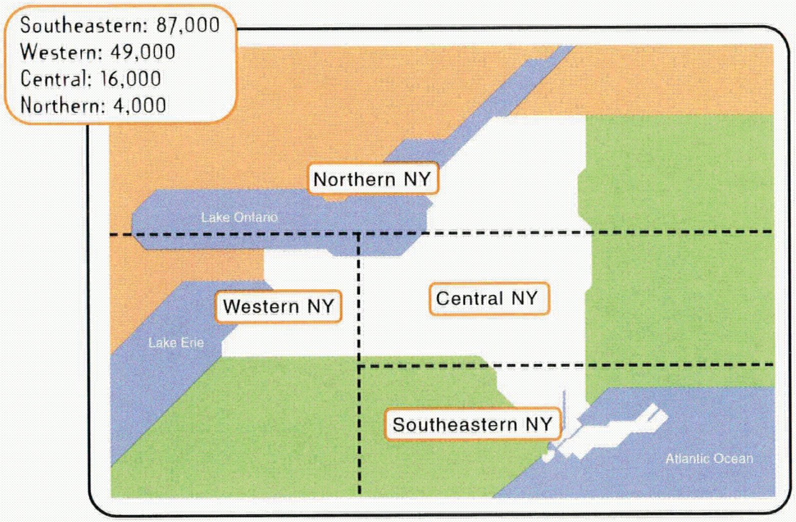
Customers at a Glance

The companies and government entities profiled in the preceding pages are part of an array of Power Authority customers as diverse as New York's geography and population.

The major categories:

Business and Industrial

- 204 businesses in activities ranging from heavy manufacturing to financial services
- Allocations of 1.6 million kilowatts (kw) support more than 150,000 jobs statewide
- Businesses include:
  - 11 Fortune 100 companies such as General Motors, DuPont, Motorola and Chase Manhattan
  - 15 other Fortune 500 companies such as Aluminum Company of America (ALCOA), General Mills, Reynolds Metals and Bethlehem Steel
  - 165 manufacturing companies, including Dunlop Tire, Encore Paper, Syracuse China and Westwood Squibb. Among the products:
    - Primary or fabricated metals—39 companies
    - Chemicals or pharmaceuticals —23 companies
    - Food or related products—19 companies
    - Paper—13 companies
    - Industrial machinery or computers—12 companies
    - Rubber or plastic—9 companies
- Non-manufacturing companies such as Cold Spring Harbor Laboratory, Computer Associates, Smith Barney, The New York Times and ABC, CBS and NBC. Activities include:
  - Data processing, scientific research and other services—13 compani
  - Wholesale or retail sales—12 companies
  - Finance, insurance or real estate—11 companies



Number of Jobs Supported by NYPA Power by Region

Government Agencies and Public Systems

- 110 government entities in New York City and Westchester County, including:
  - New York City government
  - Metropolitan Transportation Authority
  - Port Authority of New York and New Jersey
  - New York City Housing Authority
  - Westchester County government
  - Most Westchester municipalities, school districts and other public entities
- The 47 municipal and four rural cooperative electric systems in New York State
- Municipal utility service agencies in New York City and Nassau, Suffolk and Westchester counties
- Other public customers, including Brookhaven National Laboratory, St. Lawrence Seaway Development Corporation, Niagara Frontier Transportation Authority and New York State Office of Parks, Recreation and Historic Preservation
- Public agencies in seven neighboring states—Connecticut, Massachusetts, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont—as required by federal law and licenses

Investor-Owned Utilities

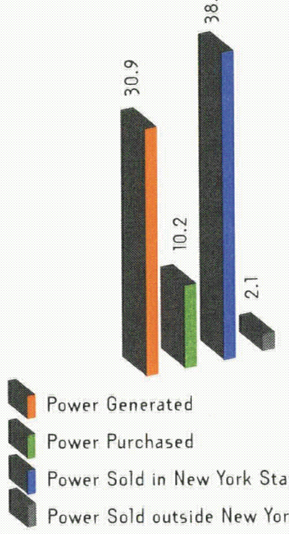
- The state's seven investor-owned utilities, which buy NYPA electricity for resale—without profit—to their customers

low-cost Power Authority electricity continued to fuel the state's economic growth in 1995

Electricity Sales Total 40.5 Billion Kilowatt-hours

The Power Authority supplied 25 percent of New York State's electricity in 1995 with sales of 40.5 billion kilowatt-hours (kwh), including energy purchased from other sources. Hydropower generation of 20.5 billion kwh accounted for 66 percent of NYPA's output of 30.9 billion kwh; nuclear power, 6.3 billion kwh, or 20 percent; and natural gas and oil, 4.2 billion kwh, or 14 percent.

1995 Generation and Sales
(Billions of kwh)



[1] The Power Authority sells electricity to neighboring states, as required by federal law and licenses, and Canada.

Rappleyea Named Chairman, CEO

In June, Governor George E. Pataki nominated Clarence D. "Rapp" Rappleyea to serve on the NYPA Board of Trustees. Rappleyea was confirmed as a trustee by the state Senate on June 29. He was elected the Power Authority's 11th chairman on July 25 by the NYPA board, which also named him chief executive officer.

"Assemblyman Rappleyea's leadership skills, competitive instincts and commitment to the economic resurgence of New York State offer the qualities NYPA needs," Governor Pataki said. Rappleyea, a Norwich resident, had served as a member of the state Assembly since 1973. He had been minority leader since 1983.

Rappleyea succeeded Thomas G. Young as chairman and S. David Freeman as chief executive officer.

Also in July, the trustees appointed Robert G. Schoenberger to succeed Freeman as the Power Authority's president and retained Schoenberger as chief operating officer.

In December, Louis P. Ciminelli, a Buffalo businessman, joined the board, succeeding John B. Daly, who resigned from the post he had held since July to devote more time to his duties as state commissioner of transportation.

New Allocations Linked to Jobs

As part of the Pataki Administration's efforts to rebuild New York's economy, the Power Authority authorized the allocation of 46,000 kilowatts (kw) of low-cost electricity to 38 companies across the state in return for commitments by the companies to create or retain more than 12,000 jobs. The number of jobs supported by low-cost NYPA power was more than 150,000 by year's end.

Government Customers Sign Extended Contracts

The Power Authority reached long-term power supply agreements in 1995 with the New York City government and most of its other public customers in the City and Westchester County. The contract extensions will freeze the customers' energy costs into the next century while providing a secure market for the Authority's electricity. NYPA will carry out initiatives geared to the customers' needs in areas such as economic development, energy efficiency and electric transportation. Those signing new contracts included the City Housing Authority, the Metropolitan Transportation Authority, the Port Authority of New York and New Jersey, the Westchester County government and most of Westchester's municipalities, school districts and other public entities.

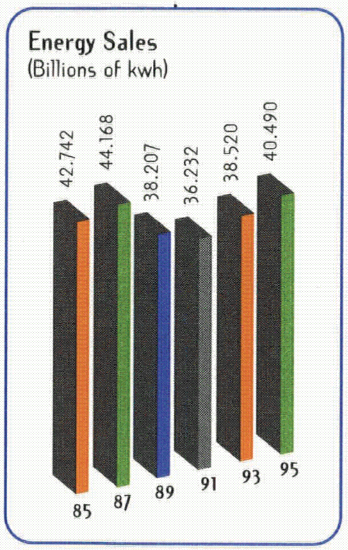
relicensing efforts for the St intensified, with NYPA holding loca environmental studies

Niagara Upgrade Boosts Capacity

NYPA continued to upgrade the 13 turbine-generators at the Niagara Power Project's Robert Moses Niagara Power Plant in Lewiston, completing work on a second unit and beginning on a third. The $293 million program will boost the capacity of each unit to 200,000 kw from 175,000 kw. The other units are scheduled to be upgraded at a rate of about one a year through 2005.

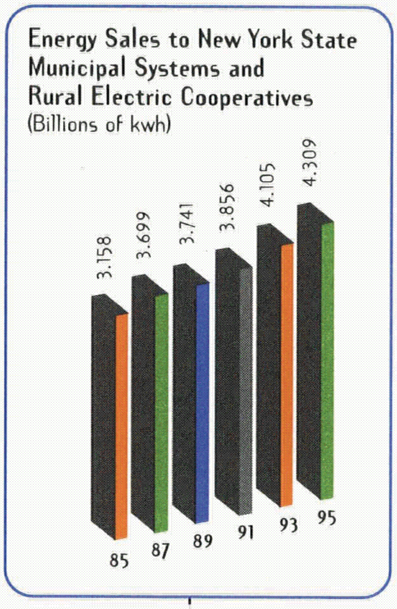
FitzPatrick Marks 20th Anniversary

NYPA on July 28 celebrated 20 years of commercial operation at its James A. FitzPatrick Nuclear Power Plant in Scriba, Oswego County. The plant, which has produced more than 88 billion kwh since 1975, was available to generate power 72 percent of the time and achieved 69 percent of its maximum dependable production during 1995.



