

2008  
ANNUAL  
REPORT

OHIO  
MUNICIPAL  
ELECTRIC  
GENERATION  
AGENCY


JOINT 6  
VENTURE 6





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## LETTER TO PARTICIPANTS

The American Municipal Power Wind Farm recorded yet another record year for production in 2008, exceeding both expectations for the year and the generated total from 2007. Throughout the year, the four turbines of the Ohio Municipal Energy Generating Agency Joint Venture 6 (OMEGA JV6) facility provided a clean, renewable source of energy for project participants.

Although the AMP Wind Farm remains the only utility-scale wind farm in Ohio, several sites in the state are being tested for their wind generation potential and it is our hope these will prove fruitful. As demand grows for new “green” energy resources, wind offers several advantages in our region: the relatively small footprint needed to site the units (farm fields surround two OMEGA JV6 units) and the continuing free source of fuel—the wind.

Our contract with Green Mountain Energy Co. expired at the end of 2008, hence the change in the facility’s name. The contract expiration provides a greater flexibility for participating communities, which can choose to take the energy generated at the wind farm or sell the renewable energy credits provided by the facility’s “Green-e” certification.

Our optimism for the future of wind power, however, realizes the realities of this valuable energy source. Even in the most-favorable locations, wind is never a constant. On average, wind turbines have an availability rate of approximately 25 percent in our region of the country and their periods of peak supply often do not match the periods of peak consumer demand. For 2008, the OMEGA JV6 units achieved a 24.3 percent availability.

The number of people who visited the AMP Wind Farm in 2008, including several congressmen and Ohio regulators, is a further indication of the continued interest in wind power, both in general and the success of this facility in particular.





*“Living in northwest Ohio, we knew this part of the state was windy. The question was whether we’d be able to efficiently harness that wind as a generation resource. The AMP Board and staff working closely with the City of Bowling Green and Green Energy Ohio performed due diligence on the project, oversaw construction and formed the joint venture. The American Municipal Power Wind Farm is a reliable source of intermittent power for participants and is a model for future development.”*

*Jon Bisher  
City Manager  
City of Napoleon, Ohio*

For the 10 communities that participate in OMEGA JV6, the electricity provided by these units is a significant symbol of their commitment to provide customers with a diversified energy portfolio that includes renewables. This decision reflects the support by community members for these forms of energy.

For all these reasons, the OMEGA JV6 project represents both the future—and the present—of clean, renewable energy generation in Ohio and points the way to an expanded use of these resources.

Kevin Maynard  
Chairman



Michigan



Ohio

West Virginia

Kentucky

## BACKGROUND

Upon completion of two 1.8-MW units in November 2003, additional interest from project participants prompted the construction of two additional units in 2004. The turbines themselves rest atop 257-foot towers erected by Vestas American Wind Technology. With blades that extend 132 feet from the turbine casing, each unit measures nearly 400 feet tall when the blades rotate to their highest point. Because of the considerable height of the units, lightning strikes are fairly common throughout the year. Because direct lightning strikes can potentially damage turbine components, Vestas upgraded a control system in 2006 to protect the units from these lightning strikes, and Vestas continues to work with AMP staff members to provide maintenance support as necessary on the units.

The wind turbines are designed to operate within a wind-speed range of nine to 56 miles per hour (mph) and are capable of withstanding wind speeds of up to 133 mph. The turbines achieve their optimal output at a wind speed of 31.3 mph, at which point the blades on each turbine will rotate 16.8 times per minute.

Each unit has a sensor that constantly monitors wind speed and helps determine whether the unit should be engaged. The high sensitivity of these sensors ensures the turbines' safe operation and helps to maximize output by taking full advantage of periods when wind speeds are favorable, allowing the units to operate as close as possible to their 56 mph upper limit.

AMP also installed an information kiosk at the wind farm site in May 2005 to serve as an educational tool and an online webcam transmits real-time footage over the Internet of the turbines in operation. The kiosk provides information on the history of the project as well as further details on how the wind turbines operate.

## THE YEAR IN REVIEW



Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6) is a cooperative project that operates Ohio's first and, to date, only utility-scale wind farm—the American Municipal Power Wind Farm—adjacent to the Wood County Landfill near Bowling Green, Ohio. Ten American Municipal Power (AMP) member communities receive the generated energy from the 7.2 megawatt (MW) capacity installation, which is composed of four 1.8-MW wind turbines.

Bowling Green, Cuyahoga Falls, Edgerton, Elmore, Monroeville, Montpelier, Napoleon, Oberlin, Pioneer and Wadsworth are the project participants, which began as a collaboration between AMP and Austin, Texas-based Green Mountain Energy.

