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New York Power Authority

James Knubel
Senior Vice President and
Chief Nuclear Officer

May 8, 2000
IPN-00-037
JPN-00-013

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555

Subject: Indian Point 3 Nuclear Power Plant
Docket No. 50-286
James A. FitzPatrick Nuclear Power Plant
Docket No. 50-333
Annual Financial Report for 1999

Dear Sir:

Enclosed are ten copies of the Authority's annual report for 1999. This report is submitted in accordance with the requirements of 10 CFR 50.71(b).

No commitments are being made by the Authority in this submittal. If you have any questions, please contact Ms. C. D. Faision.

Very truly yours,

J. Knubel
Senior Vice President and
Chief Nuclear Officer

Attachments: New York Power Authority 1999 Annual Report (10 copies)

cc: next page

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cc: w/o attachments

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U.S. Nuclear Regulatory Commission
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King of Prussia, PA 19406

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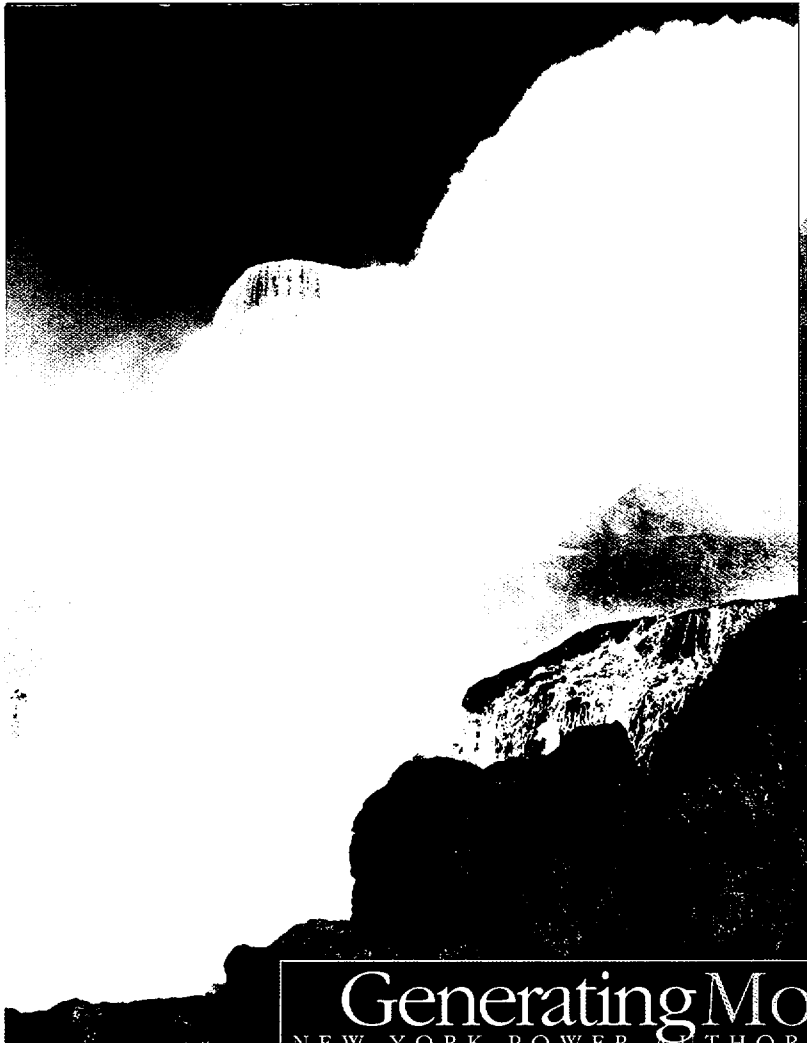
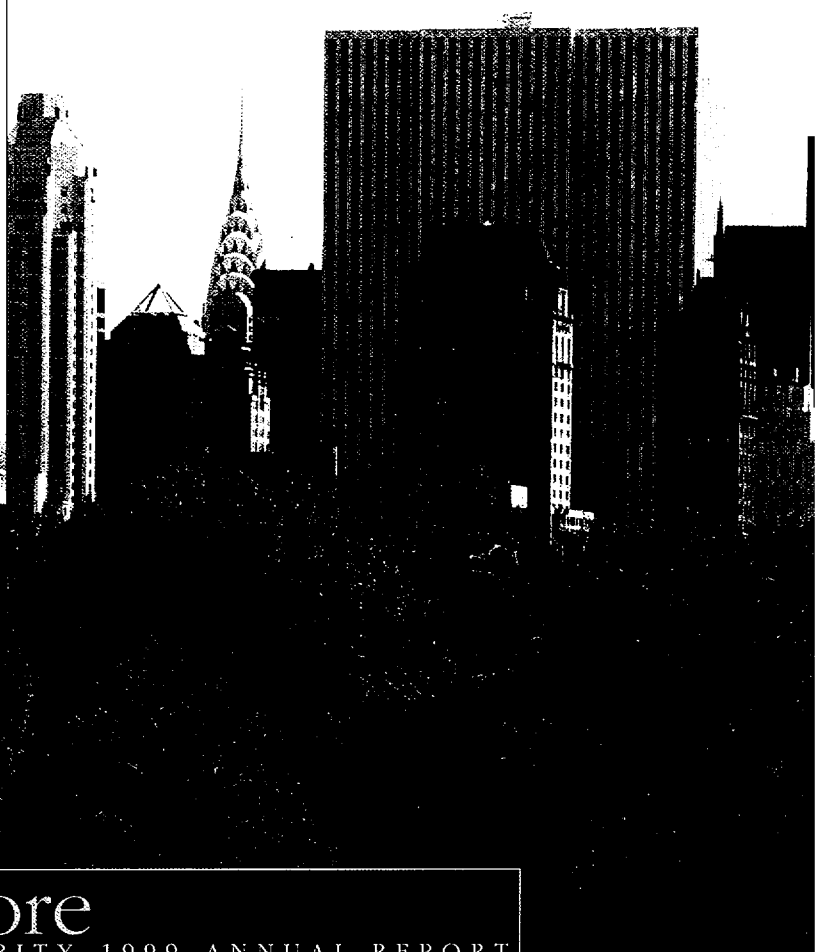
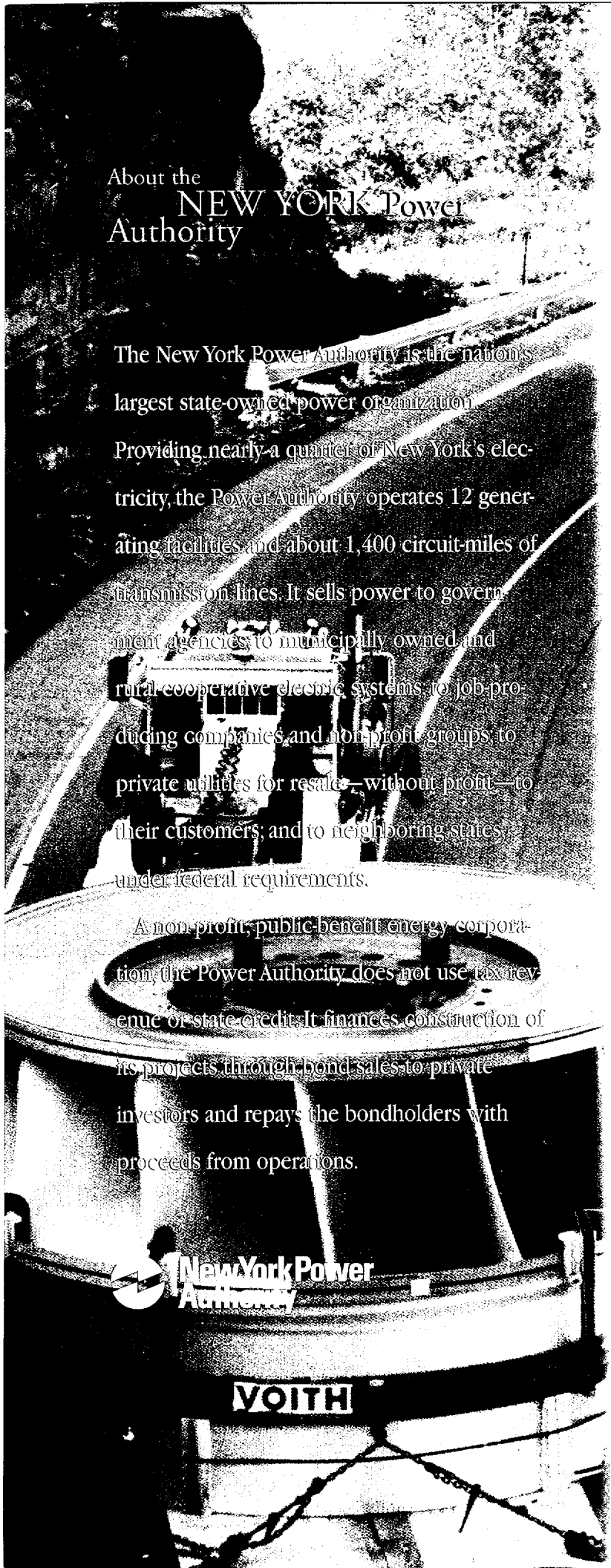




Generating More

NEW YORK POWER AUTHORITY 1999 ANNUAL REPORT

New York Power Authority



About the NEW YORK Power Authority

The New York Power Authority is the nation's largest state-owned power organization. Providing nearly a quarter of New York's electricity, the Power Authority operates 12 generating facilities and about 1,400 circuit-miles of transmission lines. It sells power to government agencies; to municipally owned and rural cooperative electric systems; to job-producing companies and non-profit groups; to private utilities for resale—without profit—to their customers; and to neighboring states, under federal requirements.

A non-profit, public-benefit energy corporation, the Power Authority does not use tax revenue or state credit. It finances construction of its projects through bond sales to private investors and repays the bondholders with proceeds from operations.

New York Power Authority

GOVERNOR'S Message

Getting business back on track in New York State is essential to re-establishing the Empire State's pre-eminence in the world economy and providing more good jobs for New Yorkers.

The New York Power Authority is making a significant contribution to this effort, not only by saving and creating jobs with its low-cost electricity, but also through pioneering clean-energy technologies and energy-efficiency programs that make New York a leader in energy innovation.

We've gained 670,000 private-sector jobs across the state in the past five years and saved hundreds of thousands more. A major factor has been the extraordinarily successful Power for Jobs program, administered by the Power Authority. By the end of 1999, Power for Jobs was helping to protect more than 250,000 jobs, including nearly 11,000 new ones. In all, about 400,000 jobs across the state depend on NYPA electricity supplied through Power for Jobs and other economic development power programs.

The Power Authority is actively demonstrating that sound environmental programs make good economic sense. By improving energy efficiency in public schools and other government facilities, the Power Authority helps to reduce pollution and save tax dollars.

Power Authority efforts are contributing to the growth of the clean-fuel electric vehicle industry in New York State. Baker Electromotive and Ford Motor Company are building electric postal vans at the former Griffiss Air Base in Rome, creating up to 300 new jobs and bringing a new high-tech industry to the Mohawk Valley. New York manufacturers such as Lockheed Martin, Orion Bus and NovaBus are hard at work putting hybrid-electric transit buses on the streets of New York City.

In addition to promoting clean 21st-century technologies such as electric vehicles, fuel cells and solar energy, the Power Authority is doing groundbreaking work on improving the reliability and efficiency of transmission lines.

As the electricity industry evolves in the age of competition, the New York Power Authority will be called upon to face many new challenges. With its record of innovation, I'm confident the Power Authority will continue to play a vital role in meeting the energy, economic and environmental needs of the Empire State.

George E. Pataki
GOVERNOR

CHAIRMAN'S Message

The deregulation of the electric power industry and the transition to a competitive marketplace for electricity continues to move forward in the Empire State, presenting new challenges and new opportunities for the Power Authority as it serves New Yorkers.

As head of the New York Power Pool's executive committee, I was on hand to mark the start of a new era—on Dec. 1, 1999—when control of the state's electric grid passed to the New York Independent System Operator. That milestone heralded the establishment of a competitive wholesale power market.

NYPA is helping to facilitate the transition to deregulation while advancing Governor Pataki's economic and environmental objectives.

To assure that New York State derives the greatest possible benefit from its nuclear power assets, the Power Authority on March 28, 2000, approved the sale of its two nuclear power plants to Entergy Corp. of New Orleans for a record-setting $967 million, with assurance of the plants' continued safe and efficient operation. (For more on the sale, see the financial section of this report.)

Elsewhere, we're strengthening our generation and transmission capabilities to sustain and enhance their contribution to the reliability of the state's electric power system. We're investing more than a half billion dollars to modernize our Niagara and St. Lawrence-FDR hydro projects so that they can continue to produce some of the nation's lowest-cost electricity. We're planning to build one of the cleanest and most efficient power plants in New York City's history. And at our Marcy substation, near Utica, we're installing exciting new technology—the first of its kind in the world—that will permit more power to flow on the state's transmission network without construction of new lines.

With debt payment savings of more than $700 million, thanks to a major bond refinancing, and a billion-dollar reduction in our total debt over the past few years, NYPA is maintaining a strong financial base to support these and other ventures.

The Power Authority has assumed an increasingly important role in energizing the Empire State's economy. With low-cost electricity supplied by NYPA, Governor Pataki's Power for Jobs program has helped to create or protect a quarter million jobs, more than six times what had been projected. To keep up the momentum—and keep and create even more jobs—the Governor has proposed expanding the program.

Energy efficiency is another area in which the Power Authority is having a growing impact, with more than a thousand projects cutting energy use—and taxpayer costs—at public facilities across the state. We're replacing outdated coal-fired furnaces at public schools and providing 181,000 superefficient refrigerators for public housing. And we increased our financial commitment to energy conservation by $200 million in 1999, for a total of $740 million.

The Power Authority is also a pacesetter in demonstrating practical uses of clean-energy technologies such as solar photovoltaic systems, innovative fuel-cell power plants and emission-free electric vehicles.

With a demonstrated ability to respond to changing public needs, NYPA remains a valuable asset in meeting the challenges and seizing the opportunities of a new millennium.

Clarence D. Rappleyea
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

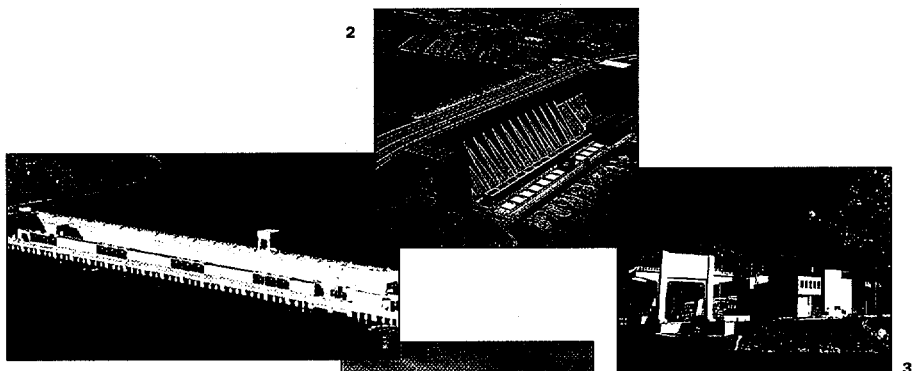
NYPA FACILITIES

1. ST. LAWRENCE-FRANKLIN D. ROOSEVELT POWER PROJECT
TYPE: *Hydroelectric*
LOCATION: *Massena, on the St. Lawrence River, St. Lawrence County*
NET DEPENDABLE CAPABILITY: *800,000 kw*
FIRST COMMERCIAL POWER: *July 1958*
1999 NET GENERATION: *6.0 billion kwh*
NET GENERATION THROUGH 1999: *280.2 billion kwh*

2. NIAGARA POWER PROJECT
TYPE: *Hydroelectric*
LOCATION: *Lewiston, on the Niagara River, Niagara County*
NET DEPENDABLE CAPABILITY: *2,400,000 kw*
FIRST COMMERCIAL POWER: *January 1961*
1999 NET GENERATION: *12.7 billion kwh*
NET GENERATION THROUGH 1999: *578.2 billion kwh*

3. BLENHEIM-GILBOA PUMPED STORAGE POWER PROJECT
LOCATION: *Blenheim and Gilboa, southwest of Albany, in Schoharie County*
NET DEPENDABLE CAPABILITY: *1,040,000 kw*
FIRST COMMERCIAL POWER: *July 1973*
1999 GROSS GENERATION: *1.5 billion kwh*
GROSS GENERATION THROUGH 1999: *40.6 billion kwh*

4. JAMES A. FITZPATRICK NUCLEAR POWER PLANT
LOCATION: *Scriba, on Lake Ontario, Oswego County*
NET DEPENDABLE CAPABILITY: *825,000 kw*
FIRST COMMERCIAL POWER: *July 1975*
1999 NET GENERATION: *6.6 billion kwh*
NET GENERATION THROUGH 1999: *111.8 billion kwh*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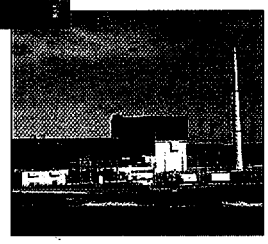
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5. CHARLES POLETTI POWER PROJECT
TYPE: *Gas/Oil*
LOCATION: *New York City, on the East River*
NET DEPENDABLE CAPABILITY: *825,000 kw*
FIRST COMMERCIAL POWER: *March 1977*
1999 NET GENERATION: *1.8 billion kwh*
NET GENERATION THROUGH 1999: *54.5 billion kwh*


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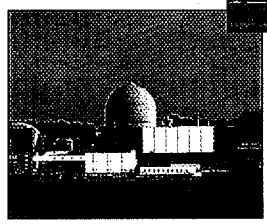
6. INDIAN POINT 3 NUCLEAR POWER PLANT
LOCATION: *Buchanan, on the Hudson River, Westchester County*
NET DEPENDABLE CAPABILITY: *980,000 kw*
FIRST COMMERCIAL POWER: *August 1976*
1999 NET GENERATION: *7.3 billion kwh*
NET GENERATION THROUGH 1999: *104.2 billion kwh*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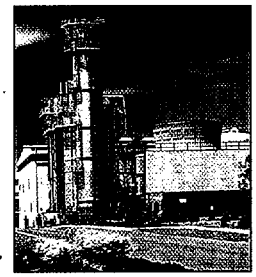
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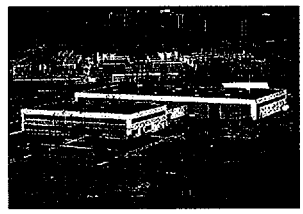
7. RICHARD M. FLYNN POWER PLANT
TYPE: *Gas/Oil*
LOCATION: *Holtsville, Suffolk County*
NET DEPENDABLE CAPABILITY: *135,600 kw*
FIRST COMMERCIAL POWER: *May 1994*
1999 NET GENERATION: *1.0 billion kwh*
NET GENERATION THROUGH 1999: *6.0 billion kwh*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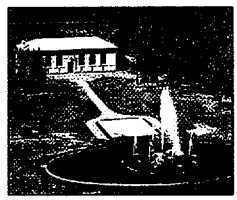
8. FREDERICK R. CLARK ENERGY CENTER
FUNCTION: *Coordinates NYPA system operations*
LOCATION: *Marcy, north of Utica, Oneida County*
OPENED: *June 1980*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9. SMALL HYDRO FACILITIES
Located on reservoirs and waterways around the state, these facilities include the Ashokan Project (right), the Kensico Project, the Gregory B. Jarvis Plant, the Crescent Plant and the Vischer Ferry Plant, with a combined net dependable capability of 29,596 kw. They produced a total of 150 million kwh in 1999.