Limited Operation at Indian Point 3

The Indian Point 3 Nuclear Power Plant in Buchanan, Westchester County, resumed operation in July after being out of service for 28 months to address equipment and performance issues. Indian Point 3 operated through the summer period of peak electricity use but was removed from service in mid-September to repair a system that cools the main electric generator. The outage was extended beyond the end of the year to perform other maintenance work and upgrade procedures.



St. Lawrence-FDR Relicensing Efforts Advance

Relicensing efforts for the St. Lawrence-FDR Power Project in Massena intensified, with NYPA holding local meetings during the year to provide information about the regulatory process and encourage public participation. Studies began on a broad range of environmental issues involving fish, wildlife, water quality, land management and other areas. St. Lawrence-FDR's federal license expires in 2003.

Lawrence-FDR Power Project public meetings and launching

Land Improvements Begin

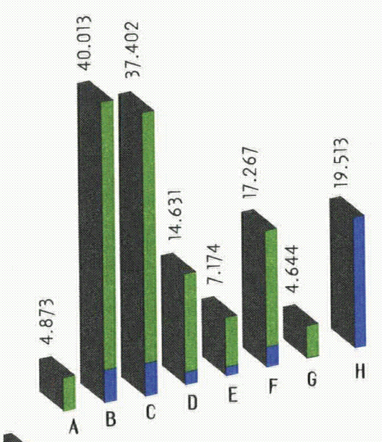
The Power Authority completed the first projects, in the towns of Lisbon and Waddington, in its $1 million program to expand recreational opportunities on surplus lands that it will retain at St. Lawrence-FDR. Guidelines for use of this property and for 930 acres that the Authority will transfer without charge to the two communities and to the towns of Louisville and Massena were included in an Interagency Task Force report approved by NYPA trustees. The land to be released to the towns is earmarked for private development and return to the tax rolls.

Also in Northern New York, two NYPA-financed studies demonstrated the potential feasibility and economic benefits of a proposed aquarium and ecological center in Massena.

Energy Efficiency Registers Gains

The Power Authority increased funding by $75 million for energy efficiency programs in 1995, raising the total to $400 million. As part of its nationally recognized High Efficiency Lighting Program (HELP) for public facilities, NYPA completed 32 installations and started 70 others during the year. The Authority also conducted about 2,500 home energy audits and weatherized about 250 homes in 10 municipal and rural cooperative areas under its Watt Busters program.

1995 New York Utilities[1] Total Sales and Power Authority Sales to Utilities
(Billions of kwh)



Utility's total sales[1]
Authority sales to utility[2]

A Central Hudson
B Con Edison
C Niagara Mohawk
D New York State Electric & Gas
E Rochester Gas and Electric
F Long Island Lighting Company
G Orange and Rockland
H Total Authority Sales

[1] Power Authority sales totaled 19.513 billion kwh, which excluded .467 billion sold through the New York Power Pool for supply to the utilities as needed.

[2] Includes .010 billion kwh associated with sales to reallocated expansion power customers.

Electric Vehicle Program Rolls On

As part of a program to demonstrate the practicality of battery-powered vehicles, the Authority inaugurated electric transit services for commuters to Westchester County, shoppers in White Plains and college students on Staten Island. In Westchester, NYPA co-funded electric station cars for rail commuters to IBM facilities and an electric "shoppers' shuttle" bus in White Plains. Another shuttle bus began operation at the City University of New York's Staten Island College. Overall, NYPA had supplied 45 electric vehicles through the end of 1995.

Solar Unit Among World's Largest

One of the world's largest rooftop solar-electric systems, installed by the Power Authority at the New York City Transit Authority's Gun Hill Bus Depot in the Bronx, was nearing completion by year's end, with the start of operation expected in the spring of 1996. The 300-kw photovoltaic system, the size of four football fields, consists of 1,380 solar panels that convert sunlight directly into electricity. An 18-kw NYPA-built photovoltaic system began operation in 1995 atop the Tuckahoe Library-Community Center in Westchester County.

Power Authority 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
1995 Net Generation: 6.5 billion kwh
Net Generation Through 1995: 252.2 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
1995 Net Generation: 14.6 billion kwh
Net Generation Through 1995: 516.7 billion kwh

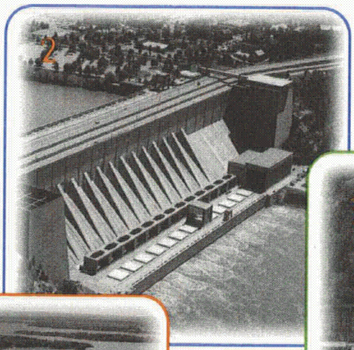
3. Blenheim-Gilboa Pumped Storage Power Project
Location: Blenheim and Gilboa, southwest of Albany, in Schoharie County
Net Dependable Capability: 1,040,000 kw
First Commercial Power: July 1973
1995 Gross Generation: 1.6 billion kwh
Gross Generation Through 1995: 33.9 billion kwh

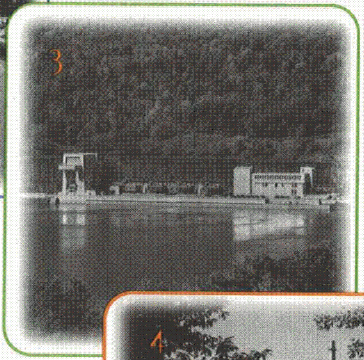
4. James A. FitzPatrick Nuclear Power Plant
Location: Scriba, on Lake Ontario, Oswego County
Net Dependable Capability: 800,000 kw
First Commercial Power: July 1975
1995 Net Generation: 4.8 billion kwh
Net Generation Through 1995: 88.4 billion kwh

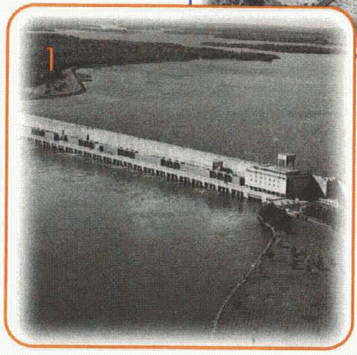
5. Indian Point 3 Nuclear Power Plant
Location: Buchanan, on the Hudson River, Westchester County
Net Dependable Capability: 980,000 kw
First Commercial Power: August 1976
1995 Net Generation: 1.5 billion kwh
Net Generation Through 1995: 79.1 billion kwh

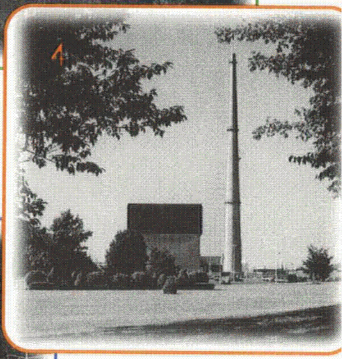
6. Charles Poletti Power Project
Type: Gas/Oil
Location: New York City, on the East River
Net Dependable Capability: 825,000 kw
First Commercial Power: March 1977
1995 Net Generation: 3.0 billion kwh
Net Generation Through 1995: 45.9 billion kwh

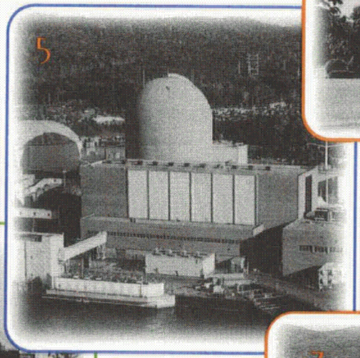
7. Ashokan Project
Type: Hydroelectric
Location: Ashokan Reservoir, in Olive, Ulster County
Net Dependable Capability: 3,300 kw
First Commercial Power: November 1982
1995 Net Generation: 19.9 million kwh
Net Generation Through 1995: 281.5 million kwh

