THREE NEW ISSUES — BOOK ENTRY ONLY

RATINGS: Moody's A2
STANDARD & POOR'S A
FITCH A
(SEE "RATINGS" HEREIN.)

In the opinion of Sidley Austin LLP, Federal Tax Counsel, assuming compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2009C Tax-Exempt Bonds will not be includable in gross income of the owners thereof for federal income tax purposes. Interest on the Series 2009C Tax-Exempt Bonds will not be treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Series 2009A Taxable Bonds and Series 2009B Taxable Bonds (BABs) will be includable in gross income of the owners thereof for the federal income tax purposes. In the opinion of Peck, Shaffer & Williams LLP, Bond Counsel, interest on the Series 2009 Bonds will be exempt from certain Ohio taxes. See "TAX MATTERS."

AMERICAN MUNICIPAL POWER, INC.

(formerly American Municipal Power-Ohio, Inc.)

$643,835,000
COMBINED HYDROELECTRIC PROJECTS REVENUE BONDS, SERIES 2009

consisting of

$24,425,000 SERIES 2009A (FEDERALLY TAXABLE)

$497,005,000 SERIES 2009B (FEDERALLY TAXABLE — ISSUER SUBSIDY — BUILD AMERICA BONDS)

$122,405,000 SERIES 2009C (TAX-EXEMPT)

DATED: DATE OF ISSUANCE **DUE: FEBRUARY 15, AS SHOWN ON THE INSIDE COVER PAGE**

The Series 2009 Bonds will be issued by American Municipal Power, Inc. ("AMP") in book-entry only form through The Depository Trust Company, which will act as securities depository. Purchases of the Series 2009 Bonds will be made in book-entry form through DTC participants in denominations of $5,000 or any integral multiple thereof. Payments of principal and interest on the Series 2009 Bonds will be made to beneficial owners by DTC through its participants. See APPENDIX F hereto. The Series 2009 Bonds will bear interest at the rates, and mature on the dates, as described on the inside cover hereof. Interest on the Series 2009 Bonds will accrue from their Issuance Date and will be paid each February 15 and August 15, commencing on February 15, 2010 as more fully described herein.

The Series 2009 Bonds are subject to redemption prior to maturity as described herein.

The Series 2009 Bonds are being issued and will be secured under the Master Trust Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, and the Third Supplemental Indenture, each dated as of November 1, 2009 and between AMP and U.S. Bank National Association, Cincinnati, Ohio, as trustee (the "Trustee"). The Master Trust Indenture as so supplemented and as heretofore and further supplemented and amended from time to time is herein called the "Indenture."

The Series 2009 Bonds are being issued to (i) refund, together with other available funds, AMP's Hydroelectric Projects Revenue Bond Anticipation Notes, Series 2009A, which were issued to pay, among other things, a portion of the capital expenditures, costs and expenses associated with three hydroelectric facilities to be constructed on existing dams on the Ohio River and owned by AMP (the "Projects"); (ii) make deposits to the Construction Accounts under the Indenture to finance capital expenditures, costs and expenses associated with the Projects; (iii) fund capitalized interest on the Series 2009 Bonds; (iv) fund deposits to the Parity Common Reserve Account; and (v) pay the costs of issuance of the Series 2009 Bonds.

AMP has entered into a Power Sales Contract dated as of November 1, 2007 (the "Power Sales Contract") with various municipalities in the States of Ohio, Kentucky, Michigan, Virginia and West Virginia (the "Participants"). Each Participant is a Member of AMP and owns and operates its own electric system (each, an "Electric System"). Under the terms of the Power Sales Contract, each Participant agrees to pay from the revenues of its Electric System, on a take-or-pay basis, for its respective share of electric power and energy from the Projects.

The Series 2009 Bonds are special and limited obligations of AMP payable from and secured solely by the Trust Estate pledged under the Indenture, which includes payments to be made to AMP by the Participants pursuant to the Power Sales Contract. The payment of the Series 2009 Bonds is not guaranteed by AMP, the Members of AMP or the Participants. Purchases of Series 2009 Bonds involve certain investment risks as described herein.

THE SERIES 2009 BONDS ARE NOT OBLIGATIONS OF THE STATE OF KENTUCKY, OHIO, MICHIGAN, VIRGINIA OR WEST VIRGINIA, THE MEMBERS OF AMP, THE PARTICIPANTS OR ANY POLITICAL SUBDIVISION OR INSTRUMENTALITY THEREOF. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF KENTUCKY, OHIO, MICHIGAN, VIRGINIA OR WEST VIRGINIA, OR ANY POLITICAL SUBDIVISION, INCLUDING THE MEMBERS OF AMP AND THE PARTICIPANTS, IS PLEDGED FOR THE PAYMENT OF THE SERIES 2009 BONDS. AMP HAS NO TAXING POWER.

The Series 2009 Bonds are offered, subject to prior sale, when, as and if issued and accepted by the Underwriters, subject to the approval of legality by Peck, Shaffer & Williams LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for AMP by its General Counsel, Chester Willcox & Saxbe LLP, and by its Federal Tax Counsel, Sidley Austin LLP, and for the Underwriters by Nixon Peabody LLP. It is expected that delivery of the Series 2009 Bonds will be made on or about December 9, 2009, through the facilities of DTC.

BMO Capital Markets

Merrill Lynch & Co.	**Morgan Stanley**	**Wells Fargo Securities**
Barclays Capital Inc.	**Edward Jones**	**The Huntington Investment Company**
KeyBanc Capital Markets Inc.	**Samuel A. Ramirez & Co., Inc.**	**Raymond James & Associates, Inc.**

This cover page is only a brief and general summary. Investors must read the entire Official Statement to obtain essential information for making an informed investment decision. This Official Statement is dated November 19, 2009 and the information contained herein speaks only as of that date.

Maturity Schedule, Interest Rates, Prices or Yields, and CUSIPs

AMERICAN MUNICIPAL POWER, INC.

$643,835,000
COMBINED HYDROELECTRIC PROJECTS REVENUE BONDS

$24,425,000 SERIES 2009A (FEDERALLY TAXABLE)

Due February 15	Principal Amount	Interest Rate	Price	CUSIP[(1)]
2015	$18,290,000	3.944%	100%	02765UCS1
2016	6,135,000	4.545	100	02765UCT9

$497,005,000 SERIES 2009B (FEDERALLY TAXABLE — ISSUER SUBSIDY — BUILD AMERICA BONDS)

Due February 15	Principal Amount	Interest Rate	Price	CUSIP[(1)]
2020	$ 3,465,000	5.264%	100%	02765UCZ5
2021	10,745,000	5.514	100	02765UCU6
2022	12,675,000	5.664	100	02765UCV4
2023	13,155,000	5.814	100	02765UCW2
2024	13,890,000	5.964	100	02765UCX0

$45,390,000 6.00% Term Bonds due February 15, 2027 — Price 100% CUSIP[(1)] 02765UDA9

$33,505,000 6.449% Term Bonds due February 15, 2029 — Price 100% CUSIP[(1)] 02765UDB7

$55,810,000 6.424% Term Bonds due February 15, 2032 — Price 100% CUSIP[(1)] 02765UDC5

$308,370,000 6.449% Term Bonds due February 15, 2044 — Price 100% CUSIP[(1)] 02765UCY8

$122,405,000 SERIES 2009C (TAX-EXEMPT)

Due February 15	Principal Amount	Interest Rate	Yield	CUSIP[(1)]
2016	$ 3,540,000	3.50%	3.39%	02765UDD3
2017	15,765,000	5.00	3.65	02765UDE1
2018	25,850,000	5.25	3.86	02765UDF8
2019	27,250,000	5.25	4.04	02765UDG6
2020	21,610,000	5.00	4.23	02765UDH4
2021	9,995,000	5.00	4.39*	02765UDJ0
2022	7,940,000	5.00	4.49*	02765UDK7
2023	8,350,000	5.00	4.56*	02765UDL5
2024	2,105,000	5.00	4.63*	02765UDM3

* Priced at the stated yield to the February 15, 2020 optional redemption date at a redemption price of 100%.

(1) CUSIP® is a registered trademark of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only, and AMP does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2009 Bonds as a result of various subsequent actions including, but not limited to, a defeasance in whole or in part of the Series 2009 Bonds.

AMERICAN MUNICIPAL POWER, INC.

BOARD OF TRUSTEES

The incumbent municipalities (located in Ohio unless otherwise noted) on the AMP Board of Trustees and their representatives to the Board are as follows:

Trustee	Representative	Employment
Bowling Green	Kevin Maynard	Director of Utilities, City of Bowling Green
Bryan	Steve Casebere	Director of Utilities, Bryan Municipal Utilities
Celina	Rick Bachelor	Safety Services Director, City of Celina
Carey	Roy Johnson	Village Administrator, Village of Carey
Cleveland	Ivan Henderson	Commissioner, Cleveland Public Power
Coldwater, MI	Paul Beckhusen	Director, Coldwater Board of Public Utilities
Cuyahoga Falls	Jeff McHugh	Assistant Superintendent, Cuyahoga Falls Electric Dep't
Ephrata, PA	Gary Nace	Borough Manager, Borough of Ephrata
Front Royal, VA	Joe Waltz	Director, Energy Resource Management, Town of Front Royal
Hamilton	Charles Young	Deputy City Manager, City of Hamilton
Montpelier	Pam Lucas, Secretary	Village Manager, Village of Montpelier
Napoleon	Jon Bisher, Chairman	City Manager, City of Napoleon
Newton Falls	Tracy Reimbold, Treasurer	Finance Director, City of Newton Falls
Oberlin	Steve Dupee, Vice-Chairman	Director, Oberlin Municipal Light & Power System
Orrville	Jeff Brediger	Director of Utilities, City of Orrville
Piqua	Ed Krieger	Power System Director, City of Piqua
Princeton, KY	John Humphries	General Manager, Princeton Electric Plant Board
Wadsworth	Chris Easton	Director of Public Service/City Engineer, City of Wadsworth
Westerville	Andrew Boatright	Manager, Westerville Electric Division

The President and General Counsel of AMP are ex officio members of the Board of Trustees.

Executive Management

Officer	Office
Marc Gerken, P.E.	President
John Bentine, Esq.	General Counsel (Chester Willcox & Saxbe, LLP)
Robert Trippe	Senior Vice President, Finance and Chief Financial Officer
Jolene Thompson	Senior Vice President, Member Services and External Affairs
Pam Sullivan	Senior Vice President, Marketing and Operations

Senior Staff

Officer	Office
Larry Marquis, P.E.	Vice President, Project Development
Mack Thompson	Vice President, Power Supply Services
Greg Slone	Vice President, Business and Generation Services
Jane Juergens	Vice President, Human Resources and Talent Management
Terry Leach	Vice President, Risk Control and AMPO Inc.
Michael Perry	Vice President, Fuels and Commodities
Phil Meier	Ass't V.P., Hydroelectric Development and Project Manager for Hydroelectric Projects

General Counsel
Chester Willcox & Saxbe LLP
Columbus, Ohio

Bond Counsel
Peck, Shaffer & Williams LLP
Columbus, Ohio

Federal Tax Counsel
Sidley Austin LLP
New York, New York

Consulting Engineer
Sawvel & Associates, Inc.
Findlay, Ohio

Financial Advisor
PNC Capital Markets LLC
Columbus, Ohio

Financial Products Advisor
Kensington Capital Advisors LLC
Charlotte, North Carolina

Design Engineer
MWH Americas, Inc.
Bloomfield, Colorado

Trustee
U.S. Bank National Association
Cincinnati, Ohio

The information contained in this Official Statement has been obtained from AMP, DTC and other sources believed to be reliable. This Official Statement is submitted in connection with the sale of the securities described herein and may not be reproduced or used, in whole or in part, for any other purpose. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of any party since the date of this Official Statement.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. AMP does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The Underwriters have provided the following sentence for inclusion in this Official Statement: They have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but they do not guarantee the accuracy or completeness of such information.

No broker, dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by AMP or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The Series 2009 Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other government entity or agency has or will have passed upon the adequacy of this Official Statement or approved the Series 2009 Bonds for sale.

In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. No commission or authority has confirmed the accuracy or determined the adequacy of this document.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE SERIES 2009 BONDS. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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AMERICAN MUNICIPAL POWER, INC.
COMBINED HYDROELECTRIC PROJECTS REVENUE BONDS

$24,425,000 Series 2009A (Federally Taxable)
$497,005,000 Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds)
$122,405,000 Series 2009C (Tax-Exempt)

INTRODUCTION

Purpose

This Official Statement, which includes the cover page and appendices attached hereto, contains information concerning (a) American Municipal Power, Inc. ("*AMP*"), an Ohio nonprofit corporation established pursuant to the laws of the State of Ohio, (b) AMP's Combined Hydroelectric Projects Revenue Bonds, Series 2009A (Federally Taxable) (the "*Series 2009A Taxable Bonds*"), Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "*Series 2009B Taxable Bonds (BABs*)") and Series 2009C Bonds (Tax-Exempt) (the "*Series 2009C Tax-Exempt Bonds*") and (c) the Cannelton Hydroelectric Project (the "*Cannelton Project*"), the Smithland Hydroelectric Project (the "*Smithland Project*") and the Willow Island Hydroelectric Project (the "*Willow Island Project*" and, together with the Cannelton Project and the Smithland Project, the "*Projects*"). Prior to July 1, 2009, AMP's name was American Municipal Power-Ohio, Inc. and AMP was commonly known as AMP-Ohio. AMP's Board of Trustees authorized the name change, effective July 1, 2009, in order to recognize the multi-state nature of the municipal corporations that are members of AMP. The Series 2009A Taxable Bonds and the Series 2009B Taxable Bonds (BABs) are referred to herein collectively as the "*Series 2009 Taxable Bonds*" and the Series 2009 Taxable Bonds and the Series 2009C Bonds (Tax-Exempt) are referred to herein collectively as the "*Series 2009 Bonds*".

The Series 2009 Bonds are being issued by AMP to (i) currently refund, together with other available funds, AMP's Hydroelectric Projects Revenue Bond Anticipation Notes, Series 2009A (the "*Series 2009 Hydro BANs*"), which were issued to pay, among other things, a portion of the capital expenditures, costs and expenses associated with the Projects; (ii) make deposits to the 2009A, 2009B and 2009C Construction Accounts under the Indenture to finance a portion of its capital expenditures, costs and expenses associated with the acquisition, construction and permitting of the Cannelton Project and the Smithland Project; (iii) fund capitalized interest on the Series 2009 Bonds through six months after the scheduled in-service dates of the Projects; (iv) fund deposits to the Parity Common Reserve Account; and (v) pay the costs of issuance of the Series 2009 Bonds. See "**PLAN OF FINANCE**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

AUTHORIZATION FOR SERIES 2009 BONDS

The Series 2009 Bonds will be issued and secured under the Master Trust Indenture, dated as of November 1, 2009 (the "*Master Trust Indenture*"), entered into between AMP and U.S. Bank National Association, Cincinnati, Ohio, as trustee (the "*Trustee*"), as supplemented by the First Supplemental Indenture (the "*First Supplemental Indenture*"), the Second Supplemental Indenture (the "*Second Supplemental Indenture*") and the Third Supplemental Indenture (the "*Third Supplemental Indenture*" and, together with the First Supplemental Indenture and the Second Supplemental Indenture, the "*Series*

2009 Supplemental Indentures"), each dated as of November 1, 2009 and between AMP and the Trustee. The Master Trust Indenture, as so supplemented and as heretofore and further supplemented and amended from time to time, is herein called the "*Indenture*". The Series 2009 Bonds and any additional bonds issued under the Indenture on a parity with the Series 2009 Bonds (collectively, with the Series 2009 Bonds, the "*Bonds*") and any Parity Debt are herein called collectively "*Parity Obligations*".

AMP

Effective July 1, 2009, AMP changed its name from American Municipal Power-Ohio, Inc. to American Municipal Power, Inc.

AMP was formed under Ohio Revised Code Chapter 1702 as a nonprofit corporation in 1971. Under applicable law, AMP has perpetual existence and the duration of its existence is not otherwise limited by its certificate of incorporation or by any agreement with its member municipalities (the "*Members*").

