MOODY'S
INVESTORS SERVICE

HIGH PROFILE NEW ISSUE

American Municipal Power, Inc.

Sale Details	
AMP members	129 municipal electric utilities in 7 states
Peak demand, 2011	3,205 MW
Number retail customers served	600,000
Key Facts	
Debt Outstanding, 12/2011($bil):	$4.7
Electric Revenue, 2010($millions)	$787
Take-or-pay contract term (years)	50
LOC Facility ($millions)	$750
Owned generation, 2010; 2015	27%; 70%
%Renewable Generation, 2015:	21%
Prairie State (coal) % Total Energy, 2015:	23%

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Rating Rationale

Moody's has affirmed the A1 issuer rating on American Municipal Power Inc. The rating considers the strong cost recovery framework of the municipal electric utilities that are participants; the A1 credit quality of the participants; AMP's satisfactory financial position; and fundamental strengths of AMP's diverse and competitive power supply portfolio. Moody's has also maintained the rating on AMP's project ratings on $4.7 billion of revenue debt. See debt statement on page 2.

AMP has 129 members in seven states (Ohio, Delaware, Kentucky, Pennsylvania, Michigan, Virginia and West Virginia). During 2011, more than 70% of sales revenue came from Ohio-based municipal electric utilities. The participants have near-monopoly status in their service areas and set rates locally without external regulation. AMP was established by a state statute and operates like a joint power agency. It is governed by a 20-member Board of Trustees made up of officials from member municipalities.

Outlook

Moody's believes AMP's management and its sound resource planning will be key factors in it maintaining a stable credit position. AMP's plan to strengthen its liquidity and management of generation operating risks is an important factor in outlook.

What Could Change the Rating Down

The rating could be lowered if the AMP generation projects that are under construction experience significant cost overruns and impact the agency's competitive position and pressure participant's compliance with power supply agreements or AMP is not able to manage its new generation risks.

What Could Change the Rating Up

The successful completion of the shift to more generation ownership; improvement in participant credit quality and further improvement in the AMP's competitive cost structure could factor in upward pressure on the rating.

Debt Statement and Rating History

FIGURE 1

Debt Statement as of December31, 2011 ($000)
American Municipal Power, Inc and Ohio Municipal Electric Generating Agency ($000)(1)

AMP	Rating	
Prairie State Energy Campus Project Revenue Bonds, Series 2008 A	A1	$760,655
Prairie State Energy Campus Project Revenue Bonds, Series 2009 A, B, C	A1	636,145
Prairie State Energy Campus Project Revenue Bonds, Series 2010	A1	300,000
AMP Electricity Purchase Revenue Bonds Prepayment	A2(Aa3)	123,770
AMP Multi-Modal Variable Rate Combustion Turbine Revenue Bonds, Series 2006	A1/VMIG1 (LOC)	10,620
AMP Hydro Project Revenue Bonds, Series 2009 A, B, C, D	A3	663,776
AMP Combined Hydro Project Revenue Bonds, Series 2010 A, B, C	A3	1,378,990
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010 A,B,C,D,E	A3	630,065
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2011A	A3	55,035
Ohio Municipal Electric Generating Agency		
OMEGA Joint Venture 5 Beneficial Interest Certificates ,Series 2001	A1	23,891
OMEGA Joint Venture 5 Beneficial Interest Certificates ,Series 2004	A1	86,310

(1) Excluding AMP's $600 million Freemont Energy Center term loan; AMP's commercial paper note program; and the $750 million of bank line authorization.

AMP's debt structure is project based with participants subscribing for a share of the project secured by their take-or-pay obligation. Each project is separately secured and there is no cross default between projects. The municipal electric utility subscription to a generation project is done after a comprehensive needs analysis is performed to determine forecasted demand and the resources that are required. Assumptions incorporate energy efficiency programs; forecasted regional power prices; and expected greenhouse gas regulation and renewable energy requirements. AMP will utilize its bank lines to fund on an interim basis the cost of construction of a new generation unit and then the practice has been to refinance the outstanding draw on the line with fixed rate revenue bond debt. AMP has negotiated a new bank line With JP Morgan Securities; Key Bank N.A. and U.S. Bank for $750 million, with authorization to increase the line by up to $250 million. The new bank line is set to be effective January 9, 2012. AMP also has authorization to issue $450 million of commercial paper notes rated P-1 by Moody's.