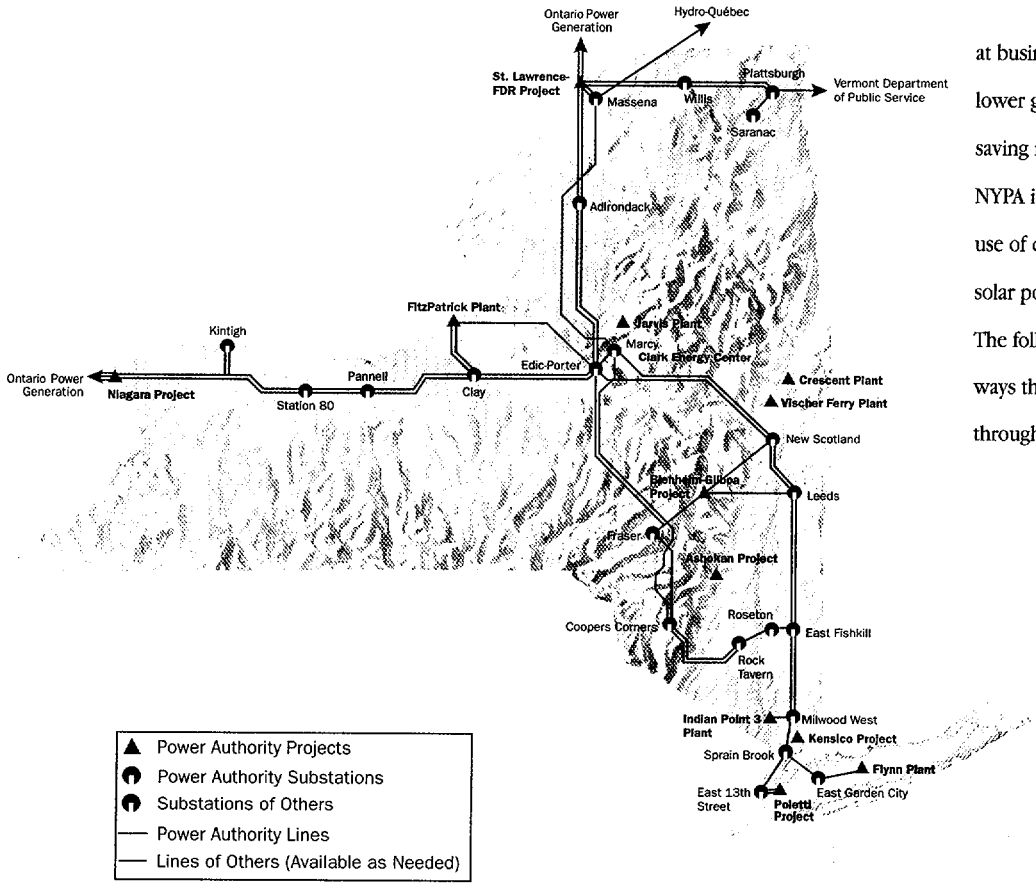
In 1999 the POWER AUTHORITY:

- supplied 22 percent of New York State's electricity
- produced 34.7 billion kilowatt-hours
- reduced its outstanding debt by $219 million
- kept more than 410,000 New Yorkers at work with its low-cost power
- saved taxpayers more than $62 million through energy-efficiency programs
- approved an additional $200 million in funding for such programs, bringing the total to $740 million

From Long Island to the Niagara Frontier, the Power Authority is helping to energize the economy and communities of New York while extending the benefits of its nationally recognized energy-efficiency programs and innovative technologies to more of the state's people. NYPA's low-cost electricity reaches nearly every home in New York and many businesses. The Power Authority is a linchpin of efforts to create and protect jobs

benefiting NEW YORK STATE

at businesses and non-profit groups and to lower government costs through energy-saving measures at public facilities. And NYPA is a national leader in promoting the use of clean-energy technologies such as solar power, fuel cells and electric vehicles. The following pages discuss some of the ways the Power Authority is serving people throughout the Empire State.



Powering WESTERN NEW YORK

Delphi Harrison Thermal Systems, Western New York's largest private employer—and a business anchor in the region for generations—underwent major changes in 1999. But as it has since 1961, the energy-intensive company continued to rely on low-cost Power Authority electricity as a key to its growth.

quarters and [illegible] the firm's 13,000 employees produce automotive climate control and engine cooling systems.

Delphi Harrison's parent company, Michigan-based Delphi Automotive Systems, was for many years a division of General Motors. In 1999, it became an independent enterprise, free to pursue auto components and systems markets worldwide.

"Now that we're on our own, the key to continued growth is cutting costs and waste, and providing competitive value and quality to our customers," said Ron Pirtle, president of Delphi Harrison. "Electricity accounts [illegible] ...eans low-cost power is crucial."

The company receives an allocation of "expansion power" from NYPA's Niagara Power Project in Lewiston. The electricity comes from a 250,000-kilowatt block set aside by state law to create and protect jobs in the area.

"We are proud to be an economic catalyst for Western New York," Pirtle said, noting that the company contributes approximately $700 million a year to the regional economy through its employee payroll, in-state supplier purchases and tax payments.

With deep roots in the area and confidence in its future, Delphi Harrison has committed $300 million in investments over five years for manufacturing facilities and work-force training in Lockport.

Opposite page: High-efficiency lighting installed by the Power Authority brightens Buffalo State College's Rockwell Hall Tower, right, and Butler Library, top left. Low-cost NYPA power has contributed to the growth of Delphi Harrison's Lockport plant, bottom left.

IN WESTERN NEW YORK, NYPA

- *produces some of the nation's least-expensive electricity at its Niagara Power Project, New York State's largest generating facility, in Lewiston, Niagara County;*
- *is halfway through a $292 million upgrade of the Niagara project's main g plant to permit on of more electnes of peak demand;*
- *des low-cost electricity that elps protect more than 105,000 jobs at more than 200 companies and non-profit groups;*
- *supplies economical electricity to investor-owned utilities, which resell the power, without profit, to their customers; and to municipally owned electric systems;*
- *lowers energy costs by $3.7 million a year and reduces pollution through energy-efficiency projects at public facilities;*
- *has replaced polluting coal furnaces with clean, modern gas- or oil-fueled equipment at six public schools in Buffalo;*
- *has pledged $7 million for recreational improvements at the new Niagara Falls High School and $5 million for replacement of the Niagara Falls observation tower;*
- *attracts about 150,000 people annually to the Niagara project's admission-free visitors center;*
- *supplies free electricity each year for A FESTIVAL of LIGHTS, Niagara Falls' winter celebration, and helps to pay the costs for lighting the upper Niagara River rapids.*

As the new millennium opened, the Power Authority was carrying forward its commitment to convert Buffalo State College ient colleges.

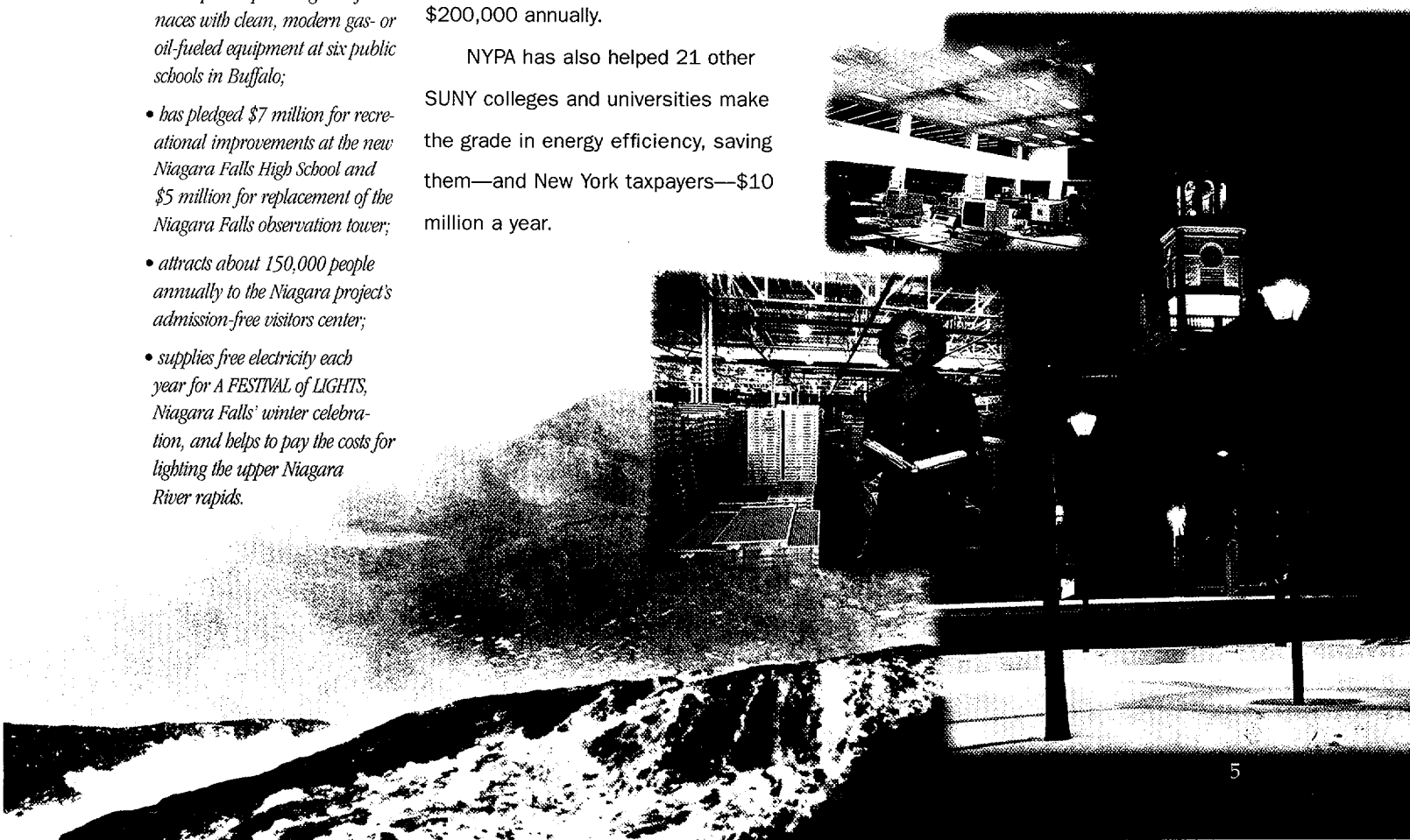
The transformation began in 1994 with the Power Authority's installation of high-efficiency lighting and electric motors at several buildings at Buffalo State, a branch of the State University of New York (SUNY). NYPA continued the work in 1995, replacing outmoded lighting and motors throughout the rest of the college.

NYPA launched a new cycle of improvements in 1997—a campus-wide energy-management system to regulate heating, cooling, ventilation and motors, and automatic occupancy sensors to turn off lights when facilities aren't in use. The Power Authority also improved outdoor lighting by installing brighter high-pressure sodium fixtures.

The college's annual savings as a result of NYPA's efforts exceed $530,000.

As 1999 ended, the Power Authority was planning a major upgrade of Buffalo State's antiquated central heating plant. With final approvals, NYPA will begin installing efficient, clean-burning boilers in the summer of 2000, with savings estimated at $200,000 annually.

NYPA has also helped 21 other SUNY colleges and universities make the grade in energy efficiency, saving them—and New York taxpayers—$10 million a year.



taking ENERGY EDUCATION on the road

The Power Vista, the admission-free visitors center at the Power Authority's Niagara Power Project, has served as an energy-education classroom for generations of Western New York schoolchildren (as well as a prime attraction for visitors of all ages).

Trips to the center have provided fun with computer games and sweeping Niagara Gorge views as well as a science-class supplement. So when the facility closed in 1998 for renovations, the Authority looked for another way to maintain its commitment to the area's students.

NYPA came up with an answer by taking the classroom on the road, starting in October 1998, promoting appreciation, and a measure of cautious respect, for electricity among students in kindergarten through the eighth grade.

In 1999, more than 50,000 students at 278 schools in 13 Western New York counties learned everything from how the Niagara project—one of the nation's largest generating facilities—harnesses the energy in falling water to how electricity lights their homes. Presentations by the center's staff included hands-on demonstrations and electric-safety videos.

"The demonstrations showing how water spins miniature turbines and generators and the hair-raising effects of static electricity noticeably improved the understanding of my students," said Sara Robins, a fourth- and fifth-grade teacher at Niagara Falls' Maple Avenue School. "Understanding electricity is a great confidence builder as the fourth graders get ready to take the state science test."

The Power Vista, 350 feet above the Gorge, is scheduled to reopen in 2000 with an array of exciting new exhibits. Since 1963, more than 6 million adults and youngsters from around the world have delighted in pushing, pulling, cranking and pedaling on the center's entertaining and instructive features.

A fourth-grader at Niagara Falls' Maple Avenue School discovers the hair-raising effects of static electricity with the help of Lori Presti, a NYPA energy-education instructor.

benefiting SOUTHEASTERN NEW YORK

In 1999, the news from Steinway & Sons, the Astoria, Queens-based maker of pianos that have set the world standard for nearly 150 years and the Power Authority's only piano-manufacturing customer, was vibrantly in tune with the optimism marking the approach of a new century:

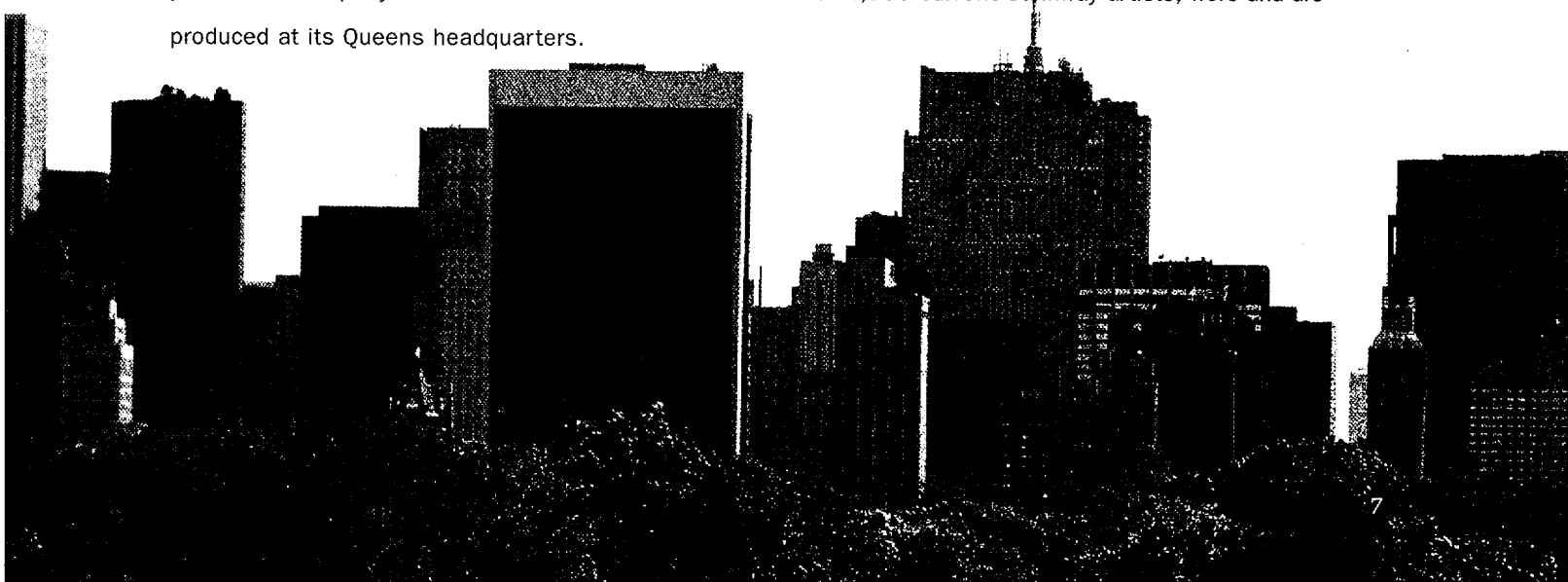
"Steinway domestic grand piano shipments increase 27 percent from 1995 through 1999... [Steinway's] Boston Piano and [Korea's] Young Chang Co. agree to build new piano line...Steinway acquires largest U.S. piano plate manufacturer."

Sixty percent of the pianos that Steinway sold nationally and the great majority of some 5,000 pianos the company sold worldwide in 1999 were produced at its Queens headquarters.

Lower-cost Power Authority electricity supplied through Governor George E. Pataki's Power for Jobs™ program and a separate agreement with the New York City Public Utility Service has contributed to the rising fortunes of Steinway and its work force. In return for the power, the company committed to retain 568 jobs in Queens and add close to 100 new positions.