AMP operates on a cooperative nonprofit basis for the mutual benefit of its Members, each of which owns and/or operates an electric utility system (each, an "*Electric System*" and collectively, the "*Electric Systems*"). As of November 1, 2009, AMP had 129 Members – 82 municipalities in Ohio, 30 boroughs in Pennsylvania, seven cities in Michigan, five municipalities in Virginia, three cities in Kentucky and two cities in West Virginia, all but one of which owns and operates electric distribution systems and a few of which own and operate generating assets. The remaining Member is in the process of creating an electric distribution system.

AMP has obtained letters from the Internal Revenue Service ("*IRS*") determining that AMP qualifies as a Section 501(c)(12) corporation under the Internal Revenue Code of 1986, as amended (the "*Code*"), and its income is therefore exempt from federal income tax, provided at least 85% of AMP's total revenue consists of amounts collected from its Members for the sole purpose of meeting losses and expenses (which include debt service). AMP believes that it has met the requirements for maintenance of its 501(c)(12) status each year since it received the ruling. See "AMERICAN MUNICIPAL POWER, INC." and "TAX MATTERS".

AMP has also received private letter rulings to the effect that it may issue on behalf of its Members obligations the interest on which is excludible from the gross income of holders thereof for federal income tax purposes and that it is a wholly owned instrumentality of its Members with the consequence that use of tax-exempt financed facilities by AMP will not result in private use under the Code. See "AMERICAN MUNICIPAL POWER, INC. – Tax Status" and "TAX MATTERS".

VALIDATION

In December 2007, the Franklin County, Ohio, Court of Common Pleas issued an order validating Bonds to be issued pursuant to and secured by the Master Trust Indenture, as well as the agreements providing the underlying security for such Bonds. See "**SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2009 BONDS – POWER SALES CONTRACT –** *Validation and Legislation*" and "**APPROVAL OF LEGAL MATTERS – POWER SALES CONTRACT**." The order is final and non-appealable. The Series 2009 Bonds are the first Bonds to be issued under the Master Trust Indenture.

THE PROJECTS

The Projects will consist of three hydroelectric generation facilities to be located on the Ohio River. The Projects will entail the installation of run-of-the-river hydroelectric generating facilities on

existing United States Army Corps of Engineers' dams and include related equipment and associated transmission facilities. When all of the Projects enter commercial operation, they will have aggregate generating capacity of approximately 208 MW. AMP holds the Federal Energy Regulatory Commission ("*FERC*") licenses necessary to operate each of the Projects. See "**THE PROJECTS**" herein.

OWNERSHIP AND OPERATION OF THE PROJECTS

On the date of issue of the Series 2009 Bonds, AMP will have title to all the properties comprising the Projects. Under the terms of the Power Sales Contract, dated as of November 1, 2007 (the "*Power Sales Contract*") between AMP and various Members in Kentucky, Ohio, Michigan, Virginia and West Virginia (the "*Participants*"), the Participants have subscribed for 208 MW, which is 100% of the anticipated aggregate generating capacity of the Projects. See Appendix A.

Under the terms of the Power Sales Contract, AMP is required to maintain no less than an 80% undivided ownership interest in the Projects with commensurate rights to the available capacity of and energy therefrom (as such percentage may be adjusted from time to time, the "*AMP Entitlement*"). As of the date hereof, AMP and the Central Virginia Electric Cooperative ("*CVEC*") are engaged in discussions that could result in CVEC's acquiring directly or indirectly up to 8.9% of the output of each of the Cannelton Project and the Smithland Project. See "**THE PROJECTS – OWNERSHIP OF THE PROJECTS**."

OTHER

This Official Statement includes information regarding and descriptions of AMP, the Projects, the Participants and the Series 2009 Bonds, and summaries of certain provisions of the Indenture and the Power Sales Contract. Such descriptions and summaries do not purport to be complete or definitive, and such summaries are qualified by reference to such documents, copies of which may be obtained from AMP or the Underwriters. Descriptions of the Indenture, the Series 2009 Bonds and the Power Sales Contract are qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of police and regulatory powers by federal and state authorities.

PLAN OF FINANCE

AMP estimates that the capital costs associated with the development, acquisition, construction, equipping and placing into service of the Projects will be $1.52 billion, which total includes capitalized interest on all Bonds issued to finance Project Costs for six months past the estimated commercial operation dates of the respective Projects, deposits to the Parity Common Reserve Account and costs of issuance.

CREDIT AGREEMENT

AMP entered into a Credit Agreement dated as of September 24, 2007, with a syndicate of commercial banks led by J.P. Morgan Chase Bank, National Association, with a total available line of $550 million (as amended, the "*Line of Credit*"). AMP may borrow directly on the Line of Credit or request the issuance of letters of credit against the Line of Credit in support of its interim financing arrangements.

COMMERCIAL PAPER PROGRAM

On January 22, 2008, AMP initiated a tax-exempt commercial paper (the "*Initial CP*") program, with an authorized par amount of $350 million, secured by a letter of credit issued under its Line of Credit. On February 12, 2009, AMP's Board of Trustees resolved to increase the authorized par amount of the Initial CP Program to $400 million. AMP utilized the Initial CP Program to provide interim

financing for the costs of the Projects. AMP used a portion of the proceeds of its Series 2009 Hydro BANs to pay at maturity the Initial CP allocable to the Projects. See " – **HYDROELECTRIC PROJECT NOTES**" below.

On September 24, 2009, AMP replaced its Initial CP program with its second tax-exempt commercial paper ("*CP*") program (the "*Current CP Program*"), with an authorized par amount of $450 million, secured by a letter of credit issued under its Line of Credit.

AMP intends to utilize the Current CP Program or additional tax-exempt commercial paper programs to provide interim financing for the costs of its other projects. See "**AMERICAN MUNICIPAL POWER, INC.** – **OTHER PROJECTS**." It should be noted that AMP may issue additional CP to fund the costs of the Willow Island Project prior to receipt of its Section 404 Permit and Section 408 Approval (both as hereinafter defined) and until it issues long-term Bonds therefor. See " – **ADDITIONAL LONG-TERM FINANCING BELOW**."

HYDROELECTRIC PROJECT NOTES

On April 16, 2009, AMP issued its Series 2009 Hydro BANs to (i) refund all of the Initial CP issued to finance a portion of its capital expenditures, costs and expenses associated with the acquisition, construction and permitting of the Projects; (ii) fund a portion of AMP's additional costs of constructing and placing the Projects into service; and (iii) pay the costs of issuance of the Series 2009 Hydro BANs. The Series 2009 Hydro BANs mature on April 1, 2010. The Series 2009 Hydro BANs are secured by the Power Sales Contract, but are not secured by the Master Trust Indenture. A portion of the proceeds of the Series 2009 Bonds, together with other available funds, will be used to currently refund the Series 2009 Hydro BANs in advance of their maturity.

PROPOSED FINANCING

The issuance of the Series 2009 Bonds is being sized to finance only additional costs related to the Cannelton Project and Smithland Project. AMP received the Section 404 Permit (as hereinafter defined) for the Cannelton Project from the Army Corps of Engineers (the "*Army Corps*") on May 4, 2009. Receipt of the Section 404 Permit followed receipt from the Army Corps of the Section 408 Approval (as hereinafter defined) for the Cannelton Project on April 10, 2009. AMP broke ground on the Cannelton Project on August 5, 2009. On November 5, 2009, AMP received the Section 404 Permit for the Smithland Project, which followed receipt of the Section 408 Approval on October 19, 2009.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2009 BONDS

The proceeds of the Series 2009 Bonds are expected to be applied as follows:

Series 2009A Taxable Bonds

SOURCES:	
Par Amount	$24,425,000
Total Sources	$24,425,000
USES:	
Payment of Series 2009 Hydro BANs[1]	$ 999,527
Deposit to 2009A Construction Account[2]	5,787,355
Capitalized Interest on the Series 2009A Bonds[3]	3,661,850
Capitalized Interest on the Series 2009B Bonds[3]	9,298,364
Capitalized Interest on the Series 2009C Bonds[3]	2,656,578
Deposit to the Parity Common Reserve Account[4]	1,685,997
Costs of Issuance[5]	335,329
Total Uses	$24,425,000

Series 2009B Taxable Bonds (BABs)

SOURCES:	
Par Amount	$497,005,000
Total Sources	$497,005,000
USES:	
Payment of Series 2009 Hydro BANs[1]	$139,762,651
Deposit to 2009B Construction Account	249,265,729
Capitalized Interest on the Series 2009B Bonds[3]	67,688,675
Deposit to the Parity Common Reserve Account[4]	34,307,016
Costs of Issuance[5]	5,980,929
Total Uses	$497,005,000

Series 2009C Tax-Exempt Bonds

SOURCES:	
Par Amount	$122,405,000
Original Issue Premium	8,906,435
Total Sources	$131,311,435
USES:	
Payment of Series 2009 Hydro BANs[1]	$100,804,327
Capitalized Interest on the Series 2009C Bonds[3]	21,111,905
Deposit to the Parity Common Reserve Account[4]	8,449,312
Costs of Issuance[5]	945,891
Total Uses	$131,311,435

[1] Such proceeds of the Series 2009 Bonds will, together with the unspent proceeds of the Series 2009 Hydro BANs and the proceeds of the Series 2009D CREBs (as hereinafter defined), be applied on or about December 9, 2009 to currently refund the Series 2009 Hydro BANs.

[2] A portion of the moneys deposited to the credit of the 2009A Construction Account will be used to pay the principal on the Series 2009D CREBs due December 15, 2009.

[3] AMP intends to net-fund from proceeds of the Series 2009 Bonds the Capitalized Interest Subaccounts of the Bond Subfund in an amount to be sufficient, along with other available funds, including investment earnings on the Capitalized Interest Subaccounts and the Parity Common Reserve Account and, with respect to the Series 2009B Taxable Bonds (BABs), the Federal Subsidy, to pay interest on the Series 2009 Bonds through six months following the scheduled commercial operation dates of the respective Projects. The proceeds of the Series 2009B Taxable Bonds (BABs) deposited to the 2009B Capitalized Interest Subaccount will be in an amount sufficient to pay interest on the Series 2009B Taxable Bonds (BABs) through the scheduled commercial operation dates of the respective Projects. The proceeds of the Series 2009C Tax-Exempt Bonds deposited to the 2009C Capitalized Interest Subaccount will be in an amount sufficient to pay interest on the Series 2009C Tax-Exempt Bonds through the scheduled commercial operation dates of the respective Projects. A portion of the proceeds of the Series 2009A Taxable Bonds is being used for that portion of the capitalized interest on the Series 2009B Taxable Bonds (BABs) and Series 2009C Tax-Exempt Bonds allocable to the six month period following the scheduled commercial operation dates of the respective Projects.

[4] Such deposits, together with amounts on deposit in the Parity Common Reserve Account, will equal the Parity Common Reserve Requirement (as hereinafter defined) on the PCRA-Secured Parity Obligations (as hereinafter defined).

[5] Includes underwriting discount and rating agency, Trustee, Financial Advisor, Financial Products Advisor and legal fees and other expenses related to the issuance of the Series 2009 Bonds.

INVESTMENT OF PROCEEDS

AMP may seek competitive proposals for "delivery versus payment" forward delivery agreements or portfolios of Permitted Investments from qualified financial institutions for the investment of funds credited to the Construction Accounts, the Capitalized Interest Subaccounts and proceeds of the Series 2009 Bonds credited to the Parity Common Reserve Account. AMP's decision to seek and accept any such proposal will be made in connection with the pricing of the Series 2009 Bonds and will be subject to the acceptability of the terms and conditions of such proposals, market conditions and other factors.

CLEAN RENEWABLE ENERGY BONDS

AMP has applied to the Internal Revenue Service (the "*IRS*") for allocations of Clean Renewable Energy Bond ("*CREBs*") volume cap. CREBs were authorized by the Energy Tax Incentive Act of 2005, and the national volume cap of $800 million was increased to $1.2 billion by the Tax Relief and Health Care Act of 2006. CREBs are tax-credit bonds intended to provide the issuers thereof with zero-interest rate financing for qualifying renewable energy projects. In 2006, AMP received several CREBs allocations, including $4.5 million for the Willow Island Project and $2.1 million for the Smithland Project (collectively, the "*2006 Allocations*"). AMP received additional allocations in 2007, including additional allocations of $1.0 million and $2.1 million for the Willow Island and Smithland Projects, respectively, and an allocation of $4.9 million for the Cannelton Project (collectively, the "*2007 Allocations*" and, together with the 2006 Allocations, the "*Prior CREBs Allocations*"). In addition, AMP received approval of a request submitted to the Internal Revenue Service seeking the reallocation of $8.0 million of CREBs authorization to the Willow Island Project from another hydroelectric project (such reallocation, together with the Prior CREBs Allocations, the "*Initial CREBs Allocations*"). Pursuant to the Energy Improvement and Extension Act of 2008, CREBs must be issued prior to December 31, 2009.

New Clean Renewable Energy Bonds ("*New CREBs*") were authorized by the Heartland, Habitat, Harvest, and Horticulture Act of 2008. The national volume cap of $800 million was increased to $2.4 billion by the American Recovery and Reinvestment Tax Act of 2009 (the "*Recovery Act*"). New CREBs are tax-credit bonds intended to provide the issuers thereof with low interest rate financing for qualifying renewable energy projects. In October 2009, AMP received New CREBs allocations from the IRS of $23 million for Cannelton, $24 million for Smithland and $20 million for Willow Island. AMP anticipates that it will issue New CREBs to complete the financing of the capital costs of the Projects if and to the extent that New CREBs are cost effective when compared to alternatives such as tax-exempt bonds.

On November 16, 2009, AMP entered into a bond purchase agreement with a financial institution (the "*2009D Purchaser*") pursuant to the terms of which AMP has agreed to sell and the 2009D Purchaser has agreed to buy, subject to the satisfaction of customary closing conditions, all, but not less than all, of AMP's $22,600,000 Combined Hydroelectric Projects Revenue Bonds, Series 2009D (Federally Taxable – Clean Renewable Energy Bonds) (the "*Series 2009D CREBs*"). The Series 2009D CREBs will be issued pursuant to and secured by the Master Trust Indenture as Parity Obligations, but will not have the benefit of the Parity Common Reserve Account. The Series 2009D CREBs are expected to close on December 2, 2009, and AMP intends to apply the proceeds thereof to payment of a portion of the redemption price of the Series 2009 Hydro BANs. The Series 2009D CREBs are a separate issue of Bonds and are not offered by this Official Statement. The issuance of the Series 2009D CREBs is not a condition precedent to the issuance of the Series 2009A Taxable Bonds, the Series 2009B Taxable Bonds (BABs) and the Series 2009 C Bonds (Tax-Exempt).

ADDITIONAL LONG-TERM FINANCING

Subject to market conditions, AMP intends to issue additional Bonds in 2010 to finance Costs associated with the Willow Island Project, subject to the receipt of the applicable Section 404 Permit and Section 408 Approval, and any unfunded Costs of the other two Projects.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2009 BONDS

The Series 2009 Bonds are payable from and secured solely by the Trust Estate pledged under the Indenture. The Series 2009 Bonds are equally and ratably secured and are payable solely from the Gross Receipts (subject to the provisions of the Master Trust Indenture which permit AMP to apply such Gross Receipts to the payment of AMP Operating Expenses) and certain amounts held under the Indenture. The Gross Receipts include payments made by the Participants under the Power Sales Contract (excluding amounts paid for transmission service and amounts representing administration fees, which are retained by AMP), and the investment income on moneys and securities held by the Trustee in certain subfunds, accounts and subaccounts established pursuant to the Indenture. The Gross Receipts are to be applied in accordance with the priorities established under the Indenture.