Capital Program: New Owned Generation to Diversify Fuel Mix

AMP's capital plan concentrates on the building of new power plants to replace wholesale power market purchases. A major part of the AMP capital improvement program which AMP has funded with revenue bonds is the development of new hydroelectric generation on the Ohio River. AMP is also evaluating other hydroelectric opportunities including the R.C. Byrd project. AMP on behalf of the City of Wadsworth has filed a pre-application for a hydroelectric facility permit with the Federal Energy Regulatory Commission (FERC).

AMP will finance prior to 2014 the acquisition from Hamilton of the 49% ownership interest in the Greenup hydro project.

AMP also plans to finance the AMP Fremont Energy Center Project, which is a 675 MW natural gas fired combined cycle generation facility. AMP executed an asset purchase agreement with First Energy Generation Corporation. The facility is expected to go into commercial operation in January 2012.

Recent Developments

(1) AMP hydro projects are proceeding with the Cannelton Hydro expected to be commercial May 28, 2014; Smithland lost 45 days due to flooding issues but officials believe the project schedule can be caught-up with a start-up January 2015; and Willow Island is 4 months ahead of schedule, with completion scheduled for January 2015. The. Meldahl Hydro Project is projected to be completed August 2014. Overall the projects are at this point under budget. AMP expects to place all hydros in the same AMP operating unit.

(2) AMP expects that members will derive 21% of energy on average from renewable energy once the hydro projects are operational.

(3) Prairie State, the 1582 MW coal-fired generating facility is scheduled for the first fire of coal January 2012 for Unit I and April 2012 for Unit 2.

(4) Freemont Energy Center was purchased with a term loan expiring July 262012. The term loan is secured by the 85 AMP municipal participants in the project. Fremont Energy Center is a newly constructed 675 MW natural gas fired combined cycle generating unit that AMP is purchasing from First Energy. AMP expects to fund the short-term loan long term with revenue bonds secured by take-or-pay contracts with 87 municipal electric utilities. The project has a $500/KW cost structure. The plant is scheduled to be in operation by January 1, 2012.

Fundamentals

Strengths

» Competitive position of municipal utility participants with an average 20% rate advantage and sound strategic plan to position cost structure in longer term

» Certainty in cost recovery due to sound AMP power supply contracts with its members; the unregulated rate setting authority of AMP member municipal utilities, including AMP's statutory authority to increase its wholesale rates on a timely basis and members' ability to pass on purchased power costs to retail customers. Non-Ohio participants have sound state statutes regarding take-or-pay contracts

» No direct retail competition for municipal electric utilities in each state served

» Average weighted credit quality of the diverse group of AMP"s member cities is in A1 range

» Strong contract enforcement provisions including AMP's authority in the event of a contract default by a member, in addition to AMP's credit monitoring system which provides an early warning of fiscal stress

» The level and availability of internal and external financial liquidity with bank line agreements with satisfactory terms and conditions

» Demonstrated record of success in managing power supply for AMP's member municipal electric utilities

» Fully funded debt service reserves for individual separately-secured generation project debt. No cross default between projects

Challenges

» Strategic plan to shift from market to generation ownership has increased leverage but typical for JPA

» Future borrowing for hydro and combined cycle generation projects will increase overall leverage

» Managing power supply purchases in restructured wholesale electricity market

» Costs associated with environmental compliance at Gorsuch Station and future greenhouse gas regulations at Prairie State

» Some member utilities have customer dominance and above average retail rates

» Unemployment in region AMP serves is above average

AMP's Value Added Power Supply Role is Important to Municipal Electric Utilities And A Rating Fundamental

AMP was established by state statute (Ohio Revised Code Chapter 1702) as a non-profit corporation in 1971 to provide its members, which are municipal electric utilities, to provide for a reliable and competitive power supply. AMP is governed by a 20-member Board of Trustees made up of officials from member municipalities. AMP operates like a joint powers agency and most of its members have home rule charters which permit retail rates to be set by the local governing boards with no external

regulation. The Ohio members have their authorization to enter into power sales contracts derived from the state constitution. AMP has obtained a determination letter and qualifies as a Section 501(c) 12 corporation and has a private letter ruling that in effect permits it to issue tax-exempt bonds. AMP has a master services agreement with all its members that provides a legal framework for the relationship of the municipal electric utility and AMP as it relates to power pools, energy products, power supply arrangements and individual services. The AMP members from the other states have specific state statutes that govern their authority and participation in take-or-pay obligations.

