWH)		
Hydro*	$44.14	$28.31
Fossil	$72.15	$41.30
MSP	$39.52	$32.53
AVERAGE	$55.56	$33.44

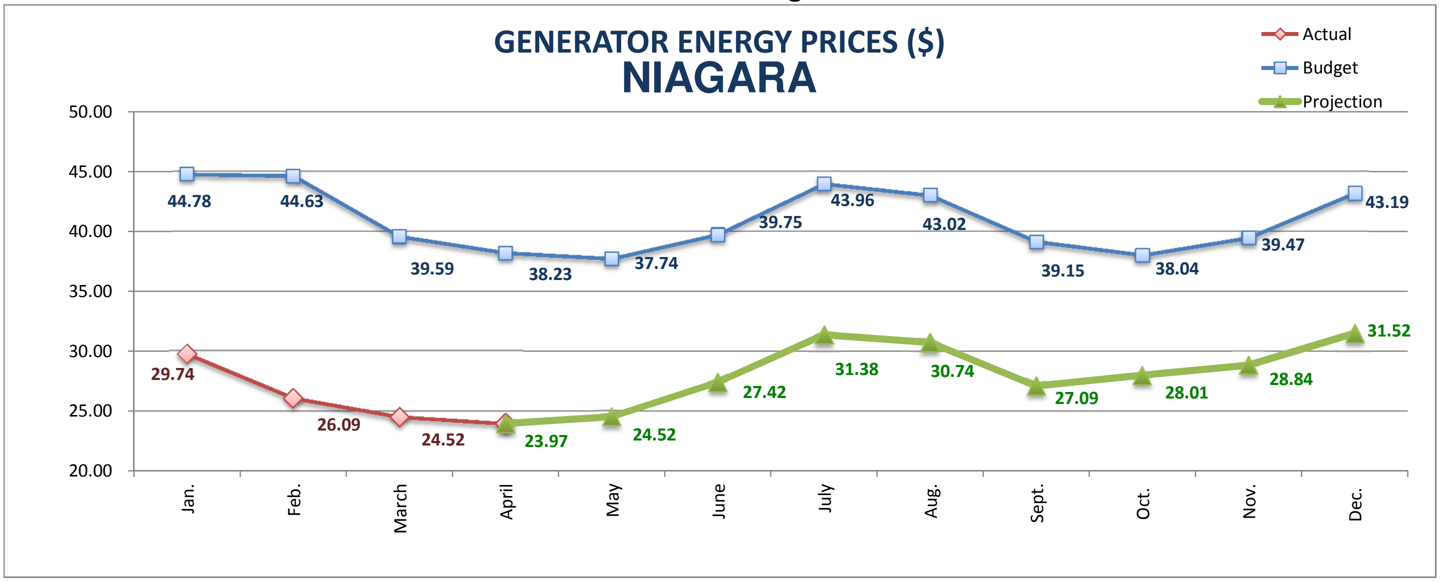
** Includes Niagara, St. Lawrence, B-G, and Small Hydro.*

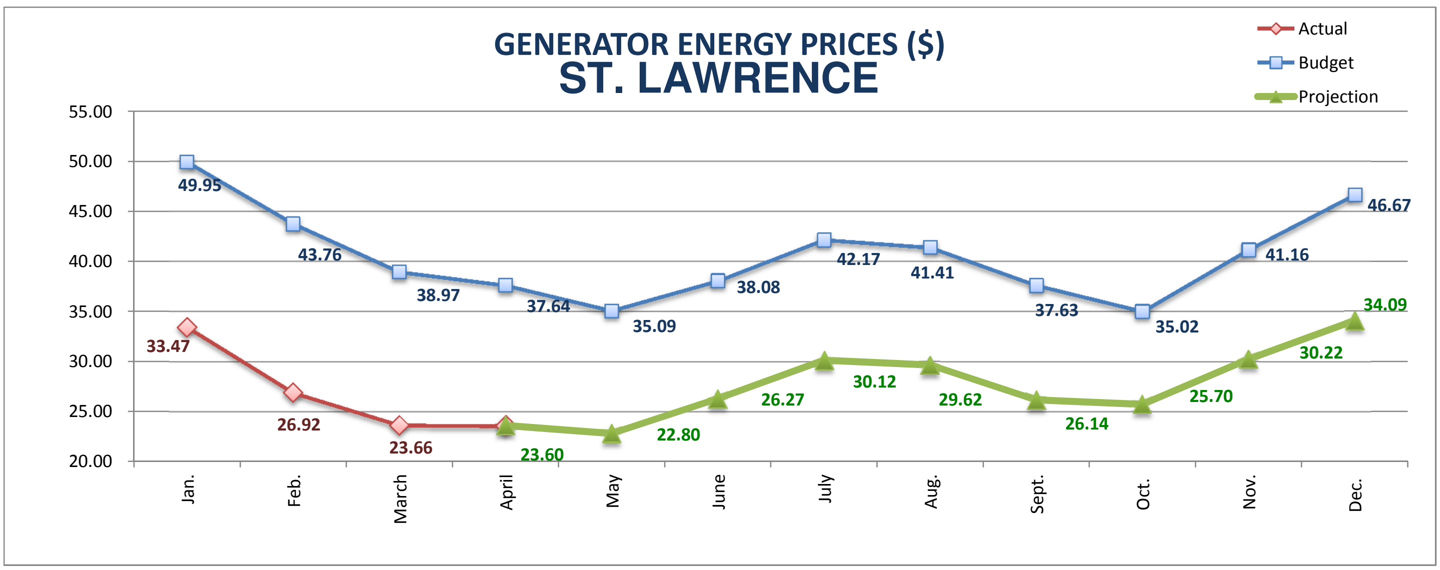
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,200,065	1,677,895
St. Law.	352,433	594,273
PRICES ($/MWH)		
Niagara	$41.50	$27.83
St. Law.	$41.11	$27.52