"Production in Queens rose to close to 3,200 handcrafted pianos in 1999," said Dennis Tortora, Steinway & Sons' controller. "Others use mass-production methods to produce many more."

But for many years, more than 95 percent of the world's premier concert pianists have chosen Steinway, he said. "Artists such as Paderewski, Rachmaninoff, Rubinstein and Horowitz, along with over 1,000 current Steinway artists, were and are



convinced that the cutting, bending, shaping and gluing of fine woods by hand produce a fuller, 'singing' sound," Tortora said.

That level of quality—each Steinway grand piano takes a year to assemble from 12,000 parts—provides an abiding argument for the role of handcraftsmanship in the 21st century.

an AWARD-WINNING effort to conserve

In addition to supplying lower-cost power to the New York City Housing Authority (NYCHA), the nation's largest public housing agency, the Power Authority is engaged in an award-winning effort to help tenants use that electricity at peak efficiency.

Since 1996, NYPA has removed more than 81,000 aging, energy-draining refrigerators from 172 NYCHA developments, replacing them with new high-efficiency units running on less than half the energy and using more environmentally benign refrigerant gas. The multiyear program will result in the removal, replacement and recycling of 181,000 older refrigerators in 346 developments by 2003, saving $7.2 million annually.

In recognition of its efforts, the Power Authority received a 1999 Governor's Award for Pollution Prevention.

Across the nation, 40 other housing authorities have initiated programs following the NYPA-NYCHA model.

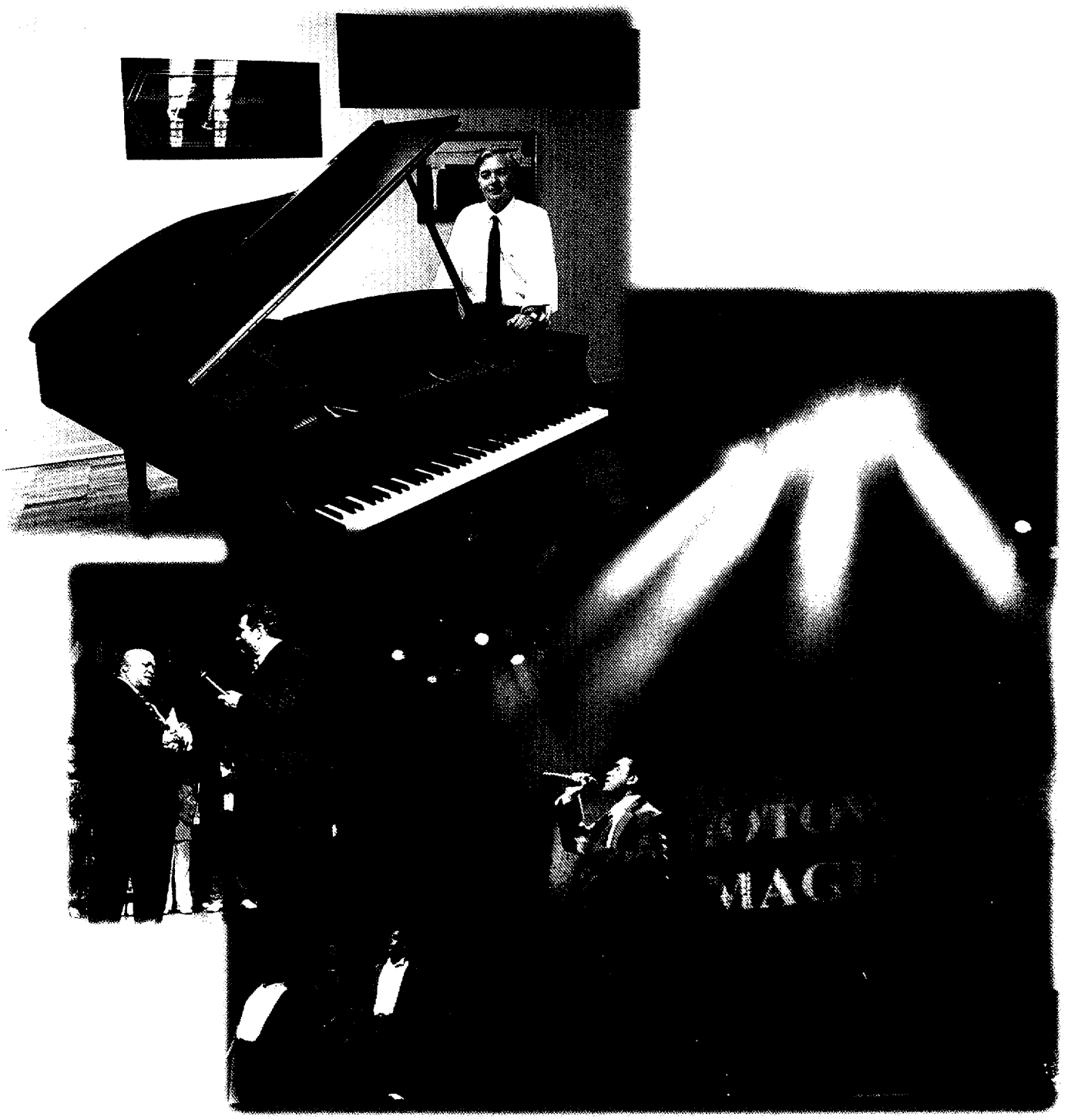
Energy conservation is a major element of NYCHA Chairman John Martinez's strategy for ensuring the stability of the sprawling, five-borough network of affordable housing for more than 600,000 New Yorkers. NYCHA, founded in 1934 and one of the Power Authority's biggest electricity customers, is the largest real-estate manager in the nation.

In line with NYCHA's emphasis on conservation, the agency's Energy Department has implemented measures, including energy audits and central monitoring and control of boiler-plant operations, expected to save several million dollars a year.

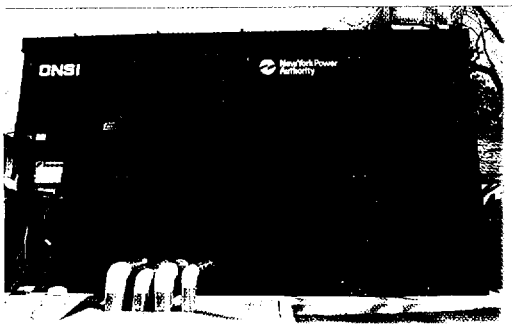
"Energy savings are one of our most important commitments," said Martinez.

IN SOUTHEASTERN NEW YORK, NYPA:

- *operates the Indian Point 3 Nuclear Power Plant in Buchanan, Westchester County; two natural gas- and oil-fueled facilities, the Charles Poletti Power Project in the New York City Borough of Queens and the Richard M. Flynn Power Plant in Holtsville, Suffolk County; and two small hydroelectric projects, at Ashokan Reservoir, Ulster County; and Kensico Reservoir, Westchester County;*
- *supplies lower-cost power for subways, commuter rail lines, streetlights, schools, hospitals and other public facilities in New York City and Westchester County;*
- *reduces electric bills for governments—and taxpayers—by more than $250 million a year;*
- *provides economical electricity that helps protect nearly 200,000 jobs at more than 275 companies and non-profit groups;*
- *lowers energy costs by $53 million a year and reduces pollution through energy-efficiency programs at public facilities;*
- *has replaced polluting coal furnaces with clean, modern gas- or oil-fueled equipment at 62 public schools in New York City and one in Great Neck;*
- *helped introduce the Northeast's first electric-powered school bus and hybrid-electric transit buses in New York City;*
- *has installed three fuel cell power plants and 16 solar photovoltaic projects at public facilities in New York City and Westchester County and on Long Island.*



Top: Leo Spellman, Steinway's advertising and public relations director, with a new grand piano. Above right: The New York City Housing Authority's savings from its use of NYPA electricity and energy services free up resources for programs such as the NYCHA Youth Chorus' Motown Magic concert in Harlem's historic Apollo Theater. Above left: NYCHA Chairman John Martinez, right, congratulates Gregory Anton McCants, director of the Youth Chorus.



"It starts with NYPA electricity, which costs about 22 percent less than other sources and reduced our bills by nearly $25 million in 1999. These savings, and those from the NYPA refrigerator program, mean we can redirect our modernization dollars elsewhere to enhance the living environment for our residents."

CENTRAL PARK'S CLEAN green machine

The Power Authority added a novel touch of green to the landscape of Manhattan's Central Park in 1999 while providing an environmentally clean source of electricity for the park's underpowered police station.

Electricity requirements at the police station, housed in a 128-year-old brick-and-brownstone building that once served as a stable, had outgrown the capacity of feeder lines. New wiring would have been costly and disruptive. NYPA's solution: a fuel cell power plant, which uses natural gas to produce virtually pollution-free power through a chemical reaction, without combustion.

"This had been one of the NYPD's biggest headaches," said Deputy Inspector Joe Riley. "The station had the choice of operating, say, air conditioners or computers, but not simultaneously."

Today, the fuel cell, painted "Central Park green," is meeting all of the station house's electricity needs—for air conditioners, computers and office fixtures essential to police work—with power to spare for new electronic booking equipment. The fuel cell will also power charging stations for quiet, non-polluting electric vehicles provided by the Power Authority for patrol duty.

Top: The Central Park fuel cell.
Above: The New York Police Department's previously underpowered 22nd Precinct station house depends on the fuel cell to meet all of its electricity needs.

benefiting NORTHERN NEW YORK

Kraft Foods' Lowville plant in Lewis County has the distinction of being the world's largest cream-cheese producer, churning out 100 million pounds a year.

That requires a lot of milk, which the Northern New York plant purchases from more than 280 farms in Lewis, Jefferson, St. Lawrence and Oneida counties through the Dairylea Cooperative.

With its payroll of more than 300 workers, tax payments and purchases of milk and other goods and services, the Kraft plant contributes about $110 million a year to the area's economy.

That was a major factor in NYPA's allocation of low-cost electricity to the Lowville plant, one of seven Kraft facilities in the state benefiting from Governor George E. Pataki's Power for Jobs program. Together, the allocations are linked to nearly 1,800 jobs.

IN NORTHERN NEW YORK, NYPA:

- *produces some of the nation's least-expensive electricity at the St. Lawrence-Franklin D. Roosevelt Power Project in Massena, St. Lawrence County;*
- *is proceeding with a 15-year, $254 million life extension and modernization program to ensure continued smooth operation of the project;*
- *provides nearly 60 percent of St. Lawrence-FDR's output to Massena's "Big Three" industries—Alcoa, Reynolds Metals and General Motors Powertrain— protecting 2,500 jobs;*
- *supports about 4,800 other jobs with low-cost allocations from other sources to about 20 North Country companies and nonprofit institutions;*
- *supplies economical electricity to investor-owned utilities, which resell the power, without profit, to their customers; and to municipally owned electric systems;*
- *lowers energy costs by $1 million a year and reduces pollution through energy-efficiency projects at public facilities;*
- *is working with interested parties in a cooperative consultation process for the relicensing of St. Lawrence-FDR, whose federal license expires in 2003;*
- *has pledged $21 million for the St. Lawrence Aquarium and Ecological Center;*
- *attracts about 50,000 people a year to St. Lawrence-FDR's admission-free visitors center.*

The Lowville plant, like the other Kraft facilities, was straining under electricity costs as much as twice those of out-of-state competitors.

"That was hurting us even within our own company," said Tim Reagan, the plant manager in Lowville, noting that the facility had lost business to a Kraft plant in Idaho. He added that the Power for Jobs allocation has helped turn things around, boosting his plant's competitiveness with savings of about $255,000 a year.

The story is much the same at Kraft's other North Country plants, where Power for Jobs is a key ingredient for a cheese maker in Canton and a producer of cottage cheese and yogurt products in North Lawrence.

The Dulles State Office Building in Watertown is a local landmark and the state's biggest building north of Syracuse. It is also one of the area's biggest energy users—with costs that were needlessly high.

Above right: Power for Jobs is a key ingredient at Kraft Foods' Lowville plant, the world's leading cream-cheese producer. Above left: Lieutenant Governor Mary O. Donohue and NYPA Chairman C.D."Rapp" Rappleyea inspect new energy-efficient boilers at the Dulles State Office Building, top, in Watertown.

But by the end of 2000, Dulles will see its energy bills cut in half, saving more than $350,000 annually, through Power Authority efficiency improvements.

The $3.3 million effort has included installation of seven new gas-fired boilers to heat the 11-story building, replacing units that had used electricity; more than 6,000 new energy-saving fluorescent lights; and an energy-management system regulating heating and cooling systems. In the final phase of the work, new cooling equipment is scheduled to be installed by the summer of 2000.

"I applaud the Power Authority for this program," said state Senator James Wright at an October 1999 news conference to announce completion of the project's first stage, with the start-up of the new boilers. "It not only saves taxpayer dollars by improving energy efficiency, it also reduces emissions to protect our environment."

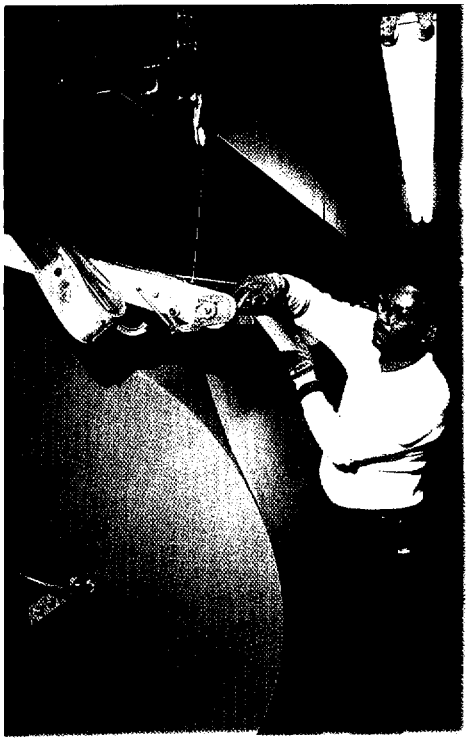
Wright and Assemblyman H. Robert Nortz—both of Watertown—worked with Governor George E. Pataki to help secure a $1 million grant for the project from funds made available to New York State from oil company overcharges in the 1970s.

"We presented NYPA with a challenging timetable to have the Dulles building ready in time for the winter heating season," said state Office of General Services (OGS) Commissioner Joseph J. Seymour. "They met the challenge in a professional manner without affecting our tenants."

saving TAX DOLLARS and PROTECTING the environment

OGS will reimburse NYPA's up-front costs of $2.3 million through a portion of the savings on its electricity bills; it will realize all of the savings after the seven-year payback period.

Statewide, NYPA has invested more than $300 million in energy-efficiency projects at public facilities, with savings to taxpayers of more than $62 million a year.



It's become a familiar story: heightened price competition—both domestic and overseas—forcing commodity manufacturers to lower their production costs in order to maintain slim profit margins and, ultimately, stay in business.

In Ontario County, the high cost of power had put International Paper Co.'s Geneva plant at a competitive disadvantage in the production of corrugated boxes for food manufacturers and other industries. The future of the 45-year-old paper mill and the jobs of some 100 employees were at risk.

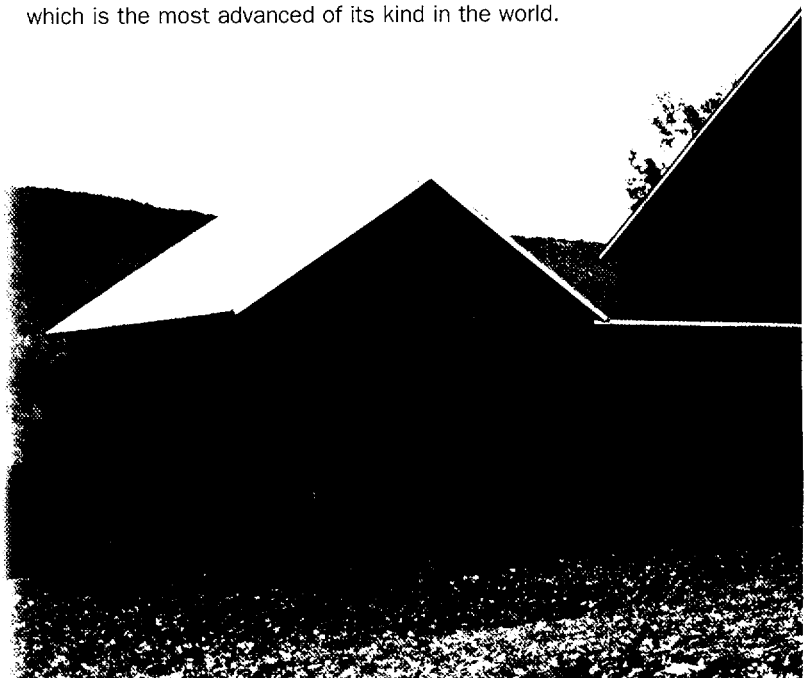
But with the help of an allocation of low-cost electricity supplied by the Power Authority through Governor George E. Pataki's Power for Jobs program, the Geneva plant is coming back strong. Power for Jobs reduced the plant's electric bills by about $60,000 a year, a 20 percent savings.

"This is an example of how New York State and industry can partner to promote wealth and protect jobs," said John Bucklin, plant manager in Geneva. He added that the benefits of the NYPA power allocation also flow to other International Paper facilities and their customers.

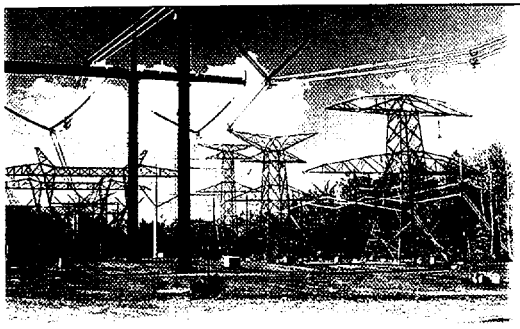
"This facility purchases linerboard from an International Paper plant in Oswego to make boxes that are sold as packaging to other manufacturers, including another one of our plants, in Ticonderoga," Bucklin said. "Our savings from Power for Jobs allow us to reduce the costs of other International Paper facilities as well, contributing to the company's success. All of this has a positive effect on employment at International Paper as well as at those we do business with."