In 2011, non-coincident peak demand of AMP's 129 members was 3,205 MW, almost 50% higher than in 2005 primarily due to new members joining the agency and partly due to load growth . AMP electric revenues were $787 million in 2010. AMP has supplied a part of that peak demand from 627 MW of generation that it owns, with the balance coming from market purchases. AMP provides wholesale power services to over 600,000 customers in the seven states.

Rate competitiveness has been maintained with AMP members averaging retail rates in the 20% range lower than region's investor-owned utilities. It is noted that several AMP participants retail rates are higher than the regional average.

AMP historically has been a wholesale power supplier using market purchases to resell to its participants. AMP has 24 Master Service Agreements in place with counterparties that allow energy trading. AMP has undertaken a significant shift in its power resource strategy from mostly market purchases to moving towards generation ownership. The main driver has been to mitigate the volatility that municipal electric utilities have had to face with the restructured wholesale power markets. AMP forecasts it will move to reliance on purchased power for about 30% from 73% of its energy by 2015. The base load power supply projects that AMP has participated in the financing of are projected to be competitive power sources and are secured by 50-year take-or-pay contracts with AMP members. For example, the low fuel costs of the Prairie State project is expected to be a significant advantage once that power generation facility is commercial. Prairie State is close to schedule and budget with expected substantial completion date of January 2012 for Unit I and April 2012 for Unit 2.

Strong Cost Recovery Protections

AMP's municipal utility members purchase non-project capacity and energy from AMP pursuant to take-and-pay contracts with its members. The contracts are not secured by the full faith and credit of the respective cities. AMP members by their choice also participate on a take-or-pay basis in AMP-sponsored projects including AMP's share of the financing of the Prairie State Project, the 1582 MW coal-fired generation plant. AMP members who chose to participate in that project have a 50-year take-or-pay contract and are obligated to pay for the their allocated share of the O&M and debt service costs.

The contracts are payable from municipal electric utility enterprises, the funds of which are accounted for separately from municipal general government funds.

However, if there is a payment default, AMP has the power to suspend delivery, which in Moody's opinion creates a significant incentive to pay given the essential nature of the electric service. If nonpayment persists, AMP could bring litigation against the city and seek a judgment against the city's assets, including non-utility general governmental assets. AMP has never experienced a payment default.

Payment compliance is aided by a credit monitoring program which produces early warning reports should a city be in fiscal distress. The Ohio state auditor has fiscal emergency powers to place a city on Fiscal Watch or Emergency to correct a fiscal stress problem. Moody's believes this structured process to catch any potential non-compliance with the contracts is a positive consideration in the rating. Local governments also cannot be forced into bankruptcy. Only the Ohio tax commissioner can recommend that an Ohio local government can file for Chapter 9 bankruptcy. In Chapter 9 bankruptcy, the fiscal affairs of the local government are reorganized and debts can be adjusted but not reduced. AMP is not authorized to file for bankruptcy and cannot be forced into bankruptcy.

New state legislation in Ohio provides municipalities in fiscal stress the authority to modify collective bargaining agreements. In Michigan, after the State Treasurer recommends Governor can assign a fiscal emergency manager who has enhanced authority to manage a local governments in financial difficulty. If emergency financial plan is not feasible, the manager can authorize bankruptcy filing under Chapter 9.

AMP Members Credit Characteristics Weighted Heavily in Credit

Among the factors the issuer rating incorporates are the general credit characteristics of AMP's members. AMP has 129 members in seven states (Ohio, Delaware, Kentucky, Pennsylvania, Michigan, Virginia and West Virginia). About 70% of AMP sales revenue comes from Ohio-based municipal electric utilities. Moody's has determined the average credit quality of AMP municipal participants is A1. Moody's uses its Q-rate methodology which is a statistical model based on several key rating factors to estimate credit standing of many of the smaller non-rated AMP members. Moody's believes there is a close and direct relationship between the member cities' general credit and that of its municipal utility, particularly in Ohio given the strong cost recovery process. .