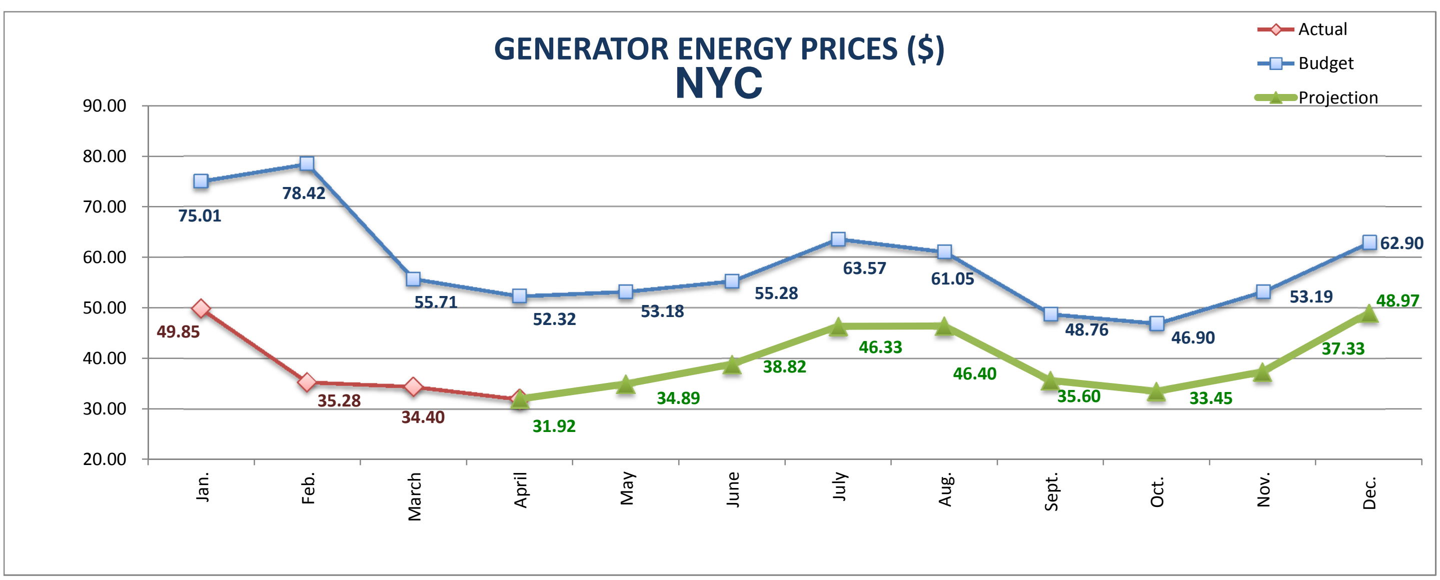


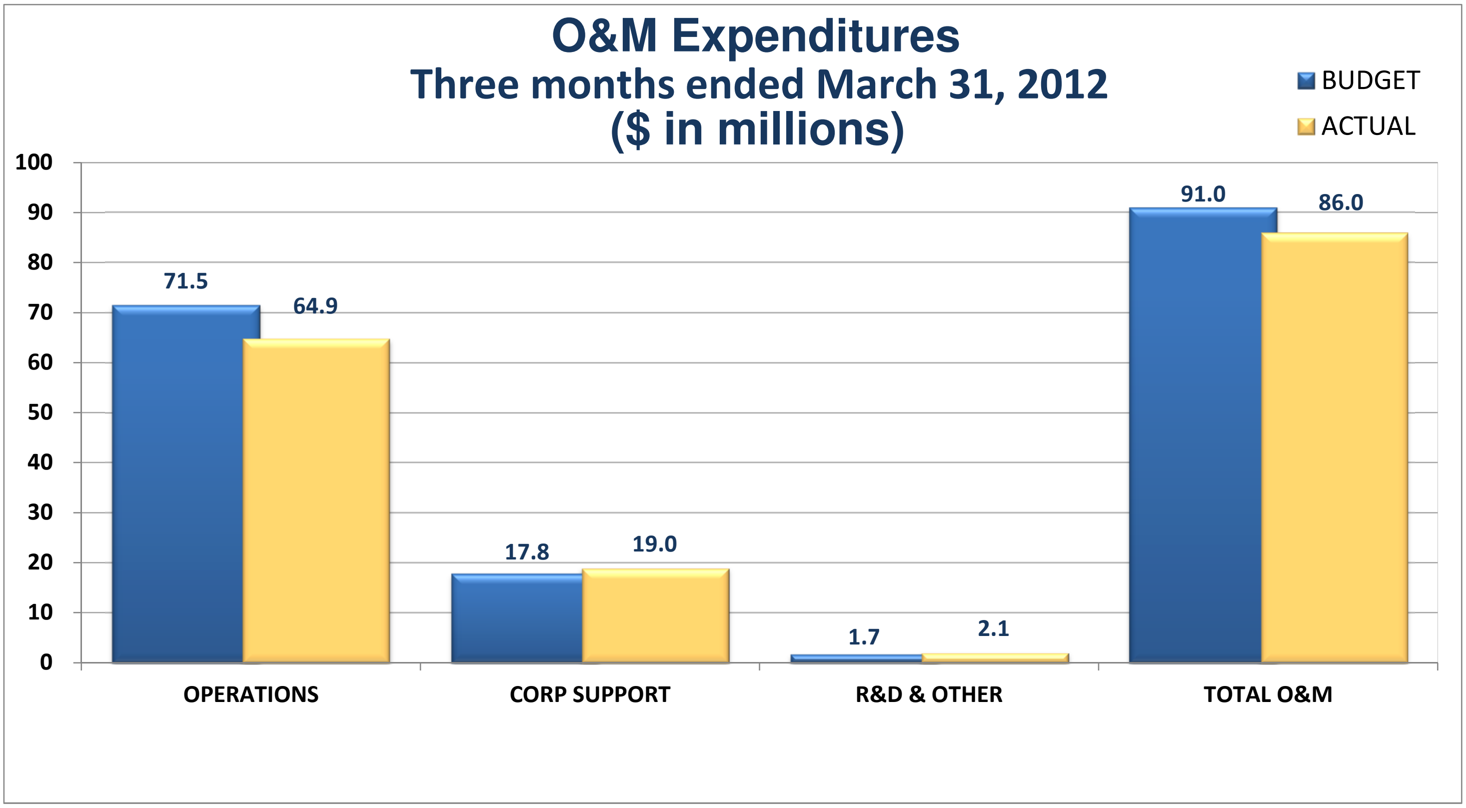
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	241,609	107,352
SENY	2,254,921	2,193,812
MSP	710,242	775,043
TOTAL	3,206,772	3,076,207
COSTS ($/MWH)		
Hydro	$27.47	$24.22
SENY	$55.38	$48.20
MSP	$43.69	$30.65
AVERAGE	$50.68	$42.94