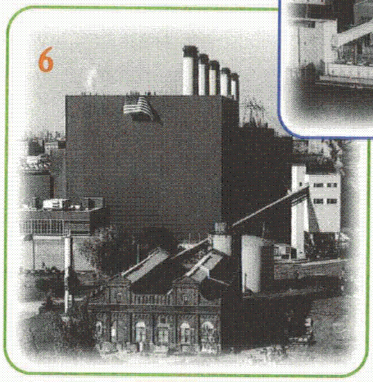


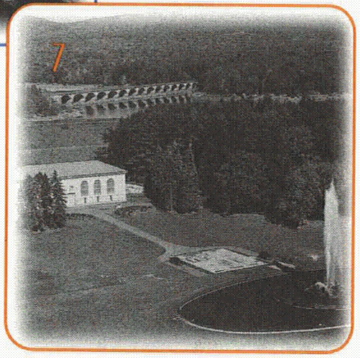






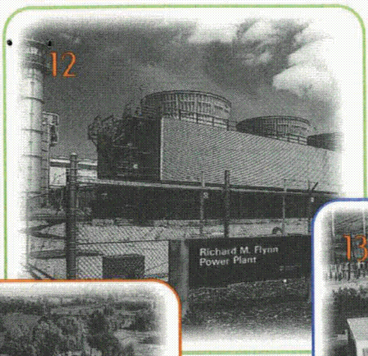


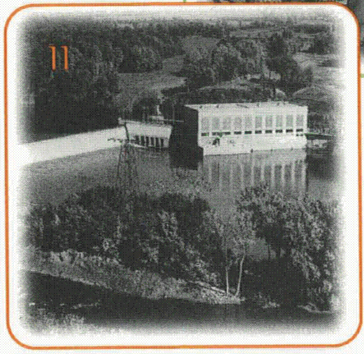


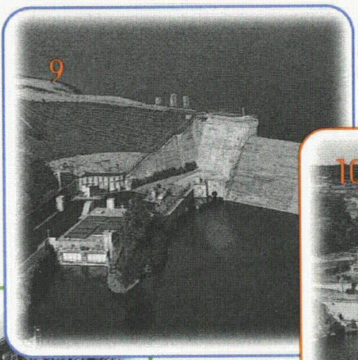


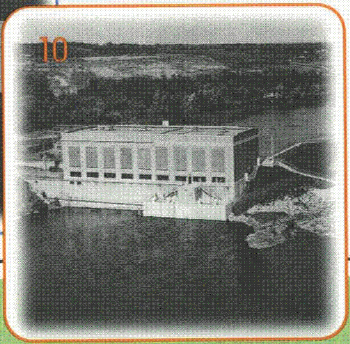
8. Kensico Project
Type: Hydroelectric
Location: Kensico Reservoir, in Valhalla, Westchester County
Net Dependable Capability: 2,400 kw
First Commercial Power: July 1983
1995 Net Generation: 9.0 million kwh
Net Generation Through 1995: 165.2 million kwh

9. Gregory B. Jarvis Plant
Type: Hydroelectric
Location: Hinckley Dam and Reservoir, north of Utica, Oneida County
Net Dependable Capability: 4,000 kw
First Commercial Power: July 1991
1995 Net Generation: 27.5 million kwh
Net Generation Through 1995: 134.1 million kwh







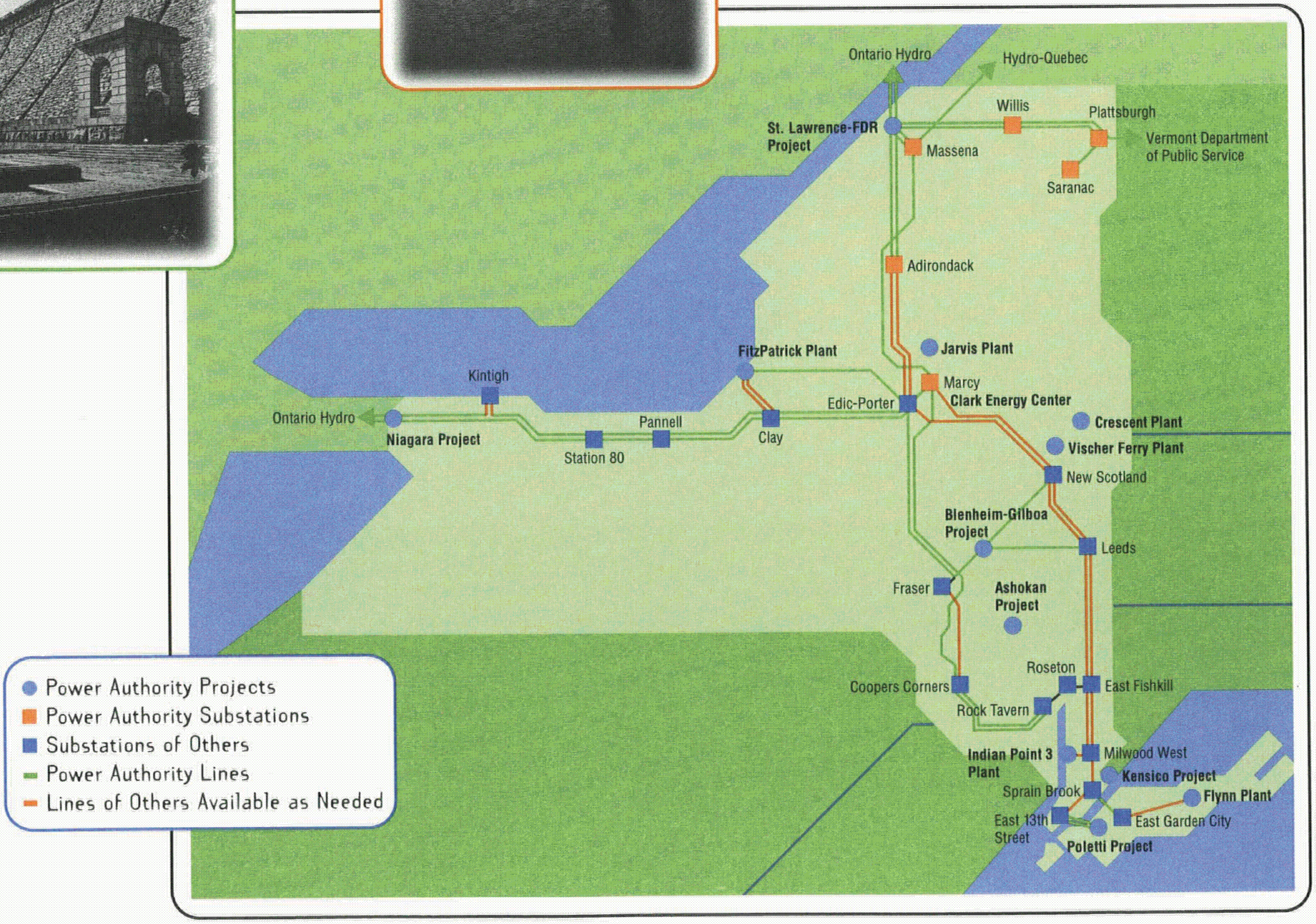


10. Crescent Plant
Type: Hydroelectric
Location: Mohawk River, north of Albany,
in Albany and Saratoga counties
Net Dependable Capability: 9,948 kw
First Commercial Power: July 1991
1995 Net Generation: 42.8 million kwh
Net Generation Through 1995: 215.8 million kwh

11. Vischer Ferry Plant
Type: Hydroelectric
Location: Mohawk River, north of Albany,
in Saratoga and Schenectady counties
Net Dependable Capability: 9,948 kw
First Commercial Power: July 1991
1995 Net Generation: 39.4 million kwh
Net Generation Through 1995: 209.0 million kwh

12. Richard M. Flynn Power Plant
Type: Gas/Oil
Location: Holtsville, Suffolk County
Net Dependable Capability: 135,600 kw
First Commercial Power: May 1994
1995 Net Generation: 1.2 billion kwh
Net Generation Through 1995: 1.9 billion kwh

13. Frederick R. Clark Energy Center
Function: Coordinates NYPA system operations
Location: Marcy, north of Utica,
Oneida County
Opened: June 1980



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 the Authority 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 the internal control system and reports findings and recommends possible improvements to management. In addition, as part of its audit of NYPA's financial statements, Coopers & Lybrand L.L.P., the Authority's independent accountants, considers the internal control structure in determining the nature, timing and extent of audit procedures to be applied. Management has considered the recommendations of the internal auditors and Coopers & Lybrand L.L.P. 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, 1995, the Authority'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.