Each of the 10 project participant communities is contracted to receive a different amount of energy generated by the wind farm, owing to the different sizes and energy needs of each community. The City of Bowling Green is the largest recipient of generated power, accounting for 4.1 MW, more than half of the project's total capacity. Participants can choose to take the energy generated at the wind farm or sell the renewable energy credits (RECs) provided by the facility's "Green-e" certification.

With the 2008 passage of a state energy bill in Ohio that includes an alternative energy portfolio standard for investor-owned

utilities, the market price for RECs is almost certain to rise in the short run, as demand increases for the existing supply of green energy.

For the fourth year in a row, the AMP Wind Farm achieved a new record for total output, with the highest productivity coming at the beginning and end of the year. As with nearly all wind farm installations in the Midwest, the coldest months usually provide the most favorable wind conditions and produce the greatest monthly yields. January came close to setting a new overall monthly record, producing 2,299,535 kilowatt hours (kWh) and December was not far behind at 1,928,759 kWh. For the year, however, it was the summer months that proved critical to achieving the high total for the year. May and June both set records for those months, with June in particular well above any previous June output. July and August, although the two lowest months for 2008, were the second-most productive for those months in the facility's five-year history and were well above 2007 levels.

For the whole of 2008, the four turbines generated 15,180,694 kWh, exceeding the year's projection of 13,757,265 kWh, and exceeding both the 14,760,792 kWh generated in 2007 and the 14,400,610 kWh generated in 2006.

With interest in renewable energy sources reaching new levels, the wind farm continues to draw groups seeking a better understanding of wind generation's role. In April, AMP and OMEGA JV6 hosted an open house to celebrate Earth Day, which included tours of the facility attended by local officials and U.S. Rep. Bob Latta (R-Bowling Green). During the year the facility also hosted tours for a Public Utilities Commission of Ohio commissioner and staff members of the PUCO and the Ohio Power Siting Board.

In August, Latta and Rep. Roy Blunt (R-Mo.), then House Minority Whip, visited the site as part of a tour of renewable energy locations in Northwest Ohio. These tours underscore the educational aspects of the wind farm and demonstrate its status as a motivation for future wind installations within the region and elsewhere.



*"With a 25 percent ownership, Cuyahoga Falls is the second largest participant in the AMP Wind Farm project. Obviously, project management is a large concern for our community. The financing structure put in place by AMP has lowered the interest rate and as a result, the debt will likely be paid off early. The wind farm continues to perform at expected levels and the project is well managed."*

*Jeff McHugh  
Assistant Superintendent  
Cuyahoga Falls Electric Department,  
Cuyahoga Falls, Ohio*



# OMEGA JV2 FINANCIAL OPERATIONS

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## OMEGA JV6 FINANCIAL OPERATIONS

Every six months, principal and interest is paid down on the \$9.8 million private placement taken out by OMEGA JV6 to finance the construction of the AMP Wind Farm. As of December 31, 2008, the outstanding balance was \$6,818,000 with an attached interest rate of 1.75 percent. The arrangement dictates that over the 15-year life of the agreement, the interest rate is reset every six months. Although the stated length of the agreement is 15 years, the length will ultimately be determined by interest rate fluctuations over the course of the agreement.

### **Summary of Yearly Rates**

Because of low maintenance costs and the absence of fuel charges, costs to participants in OMEGA JV6 are derived chiefly from annual debt service paid on the financing for the installation. For 2008, that annual cost amounted to \$1 million, divided among the participants in proportion to the amount of energy supplied to each community.

## **Independent Auditors Report**

To the Board of Participants  
Ohio Municipal Electric Generation Agency  
Joint Venture 6

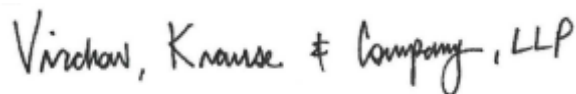
We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 (“OMEGA JV6”) as of December 31, 2008 and 2007 and for the years then ended as listed in the table of contents. These financial statements are the responsibility of OMEGA JV6 management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, 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 our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMEGA JV6 as of December 31, 2008 and 2007, and changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we also have issued our report dated April 8, 2009 on our consideration of OMEGA JV6’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis on pages 12 through 14 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Madison, Wisconsin  
April 8, 2009



*"While the city of Oberlin is proud to be a part of the joint venture that built the state's only commercial wind farm, the significance goes far beyond that distinction. The American Municipal Power Wind Farm shows that wind generation can work in this part of the country and provides valuable experience in incorporating wind generation as a part of a balanced portfolio."*

*Steve Dupee  
Director  
Oberlin Municipal Light & Power System  
Oberlin, Ohio*

**Financial Statement Overview**

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 6 (“OMEGA JV6”) for the years ended December 31, 2008 and 2007. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV6 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV6’s basic financial statements include the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows.