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget





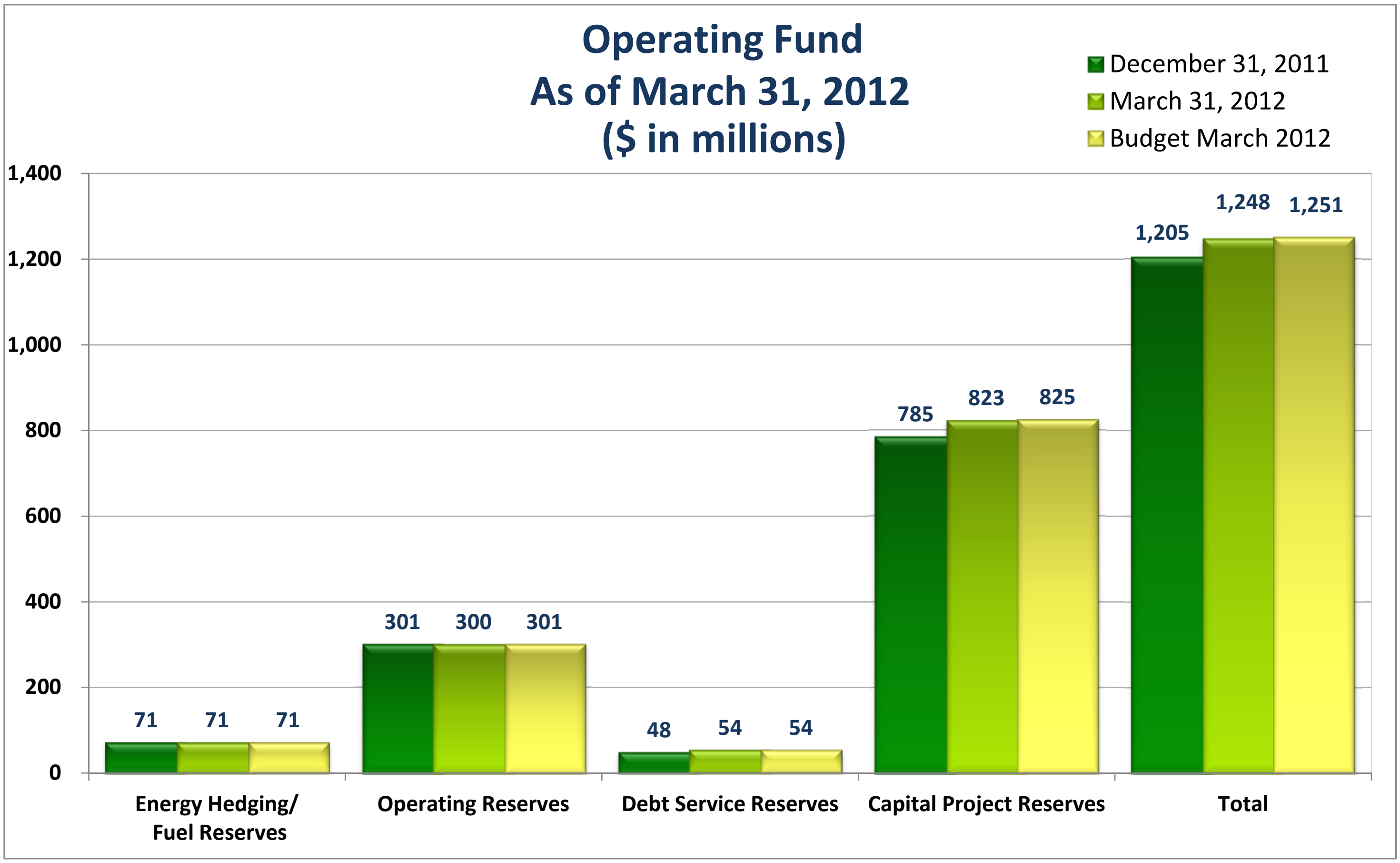




- For the three months ended March 31, 2012, O&M expenses were $5.0 lower than the budget.