Robert L. Tscherne
Senior Vice President - Business Services

Financial Highlights

Results of Operations

Results of operations for 1995 reflect a net revenue deficiency of $42.9 million before extraordinary items and $48.4 million after extraordinary items. Operating revenues for the year were $1.413 billion, including $1.039 billion in power sales and $374 million in revenues from transmission and wheeling services. Sales increased 5.2 percent to 40.5 billion kwh in 1995 from 38.5 billion kwh in 1994. Rate stabilization agreements entered into with Southeast New York (SENY) customers during 1995 are expected to be a major factor in maintaining the Authority's revenue base in future years. Operating expenses for the year were $1.356 billion, primarily consisting of the cost of operations and maintenance ($600 million), nuclear and fossil fuel consumed ($158 million) and purchased power ($191 million). Approximately $13 million in cost reductions were realized in 1995 as a result of the continuing implementation of cost-containment measures, including the elimination of staff positions, contractor reduction and more efficient operations. However, operating expenses in total were higher than anticipated primarily due to extended outages at the Authority's Indian Point 3 Nuclear Power Plant (IP3).

Non-operating items include interest and other deductions of $195 million, partially offset by investment and other income of $96 million. In order to achieve debt service savings, the Authority defeased $252 million of Series V Bonds and retired $69 million of Series CC Bonds in advance of their scheduled maturities. These transactions resulted in net extraordinary charges that increased the 1995 net revenue deficiency by $5.5 million.

Financial Condition

Net assets (accumulated net revenues employed in the business) increased by $12 million to $1.414 billion at December 31, 1995. This increase includes $60.3 million in net unrealized holding gains on investment securities, substantially offset by the aforementioned net revenue deficiency of $48.4 million. The early retirements and defeasance of bonds had a significant impact on the balance sheet. Decreases in operating ($235.8 million) and general fund ($136.1 million) balances were substantially offset by a decrease in general purpose bonds outstanding ($410.4 million). The IP3 outage also contributed to the 1995 decrease in the operating fund balance. IP3 was expected to return to service in March 1996, with a significant positive impact on net revenues, liquidity and available capital resources.

Balance Sheet
December 31, 1995

(In Thousands)

Assets			
Utility Plant	Electric plant in service		$5,088,363
	Less accumulated depreciation		1,866,964
			3,221,399
	Construction work in progress		201,798
	Nuclear fuel less accumulated amortization of $200,454		153,139
	Net utility plant		3,576,336
Restricted Funds	Cash	$ 752	
	Investment in securities, at fair value	387,299	
	Investment in nuclear decommissioning trust fund, at fair value (Note J)	415,342	
	Escrow deposit–Series Z Bonds (Note G)	54,288	857,681
Construction Funds	Cash	151	
	Investment in securities, at fair value	200,630	
	Interest receivable on investments	2,022	202,803
Current Assets	Cash	1,972	
	Investment in securities, at fair value	263,374	
	Interest receivable on investments	14,666	
	Receivables–customers	138,087	
	Materials and supplies, at average cost:		
	Plant and general	71,494	
	Fuel	8,164	
	Prepayments and other	23,126	520,883
Other Non-current Assets	Preliminary investigations	22,675	
	Unamortized debt expense	22,623	
	Deferred charges, long-term receivables and other	208,445	253,743
	Total Assets		$5,411,446
Liabilities and Capitalization			
Capitalization	Long-term debt (Notes C, F and G):		
	General purpose bonds		$2,662,637
	Adjustable rate tender notes		200,000
			2,862,637
	Accumulated net revenues employed in the business:		
	Accumulated net revenues	$1,395,487	
	Unrealized holding gains (losses) on investment securities (Note D)	18,635	1,414,122
	Total Capitalization		4,276,759
Current Liabilities	Long-term debt due within one year	79,950	
	Short-term debt (Note H)	178,971	
	Accounts payable and accrued liabilities	178,033	436,954
Other Non-current Liabilities	Nuclear fuel disposal and decommissioning (Notes I and J)	529,543	
	Deferred revenues and other	168,190	697,733
Commitments and Contingencies (Note K)			
	Total Liabilities and Capitalization		$5,411,446

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

Statements of Net Revenues and Accumulated Net Revenues Employed in the Business

Year Ended December 31, 1995

(In Thousands)

Statement of Net Revenues		
Operating Revenues	Power sales	$1,039,400
	Transmission charges	104,029
	Wheeling charges	269,262
	Total Operating Revenues	1,412,691
Operating Expenses	Operations	466,108
	Nuclear fuel	43,184
	Fuel oil and gas	115,131
	Purchased power–Hydro-Québec	114,591
	–Other	76,314
	Maintenance	134,315
	Wheeling	269,262
	Depreciation	137,278
	Total Operating Expenses	1,356,183
	Net Operating Revenues	56,508
Other Income	Investment income	92,684
	Other	3,228
	Total Other Income	95,912
Other Deductions	Interest on long-term debt	186,554
	Interest–other	7,589
	Interest capitalized	(5,583)
	Amortization of debt discount and expense	6,761
	Total Other Deductions	195,321
	Revenues deficiency, net before extraordinary items	(42,901)
	Bond retirements at less than principal amount (Note G)	7,605
	Loss on bond defeasance (Note F)	(13,158)
	Net Revenues Deficiency	$ (48,454)
Statement of Accumulated Net Revenues Employed in the Business		
	Accumulated Net Revenues Employed in the Business at January 1, 1995	$1,443,941
	Adjustments to January 1, 1995, Balance:	
	Unrealized holding gains (losses) on investment securities held in the operating and general fund on January 1, 1995	(41,665)
	Accumulated net revenues employed in the business at January 1, 1995, as adjusted	1,402,276
	Net Revenues Deficiency	(48,454)
	Changes in unrealized holding gains and (losses) on investment securities held in the operating and general fund	60,300
	Accumulated Net Revenues Employed in the Business at December 31, 1995	$1,414,122

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

Statement of Cash Flows

Year Ended December 31, 1995

Increase (Decrease) in Cash

(In Thousands)

Cash Flows From Operating Activities	Received from customers for the sale of power, transmission, wheeling	$1,423,783
	Earnings received on investments	61,297
	Paid to suppliers and employees for:	
	Operations and maintenance	(533,342)
	Purchased power	(200,613)
	Fuel oil and gas	(109,518)
	Wheeling of power by other utilities	(268,835)
	Energy conservation program costs	(45,337)
	Reimbursement to N. Y. State for property tax transition payments (Note K[6])	(15,000)
	Interest paid (net of $5,583 capitalized)	(180,135)
	Net cash provided by operating activities	132,300
Cash Flows From Investing Activities	Earnings received on construction fund investments	11,918
	Earnings received on nuclear decommissioning trust fund	38,380
	Construction and acquisition of utility plant:	
	Gross additions to utility plant	(48,601)
	Gross additions to nuclear fuel	(10,450)
	Construction costs reimbursed by others	463
	Paid for preliminary investigations	(6,197)
	Paid to nuclear decommissioning trust fund	(152,696)
	Purchase of investment securities	(9,955,128)
	Sale of investment securities	10,411,031
	Net cash provided by investing activities	288,720
Cash Flows From Financing Activities	Sale of commercial paper	45,000
	Repayment of master notes	(46,344)
	Bond defeasance ($251,995 principal amount)	(271,225)
	Retirement of bonds ($158,835 principal amount)	(151,230)
	Net cash used in financing activities	(423,799)
	Net Decrease in Cash	(2,779)
	Cash, January 1, 1995	5,654
	Cash, December 31, 1995	$ 2,875

Reconciliation to Net Cash Provided by Operating Activities	Net Revenues Deficiency	$ (48,454)
	Adjustments to reconcile net revenues deficiency to net cash provided by operating activities:	
	Provision for depreciation	137,278
	Amortization of nuclear fuel	26,095
	Provision for spent fuel disposal and nuclear plant decommissioning	96,881
	Amortization of deferred revenues	(8,732)
	Amortization of debt discount and expenses	6,761
	Preliminary investigations expensed	6,740
	DOE decommissioning and decontamination costs charged to expense	3,761
	Energy conservation program payments received from plan participants	22,301
	Net increase in prepayments and other	(3,008)
	Net decrease in receivables and inventory	9,902
	Net decrease in accounts payable and accrued liabilities	(23,328)
	Earnings received on nuclear decommissioning trust fund	(38,380)
	Deferred costs to be recovered from customers in future periods	(55,517)
	Net cash provided by operating activities	$ 132,300

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

Summary of Funds
(Cash Basis)
Year Ended December 31, 1995

(In Thousands)