The fundamental credit strengths of AMP's members include near-monopoly status in their service areas and unregulated rate setting authority. Municipal electric utilities in Ohio are not subject to state regulation nor are they required to participate in retail choice programs. Retail rates are established by the local governing boards and are not subject to external regulatory review. Most AMP member municipal electric utilities had competitive rates in all customer classes.

While the economy in Ohio has faced recession impacts, Moody’s believes that most cities have managed adequately. See Moody’s report published October 31, 2011 “Most Ohio Cities Expected to Manage Through Economic and Fiscal Uncertainty”.

MOODY'S ECONOMY.COM ON THE OHIO ECONOMY-OCTOBER 2011

Recent Performance. The recovery in Ohio is broad-based and is outpacing the nation's. The private sector is adding jobs, led by manufacturing, healthcare and energy-related industries. Local government has been the primary drag, particularly since adjustments took effect with the new fiscal year in July. After a strong first half of 2011, hiring has slowed, and the unemployment rate has ticked above 9%. House prices slid through the second quarter of 2011. Construction is benefiting from healthcare and manufacturing expansions and multifamily developments. Credit conditions have improved, but fewer foreclosures are likely because of processing issues. Energy exploration has been a boon to eastern OH.

Manufacturing. Manufacturing production is stable, but a lull in new orders foreshadows lower output in coming quarters. Manufacturing has played a key role in the state's recovery, accounting for one out of every five jobs added since employment bottomed. However, surveys of purchasing managers imply capacity utilization will decrease in the near term, with little pressure to expand payrolls or boost wages. Profit margins remain under pressure because of still-elevated input prices and the inability to pass these costs on to customers.

Domestic auto producers are benefiting from stronger vehicle sales nationwide, and Detroit's Big Three have each announced large expansions in OH. Combined, Chrysler and General Motors will invest more than $560 million and add 1,000 jobs in Toledo, and Ford will relocate truck production from Mexico to its Cleveland assembly plant. Ford could also add a third shift at its Cleveland engine plant. Key employer Honda has been recuperating from the Japanese supply chain disruptions.

Housing blight. Imbalances in the housing markets of most of OH's metro areas will undermine the broader recovery in 2012. Excess supply and a lack of demand have driven prices down nearly 2% in 2011. Though improved affordability is favorable for stronger sales, potential buyers are content to wait out economic and political uncertainties. Excess supply is most significant in Cleveland, Dayton and Toledo, where poor demographics have exacerbated imbalances. Thousands of houses go unmaintained for long periods, weighing on property values. Communities have turned to demolition, but a bottom in housing will come only once demand returns. Prices are forecast to bottom in late 2012, but this is contingent on stronger job growth and continued low interest rates. Risk is to the downside, and if foreclosure processing issues persist, the recovery in housing will be delayed.

Energy. Natural gas speculation in eastern OH will generate significant indirect benefits and support the recovery. Little drilling is occurring, but production of steel tubulars used in drilling in Pennsylvania has attracted hundreds of millions in investment. Slow-growing metro areas such as Canton, Youngstown and Cleveland will benefit from announced investment in steel production of nearly $1 billion. This will occur over the next year. Prospects are positive, but challenges remain; horizontal drilling is difficult in OH's thin shale, and environmental concerns could make exploration more costly.

Ohio's recovery will gain traction in late 2012. Despite a slowdown in early 2012, manufacturing will still make meaningful contributions to the recovery. Healthcare and business services will also lead job growth. Employment will reach its prerecession level in 2015, compared with 2014 nationally. Long term, OH's transition away from manufacturing will continue. Weak demographics and relatively low productivity will ensure that the state lags the U.S. in output and employment growth.