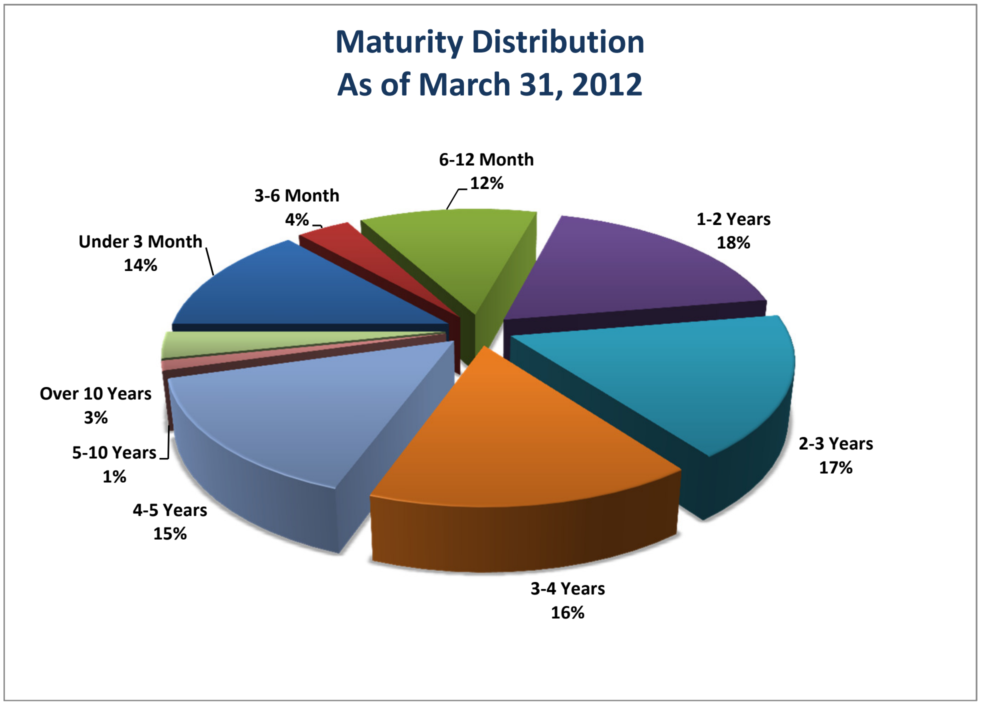
- Operations and maintenance expenses were lower than anticipated primarily due to early year timing differences in projects at Niagara (RMNPP Head-gate Refurbishment and Unit #2 Standardization), the SCPP's (Hell Gate Gas Turbine Engine Overhaul) and the transmission facilities.

- HQ Corporate Support was over budget by $1.2 due to earlier than expected expenses for IT maintenance partially offset by lower than anticipated expenditures for outside legal consultants, Human Resources contract services and fuel cell maintenance.

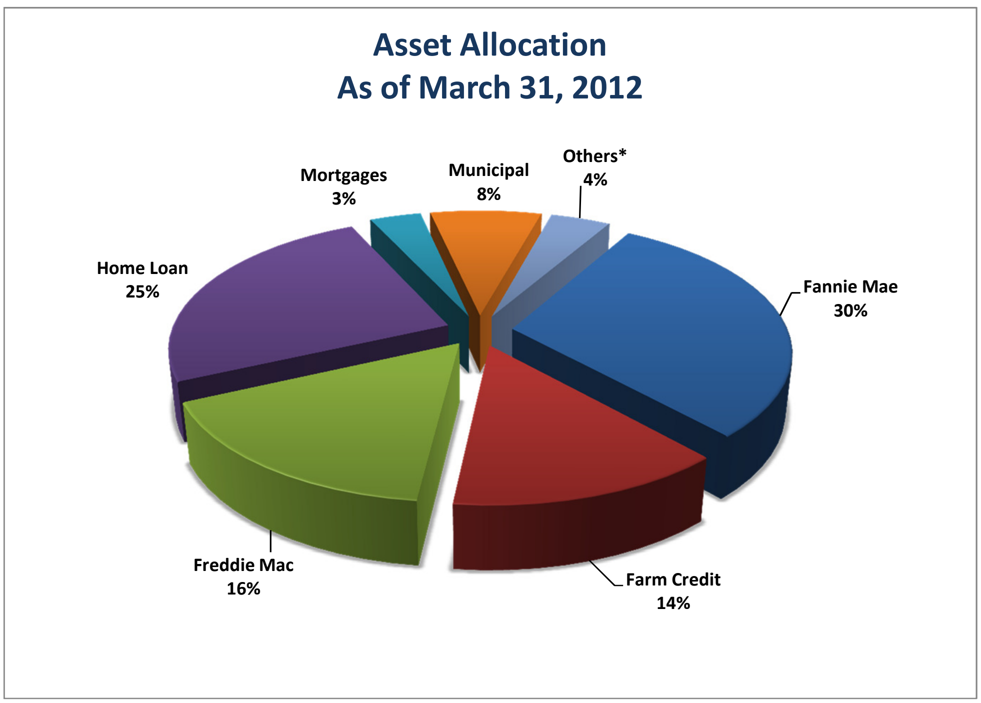


The increase of $43 in the Operating Fund (from $1,205 to $1,248) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of $72 received from Entergy, substantially offset by $60 in voluntary contributions to New York State.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO

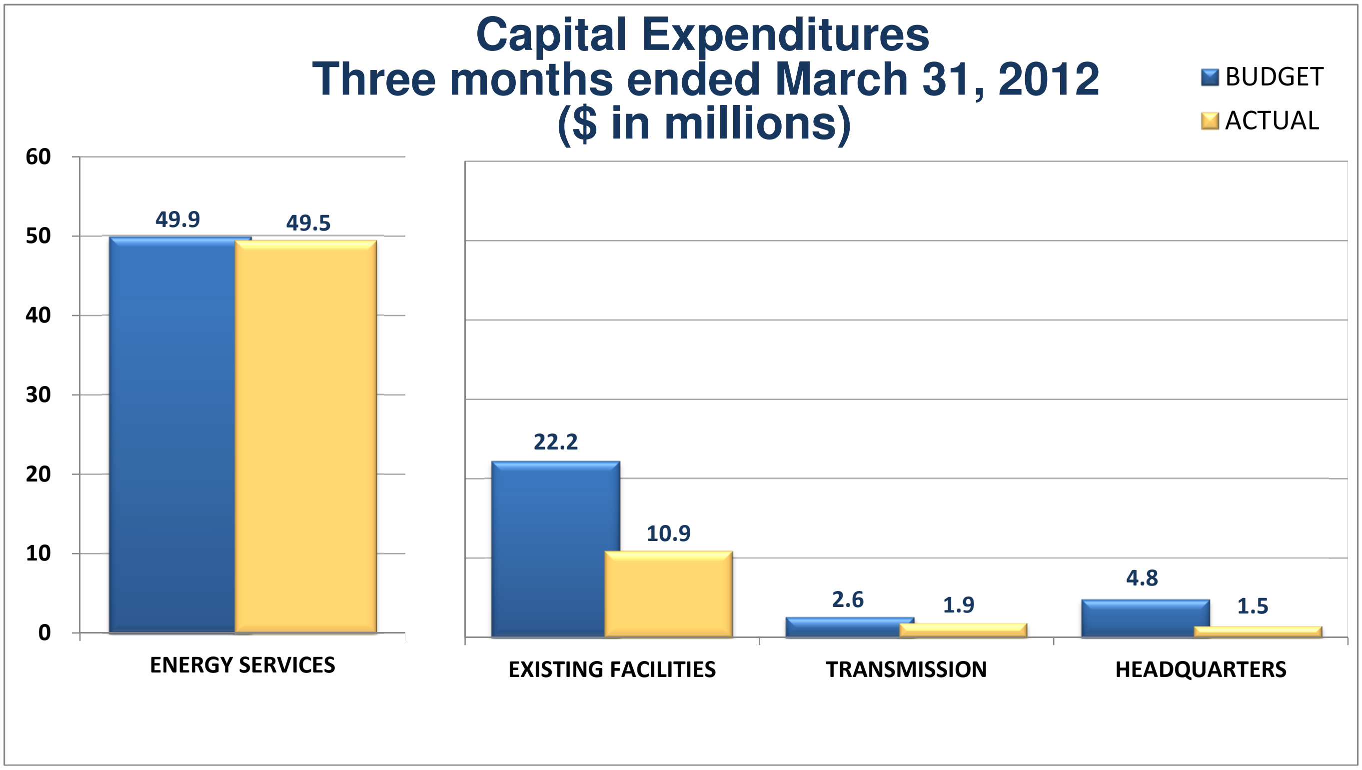


MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Month	$185.1
3-6 Month	50.2
6-12 Month	167.5
1-2 Years	251.9
2-3 Years	239.7
3-4 Years	217.7
4-5 Years	208.1
5-10 Years	16.1
Over 10 Years	44.6
Total	**$1,380.9**



ASSET ALLOCATION	
($ in millions)	
Fannie Mae	$393.6
Farm Credit	177.4
Freddie Mac	213.9
Home Loan	327.7
Mortgages	46.1
Municipal	100.3
Others*	53.9
Treasury	68.0
Total	**$1,380.9**

*Includes CDs and Repos



• Existing Facilities were under budget by $11.3 primarily due to delays related to the Niagara Unit 2 Standardization project, the LPGP, the St. Lawrence Microwave Communication project and Astoria Infrastructure Upgrade.

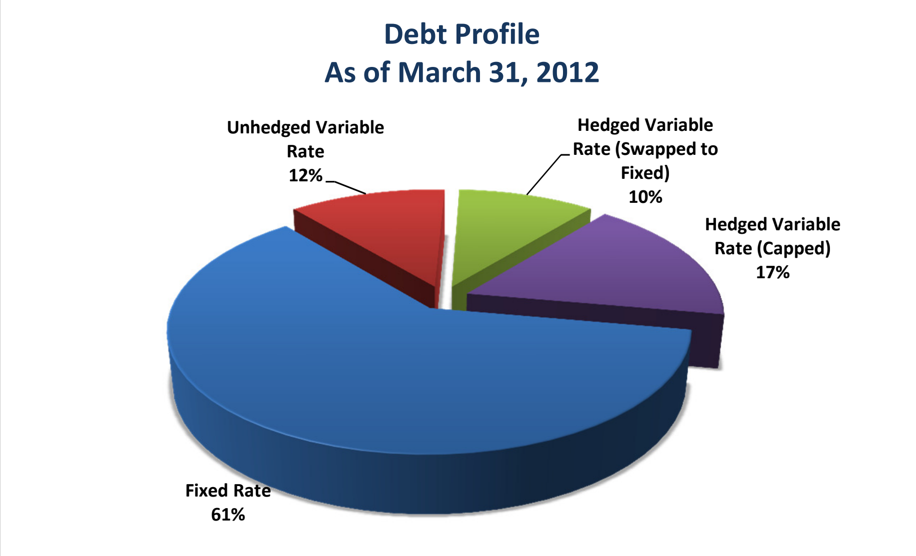
• Headquarters expenditures were under budget by $3.3 primarily due to delays and timing differences related to IT Initiative Projects.