The statement of net assets provides information about the nature and amount of assets and liabilities of OMEGA JV6 as of the end of the year. The statement of revenues, expenses and changes in net assets reports revenues and expenses and the change in net assets for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, non-capital financing, investing and capital and related financing activities.

See accompanying auditor’s report.

**Financial Highlights**

The following table summarizes the financial position of OMEGA JV6 as of December 31:

**Condensed Statement of Net Assets**

	2008	2007	2006
<b>Assets</b>			
Electric Plant & Equipment, net of accumulated depreciation	\$8,561,245	\$8,449,400	\$8,668,507
Regulatory assets	208,106	153,258	108,216
Restricted assets	74,680	66,591	55,400
Current assets	1,150,221	850,636	534,454
<b>Total Assets</b>	<b>\$9,994,252</b>	<b>\$9,519,885</b>	<b>\$9,366,577</b>
<b>Net Assets and Liabilities</b>			
Net assets - invested in capital assets	\$8,561,245	\$8,449,400	\$8,668,507
Net assets - restricted	74,680	66,591	55,400
Net assets - unrestricted	180,980	302,297	65,918
Current liabilities	25,248	15,899	16,698
Asset retirement obligations	1,152,099	685,698	560,054
<b>Total Net Assets and Liabilities</b>	<b>\$9,994,252</b>	<b>\$9,519,885</b>	<b>\$9,366,577</b>

Total assets of \$9,994,252 increased \$474,367 in 2008 compared to 2007. In 2007, total assets of \$9,519,895 increased \$153,308 vs. 2006.

Electric plant, net of accumulated depreciation at December 31, 2008 was \$8,561,245. This was an increase of \$111,845 due to an increase in the estimated net present value of asset retirement obligations. Regulatory assets at December 31, 2008 were \$208,106, an increase of \$54,848 over 2007. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense per Statement of Financial Accounting Standards No. 143. Electric plant, net of accumulated depreciation at December 31, 2007 was \$8,449,400. This was a decrease of \$219,107 due to the increase of accumulated depreciation. Regulatory assets at December 31, 2007 were \$153,258, an increase of \$45,042 over 2007.

Restricted assets consist of marketable securities held in trust as part of a bond requirement for the financing members of OMEGA JV6. These funds are available for use under covenants of the bond agreement. Upon repayment of the bonds, any unused funds will revert to the financing participants of OMEGA JV6. Restricted assets as of December 31, 2008 were \$74,680, an increase of \$8,089 over 2007. Restricted assets as of December 31, 2007 were \$66,591, an increase of \$11,191 over 2006.

Current assets as of December 31, 2008 were \$1,150,221, an increase of \$299,585 from 2007. In 2008, cash increased \$217,652 resulting primarily from operating activities. Accounts receivable increased \$84,124, primarily due to increased receivables from participants. These increases were partially offset by a decrease in prepaid insurance of \$2,191. Current assets as of December 31, 2007 were \$850,636, an increase of \$316,182

from 2006. In 2007, cash increased \$413,875 resulting primarily from a full year of operations for all four wind turbines, as two units were put on-line in the first quarter 2006. This was offset by decreases in receivables of \$97,606 and decreases in prepaid insurance of \$87.

Current liabilities as of December 31, 2008 were \$25,248, an increase of \$9,349 from 2007 due to higher accounts payable and accrued expenses. Current liabilities as of December 31, 2007 were \$15,899, a decrease of \$799 resulting from lower accounts payable and accrued expenses.

Net assets as of December 31, 2008 were \$8,816,905, a decrease of \$1,383 vs. 2007. This decrease was the result of a \$1,383 net loss in 2008. Net assets as of December 31, 2007 were \$8,818,288, an increase of \$28,463. This increase was the result of \$20,427 from net income in 2007 and \$8,036 from participant contributions.

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	2008	2007	2006
Operating revenues	\$492,032	\$472,458	\$460,301
Operating expenses	573,780	527,117	542,646
Operating Loss	(81,748)	(54,659)	(82,345)
Nonoperating revenue			
Investment income	19,760	30,044	15,510
Future recoverable costs	54,848	45,042	43,652
Nonoperating revenue	74,608	75,086	59,162
Income before contributions	(7,140)	20,427	(23,183)
Contributions from participants	5,757	8,036	—
Change in Net Assets	\$(1,383)	28,463	(23,183)

See accompanying auditor’s report.

## Management's Discussion and Analysis

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Rates for electric power are set by OMEGA JV6's Board of Participants and are intended to cover budgeted operating expense (excluding depreciation). OMEGA JV6 does not include any bond payments by OMEGA JV6's financing members in their rates, as these debt service payments are made directly to AMP-Ohio. Renewable Energy attributes (Green Tags) were sold quarterly under a contract with a third party through 2008.