AMP Financial Position: Financial Liquidity is Satisfactory as AMP Changes Its Operating Profile

AMP has historically operated on a breakeven basis as a non-profit wholesale power supplier with the bulk of its energy resources from market purchases resold to its municipal utility participants. AMP's move to be an owner of generation with operating risks has required a significant increase in operating liquidity. While AMP has an unregulated authority to set its rates to recover its costs, financial liquidity to manage changes in fuel prices and meet other immediate impacts on cash flow will be required as it becomes a generation owner. AMP has taken several strong steps to mitigate the risks in the forecast period including adding increased bank lines with stronger counterparties and a longer five-year tenor with no MAC clauses and entered into agreement with The Energy Authority (an entity owned by several public power utilities that has energy market trading; fuel purchase and risk management skills useful to mitigate operating risks). AMP is also considering an annual margin policy to build up additional liquidity on its balance sheet.

AMP has three forms of liquidity: reserves associated within each of its projects, external lines of credit with banks, and the timely ability to use its unregulated authority to raise rates and pass through costs. The agency has more than satisfactory liquidity in each of the separately secured project funds which is used for working capital purposes for its purchased power transactions and its owned generation facilities.

The majority of AMPs financial operations relate to it providing power supply to its members through market purchases or project generation. Limited risk was previously experienced as costs were passed through and only mismatch was billing and collection process. AMP put in place substantial external revolving lines amounting to $750 million as it was participating in new construction projects. The liquidity facility is being renewed at that level with an effective date of January 9, 2012 for a term of 5 years. In addition, the line can be increased by $250 million if required. AMP has also improved credit quality of the line counterparties with RBC and Barclays added to the bank consortium. The liquidity facility is used for working capital and project construction liquidity to assist AMP in its management of its power supply on behalf of its member municipal electric utilities. In addition, AMP has a tax-exempt commercial paper program (rated P-1 by Moody's) currently authorized at $450 million for interim funding for the Prairie State, Hydro projects and other generation projects.

AMP financial operations are shown below on a consolidated basis. Operating sales revenue has grown largely due to the addition of new all-requirement municipal electric utilities to the AMP organization. The transformation from a municipal wholesaler sourcing power supply from the regional energy markets to an owner of generation is reflected in the increase in net debt from $21.3 million in 2005 to $4.5 billion in 2010. The debt service on the bonds issued in the past few years for Prairie State and the hydro projects is not yet a current expense since interest is capitalized until commercial operation and principal doesn't begin amortizing until the facilities are in operation. Each of the projects will be separately accounted for and are forecasted to meet the bond covenanted coverage and liquidity requirements.

FIGURE 2

AMP INC.

Financial Performance

	2005	2006	2007	2008	2009	2010
Operating Revenues	$433,939	$461,850	$527,621	$596,458	$754,943	$795,597
Gross Revenue and Income	434,958	463,510	543,982	600,971	755,943	796,438
Operating Expenses	416,860	445,407	524,620	569,303	728,548	765,537
Net Revenue	18,098	18,405	19,362	31,668	29,395	30,901
Interest expense	3,839	3,708	10,116	16,906	18,348	13,267
Debt service	17,200	18,430	16,444	23,545	28,772	29,565
KEY FINANCIAL RATIOS						
Operating Ratio (%)	96.1	96.4	97.3	95.4	96.5	96.2
Net Take down (%)	4.2	4.1	3.9	5.3	3.8	3.9
Interest Coverage (x)	4.71	4.88	1.68	1.87	1.49	2.32
Debt Service Coverage (x)	1.05	1.01	1.12	1.34	1.02	1.05
Debt Service Safety Margin (%)	0.2	0	0.2	0.5	0.3	0.2
Debt Ratio (%)	20.2	21.1	106.7	129.9	103.2	115.4
BALANCE SHEET DATA (2)						
Gross fixed Assets	$111,818	$119,482	$481,703	$558,583	$1,262,248	$1,738,763
Net fixed assets	55,052	66,580	413,056	484,065	1,182,155	1,644,471
Net working capital(2)	50,697	46,166	130,877	155,412	1,179,887	2,234,975
Gross funded debt	35,113	37,866	589,656	1,545,755	2,566,912	4,886,587
Debt Service Reserve	13,799	15,071	12,666	714,972	137,318	409,086
Net Funded Debt(1)	21,314	22,759	576,990	830,783	2,429,594	4,477,500

(1) Excluding term debt issued on behalf of members.