	Revenue	Operating	Fuel Reserve Account	Projects' Study
Available Funds, January 1, 1995	$ 0	$ 523,132	$ 0	$ 6
Cash Receipts				
Sale of power, transmission and wheeling	1,398,774			
Earnings on investments	59,611			
Sale of commercial paper				
Administrative expenses reimbursed from other funds		3,514		
Construction costs reimbursed by others		463		
Other	2,708			
Total Receipts	1,461,093	3,977		
Total Available	1,461,093	527,109		6
Transfer of funds–revenue	(1,461,093)	736,151	119,968	6,191
–decommissioning				
–other				
	$ 0	1,263,260	119,968	6,197
Cash Disbursements				
Interest on bonds, notes and commercial paper				
Retirement of bonds ($158,835 principal amount)				
Bond defeasance ($251,995 principal amount)				
Repayment of notes				
Utility plant additions		6,619		
Nuclear fuel			10,450	
Fuel oil and gas			109,518	
Operations and maintenance		519,555		
Purchased power–Hydro-Québec		127,968		
–Others		72,645		
Wheeling		268,835		
Expenditures chargeable to other funds		9,549		
Preliminary investigations				6,197
Reimbursement to N. Y. State for property tax transition payments (Note K[6])				
Energy conservation program costs				
Administrative expenses reimbursed to the operating fund				
Other				
Total Disbursements		1,005,171	119,968	6,197
Available Funds, December 31, 1995		$ 258,089	$ 0	$ 0
Distributed as follows:				
Cash		$ 1,972		
Investments in securities, at cost		256,117		
		$ 258,089		
Investments in securities, at fair value		$ 263,374		

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

Restricted					
General Fund (Held by Trustee)					
Bond Service	Bond Reserve	General Reserve	Nuclear Decommissioning Trust (Note J)	Note Debt Service Reserve	Note Proceeds
$ 0	$377,420	$146,493	$252,993	$20,000	$ 48
			38,380		
		13,610			
		13,610	38,380		
	377,420	160,103	291,373	20,000	48
259,876	38,972	299,935			
		(114,316)	114,316		
44	(6,540)	209			2,025
259,920	409,852	345,931	405,689	20,000	2,073
169,956		13,707			2,055
81,620	67,310	2,300			
8,344	32,881	230,000			
		13,578			
		19,458			
		15,000			
		3,715			
		676			
		523			
259,920	100,191	298,957			2,055
$ 0	$309,661	$ 46,974	$405,689	$20,000	$ 18
	$ 601	$ 132		$ 1	$ 18
	309,060	46,842		19,999	
	$309,661	$ 46,974		$20,000	$ 18
	$321,147	$ 46,380	$415,342	$19,772	

(In Thousands)

	Indian Point 3 Project Improvement Fund No.1	Indian Point 3 Project Improvement Fund No.3
Available Funds, January 1, 1995	$ 9,905	$107,485
Cash Receipts		
Earnings on investments	432	7,868
Sale of commercial paper		
Energy conservation programs		
Total Receipts	432	7,868
Total Available	10,337	115,353
Transfer of funds—other		
	10,337	115,353
Cash Disbursements		
Repayment of notes		
Utility plant additions	572	330
Energy conservation program costs		
Administrative expenses reimbursed to the operating fund	6	79
Total Disbursements	578	409
Available Funds, December 31, 1995	$ 9,759	$114,944
Distributed as follows		
Cash	$ 3	$ 6
Investments in securities, at cost	9,756	114,938
	$ 9,759	$114,944
Investments in securities, at fair value	$ 9,715	$116,240

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

Construction						
J.A. FitzPatrick Project Improvement Fund						
No.2	No.3	Sound Cable Project	Energy Conservation	Holtsville	Facilities Improvement	Total
$13,965	$53,271	$ 54	$36,343	$4,049	$ 135	$225,207
833	2,661	2	1,686	122		13,604
			31,390			31,390
			22,301			22,301
833	2,661	2	55,377	122		67,295
14,798	55,932	56	91,720	4,171	135	292,502
		1,384			2,878	4,262
14,798	55,932	1,440	91,720	4,171	3,013	296,764
			32,766			32,766
709	9,901	1,434		1,095	2,900	16,941
			45,337			45,337
93	678		1,598	299	85	2,838
802	10,579	1,434	79,701	1,394	2,985	97,882
$13,996	$45,353	$ 6	$12,019	$2,777	$ 28	$198,882
$ 5	$ 87	$ 6	$ 14	$ 2	$ 28	$ 151
13,991	45,266		12,005	2,775		198,731
$13,996	$45,353	$ 6	$12,019	$2,777	$ 28	$198,882
$14,008	$45,879		$12,008	$2,780		$200,630

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 506 of the Laws of 1995.

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 investor-owned utilities and rural electric cooperatives located throughout the State, 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 private investors and pays related debt service principally 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. Under the criteria set forth in Governmental Accounting Standards Board Statement 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 - 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. The Authority complies with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Authority also complies with authoritative pronouncements applicable to non-governmental entities (i.e., Financial Accounting Standards Board statements) which 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 primarily 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 respective project prior to completion thereof. Borrowed funds for a specific construction project are deposited in a construction fund account. Earnings on fund investments are held in the fund to be used for construction purposes.

Earnings on unexpended borrowed funds are credited to the cost of the related project until completion of the 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 expenses, and renewals and betterments are capitalized. The cost of utility plant retired and the cost of removal less salvage (exclusive of nuclear plant decommissioning costs [see Note J]) are charged to accumulated depreciation.

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.

(3) Depreciation 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) Electric plant in service at December 31, 1995, and the related depreciation provision expressed as a percentage of average depreciable electric plant on an annual basis were:

Type of Plant	Electric Plant in Service	Average Depreciation Rate
Production:		
Steam	$ 437,474,000	3.2%
Nuclear	1,517,966,000	3.3%
Hydro	1,288,329,000	1.7%
Other	120,725,000	2.5%
Transmission	1,479,698,000	2.6%
General	244,171,000	4.8%
	$5,088,363,000	2.7%

(5) The amortization of nuclear fuel is provided on a unit-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 I). In addition, the Authority is providing for the decommissioning of its nuclear plants over their estimated useful lives (see Note J).

(6) Deferred revenues of $132,940,000 represent certain billings, related to the recovery of costs, that have been deferred and are being amortized over the life of the applicable asset.

The national Energy Policy Act of 1992 (Energy Act) provides, among other things, that utilities with nuclear reactors will collectively contribute a total of $150 million annually, based upon an assessment, for a period of 15 years, up to a total of $2.25 billion (in 1992 dollars), for the decommissioning and decontamination of the United States Department of Energy (DOE) nuclear fuel enrichment facilities. The Authority has a deferred charge of $20,981,000 pertaining to the aforementioned assessment, which will be recovered from customers in the future. As of December 31, 1995, the Authority's remaining liability to the DOE for its share of these costs amounted to $38,759,000.

At December 31, 1995, deferred charges also included $93,201,000 of energy conservation program costs and $18,029,000 of fixed gas costs in excess of current recoveries. These deferred costs will be recovered from customers in future periods.

Other non-current assets include $11,371,000 resulting from the Authority's prepayment to New York State Electric & Gas Corporation for the use of substation facilities related to the Authority's Marcy-South Transmission Line.

(7) Costs incurred by the Projects' Study Fund for preliminary investigations of a project are transferred to utility plant upon the specification of a project under the General Purpose Bond Resolution (Resolution) (see Note C). If the study does not result in a project, the costs are charged as an expense to net revenues in the period such determination is made.

(8) Debt discount and expense are amortized over the lives of the related debt issues on a straight-line basis.

(9) In accordance with the Resolution, upon completion or the latest estimated date of completion of each project, whichever is earlier, all revenues received from such project are required to be paid into the Revenue Fund.

(10) Funds required for all bond service payments due under the Resolution are payable on July 1 and January 1 and are made available to the Bond Trustee on the immediately preceding June 30 and December 31, by which dates such amounts are segregated for that purpose.

Accordingly, at December 31, 1995, no liability is reflected in the accompanying financial statements for bond service payments of $166,064,000 due on January 1, 1996.

(11) Revenues are recorded when billed. Customers' meters are read, and bills are rendered monthly. 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 Southeast New York governmental customers and three investor-owned utilities operating in New York State account for approximately 67 percent of the Authority's operating revenues. The aforementioned Southeast New York governmental customers have entered into long-term contracts with the Authority through December 31, 2004 (see Note K[2]).

Note C – General Purpose Bond Resolution

The Resolution, adopted on November 26, 1974, as amended and supplemented, covers all of the Authority's projects, which it defines as any project of the Authority directly or indirectly related to power generation or transmission, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest, authorized by the Act and specified in a supplemental resolution adopted at the time a series of bonds is authorized. Before bonds are issued for any new project, a prescribed earnings test must be met based on estimated revenues and operating expenses certified by an independent engineer. A Projects' Study Fund was established by the Resolution to finance preliminary efforts of the Authority to determine appropriate methods to fulfill its purposes under the Act.