Electric revenues in 2008 were \$492,032, an increase of \$19,574 due to higher generation levels. Operating expenses in 2008 were \$573,780, an increase of \$46,663. This was due to increases in related party services expense of \$8,214 as more Municipal Energy Services Agency employee hours were utilized, increases in maintenance of \$16,837, increases in insurance and professional expenses of \$4,133, increases in other operating expenses of \$7,673 and increases in noncash operating expenses of \$9,806. Electric revenues in 2007 were \$472,458, an increase of \$12,157, due to increased generation levels in 2007. Operating expenses in 2007 were \$527,117, a decrease of \$15,529. This decrease was primarily due to related party services expense decreases of \$9,637 as fewer Municipal Energy Services Agency employee hours were utilized, maintenance decreases of \$4,158 due to a reduction in the purchase of incidental supplies and in vegetation control activities, decreases of \$3,858 in accounting and legal expenses, and decreases of \$1,869 in other operating expenses. These decreases were partially offset by increases in insurance expenses of \$2,603 and increases in the noncash accretion of asset retirement obligations of \$1,390.

Investment income in 2008 was \$19,760, a decrease of \$10,254 from 2007. Investment income of \$17,429 was related to interest earned in 2008 on cash and cash equivalents. Interest income of \$2,331 was earned in 2008 on funds held by trustee securities or a money market account. Investment income in 2007 was \$30,044, an increase of \$14,534 from 2006. Investment income of \$26,889 was related to interest earned in 2007 on cash and cash equivalents. Interest income of \$3,155 was earned in 2007 on funds held by trustee securities or a money market account.

In 2007, OMEGA JV6 was authorized by the Internal Revenue Service to issue \$3.5 million in Clean Renewable Energy Bonds that could be used to expand the output of the existing wind farm by installing one additional wind turbine. Although the original authorization was to expire December 31, 2008, this authorization was extended until December 31, 2009.

See accompanying auditor's report.

	2008	2007
<b>Assets</b>		
Current Assets		
Cash and temporary investments	\$931,365	\$713,713
Receivables from participants	200,580	116,640
Receivables from related parties	184	—
Prepaid expenses	18,092	20,283
Total Current Assets	1,150,221	850,636
Non-Current Assets		
Restricted Assets - Funds held by trustee	74,680	66,591
Regulatory assets	208,106	153,258
Electric Plant		
Electric Plant	10,013,845	9,581,813
Accumulated depreciation	(1,452,600)	(1,132,413)
Total Non-Current Assets	8,844,031	8,669,249
<b>Total Assets</b>	<b>\$9,994,252</b>	<b>\$9,519,885</b>

See accompanying notes to financial statements

	2008	2007
<b>Liabilities &amp; Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$12,942	\$11,845
Payable to related parties	12,306	4,054
Total Current Liabilities	25,248	15,899
Non-Current Liabilities		
Asset retirement obligations	1,152,099	685,698
Total Noncurrent Liabilities	1,152,099	685,698
Total Liabilities	1,177,347	701,597
Net Assets		
Invested in capital assets	8,561,245	8,449,400
Restricted	74,680	66,591
Unrestricted	180,980	302,297
Total Net Assets	8,816,905	8,818,288
<b>Total Liabilities and Net Assets</b>	<b>\$9,994,252</b>	<b>\$9,519,885</b>

See accompanying notes to financial statements

	2008	2007
<b>Operating Revenues</b>		
Electric revenue	\$492,032	\$472,458
<b>Operating Expenses</b>		
Related party services	61,718	53,504
Depreciation	320,187	316,159
Accretion of asset retirement obligation	34,370	28,592
Maintenance	87,726	70,889
Insurance	34,992	33,387
Professional services	15,311	12,783
Other operating expenses	19,476	11,803
Total Operating Expenses	573,780	527,117
Operating Loss	(81,748)	(54,659)
<b>Nonoperating Revenues</b>		
Investment income	19,760	30,044
Future recoverable costs	54,848	45,042
Total Non-Operating Revenues	74,608	75,086
Income before Contributions	(7,140)	20,427
<b>Contribution from participants</b>	5,757	8,036
<b>Change in net assets</b>	(1,383)	28,463
Net Assets, Beginning of Year	8,818,288	8,789,825
<b>Net Assets, End of Year</b>	\$8,816,905	\$8,818,288