(2) Including bond proceeds for construction in the Trustee account.

(3) Excluding in net working capital the bank lines.

AMP PROJECTS

AMP Combined Hydro Project –Rated A3

AMP sold $2.1 billion of revenue bonds to finance construction of several hydroelectric projects on the Ohio River. AMP's 20-year diversification strategy identified several modified run-of-the-river hydroelectric projects on the Ohio River. The three optimal projects are the Cannelton, Smithland and Willow Island projects.

The Ohio River is a naturally shallow river that was artificially deepened by a series of dams. The dams raise the water level and have turned the river largely into a series of reservoirs, eliminating shallow stretches and allowing for commercial navigation. The river flow is regulated by the US Army Corps of Engineers to ensure navigation and flood control.

In November 2009, AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility and Smithland hydroelectric facility, respectively. Ground breaking ceremonies were held for Cannelton on August 5, 2009 and for Smithland on September 1, 2010. AMP received the last of the material permits for the Willow Island hydroelectric facility in the last quarter of 2010. Ground breaking ceremonies were held for Willow Island on July 21, 2011.

The Cannelton Hydro Project is located on the Kentucky shore of the Cannelton Locks and Dam on federal land. AMP has a FERC license for the project that expires May 31, 2041. The hydro project will divert water from the locks and dam through bulb turbines which will have a horizontal shaft and Kaplan-type turbines. The site includes an intake channel, a reinforced concrete powerhouse (to house turbine and 3 generator units) and a tailrace or downstream channel. The transmission line will interconnect to the Midwest ISO market. AMP plans to construct the 88 MW generation facility at a cost of $415.6 million with commercial operation by May 2014.

The Smithland Hydro Project is located 62.5 miles upstream of the confluence of the Ohio and Mississippi Rivers. The Smithland project has a FERC license that expires May 31, 2038. AMP expects to construct the project at a cost of $432 million for the 76 MW with commercial operation by January 2015.

The Willow Island Hydro Project will divert water from the existing Willow Island Locks and Dam through bulb turbines. The FERC license for the Willow Project expires August 31, 2039. The project is expected to be developed at a cost of $275.9 million for 44 MW with commercial operation by January 2015..

The total theoretical maximum potential energy for the 1975-2005 periods (a period after the locks and dams were constructed) reflected a maximum capacity factor in the 50-60% range for the three projects which compares with other hydroelectric facilities on the Ohio River. The water levels are based on predicted rainfall in the Ohio River basin in the several state region. The planning model uses the capacity factors detailed in the study which are expected to be achieved as long as water flows to support the lock and dam system are maintained which appear likely given their role in river navigation.

AMP selected MWH as owner engineer with oversight of the design and construction of the project. MWH has broad municipal infrastructure experience. MWH was the engineer on the AMP-Ohio 42 MW Belleville Hydroelectric Project. Construction contracts are fixed-price type contracts with lump sum pay items.

AMP Meldahl Hydroelectric Project (rated A3)

The A3 credit quality of the AMP Meldahl Hydroelectric Project Revenue bonds rests substantially on the strong bond security which includes the unconditional take-or-pay obligation of the 48 municipal project participants in the project to pay O&M and debt service on the bonds. Significant weight in the rating is also the 51% obligation share of Hamilton, Ohio (Electric Revenue bonds rated A3). The obligation of the participants is unconditional regardless of whether the project is constructed, completed, operating, or operable. The average weighted credit quality of the participants is A2. The rating considers the long-term expected value and economics of the non-carbon hydroelectric project, as well as the A1 issuer credit strength assigned to AMP, Inc. which has been an effective power supply agency. The Meldahl project has the highest rated capacity factor of any of the new projects. The water levels are based on predicted rainfall in the Ohio River basin in the several state region. AMP selected MWH as owner engineer with oversight of the design and construction of the project.

» The navigation pool of water level is controlled by the US Army Corps of Engineers at the Markland Locks and Dam, 95 miles from the Meldahl site. Meldahl is 36 river miles from Cincinnati. The project will be operated as a run of the river installation and will not require pool storage. Maximum gross head is 35 feet.