AMP currently intends to designate the Series 2009B Taxable Bonds (BABs) as "Build America Bonds" for purposes of the Recovery Act. See "**THE SERIES 2009 BONDS – DESIGNATION OF SERIES 2009B TAXABLE BONDS (BABS) AS 'BUILD AMERICA BONDS'**" for a more detailed discussion of such designation. AMP expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series 2009B Taxable Bonds (BABs) (the "*Federal Subsidy*"). Under the applicable Supplemental Indenture, AMP will pledge the Federal Subsidy solely to the payment of interest on the Series 2009B Taxable Bonds (BABs) on each Interest Payment Date. The payments of the Federal Subsidy will not constitute "Gross Receipts" for purposes of the Master Trust Indenture and are, therefore, not pledged to the payment of other Bonds, including the Series 2009A Taxable Bonds and the Series 2009C Tax-Exempt Bonds. See APPENDIX D – "Summary of Certain Provisions of the Indenture – *Covenants*" for a description effect of such treatment of the Federal Subsidy on certain covenants made therein.

THE SERIES 2009 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF AMP PAYABLE SOLELY FROM THE REVENUES, MONEYS, SECURITIES AND FUNDS PLEDGED THEREFOR IN THE INDENTURE. THE PAYMENT OF THE SERIES 2009 BONDS IS NOT GUARANTEED BY AMP, ITS MEMBERS OR THE PARTICIPANTS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE MEMBERS, THE PARTICIPANTS, THE STATE OF KENTUCKY, OHIO, MICHIGAN, VIRGINIA OR WEST VIRGINIA OR ANY POLITICAL SUBDIVISION OR INSTRUMENTALITY THEREOF IS PLEDGED FOR THE PAYMENT OF THE SERIES 2009 BONDS. AMP HAS NO TAXING POWER.

THE INDENTURE

The Series 2009 Bonds are secured under the Indenture by the "Trust Estate" which includes the Gross Receipts (except as stated above), AMP's rights under the Power Sales Contract (subject to certain reserved rights), proceeds of the Series 2009 Bonds credited to the related Capitalized Interest Account and to the related Construction Account until such proceeds are paid out for the cost of the Project, amounts credited to the Parity Common Reserve Account, and certain other amounts credited to certain subfunds, accounts and subaccounts under the Indenture. For a description of the other subfunds, accounts and subaccounts established pursuant to the Indenture, as well as other provisions of the Indenture, see APPENDIX D – "Summary of Certain Provisions of the Indenture".

The pledge of the Gross Receipts is subject to the provisions of the Indenture permitting AMP to first apply such Gross Receipts to the payment of AMP Operating Expenses. AMP Operating Expenses generally will include all of AMP's costs and expenses reasonably related to the operating and maintenance of the Projects and the satisfaction of AMP's obligations pursuant to the Power Sales Contract. See APPENDIX D – "Summary of Certain Provisions of the Indenture – *Definitions*" for the definition of AMP Operating Expenses.

The applicable Supplemental Indenture authorizing the Series 2009B Taxable Bonds (BABs) will in effect provide a credit for the scheduled amount of each Federal Subsidy payment against the computation of debt service on the Series 2009B Taxable Bonds (BABs) such that in the calculation of "Debt Service Requirement" as used to determine the Parity Common Reserve Requirement, capitalized interest on the Series 2009B Taxable Bonds (BABs) and the rate covenant, the amount of the Federal Subsidy payments scheduled to be received in the relevant period will be excluded from the relevant calculation of debt service for such period. See "DEBT SERVICE REQUIREMENTS" for the annual amounts of the scheduled Federal Subsidy payments and APPENDIX D – "Summary of Certain Provisions of the Indenture – *Definitions*" for the definition of "Debt Service Requirements."

PARITY COMMON RESERVE ACCOUNT

Pursuant to the Indenture, the Series 2009 Bonds are secured by amounts on deposit in the Parity Common Reserve Account of the Bond Subfund, including the investments, if any, thereof, which amounts are pledged to the Trustee as additional security for the payment of the principal of, and interest on, and premium, if any, on such Bonds. AMP may elect to secure additional Parity Obligations with amounts held in the Parity Common Reserve Account (the Series 2009 Bonds and any other Parity Obligations having the benefit of the Parity Common Reserve Account, collectively, "PCRA-Secured Parity Obligations").

Under the Indenture, AMP is required to deposit and maintain an amount equal to the Parity Common Reserve Requirement in the Parity Common Reserve Account. The Parity Common Reserve Requirement is defined in the Indenture, as of any date of calculation, as an amount in respect of the outstanding PCRA-Secured Parity Obligations, including the Series 2009 Bonds, equal to the least of (i) the maximum Debt Service Requirements for such Parity Obligations in any Fiscal Year ("*MADS*"), (ii) 125% of the average annual Debt Service Requirements for such outstanding Parity Obligations, and (iii) 10% of the original principal amount of such Parity Obligations, provided that if a Series of such Tax Exempt Parity Obligations has more than a de minimis amount of original issue discount or original issue premium, as described in Treasury Regulation Section 1-148-1(b), the issue price of such Parity Obligations is substituted for the principal amount of such Parity Obligations. Amounts held in the Parity Common Reserve Account are to be applied to make payment of the principal of, sinking fund redemption price of, or interest on, PCRA-Secured Parity Obligations, including the Series 2009 Bonds, in the event that amounts on deposit in the Bond Subfund are not sufficient therefor. AMP will, from the proceeds of the sale of the Series 2009 Bonds, fund the Parity Common Reserve Account in an amount sufficient to make the balance to the credit thereof on the date of issuance of the Series 2009 Bonds equal to the Parity Common Reserve Requirement for all the PCRA-Secured Parity Obligations. As of the date of issuance of the Series 2009 Bonds, the Parity Common Reserve Requirement will be in the amount of $44,442,325, which is equal to the Parity Common Reserve Account Requirement (adjusted for the scheduled Federal Subsidy payments) for the Series 2009 Bonds. See APPENDIX D – "Summary of Certain Provisions of the Indenture" for a description of the Parity Common Reserve Account and the Parity Common Reserve Account Requirement.

Parity Obligations, including Bonds, may be secured by the Parity Common Reserve Account or by a Special Reserve Account or may have no debt service reserve. If AMP undertakes to issue

additional PCRA-Secured Obligations, AMP may do so only if the amount to the credit of the Parity Common Reserve Account immediately following their issuance shall be at least equal to the Parity Common Reserve Account Requirement.

THE POWER SALES CONTRACT

General. Under the Power Sales Contract, each Participant is entitled to receive its Project Share (the "*Project Share*") of the nominal power and associated energy from the Power Sales Contract Resources, which consists of the electric power and energy from the AMP Entitlement and transmission services. See APPENDIX C – "Summary of Certain Provisions of the Power Sales Contract – No Replacement Power" for a discussion of the amendment to the Power Sales Contract effected by the Participants Committee. In exchange therefor, the Participants are required to make monthly payments to AMP in amounts equal to such Participant's proportionate share (equal to such Participant's Project Share) of AMP's Revenue Requirements, which will include the fixed and variable costs incurred by AMP in connection with the Ownership Interest, including debt service on the Series 2009 Bonds. With two exceptions, each Participant's obligation to make payments pursuant to the Power Sales Contract is a limited obligation payable solely out of the revenues, and as an operating expense, of its Electric System. In the case of each of the City of Coldwater, Michigan (3.12% Project Share) and the City of Marshall, Michigan (1.35% Project Share), in certain circumstances as more fully described in APPENDIX C – "Summary of Certain Provisions of the Power Sales Contract – Rates and Charges; Method of Payment," its obligations under the Power Sales Contract may be payable from the revenues of its Electric System on a basis subordinate to the payment of the operating expenses of its Electric System and to debt service on its outstanding (but not future) senior Electric System revenue bonds until such revenue bonds are retired.

Take-or-Pay. Each Participant's obligations to make payments pursuant to the Power Sales Contract are "Take-or-Pay" obligations of such Participant. Therefore, the Power Sales Contract provides that such payments are not be subject to any reduction, whether by offset, counterclaim, or otherwise, shall not be conditioned upon the performance by AMP or any other Participant of its obligations under the Power Sales Contract, or any other agreement, and such payments shall be made whether or not any generating unit of any Project or any other Power Sales Contract Resource is completed, operable, operating and notwithstanding the suspension, interruption, interference, reduction or curtailment, in whole or in part, for any reason whatsoever, of the AMP Entitlement or the Participant's Project Share, including Step Up Power (as defined herein), if any.

Step Up Provisions. The Power Sales Contract contains a "Step Up" provision that requires, in the event of a default by a Participant (the "*Defaulting Participant*"), the non-defaulting Participants (the "*Non-Defaulting Participants*") to purchase a pro rata share, based upon each Non-Defaulting Participants original Project Share, of the Defaulting Participant's entitlement to its Project Share which, together with the shares of the other Non-Defaulting Participants, is equal to the Defaulting Participant's Project Share ("*Step Up Power*"). Under the terms of the Power Sales Contract, no Non-Defaulting Participant is obligated to accept Step Up Power in excess of 25% of such Non-Defaulting Participant's original Project Share. See APPENDIX C – "Summary of Certain Provisions of the Power Sales Contract".

Validation and Legislation. In December 2007, the Franklin County, Ohio, Court of Common Pleas issued an order validating the Power Sales Contract between AMP and the Ohio Participants. Specifically, the court held that the Take-or-Pay and Step-Up provisions constitute valid and binding obligations of the Ohio Participants. The Michigan, Virginia and West Virginia Participants each have specific legislative authority to enter into long-term power sales agreements, such as the Power Sales Contract, which include Take-or-Pay and Step-Up provisions. Kentucky State Counsel is of the opinion

that the Kentucky Participants have the power under Kentucky statutes applicable to municipal electric systems to enter into and perform their obligations under the Power Sales Contract. See "**APPROVAL OF LEGAL MATTERS – POWER SALES CONTRACT**" herein.

AMP to Control Enforcement. So long as AMP is not in default under the Indenture, AMP will retain the authority to enforce the provisions of the Power Sales Contract against Defaulting Participants. Furthermore, events of default under the Power Sales Contract are not automatically Events of Default under the Indenture.

RATE COVENANT AND COVERAGE

AMP has covenanted under the Indenture that, so long as the Series 2009 Bonds and any Indebtedness remain outstanding thereunder, it will fix, and if necessary adjust, rates and charges so that the Net Revenues will be sufficient to provide an amount in each Fiscal Year at least equal to the greater of (y) 110% of the Debt Service Requirements (calculated net of scheduled Federal Subsidy payments) for such Fiscal Year on account of the Bonds and any Parity Debt then outstanding and (z) 100% of the sum of the Debt Service Requirements for such fiscal year on account of the Bonds and Parity Debt then outstanding and the amount required to make all other deposits required by the Indenture and to pay all other obligations of AMP related to the Projects, including any Subordinate Obligations, as the same become due.

THE SERIES 2009 BONDS

GENERAL

The Series 2009 Bonds will be dated their date of delivery, will bear interest from that date at the rates per annum set forth on the inside cover page hereof, payable semiannually on February 15 and August 15 of each year, commencing February 15, 2010, and will mature on February 15 in each of the years and in the principal amounts set forth on the inside cover page hereof.

The Series 2009 Bonds will be issuable only in fully registered form in denominations of $5,000 or any integral multiple thereof. Interest on any Series 2009 Bond will be paid to the person in whose name such bond is registered as of the applicable Regular Record Date, which is February 1 for interest due on February 15, and August 1 for interest due on August 15.

DESIGNATION OF SERIES 2009B TAXABLE BONDS (BABS) AS "BUILD AMERICA BONDS"

AMP has designated the Series 2009B Taxable Bonds (BABs) as "Build America Bonds" for purposes of the Recovery Act. AMP expects to receive the Federal Subsidy on or about each interest payment date for the Series 2009B Taxable Bonds (BABs). The Federal Subsidy does not constitute a full faith and credit guarantee of the United States, but is required to be paid by the Treasury under the Recovery Act. **AMP is obligated to make all payments of principal and interest on the Series 2009B Taxable Bonds (BABs) whether or not it receives the Federal Subsidy pursuant to the Recovery Act, but solely from the revenues, moneys, securities and funds pledged to the payment thereof in the Indenture.**

Section 54AA(f)(1) of the Code provides that interest on any Build America Bond shall be includable in gross income. Under no circumstances will the owner of a Series 2009B Taxable Bond (BABs) receive a credit under Section 54AA(f)(1) of the Code against the tax imposed.

REDEMPTION – SERIES 2009B TAXABLE BONDS

Par Optional Redemption – Series 2009B Taxable Bonds (BABs). From any available moneys, AMP may, at its option, redeem, prior to their respective maturities, in whole or in part, the Series 2009B Taxable Bonds (BABs) stated to mature on February 15, 2021 through February 15, 2024, inclusive, February 15, 2027 and February 15, 2029, on any date beginning February 15, 2020, at the Redemption Price of par, together with interest accrued to the date fixed for redemption.

Make-Whole Optional Redemption – Series 2009 Taxable Bonds. From any available moneys, AMP may, at its option, redeem, on any Business Day, prior to their respective maturities, in whole or in part, the Series 2009 Taxable Bonds at the "Make Whole-Redemption Price"(as such term is defined below). The Make-Whole Redemption Price is the greater of (1) 100% of the principal amount of the Series 2009 Taxable Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2009 Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009 Taxable Bonds are to be redeemed, discounted on a semi-annual basis to the date on which the Series 2009 Taxable Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" (as defined below) plus 30 basis points, plus, in each case, accrued and unpaid interest on the Series 2009 Taxable Bonds to be redeemed on the redemption date.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2009 Taxable Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Optional Redemption – Series 2009B Taxable Bonds (BABs). From any available moneys, the Series 2009B Taxable Bonds (BABs) are subject to redemption, at the option of AMP, prior to their maturity, in whole or in part upon the occurrence of an Extraordinary Event, at a Redemption Price equal to the greater of: (i) 100% of the principal amount of the Series 2009B Taxable Bonds (BABs) to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2009B Taxable Bonds (BABs) to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009B Taxable Bonds (BABs) are to be redeemed, discounted on a semi-annual basis to the date on which the Series 2009B Taxable Bonds (BABs) are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points; plus, in each case, accrued interest on the Series 2009B Taxable Bonds (BABs) to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if AMP determines that a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to "Build America Bonds") or there is any guidance published by the Internal Revenue Service (the "*IRS*") or the United States Treasury with respect to such Sections or any other determination by the IRS or the United States Treasury, which determination is not the result of any act or omission by AMP to satisfy the requirements to qualify to receive the Federal Subsidy from the United States Treasury, pursuant to which the Federal Subsidy from the United States Treasury is reduced or eliminated.

Mandatory Sinking Fund Redemption

The Series 2009B Taxable Bonds (BABs) due on February 15, 2027, February 15, 2029, February 15, 2032 and February 15, 2044, are Term Bonds subject to mandatory sinking fund redemption on the Principal Payment Date in the following years in the following principal amounts at a Redemption Price equal to par, together with interest accrued to the date of redemption:

Series 2009B Taxable Term Bonds (BABs) Maturing on February 15, 2027

Year	Principal Amount
2025	$14,525,000
2026	15,125,000
2027*	15,740,000

* Final Maturity

Series 2009B Taxable Term Bonds (BABs) Maturing on February 15, 2029

Year	Principal Amount
2028	$16,405,000
2029*	17,100,000

* Final Maturity

Series 2009B Taxable Term Bonds (BABs) Maturing on February 15, 2032

Year	Principal Amount
2030	$17,835,000
2031	18,590,000
2032*	19,385,000

* Final Maturity

Series 2009B Taxable Term Bonds (BABs) Maturing on February 15, 2044

Year	Principal Amount
2033	$20,210,000
2034	21,070,000
2035	21,975,000
2036	22,910,000
2037	23,885,000
2038	24,910,000
2039	25,965,000
2040	27,080,000
2041	28,230,000
2042	29,435,000
2043	30,695,000
2044*	32,005,000

* Final Maturity

Selection of Series 2009 Taxable Bonds to be Redeemed. If the Series 2009 Taxable Bonds are not registered in book-entry-only form, any redemption of less than all of the Series 2009 Taxable Bonds will be allocated among the registered owners of such Series 2009 Taxable Bonds as nearly as practicable in proportion to the principal amounts of the Series 2009 Taxable Bonds owned by each registered owner, subject to the authorized denominations applicable to the Series 2009 Taxable Bonds. This will be calculated based on the formula: (principal to be redeemed) x (principal amount owned by owner) / (principal amount outstanding). The particular Series 2009 Taxable Bonds to be redeemed will be determined by the Trustee, using such method as the Trustee in its sole discretion shall determine. If the Series 2009 Taxable Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2009 Taxable Bonds, partial redemptions will be done in accordance with DTC procedures. It is AMP's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between AMP and the beneficial owners be made in accordance with these same proportional provisions. However, AMP can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis.