The Authority has covenanted with bondholders that at all times rates and charges will be sufficient, together with other monies available therefor, to meet the financial requirements of the Resolution. Revenues from all completed projects of the Authority (after deductions for operating expenses, including necessary working capital reserves, and Projects' Study) are applied first to the payment of bond service (interest and principal installments due on outstanding bonds). Then a sum equal to 15 percent of the amount allocated to bond service is set aside in a bond reserve account, and any remaining revenues are deposited in a general reserve account. Amounts in the bond reserve account are to be used to meet any deficiency in the bond service account and, to the extent not required to make good any such deficiency, may, at the direction of the Authority, be paid to it for application to the cost of construction of any project.

The Resolution also provides for the retirement of bonds from amounts in the bond reserve account in excess of the bond reserve requirement. The Authority has periodically purchased such bonds when available at favorable prices.

Amounts in the general reserve account not needed to meet any deficiency in the bond service or bond reserve accounts may be applied to specific Authority purposes, including emergency repairs and replacements, project improvements and extensions, and reserves for the retirement, decommissioning or disposal of project facilities. Amounts in the general reserve account not required for such purposes shall, at the Authority's direction, be paid to it for any lawful corporate purpose.

The Authority makes open-market purchases of its general purpose bonds from available general reserve account funds paid to it for that purpose. These bonds are acquired, to the extent necessary to meet bond reserve fund call requirements, by the Bond Trustee by November 15 of each year with monies available in the bond reserve account. During the year 1995, $585,000 general purpose bonds were purchased by the general reserve account to meet such call requirements.

Note D - Cash and Investments

Investment of the Authority's funds is administered in accordance with the applicable provisions of the Resolution and with the Authority's investment guidelines adopted pursuant to Section 2925 of the Public Authorities Law. These guidelines comply with the New York State comptroller's investment guidelines for public authorities. The Authority's investments have been restricted to (a) collateralized certificates of deposit, (b) obligations of the U.S. 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 subject of repurchase agreements must have a market value at least equal to the cost of the investment, and the agreements are limited to a maximum fixed term of five business days. At December 31, 1995, the Authority had investments in repurchase agreements of $31,600,000. At December 31, 1995, the Balance Sheet reflected cash in the Restricted Funds, Construction Funds and Current Assets of $2,875,000. The bank balances were $5,074,000, of which $292,000 was covered by Federal depository insurance and $4,782,000 was uninsured. The uninsured balance related primarily to amounts in checking accounts for which checks had been issued but had not yet cleared.

The Authority follows the provisions of Financial Accounting Standards Board Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and, in accordance with this Statement, the Authority's investments have been classified as "available-for-sale." Net unrealized holding gains and losses on the Authority's securities included in current assets, restricted funds and unexpended funds on completed projects within the construction fund for the year ended December 31, 1995, are included as an adjustment to Accumulated Net Revenues Employed in the Business.

The following is a summary of available-for-sale securities included in current assets ($263,374,000), restricted funds ($387,299,000) and unexpended funds on completed projects within the construction fund ($14,787,000) at December 31, 1995:

(In Thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasuries	$ 61,137	$ 6,895	$ (314)	$ 67,718
Municipal bonds and State & Local Govt. securities	50,808	3,399	0	54,207
GNMA	10,846	509	(22)	11,333
Project loans	65,790	4,254	(1,378)	68,666
U.S. Government Agencies	416,605	7,572	(2,083)	422,094
Repurchase agreements	31,600	0	0	31,600
Shipping bonds	10,012	0	(170)	9,842
	$646,798	$22,629	$(3,967)	$665,460

Realized gains of $5,431,000 and realized losses of ($10,389,000) on the sales of investments in these funds were recognized as investment income in 1995.

The following is a summary of unexpended borrowed funds for projects in progress included in the construction fund at December 31, 1995:

(In Thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasuries	$ 59,446	$1,324	$(102)	$ 60,668
Municipal bonds and State & Local Govt. securities	2,379	0	(0)	2,379
U.S. Government Agencies	122,126	776	(106)	122,796
	$183,951	$2,100	$(208)	$185,843

Unrealized gains and losses (as indicated above) and realized gains of $328,000 and losses of ($449,000) for investments in these funds were reflected as an adjustment to construction work in progress.

The cost and estimated fair value of these investments, by contractual maturity, are shown below. Actual maturities are likely to differ from contractual maturities since issuers of certain securities have the right to prepay obligations without penalty.

(In Thousands)	Cost	Estimated Fair Value
Due in one year or less	$213,589	$213,295
Due after one year through five years	277,161	286,891
Due after five years through ten years	250,665	258,428
Due after ten years	89,334	92,689
	$830,749	$851,303

The Authority holds a small position in securities which are considered derivatives under Governmental Accounting Standards Board Technical Bulletin 94-1. All such holdings have been purchased subject to and in accordance with Section 2925 of the Public Authorities Law and as allowed under the Resolution. These holdings include Collateralized Mortgage Obligations (CMOs) and floating rate securities which were purchased to meet cash flow requirements. The Authority does not engage in securities lending or reverse repurchase agreements.

The estimated fair value of the Authority's holdings of CMOs and floating rate securities totaled $6,969,000 and $51,185,000, respectively. The par value of the CMOs at December 31, 1995, was $6,829,000 and the rates on floating rate securities ranged from 2.02 percent to 6.06 percent. All securities in these categories are backed by the full faith and credit of the United States government or its agencies.

CMOs are subject to prepayment risk generally caused by a decline in interest rates, and floating rate securities are reset periodically based on changes in interest rates. None of these holdings are needed to meet current liquidity requirements.

Note E - Pension Plans, Other Retirement Benefits

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 all benefits generally vest after 10 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 employees are also covered by Social Security.

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.

Legislation enacted in 1990 amending the New York State Retirement and Social Security Law required significant changes in the actuarial calculations made by the System. These changes included (a) adoption of a modified projected unit credit method effective for the System's fiscal year ended March 31, 1991, which replaced the aggregate cost method, and (b) use of a five-year actuarial smoothing method retroactive to the years ended March 31, 1990, and 1989, which replaced a four-year smoothing method. As a result of these changes, the Authority's contributions to the System through 1993 were significantly less than in years prior to 1990. In 1990, actions were commenced in New York State Supreme Court challenging the constitutionality of the 1990 legislation that changed the actuarial funding methods. In August 1992, the court granted summary judgment to the plaintiffs in these actions on the grounds that the challenged legislation was an unconstitutional attempt to divest public employees of a contractual right to an independent trustee, the state comptroller.

On November 16, 1993, the New York State Court of Appeals affirmed this decision. The state comptroller has implemented a plan that restored the aggregate cost method commencing with the fiscal year ended March 31, 1995, with a cap on contribution rates for the first four years. Under this plan, the Authority's required contribution to the System was $6,705,000 for the year ended March 31, 1996 (paid on December 15, 1995). Contributions are expected to increase each year through March 31, 1999, at which time the aggregate cost method will be applied without a cap. The Authority's contributions to the System in 1994 and 1993 were $2,617,000 and $476,000, respectively. On December 15, 1995, the Authority elected to pay the remaining balance of unpaid contributions for the years ended March 31, 1988, and 1989 ($13,047,000), which had been deferred as permitted by legislation enacted in 1989.

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, 1995.

Postretirement Benefits:
The Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents. Employees and 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 500 participants were eligible to receive these benefits at December 31, 1995. The cost of these benefits is charged to expense as paid, and totaled $2,750,000 for the year ended December 31, 1995. The Authority accrues the cost of unused sick leave payable upon retirement in accordance with GASB Statement No. 16, "Accounting for Compensated Absences."

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. Amounts of compensation deferred and the related income remain the property of the Authority with participants' rights equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The fair market value of plan assets at December 31, 1995, of $11,003,000, is included in "Other Noncurrent Assets" on the Balance Sheet.

The Authority also offers salaried employees a savings plan created in accordance with Internal Revenue Code Section 401K. An independent trustee is responsible for the investment and management of plan assets under the direction of a committee of employees. 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 $3,196,000 for 1995.