See accompanying notes to financial statements

	2008	2007
<b>Cash flows from Operating Activities</b>		
Cash received from participants	\$407,908	\$570,064
Cash paid to related parties for personnel services	(69,970)	(53,866)
Cash payments to suppliers and related parties for goods and services	(137,713)	(129,212)
Net Cash Provided by Operating Activities	200,225	386,986
<b>Cash flows from Capital and Related Financing activities</b>		
Contributions from participants	5,757	8,036
Net Cash Used in Capital and Related Financing Activities	5,757	8,036
<b>Cash flows from Investing Activities</b>		
Deposit to overhaul fund	(8,090)	(8,036)
Purchases of investments	(74,680)	(3,155)
Proceeds from sale of investments	74,680	—
Investment income received	19,760	30,044
Net Cash Provided by Investing Activities	11,670	18,853
<b>Net Change in Cash and Cash Equivalents</b>	217,652	413,875
Cash and Cash Equivalents, Beginning of Year	713,713	299,838
<b>Cash and Cash Equivalents, End of Year</b>	\$931,365	\$713,713

See accompanying notes to financial statements

	2008	2007
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>		
Operating loss	\$(81,748)	\$(54,659)
Depreciation	320,187	316,159
Accretion of asset retirement obligation	34,370	28,592
Changes in assets and liabilities		
Receivables	(84,124)	97,606
Prepaid expenses	2,191	87
Accounts payable and accrued expenses	1,097	(437)
Payable to related parties	8,252	(362)
<b>Net cash provided by Operating Activities</b>	<b>\$200,225</b>	<b>\$386,986</b>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet</b>		
Cash and temporary investments	\$931,365	\$713,713
Funds held by trustee	74,680	66,591
Total cash accounts	1,006,045	780,304
Less Non-cash equivalents	(74,680)	(66,591)
<b>Total Cash and Cash Equivalents</b>	<b>\$931,365</b>	<b>\$713,713</b>
<b>Supplemental Disclosure of Noncash Capital and Related Financing Activities</b>		
Change in estimated cost of plant	\$466,402	\$125,644

See accompanying notes to financial statements

**Note 1. Summary of Significant Accounting Policies**

Ohio Municipal Electric Generation Agency Joint Venture 6 (“OMEGA JV6”) was organized by ten Subdivisions of the State of Ohio (the “Participants”) and commenced operations on December 15, 2003 (“Inception”), pursuant to a joint venture agreement (the “Agreement”) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code (ORC). Its purpose is to provide low-polluting capacity to the Participants. The Participants are members of American Municipal Power-Ohio, Inc. (“AMP-Ohio”). In December 2003 and December 2004, OMEGA JV6 purchased 3.6 MW of electric plant generating units (the “Project”) from AMP-Ohio for a total capacity of 7.2 MW. The Agreement continues until 60 days subsequent to the termination or disposition of the Project and for as long as required by the financing agreement; provided, however, that each Participant shall remain obligated to pay to OMEGA JV6 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

The following summarizes the significant accounting policies followed by OMEGA JV6.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. OMEGA JV6 applies all Financial Accounting Standards Board (“FASB”) statements and interpretations except those that conflict

with or contradict Governmental Accounting Standards Board (“GASB”) pronouncements.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**New Accounting Standards**

In September 2007 the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 157 (“FAS 157”), Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (“GAAP”), and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. OMEGA JV6 has made the decision to implement this standard effective January 1, 2008.

**Fair Value of Financial Instruments**

OMEGA JV6’s short-term financial instruments consist of the following: cash and cash equivalents, accounts receivable and accounts payable. The carrying values of these short-term financial instruments approximate their estimated fair values based on the instruments short-term nature. All financial instruments are category 1 as defined by FAS 157. For the fiscal years ended December 31, 2008 and 2007, there have been no changes in the application of valuation methods applied to similar assets and liabilities.

### **Assets, Liabilities and Net Assets**

#### **Deposits and Investments**

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

Investments of OMEGA JV6 are restricted by Ohio Revised Code (ORC) section 135.14.

Investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08 & 09.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Commercial paper, with certain conditions.
6. All investments must have an original maturity of 5 years or less.
7. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV6 has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

#### **Receivables/Payables**

Accounts receivable are amounts due from participants at the end of the year. Due to the participant relationship and the high degree of collectibility, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred.

#### **Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

#### **Prepays**

Prepays consists of insurance in the current fiscal year benefiting future periods.

#### **Electric Plant**

Electric plant generating units and vehicles are recorded at cost. Depreciation is provided on the straight-line method over 30 years, the estimated useful lives of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When electric plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

Electric plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined.

If it is determined that impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

#### **Asset Retirement Obligations**

OMEGA JV6 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations

are incurred and can be reasonably estimated. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss.