Defeasance of Series 2009 Taxable Bonds. Under the Indenture, AMP may cause the deposit of moneys or securities to an escrow in an amount sufficient to pay the principal and Redemption Price of and interest on the Series 2009A Taxable Bonds and/or the Series 2009B Taxable Bonds (BABs) to defease either (i) all its obligations under the Indenture with respect to the Series 2009 Taxable Bonds so redeemed ("*Legal Defeasance*") or (ii) its obligations under certain covenants contained in the Indenture ("*Covenant Defeasance*") with respect to the Bonds. AMP may complete a Legal Defeasance with respect to any Series 2009 Bonds notwithstanding the prior completion of a Covenant Defeasance. Exercise of these rights are subject to the satisfaction of certain conditions precedent. In order to accomplish a Legal Defeasance, AMP must deliver to the Trustee of an opinion of counsel experienced in federal income tax matters stating that (i) AMP has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of the respective supplemental Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the Series 2009 Taxable Bonds will not recognize income, gain or loss for federal tax purposes as a result of such legal defeasance and will be subject to federal tax on the same amounts, in the same manner and at the same times as would have been

the case if such legal defeasance had not occurred. In order to accomplish a Covenant Defeasance, AMP must deliver to the Trustee an opinion of counsel experienced in federal income tax matters to the effect that the holders of the Series 2009 Taxable Bonds will not recognize income, gain or loss for federal tax purposes as a result of such covenant defeasance and will be subject to federal tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred. See APPENDIX D – "Summary of Certain Provisions of the Indenture – Defeasance – *Series 2009 Taxable Bonds*."

REDEMPTION – SERIES 2009C TAX-EXEMPT BONDS

Optional Redemption. From any available moneys, AMP may, at its option, redeem prior to their respective maturities, in whole or in part, the Series 2009C Tax-Exempt Bonds stated to mature after February 15, 2020 on any date beginning February 15, 2020, at a Redemption Price of par, together with interest accrued to the date fixed for redemption.

Selection of Series 2009C Tax-Exempt Bonds to be Redeemed. Series 2009C Tax-Exempt Bonds may be redeemed only in the principal amount of $5,000 or any integral multiple thereof. If less than all Series 2009C Tax-Exempt Bonds shall be called for optional redemption, such Series 2009C Tax-Exempt Bonds shall be redeemed from the maturity or maturities selected by AMP. If less than all Series 2009C Tax-Exempt Bonds of any maturity are to be redeemed, the particular Series 2009C Tax-Exempt Bonds to be redeemed shall be selected by the Trustee by such method as the Trustee in its sole discretion shall determine.

NOTICE OF REDEMPTION

Unless waived by any owner of Series 2009 Bonds to be redeemed, official notice of any such redemption shall be given by the Trustee by certified mail, return receipt requested, at least 30, but not more than 90, days prior to the redemption date to each registered owner of the Series 2009 Bonds to be redeemed at the address shown on the bond register.

With respect to optional redemptions, including any extraordinary optional redemption of the Series 2009B Taxable Bonds (BABs), such notice may be conditioned upon moneys being on deposit with the Trustee on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date. If such notice is conditional and moneys are not received, such notice shall be of no force and effect, the Trustee shall not redeem such Series 2009 Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2009 Bonds will not be redeemed.

The failure of any owner of Series 2009 Bonds to receive such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2009 Bonds. Any notice mailed as provided in this section shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any owner receives such notice.

So long as DTC is effecting book-entry transfers of the Series 2009 Bonds, the Trustee shall provide the notices specified above only to DTC. It is expected that DTC will, in turn, notify the Direct Participants, that the Direct Participants will, in turn, notify the Indirect Participants and that the Direct Participants and the Indirect Participants will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC, a Direct Participant or an Indirect Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2009 Bond (having been mailed notice from the Trustee, a Direct Participant, an Indirect Participant or otherwise), to notify the Beneficial Owner of the Series 2009 Bond so affected, shall not affect the validity of the redemption of such Series 2009 Bond.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Series 2009 Bonds. Principal of and interest on the Series 2009 Bonds is shown in the table below in the year in which the same comes due.

	Series 2009A Taxable Bonds		Series 2009B Taxable Bonds (BABS)		Series 2009C Tax-Exempt Bonds		
Year Ending December 31,	Principal	Interest	Principal	Interest[1]	Principal	Interest	Total Debt Service[1,2]
2010	-	$ 683,465	-	$21,485,485	-	$ 4,236,598	$ 26,405,549
2011	-	1,000,193	-	31,442,173	-	6,199,900	38,642,267
2012	-	1,000,193	-	31,442,173	-	6,199,900	38,642,267
2013	-	1,000,193	-	31,442,173	-	6,199,900	38,642,267
2014	-	1,000,193	-	31,442,173	-	6,199,900	38,642,267
2015	$18,290,000	639,515	-	31,442,173	-	6,199,900	56,571,588
2016	6,135,000	139,418	-	31,442,173	$ 3,540,000	6,137,950	47,394,541
2017	-	-	-	31,442,173	15,765,000	5,681,875	52,889,048
2018	-	-	-	31,442,173	25,850,000	4,609,188	61,901,361
2019	-	-	-	31,442,173	27,250,000	3,215,313	61,907,486
2020	-	-	$ 3,465,000	31,350,975	21,610,000	1,959,750	58,385,725
2021	-	-	10,745,000	30,963,536	9,995,000	1,169,625	52,873,161
2022	-	-	12,675,000	30,308,340	7,940,000	721,250	51,644,590
2023	-	-	13,155,000	29,566,969	8,350,000	314,000	51,385,969
2024	-	-	13,890,000	28,770,353	2,105,000	52,625	44,817,978
2025	-	-	14,525,000	27,920,403	-	-	42,445,403
2026	-	-	15,125,000	27,030,903	-	-	42,155,903
2027	-	-	15,740,000	26,104,953	-	-	41,844,953
2028	-	-	16,405,000	25,103,774	-	-	41,508,774
2029	-	-	17,100,000	24,023,405	-	-	41,123,405
2030	-	-	17,835,000	22,899,156	-	-	40,734,156
2031	-	-	18,590,000	21,729,185	-	-	40,319,185
2032	-	-	19,385,000	20,509,428	-	-	39,894,428
2033	-	-	20,210,000	19,235,110	-	-	39,445,110
2034	-	-	21,070,000	17,904,036	-	-	38,974,036
2035	-	-	21,975,000	16,516,050	-	-	38,491,050
2036	-	-	22,910,000	15,068,733	-	-	37,978,733
2037	-	-	23,885,000	13,559,829	-	-	37,444,829
2038	-	-	24,910,000	11,986,434	-	-	36,896,434
2039	-	-	25,965,000	10,345,969	-	-	36,310,969
2040	-	-	27,080,000	8,635,533	-	-	35,715,533
2041	-	-	28,230,000	6,852,063	-	-	35,082,063
2042	-	-	29,435,000	4,992,655	-	-	34,427,655
2043	-	-	30,695,000	3,053,763	-	-	33,748,763
2044	-	-	32,005,000	1,032,001	-	-	33,037,001
Total	$24,425,000	$5,463,171	$497,005,000	$779,928,601	$122,405,000	$59,097,673	$1,488,324,445

Numbers may not add to totals due to rounding.

[1] Reflects gross debt service on Series 2009B Taxable Bonds (BABs) without regard to receipt of the Federal Subsidy thereon.

[2] Includes interest on all of the Series 2009 Bonds which has been capitalized through six months following the scheduled commercial operation dates of the respective Projects.

The following table sets forth the debt service requirements for the Series 2009 Bonds and debt service on the Series 2009D CREBs. Principal of and interest on the Bonds is shown in the table below in the year in which the same comes due.

Year Ending December 31,	Total Debt Service on Series 2009 Bonds[1,2]	Debt Service on Series 2009D CREBs[3]	Total Debt Service[1,2]	Federal Subsidy	Net Debt Service[4]
2009	-	$1,329,412[5]	$ 1,329,412	-	$ 1,329,412
2010	$ 26,405,549	1,329,412	27,734,961	$ (7,519,920)	20,215,041
2011	38,642,267	1,329,412	39,971,678	(11,004,761)	28,966,918
2012	38,642,267	1,329,412	39,971,678	(11,004,761)	28,966,918
2013	38,642,267	1,329,412	39,971,678	(11,004,761)	28,966,918
2014	38,642,267	1,329,412	39,971,678	(11,004,761)	28,966,918
2015	56,571,588	1,329,412	57,901,000	(11,004,761)	46,896,239
2016	47,394,541	1,329,412	48,723,953	(11,004,761)	37,719,192
2017	52,889,048	1,329,412	54,218,460	(11,004,761)	43,213,699
2018	61,901,361	1,329,412	63,230,773	(11,004,761)	52,226,012
2019	61,907,486	1,329,412	63,236,898	(11,004,761)	52,232,137
2020	58,385,725	1,329,412	59,715,136	(10,972,841)	48,742,295
2021	52,873,161	1,329,412	54,202,573	(10,837,238)	43,365,335
2022	51,644,590	1,329,412	52,974,002	(10,607,919)	42,366,083
2023	51,385,969	1,329,412	52,715,380	(10,348,439)	42,366,941
2024	44,817,978	1,329,412	46,147,390	(10,069,624)	36,077,766
2025	42,445,403	1,329,412	43,774,815	(9,772,141)	34,002,674
2026	42,155,903	-	42,155,903	(9,460,816)	32,695,087
2027	41,844,953	-	41,844,953	(9,136,734)	32,708,220
2028	41,508,774	-	41,508,774	(8,786,321)	32,722,453
2029	41,123,405	-	41,123,405	(8,408,192)	32,715,213
2030	40,734,156	-	40,734,156	(8,014,704)	32,719,451
2031	40,319,185	-	40,319,185	(7,605,215)	32,713,970
2032	39,894,428	-	39,894,428	(7,178,300)	32,716,128
2033	39,445,110	-	39,445,110	(6,732,288)	32,712,821
2034	38,974,036	-	38,974,036	(6,266,413)	32,707,624
2035	38,491,050	-	38,491,050	(5,780,618)	32,710,433
2036	37,978,733	-	37,978,733	(5,274,057)	32,704,677
2037	37,444,829	-	37,444,829	(4,745,940)	32,698,889
2038	36,896,434	-	36,896,434	(4,195,252)	32,701,182
2039	36,310,969	-	36,310,969	(3,621,089)	32,689,880
2040	35,715,533	-	35,715,533	(3,022,437)	32,693,097
2041	35,082,063	-	35,082,063	(2,398,222)	32,683,841
2042	34,427,655	-	34,427,655	(1,747,429)	32,680,225
2043	33,748,763	-	33,748,763	(1,068,817)	32,679,946
2044	33,037,001	-	33,037,001	(361,200)	32,675,801
Total	$1,488,324,445	$22,600,000	$1,510,924,445	$(272,975,010)	$1,237,949,435

Numbers may not add to totals due to rounding.

(1) Includes interest on all of the Series 2009 Bonds which has been capitalized through six months following the scheduled commercial operation dates of the respective Projects.

(2) Total reflects gross debt service on the Series 2009B Taxable Bonds (BABs) without regard to receipt of the Federal Subsidy thereon.

(3) Reflects debt service on the Series 2009D CREBs, which AMP expects that it will issue before the date of issuance of the Series 2009 Bonds. See "**PLAN OF FINANCE – CLEAN RENEWABLE ENERGY BONDS**."

(4) Total reflects net debt service on the Series 2009B Taxable Bonds (BABs) after accounting for receipt of the Federal Subsidy thereon.

(5) Debt service on the Series 2009D CREBs due December 15, 2009 will be paid from the proceeds of the Series 2009A Taxable Bonds.

THE PROJECTS

GENERAL

The Projects will consist of three separate, run-of-the-river hydroelectric generating facilities on the Ohio River. Each Project will utilize substantially the same design elements and will entail the diversion of water from an existing Army Corps' dam through bulb turbines to generate electricity. When the Projects enter commercial operation, the Projects will have aggregate generating capacity of approximately 208 MW. The first full calendar year in which all of the Projects are anticipated to be in commercial operation is 2015.

BACKGROUND

In 2002, AMP completed a strategic plan, including a 20-year power supply needs analysis. The plan identified the need for additional base load and intermediate generating resources to meet the increasing demands of its Members, concluding that ownership of generating facilities would, in the long term, be less expensive than purchasing power on the open market. In addition, AMP's strategic plan concluded that AMP's Members would benefit from the pursuit of a diverse portfolio of power supply resources which would reduce project and regulatory risk.

To identify potential hydroelectric resources, in 2006 AMP commissioned the engineering firm of MWH Americas, Inc. ("*MWH*") to evaluate ten potential hydroelectric projects on the Ohio River (the "*MWH Studies*"). MWH evaluated the sites identified by AMP and ranked them based on the cost per MW of developing each potential site based on each project's assumed generating capacity. The Projects were all ranked in the top five: the Cannelton Project was the second-most cost effective project, the Smithland Project third and the Willow Island Project fifth.

During the same period, AMP separately commissioned the engineering firm of R.W. Beck, Inc. ("*R.W. Beck*") to develop long-term power supply plans for 119 of its Members. In February 2007, R. W. Beck prepared a report for each Member that included a 20-year load forecast, a 20-year optimal power supply plan and the key inputs and assumptions used to develop the plan. In developing the plan for each Member, a generation expansion plan was developed assuming that the Member could participate in future AMP generating resources, including the hydroelectric projects identified in the MWH Studies.

In September 2007, Sawvel issued a feasibility report to AMP's Members and 79 Members subscribed for allocations of over 231 MW from the Projects. The Power Sales Contract was executed by AMP and the Participants in November 2007, and the requested allocations were adjusted proportionally downward to the 208 MW capacity of the Projects, thereby producing the Participants' Project Shares.

THE PROJECTS

Cannelton. The Cannelton Project will be located on the Kentucky shore of the Cannelton Locks and Dam on the Ohio River. It is three miles upstream from Cannelton, Indiana. The Cannelton Project will utilize three 29.3 MW turbines and will have an estimated total rated capacity of 88 MW.

Smithland. The Smithland Project will be located on the Kentucky shore of the Smithland Lock and Dam on the Ohio River, approximately 62.5 miles upstream of the confluence of the Ohio and Mississippi Rivers. The Smithland Project will utilize three 25.3 MW turbines and will have an estimated total rated capacity of 76 MW.

Willow Island. The Willow Island Project will be located on the West Virginia shore of the Willow Island Lock and Dam on the Ohio River, approximately 3.4 miles upstream from Waverly, West Virginia. The Willow Island Project will utilize two 22 MW turbines and will have an estimated total rated capacity of 44 MW.

OWNERSHIP OF THE PROJECTS

As noted earlier, as of the date hereof, AMP will hold a 100% undivided ownership interest in the Projects and the Participants have subscribed for 208 MW, which is 100% of the anticipated aggregate generating capacity of the Projects. Further, under the terms of the Power Sales Contract, AMP is required to maintain no less than an 80% undivided ownership interest in the Projects.