Note F - Bond Defeasance

In order to achieve debt service savings, on May 2, 1995, the Authority transferred $230,000,000 from the general reserve account, $32,881,000 from the bond reserve account and $8,344,000 from the bond service account to an irrevocable escrow deposit account to be invested in direct obligations of the United States of America. The maturing principal of and interest on such securities will be sufficient to pay the principal, interest and applicable call premium on January 1, 1998, on $106,990,000 principal amount of Series V Bonds, 7.875 percent due January 1, 2013, and $145,005,000 principal amount of Series V Bonds, 8.00 percent due January 1, 2017.

As a result of the defeasance and the escrow deposit, the Series V Bonds that were defeased are deemed to have been paid pursuant to the Resolution, and they cease to be a liability of the Authority. Therefore, the defeased Series V Bonds and the related escrow deposit have been excluded from the Balance Sheet.

The Authority expects to realize approximately $370,000,000 in gross debt service savings from this transaction. However, since the total cash transferred to the escrow deposit account exceeds the principal amount of the refunded bonds, together with the unamortized discount and expense pertaining to the refunded bonds, a loss of $13,158,000 results from this transaction and has been reflected as an extraordinary item in the Statement of Net Revenues.

Note G - Long-Term Debt

A summary of general purpose bonds payable at December 31, 1995, follows:

		Amount	Maturity January 1	Interest Rate (a)	Earliest Redemption Date Prior to Maturity (b)
Series N	Term Bonds	$ 49,090,000	2018	6.00%	1/1/94
Series T	Term Bonds	49,870,000	2019	5.00%	1/1/96
	Serial Bonds	7,225,000	1997	6.90%	
Series U	Term Bonds	56,400,000	2018	5.75%	1/1/96
	Serial Bonds	5,260,000	1997	6.80%	
Series V	Term Bonds	32,630,000	2004	7.00%	1/1/98
	Term Bonds	72,560,000	2006	7.80%	
	Term Bonds	40,330,000	2007	7.875%	
	Term Bonds	90,060,000	2009	7.00%	
	Serial Bonds	150,530,000	1997 to 2003	6.90% to 7.60%	
Series W	Term Bonds	82,110,000	2008	6.50%	
	Serial Bonds	191,195,000	1997 to 2005	6.10% to 6.70%	
Series X	Serial Bonds	1,300,000	1997 to 1999	6.60% to 6.70%	1/1/98
Series Y	Term Bonds	47,775,000	2011	6.50%	1/1/2001
	Term Bonds	119,770,000	2018	6.75%	
	Term Bonds	45,385,000	2020	6.00%	
	Serial Bonds	84,435,000	1997 to 2007	5.90% to 6.25%	
Series Z (c)	Term Bonds	25,540,000	2012	6.625%	1/1/2002
	Term Bonds	117,240,000	2019	6.50%	
	Term Bonds	21,385,000	2020	5.50%	
	Serial Bonds	131,280,000	1997 to 2007	5.50% to 6.50%	
Series AA	Term Bonds	62,135,000	2012	6.375%	1/1/2002
	Term Bonds	81,360,000	2023	6.25%	
	Serial Bonds	86,035,000	1997 to 2007	5.20% to 6.30%	
Series BB	Serial Bonds	107,520,000	1997 to 2007	5.20% to 6.30%	1/1/2002
Series CC (d)	Term Bonds	121,800,000	2014	5.00%	1/1/2003
	Term Bonds	156,485,000	2018	5.25%	
	Serial Bonds	763,480,000	1997 to 2011	3.60% to 5.125%	
		2,800,185,000 (e)			
Less: unamortized discount		57,598,000			
		2,742,587,000			
Less: due within one year		79,950,000			
		$ 2,662,637,000			

(a) Interest is payable semiannually on January 1 and July 1.

(b) 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: 1996, $79,950,000; 1997, $92,930,000; 1998, $100,615,000; 1999, $154,690,000, and 2000, $128,805,000.

(c) In December 1991, in order to achieve debt service savings, the Authority issued $298,780,000 principal amount of General Purpose Bonds, Series Z, to refund previously issued bonds. A portion of the proceeds of this issue was used to establish an irrevocable escrow deposit in the amount of $54,288,000, which was invested in non-interest-bearing direct obligations of the United States of America and will be used to pay a portion of the principal and interest on Series Z Bonds maturing January 1, 2000.

(d) During 1995, the Authority purchased $68,590,000 principal amount of Series CC Bonds at a cost of $61,070,000. The difference ($7,520,000) between the principal amount and the cash paid has been included as an extraordinary item in the Statement of Net Revenues.

(e) At December 31, 1995, the current market value of these bonds was approximately $2,920,461,000. Market values were obtained from a third party pricing service which utilized a matrix pricing model.

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, 1995, $1,027,875,000 of bonds outstanding were considered defeased.

Adjustable rate tender notes (Notes) outstanding at December 31, 1995, were:

Notes	Amount	Interest Rate at 12/31/95
Due March 1, 2007	$ 50,000,000	3.85%
Due March 1, 2016	75,000,000	3.85%
Due March 1, 2020	75,000,000	3.85%
Total	$200,000,000	

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 next rate adjustment date is March 1, 1996.

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, 2000, the Authority may borrow up to $200,000,000 for the purpose of repaying, redeeming or purchasing the Notes or other bonds or notes of the Authority specified by the Authority from time to time by notice to the banks. The Agreement provides for interest on outstanding borrowings (none outstanding at December 31, 1995) at 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, and for a fee on the unused portion of the commitment.

In accordance with the Note Resolution, a Note Debt Service Reserve account has been established in the amount of $20,000,000.

Note H - Short-Term Debt

Master Notes:

At December 31, 1995, the Authority had outstanding with a bank, under a $150,000,000 master note arrangement expiring February 1, 2000, $83,971,000 of short-term notes, payable on demand. Under the arrangement, the proceeds of the notes may be used to finance the costs of fuel and energy conservation programs and of construction of any project designated pursuant to the Resolution and the repayment of any obligations issued for such purposes. Interest is computed based on a rate adjusted weekly and applied to the daily principal amount outstanding.

At December 31, 1995, the Authority had $22,721,000 of master notes outstanding which are being used in connection with the implementation and financing of the Authority's energy conservation programs. The remaining $61,250,000 of master notes was issued in prior years to fund a portion of the construction cost of the Authority's small hydroelectric facilities. During 1995 the Authority repaid $46,344,000 of master notes.

The Authority has entered into a revolving credit agreement with a bank, terminating on March 31, 1997, providing a line of credit whereby the Authority may borrow up to $50,000,000 (none outstanding December 31, 1995) for corporate purposes, at the interest rate option specified by the Authority and for a fee on the unused portion of the commitment.

Commercial Paper:

Under the Commercial Paper Note Resolution adopted June 28, 1994, the Authority may issue from time to time a separate series of notes maturing not more than 270 days from the dates of issue, up to a maximum amount outstanding at any time of $300,000,000. The proceeds of these notes shall be used to finance the Authority's current and future energy conservation programs and other corporate purposes, including refunding short-term notes. During 1995, the Authority issued and sold $45,000,000 of commercial paper notes and had $95,000,000 of commercial paper notes outstanding at December 31, 1995.

The Authority has entered into a revolving credit agreement with a syndicate of banks, terminating on July 13, 1998, to provide a line of credit. Under the revolving credit agreement, the Authority may initially borrow up to $150,000,000 (none outstanding December 31, 1995) with an option to increase the borrowing capacity to $300,000,000.

Note I - Nuclear Fuel Disposal

In accordance with the Nuclear Waste Policy Act of 1982, the Authority in June 1983 entered into a contract with the 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 Authority spent nuclear fuel before 2010. The contract provides that the Authority will pay quarterly to DOE a fee based on nuclear generation and sales of electricity at a specified rate from April 7, 1983.

In addition, the contract requires the payment to DOE of a onetime fee relating to spent nuclear fuel discharged prior to April 7, 1983, and for in-core spent fuel on that day. As permitted by the contract, the Authority presently intends to pay this onetime fee of $58,710,000, together with interest accrued thereon from April 7, 1983, when the Authority first ships spent nuclear fuel to an approved DOE disposal facility. As of December 31, 1995, the liability to DOE related to the onetime fee, including accrued interest from April 7, 1983, totaled $133,028,000.

Note J – Nuclear Plant Decommissioning

The Authority has established a decommissioning trust fund for each of its nuclear plants in accordance with Nuclear Regulatory Commission (NRC) rules requiring reactor operators to certify that sufficient funds, in amounts not less than certain prescribed minimums, will be available for decommissioning. These minimum amounts, which represent only the decontamination portion of the total cost, were $380,000,000 and $405,000,000, in 1995 dollars, for the Indian Point 3 and FitzPatrick nuclear plants, respectively. These funds must be segregated from the licensee's assets and outside of its administrative control. The Authority anticipates that sufficient funds (estimated at $520,000,000 and $540,000,000, in 1995 dollars, for the Indian Point 3 and FitzPatrick nuclear plants, respectively) will be available to decommission the plants at the end of their useful lives. The annual provision for decommissioning ($72,119,000 for 1995) 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 a liability of $394,054,000, representing cumulative provisions recorded to date.