Meanwhile, the Geneva plant is riding the crest of that ripple effect as it looks to expand its operations by purchasing new equipment and adding jobs.

New York's road to electricity industry competition and customer choice runs through the Power Authority's Marcy Substation, near Utica, where NYPA is installing a sophisticated new transmission-control device that will give consumers greater access to lower-cost electricity. The Authority completed construction in 1999 of a 10,000-square-foot building to house the equipment, which is the most advanced of its kind in the world.



Above: International Paper's Geneva paper mill and its 100 employees face a brighter future with economical Power for Jobs electricity. Opposite page, top: NYPA's Marcy Substation, the future home of the world's most advanced transmission-line control device. Background: The Power Authority's Blenheim-Gilboa project visitors center, housed in a restored 19th century barn, in North Blenheim, Schoharie County.



The device, known as a convertible static compensator (CSC), will permit more power to be carried on existing transmission lines, reducing the need for new facilities. It will simultaneously control electricity flow on two circuits and immediately transfer power from an overloaded to an underused line.

The CSC is the latest in a series of technologies known as FACTS, for Flexible Alternating Current Transmission Systems, which rely on high-speed solid-state electronics rather than traditional electromechanical controls to avoid transmission bottlenecks.

Scheduled to be fully installed by mid-2002, the CSC will permit an increase in power flow of 240,000 kilowatts, enough electricity for more than 200,000 homes. The most direct benefits will come on the heavily used transmission lines between Utica and Albany.

The Power Authority, which owns and operates more than a third of the state's high-voltage transmission lines, worked with EPRI (Electric Power Research Institute), the utility industry's research arm, in designing and testing the equipment. Siemens Worldwide, based in Germany, is building and installing it.

NYPA has approved investing $35 million in the $48 million project, with the remainder coming from EPRI, Siemens and 22 utilities.

benefiting CENTRAL NEW YORK

IN CENTRAL NEW YORK,* NYPA:

- *operates the James A. FitzPatrick Nuclear Power Plant in Scriba, Oswego County; the Blenheim-Gilboa Pumped Storage Power Project in Gilboa, Schoharie County; and three small hydroelectric facilities, one at Hinckley Dam and Reservoir, Oneida County, and two others on the Mohawk River, north of Albany;*
- *coordinates statewide operation of its power plants and transmission facilities at the Frederick R. Clark Energy Center in Marcy, Oneida County;*
- *provides low-cost electricity that helps protect nearly 100,000 jobs at about 235 companies and non-profit organizations;*
- *supplies economical electricity to investor-owned utilities for resale, without a profit, to their customers; and to municipally owned and rural-cooperative electric systems;*
- *lowers energy costs by $4.7 million a year and reduces pollution through energy-efficiency projects at public facilities;*
- *plays host to a total of 70,000 people a year at admission-free visitors centers at the Blenheim-Gilboa project and near the FitzPatrick plant;*
- *supports community events, including Oswego Harborfest, an annual summer festival featuring NYPA-sponsored fireworks.*

** includes the Syracuse metropolitan area, the Capital Region and the Southern Tier*

a look back at 1999

NYPA Ethics Program Sets High Standards

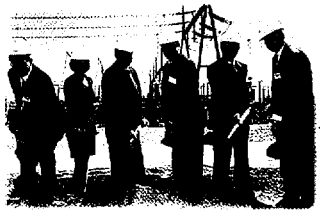
As the electric-power industry heads toward a new era of deregulation and competition, the Power Authority is committed to ensuring that its employees adhere to the highest standards of ethical behavior in conducting NYPA's business.

Eugene Zeltmann, the Authority's president and chief operating officer, emphasized that message in 1999 as NYPA initiated an ambitious ethics awareness program.

The program provides guidance to help employees avoid even the appearance of unethical behavior, let alone the reality. Its aim is not merely to preach ethical conduct, but to create a culture in which each person's ethical instincts are called forth and nurtured.

"We're convinced that a work force that's committed to the highest ethical standards is absolutely essential to the top-flight performance that NYPA must achieve in the deregulated industry," Zeltmann said.

March 8:
Power Authority receives American Public Power Association's highest safety award for third consecutive year.

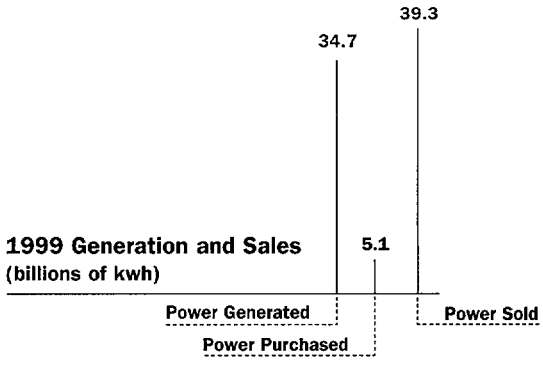


May 13:
NYPA breaks ground at its Marcy Substation for world's most advanced device for controlling flow of electricity on transmission lines.

April 20:
Authority dedicates fuel-cell power plant at New York Police Department's Central Park precinct.

June 4:
Data submitted to U.S. Environmental Protection Agency places NYPA among nation's cleanest electric utilities.

June 15:
Governor Pataki announces that NYPA energy-efficiency projects help State University of New York save $10 million a year.



Electricity Sales Total 39.3 Billion Kwh

The Power Authority supplied 22 percent of New York State's electricity in 1999, with sales of 39.3 billion kilowatt-hours (kwh), including energy purchased from other sources. Hydropower generation of 18.1 billion kwh accounted for 52 percent of NYPA's output of 34.7 billion kwh; nuclear power, 13.8 billion kwh, or 40 percent; and natural gas and oil, 2.8 billion kwh, or 8 percent.

Power for Jobs Registers Gains

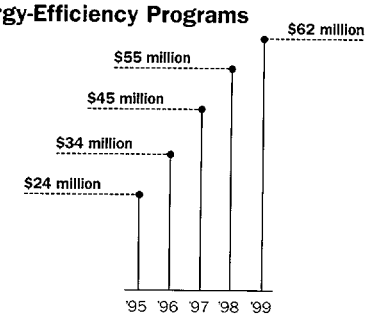
Propelled by the success of Governor George E. Pataki's Power for Jobs program, the Power Authority made further strides in 1999 in protecting and creating jobs by supplying low-cost electricity to businesses and not-for-profit institutions. During the year, Power for Jobs allocations were linked to nearly 75,000 jobs, bringing the program's two-year total to more than 250,000 jobs, including 11,000 new ones, at 600 businesses and non-profit organizations. The Power Authority administers Power for Jobs and supplies half of the program's electricity; it obtains the rest through competitive bids. Overall, Power Authority electricity is linked to more than 410,000 jobs across the state.

More Funds Earmarked For Energy Efficiency

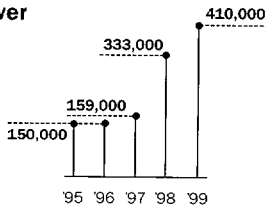
Power Authority trustees in July 1999 approved an additional $200 million in funding for energy-efficiency projects at public facilities, boosting the total authorized to $740 million. The projects include installation of energy-saving lighting and energy-management systems; upgrades to heating, ventilating and air-conditioning systems; and other improvements that reduce pollution and save tax dollars by cutting energy use. NYPA's energy services projects have resulted in annual savings of more than $62 million for taxpayers while preventing the release of 367,000 tons of carbon dioxide a year into the environment.

continued

Annual Savings Through Energy-Efficiency Programs



Jobs Created or Retained With NYPA Power



July 12:
Trustees approve investing additional $200 million in energy-efficiency programs, bringing NYPA total to $740 million.

August 20:
Authority announces plan to build combined-cycle power plant next to its Poletti project in Queens.

August 25:
NYPA's energy-efficient refrigerator replacement program for public housing in New York City earns 1999 Governor's Award for Pollution Prevention.

August 27:
First major equipment arrives at St. Lawrence-FDR project for 15-year, $254 million modernization program.

October 18:
Authority marks end of first phase of $3.3 million energy-efficiency project at Dulles State Office Building in Watertown.

NYPA Makes Advances In 'Green' Technologies
The Power Authority in 1999 continued its leadership in developing new clean-energy technologies to protect the Empire State's environment. Helping to demonstrate innovative use of fuel cells to generate electricity, the Power Authority installed virtually pollution-free units at the police precinct in Manhattan's Central Park and North Central Bronx hospital.

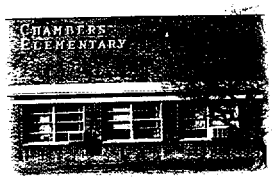
NYPA's solar-energy program also advanced in 1999, with the installation of seven solar photovoltaic projects—five on Long Island and one each in Buffalo and Amsterdam—bringing the Authority's total solar projects to 18. The Power Authority also put in service 51 more electric vehicles during the year to boost its statewide demonstration fleet to 184.

NYPA Unveils Plan For Queens Plant
The Power Authority announced plans in August 1999 to build a highly efficient combined-cycle power-generating facility next to its Charles Poletti Power Project in Astoria, Queens. The proposed 500-megawatt plant, fueled primarily by natural gas, would be one of the cleanest power plants in New York City's history. It would provide the additional capacity needed to meet a proposed new in-city generation requirement to ensure the reliability of the city's electricity supply. NYPA is scheduled to apply in 2000 to the New York State Board on Electric Generation Siting and the Environment for a permit to build the plant.

October 21:
Indian Point 3 Nuclear Power Plant completes refueling outage in 40 days, half the time of its fastest previous refueling.

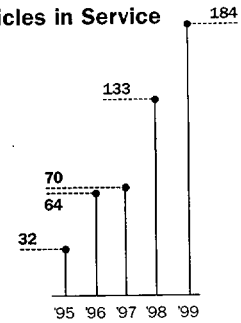
November 18:
New York Independent System Operator starts overseeing state's transmission system and wholesale electricity market.

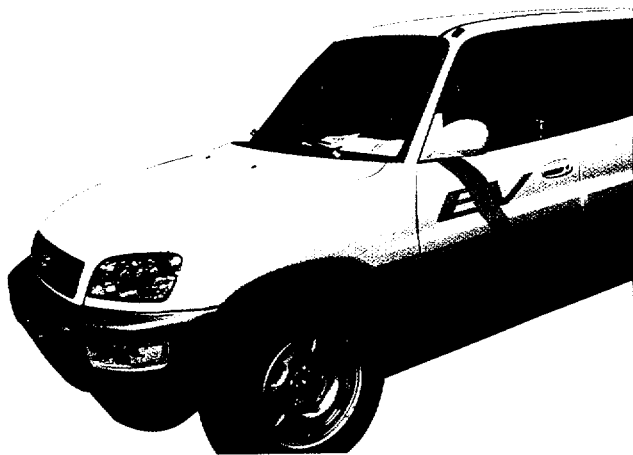
November 2:
NYPA and Entergy Nuclear Corporation announce exclusive negotiations on potential sale of FitzPatrick and Indian Point 3 nuclear plants. (Authority approved sale of plants to Entergy for $967 million on March 28, 2000.)

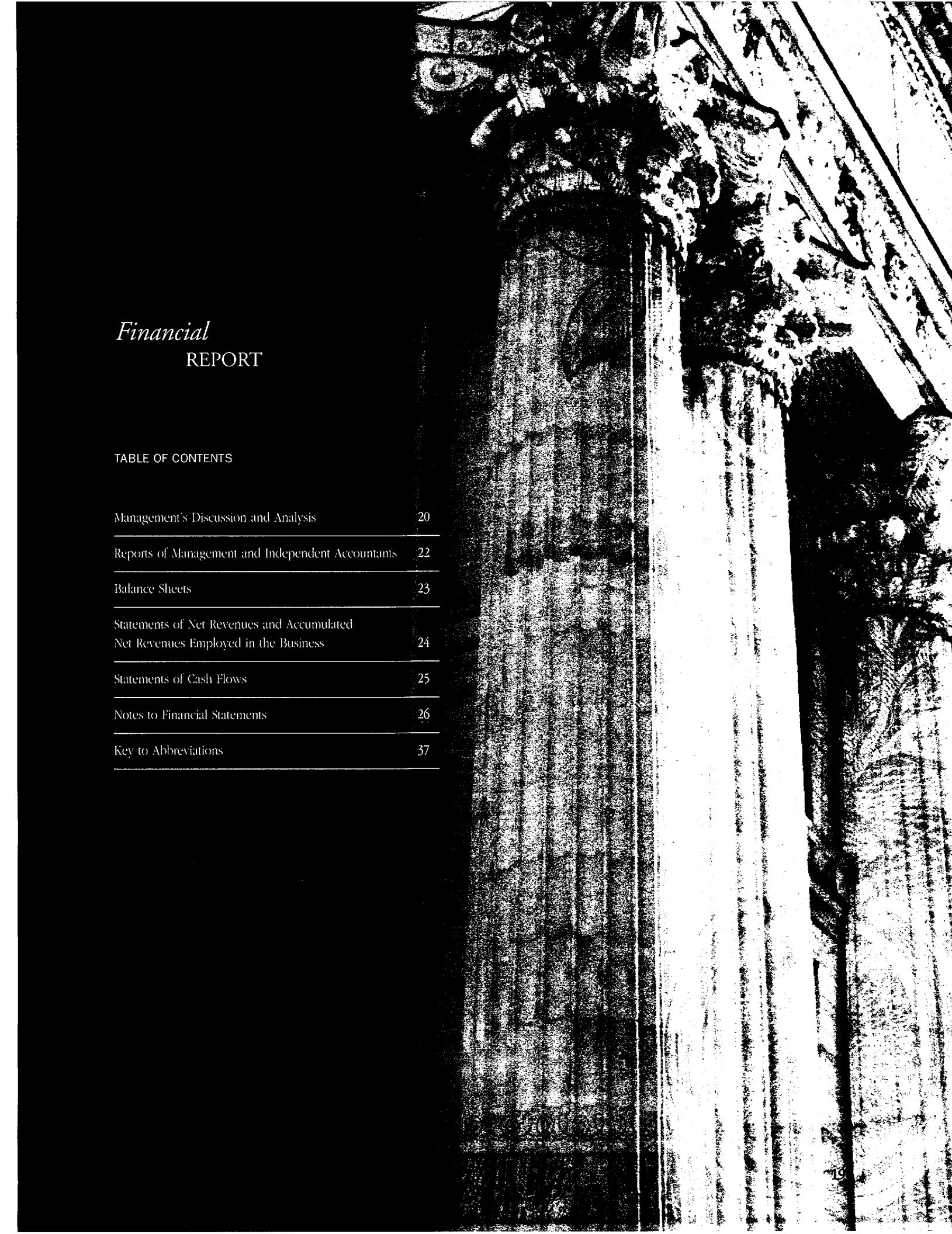


December 1:
NYPA unveils initial improvements in $7 million energy-efficiency project in Kingston School District.

Electric Vehicles in Service







Financial REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary Statement of Net Revenues

(In Millions)

	1999	1998	Favorable (Unfavorable)
Operating Revenues	$1,458	$1,484	($ 26)
Operating Expenses			
Fuel	182	194	12
Purchased power	156	109	(47)
Operations & Maintenance	506	592	86
Wheeling	278	277	(1)
Depreciation	201	196	(5)
Nuclear plant divestiture	298	-	(298)
	1,621	1,368	(253)
Net Operating Revenues\ (Deficiency)	(163)	116	(279)
Investment and other income	49	113	(64)
Interest and other expenses	119	147	28
Revenues, net before extraordinary item	(233)	82	(315)
Debt refinancing charge	-	19	19
Net Revenues \ (Deficiency)	($ 233)	$ 63	($ 296)

Summary

The Authority reported a net deficiency of $233 million for 1999, compared to net revenues of $63 million for 1998. Operating results for the year reflect a $298 million provision for the divestiture of the Authority's nuclear plants. This divestiture is expected to improve the long-term financial performance of the Authority and strengthen its balance sheet by removing the operating risk associated with owning nuclear power plants. Excluding the divestiture provision, net revenues before extraordinary items decreased by $17 million, from $82 million in 1998 to $65 million in 1999. Significant factors that reduced operating results in 1999 included lower hydroelectric generation and lower investment earnings. These items were substantially offset by the positive impacts of improved nuclear plant performance and the reduction of outstanding debt.

Nuclear Plant Divestiture

On March 28, 2000, the Authority entered into a purchase and sale agreement (P&SA) with two subsidiaries of Entergy Corporation to sell the Indian Point 3 and James A. FitzPatrick plants. As a result of this agreement, the Authority recorded a divestiture provision of $298 million in 1999, representing the difference between the sales amount and the book value of the assets and liabilities to be transferred to Entergy. In connection with this sale, the Authority entered into an agreement to purchase capacity and energy from the nuclear plants from Entergy at prices approximating estimated future market prices for the period from closing through 2004.

The objectives of this nuclear plant sale include (1) ensuring safe and economic operation of the plants; (2) obtaining a sales price that accurately reflects the economic value of the plants; (3) ensuring employment and career opportunities for all Authority nuclear division employees; and (4) obtaining a power purchase agreement which will enable the Authority to continue to serve the needs of its customers. Management believes that the agreements with Entergy achieve each of these objectives. In addition, management believes that the nuclear plant divestiture will strengthen the Authority's financial position and, ultimately, reduce costs. As a result, the Authority will be in a better position to maintain its role as a low cost provider of electricity to its customers in New York State.

Operating Revenues

Operating revenues decreased by $26 million (1.8%) during 1999. Contributing factors included lower non-firm sales and lower sales of energy imported from Canada. Non-firm sales were lower primarily due to less energy being available from the Authority's Niagara and St. Lawrence hydroelectric projects as a result of reduced water flows. Sales of Canadian power were lower in 1999 due to the expiration of contracts under which the Authority purchased power from Hydro Quebec and resold it to Consolidated Edison. These decreases were partially offset by higher sales to Southeastern New York (SENY) governmental customers and higher revenues from the Power for Jobs program.

Fuel

During 1999, lower fossil-fuel costs ($16 million), primarily as a result of a spring maintenance outage at Poletti, were partially offset by a higher nuclear fuel expense ($4 million). The nuclear plants achieved a record combined generation level (13.8 billion kwh) in 1999, exceeding the previous high, in 1998, by 10 percent.