### Regulatory Assets and Liabilities

OMEGA JV6 records regulatory assets (deferred expenses to be recovered in rates in future periods). Regulatory assets include the deferral of depreciation expense and accretion expense associated with asset retirement obligations not yet recovered through billings to Participants. As interest is accreted related to the asset retirement obligation and depreciation is expensed related to the capitalized cost, future recoverable costs are recognized to match revenues with the related costs in future periods.

### Net Assets

All property constituting OMEGA JV6 is owned by the Participants as tenants in common in undivided shares, each being equal to that Participants' percentage ownership interest as follows:

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00
Napoleon	300	4.17
Wadsworth	250	3.47
Oberlin	250	3.47
Montpelier	100	1.39
Edgerton	100	1.39
Pioneer	100	1.39
Monroeville	100	1.39
Elmore	100	1.39
Totals	7,200	100.00%

### Operating Revenue and Expenses

Electric revenue is recognized when earned as service is delivered. OMEGA JV6's rates for electric power are designed to cover annual operating costs, excluding depreciation. Rates are set annually by the Board of Participants.

Rates for electric service pursuant to contracts with the Participants are not designed to recover contributed capital used to acquire the electric plant generators. Rates charged to OMEGA JV6 financing participants for debt service are paid to AMP-Ohio to retire the Project financing obligations (Note 5). Accordingly, OMEGA JV6 will generate negative operating margins during the operating life of the electric plant.

OMEGA JV6 also sells renewable energy attributes associated with electricity generated by the project. Revenue from the sale of renewable energy attributes is recorded as energy is generated. Rates were determined by a contract which required OMEGA JV6 to sell all energy attributes to Green Mountain Energy Company. The contract expired on December 31, 2008. During the years ended December 31, 2008 and 2007, all of OMEGA JV6's revenue was derived from the sale of renewable energy. Starting January 1, 2009, renewable energy attributes from JV6 will be sold by AMP-Ohio on behalf of the participants.

**Note 2. Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and highly liquid short-term investments with original maturities of three months or less. Restricted cash accounts, if any, are treated as investments in the statements of cash flows.

	Carrying Value as of December 31		Risks
	2008	2007	
Money Market Funds	\$308	\$713,713	Custodial Credit
First American Treasury Obligation	781	965	none
Commercial Paper	73,899	65,626	Custodial Credit, Credit, Interest Rate and Concentration
Government Money Market Mutual Funds	931,057	—	Credit and Interest Rate
Totals	\$1,006,045	\$780,304	

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and noninterest bearing accounts as of December 31, 2007 and in the amount of \$250,000 for interest bearing and unlimited amounts for noninterest bearing as of December 31, 2008.

**Custodial Credit Risk****Deposits**

Custodial risk is the risk that in the event of a bank failure, OMEGA JV6's deposits may not be returned to it. OMEGA JV6 does not have a custodial credit risk policy. OMEGA JV6 has custodial credit risk on its cash and cash equivalent balances to the extent the balances exceed the federally insured limit of \$250,000 and \$100,000 for the years ending December 31, 2008 and 2007, respectively.

As of December 31, 2007, \$613,713 of OMEGA JV6's bank balances were known to be individually exposed to custodial credit risk. As of December 31, 2008, there were no deposits exposed to custodial credit risk.

**Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, OMEGA JV6 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

## Notes To Financial Statements – December 31, 2008 &amp; 2007

	2008		2007	
	Book Balance	Carrying Value	Book Balance	Carrying Value
Neither insured nor registered and held by a counterparty	\$73,899	\$73,899	\$65,626	\$65,626

OMEGA JV6's investment policy does not address this risk.

**Credit Risk**

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2008, OMEGA JV6's investments were rated as follows:

Investment Type	Moody's Investors Services	Standard & Poors
Commercial Paper	AAA	AAA
Government Money Market Mutual Fund	Aaa	AAAm

As of December 31, 2007, OMEGA JV2's investments were rated as follows:

Investment Type	Moody's Investors Services	Standard & Poors
Commercial Paper	P1	A1+

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2008 and 2007, OMEGA JV6's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2008	2007
US Bank NA	Commercial Paper	7.35%	7.39%

OMEGA JV2's investment policy does not address this risk.

**Interest Rate Risk**

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2008, OMEGA JV6's investments were as follows:

Investment	Maturity Date	Weighted Average Maturity (Days)	Fair Value
Commercial Paper	02/17/2009	48	\$73,899
Government Money Market Mutual Fund	N/A	36	931,057
			\$1,004,956

As of December 31, 2007, OMEGA JV6's investments were as follows:

Investment	Maturity Date	Fair Value
Commercial Paper	02/15/2008	\$65,626

OMEGA JV6's investment policy does not address this risk.

**Note 3. Restricted Assets****Restricted Accounts**

Restricted assets include those assets comprising the Reserve and Contingency Fund, which was established and maintained pursuant to the Agreement.