» The project will include an intake approach channel, a reinforced concrete powerhouse and a a tailrace channel that leads water discharged from the powerhouse back to the downstream pool. The powerhouse has three-bulb-type turbine generating units with an estimated total capacity of 105 MW at a gross head of 24.5 feet. There will be a single transmission line from the powerhouse to the 138kV Boone-Spurlock transmission line.

Hamilton, Ohio has 51% of AMP Meldahl obligation; provides more diverse hydro generation

The City of Hamilton has operated a municipal electric utility since 1893. The utility provides monopoly electricity service and the City Council establishes rates without external regulation. Utility management can pass through increased fuel or purchased power costs automatically. The local economic trends are improving with the still above average unemployment at 10.4% in 2010. Hamilton is about 30 miles northwest of Cincinnati .

Once the Meldahl project is commercial in 2014, Hamilton's power resource mix will be 55% hydro; 39% coal and 6% purchases. The Meldahl project will double the number of turbines Hamilton will have to 6 turbines diversifying its hydro production shafts. The city's small coal fired power plants are currently economic but aggressive regulation may require switching to natural gas. That evaluation is now taking place. The Utility has operated Greenup Hydro since 1988 with an average capacity factor in excess of 50%. Outstanding Greenup debt factors into a high debt ratio for the utility but Hamilton's retail rates are about 25% lower than the neighboring IOU.

As part of an agreement between AMP and Hamilton, once Meldahl becomes commercial in 2014, AMP will be obligated to purchase from Hamilton for $139 million a 48.6% undivided ownership interest in Greenup. The same 47 AMP members participating in Meldahl (all but Hamilton) have signed a power sales contract with AMP to support the bonds that AMP will issue to finance its payment to Hamilton. The city will retain a 51.4% ownership interest in Greenup. Hamilton has stated its intention is to retire the outstanding Hamilton Greenup debt with the AMP proceeds it receives. Customers were told to expect rate increases of between 1% to 2% over next several years as Meldahl becomes commercial and the new debt service phases in.

Hamilton debt service coverage ratio has averaged about 1.50 times for the past decade. There is a limited General Fund transfer which is only for administrative costs, which is a positive factor. The utility has had a solid days cash on hand record.

Prairie State Project Revenue Bonds (Rated A1 by Moody's)

The A1 rating assigned to the Prairie State bonds incorporates the A1 underlying credit strength of a diverse group of municipal electric utilities in Ohio and in several neighboring states participating in the Prairie State Project; the strong legal security behind the bonds and the strong cost recovery process ; AMP's favorable power supply management record; and the projected economics and value of the Prairie State Project to AMP members. The all-in cost of Prairie State is competitive versus market prices. The value of the project includes the significant advantage the project has in that it is located adjacent to the fuel supply. Participants have financed the mine and have a stable source of fuel supply for 30 years. With level debt service on the Prairie State bond and the relatively fixed fuel price, the long term value of the project is evident.

Since the project will represent about 20% of AMP participant's power supply on average, the impact of the cost increase on overall price is mitigated. Furthermore, AMP is in the process of decommissioning its 232 MW Gorsuch coal-fired power plant that has had a $79/mwh all in price of generation. Prairie State at $62/mwh is projected to be competitive against the resource it is replacing.

Legal Security:

» Under the master trust indenture, AMP-Ohio's pledges its net revenues, derived from take-or-pay power sales contracts with 68 municipal participants, payable regardless of whether the project is completed, operating, or operable.

» The take-or-pay contracts have a 25% step-up provision.

» The master indenture includes a 1.10x rate covenant and a 1.10x additional bonds test after commercial operation.

» There is a fully funded maximum annual debt service reserve.

» The member payments are payable as O&M expenses of their respective electric systems.

» Legal opinions were issued that the contracts are valid and enforceable. On December 7, 2007, the Franklin County, Ohio Court of Common Pleas issued an order validating the power sales contract relating to the hydroelectric project between AMP-Ohio and the Ohio participants in that project, including the take-or-pay and step-up provisions included therein. Bond counsel references that order in its opinion as to the validity of the Prairie State Project take-or-pay

contracts but separately the Prairie State Project power sales contracts have not been court-validated.