Purchased Power

Purchased power costs increased in 1999 due to the purchase of energy to meet the firm requirements of municipal and industrial customers (who normally purchase hydroelectric energy) and to meet the requirements of the Power for Jobs program. These increases were partially offset by the aforementioned decrease in purchases of Canadian power.

Operations and Maintenance

Operations and maintenance (O&M) expenses decreased by $86 million (15%), primarily due to lower decommissioning expenses, reduced nuclear plant outage costs, and decreased non-recurring charges in 1999. The lower nuclear decommissioning expenses ($43 million decrease) had no impact on net revenues as they were fully offset by lower investment earnings on decommissioning trust fund investments. Nuclear plant O&M was $15 million less in 1999 due to the completion of a shorter and less costly refueling outage at IP3, which completed its refueling in 40 days, the shortest period in the plant's history. O&M expenses for 1998 included a non-recurring charge representing the Authority's cumulative contributions to the New York State Research and Development Authority ($23.6 million) for the development of a State low-level waste disposal facility.

Non-operating Income

Investment and other income was $64 million less in 1999, primarily due to reduced earnings on the nuclear decommissioning trust fund ($43 million) and a mark-to-market adjustment on the Authority's investment portfolio ($10 million). The mark-to-market adjustment reflects the Authority's holdings of fixed-rate investments in a period of rising interest rates. Lower decommissioning trust fund earnings ($43 million) were offset by the decrease in operating expenses (see above).

Interest on long-term debt declined in 1999 ($27 million) as the Authority continued to reduce debt through early retirements.

Cash Flows

Net cash provided by operating activities was $507.7 million in 1999, a slight increase (2 percent) over 1998. A significant portion of the operating cash flow generated in both years was utilized to retire long-term debt and fund capital additions. The nuclear plant divestiture provision of $298 million is a non-cash charge and has no impact on cash flows.

Deregulation

The Authority continues to prepare for a deregulated environment. The measures taken to date include intensive employee training; adoption of a new Bond Resolution in 1998 to give the Authority the flexibility required in the new environment; restructuring and managing debt; negotiating modifications to existing power sales agreements with SENY governmental customers and 81 business customers; and identifying and implementing cost containment and reduction measures. (See Note M(1) for additional discussion.)

Net Generation

During 1999, the Authority's total net generation decreased by 4.52 billion kilowatt hours (kwh)(12 percent) to 34.75 billion kwh from 39.27 billion kwh in 1998. The decrease was primarily due to a 4.9 billion kwh (21 percent) decrease in net generation at the Authority's hydroelectric facilities caused by reduced river flows, along with a 0.9 billion kwh (24 percent) decrease in net generation at the Authority's fossil-fuel facilities.

However, the decreases in hydroelectric and fossil net generation were offset somewhat by record net generation at the Authority's nuclear facilities. The nuclear output of 13.8 billion kwh was 1.2 billion kwh (10 percent) higher than the previous record 1998 combined production of 12.6 billion kwh. During 1999, IP3 and JAF operated at 86.0 and 93.5 percent of Maximum Dependable Capability, respectively.

Financing Cost Reduction and Containment Strategy

The Authority is aggressively pursuing a cost reduction and containment strategy by reducing debt; refinancing outstanding debt at more attractive rates; and managing the mix of fixed-rate and floating-rate debt.

During the last five years, the Authority reduced long-term debt by $1.5 billion, or 46 percent, and total debt by $1.4 billion, or 39 percent. Slightly more than one-half of the reduction in total debt was achieved within the last two years.

Capital Structure

(In Millions)

	1999	1998
Long-term debt		
Revenue bonds	$1,041.2	$1,153.4
Adjustable rate tender notes	184.5	188.1
Commercial paper	534.8	602.6
Total long-term debt	1,760.5	1,944.1
Accumulated net revenues employed in the business	1,411.7	1,645.0
Total Capitalization	$3,172.2	$3,589.1

Total long-term debt, net of current maturities, decreased $184 million as a result of the accelerated retirement and the scheduled maturities of long-term debt. During the last five years, the debt/equity ratio has been reduced from 2.52 to 1.52.

Debt Ratings

	Moody's	Standard & Poor's	Fitch
Long-term debt	Aa3	AA-	AA-
Adjustable Rate Tender Notes	Aa3/VMIG1	AA-/A-1	N/A[1]
Commercial Paper	P-1	A-1	F1+

[1] Not applicable.

The Authority's long-term debt rating of AA- was affirmed by Standard & Poor's during 1999. The Authority has two lines of credit under revolving credit agreements with two syndicates of banks for $700 million and $220 million. These agreements extend to February 1, 2003, and October 10, 2000, respectively. These lines of credit support the Authority's commercial paper program.

The Year 2000

The Authority's Year 2000 (Y2K) readiness program, based on Northeast Electric Reliability Council and Nuclear Energy Institute guidelines, began in 1996.

The Authority declared its Y2K readiness in June 1999 after completing a comprehensive inventory to identify components and applications that might be affected by the Y2K problem.

More than 450 Authority employees were strategically placed at the various Authority facilities to monitor operations in regard to the Year 2000 date change.

On January 1, 2000, the Authority reported a smooth Y2K transition, with no service interruptions.

Report of management

Management is responsible for the preparation, integrity and objectivity of the financial statements of the New York Power Authority (NYPA), as well as all other information contained in the Annual Report. The financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis and, in some cases, reflect amounts based on the best estimates and judgments of management, giving due consideration to materiality. Financial information contained in the Annual Report is consistent with the financial statements.

NYPA maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with generally accepted accounting principles and that the assets of NYPA are properly safeguarded. The system of internal controls is documented, evaluated and tested on a continuing basis. No internal control system can provide absolute assurance that errors and irregularities will not occur due to the inherent limitations of the effectiveness of internal controls; however, management strives to maintain a balance, recognizing that the cost of such system should not exceed the benefits derived.

NYPA maintains an internal auditing program that independently assesses the effectiveness of internal controls and reports findings and recommends possible improvements to management. In addition, as part of its audit of NYPA's financial statements, PricewaterhouseCoopers LLP, independent accountants, considers internal controls in determining the nature, timing and extent of audit procedures to be applied. Management has considered the recommendations of the internal auditors and the independent accountants concerning the system of internal controls and has taken actions that it believed to be cost-effective in the circumstances to respond appropriately to these recommendations. Management believes that, as of December 31, 1999 and 1998, NYPA's system of internal controls provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting.

NYPA's Board of Trustees has an Audit Committee composed of Trustees who are not employees of NYPA. The Audit Committee meets with NYPA's management, its Director of Internal Audits and its independent accountants to discuss internal controls and accounting matters, NYPA's financial statements, and the scope and results of the audit by the independent accountants and of the audit programs of NYPA's internal auditing department. The independent accountants and Director of Internal Audits have direct access to the Audit Committee.

Michael H. Urbach
Senior Vice President and Chief Financial Officer

Report of Independent Accountants

To the Board of Trustees
Power Authority of the State of New York
New York, New York

In our opinion, the accompanying balance sheets and the related statements of net revenues, of accumulated net revenues employed in the business and of cash flows present fairly, in all material respects, the financial position of the Power Authority of the State of New York (the "Authority") at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note B, the Board of Trustees has authorized and approved the sale of assets and transfer of liabilities relating to the Authority's Nuclear Power Plants. A provision of $298 million for the divestiture of the nuclear plants has been recorded in the financial statements for the year ended December 31, 1999.

PricewaterhouseCoopers LLP

New York, N.Y.
March 31, 2000

BALANCE SHEETS December 31,1999 and 1998 *(In Thousands)*

Assets		**1999**	1998
Utility Plant	Electric plant in service	$5,495,485	$5,398,419
	Less accumulated depreciation	2,494,801	2,309,734
	Less allowance for divestiture of nuclear plants (Note B)	298,000	-
		2,702,684	3,088,685
	Construction work in progress	68,895	78,624
	Nuclear fuel less accumulated amortization of $168,662 ($187,444 in 1998)	128,603	140,927
	Net utility plant	2,900,182	3,308,236
Restricted Funds	Cash	312	882
	Investment in securities, at fair value (Notes F, G and L)	714,059	693,167
		714,371	694,049
Capital Funds	Cash	98	10
	Investment in securities, at fair value	87,793	129,115
	Interest receivable on investments	1,755	2,098
		89,646	131,223
Current Assets	Cash	3,150	298
	Investment in securities, at fair value	559,406	495,233
	Interest receivable on investments	13,810	10,882
	Receivables–customers	156,774	139,525
	Materials and supplies, at average cost:		
	Plant and general	87,456	79,777
	Fuel (Note N)	12,420	13,343
	Prepayments, miscellaneous receivables and other	30,439	32,533
		863,455	771,591
Other Noncurrent Assets	Unamortized debt expense	7,334	8,906
	Deferred charges, long-term receivables and other	280,809	263,720
		288,143	272,626
	Total Assets	$4,855,797	$5,177,725
Liabilities and Capitalization			
Capitalization	Long-term debt (Notes D, H, I and J):		
	Revenue bonds	$1,041,161	$1,153,425
	Adjustable rate tender notes	184,540	188,125
	Commercial paper	534,778	602,578
		1,760,479	1,944,128
	Accumulated net revenues employed in the business	1,411,671	1,644,988
	Total Capitalization	3,172,150	3,589,116
Current Liabilities	Long-term debt due within one year	129,100	165,950
	Short-term debt (Note J)	260,350	259,150
	Accounts payable and accrued liabilities	241,901	238,326
		631,351	663,426
Other Noncurrent Liabilities	Nuclear plant decommissioning (Note F)	613,435	592,678
	Disposal of spent nuclear fuel (Note E)	162,559	155,158
	Deferred revenues and other	276,302	177,347
		1,052,296	925,183
Commitments and Contingencies (Note M)			
	Total Liabilities and Capitalization	$4,855,797	$5,177,725

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF NET REVENUES AND ACCUMULATED NET REVENUES EMPLOYED IN THE BUSINESS Years ended December 31.1999 and 1998 *(In Thousands)*

Statements of Net Revenues		**1999**	1998
Operating Revenues	Power sales	$1,055,431	$1,078,077
	Transmission charges	124,375	129,366
	Wheeling charges	278,570	276,496
	Total Operating Revenues	1,458,376	1,483,939
Operating Expenses	Operations	375,394	460,772
	Nuclear fuel	78,198	74,303
	Fuel oil and gas (Note N)	103,636	119,832
	Purchased power - Hydro-Québec	20,230	52,164
	- Other	135,916	57,325
	Maintenance	130,294	131,604
	Wheeling	278,570	276,496
	Depreciation	200,806	195,691
	Provision for nuclear plant divestiture (Note B)	298,000	-
	Total Operating Expenses	1,621,044	1,368,187
	Net Operating Revenue\(Deficiency)	(162,668)	115,752
Other Income	Investment income (Note G)	44,614	99,690
	Other	4,541	13,246
	Total Other Income	49,155	112,936
Other Deductions	Interest on long-term debt	113,701	139,897
	Interest-other, net	5,742	5,128
	Amortization of debt discount and expense	361	2,209
	Total Other Deductions	119,804	147,234
	Revenues, net before extraordinary item	(233,317)	81,454
	Debt refinancing charge (Note I)	-	18,487
	Net Revenues \ (Deficiency)	($ 233,317)	$ 62,967

Statements of Accumulated Net Revenues Employed in the Business		
Accumulated Net Revenues Employed in the Business at January 1	$1,644,988	$1,582,021
Net Revenues \ (Deficiency)	(233,317)	62,967
Accumulated Net Revenues Employed in the Business at December 31	$1,411,671	$1,644,988

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS Years ended December 31.1999 and 1998. Increase (Decrease) in Cash *(In Thousands).*

		1999	1998
Cash Flows From Operating Activities	Received from customers for the sale of power, transmission and wheeling	$1,439,364	$1,500,622
	Customer prepayments	105,000	-
	Earnings received on nuclear decommissioning trust fund	38,819	41,350
	Paid to suppliers and employees for:		
	Operations and maintenance	(521,995)	(526,377)
	Purchased power	(127,041)	(101,292)
	Fuel oil and gas	(103,636)	(94,064)
	Wheeling of power by other utilities	(284,018)	(280,998)
	Paid to nuclear decommissioning trust fund	(38,819)	(41,350)
	Net cash provided by operating activities	507,674	497,891
Cash Flows From Capital and Related Financing Activities	Earnings received on construction fund investments	6,666	11,016
	Sale of commercial paper	271,578	271,578
	Issuance of 1998 Bonds	-	1,381,895
	Repayment of adjustable rate tender notes	(3,320)	(3,075)
	Refunding of bonds (1998: $1,923,455 principal amount)	-	(1,960,273)
	Retirement of bonds (1999: $146,869 and 1998: $35,213 principal amount)	(147,605)	(22,878)
	Repayment of commercial paper	(355,178)	(148,800)
	Construction and acquisition of utility plant:		
	Gross additions to utility plant	(105,020)	(76,711)
	Gross additions to nuclear fuel	(44,408)	(51,288)
	Research and development	(6,632)	(4,456)
	Interest paid, net	(79,733)	(97,037)
	Net cash used in capital and related financing activities	(463,652)	(700,029)
Cash Flows From Noncapital-Related Financing Activities	Energy conservation program payments received from participants	34,823	22,724
	Energy conservation program costs	(78,723)	(64,900)
	Sale of commercial paper	40,000	35,000
	Repayment of commercial paper	(38,800)	(24,900)
	Interest paid on commercial paper	(30,451)	(33,657)
	POCR funds received from New York State (Note L)	2,200	8,000
	CAS funds received from New York State (Note L)	30,478	29,724
	Payment to New York State (Note L)	(2,200)	(8,000)
	Transfer from LIPA	-	9,000
	Net cash used in noncapital-related activities	(42,673)	(27,009)
Cash Flows From Investing Activities	Earnings received on investments	43,563	57,026
	Purchase of investment securities	(8,252,980)	(10,606,882)
	Sale of investment securities	8,210,438	10,779,511
	Net cash provided by investing activities	1,021	229,655
	Net increase in cash	2,370	508
	Cash and cash equivalents, January 1	1,190	682
	Cash and cash equivalents, December 31	$ 3,560	$1,190
Reconciliation to Net Cash Provided by Operating Activities	Net Revenues\(Deficiency)	($ 233,317)	$62,967
	Adjustments to reconcile net revenues to net cash provided by operating activities:		
	Earnings received on investments	(43,563)	(57,026)
	Provision for depreciation	200,806	195,691
	Nuclear divestiture provision	298,000	-
	Amortization of nuclear fuel	55,734	52,730
	Provision for spent fuel disposal and nuclear plant decommissioning	51,724	53,139
	Amortization of deferred revenues	(8,948)	(9,006)
	Amortization of debt discount and expenses	15,658	18,144
	Other Amortization & non-cash charges	17,486	-
	Preliminary investigations expensed	-	24,962
	DOE decommissioning and decontamination costs charged to expense	2,227	3,182
	Nuclear decommissioning trust fund	(38,819)	(41,350)
	Interest paid, net	110,184	127,047
	Debt refinancing charge	-	18,487
	Net (increase)\decrease in prepayments and other	2,094	(5,927)
	Net (increase)\decrease in receivables and inventory	(26,008)	15,608
	Net increase in accounts payable and accrued liabilities and other deferred credits	104,377	47,650
	Transfer from LIPA	-	(9,000)
	Other	39	593
	Net cash provided by operating activities	$ 507,674	$497,891

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Note A - General

The Power Authority of the State of New York (Authority) is a corporate municipal instrumentality and political subdivision of the State of New York (State) created by the Legislature of the State by Chapter 772 of the Laws of 1931, as last amended by Chapter 386 of the Laws of 1998.

The Authority is authorized by the Power Authority Act (Act) to help provide a continuous supply of electricity to the people of the State. The Authority generates, transmits and sells electricity principally at wholesale. The Authority's primary customers are municipal and rural-cooperative electric systems, investor-owned utilities, high-load-factor industries and other businesses, various public corporations located within the metropolitan area of New York City, including The City of New York, and certain out-of-state customers.

The Authority's trustees are appointed by the Governor of the State, with the advice and consent of the State Senate, to serve five-year terms. The Authority is a fiscally independent public corporation that does not receive State funds or tax revenues or credits. It generally finances construction of new projects through sales of bonds and notes to investors and pays related debt service with revenues from the generation and transmission of electricity. Accordingly, the financial condition of the Authority is not controlled by or dependent on the State or any political subdivision of the State. However, pursuant to the Clean Water/Clean Air Bond Act of 1996, the Authority administers a Clean Air for Schools Projects program, for which $125 million in Bond Act monies have been allocated for effectuation of such program. Under the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 (GAS No. 14), "The Financial Reporting Entity," the Authority considers its relationship to the State to be that of a related organization.

Income of the Authority and properties acquired by it for its projects are exempt from taxation. However, the Authority is authorized by Chapter 908 of the Laws of 1972 to enter into agreements to make payments in lieu of taxes with respect to property acquired for any project where such payments are based solely on the value of the real property without regard to any improvement thereon by the Authority and where no bonds to pay any costs of such project were issued prior to January 1, 1972.

Note B - Nuclear Plant Divestiture

On March 28, 2000, the Authority entered into a purchase and sale agreement (P&SA) with two subsidiaries of Entergy Corporation (collectively referred to as Entergy) to sell the Indian Point 3 and James A. FitzPatrick nuclear plants. The transfer of the operating licenses for the nuclear plants must be approved by the U.S. Nuclear Regulatory Commission (NRC). NRC approval is expected before or during the third quarter of 2000.