The Agreement requires OMEGA JV6 to maintain a minimum funding in a Reserve and Contingency Fund of \$50,000. Under the terms of the trust agreement associated with the OMEGA JV6 Bonds, if the balance in the fund is less than the required minimum, then AMP-Ohio may direct OMEGA JV6 to increase billings to members such that the deficiency in the balance is funded within twelve months.

**Restricted Net Assets**

The following calculation supports the amount of OMEGA JV6 restricted net assets:

	2008	2007
Restricted Assets		
Reserve and Contingency Fund	74,680	66,591
Total Restricted Net Assets	74,680	66,591

**Note 4. Electric Plant and Equipment**

Electric plant and equipment activity for the years ended December 31 is as follows:

	2008			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$9,581,813	\$ —	\$432,032	\$10,013,845
Less: Accumulated depreciation	(1,132,413)	(320,187)	—	(1,452,600)
Electric Plant, Net	\$8,449,400	\$(320,187)	\$432,032	\$8,561,245
	2007			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$9,484,761	\$—	\$97,052	\$9,581,813
Less: Accumulated depreciation	(816,254)	(316,159)	—	(1,132,413)
Electric Plant & Equipment, Net	\$8,668,507	\$(316,159)	\$97,052	\$8,449,400

During 2008, OMEGA JV6 recorded an adjustment to electric plant to reflect the revised estimate of the ARO as a result of a change in estimate (Note 6).

**Note 5. Acquisition of the Project**

Pursuant to the Agreement, OMEGA JV6 purchased the Project and assumed related contracts from AMP-Ohio. OMEGA JV6 financed the initial purchase with a one year note payable to AMP-Ohio from OMEGA JV6.

The Participants in OMEGA JV6 consist of financing and nonfinancing participants. On July 1, 2004, AMP-Ohio issued \$9,861,000 OMEGA JV6 Adjustable Rate Revenue Bonds, Series 2004 (“OMEGA JV6 Bonds”), on behalf of the financing participants of OMEGA JV6. The net proceeds of the bond issue were contributed to OMEGA JV6. The nonfinancing participants in OMEGA JV6 contributed \$139,000.

The OMEGA JV6 Bonds were not issued by OMEGA JV6 and the financing participants make debt service payments directly to AMP-Ohio. Therefore, the OMEGA JV6 Bonds are not recorded in the financial statements of OMEGA JV6. The OMEGA JV6 Bonds outstanding at December 31, 2008, are as follows:

<b>Maturity Date February 15 &amp; August 15</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2009	\$960,000	0.65 %
2010	964,000	0.65 %
2011	970,000	0.65 %
2012	976,000	0.65 %
2013	982,000	0.65 %
2014	988,000	0.65 %
2015	538,000	0.65 %
<b>Total</b>	<b>\$6,378,000</b>	

The maturity table assumes an interest rate of 0.65%, which is equal to the interest rate used to calculate the February 15, 2009 principal payment.

Principal and interest on the OMEGA JV6 Bonds is payable in \$500,000 semi-annual installments on February 15 and August 15, beginning February 15, 2005. The OMEGA JV6 Bonds bear interest at an adjustable rate, which shall be established by reference to the Six-Month Municipal Market Data High Grade Index Rate (the “MMD Index Rate”) plus 15 basis points. The adjustable rate will automatically be reset semi-annually, based on the MMD Index Rate as of two business days prior to the beginning of the next interest period. On August 15, 2019, the balance of the principal of the OMEGA JV6 Bonds, if not theretofore paid or provided for, shall become due and payable.

The OMEGA JV6 Bonds are payable solely from the basic and additional demand charges of the OMEGA JV6 financing participants. The OMEGA JV6 Bonds require compliance by the financing participants with the OMEGA JV6 Agreement, which requires that each financing participant maintain a debt service coverage ratio of 1.1 or greater.

All financing participants are in compliance with the debt service coverage ratio requirement for the years ended December 31, 2008 and 2007.

The OMEGA JV6 Bonds are subject to optional redemption at any time, at the sole discretion of participants of OMEGA JV6, at the price of par plus accrued interest.

**Note 6. Asset Retirement Obligations**

Under the terms of lease agreements, OMEGA JV6 has an obligation to remove electric generators from the leased sites where the units are located and to perform certain restoration of the sites.

Asset retirement obligation activity for the years ended December 31 is as follows:

	2008			
	Beginning Balance	Accretion Expense	Revisions to Estimate	Ending Balance
Asset retirement obligation	\$685,698	\$34,370	\$432,031	\$1,152,099

	2007			
	Beginning Balance	Accretion Expense	Revisions to Estimate	Ending Balance
Asset retirement obligation	\$560,054	\$28,592	\$97,052	\$685,698

Asset retirement obligations are determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the units. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful lives of each unit.