Investments, classified as available-for-sale, in the decommissioning trust funds at December 31, 1995, are summarized as follows:

(In Thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$110,510	$ 4,228	$ (80)	$114,658
U.S. Treasuries	89,604	2,327		91,931
U.S. Government Agencies	83,400	2,416	(256)	85,560
Foreign bonds	33,247	868	(423)	33,692
Private placements	16,176	771		16,947
Short-term, cash and cash equivalents	72,753	12	(211)	72,554
	$405,690	$10,622	$(970)	$415,342

Unrealized gains and losses (as indicated above) and realized gains of $23,046,000 and losses of ($5,859,000) on these investments have been reflected as an adjustment to the liability for nuclear plant decommissioning.

The cost and estimated fair value of these investments, by contractual maturity, are shown below. Actual maturities are likely to differ from contractual maturities since the issuers of certain securities have the right to prepay obligations without penalty.

(In Thousands)	Cost	Estimated Fair Value
Due in one year or less	$ 85,922	$ 85,651
Due after one year through five years	53,840	54,603
Due after five years through ten years	107,301	109,651
Due after ten years	158,627	165,437
	$405,690	$415,342

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 rated AA or better and permits the use of futures and foreign currency contracts.

The allowable investments include a number of different types of derivative securities which may be purchased to increase yield, control risk and hedge currency fluctuations. At December 31, 1995, the decommissioning trust funds had approximately 11 percent of their holdings in Collateralized Mortgage Obligations, and the fair value of such investments was $46,591,000. The par value of the CMOs at December 31, 1995, was $46,455,000. During the year, the funds held amounts 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 and 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, 1995, were valued at $229,000.

Note K – Commitments and Contingencies

(1) Recent legislation, including the Energy Act, coupled with increasing customer demand for lower-priced electricity, is generally expected to stimulate greater competition in both the wholesale and retail electricity markets. These competitive pressures may create opportunities to compete for new customers and revenues, as well as increase risk which could lead to the loss of customers.

(2) The Authority has negotiated long-term contracts with customers constituting 88 percent of its Southeast New York load and is in the process of negotiating long-term contracts

with the remainder. Revenues for these customers were approximately 45 percent of the Authority's 1995 Operating Revenues.

The agreements extend through at least December 31, 2004. They provide stabilized rate features through 2001/2002, with rates thereafter adjusted based upon changes in the cost to provide service or a market index. Certain of the contracts provide for shared savings contingent upon reducing the cost of service beginning in 1998. 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.

Pursuant to these contracts with the majority of the Southeast New York governmental customers, the Authority has agreed to undertake up to $350,000,000 in energy efficiency projects over the term of these 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.

(3) In return for the use of certain substation facilities related to the Authority's Marcy-South Transmission Line, the Authority is committed to pay three New York State utilities approximately $23,000,000 in 1996, $17,000,000 in 1997 and $7,000,000 in 1998.

(4) The Authority has entered into a long-term contract under which it is obligated to purchase approximately 10.75 billion cubic feet of natural gas annually through the year 2014, or pay a penalty on the unused volumes. Based on minimum payment obligations in the contract, the Authority will pay an average annual amount for gas purchased under the contract of approximately $40,425,000 through the year 2002. Thereafter, the price for gas under the contract will be set at 10 percent above the spot market price.

(5) 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 and rates for the sale of power which 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.

(6) *Recent New York State-Related Financial Matters:*

In June 1995, legislation was enacted by the New York State Legislature which contains provisions that authorize the Authority to utilize $34 million in petroleum overcharge restitution (POCR) 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. These purposes include: undertaking energy efficiency and renewable energy projects; financing for the Authority's High Efficiency Lighting Program and any other existing programs of the Authority which are eligible under guidelines governing POCR funds; financing for the manufacture and/or assembly in New York State of electric vehicles or solar photovoltaic power cells; conversion of coal-fired boiler facilities; and the establishment of an independent college and university energy assistance loan fund. The use of POCR funds is subject to comprehensive Federal regulations and judicial orders, including restrictions on the type of projects which 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. In addition, the June 1995 legislation directs the Authority to transfer $34 million to New York State. On September 27, 1995, the Authority's trustees authorized the transfer of funds to the State payable upon the execution of an agreement acceptable to the State and the Authority. This transfer is expected to be made in early 1996.

In 1992 the Authority paid $35 million to the State to reimburse it for a portion of statutorily required real property tax transition payments made to local taxing jurisdictions as a result of the Authority's acquisition of the Indian Point 3 properties from Consolidated Edison Company of New York, Inc. in 1975. During 1995, pursuant to a request by the State, the Authority paid an additional $15 million to meet the claimed remaining portion of such reimbursement. This charge is included as an operating expense in the Statement of Net Revenues.

(7) Under provisions of the Federal Price-Anderson Act, the overall maximum public liability for a single nuclear incident is limited to approximately $8,900,000,000. Coverage for the first $200,000,000 of such liability is provided by private insurance. In the event that public liability from an insured nuclear incident were to exceed $200,000,000, the Authority would be subject to a pro rata assessment of up to $79,275,000, in addition to inflation adjustments thereon, for each reactor owned, with a yearly assessment no greater than $10,000,000 per incident per reactor owned.

(8) 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 $1,060,000,000 for each reactor site. The Authority has such coverage in force. Effective March 1, 1995, a $500,000,000 primary portion of this insurance is provided by Nuclear Mutual Limited (a company that provides decontamination and property insurance to owners of domestic nuclear power plants), with the remaining $560,000,000 of this insurance provided by Nuclear Electric Insurance Limited (NEIL) (a company that provides decontamination and excess property damage insurance to owners of domestic nuclear power plants). In the event there is a covered loss at any of the member group's nuclear facilities that exceeds insurance funds available, 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, 1995, the Authority could be liable under the NEIL insurance arrangement for a maximum assessment of approximately $12,000,000 during any one policy year.

(9) *Long Island Matters:*

The Authority's Flynn combined-cycle generating plant (Flynn) and Long Island Sound Cable transmission facility (LISC) were constructed to provide utility services on Long Island. Currently, the Long Island Lighting Company (LILCO) is the sole customer with contracts to purchase electricity and transmission services provided by these facilities, which represented $133,600,000 of the Authority's 1995 operating revenues. The net book values of these facilities at December 31, 1995, were $122,081,000 for Flynn and $252,163,000 for the LISC.

On December 6, 1995, Gov. George E. Pataki announced a proposal to reduce electric rates on Long Island by dismantling LILCO. The proposal provides for the acquisition of LILCO's transmission and distribution system by the Long Island Power Authority and the sale of LILCO's power-generating units. The Authority cannot predict the future of the proposal or the effect, if any, it will have on the Authority's operations or revenues.

(10) The Indian Point 3 nuclear plant returned to full service on July 22, 1995. It had been out of service since February 27, 1993, to address equipment and performance issues. During the outage, issues raised by the NRC or identified by the Authority were addressed. The plant was again taken out of service on September 14, 1995, to repair the electric generator cooling system and remained out of service to perform other maintenance work and correct performance weaknesses. It was anticipated to be back in service in March 1996. The plant remains on the NRC's "watch list" of facilities requiring increased NRC attention. The plant had a net book value of $566,432,000 at December 31, 1995. Realization of the full value of this asset is dependent on the Authority's ability to operate the facility throughout the remainder of its license period (2015) at a higher capacity factor than historically achieved. Management believes that operation at such higher capacity factors will be achieved in future years.

(11) *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, New York State has decided to develop its own site because of the large volume of such waste generated in the State, and has 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 is available. New York State expects the disposal facility would begin operations in 2001.

The Authority presently 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, and is developing low-level radioactive waste management programs, including compaction and on-site storage capability.

Power Authority of the State of New York
New York, New York

We have audited the accompanying balance sheet of the Power Authority of the State of New York (the "Authority") as of December 31, 1995, and the related statements of net revenues and accumulated net revenues employed in the business and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Power Authority of the State of New York as of December 31, 1995, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 16, 1996, on our consideration of the Authority's internal control structure and a report dated February 16, 1996, on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The summary of funds (cash basis) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Coopers & Lybrand L.L.P.

New York, New York
February 16, 1996