Under the P&SA, the Authority will receive gross proceeds on the sale of $967 million over a 15-year period. The present value of these payments, utilizing an interest rate of 7.5 percent, equates to a sales amount of $680 million. The Authority recorded a nuclear divestiture provision of $298 million as a result of this transaction, representing the excess of the net book value of assets to be sold over the sales amount. Entergy has agreed to make an initial payment of $50 million on the closing date with its remaining financial obligations under the P&SA evidenced by a non-interest-bearing Facilities Payment Note ($586.0 million), a non-interest-bearing Fuel Payment Note ($170.8 million) and two non-interest-bearing Additional Facilities Notes (aggregating $160 million). Entergy will obtain an irrevocable standby letter of credit from an eligible financial institution to provide security for the payment of the Facilities Payment Note and the Fuel Payment Note. Amounts not timely received under the Additional Facilities Notes may be offset against any amounts due Entergy under the P&SA or related agreements. Adjustments to the final price will be made at the closing for items specified in the P&SA.

The Authority will transfer to Entergy all of the assets of the nuclear plants, including construction work-in-progress, nuclear fuel and plant-related material and supplies. Entergy has agreed to hire all Authority nuclear plant operations and management staff, and to provide equivalent compensation and benefits to those employees. In conjunction with the assumption of the employees by Entergy, the Authority will make payments to Entergy for vacation, sick pay and retiree health and life insurance benefits for the employees transferred.

The Authority will retain decommissioning responsibility for each plant, limited to the lesser of a specified amount, adjusted for inflation (IA Amount), or the amount in the decommissioning fund attributed to such plant, until license expiration date or early dismantlement of the plant in question, at which time, at its option, the Authority may terminate such responsibility and transfer the decommissioning fund for such plant to Entergy, except for any excess amounts in such funds above the IA Amount. If the Authority is required to decommission a plant, it is obligated to enter into a decommissioning agreement with Entergy Nuclear Inc. (a subsidiary in the Entergy organization which performs decommissioning work) pursuant to which Entergy Nuclear Inc. would decommission such plant at a price not to exceed the lesser of the IA Amount or the amount in the decommissioning fund for such plant. The initial IA amounts for the Indian Point 3 and FitzPatrick plants combined aggregate to $1.18 billion. The Authority will also retain the liability to reimburse Entergy for the disposal of spent fuel generated prior to April 7, 1983 (see Note E).

In conjunction with the P&SA, the Authority entered into a power purchase agreement (PPA) to purchase energy and capacity from Entergy at rates that approximate estimated future market prices.

Under the PPA, the Authority is obligated to purchase 100% of IP3's output through December 31, 2004, and fixed amounts of JAF's output for the same period (375 MW, for the remainder of year 2000; 360 MW, year 2001; 303 MW, year 2002; 255 MW, year 2003; and 255 MW, year 2004). If the plants operate at a capacity factor of less than 85 percent, Entergy is required to compensate the Authority for the shortfall by paying the differences, per plant, between the plant's contract price and the cost of replacement energy. Similarly, Entergy must compensate the Authority for deficiencies in installed capacity.

The Authority has also agreed to purchase the remaining output of JAF through the year 2003 on a unit contingent basis. This output will be purchased at a lower price than the fixed amounts in the PPA and will not be subject to the aforementioned guarantees.

Note C - Accounting Policies

(1) Accounts of the Authority are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The Authority complies with all applicable pronouncements of the GASB. In accordance with GAS No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Authority also complies with all authoritative pronouncements applicable to non-governmental entities [i.e., Financial Accounting Standards Board (FASB) statements] that do not conflict with GASB pronouncements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Utility plant is stated at original cost and consists of amounts expended for labor, materials, services and indirect costs to license, construct, acquire, complete and place in operation the projects of the Authority. Interest on amounts borrowed to finance construction of the Authority's projects is charged to the project prior to completion. Borrowed funds for a specific construction project are deposited in a capital fund account. Earnings on fund investments are held in this fund to be used for construction purposes.

Earnings on unexpended funds are credited to the cost of the related project until completion of that project. Utility plant costs are reduced by revenues received for power produced (net of expenditures incurred in operating the projects) prior to the date of completion. The costs of current repairs are charged to operating expense, and renewals and betterments are capitalized. The cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

(3) During 1998, the Authority implemented a plan to accelerate the depreciation of its remaining investment in the Indian Point 3 (IP3) Nuclear Power Plant through the year 2004 and record additional annual depreciation of $51 million. The Board of Trustees of the Authority, which establishes rates, had approved the recovery of this additional annual charge to depreciation in anticipation of increased competition, which would have had a significant impact on revenues by the year 2005. (Generally accepted accounting principles for rate-regulated entities permit an additional charge to expense for a cost (a) included in rates approved by the regulator and (b) collected from customers during the period.) The Authority is in the process of divesting its nuclear plants. (See Note B Nuclear Plant Divestiture.) Depreciation of the nuclear plants will continue until the closing of the sales transaction.

Depreciation of all other Authority plant assets is provided on a straight-line basis over the estimated useful lives of the various classes of plant as determined by independent engineers and includes estimated cost of removal, net of estimated salvage value.

(4) Net electric plant in service at December 31, 1999 and 1998, and the related depreciation provisions expressed as a percentage of average depreciable electric plant on an annual basis were:

(In Millions)	Net Electric Plant in Service		Average Depreciation Rate	
Type of Plant	**1999**	1998	**1999**	1998
Production:				
Steam	$ 156.4	$ 171.2	3.2%	3.2%
Nuclear	767.0	845.0	6.3%	6.4%
Hydro	785.3	781.6	1.7%	1.7%
Other	120.2	120.6	2.5%	2.5%
Transmission	977.9	998.8	2.5%	2.5%
General	193.9	171.4	5.5%	4.9%
	3,000.7	3,088.6	3.7%	3.7%
Less allowance for divestiture of nuclear plants	298.0			
	$ 2,702.7	$3,088.6		

(5) The amortization of nuclear fuel is provided on a units-of-production basis. Amortization rates are determined and periodically revised to amortize the cost of nuclear fuel over its estimated useful life. The estimated costs of disposal of spent nuclear fuel are included in provisions for operating expenses (see Note E). The Authority is in the process of divesting its nuclear plants, including nuclear fuel (see Note B).

(6) FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," requires long-lived and certain other assets to be reviewed for impairment if the carrying amount of an asset may not be recoverable. Management assesses the operating efficiency and economic value of the Authority's operating facilities on an ongoing basis in light of increasing competition in the utility industry. See Note B regarding the Authority's plan to divest its nuclear plants and the provision recorded in the 1999 financial statements.

(7) Deferred revenues for 1999 and 1998 of $109.8 million and $115.6 million, respectively, represent certain billings related to the recovery of costs that have been deferred and are being amortized over the life of the applicable asset.

At December 31, 1999 and 1998, deferred charges included $87.6 million and $64.2 million, respectively, of energy conservation program costs and $14.1 million and $15.1 million, respectively, of fixed gas costs in excess of current recoveries. These deferred costs are being recovered from customers.

(8) For purposes of reporting cash flows, cash includes cash and cash equivalents and short-term investments with maturities, when purchased, of three months or less.

(9) Debt refinancing charges representing the difference between the reacquisition price and the net carrying value of the debt refinanced are amortized using the interest method over the life of the new debt or the old debt, whichever is shorter, in accordance with GAS No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities."

(10) Revenues are recorded when billed. Customers' meters are read, and bills are rendered, monthly. Wheeling charges are for costs incurred for the transmission of power over transmission lines owned by other utilities. Sales and purchases of power between the Authority's facilities are eliminated from revenues and operating expenses. Energy costs are charged to expense as incurred. Sales to three Southeastern New York (SENY) governmental customers and three investor-owned utilities operating in the State accounted for approximately 64 and 67 percent of the Authority's operating revenues in 1999 and 1998, respectively. The aforementioned SENY governmental customers have entered into long-term contracts with the Authority through at least December 31, 2004 [see Note M(3)].

(11) Certain prior year amounts have been reclassified to conform with the current year's presentation.

Note D - Bond Resolution

On February 24, 1998, the Authority adopted its "General Resolution Authorizing Revenue Obligations" and, supplemental thereto, the "First Supplemental Resolution Authorizing Series 1998 Revenue Bonds" (collectively, the "Bond Resolution"). Pursuant to the Bond Resolution, the Authority issued on April 15, 1998, its Series 1998 Revenue Bonds in the aggregate principal amount of $1,381.9 million. The Authority used the proceeds of the Series 1998 Revenue Bonds, together with the proceeds of the Series 4 Notes and other available funds of the Authority, to refund all of the Authority's General Purpose Bonds outstanding under the General Purpose Bond Resolution, adopted November 26, 1974 (the 1974 Resolution). The replacement of the 1974 Resolution with the Bond Resolution gives the Authority greater flexibility in the restructured electric utility industry in New York State.

The Bond Resolution covers all of the Authority's projects, which it defines as any project, facility, system, equipment or material related to or necessary or desirable in connection with the generation, production, transportation, transmission, distribution, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest authorized by the Act or by other applicable State statutory provisions, provided, however, that the term "Project" shall not include any Separately Financed Project as that term is defined in the Bond Resolution. The Authority has covenanted with bondholders under the Bond Resolution that at all times the Authority shall maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission, or distribution of power shall contain rates, fees or charges sufficient together with other monies available therefor (including the anticipated receipt of proceeds of sale of Obligations issued under the Bond Resolution or other bonds, notes or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued under the Bond Resolution in anticipation of such receipt, but not including any anticipated or actual proceeds from the sale of any Project), to meet the financial requirements of the Bond Resolution. Revenues of the Authority (after deductions for operating expenses and reserves, including reserves for working capital, operating expenses or compliance purposes) are applied first to the payment of, or accumulation as a reserve for payment of, interest on and the principal or redemption price of Obligations issued under the Bond Resolution and the payment of Parity Debt issued under the Bond Resolution.

The Bond Resolution also provides for withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the retirement of Obligations issued under the Bond Resolution, from amounts in the Operating Fund in excess of the operating expenses, debt service on Obligations and Parity Debt issued under the Bond Resolution, and subordinated debt service requirements. The Authority has periodically purchased Series 1998 Revenue Bonds when available at favorable prices.

Note E - Nuclear Fuel Disposal

In accordance with the Nuclear Waste Policy Act of 1982, in June 1983, the Authority entered into a contract with the U.S. Department of Energy (DOE), under which DOE, commencing not later than January 31, 1998, would accept and dispose of spent nuclear fuel. However, it appears unlikely that DOE will accept any spent nuclear fuel from plant operators before 2010. The contract requires a quarterly payment to DOE based on nuclear generation and sales of electricity at a specified rate from April 7, 1983.

In addition, the June 1983 contract with DOE requires the payment to DOE of a one-time fee relating to spent nuclear fuel discharged prior to April 7, 1983, and for in-core spent fuel on that day. The contract permits payment of this one-time fee of $58.7 million, together with interest accrued thereon from April 7, 1983, when spent nuclear fuel is shipped to an approved DOE disposal facility.

In conjunction with the sale of the nuclear plants (see Note B), the Authority's contract with the DOE will be assigned to Entergy. The Authority remains liable to Entergy for the one-time fee and retains the funds collected from customers to cover such fee. As of December 31, 1999 and 1998, the liability to DOE related to this fee, including accrued interest from April 7, 1983, totaled $162.6 million and $155.2 million, respectively.

In November 1998, the U.S. Supreme Court declined to review a 1997 Federal Court of Appeals ruling that denied certain utilities' and state regulators' requests that DOE accept the spent nuclear fuel. The ruling by the Court of Appeals in Washington, D.C., held that mere unavailability of a repository was not sufficient reason to relieve DOE of its obligation to dispose of the waste. The Court, however, refused to direct DOE to take the waste based upon its finding that this involved a contract issue over which the court would not take jurisdiction. The utilities are now seeking monetary damages directly from the Federal Government or through actions in the U.S. Court of Claims.

Note F - Nuclear Plant Decommissioning

The Authority has established a decommissioning trust fund in accordance with NRC rules requiring reactor operators to certify that sufficient funds, in amounts not less than certain prescribed minimums, will be available for decommissioning. These funds must be segregated from the licensee's assets and outside of its administrative control.

Under an agreement to be entered into pursuant to the P&SA, the Authority will retain this trust fund until at least license expiration or early dismantlement of the plants (see Note B).

The annual provision for decommissioning ($20.8 million and $63.4 million for 1999 and 1998, respectively) included in the Statement of Net Revenues is based on the estimated total cost of decommissioning, including decontamination, demolition and site restoration, adjusted for the actual yield on segregated funds. The Balance Sheet includes liabilities of $613.4 million and $592.7 million, respectively, as of December 31, 1999 and 1998, representing cumulative provisions recorded to date.

After the divestiture of the nuclear plants, the Authority will retain the nuclear decommissioning funds (as noted above) and the corresponding decommissioning liability, which will be limited as described in Note B.

The nuclear decommissioning funds are held in trust and are managed by two professional investment management firms. The trust allows for investment in a broad range of government, corporate and foreign securities and permits the use of futures and foreign currency contracts. Securities rated A are limited to 20% of the total fixed income portfolio; however, the overall rating of the fixed income portion of the portfolio must be AA. Up to 25% of the assets (at cost) may be invested in a diversified portfolio of equity securities.

The allowable investments include a number of different types of derivative securities that may be purchased to increase yield, control risk and hedge currency fluctuations. At December 31, 1999 and 1998, respectively, the decommissioning trust funds had approximately 26 and 18 percent of their holdings in Collateralized Mortgage Obligations (CMOs); and the fair value of such investments was $162.8 million and $108.0 million, respectively. The par value of the CMOs at December 31, 1999 and 1998, was $232.0 million and $108.2 million, respectively. During these years, the funds held amounts of up to 5 percent of their value in forward foreign currency contracts. The investment managers may use Treasury Bond Futures to increase or decrease the duration of the portfolio, but their use is limited to 10 percent of the market value of the portfolio. The trust funds may invest up to 20 percent of their market value in foreign currency denominated bonds. The trust fund managers are required to use forward foreign currency contracts to lock in the expected yield on the amounts that exceed 5 percent of the market value of the fund. Foreign currency exchange contracts at December 31, 1999 and 1998, were valued at $60 thousand and ($10) thousand, respectively.

Investments in the decommissioning trust funds at December 31, 1999 and 1998, are summarized in the Investment Summary, in Note G.

Note G - Cash and Investments

Investment of the Authority's funds is administered in accordance with the applicable provisions of the Bond Resolution and with the Authority's investment guidelines. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law. The Authority's investments have been restricted to (a) collateralized certificates of deposit; (b) obligations of the United States Government, its agencies and instrumentalities and agreements for the repurchase of such obligations; and (c) direct and general obligations of any state or political subdivision, provided that such obligations were rated in either of the two highest rating categories by two nationally recognized bond-rating agencies. All investments are held by designated custodians in the name of the Authority. Securities that are the sub-

ject of repurchase agreements must have a market value at least equal to the cost of the investment and interest, and the agreements are limited to a maximum fixed term of five business days. At December 31, 1999 and 1998, the Authority had investments in repurchase agreements of $78.9 million and $27.7 million, respectively. The bank balances were $3.9 million and $4.9 million, respectively, of which $0.3 million and $0.3 million, respectively, were covered by Federal depository insurance, and $3.6 million and $4.6 million, respectively, were uninsured. The uninsured balances related primarily to amounts in checking accounts for which checks had been issued but had not yet cleared.

A summary of unexpended funds for projects in progress included in the Capital Fund and Construction Fund at December 31, 1999 and 1998, respectively, is in the Investment Summary.

The Authority does not engage in securities lending or reverse repurchase agreements.

The Authority is authorized to engage in hedging fuel and electricity transactions and interest rate swaps (see Note N - Hedging) that are considered derivatives under GASB Technical Bulletin 94-1.

INVESTMENT SUMMARY *(Amounts In Thousands)*

Estimated Fair Market Value[1]
December 31, 1999

	1999 Total	Total Restricted Fund	Restricted Funds: Decommissioning Trust Fund	Restricted Funds: POCR & CAS Projects Funds	Restricted Funds: Note Debt Reserve	Construction Funds	Current Assets
U.S. Government/Agencies	$ 794,557	$288,206	$209,409	$64,156	$14,641	$87,793	$418,558
Other debt securities	290,604	228,605	223,896		4,709		61,998
Repurchase agreements	78,850	-	-				78,850
Equity securities	162,728	162,728	162,728				
Cash and equivalents	34,520	34,520	34,319	201			
	$1,361,259	$714,059	$630,352	$64,357	$19,350	$87,793	$559,406
Summary of Maturities[2]							
Years							
0-1	$ 371,523	$ 79,859	$ 34,319	$44,664	$ 876	$29,246	$262,418
1-5	337,072	128,303	94,845	19,693	13,765	53,243	155,526
5-10	149,325	77,422	72,713		4,709		71,902
10+	340,611	265,747	265,747			5,304	69,560
Common stock	162,728	162,728	162,728				
	$1,361,259	$714,059	$630,352	$64,357	$19,350	$87,793	$559,406

Estimated Fair Market Value[1]
December 31, 1998

	1998 Total	Total Restricted Funds	Restricted Funds: Decommissioning Trust Fund	Restricted Funds: POCR & CAS Projects Funds	Restricted Funds: Note Debt Reserve	Construction Funds	Current Assets
U.S. Government/Agencies	$ 853,187	$291,490	$217,166	$62,199	$12,125	$124,115	$437,582
Other debt securities	252,032	209,038	209,038				42,994
Repurchase agreements	27,700	8,043			8,043	5,000	14,657
Equity securities	161,836	161,836	161,836				
Cash and equivalents	22,760	22,760	22,580	180			
	$1,317,515	$693,167	$610,620	$62,379	$20,168	$129,115	$495,233
Summary of Maturities[2]							
Years							
0-1	$ 323,994	$ 95,202	$ 27,098	$54,503	$13,601	$ 41,643	$187,149
1-5	309,148	86,350	71,907	7,876	6,567	68,713	154,085
5-10	165,887	73,340	73,340			8,120	84,427
10+	356,650	276,439	276,439			10,639	69,572
Equity securities	161,836	161,836	161,836				
	$1,317,515	$693,167	$610,620	$62,379	$20,168	$129,115	$495,233

(1) Realized and unrealized gains and losses on investments in these funds are recognized as investment income in accordance with GAS No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

(2) The estimated fair values of these investments, by stated maturities, are shown in this schedule. Actual maturities are likely to differ from stated maturities since the issuers of certain securities have the right to prepay obligations without penalty.