AMP and CVEC are currently engaged in discussions that could result in CVEC's acquiring directly or indirectly up to 8.9% of the output of each of the Cannelton Project and the Smithland Project. AMP expects that any definitive agreement for such acquisition would include as terms and conditions precedent and contingencies to the closing of the transaction at least the following:

AMP must first obtain not less than a 48.6% undivided ownership interest in the 70,200 kW Greenup Hydroelectric Plant, an existing run-of the Ohio River facility (the "Greenup Project") currently owned by the City of Hamilton, Ohio ("Hamilton"), a member of AMP. To obtain the ownership interest in the Greenup Project, under the terms of its agreement with Hamilton, AMP, among other things, must first finance, acquire, construct and place in service hydroelectric generating facilities on the Captain Anthony Meldahl Locks and Dam, also on the Ohio River (the "Meldahl Project") with an estimated rated capacity of approximately 105,000 kW. Pursuant to the terms of AMP's agreements with Hamilton, Hamilton has executed a take-or-pay power sales contract with AMP for approximately 51.4% of the output of the Meldahl Project such that AMP will need to obtain similar subscriptions from its Members or others for the remaining 48.6% in order to obtain financing on favorable terms. That subscription process is currently in progress.

Further, AMP must pay to Hamilton the $139 million purchase price (the "Greenup Purchase Price") for its 48.6% undivided ownership interest in the Greenup Project not later than 60 days after the Meldahl Project is placed in commercial operation.

If AMP places the Meldahl Project into commercial operation and triggers its obligation to pay Hamilton the Greenup Purchase Price, CVEC would then be obligated to AMP for a purchase price of its share of the costs incurred by AMP to such date for the Cannelton Project and the Smithland Project (the "CVEC Payment")and thereafter for its share of the remaining costs of such Projects and improvements thereto. AMP would expect to apply the CVEC Payment to the prepayment or otherwise to the retirement of Bonds issued for the Cannelton Project and the Smithland Project.

FERC LICENSES

AMP currently holds the FERC licenses (collectively, the "*FERC Licenses*") to operate the Projects. The FERC Licenses for Cannelton, Smithland and Willow Island expire on May 31, 2041, May 31, 2038 and August 31, 2039, respectively. AMP expects to file applications for new licenses prior to the expiration of the current licenses. Under existing law, an application for a new license must be filed no later than two years prior to the expiration of the original license. Based on a review of prior FERC licensure proceedings and discussions with counsel, AMP is confident that it can obtain timely license renewals.

FERC license conditions require certain protective measures for local endangered species. Mitigation plans for all endangered species encountered at the sites have been approved.

ENVIRONMENTAL CONSIDERATIONS AND PERMITTING

Pursuant to Section 404 of the Clean Water Act, as amended (33 U.S.C. § 1344), any discharge of dredged or fill materials into "waters of the United States," which term includes navigable waters, tributaries of such waters, interstate waters and their tributaries and certain jurisdictional wetlands, is forbidden unless authorized by a permit (a "*Section 404 Permit*") issued by the Army Corps. As construction of the Projects will require the use of, among other things, cofferdams which will utilize fill materials, AMP must secure a Section 404 Permit for each Project. AMP filed applications for a standard Section 404 Permit with the applicable Army Corps' District Engineer in February 2008 for the Willow Island Project and April 2008 for the Cannelton and Smithland Projects. The Section 404 Permit for the Cannelton Project was received in June 2009 and construction has commenced on the Cannelton Project. The Section 404 Permit for the Smithland Project was received by AMP from the Army Corps on November 5, 2009. The Section 404 Permit for the Willow Island Project has been delayed owing to archeological investigations and approval of spoil disposal plans, but is expected to be issued before the end of the second quarter of 2010.

In addition, as construction of the Projects will require alteration of existing dams on the Ohio River, AMP must, pursuant to the Navigable Rivers and Harbors Act of 1899, as amended (33 U.S.C. § 408), receive permission from the Army Corps prior to altering the dams (a "*Section 408 Approval*"). Unlike Section 404 Permits, which may be issued by the related Army Corps District Engineer, Section 408 Approvals must be granted by the Chief of Civil Works of the Army Corps in Washington, D.C. AMP has received the Section 408 Approvals from the Army Corps for the Cannelton Project in June 2009 and for the Smithland Project in October 2009.

Applicants for a Section 404 Permit must also receive a certification to conduct any activity that may result in a discharge to waters of the state issued by the state from which the discharge originates pursuant to Section 401 of the Clean Water Act, as amended (33 U.S.C. § 401) (a "*Section 401 Certification*"). AMP has received the necessary Section 401 Certifications from the State of Kentucky (for the Cannelton Project and Smithland Project) and from the State of West Virginia (for the Willow Island Project). Separate Section 401 Certifications for the Cannelton and Smithland Projects were obtained from the State of Kentucky in October and November 2008, respectively. The Section 401 Certification for the Willow Island Project was issued by the State of West Virginia in February 2009.

Prior to receipt of the Section 404 Permit and Section 408 Approval for the Willow Island Project, AMP cannot commence major construction on such Project, including, but not limited to, the required cofferdam. As noted earlier, AMP does not intend to issue the additional Bonds for the Willow Island Project until it receives Section 404 Permit and Section 408 Approval therefor.

In addition, each of the FERC licenses contain general environmental conditions, including, but not limited to, erosion control, endangered species protection and fish entrainment, which have been addressed. In addition, the individual licenses contain specific license articles which require AMP to submit plans to protect certain endangered species particular to the location of the related Project. AMP has been involved in endangered species consultation relating to such license articles and has addressed the issues involved. The plans have been approved by various governmental agencies, including the United States Fish and Wildlife Service, the Army Corps and state agencies having jurisdiction in the state where the related Project is to be located.

DESIGN ENGINEER AND CONSTRUCTION

AMP developed a request for proposals seeking qualified engineering firms with experience in the design of hydroelectric generation projects. In June 2007, AMP selected MWH as its Design Engineer for the Projects. In such capacity, MWH will oversee the design and construction of the Projects and provide AMP with a broad range of technical assistance, including preparation of the project specifications and assistance in the selection of contractors and equipment.

Headquartered in Broomfield, Colorado, MWH is a private, employee-owned firm with approximately 6,000 employees worldwide. The company provides water, wastewater, energy, natural resource, program management, consulting and construction services to industrial, municipal and government clients in the Americas, Europe, Middle East, India, Asia and the Pacific Rim. Harza Engineering Company, which merged with Montgomery Watson, Inc. in 2001 to form MWH, was the design engineer for the 42 MW Belleville Hydroelectric Plant, which entered commercial operation in 1999 and which AMP operates on behalf of OMEGA JV5, a joint venture among 42 AMP Members.

In order to obtain certain economies of scale, AMP has, and, when practical, intends to continue to combine its procurement process for most contracts and project components. This procurement process involves prequalification of potential bidders and a competitive bidding process for major construction and equipment contracts.

In 2007, AMP solicited proposals from prequalified bidders for the design and construction of temporary cofferdams at each of the Projects. In August 2008, after consultation with MWH, AMP received bids from contractors to build cofferdams at each of the Projects. AMP has executed the contract for the design and construction of the cofferdam at the Cannelton Project. Construction on the cofferdam for the Cannelton Project commenced in June and remains ongoing. As of the date hereof, the related design-build contracts for the Smithland Project and Willow Island Projects have not been executed because of delays relating to the issuance of Section 404 Permits relating to those Projects. The cofferdams, which are to be located upstream and downstream of each of the Projects, are required during construction to create a dry work area. Following receipt of the Section 404 Permit for the Smithland Project, construction of the cofferdam therefor is expected to commence in November 2009. Construction of the cofferdam for the Willow Island Project is expected to commence shortly after the issuance of its Section 404 Permit. Following construction of the cofferdams, general construction of the Projects may begin.

Following a competitive bidding process conducted by AMP and MWH, in June 2008 AMP awarded Voith Hydro ("*Voith Hydro*") a contract to manufacture the turbines and generators for the Projects. The estimated value of the order is approximately $310 million. Voith Hydro is a Group Division of Voith, with a workforce of around 3,600 employees and an order intake of almost €1.4 billion in the past business year.

ELECTRICAL INTERCONNECTION

The Cannelton and Smithland Projects are within the Midwest Independent Transmission System Operator, Inc. ("*MISO*") geographical footprint. The Willow Island Project is located within the PJM Interconnection ("*PJM*") geographical footprint. Interconnection requests for each Project were submitted to MISO and PJM in the summer of 2007 and are in various stages of the review process.

The Cannelton Project will be connected through a 1,000 foot 138kV transmission line. The Smithland Project will be connected through a 12 mile 161kV transmission line. The Willow Island Project will be connected through a 1.6 mile 138kV transmission line.

PROJECT OPERATION AND MAINTENANCE

AMP, supported by the Design Engineer, will provide management services during the construction of the Projects. Such services will include administration of the construction and equipment purchase and installation contracts for the Projects. As noted earlier, AMP managed the construction of the Belleville Hydroelectric Plant and has been operating it since 1999.

CONSULTING ENGINEER'S REPORT

Sawvel and Associates, Inc. ("*Sawvel*") is currently retained by AMP as Consulting Engineer under the Power Sales Contract. Sawvel, a nationally-recognized engineering and consulting firm, prepared a consulting engineer's report (the "*Consulting Engineer's Report*") regarding the Projects, which is attached as APPENDIX G hereto. The Consulting Engineer's Report has been included in this Official Statement in reliance on the reputation of Sawvel as an expert in hydroelectric project engineering. The Consulting Engineer's Report contains information not set forth elsewhere in this Official Statement and should be read in its entirety.

AMERICAN MUNICIPAL POWER, INC.

Effective July 1, 2009, AMP changed its name from American Municipal Power-Ohio, Inc. to American Municipal Power, Inc.

NONPROFIT CORPORATION

AMP was formed in 1971 under Ohio Revised Code Chapter 1702 as a nonprofit corporation. Under applicable law, AMP has perpetual existence and the duration of its existence is not otherwise limited by its certificate of incorporation or by any agreement with its Members. AMP must file, however, at certain times, Statements of Continued Existence with the Ohio Secretary of State pursuant to Ohio Revised Code § 1702.59. AMP has made all such required filings and is in good standing.

AMP operates on a cooperative nonprofit basis for the mutual benefit of its Members, each of which owns and/or operates an electric utility system. As of November 1, 2009, AMP had 129 Members – 82 municipalities in Ohio, 30 boroughs in Pennsylvania, seven cities in Michigan, five municipalities in Virginia, three cities in Kentucky and two cities in West Virginia, all but one of which owns and operates electric distribution systems and a few of which own and operate generating assets. The remaining Member is in the process of creating an electric distribution system.

TAX STATUS

AMP obtained a determination letter from the IRS on July 31, 1980, supplemented by ruling letters dated January 18, 1981 and December 12, 1987, determining that AMP qualifies as a Section 501(c)(12) corporation under the Internal Revenue Code of 1986, as amended, provided that at least 85% of AMP's total revenue consists of amounts collected from its Members for the sole purpose of meeting losses and expenses (which include debt service). AMP believes that it has met the requirements for maintenance of Section 501(c)(12) status each year since it received the ruling. AMP intends to retain its Section 501(c)(12) status. As a Section 501(c)(12) corporation, AMP's income is not subject to federal income tax.

AMP has also received private letter rulings to the effect that it may issue, on behalf of its Members, obligations the interest on which is excludible from the gross income of holders of the obligations for federal income tax purposes and that it is a wholly owned instrumentality of its Members

with the consequence that use of tax-exempt financed facilities by AMP will not result in private use under the Code. See also "**TAX MATTERS**".

Under Ohio law, AMP is subject to Ohio personal property, real estate and sales taxes.

AFFILIATES; MEMBER SERVICES

AMP is closely aligned with two other statewide municipal power organizations. The Ohio Municipal Electric Association ("*OMEA*") is the legislative liaison for the state's municipal electric systems. The Ohio Public Power Educational Institute ("*OPPEI*") is a nonprofit educational foundation dedicated to informing the public about municipal electric communities. AMP has also facilitated the formation of a number of municipal joint ventures pursuant to Ohio Revised Code § 715.02 and the Ohio Constitution. In addition to Ohio Municipal Electric Generating Agency ("*OMEGA*") Joint Ventures 1, 2, 4, 5 and 6 (See "**AMERICAN MUNICIPAL POWER, INC.**–Projects–*JVs 1, 2, 4, 5 and 6; Combustion Turbine Project; Prepaid Purchase*"), the Municipal Energy Services Agency ("*MESA*") has also been formed. MESA provides management and technical services to AMP and its Members. MESA employs approximately 140 people, and AMP approximately 100 people.

In July 2009, AMP moved its administrative offices and Energy Control Center to a new 100,000 square-foot facility in Columbus, Ohio.

AMP purchases wholesale electric power and energy and resells the same to its Members at rates based on cost plus a small service fee. AMP also develops alternative power resources for its Members to meet their short- and long-term needs. In 2008, the cost of power sold or arranged by AMP for its Members exceeded $541 million. AMP's Energy Control Center monitors loads and transmission availability, dispatches, buys and sells power and energy for its Members, 24 hours a day, 365 days a year and controls AMP and Member-owned generation. In-house engineering, operations, safety, power supply, rate and environmental staff is available at AMP's headquarters to assist Member communities in addition to performing AMP duties and providing support to the joint ventures.

AMP'S INTEGRATED RESOURCE STRATEGY AND APPROACH TO SUSTAINABILITY

AMP and its Members lead the way in terms of environmentally responsible electric generation in the region. Collectively, wind, run-of-the-river hydroelectric, landfill gas and fossil fuels are all part of AMP's generation resource mix. AMP's forward-thinking integrated resource strategy is consistent with its corporate sustainability commitment, and includes a portfolio consisting of advanced clean coal and a variety of renewable generation projects, energy efficiency initiatives, and carbon management activities, described below. In addition, AMP's actions are guided by a set of Environmental Stewardship Principles approved by the AMP Board of Trustees. The organization's first Environmental Stewardship Annual Report, released in 2008, reported on the actions that AMP has taken to implement the various principles.

Renewable Energy. As noted above, wind, run-of-the-river hydroelectric, and landfill gas are all part of the renewable generation portfolio currently available to AMP's Members. In addition to the Projects, AMP and its Members are currently pursuing the development of approximately 150 MW of additional run-of-the-river hydroelectric power at existing dams in the Ohio River basin. See "- **OTHER PROJECTS** –*Other Hydroelectric Projects*" herein. These hydroelectric projects are part of the renewable component of Ohio's alternative energy portfolio standard and included in renewable electricity standard legislation advocated by Congressional committee leaders. The hydroelectric projects currently under development would bring significant economic benefits to the region. In addition to being a leader in

hydroelectric development, AMP is evaluating development of new wind, solar and landfill gas generation in the region.

Energy Efficiency. In 2007, AMP approved a contract with the Vermont Energy Investment Corp. ("*VEIC*") to develop a set of state-of-the-art energy efficiency programs for AMP's Members. VEIC is a nationally recognized leader in developing energy efficiency programs. In 2008, AMP announced that, based on the results of the analysis conducted by VEIC, the organization would pursue an energy efficiency program that would make AMP a national utility industry leader. AMP is currently working on the first phase of this effort. AMP also offers energy audit programs for both residential and commercial/industrial customers of its Members and sponsors compact fluorescent lamp ("*CFL*") replacement programs for its Members, offering CFLs at discounted prices.

Carbon Management. AMP is taking action to report and reduce CO_2 and other greenhouse gas ("*GHG*") emissions, while also investing in CO_2 offset projects and research into carbon capture, storage, and sequestration technologies. AMP is investigating the options for various CO_2 offset projects, primarily agriculture-based projects that would capture or reduce CO_2, methane, and N_2O from livestock and other farm activities. AMP was the first municipal public power member of the Chicago Climate Exchange, the world's first voluntary, legally binding rules-based GHG emission reduction and trading system. AMP is also a member of the Midwest Regional Carbon Sequestration Partnership, helping to support its examination of options for sequestering CO_2 once captured.

RELATIONSHIP WITH THE ENERGY AUTHORITY

AMP recently executed a contract pursuant to which The Energy Authority® ("*TEA*") will provide bilateral trading, risk control and RTO services for AMP's wholesale portfolio. TEA will provide trading services and RTO Market Participant functions on behalf of AMP while maintaining "best practices" risk control and reporting over the entire portfolio. TEA is the nation's leader in public power energy trading and risk management and is wholly-owned and directed by its public power members.