• Under the Expenditure Authorization Procedure, the President authorized new expenditures on budgeted and emergent capital projects of $11.2. Total authorizations in March for initial and additional funding for various projects totaled $3.3 including the Flynn Line Protect Relay Replacement, additional funding for the Niagara Winter Mooring Site, the Moses-Willis Double Circuit Contingency and the 500 MW Spare Transformer projects.

Debt Activity
YTD March 31, 2012
($ in millions)

	Beginning Balance	New Issues	Scheduled Retirements	Additional Retirements	Ending Balance
Fixed Rate Debt	$1,083.4	-	-	-	$1,083.4
Variable Rate Debt	303.1	-	28.4	-	274.7
Variable Rate Energy Srvcs Debt	397.6	49.9	-	35.7	411.8
Sub-total Variable Rate Debt	700.7	49.9	28.4	35.7	686.5
Total	**$1,784.1**	**$49.9**	**$28.4**	**$35.7**	**$1,769.9**

DEBT



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,083.4
Unhedged Variable Rate	206.3
Hedged Variable Rate (Swapped)	180.2
Hedged Variable Rate (Capped)	300.0
Total	**$1,769.9**

Interest Rate Derivatives

The Authority periodically enters into Interest Rate Swaps and Caps to manage interest rate volatility associated with variable rate debt and to hedge future debt issuance. Each transaction is approved by the Board of Trustees and is governed by NYPA's SWAP policy and an ISDA Master Agreement and Schedule to the Agreement with authorized Counterparties. The EVP, CFO and the Treasury department, in consultation with the Authority's financial advisor continually monitor market conditions for potential hedging strategies that may benefit the Authority and its customers. All transactions were competitively bid.

Open Positions

The 1998B transaction is an interest rate swap that was bid March 13, 1998 with an effective date of November 15, 2002. The swap had the effect of fixing the rate on tax-exempt commercial paper at 5.123% on a forward starting basis. It was one component of the 1998 debt refinancing that reduced debt service costs by $740 million and allowed the Authority to adopt a new *General Resolution authorizing Revenue Obligations* in preparation for the competitive marketplace.

The ARTN transaction is an interest rate swap that was bid July 27, 2006 with an effective date of September 1, 2006. It allowed the Authority to lock in a 3.7585% synthetic fixed rate on the Adjustable Rate Tender Notes ("ARTN's"). The synthetic fixed rate was below the historical average rate on the ARTN's and below the rate used in developing NYPA's transmission tariff.

On January 24, 2011 the Authority purchased an interest rate cap on the Series 1 Commercial Paper with a strike rate of 5.50% and term of 2 years. The transaction provides customers participating in the energy services program an interest rate ceiling on their financial rate. The cap was approved by the Board in October 2010 and the Authority's swap advisor administered the competitive bid.

Summary of Derivative Positions ($ in millions)

Transaction	Counterparty	Notional Amount*	Effective Date	Type of Swap	Mark-to-Market
1998B	Goldman Sachs Mitsui Marine Derivatives	$19.6	11/15/2002	Floating-to-Fixed	($1.6)
1998B	Merrill Lynch Cap. Srvcs	32.7	11/15/2002	Floating-to-Fixed	(2.7)
1998B	Citigroup Financial Prod.	13.1	11/15/2002	Floating-to-Fixed	(1.1)
ARTN	Merrill Lynch Cap. Srvcs	114.8	9/1/2006	Floating-to-Fixed	(12.9)
CP - 1	Morgan Stanley Cap. Srvcs	300.0	1/26/2011	CAP	-
Totals		**$480.2**			**($18.3)**

* *The notional amount of each SWAP amortizes according to the provisions contained in the transaction documents.*

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of $41.2 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 2012 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions

($ in Millions)

	Settlements	Fair Market Value			
	YTD[1]	**2012**	**2013**	**>=2014**	**Total**
NYPA	$ (0.50)	$ (2.06)	$ -	$ -	$ (2.06)
Customer Contracts	$ (40.74)	$ (126.78)	$ (59.59)	$ (75.07)	$ (261.44)
Total	**$ (41.24)**	**$ (128.84)**	**$ (59.59)**	**$ (75.07)**	**$ (263.50)**

[1] *Reflects March preliminary settlements.*

At the end of March, the fair market value of outstanding positions was at an unrealized loss of $263.5 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of May 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: May to December 2012 Forward Price