Note H - Long-term Debt

(Amounts in Thousands)

A summary of the Series 1998 Revenue Bonds payable at December 31, 1999 and 1998, follows:

		1999 Amount	1998 Amount	Maturity	Interest Rate[a]	Earliest Redemption Date Prior to Maturity[c]
Series 1998 A	Revenue Bonds	$ 349,660	$ 350,860(a)	02/15/2002 to 2016	4.1% to 5.5%	2/15/2008
Series 1998 B	Revenue Bonds	499,410	499,410(b)	11/15/2011 & 2015	6.05% to 6.11%	(e)
Series 1998 C	Revenue Bonds	94,495	135,035(a)	2/15/2000 to 2018	4.0% to 5.25%	2/15/2008
Series 1998 D	Revenue Bonds	243,520	349,385(a)	02/15/2000 to 2003	6.08% to 6.26%	
		1,187,085	1,334,690(d)			
Plus: Unamortized premium		7,429	8,700			
Less: Deferred refinancing costs		64,638	79,935			
		1,129,876	1,263,455			
Less: Due within one year		88,715	110,030			
		$1,041,161	$1,153,425			

(a) Interest on the Series 1998 A,C and D Revenue Bonds is due on February 15 and August 15.

(b) Interest on the Series 1998 B Revenue Bonds is due on May 15 and November 15.

(c) Bonds are subject to redemption prior to maturity in whole or in part as provided in the supplemental resolutions authorizing the issuance of each series of bonds, beginning for each series on the date indicated, at principal amount or at various redemption prices according to the date of redemption, together with accrued interest to the redemption date. Annual maturities for the next five calendar years are as follows: 2000, $88.7 million; 2001, $331.2 million; 2002, $346.7 million; 2003, $93.7 million; and 2004, $54.6 million (see (e) below).

(d) At December 31, 1999 and 1998, the current market value of these bonds was approximately $1.2 billion and $1.4 billion, respectively. Market values were obtained from a third-party that utilized a matrix pricing model.

(e) Mandatory tenders of the Series 1998 B Revenue Bonds in accordance with the Bond Resolution in the amount of $242.4 million and $257.0 million, respectively, are required on November 15, 2001 and November 15, 2002. These amounts are reflected in the five-year maturities schedule in (c) above.

In prior years, the Authority defeased certain General Purpose Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 1999 and 1998, $2.3 billion and $2.6 billion, respectively, of bonds outstanding were considered defeased.

Summary of Commercial Paper (Long-term portion)

(In Millions)	December 31, 1999 Availability	December 31, 1999 Outstanding	December 31, 1998 Availability	December 31, 1998 Outstanding
CP (Series 2)*	$300.0	$300.0	$300.0	$300.0
CP (Series 3)**	350.0	55.4	350.0	83.6
CP (Series 4)***	220.0	216.2	275.0	271.6
	$870.0	571.6	$925.0	655.2
Less: due within one year		36.8		52.6
		$534.8		$602.6

Annual maturities for the next five calendar years are as follows: 2000, $36.8 million; 2001, $40.1 million; 2002, $30.1 million; 2003, $46.2 million; and 2004, $42.6 million (see Note J).

* Interest excluded from gross income for Federal income tax purposes. Average interest rates for 1999 and 1998 were 3.24 percent and 3.46 percent, respectively. Matures 2003 to 2008.

** Interest not excluded from gross income for Federal income tax purposes. Average interest rates for 1999 and 1998 were 5.07 percent and 5.58 percent, respectively. Matures in 2003.

*** Interest excluded from gross income for Federal income tax purposes. Average interest rates for 1999 and 1998 were 3.34 percent and 5.54 percent, respectively. Converted to tax-exempt status in April 1999. Matures 2000 to 2020.

Adjustable Rate Tender Notes (Notes)
outstanding at December 31 were:

Notes (In Thousands)	1999	1998	Interest Rate at 12/31/99	Interest Rate at 12/31/98
Due March 1, 2007	$ 38,125	$ 41,445	3.55%	3.45%
Due March 1, 2016	75,000	75,000	3.55%	3.45%
Due March 1, 2020	75,000	75,000	3.55%	3.45%
	188,125	191,445		
Less: due within one year	3,585	3,320		
	$184,540	$188,125		

Annual maturities for the next five calendar years are as follows: 2000, $3.6 million; 2001, $3.9 million; 2002, $4.2 million; 2003, $4.5 million; and 2004, $4.9 million.

In accordance with the Adjustable Rate Tender Note Resolution adopted April 30, 1985 (Note Resolution), the Authority may designate a rate period of different duration, effective on any rate adjustment date. The Remarketing Agent appointed under the Note Resolution determines the rate for each rate period, which in the agent's opinion is the minimum rate necessary to remarket the Notes at par. The Notes may be tendered to the Authority by the holders on any adjustment date. The current rate is 4 percent as of March 1, 2000.

The Authority has entered into a revolving credit agreement (Agreement) with a syndicate of banks to provide a supporting line of credit. Under the Agreement, which terminates on September 5, 2001, the Authority may borrow up to $188.1 million for the purpose of repaying, redeeming or purchasing the Notes. The Agreement provides for interest on outstanding borrowings (none outstanding at December 31, 1999 and 1998) at either (i) a rate based on the London Interbank Offered Rate or (ii) the agent bank's prime commercial lending rate as in effect from time to time or the Federal Funds Rate plus a percentage, whichever is higher.

In accordance with the Note Resolution, a Note Debt Service Reserve account has been established in the amount of $20 million.

Note I - Bond Defeasance

Fulfilling the objective of restructuring its debt (see Note D), the Authority completed the refunding of all of its outstanding General Purpose Bonds on April 15, 1998. To accomplish the refunding, the Authority sold $272 million in commercial paper and issued four Series of 1998 Revenue Bonds. The four Series of 1998 Revenue Bonds consisted of: $362 million of tax-exempt Series 1998 A Bonds; $500 million of federally taxable Series 1998 B Bonds; $150 million of tax-exempt Series 1998 C Bonds; and $370 million of federally taxable Series 1998 D Bonds (see Note H for maturities and interest rates).

As a result of the refunding and the deposit with the Escrow Agent, the Series N, T, U, W, X, Y, Z, AA, BB and CC Bonds that were refunded are deemed to have been paid pursuant to the 1974 Resolution, and they cease to be a liability of the Authority. Accordingly, the refunded bonds (and the related deposit with the Escrow Agent) are excluded from the Balance Sheet.

The Authority expects to realize gross debt service savings from this debt restructuring program of approximately $700 million over the life of the bonds, with annual savings of between $25 million and $35 million. The 1998 portion of the refunding program produced economic gains (the present value of the debt service savings, adjusted for additional cash paid) of approximately $135 million.

A debt refinancing charge of $87.2 million resulted from this transaction because of the difference ($36.7 million) between the total cash deposited with the Escrow Agent and the principal amount of the refunded Series bonds, plus the unamortized discount and expense pertaining to the refunded bonds ($50.5 million). In accordance with the provisions of GAS No. 23, $74.4 million has been deferred and is shown in the Balance Sheet as Debt Refinancing Charges and will be amortized over the lives of the new bonds and notes.

The remaining $12.8 million, attributable to the cash contributed from the bond reserve account under the 1974 Resolution to the escrow deposit account, was presented as an extraordinary item in the Statement of Net Revenues for 1998. In addition, a loss of $5.7 million was experienced due to the early retirement of Series Z bonds, bringing the total extraordinary item to $18.5 million.

Note J - Short-term Debt

Master notes and commercial paper (CP) (short-term portion) outstanding were as follows:

(In Millions)	December 31, 1999 Availability	December 31, 1999 Outstanding	December 31, 1998 Availability	December 31, 1998 Outstanding
Master Notes	$150.0	$61.3	$150.0	$61.3
CP (Series 1)	350.0	199.1	300.0	197.9
	$500.0	$260.4	$450.0	$259.2

Master Notes
Under a $150 million master note arrangement with a bank, which expired on February 1, 2000, the Authority issued short-term notes payable on demand. Interest was computed based on a rate adjusted weekly and applied to the daily principal amount outstanding.

These master notes were issued in prior years to fund a portion of the construction cost of the Authority's small hydroelectric facilities.

The Authority did not renew the master note arrangement. In January 2000, the Authority retired the master notes outstanding as of December 31, 1999 with proceeds from the sale of commercial paper.

Commercial Paper
Under the Commercial Paper Note Resolution adopted June 28, 1994, as last amended on March 28, 2000, the Authority may issue from time to time a separate series of notes maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of $350 million (Series 1); $300 million (Series 2); $350 million (Series 3); and $220 million (Series 4).

The proceeds of the Series 1 notes have been and shall be used to finance the Authority's current and future energy conservation programs and for other corporate purposes, including refunding short-term notes.

The proceeds of the Series 2, 3 and 4 notes were used to refund General Purpose Bonds and may be used for other corporate purposes. It is the Authority's intention to refinance Series 2, 3 and 4 notes as they mature so that their ultimate maturity dates will range from 2000 to 2020, as indicated in Summary of Commercial Paper in Note H.

During 1999 and 1998, the Authority issued $1.2 million and $10.1 million, respectively, of commercial paper notes and had $199.1 million and $197.9 million of commercial paper notes outstanding, and classified as short-term debt, at December 31, 1999 and 1998, respectively.

The Authority has two lines of credit under revolving credit agreements to provide liquidity support for the commercial paper notes, with two syndicates of banks, for one line providing $700 million, for the Series 1, Series 2 and Series 3 commercial paper notes and for other purposes, and a second line providing $220 million, for the Series 4 commercial paper notes. These agreements extend to February 1, 2003 and October 10, 2000, respectively. As of December 31, 1999 and 1998, no borrowings have been made under these revolving credit agreements.

Commercial paper obligations are subordinated to the Series 1998 Revenue Bonds and Adjustable Rate Tender Notes.

Note K - Pension Plans, Other Retirement Benefits, Deferred Compensation and Savings Plans

Pension Plans:
Substantially all employees of the Authority are members of the New York State and Local Employees Retirement System (System), which is a cost-sharing, multiple-public-employer defined-benefit pension plan. Membership in and annual contributions to the System are required by the New York State Retirement and Social Security Law. The System offers plans and benefits related to years of service and final average salary, and, effective July 17, 1998, all benefits generally vest after five years of accredited service.

For personnel who became members of the System prior to July 27, 1976, the Authority contributes the entire amount determined by the System to be payable. Gross salaries, for Federal income tax purposes, of personnel who joined the System after July 27, 1976, are reduced by 3 percent. The aggregate amount of these reductions, together with any balance payable to the System, is contributed to the System by the Authority.

The Authority's contributions to the System are paid in December of each year on the basis of the Authority's estimated salaries for the System's fiscal year ending the following March 31. Contributions are made in accordance with funding requirements determined by the actuary of the System.

After a 1990 State law that required changes in the actuarial calculations made by the System was ruled unconstitutional, the State Comptroller implemented a plan that restored the aggregate cost method with a cap on contribution rates for the four years ending March 31, 1998. After March 31, 1998, the aggregate cost method was applied without a cap. Under this plan, the Authority's required contributions to the System were $0.3 million; $1.4 million, and $2.6 million for the years ended March 31, 2000, 1999, and 1998 (100% paid on or about December 15, 1999, 1998 and 1997), respectively. The divestiture of the nuclear plants and the transfer of employees to Entergy will reduce the Authority's annual contribution (see Note B).

For detailed information concerning the System, refer to the State of New York Comprehensive Annual Financial Report of the Comptroller for the fiscal year ended March 31, 1999.

Post-retirement Benefits:
The Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents. Employees and/or their dependents become eligible for these benefits when the employee has 10 years of service and retires or dies while working for the Authority. Approximately 621 participants were eligible to receive these benefits at December 31, 1999. The cost of these benefits is charged to expense as paid and totaled $3.7 and $3.5 million for the years ended December 31, 1999 and 1998, respectively. The Authority accrues the cost of unused sick leave payable upon retirement.

Deferred Compensation and Savings Plans:
The Authority offers employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. This plan permits participants to defer a portion of their salaries until future years. Amounts deferred under the plan are not available to employees or beneficiaries until termination, retirement, death or unforeseeable emergency.

The Authority also offers salaried employees a savings plan created in accordance with Internal Revenue Code, Section 401(k). The Authority matches contributions of employees with a minimum of one year's service up to limits specified in the plan, and such matching contributions totaled $3.6 million and $3.5 million for 1999 and 1998, respectively.

Independent trustees are responsible for the investment and management of 457 (effective the beginning of 1999) and 401(k) plan assets under the direction of a committee of union representatives and a committee of employees, respectively.

Note L - Petroleum Overcharge Restitution (POCR) Funds and Clean Air for Schools (CAS) Projects Funds

Legislation enacted into State law from 1995 to 1999 authorizes the Authority to utilize $55.6 million in petroleum overcharge restitution (POCR) funds and $0.6 million in other State funds (Other State Funds), to be made available to the Authority by the State pursuant to the legislation, for a variety of energy-related purposes, with certain funding limitations. The legislation also states that the Authority "shall transfer" equivalent amounts of money to the State prior to dates specified in the legislation. The use of POCR funds is subject to comprehensive Federal regulations and judicial orders, including restrictions on the type of projects that can be financed with POCR funds, the use of funds recovered from such projects and the use of interest and income generated by such funds and projects. Pursuant to the legislation, the Authority is utilizing POCR funds and the Other State Funds to implement various energy conservation programs that have received all necessary approvals.

The disbursements of the POCR funds and the Other State Funds to the Authority, and the Authority's transfers to the State totaling $53.2 million to date (of which $2.2 million was transferred in March 1999) took place in May 1996, April 1997, March 1998 and March 1999. In December 1999, the Authority's Trustees authorized the transfer of $3.0 million to be withdrawn from the Operating Fund to the State in exchange for POCR funds to be made available to the Authority by the State pursuant to legislation enacted into law in 1998, conditioned upon the execution of an agreement between the Authority and the State governing the transfer. The POCR funds are included in restricted funds in the Balance Sheet. The funds are held in a separate escrow account, and the Authority invests the funds until they are utilized.

The New York State Clean Water/Clean Air Bond Act of 1996 made available $125 million for Clean Air for Schools Projects (CAS Projects) for elementary, middle and secondary schools, with the Authority authorized to undertake implementation of the CAS Projects program. The CAS Projects are designed to improve air quality for schools and include, but are not limited to, projects that replace coal-fired furnaces and heating systems with furnaces and systems fueled with oil or gas. CAS Projects funds totaling $72.0 million to date ($25 million in March 1999) were transferred to the Authority and held in an escrow account for the CAS Projects program. The Authority expects to receive an additional $25 million in CAS Projects funds during the second quarter of 2000. (See Investment Summary in Note G.)

Note M - Commitments and Contingencies

(1) Competition

The electric utility industry, including the utility industry in New York State, is undergoing a fundamental transformation intended to lead to a deregulated and more competitive environment through changes in Federal and state laws and actions by regulatory bodies that would permit competition for sales of electricity at the wholesale and, ultimately, at the retail level. In addition, the restructuring has resulted in industry mergers and acquisitions, open-access transmission service and competition among utilities, marketers and the independent power producers in the sale of power and energy.

Currently, the Authority is a provider of low-cost power and energy in New York State. To maintain its position in this changing environment, the Authority has undertaken a multifaceted program.

The adoption and implementation of the Bond Resolution (see Note D) in 1998 constituted a major portion of such program. The Authority's prior bond resolution, while originally designed to provide a strong measure of protection to bondholders, had become unduly restrictive in the developing competitive electric utility market and was inhibiting the Authority's ability to attract and maintain customers. Thus, the revenue stream, which forms the bondholders' ultimate security, was being placed at risk. The 1998 Bond Resolution provides the Authority with greater flexibility to manage its business with fewer restrictions. The less restrictive provisions of the 1998 Bond Resolution have increased the ability of the Authority to retain its existing customer base and to more efficiently manage its cash flows and investments. The Authority is also now free to determine whether to sell or retain certain of its assets on the basis of its judgment regarding the effect of such sale or retention on its overall business and apply the proceeds in a way which best meets the current needs of the Authority. (See Note B regarding the divestiture of the nuclear plants.)

Another major element of the Authority's program is the restructuring of its long-term debt through open-market purchases and refundings. This program, which began prior to the adoption of the 1998 Bond Resolution, has resulted in, and is expected to continue to result in, cost savings and increased marketing flexibility (see Note I). Since December 31, 1994, the Authority has reduced its total debt by $1.38 billion, or 39 percent.

The Authority expects to continue acceleration of debt retirement to the extent funds are available and not needed for other Authority expenses or reserves. During 1998, the Authority's Trustees authorized the use of up to $100 million for the open-market purchase of Series 1998 Revenue Bonds and Notes to the extent funds were determined to be available for such purpose. That authorization was fully utilized and the Authority's Trustees subsequently authorized the use of up to $200 million of additional funds for this purpose. Other elements of the Authority's program include:

- limiting its projected debt issuance for capital expenditures for the period 2000-2004;
- negotiating with interested entities concerning its upcoming application for the relicensing of the St. Lawrence-FDR Project and continuing its efforts, commenced in 1998, for the relicensing of the Niagara Project;
- participating in New York State Public Service Commission (PSC) proceedings dealing with the restructuring of the New York State electric utility industry to avoid and alleviate the allocation of the burden of New York investor-owned utility stranded costs to Authority customers;
- implementing modifications to the existing power sales agreements with substantially all of its SENY governmental customers [see (3) Long-term Contracts below];
- implementing modifications to existing power sales agreements with 81 business customers [see (3) Long-term Contracts below.]; and
- identifying and implementing cost containment and reduction measures.

The Authority can give no assurance that any of the foregoing actions to maintain its existing competitive position will be continued, completed or imple-

mented, as the case may be. Nor can there be any assurance given that even with these measures the Authority would not lose customers in the future as a result of the restructuring of the New York State electric utility industry and the emergence of new competitors or increased competition from existing competitors.

In addition, the Authority's ability to market its power and energy on a competitive basis is limited by provisions of the Act that restrict the marketing of IP3 and Poletti generating plant output and JAF output, restrictions under State and Federal law as to the sale and pricing of a large portion of the output from the Niagara and St. Lawrence-FDR projects, and restrictions on marketing arising from Federal tax laws and regulations. (See Note B for a discussion on the divestiture of the nuclear plants.)