GOVERNANCE

AMP is governed by a Board of Trustees. The current Member Trustees and their representatives are shown on page i of this Official Statement. The AMP Board of Trustees consists of 19 communities, each of which designates a representative to the Board. Eleven of these Trustee communities are selected by their fellow public power communities in each of eleven Member service groups, which assures representation by at least one community from each state that has five or more Members. The other eight are elected at large. The officers of AMP are: Chairman of the Board, Vice Chairman, Secretary, Treasurer, President and General Counsel. The President and General Counsel are appointed by the Board of Trustees and are ex officio members of the Board.

Various Board of Trustees committees concentrate on vital functions of the organization. Current committees are: base load generation, board oversight, by-laws review, finance, generation/clean air, Gorsuch Station project, green power development, joint ventures oversight, legislative, member services, mutual aid, nominating, non-electric, personnel, policy, power supply and generation, scholarship, and transmission/regional transmission organizations. In addition, there are subcommittees on accounting/finance, economic development, and safety.

AMP EXECUTIVE MANAGEMENT AND SENIOR STAFF

The principal members of the executive management and senior staff of AMP, with information concerning their background and experience, are listed below.

Executive Management

Marc Gerken, P.E., has served as President and Chief Executive Officer of AMP since February 2000. Previously, Mr. Gerken served as Vice President of Business and Operations at AMP from January 16, 1998. He is a 1977 graduate of the University of Dayton, beginning his public service career in 1990 with the City of Napoleon, serving as city engineer. In 1995, he was named city manager of Napoleon and served in that capacity until his employment by AMP. Mr. Gerken is the current Chairman of the American Public Power Association. He holds a B.S. in Civil Engineering from the University of Dayton and is a registered professional engineer in the States of Ohio and Florida.

Robert Trippe, serves as Senior Vice President of Finance and Chief Financial Officer and has been with AMP since April 1991. In this capacity, Mr. Trippe oversees all financial, treasury, and outside accounting relationships in addition to other administrative duties. Before joining AMP, Mr. Trippe worked at Detroit Edison from 1978 to 1991. During that time, he served as the vice president and chief financial officer for SYNDECO Inc., a wholly-owned, diversification subsidiary of Detroit Edison. Mr. Trippe holds a B.S. in Accounting and Finance from Missouri State University.

John Bentine, has served as AMP's General Counsel since 1981 and is an ex officio member of the AMP Board of Trustees. Mr. Bentine is a partner in the Columbus, Ohio law firm of Chester Willcox & Saxbe LLP and served as the firm's managing partner and chaired the firm's management committee from 1998 to 2008. He is admitted to practice in Ohio and before the U.S. District Court, Southern District of Ohio. Before entering private practice in 1981, he served as a senior assistant city attorney, City of Columbus, 1978-1981, and as an assistant attorney general and counsel to the Public Utilities Commission of Ohio, 1975-1978. Mr. Bentine holds a B.B.A. from Marshall University and a J.D. from The Ohio State University.

Jolene Thompson, serves as Senior Vice President, Member Services and External Affairs of AMP. Ms. Thompson has been part of the AMP member relations area since 1990, also serving as Executive Director of OMEA since 1997. She is a registered lobbyist in Ohio and Washington, D.C. In 2003, Ms. Thompson completed a two-year term as chair of the American Public Power Association ("APPA") advisory committee of state and regional associations and member of the APPA board of directors. She holds a B.A. in Journalism from Otterbein College.

Pam Sullivan, serves as Senior Vice President, Marketing and Operations of AMP. Before joining AMP in 2003, Ms. Sullivan was vice president, director of marketing, for a consulting engineering firm specializing in power generation and distribution, where she was responsible for developing and implementing marketing plans and strategies. She holds a B.S. in Electrical Engineering from the University of Toledo.

Senior Staff

Larry Marquis, P.E., has served as Vice President, Project Development of AMP since November 2003. Previously, Mr. Marquis served as the administrator for the Columbus Division of Electricity and Vice Chairman of the AMP Board of Trustees. In addition, he has held engineering positions with the Nebraska Municipal Power Pool, the Northern California Power Agency, the Lincoln (Nebraska) Electric System and the Omaha Public Power District. Mr. Marquis holds a B.S. and M.S. in Electrical Engineering from the University of Nebraska.

Mack Thompson, serves as Vice President, Power Supply Services of AMP. Mr. Thompson is responsible for the planning, development, negotiation and implementation of power supply and energy matters, including transmission access, short and long-term energy demand forecasting, marketing surplus

power and energy, power supply contract negotiations and billing. Mr. Thompson came to AMP from the Michigan Electric Transmission Company where he was manager of transmission strategy and policy. He has substantial experience in transmission and strategic planning related to the electric industry having previously worked as a project engineer, business and technology administrator and a independent consultant. He holds a B.S. in Mechanical Engineering from the Rose-Hulman Institute of Technology and an M.B.A. from the University of Illinois, Springfield.

Greg Slone, serves as Vice President, Business and Generation Services of AMP. Mr. Slone is responsible for the overall executive oversight and strategic planning of the organization's existing and future generation assets. Prior to being named to this position, Slone was general manager of AMP's for-profit subsidiary AMPO, Inc. and most recently served as assistant vice president of energy operations. Prior to coming to AMP, he was director of outside sales for Columbia Gas of Ohio. Mr. Slone holds a B.S. in Civil Engineering from The Ohio State University.

Jane Juergens, serves as Vice President, Human Resources and Talent Management of AMP. Ms. Juergens has been with AMP for 15 years, beginning in the human resources department. Before joining AMP, Ms. Juergens had worked in the human resources field at Franklin University and was secretary/treasurer of Juergens Woodworks Inc. from 1982 to 1989. In 2005, she served as chair of the APPA's human resources and training committee. She holds degrees in Business Management and Human Resources management from Franklin University.

Terry Leach, serves as Vice President, Risk Control, and Vice President, AMPO Inc. Previously, Mr. Leach served as General Manager of AMPO Inc., as well as Project Development since 2006. Prior to joining AMP, he was operations manager for the Midwest and Eastern regions of Green Mountain Energy Company. His past experience includes serving as assistant Ohio Secretary of State, operations management, IT consulting and sales and banking services for several national corporations. He holds a Bachelors of Science Degree in Business Management from Franklin University.

Michael Perry, was appointed Vice President of Fuel and Commodities of AMP in October 2009 and began his employment on November 1, 2009. In this capacity, Mr. Perry oversees procurement of fuel and administers related activities, such as transportation, hedging strategies and long term planning strategies. Prior to joining AMP, he worked for the Electric System for the City of Hamilton for fourteen years, serving as the Director of Electric since 1999. He previously worked for the City of Columbus and AMP in various capacities. He holds a Bachelors of Science in Mining Engineering from The Ohio State University.

Phil Meier, serves as Assistant Vice President, Hydroelectric Development of AMP and is its Project Manager for the Projects. Previously, Mr. Meier served as AMP's Chief Information Officer. He has also managed construction of the OMEGA JV5 Belleville Hydroelectric Plant. He currently manages for AMP the development and construction of the Projects and the Meldahl Project. He holds a Bachelor of Science Degree in Electronic Engineering Technology from DeVry Institute.

OTHER PROJECTS

Several of the studies of alternative power supply and transmission arrangements AMP has made or commissioned have resulted in cooperative undertakings by AMP and one or more of its Members. Included among these projects are the following:

Gorsuch Station (47 Members). In 1988, AMP purchased from Elkem Metals, Inc. ("*Elkem*"), an industrial metals company, a 69.24% undivided ownership interest in Elkem's electric generating facilities, now known as the Richard H. Gorsuch Station (the "*Gorsuch Station*"). AMP financed the

capital cost of its acquisition and rehabilitation with the proceeds of $75,600,000 taxable revenue bonds (the "*Original Gorsuch Bonds*"). In 1999, following the exercise of a put option by Elkem contained in the original purchase contract, AMP acquired with cash reserves the remaining ownership interest and now owns 100% of the 213 MW coal-fired generating station, located near Marietta, Ohio, on the banks of the Ohio River. On April 2, 2007, AMP redeemed the remaining $8,472,000 outstanding Original Gorsuch Bonds in advance of their maturity with available funds under the indenture securing the Original Gorsuch Bonds.

AMP currently expects to discontinue operations of the 56-year old Gorsuch Station, as it is currently configured, sometime after 2012. On August 28, 2008, AMP issued its $98,890,000 Multi-Mode Variable Rate Gorsuch Station Taxable Revenue Bonds, Series 2008A and 2008B (the "*2008 Gorsuch Bonds*") to pay off the obligations relating to Gorsuch Station which AMP had been carrying on its Line of Credit and to fund certain pension, other post-employment benefit obligations, and other termination costs related to the closing of Gorsuch Station, whether or not it determines to continue operations at the facility. The power and energy associated with the Gorsuch Station and associated resources are sold pursuant to take-and-pay contracts to 47 of its Members (the "*Gorsuch Participants*"). The 2008 Gorsuch Bonds are secured by a letter of credit issued by KeyBank National Association ("*KeyBank*") and the payments by the Gorsuch Participants for such output secure the 2008 Gorsuch Bonds. The Gorsuch power sales contracts remain in effect so long as any debt secured thereby remains outstanding prior to December 31, 2012. Under the Gorsuch power sales contracts, AMP may and will purchase replacement power for sale to the Gorsuch Participants if it decides to cease operating Gorsuch Station prior to the retirement of all outstanding debt secured thereby. The City of Cleveland purchases 10 MW of power and energy generated at Gorsuch Station pursuant to a separate contract with AMP that runs through December 31, 2012. As of November 1, 2009, $96,590,000 aggregate principal amount of the 2008 Gorsuch Bonds was outstanding.

On April 1, 2009, AMP received a Notice and Finding of Violation from the U.S. EPA ("*NOV*"). AMP had previously received a Section 114 information request from the EPA for information regarding the Gorsuch Station. The NOV was addressed to both AMP and Elkem. The NOV alleges that activities undertaken from 1981-1986 prior to AMP's ownership, and from 1988-1991, during AMP's and Elkem's joint ownership, constituted "major modifications" which triggered requirements for certain permits and analyses including a "Best Available Control Technology" analysis which were neither sought nor obtained, resulting in continuing violations of environmental laws and regulations by AMP and Elkem. AMP has reviewed the NOV and has met with the EPA to discuss its involvement in this matter in further detail. At this time, AMP cannot predict the outcome of these discussions, whether litigation will follow, or what potential outcomes may be.

JVs 1, 2, 4, 5 and 6; Combustion Turbine Project; Prepaid Purchase. In 1992, AMP began sponsoring the creation and organization of project specific joint ventures (the "*JVs*") among certain of its Members for the purpose of acquiring certain electric utility assets. Several, described below, remain active:

- *OMEGA JV1* (21 Members): OMEGA JV1 owns 9 MW of distributive generation, located in Cuyahoga Falls (the largest participant), consisting of six 1.5 MW Caterpillar diesel units valued at $1.8 million each. This project was installed by AMP and later sold to OMEGA JV1 at AMP's net cost. OMEGA JV1 has no debt.

- *OMEGA JV2* (36 Members): OMEGA JV2 owns 138.65 MW of distributed generation, consisting of two 32 MW gas-fired turbines, one 11 MW gas-fired turbine and one 1.6 MW and thirty-four 1.825 MW diesel generators. AMP is responsible for the operation of the JV2 Project. The project was purchased from AMP in December 2000 by

OMEGA JV2 with a promissory note in the amount of $58,570,596. AMP issued $50,260,000 in fixed-rate bonds on behalf of certain Members that, combined with $12,665,884 in capital contributed by other Members, provided permanent financing for the acquisition of the generators from AMP. As of November 1, 2009, $35,670,000 principal amount of the AMP OMEGA JV2 bonds was outstanding. The debt is non-recourse to AMP.

- *OMEGA JV4* (4 Members): OMEGA JV4 owns a 69 kV transmission line located in Williams County, Ohio that electrically connects Members Bryan, Montpelier and Pioneer, providing additional reliability to their Electric Systems and the ability to make power sales to one industrial customer. AMP constructed the initial phase of the line in 1995 and then transferred title to the participants in December 1995 at no markup of its cost. OMEGA JV4 has no debt.

- *OMEGA JV5* (42 Members): In 1993, OMEGA JV5 assigned to a trustee the obligations of its participants to make payments for their respective ownership shares in the "Belleville Project," a 42 MW run-of-the-river hydroelectric generating facility on an Army Corps of Engineers dam near Belleville, Ohio, an associated transmission line in Ohio and 40 MW of backup diesel generation (consisting of 12 MW under contract with Oberlin with the balance supplied by 1.8 MW Caterpillar units owned by OMEGA JV5). Simultaneously, the trustee issued $153.4 million of tax-exempt beneficial interest certificates ("*Belleville BICs*") in the participants' payment obligations to finance the acquisition and construction of the Belleville Project. The Common Pleas Court of Franklin County, Ohio validated the Belleville BICs pursuant to Ohio Revised Code § 133.70. AMP is responsible for operation of the Belleville Project. The hydroelectric generation associated with the Belleville Project was placed in service and has been operational since June 1999. The diesel generation units have been in service since 1995. Taking into account the issuance of additional Belleville BICs (i) in 2001 to pay for minor improvements and construction cost overruns attributable in part to the bankruptcy of the original prime contractor for the Belleville Project and (ii) in 2004 for the refunding of the callable 1993 Belleville BICs for interest cost savings, there were outstanding as of November 1, 2009 $117,399,872 Belleville BICs with a final maturity of 2030. The debt is non-recourse to AMP. The Federal Energy Regulatory Commission license for the Belleville Project runs through August 31, 2039.

- *OMEGA JV6* (10 Members): OMEGA JV6 owns four 1.8 MW wind turbines located in Bowling Green, Ohio. AMP is responsible for the operation of the JV6 Project. In July 2004, AMP entered into a $9,861,000 private placement arrangement of the payment obligations of the participants (the "*JV6 Obligations*") on behalf of OMEGA JV6 to fund the project. The interest rate on the JV6 Obligations is reset each debt service payment date, based on the six-month MMD Index. Under the terms of the arrangement, the JV6 Obligations are subject to redemption at the discretion of AMP with 180 days written notice. The JV6 Obligations are also subject to tender at the option of the purchaser under the same terms and conditions. As of November 1, 2009, $5,899,000 principal amount of AMP's JV6 Obligations was outstanding. The debt is non-recourse to AMP.

- *Combustion Turbine Project* (33 Members): In August 2003, AMP financed, with a draw on its Line of Credit, the acquisition of three gas turbine installations, located in Bowling Green, Galion and Napoleon, each of which is a Member located in Ohio, plus an inventory of spare parts. Each installation consists of two gas-fired turbine generators,

one 32 MW and one 16.5 MW, with an aggregate nameplate capacity for all three installations of 145.5 MW. On December 13, 2006, AMP refinanced its obligations on the Line of Credit attributable to the purchase with the issuance of its $13,120,000 Multi-Mode Variable Rate Combustion Turbine Project Revenue Bonds, Series 2006 (the "*CT Bonds*"). The CT Bonds are payable from amounts received by AMP from the participating Members under power schedules. The CT Bonds are secured by an irrevocable, direct-pay letter of credit (the "*CT Letter of Credit*") issued by KeyBank. AMP is liable under a reimbursement agreement to pay all amounts drawn under the CT Letter of Credit to the extent not paid by the participating Members. As of November 1, 2009, $11,885,000 aggregate principal amount of the CT Bonds was outstanding.

- *Electricity Prepayment* (41 Members): In 2007, AMP issued $307,655,000 Electricity Purchase Revenue Bonds (2007A Prepayment Issue) (the "*Prepay Bonds*") to effect the prepayment at a discount of the purchase price for 171 MW of firm electric power for a period of 65 months. Forty-one Members of AMP ("*Prepay Participants*") have entered into power schedules with AMP that obligate such Prepay Participants to make payments that, together with certain investment earnings, will be sufficient to pay the debt service on the Prepay Bonds. Apart from an up to $10 million liability in the event of a Prepay Participant default, the debt is non-recourse to AMP. The electricity supplier provided a parental guarantee of its obligations to deliver power or, on default, to make a termination payment to bondholders. The balance of the contract is marked-to-market daily. As of November 1, 2009, $235,725,000 aggregate principal amount of the Prepay Bonds was outstanding.