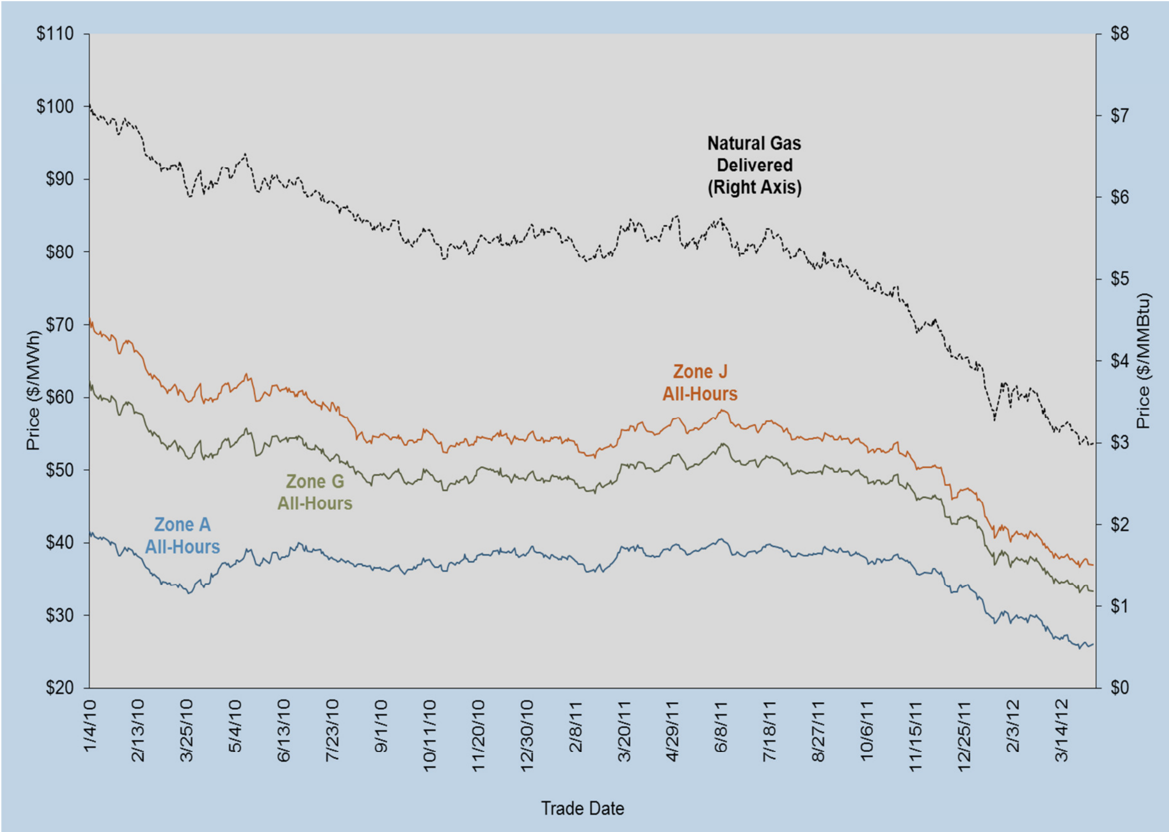
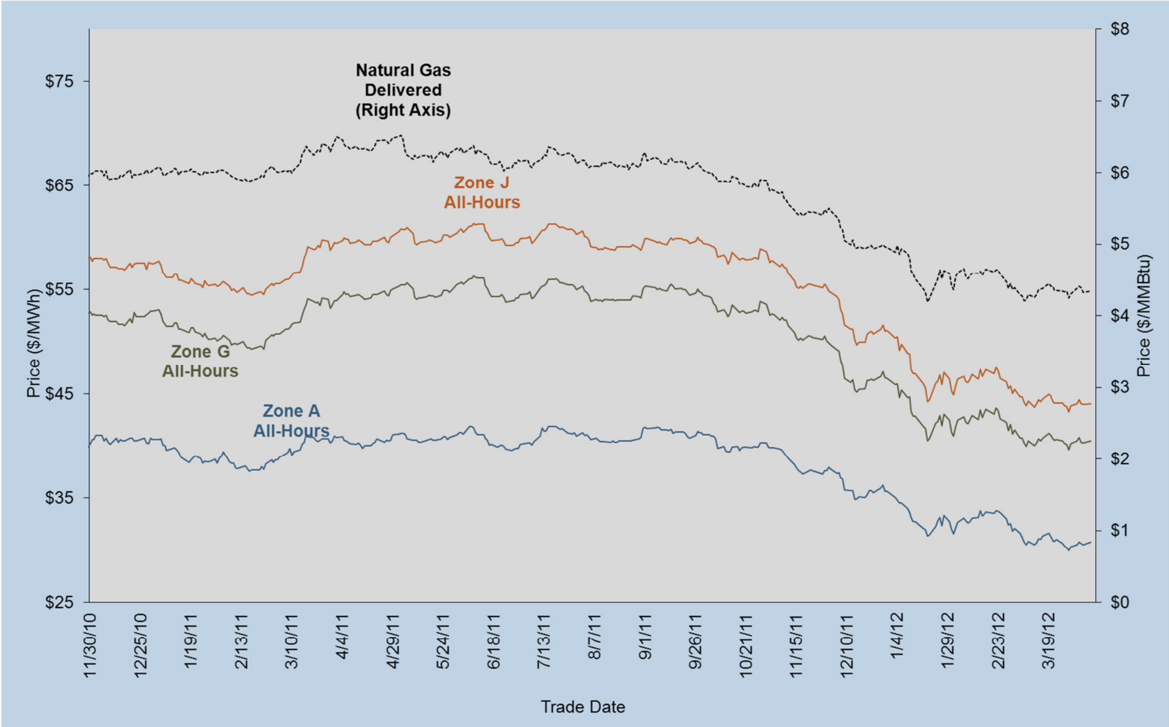