#### Note 7. Net Assets

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other

borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - The component of net asset consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is OMEGA JV2’s policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the electric net assets invested in capital assets:

	2008	2007
Electric Plant	\$10,013,845	\$9,581,813
Accumulated Depreciation	(1,452,600)	(1,132,413)
Total Net Assets Invested in Capital Assets	\$8,561,245	\$8,449,400

#### **Note 8. Environmental Matters**

The Project is subject to regulation by federal, state and local authorities related to environmental and other matters. Changes in regulations could adversely affect the operations and operating cost of OMEGA JV6.

Bird and bat collisions with the turning blades of wind turbines have resulted in wildlife losses in some wind turbine locations. Informal bird and bat surveys conducted by local wildlife experts have not detected a collision problem. If it is concluded that there is a bird and bat collision problem, fines may be assessed against OMEGA JV6.8.

#### **Note 9. Risk Management**

OMEGA JV6 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers’ compensation, excess liability, general liability, pollution liability, directors’ and officers’ insurance, fiduciary liability, crime and fidelity coverage.

#### **Note 10. Related Party Transactions**

OMEGA JV6 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. OMEGA JV6 had a receivable of \$184 and a payable of \$88 to AMP-Ohio at December 31, 2008. In addition, AMP-Ohio is entitled to a fee associated with the sale of energy attributes. Such fees amounted to approximately \$15,376 and \$14,726 for the years ended December 31, 2008 and 2007, respectively.
- As OMEGA JV6’s agent, AMP-Ohio entered into an agreement with Municipal Energy Services Agency (“MESA”), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were \$61,718 and \$53,504 for the years ended December 31, 2008 and 2007, respectively. OMEGA JV6 had a payable to MESA for \$12,218 and \$4,054 at December 31, 2008 and 2007, respectively.

#### **Note 11. Future Lease Commitment**

On November 14, 2002, AMP-Ohio entered into a 20 year lease for the land where the Project is located. The term of the lease allows for annual renewals if the Project is commercially operable. The lease requires annual payments of \$1,000 per wind turbine unit. AMP-Ohio has assigned this lease to OMEGA JV6. Rent expense from this lease totaled \$4,000 during each of the years ended December 31, 2008 and 2007.



**Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Ohio Municipal Electric Generation Agency  
Joint Venture 6  
Board of Participants

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 (“OMEGA JV6”) as of and for the year ended December 31, 2008, and have issued our report thereon dated April 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered OMEGA JV6’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV6’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV6’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency

is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Finding 1 - Financial Reporting**

**Criteria**

New auditing standards require OMEGA JV2 to (1) Maintain the books and records in such a condition that the auditor is not able to identify any material journal entries as a result of our audit procedures and (2) Be capable of preparing a complete set of year end financial statements in such a condition that the auditor is not able to identify any material changes as a result of the audit. A complete set of financial statements include the statements of net assets, changes in net assets, and cash flows, as well as footnote disclosures.

**Condition**

New auditing standards make it clear that the definition of a material weakness in internal control should include consideration of the year end financial reporting process. Material weaknesses over financial reporting exist when (1) there were material journal entries as a result of our audit procedures and/or (2) a complete set of year end financial statements for the auditor to test was not prepared by staff.

**Cause**

The auditor prepared the financial statements for OMEGA JV6.

**Effect**

Because preparation of the financial statements by the auditors, the accounting records may be misstated.

**Recommendation**

OMEGA JV6 should consider additional internal controls or other procedures to strengthen controls over the financial reporting process so financial reports can be prepared by staff.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether OMEGA JV6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance, described below, that is required to be reported under *Government Auditing Standards*.

**Finding 2 - Availability Of Public Records**

**Criteria**

Pursuant to Ohio Revenue Code (ORC) §149.43, OMEGA JV6 is required to have a public records policy in place and to provide a copy to all employees.

**Condition**

Currently OMEGA JV6 does not have an updated public records policy in place.

**Cause**

OMEGA JV6 has not formalized a public records policy to handle requests for information from the public.

**Effect**

The public records may not be made available to the public as required by the ORC.

**Recommendation**

OMEGA JV6 should implement a public records policy that has all the requirements as outlined by the ORC.

## Independent Auditors Report

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OMEGA JV6's response to the findings identified in our audit were not audited by us and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Participants, management, and the Auditor of the State of Ohio and is not intended to be, and should not be, used by anyone other than those specified parties.

*Virchow, Krause & Company, LLP*

Madison, Wisconsin  
April 8, 2009

## JV6 Generation Technicians

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Dennis Nichols



Chuck Giffhorn



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