  In connection with the issuance of the Prepay Bonds, AMP directed the trustee for the Prepay Bonds to enter into a guaranteed investment contract (the *"Prepay GIC*") with Citigroup Financial Products Inc. ("*CFPI*") relating to certain payments made by the Prepay Participants. CFPI's obligations under the Prepay GIC are guaranteed by Citigroup Inc. ("*Citigroup*"). Pursuant to the downgrade provisions of the Prepay GIC relating to Citigroup, Citigroup posted collateral on December 31, 2008.

AMPGS (Currently 81 Members). AMP is currently developing a twin unit, supercritical boiler, coal-fired, steam and electric generating facility having an aggregate net rated electric generating capacity of approximately 940 MW, to be known as the American Municipal Power Generating Station ("*AMPGS*") in Meigs County, in southeastern Ohio on the Ohio River. AMP has exercised options on approximately 750 acres of land for the proposed site for AMPGS. AMP issued a limited notice to proceed in January 2009 to Bechtel Power Corporation ("*Bechtel*"), which was selected as the engineer, procure, construct contractor ("*EPC*") for the AMPGS. AMP Members have subscribed for more than 750 MW of capacity from AMPGS, sufficient for the power sales contract relating to AMPGS to become effective.

AMP has received an air permit from the Ohio Environmental Protection Agency (*"OEPA*") for AMPGS. That permit was appealed to the Ohio Environmental Review Appeals Commission in two separate appeals. One appeal was dismissed. The other, brought by a coalition of environmental groups, was the subject of a hearing in August 2009 and AMP is awaiting the determination. The permit is now considered final, but remains subject to appeal through the Ohio appeals process.

AMP has received a National Pollutant Discharge Elimination System permit from OEPA for AMPGS. The permit was appealed by a coalition of environmental groups to the Ohio Environmental Review Appeals Commission and a hearing has been scheduled for January 2010. The permit is considered final, but remains subject to appeal through the Ohio appeals process.

AMP has received a Residual Solid Waste Landfill Permit to Install from OEPA for AMPGS. That permit is final and was not appealed.

AMP has received a Section 401 Water Quality Certification from OEPA for AMPGS. That certification is final and was not appealed.

In addition, the Ohio Power Siting Board has issued, respectively, a Certificate of Environmental Compatibility and Public Need for the Electric Generation Station and Related Facilities and a Certificate of Environmental Compatibility and Public Need for the transmission line interconnecting AMPGS to the electric grid. The appeal period has expired and such Certificates are now final.

On September 2, 2009, AMP and the Ohio Coal Development Office (the "*OCDO*"), acting on behalf of the State of Ohio, closed on a $30 million, interest-free, loan (the "*AMPGS State Loan*"). To evidence its obligations to repay the AMPGS State Loan, AMP issued the OCDO a promissory note, which is secured solely by the power sales contract relating to AMPGS. The proceeds of the AMPGS State Loan will be used by AMP to fund certain expenditures relating to the pollution control equipment to be installed for AMPGS. As of November 15, 2009, AMP had not drawn down any of such proceeds.

As of January 1, 2009, AMP estimated the AMPGS total capital cost (including owner's costs and escalation but excluding financing costs) to be approximately $3.257 billion. Included in that estimate was the estimated costs of the estimated cost of the EPC contract with Bechtel. In mid-November 2009, AMP received advice from Bechtel that its revised estimate of the construction costs of AMPGS had increased substantially over the January 2009 estimate. As a consequence, AMP has scheduled a meeting with the AMPGS participants for November 24, 2009 to advise them of the increase in the estimated cost of AMPGS and apprise them of alternatives regarding the project.

AMP cannot predict the results of AMP's meeting with the AMPGS participants. AMP is of the opinion, however, that, based on what it believes to be reasonable assumptions about such alternatives, they would not have a material adverse impact on the overall projected power supply costs to the participants in AMPGS.

Prairie State Energy Campus (68 Members). On December 20, 2007, AMP acquired an effective 23.26% undivided ownership interest (the "*PSEC Ownership Interest*") in the Prairie State Energy Campus, a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("*AMP 368 LLC*"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. As of the end of August 2009, engineering efforts were approximately 80% complete, construction activities were approximately 26% complete and overall efforts were approximately 29% complete.

On July 2, 2008, AMP issued $760,655,000 Prairie State Energy Campus Revenue Bonds, Series 2008A (the "*2008A Prairie State Bonds*"). AMP used the proceeds of the 2008A Prairie State Bonds to refund a portion of the Initial CP allocable to the acquisition of the PSEC Ownership Interest and other PSEC expenditures, finance additional PSEC project costs, fund capitalized interest on the 2008A Prairie State Bonds for a period extending six months past the scheduled in-service dates of each unit of the PSEC and pay the costs of issuance.

On March 31, 2009, AMP issued $166,565,000 aggregate principal amount of its Prairie State Energy Campus Project Revenue Bonds, Series 2009A (the "*2009A Prairie State Bonds*"), the net proceeds of which, after the funding of various reserves and a deposit to a capitalized interest account to pay interest on the 2009A Prairie State Bonds, were used to refund its $120,000,000 of its Prairie State

Project Revenue Bond Anticipation Notes, Series 2008, the proceeds of which were used to finance PSEC expenditures.

On October 15, 2009, AMP issued $469,580,000 aggregate principal amount of its Prairie State Energy Campus Project Revenue Bonds, Series 2009B (Federally Taxable) and Series 2009C (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "*Series 2009B and C Prairie State Bonds*" and, collectively with the 2008A Prairie State Bonds and 2009A Prairie State Bonds, the "*Prairie State Bonds*") to finance additional PSEC project costs, fund capitalized interest on the Series 2009B and C Prairie State Bonds for a period extending six months past the scheduled in-service dates of each unit of the PSEC, fund deposits to a debt service reserve and pay the costs of issuance.

With the issuance of the Series 2009B and C Prairie State Bonds, AMP does not currently anticipate the need to issue additional bonds or notes to pay costs of the PSEC. As of October 1, 2009, AMP estimated that the total capital costs of placing its PSEC Ownership Interest into service to be approximately $1.397 billion.

AMP will sell the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the *"Prairie State Power Sales Contract*") with 68 Members (the *"Prairie State Participants*"). The Prairie State Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Projects. The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

Other Hydroelectric Projects. AMP is also undertaking the acquisition and/or development and construction of additional hydroelectric generating facilities. The 70.2 MW Greenup hydroelectric project (the "*Greenup Project*") is an existing run-of-the river hydroelectric generating facility located at the Greenup Locks and Dam on the Ohio River. The Greenup Project is currently owned and operated by the City of Hamilton, Ohio ("*Hamilton*"), an AMP Member. AMP has negotiated with Hamilton to purchase approximately 48% of the Greenup Project (the "*AMP Greenup Interest*") for $139 million. The closing on such interest is contingent upon the development, construction and placing into service of the Meldahl hydroelectric generating facility (the "*Meldahl Project*"), another run-of-the-river hydroelectric facility to be located at the Meldahl Locks and Dam on the Ohio River. Under its agreements with Hamilton, AMP will own, and Hamilton will operate, the 105 MW Meldahl Project. Hamilton holds the FERC licenses for the Greenup and Meldahl Projects and it is anticipated that FERC approval will be required for certain provisions of the agreements between Hamilton and AMP relating thereto, such as AMP becoming a co-licensee. AMP currently projects that the Meldahl Project will be placed in service in 2014 and that the acquisition of its undivided ownership interest in Greenup will close within 60 days thereafter as required by its agreements with Hamilton. AMP has offered to its Members (other than Hamilton) the shares of available capacity from the AMP Greenup Interest (approximately 34 MW) and shares of available capacity (capacity not owned or reserved to Hamilton) in the Meldahl Project (approximately 51 MW) and when such capacity is fully subscribed to undertake the financing required to acquire, construct and place in service the Meldahl Project.

AMP is evaluating other hydroelectric generating facilities, including the R.C. Byrd hydroelectric project (the "*R.C. Byrd Project*"), which would be a run-of-the-river hydroelectric facility located at the R.C. Byrd Locks and Dam on the Ohio River. The City of Wadsworth, Ohio ("*Wadsworth*"), an AMP Member, has been issued a preliminary permit to file a license application for the R.C. Byrd Project. This permit gives Wadsworth the exclusive right to file the first application for the FERC license and precludes other developers from filing before Wadsworth. AMP, on behalf of Wadsworth, has filed a pre-application document with FERC.

THE PARTICIPANTS

GENERAL

Each of the Participants is a Member of AMP. The Participants, together with their respective Project Shares (in kW), are listed in Appendix A hereto. The Electric Systems owned by the Participants provide, among other things, electric utility service primarily to retail consumers located in their respective service areas.

Of the 79 Participants, six of the Participants have combined a 47.32% of all Participants' Project Shares. These Participants are the City of Danville, Virginia; the City of Coldwater, Michigan; the City of Paducah, Kentucky; and the Cities of Cleveland, Bowling Green and Cuyahoga Falls, Ohio (collectively, the "*Large Participants*"). With the exception of Cleveland, each Participant is the only authorized supplier of electricity in the corporate limits of the municipality. Cleveland is in direct competition with Cleveland Electric & Illuminating ("*CEI*"), an operating company of First Energy Corp. Appendix B to this Official Statement contains certain financial and other information about the Large Participants.

POWER SUPPLY

In late 2006, AMP contracted with R. W. Beck to develop long-term power supply plans for its Members. R. W. Beck prepared a report for 119 Members that included a 20-year load forecast, a 20-year optimal power supply plan and the key inputs and assumptions used to develop the plan. In accordance with the Power Sales Contract, R.W. Beck prepared an analysis to determine if each Participant could beneficially utilize its Project Share of the Projects.

In June 2009, R. W. Beck was engaged by AMP to prepare a 20-year power supply plan ("*June 2009 Power Supply Plan*") for its Members. The June 2009 Power Supply Plans for 126 Members were developed based on the same method as the original power supply plans prepared in 2007. The June 2009 Power Supply Plan for each Member consisted of a "Base Case", which included the existing generating resources that each Member owns, existing generating resources that AMP owns and operates on behalf of the Members, and the existing and future generating resources that each Member has under contract with AMP. The future resources included the Projects, AMPGS and the Prairie State Energy Campus. The "Optimal Resource Plan" indicated the generating resource additions each Member should consider during the 2012-2031 period to minimize expected power supply costs. In addition to the Optimal Resource Plan, the June 2009 Power Supply Plan for each Member included an alternative scenario plan that considered the impacts of implementing the AMP Energy Efficiency programs on each Member's resource decisions. The Optimal Resource Plan (with the AMP Energy Efficiency programs) reflected an aggregate of 285 MW of additional hydroelectic capacity (consisting of the 70 MW Greenup Project, 105 MW Meldahl Project, and 110 MW of other future hydroelectric capacity), 697 MW of combustion turbine capacity and 1,007 MW of combined cycle capacity to be installed by 2020.

RISK FACTORS

The purchase of the Series 2009 Bonds involves certain investment considerations discussed throughout this Official Statement. Prospective purchasers of the Series 2009 Bonds should make a decision to purchase the Series 2009 Bonds only after reviewing the entire Official Statement and making an independent evaluation of the information contained herein. Certain of those investment considerations are summarized below. This summary does not purport to be complete, and the order in which the following investment considerations are presented is not intended to reflect their relative significance.

LIMITED OBLIGATIONS

The Series 2009 Bonds are payable solely from and secured solely by the Trust Estate pledged under the Indenture. The Series 2009 Bonds are equally and ratably secured and are payable solely from the Gross Receipts (subject to the provisions of the Indenture which permit AMP to apply such Gross Receipts to the payment of AMP Operating Expenses) and certain amounts held under the Indenture. The Gross Receipts include payments made by the Participants under the Power Sales Contract (excluding amounts paid for transmission service and amounts representing administration fees, which are retained by AMP) and the investment income on moneys and securities held by the Trustee in certain subfunds, accounts or subaccounts established pursuant to the Indenture. Each Participant has agreed to make payments due under the Power Sales Contract solely from its Electric System revenues. The Gross Receipts are to be applied in accordance with the priorities established under the Indenture.

THE SERIES 2009 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF AMP PAYABLE SOLELY FROM THE REVENUES, MONEYS, SECURITIES AND FUNDS PLEDGED THEREFOR IN THE INDENTURE. THE PAYMENT OF THE SERIES 2009 BONDS IS NOT GUARANTEED BY AMP, ITS MEMBERS OR THE PARTICIPANTS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE MEMBERS, THE PARTICIPANTS, THE STATE OF KENTUCKY, MICHIGAN, OHIO, VIRGINIA OR WEST VIRGINIA OR ANY POLITICAL SUBDIVISION OR INSTRUMENTALITY THEREOF IS PLEDGED FOR THE PAYMENT OF THE SERIES 2009 BONDS. AMP HAS NO TAXING POWER.

GENERAL RISK FACTORS

The electric utility industry in general has been, or in the future may be, affected by a number of other factors that could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed below, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described below, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) changes resulting from a national energy policy, (d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric utilities and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (e) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many IOUs, (f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (g) "self-generation" or "distributed generation" (such as microturbines and fuel cells) by industrial and commercial customers and others, (h) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations, (i) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (j) changes from projected future load requirements, (k) increases in costs and uncertain availability of capital, (l) shifts in the availability and relative costs of different fuels (including the cost of natural gas), (m) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, (n) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, (o) other legislative changes, voter initiatives, referenda and statewide propositions, (p) effects of the changes in the economy, (q) effects of possible manipulation of the electric markets and (r) natural disasters or other physical calamity, including, but not limited to, earthquakes. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

AMP is unable to predict what impact such factors will have on the business operations and financial condition of the Participants, but the impact could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the Series 2009 Bonds should obtain and review such information.

ENFORCEABILITY OF CONTRACTS AND BANKRUPTCY

The enforceability of the various legal agreements relating to the Projects and the Series 2009 Bonds may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors or secured parties generally and by the exercise of judicial discretion in accordance with general principles of equity. The Power Sales Contract and other agreements relating to the Projects are executory contracts. If any of the parties with which AMP has contracted under such agreements (including the Power Sales Contract) is involved in a bankruptcy proceeding, the relevant agreement could be discharged in return for a claim for damages against the party's estate with uncertain value. In such an event, the Gross Receipts could be materially and adversely affected. Similarly, in the event that AMP is involved in a bankruptcy proceeding, exercise of the remedies afforded to the Trustee under the Indenture may be stayed.

AMP. In the event of a bankruptcy of AMP, a party in interest might take the position that the remittance to the Trustee by AMP of the payments received from the Participants pursuant to the Power Sale Contract constitutes a preference under bankruptcy law if such remittance were deemed to be paid on account of a preexisting debt. If a court were to hold that the remittance of funds constitutes a preference, any such remittance within 90 days of the filing of the bankruptcy petition could be avoidable, and funds could be required to be returned to the bankruptcy estate of AMP. Because the payments by the Participants will be commingled by AMP with other payments by the Participants and its other Members pending the transfer of such payments to the trustee, the risk that a court would hold that a remittance of those funds by AMP to the Trustee was a preference is increased. If AMP is considered an "insider" with the Participants, any such remittance made within one year of the filing of the bankruptcy petition could be avoidable as well if the court were to hold that such remittance constitutes a preference. In either case, the Trustee would be merely an unsecured creditor of AMP.

Municipal Bankruptcy. Chapter 9 of the Federal Bankruptcy Code (the "*Bankruptcy Code*") contains provisions relating to the adjustment of debts of a state's political subdivisions, public agencies and instrumentalities (each an "eligible entity"), such as the Participants. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in a material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Ohio Participants. Ohio law provides methods for dealing with fiscal emergencies of municipal corporations. If a fiscal emergency condition is determined to exist, the municipality is subjected to state oversight through a seven-member Financial Planning and Supervision Commission (the "*Commission*"). The Commission is assisted by certified public accountants designated as the Financial Supervisor to be engaged by the Commission. The Auditor of State may also be required to assist the Commission.