Exhibit 2: Average January to December 2013 Forward Price



STATEMENT OF NET INCOME
For the Three Months Ended March 31, 2012
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,173.0	Customer	**$468.9**	**$537.4**	**($68.5)**
552.7	Market-based power sales	109.8	122.9	(13.1)
28.9	Ancillary services	6.1	8.0	(1.9)
118.3	NTAC and other	27.4	30.0	(2.6)
699.9	Total	**143.3**	**160.9**	**(17.6)**
2,872.9	**Total Operating Revenues**	**612.2**	**698.3**	**(86.1)**
	Operating Expenses			
752.9	Purchased power	142.3	174.4	32.1
329.5	Fuel consumed - oil & gas	54.1	99.1	45.0
76.5	Ancillary services	11.9	19.2	7.3
610.2	Wheeling	125.1	127.4	2.3
370.9	Operations and maintenance	86.0	91.0	5.0
222.2	Depreciation and amortization	56.4	55.6	(0.8)
194.3	Other expenses	52.9	55.4	2.5
(11.7)	Allocation to capital	(1.7)	(2.4)	(0.7)
2,544.8	**Total Operating Expenses**	**527.0**	**619.7**	**92.7**
328.10	**Net Operating Income**	**85.2**	**78.6**	**6.6**
	Nonoperating Revenues			
86.9	Post nuclear sale income	25.4	25.4	-
42.1	Investment income	10.1	10.9	(0.8)
(10.0)	Mark to market - investments	(1.7)	(2.5)	0.8
119.0	**Total Nonoperating Revenues**	**33.8**	**33.8**	**-**
	Nonoperating Expenses			
85.0	Contributions to New York State	60.0	60.0	-
195.1	Interest and other expenses	46.0	48.8	2.8
280.1	**Total Nonoperating Expenses**	**106.0**	**108.8**	**2.8**
$167.0	**Net Income (Loss)**	**$13.0**	**$3.6**	**$9.4**

COMPARATIVE BALANCE SHEETS
March 31, 2012
($ in millions)

Assets		March 31, 2012	March 31, 2011	December 31, 2011
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,274.9	1,120.4	1,233.0
	Interest receivable on investments	5.3	5.4	5.6
	Accounts receivable - customers	204.4	213.5	188.0
	Materials and supplies, at average cost:			
	Plant and general	80.4	77.1	80.1
	Fuel	22.6	14.9	23.0
	Prepayments and other	264.8	174.8	263.5
	Total Current Assets	**1,852.5**	**1,606.2**	**1,793.3**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,142.4	1,057.9	1,089.8
	Other	75.2	83.3	76.4
	Total Restricted Funds	**1,217.6**	**1,141.2**	**1,166.2**
Capital Funds	Investment in securities and cash	123.2	129.1	97.2
	Total Capital Funds	**123.2**	**129.1**	**97.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,386.5	3,330.5	3,414.5
	Capital lease, less accumulated amortization	1,112.1	-	1,126.5
	Construction work in progress	135.9	115.6	133.4
	Net Utility Plant	**4,634.5**	**3,446.1**	**4,674.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	645.7	594.8	614.4
	Notes receivable - nuclear plant sale	96.4	110.7	143.0
	Total other noncurrent assets	**1,060.1**	**1,023.5**	**1,075.4**
	Total Assets	**$8,887.9**	**$7,346.1**	**$8,806.5**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$919.8	$872.8	$905.9
	Short-term debt	349.8	325.1	373.7
	Total Current Liabilities	**1,269.6**	**1,197.9**	**1,279.6**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,106.5	1,150.6	1,107.4
	Adjustable rate tender notes	114.8	122.9	122.9
	Commercial paper	222.0	288.1	204.2
	Total Long-term Debt	**1,443.3**	**1,561.6**	**1,434.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,142.4	1,057.9	1,089.8
	Disposal of spent nuclear fuel	216.3	216.2	216.2
	Capital lease obligation	1,240.5	-	1,241.3
	Deferred revenues and other	267.3	281.7	249.6
	Total Other Noncurrent Liabilities	**2,866.5**	**1,555.8**	**2,796.9**
Net Assets	Accumulated Net Revenues - January 1	3,236.0	3,001.1	3,001.1
	Contributed capital*	59.5	-	59.5
	Net Income	13.0	29.7	234.9
	Total Net Assets	**3,308.5**	**3,030.8**	**3,295.5**
	Total Liabilities and Net Assets	**$8,887.9**	**$7,346.1**	**$8,806.5**

** Windfarm related transmission assets transferred to NYPA from Noble and Marble River AES accounted for as a capital contribution.*

SUMMARY OF OPERATING FUND CASH FLOWS
For the Three Months Ended March 31, 2012
($ in millions)

Operating Fund	
Opening	$1,204.6
Closing	1,247.9
Increase/(Decrease)	**43.3**
Cash Generated	
Net Operating Income	85.2
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	56.4
Net Change in Receivables, Payables & Inventory	(55.3)
Other	(1.4)
Net Cash Generated from Operations	**84.9**
(Uses)/Sources	
Utility Plant Additions	(26.2)
Debt Service	
Commercial Paper 2	(16.4)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(6.3)
ART Notes	6.3
Investment Income	(8.3)
Entergy Value Sharing Agreement	72.0
Voluntary Contributions to NY State	(60.0)
Other	(2.7)
Total (Uses)/Sources	**(41.6)**
Net Increase in Operating Fund	**$43.3**