(2) Statewide ISO

In 1997, pursuant to Federal Energy Regulatory Commission (FERC) Order 888, the seven investor-owned electric utilities (the IOUs) in New York, which then included the Long Island Lighting Company (LILCO), undertook, with the Authority, to develop an arrangement for providing non-discriminatory open-access transmission over all of the electric transmission lines in New York and a public market for purchase and sale of electricity and ancillary services. Upon the acquisition of the LILCO transmission and distribution system by the Long Island Power Authority through the acquisition of the system by its wholly-owned subsidiary LIPA, LIPA joined the process.

The IOUs and the Authority filed a proposal in 1997 with FERC to provide open access to their transmission lines (as last revised in April 1999) with FERC to create an independent system operator. The ISO is a not-for-profit corporation, with responsibility for the operation of the bulk electric transmission system in New York State, as well as a market for electricity sales. Upon approval by FERC in late 1999 and the execution of various FERC-approved implementing agreements among the Authority, LIPA and the IOUs, the NYISO became operational on November 18, 1999. Contracts turning over control of the bulk electric transmission system to the NYISO were signed in December 1999.

The NYISO is responsible for scheduling the use of transmission lines and collecting fees from transmission customers. Each IOU and the Authority retains ownership, and is responsible for maintenance, of its respective transmission lines. All customers of the NYISO pay fees to the NYISO. Each such customer also pays a separate fee for the benefit of the Authority that is designed to assure that the Authority will recover its entire annual transmission revenue requirement. The Authority's annual transmission revenue requirement is subject to review by FERC. If the NYISO does not maintain a FERC-accepted tariff which provides for full recovery by the Authority of its transmission revenue requirement, the Authority is permitted to withdraw from the NYISO and the arrangement on 90 days' notice to the other parties to the arrangement. In addition, any of the IOUs and the Authority may withdraw from the arrangement on 90 days' notice to the Board of Directors of the NYISO, but, in the case of an IOU, such withdrawal is conditioned upon the effectiveness of an "open access" transmission facilities tariff on file with FERC.

In January 1998, the U.S. Internal Revenue Service (IRS) issued temporary regulations which provide, among other things, that the use of transmission facilities financed with tax-exempt debt will not constitute a "deliberate action" adversely affecting the exemption of interest on such debt if such action was taken to implement the offering of non-discriminatory open-access tariffs for the use of transmission facilities in a manner consistent with rules promulgated by FERC under Sections 205 and 206 of the Federal Power Act (or by a State regulating authority under comparable provision of state law). The Authority interprets these temporary regulations as permitting the Authority to participate in a FERC-sanctioned ISO arrangement.

(3) Long-term Contracts

The Authority has negotiated modifications to the existing power sales agreements with substantially all of its SENY governmental customers, resulting in such agreements extending until at least either 2004 or 2005, depending upon the agreement.

They provide stabilized rate features through 2001 or 2002, depending upon the contract, with rates thereafter adjusted based upon, in the case of some contracts, changes in the cost to provide service or, in the case of other contracts, a market-based electric price index. Certain of the contracts provide for shared savings, beginning in 1998, contingent upon the Authority reducing the cost of service in the SENY service area. In other instances, rate rebates and economic development incentives are provided. Customers have the right to terminate service if the Authority increases baseline demand and energy charges to meet bond covenant requirements. Customers may also reduce service by limited amounts under certain specified conditions and, under certain contracts, may exercise their right to transfer load not already transferred pursuant to the agreements to another supplier, if rate increases exceed specified amounts at specified times.

Pursuant to these contracts, the Authority has agreed to undertake up to $401 million in energy-efficiency projects over the term of the contracts. Such projects must be approved by Authority management before being undertaken, and agreements covering these projects, providing for full repayment of costs from customers, must be in place. Through December 31, 1999, $102.7 million has been expended.

The Authority has also negotiated modifications to existing power sales arrangements with 81 business customers served by power and energy from the Authority's JAF plant, as augmented by other Authority resources, which would extend the customers' purchases of Authority power and energy to either 2005 or 2007 and under which the Authority would provide the customers with rate discounts and other compensation and would forgo certain rate adjustments rights over the term of the agreements. These agreements would encompass approximately 337 megawatts of JAF power and accounted in 1999 for an estimated $85 million in annual revenues. (See Note B for discussion of the divestiture of nuclear plants.)

The revenues from these SENY and business customers were approximately 45 percent of the Authority's 1999 Operating Revenues (excluding wheeling charges).

(4) Power for Jobs

On July 29, 1997, State legislation was enacted into law that created the Power for Jobs Program (the Program) to make available low-cost electric power to businesses, small businesses and not-for-profit corporations. Under the Program, as amended by legislation enacted into law on July 15, 1998, the New York State Economic Development Power Allocation Board (EDPAB) recommends to the Authority's Trustees allocations to eligible recipients of

power from the Authority's JAF nuclear power plant and of power purchased by the Authority. A total of 450 megawatts (mw) of power (as amended, 267 mw, 133 mw and 50 mw for the first (1998), second (1999) and third (2000) year of the Program, respectively) will be allocated under the Program, and not less than 225 mw of the 450 mw will be obtained from a competitive procurement process. The 450 mw includes 100 mw allocated for small businesses and not-for-profit corporations. The Program power is sold to eligible recipients at a rate that is an amalgamation of the rate for JAF power and the cost of the competitive procurement power, plus a charge for the transmission of such power. Pursuant to the Program legislation, the Authority is authorized, as deemed feasible and advisable by the Authority's Trustees, to utilize any revenues from the sale of Program power from JAF in excess of the amount of revenues obtained from sale of such power in 1996 to make a voluntary contribution to the State Treasury. There were no such revenues available for consideration in 1999.

The Program has been oversubscribed to date and the Governor has proposed an expansion of the Program.

See Note B for discussion of the divestiture of the Authority's nuclear plants and the PPA with Entergy. Power purchased from JAF will continue to be utilized in this Program along with power purchased in the marketplace.

(5) Natural Gas Contract

The Authority has entered into a long-term contract with Enron North America Corp. (Enron) under which it is obligated to purchase approximately 10.75 billion cubic feet of natural gas annually until April 30, 2014, or pay a penalty on the unused volumes. Based on minimum purchase obligations in the contract, the Authority estimates that it will pay an average annual amount for gas purchased under the contract of approximately $39.7 million during the term of the agreement. Under the agreement, the price paid for gas by the Authority would be market-based, with a 10 percent demand charge to be paid on the 90 percent "take-or-pay" quantity and, until December 31, 2002, with a "floor" imposed on the price, which floor escalates 3.5 percent each year. The floor exceeded the market price of natural gas as of December 31, 1999. Given the terms of the Enron contract and the capacity supply agreement for the Authority's Richard M. Flynn combined-cycle generating plant (Flynn) [see (8) Long Island Matters below], there is no assurance that in any given year payments to the Authority under such capacity supply agreement in compensation for Enron gas costs will fully compensate the Authority for payments for such gas under the Enron contract.

(6) Legal and Related Matters

a. The eight municipalities that are the plaintiffs in Village of Bergen v. Power Authority object to the Authority's apportionment of indirect overhead costs in determining rates charged for service provided from the Authority's hydroelectric facilities. These municipalities claim that the Authority's apportionment methodology resulted in overcharges from May 1, 1992. On March 17, 2000 an order was issued requiring refunds to plaintiffs on preference power purchased through May 1999. The Authority plans to appeal this ruling. Based upon the case's progress, an estimated loss provision has been accrued.

b. Several groups of Mohawk Indians have filed lawsuits against the State, the Governor of the State, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority and others, claiming ownership to certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil islands. These islands are within the boundary of the St. Lawrence-FDR project. Settlement discussions, which were held periodically between 1992 and 1998, have now been discontinued. In the meantime, the Federal Government has intervened on behalf of the Mohawk Indians and the parties await a decision on the defendants' motion to dismiss.

There are actions, proceedings and matters pending before Federal and State courts and agencies involving certain Authority projects, the title to land occupied by such projects (including that discussed above) and rates for the sale of power that may result in impeding the operations of such projects and may require the Authority to incur substantial additional costs or revenue reductions.

While the ultimate outcome of these matters is not presently determinable, the Authority's General Counsel believes that the Authority has meritorious positions, which have been or will be asserted in these matters.

(7) Nuclear Liability Insurance

Under provisions of the Federal Price-Anderson Act, the overall maximum public liability for a single nuclear incident is limited to approximately $9.5 billion. Coverage for the first $200 million of such liability is provided by private insurance. In the event that public liability from an insured nuclear incident were to exceed $200 million, the Authority would be subject to a pro rata assessment of up to $88.1 million, in addition to inflation adjustments thereon, for each reactor owned, with a yearly assessment no greater than $10 million per incident per reactor owned.

In addition to the liability insurance required by the Federal Price-Anderson Act, the NRC requires each licensee to carry decontamination liability and excess property damage insurance in the aggregate minimum amount of at least $1.06 billion for each reactor site. The Authority has such coverage in force. In the event there is a covered loss at any of the member groups' (i.e., owners of domestic nuclear power plants who are also covered by the insurance companies that insure the Authority) nuclear facilities, the Authority could be subject to retrospective premium assessments for both its reactors during any one policy year, based on a multiple of the annual premium. As of December 31, 1999, the Authority could be liable for a maximum assessment of approximately $14.8 million during any one policy year. (See Note B for discussion of the divestiture of the nuclear plants.)

(8) Long Island Matters

The Authority entered into contracts with LILCO for the provision to LILCO of electricity from its Flynn plant and of transmission service from its Long Island Sound Cable (LISC). During 1998, the Long Island Power Authority acquired LILCO's transmission and distribution system through the acquisition of the system by its wholly-owned subsidiary (herein such subsidiary is referred to as LIPA). By operation of the acquisition, LIPA is obligated under the contracts for the Flynn plant and the LISC. LIPA is the sole customer under the Flynn plant agreement, and utilizes the bulk of the LISC's transmission capacity under the LISC agreement. Revenues from these agreements represented $67.3 million of the Authority's 1999 operating revenues. The net book values of these facilities at December 31, 1999, were $127.1 million for the Flynn plant and $222.3 million for the LISC.

(9) Low-Level Radioactive Waste

The Federal Low-Level Radioactive Waste Policy Act, as amended in 1985, requires states to join compacts or to individually develop their own low-level radioactive waste disposal site. In response to the Federal law, the State had decided to develop its own site because of the large volume of such waste generated in New York and had committed to develop a plan for the management of the low-level radioactive waste in New York State during the interim period until the disposal facility was available. To support this effort, New York State utilities, including the Authority, have been required to make cost contributions since 1986. The State expected the disposal facility would begin operation in 2001. In December 1998, the Authority wrote off its related cost contributions of $23.6 million. It does not appear likely that a New York disposal facility will be available in the foreseeable future.

The Authority currently ships the low-level radioactive waste generated at its two nuclear power plant sites to a disposal facility in Barnwell, South Carolina. During the period July 1, 1994, to June 30, 1995, the legislature of South Carolina denied access to the facility to out-of-region low-level radioactive waste generators, including New York State. The Authority cannot predict whether the Barnwell facility will be closed again to out-of-region low-level radioactive waste generators at some future date before the New York State disposal facility becomes available. (See Note B for discussion of the divestiture of the nuclear plants.)

(10) Construction Contracts

Estimated costs to be incurred on outstanding contracts in connection with the Authority's construction programs aggregated approximately $60 million at December 31, 1999

Note N - Hedging

The Authority's Trustees have authorized the Authority's staff to enter into various fuel, electric and interest-rate hedging contracts that are considered derivatives under GASB Technical Bulletin 94-1. The use of hedging will allow the Authority to fix prices over time and effectively reduce its exposure to price volatility.

Gains and losses on, as well as the cost of, hedging instruments and the related losses and gains on the item being hedged will be reflected in the Statement of Net Revenues (e.g., the cost of fuel) and in the Balance Sheet item as an increase or decrease in value (e.g., fuels inventory). In a perfect hedge, a gain on a hedging instrument will be offset by a loss in the item being hedged, and vice versa. In such a case, there would be no effect on earnings.

During 1999, the Authority sold an interest-rate-swap option (swaption) with the objective of hedging the cost of its commercial paper. Subsequently, the swaption was exercised by the buyer and the Authority was obligated to make payments based on a nominal principal amount and a fixed interest rate; and was entitled to receive a payment based on a nominal principal amount and a floating interest rate. On October 1, 1999, the Authority exercised its right of cancellation under the swap and recognized a gain of $4.5 million.

During 1999 and 1998, fuel hedging transactions resulted in an additional cost of $3.1 million and $5.7 million, respectively, primarily related to hedges against price volatility in 1999 and increases in prices in 1998. These costs, for the most part, were offset by gains resulting from the physical purchases of the fuels.

In addition, during 1998, the Authority entered into forward interest rate swap agreements to fix current rates on long-term obligations expected to be issued to refinance (a) $499.4 million of Series B Bonds required to be redeemed in the years 2001 and 2002 and (b) $272.7 million of Commercial Paper (Series 4) expected to be refinanced in 2000. Based on these swap agreements, the Authority owes interest calculated at fixed rates (4.7 percent to 5.1 percent) to the counterparties. In return, the counterparties owe interest to the Authority based on rates that match those required by the long-term obligations. The termination of these swap agreements at December 31, 1999 would have required the counterparties to pay approximately $18.8 million to the Authority.

KEY TO ABBREVIATIONS

A-C

Act - Power Authority Act

Authority - Power Authority of the State of New York or New York Power Authority

B-G -Blenheim-Gilboa Pumped Storage Power Project

CAS Projects Funds - Clean Air for Schools Projects Funds

Con Ed - Consolidated Edison Company of New York, Inc.

CP - Commercial Paper

D-H

DOE - U.S. Department of Energy

EDPAB - New York State Economic Development Power Allocation Board

Energy Act - Energy Policy Act of 1992

Entergy - as used herein refers to Entergy Nuclear FitzPatrick, LLC and Entergy Nuclear Indian Point 3, LLC, which are subsidiaries of Entergy Nuclear Inc.

FAS - Financial Accounting Standards

FASB - Financial Accounting Standards Board

FERC - Federal Energy Regulatory Commission

Flynn - Richard M. Flynn Power Plant

GAAP - Generally Accepted Accounting Principles

GAS - Governmental Accounting Standards

GASB - Governmental Accounting Standards Board

I-L

IP3 - Indian Point 3 Nuclear Power Plant

IRS - U.S. Internal Revenue Service

ISO - Independent System Operator

JAF - James A. FitzPatrick Nuclear Power Plant

KW - Kilowatt: 1,000 watts

KWh - Kilowatt-hour: a unit of electrical energy equal to one kilowatt of power supplied or taken from an electric circuit steadily for one hour. A kilowatt-hour is the amount of electrical energy necessary to light ten 100-watt light bulbs for one hour.

LIBOR - London Interbank Offered Rate

LILCO - Long Island Lighting Company

LIPA - Subsidiary of Long Island Power Authority used to acquire the transmission and distribution system of LILCO.

LISC - Long Island Sound Cable transmission facility

M-O

MDC - Maximum Dependable Capability

NERC - Northeast Electric Reliability Council

NIMO - Niagara Mohawk Power Corporation

NRC - U.S. Nuclear Regulatory Commission

NYISO - New York Independent System Operator

NYPA - New York Power Authority

NYPP - New York Power Pool

NYPP Member Systems - Eight Member Systems were: the six New York State investor-owned electric utilities, LIPA and NYPA.

NYSEG - New York State Electric & Gas Corporation

O&M - Operations and Maintenance

P-Z

P&SA - Purchase and Sale Agreement

POCR Funds- Petroleum Overcharge Restitution Funds

Poletti - Charles Poletti Power Project

PPA - Power Purchase Agreement

PSC - New York State Public Service Commission

RG&E - Rochester Gas and Electric Corporation

SENY - Southeastern New York

State - State of New York

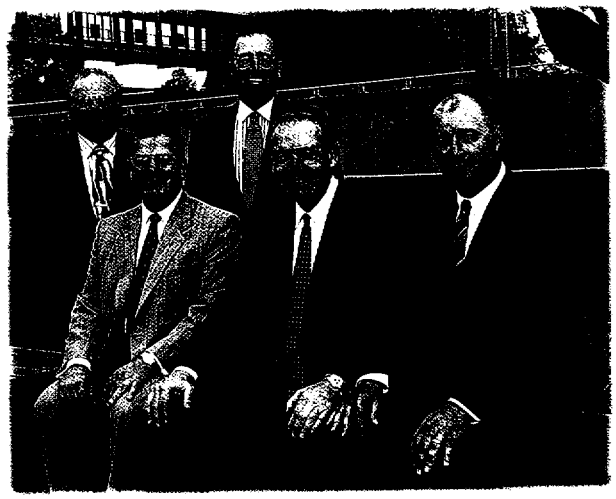
Y2K - Year 2000

NYPA's Mission Statement

Affordable and reliable energy is one of the cornerstones of New York's economic renaissance. NYPA has the resources and talent to play a leadership role in meeting the challenges presented by our changing industry.

- We will retain and create jobs in New York State by:
  - Facilitating the transition to competitive energy costs,
  - Reducing the cost of energy to business, to government and to consumers throughout the state,
  - Delivering essential utility services that others can't or won't provide as well as we do,
  - Promoting the development and use of electric transportation and other energy-related innovative technologies.
- Our total commitment to performance excellence will prove us to be "best of class" in key areas of our operation. This will ensure we preserve our bedrock financial strength and achieve true customer satisfaction and loyalty.
- We recognize that a talented, skilled and motivated work force, committed to the highest standards of integrity, is an essential factor in meeting our goals.
- Our stewardship of our hydroelectric, nuclear and fossil generating assets and our transmission facilities will help assure a robust, diverse and economically beneficial energy mix in New York State.
- NYPA will achieve these goals consistent with our commitment to the environment.
- We all are absolutely committed to change the way we think, act, measure ourselves and execute our business to produce these positive results.

Our customers and the people of New York State will be the beneficiaries of all that we accomplish.



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