» Several of the participants in AMP's Prairie State Project are located in Michigan, Virginia and West Virginia. Each of those states passed specific legislation authorizing take-or-pay contracts, including step-up provisions with out-of-state corporations.

» Should the take-or-pay contract obligation ever be successfully challenged and ruled by a court as illegal or unconstitutional, the power sales contract obligations become take-and-pay obligations of the participants and the obligation shall not be subject to reduction for any reason and not conditioned upon the performance by any participants.

PROJECT DESCRIPTION: AMP has issued $ $1.37 billion of revenue bonds to finance its share of the project. The Prairie State Project includes the Prairie State Energy Campus, a two-unit 1,582 MW pulverized coal- supercritical coal-fired generating facility located in southern Illinois. The heat rate is projected to be 9,300 Btu/kWh. The project also includes coal reserves and mine facilities. AMP's share of the generating facility is about 368 MW of capacity and related energy. Prairie State Generating Company (PSGC) is constructing and operating the Prairie State Project. PSGC is a wholly owned company of Prairie State Energy Campus Management, Inc., an Indiana nonprofit corporation, which in turn is wholly owned by the PSEG Owners on a basis that is proportionate to their respective percentage interests in the PSEC. The other public power utility owners of the Prairie State Project are: Illinois Municipal Electric Agency (rated A1); Indiana Municipal Power Agency (rated A1); Missouri Joint Municipal Electric Utility Commission (rated A3); Kentucky Municipal Power Agency (rated A3); and Northern Illinois Municipal Power Agency (rated A2).

PSGC had entered into an original $2.95 billion target price engineer procure construct (EPC) contract with Bechtel Power Corp for the construction of the plant. The target price EPC contract locks up most costs but effectively shifts the risk of labor cost escalations from Bechtel to the owners. However, significant cost overruns reported in the July 2010 budget led to a change in the EPC to shift risks back to the EPC contractor. The target completion date for Unit 1 is January 1, 2012 and April 1, 2012 for Unit 2.

The plant is located next to a mine that is under construction with coal reserves there estimated at over 200 million tons which would permit at least 30 years of plant operation.

The mine is designed as a single portal mine. In the event the mine is shut for emergency repairs, there will be 15 days of coal on hand at the mine and 70 days at the generating site. The generating site also has rail access to accommodate coal shipments, if necessary.

OMEGA JV 5 Project's Belleville Hydroelectric Facility Good Performance Produces Low Cost Energy ($105,545,000 Beneficial Interest Certificates Outstanding Rated A1 by Moody's)

Moody's Investors Service has maintained the credit rating of A1 on the outstanding $23,891,000 Ohio Municipal Generating Agency's Joint Venture 5"s (OMEGA JV5) 2001 Beneficial Interest Refunding Certificates (Belleville Hydroelectric Project) and the $82,297,000 Beneficial Interest Refunding Certificates (Belleville Hydroelectric Project) Series 2004. The rating outlook is stable.

OMEGA JV 5 was formed in 1993 under the joint venture agreement pursuant to Ohio Constitution and Section 715.02 of the Ohio revised Code. AMP operates the project on behalf of its members; 42 of the 129 members are joint venture participants. The participants pay debt service on a par with any other participant senior lien indebtedness. Satisfactory bond covenants include a debt service reserve of maximum annual debt service and a 25% step-up.

An important consideration in the credit rating assigned is the value of the Belleville Hydro Project provided to the 42 AMP members who are joint venture participants. OMEGA JV 5 project provides resource diversity and a firm base load resource. The project provides a very competitive source of incremental energy and capacity and over the long term as the capital costs are paid down, a long term source of low cost electrical capacity.

The project has been well-maintained with a good operating record since it came on line in 1999 with capacity factors exceeding forecasts. Operating performance for the 2005-2010 period continued the sound trend. The plant is located in West Virginia on the Ohio River at the Belleville Lock and Dam. Energy output of the facility will largely depend on river flow and is susceptible to drought conditions and also navigational requirements of the river. The project FERC license extends to 2041. There remains regulatory risk as river flow is controlled by the U.S. Army Corps of Engineers (Corps).

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