The Commission or, when authorized by the Commission, the Financial Supervisor, among other powers, shall require the municipal corporation to establish monthly levels of expenditures and encumbrances consistent with the financial plan and shall monitor such monthly levels and require

justification to substantiate any departure from an approved level. Expenditures may not be made contrary to an approved financial plan.

A municipality must develop and submit a detailed financial plan for the approval or rejection of the Commission; develop an effective financial accounting and reporting system; prepare budgets, appropriations and expenditures that are consistent with the purposes of the financial plan; and may only issue debt on a limited basis, the purpose and principal amount of which must be approved by the Commission.

The Ohio Revised Code permits a political subdivision, such as any of the Ohio Participants, upon approval of the State Tax Commissioner, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. The taxing authority of such subdivision may, upon like approval of the State Tax Commissioner, refund its outstanding securities, whether matured or unmatured, and exchange bonds for the securities being refunded. In its order approving such refunding, the State Tax Commissioner shall fix the maturities of the bonds to be issued, which shall not exceed thirty years. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

Non-Ohio Participants. Michigan law contains provisions for the Governor to determine that a "local government fiscal emergency" exists, based on findings and investigations of a review team appointed by the Governor. If the emergency financial manager, appointed by the local emergency financial assistance loan board to which the Governor is to assign responsibility for managing the local government fiscal emergency following such a determination, determines that no feasible financial plan can be adopted to resolve satisfactorily the financial emergency in a timely manner, the emergency financial manager may authorize the local government to file for bankruptcy under Chapter 9 of the Bankruptcy Code, provided that such authorization is not disapproved by the local emergency financial assistance loan board within 60 days of receipt by that board of notice from the emergency financial manager.

Neither the existing law of Virginia nor the existing law of West Virginia specifically authorizes, as required by the Bankruptcy Code, its municipalities to file for bankruptcy under the Bankruptcy Act. Neither existing Virginia nor existing West Virginia law has provisions similar to those of Ohio and Michigan law, discussed above, respecting fiscal emergencies of municipalities or their public utilities.

Kentucky. Kentucky law provides that its municipalities may file for bankruptcy under the Federal Bankruptcy Act.

FACTOR RELATING TO SERIES 2009B TAXABLE BONDS (BABS)

As noted earlier, AMP has designated the Series 2009B Bonds as "Build America Bonds" for purposes of the Recovery Act. No assurance can be given that any future legislation or amendments to the Code, if enacted into law, will not contain proposals which could reduce or eliminate the Federal Subsidy. Furthermore, court decisions interpreting the Recovery Act, including any amendments or revisions thereto, may result in a reduction or elimination of the Federal Subsidy.

CERTAIN FACTORS AFFECTING AMP, THE PARTICIPANTS AND THE ELECTRIC UTILITY INDUSTRY

GENERAL

Various factors will affect the operations of AMP and the electric utility systems operated by the Participants, as well as the sellers and transmitters of electric power. They include, for example: (a) retention of existing retail customers by Participants, (b) local, regional and national economic conditions, (c) the market price of electricity and the market price of alternate forms of energy, (d) the price of commodities and equipment used in electric generating facilities, (e) energy conservation measures, (f) the price of coal, (g) the availability of alternate energy sources, (h) climatic conditions, (i) government regulation and deregulation of the energy industries, (j) the price and availability of transmission service, and (k) technological advances in fuel economy and energy generation devices.

AMP is unable to predict the impact of the foregoing factors, and other factors, on the Participants and their electric operations. However, the electricity supply and services to be provided by AMP are intended to maintain and improve the competitive position of the Participants by providing them with services and with competitive prices for all or a portion of their required electricity supply.

TRANSMISSION AND RTOS

In 1996, pursuant to the Energy Policy Act of 1992 ("*EPACT 1992*"), FERC in Order No. 888 required utilities under FERC jurisdiction to provide access to their transmission systems for interstate wholesale transactions on terms and at rates comparable to those available to the owning utility for its own use. In 2007, FERC issued another rulemaking order that is meant to fine-tune the Open Access Transmission Tariff setting minimum standards for transmission owners.

In 1999, FERC in Order No. 2000 directed that regional transmission organizations ("*RTOs*") be established to become the sole providers of electric transmission services in large regions of the country, each of which would encompass the service territory of several (or more) electric utilities. These RTOs would operate and control, but would not own, the transmission facilities, pursuant to contracts with the transmission owners. All of the transmission owning utilities in Ohio have joined RTOs. Although AMP and the Participants are not for most purposes subject to the jurisdiction of FERC, they have been and will continue to be significantly affected by the establishment of RTOs in Ohio and the region.

Currently, the investor owned electric utilities in Ohio have joined RTOs as follows: American Electric Power (Columbus Southern Power and Ohio Power) and Dayton Power & Light Company are participants in the PJM Interconnection; Duke Energy (Cincinnati Gas & Electric Company) and FirstEnergy (Cleveland Electric Illuminating, Toledo Edison, Ohio Edison and American Transmission Systems, Inc), are participants in MISO.

On August 17, 2009, FirstEnergy, on behalf of its ATSI (American Transmission Systems, Inc.) subsidiary, filed at the Federal Energy Regulatory Commission in Docket No. ER09-1589 for approval of the termination of ATSI's participation as a transmission owner and operator in the Midwest ISO regional transmission organization and for certain findings regarding ATSI's intent to participate in the PJM Interconnection regional transmission organization. FirstEnergy claimed, among other things, that its transmission systems are better integrated with PJM-member systems than with MISO-member systems and that the realignment will produce greater efficiencies and reduced transmission congestion. FirstEnergy asked the FERC to issue a decision by December 17, 2010, which would allow FirstEnergy to participate in PJM's May, 2010 Base Residual Auction, the first step toward FirstEnergy's planned complete integration into PJM by June 1, 2011. Numerous affected market participants intervened, and many either protested the filing or sought Commission-imposed conditions that would protect their

asserted interests. Although AMP did not directly object to the proposed RTO realignment, AMP intervened, protested certain asserted deficiencies in the FirstEnergy filing and sought conditions to protect its interests and those of its members.

AMP cannot predict the outcome of the FERC proceeding intitiated by FirstEnergy. If FERC denies the application or conditions approval in a manner unacceptable to FirstEnergy, the realignment will not take place, and there will be no change in the ability of AMP to transmit power across the region to its members. If FERC approves the realignment and FirstEnergy moves ahead with its plans, AMP believes that, given the coordination between the Midwest ISO and PJM and the approach each takes to assure the availability of transmission capacity, there will be no adverse effect on AMP's ability to obtain transmission of hydropower throughout the region. It is possible, however, that the realignment of ATSI transmission from the Midwest ISO to PJM could have some impact--in either direction--on the cost of transmitting that power.

The nature and operations of these RTOs are still evolving, and AMP cannot predict whether their existence will meet FERC's goal of reducing transmission congestion and costs and creating a competitive power market.

ELECTRIC SYSTEM RELIABILITY

Pursuant to the directives in the Energy Policy Act of 2005 ("*EPACT 2005*"), FERC embarked on a process leading in 2007 to the creation of an Electric Reliability Organization with national responsibility for the reliability of the electric grid and the imposition of 83 distinct reliability standards applicable to owners, operators and users of the bulk power system. Depending upon their size and the nature of their operations, AMP and its Members will be required to meet some or all of these standards.

FEDERAL ENERGY LEGISLATION

The Energy Policy Act of 1992. EPACT 1992 made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access under Sections 211, 212 and 213 of the Federal Power Act. The purpose of these changes, in part, was to bring about increased competition in the electric utility industry. As amended by EPACT 1992, Sections 211, 212 and 213 of the Federal Power Act provide FERC authority, upon application by any electric utility, federal power marketing agency or other person or entity generating electric energy for sale or resale, to require a transmitting utility to provide transmission services (including any enlargement of transmission capacity necessary to provide such services) to the applicant at rates, charges, terms and conditions set by FERC based on standards and provisions in the Federal Power Act. Under EPACT 1992, electric utilities owned by municipalities and other public agencies which own or operate electric power transmission facilities that are used for the sale of electric energy at wholesale are "transmitting utilities" subject to the requirements of Sections 211, 212 and 213.

The Energy Policy Act of 2005. EPACT 2005 addresses a wide array of energy matters that could affect the entire electric utility industry, including AMP and the electric systems of the Participants. It expands FERC's jurisdiction to require open access transmission by municipal utilities that sell more than four million megawatt hours of energy annually and to order the payment of refunds under certain circumstances by municipal utilities that sell more than eight million megawatt hours of energy annually. No Participant is able to predict when, if ever, its sales of electricity would reach either four million or eight million megawatt hours, although no Participant now sells more than 1.7 million megawatt hours annually. EPACT 2005 provides for mandatory reliability standards to increase the electric grid's reliability and minimize blackouts, criminal penalties for manipulative energy trading practices and the repeal of the Public Utility Holding Company Act of 1935, which prohibited certain mergers and

consolidations involving electric utilities. EPACT 2005 also authorizes FERC to issue a permit authorizing the permit holder to obtain transmission rights of way by eminent domain if FERC determines that a state or locality has unreasonably withheld approval. EPACT 2005 contains provisions designed to increase imports of liquefied natural gas and incentives to support renewable energy technologies, including a new two-year program for tax credit bonds for local governments, such as the Participants, to finance certain renewable energy facilities. EPACT 2005 also extends for 20 years the Price-Anderson Act, which concerns nuclear power liability protection, and provides incentives for the construction of new nuclear plants.

DEREGULATION LEGISLATION

Because of the number and diversity of prior and possible future proposed bills on this issue, AMP is not able to predict the final forms and possible effects of all such legislation which ultimately may be introduced in the current or future sessions of Congress. AMP is also not able to predict whether any such legislation, after introduction, will be enacted into law, with or without amendment. Further, AMP is unable to predict the extent to which any such electric utility restructuring legislation may have a material, adverse effect on the financial operations of the Participants.

KENTUCKY LEGISLATION

General. Kentucky has a historical patchwork of statutory schemes that generally permit municipalities to furnish utility services. Today, in most cases, those statutory schemes are historical relics and have been superseded by the Kentucky TVA Act. Enacted in 1942, the TVA Act is intended to be the "complete law" of Kentucky with respect to municipalities acquiring electric plants after June 1, 1942, and with respect to the operation of electric plants acquired by any municipality after June 1, 1942. All laws that conflict with the TVA Act have been expressly repealed.

The TVA Act vests all Kentucky municipalities, regardless of class, with the power and authority to establish, acquire, own and operate "electric plants." The TVA Act broadly defines "electric plant" as "any plant, works, systems, facilities, and properties (including poles, wires, stations, transformers, and any and all equipment and machinery), together with all parts thereof and appurtenances thereto, used or useful in the generation, production, transmission, or distribution of energy."

Kentucky municipalities that operate an electric plant under the TVA Act are managed by a board consisting of four (4) residents of the municipality appointed by the mayor or chief executive. The board has the power and capacity to perform any act not repugnant to law and has the express power and capacity to do any act or thing necessary or convenient for carrying out its statutory purpose.

A municipality providing electric service is generally (with limited exceptions) not subject to direct competition and has the right to determine how electricity will be sold within its borders. A municipality operating an electric plant under the TVA Act is forbidden from entering into competition with rural electric cooperative corporations or electric plants operated by another municipality, but may enter into cooperative agreements and/or seek franchises to provide electric service in other municipalities under certain circumstances.

A Public Service Commission regulates the intrastate rates and services of investor-owned electric utilities and customer-owned electric cooperatives. The Commission has regulatory responsibility for rate increases or reductions, expansion or reduction of utility service boundaries, construction and operation of utility facilities and compliance with service and safety regulations, amongst other things. Generally, retail electric suppliers have the exclusive right to furnish retail electric service to all electric-

consuming facilities located within its certified territory and are forbidden from furnishing its retail electric service to a consumer located within the certified territory of another retail electric supplier.

Municipally owned or operated electric utilities are generally not subject to the authority or regulation of the Kentucky Public Service Commission except in limited circumstances.

Deregulation. Kentucky has not deregulated its electric utility industry. In 1998, the Kentucky legislature rejected a bill providing for retail choice. Instead, the governor of Kentucky signed House Joint Resolution 95 (HJR 95), which created the Kentucky Task Force on Electric Restructuring. On December 13, 1999, the Task Force on Electric Energy Restructuring issued a report recommending no action based on the belief that restructuring at that time would likely lead to higher or more variable rates. In June 1999, Resource Data International conducted a study for the Kentucky Special Task Force on Electricity Deregulation which indicated that increased competition could actually increase retail prices in Kentucky. On August 10, 2000, the Task Force on Energy Restructuring issued its final report to the Kentucky General Assembly. The August 10, 2000 report, incorporating the December 13, 1999 report, concluded that there was "no compelling reason" to quickly proceed with restructuring. Accordingly, Kentucky currently does not have statutes similar to those in Ohio concerning electric utility competition.

In 2000 Kentucky enacted House Bill 897 (HB 897) to prohibit regulated utilities from using revenues to fund unregulated affiliates and from including expenses of unregulated affiliates in the rate base. HB 897 requires separate recordkeeping and requires the Public Service Commission to establish uniform procedures for cost allocation between the regulated utility and unregulated affiliates.

Recent Legislation. Beginning this year, Kentucky is offering up to a $500 tax credit to homeowners and up to $1,000 for businesses to install renewable energy systems utilizing wind and solar energy. This and similar laws have the potential to reduce the amount of energy that consumers purchase.

Net-Metering. KRS 278.477, enacted in July 2008, requires that retail electric suppliers (excluding municipality owned or operated electric utilities) make net metering available to any eligible customer-generator that the supplier services or solicits. The statutes also provide rules for the billing of net electricity.

Future Legislation. In November 2008, Kentucky released an extensive energy plan outlined in a document entitled *Intelligent Energy Choices for Kentucky's Future.* The energy plan is not legislation; although, it generally outlines the states energy-related goals of 1) improving the energy efficiency of Kentucky's homes, buildings, industries and transportation fleet, 2) increasing Kentucky's use of renewable energy, 3) sustainably growing Kentucky's production of biofuels, 4) developing a coal-to-liquids industry in Kentucky to replace petroleum-based liquids, 5) implementing a major and comprehensive effort to increase gas supplies, including coal-to-gas in Kentucky, 6) initiating aggressive carbon capture/sequestration projects for coal-generated electricity in Kentucky, and 7) examining the use of nuclear power for electricity generation in Kentucky. If and when Kentucky enacts energy legislation in the future, the particular effect on electric utilities, including municipally owned electric utilities, is not clear.

OHIO LEGISLATION

General. Article XVIII, Section 4, of the Ohio Constitution provides in part that "any municipality may acquire, construct, own, lease and operate within or without its corporate limits any public utility the product or service of which is or is to be supplied to the municipality or its inhabitants, and may contract with others for any such product or service".

In 1999, Ohio lawmakers adopted Senate Bill 3, legislation implementing retail electric competition in investor owned utility service areas beginning January 1, 2001. Ohio was the 24th state to adopt "customer choice" legislation and passage of this bill followed years of debate. Senate Bill 3, however, did not mandate customer choice for municipal electric systems, and the decision of whether an Ohio municipality offers retail electric competition remains a decision of each municipality.

Customer choice had been slow to develop throughout the early 2000's. With the end of the Market Development Period approaching in 2005, the Public Utilities Commission of Ohio ("*PUCO*") urged the investor-owned utilities ("*IOUs*") to file rate stabilization plans ("*RSP*") in an effort to provide retail electric price stability for their customers. These RSPs were approved and have since expired for American Electric Power, Duke Energy and FirstEnergy, and will expire in 2010 for Dayton Power and Light.

On May 1, 2008, Governor Ted Strickland signed into law Senate Bill 221, comprehensive legislation to update the laws governing the electric industry. The bill is designed primarily to address the post-2008 retail electric market for investor-owned utility areas in Ohio. The major provisions of the legislation as highlighted below apply directly to the state's four investor-owned electric utilities. Ohio's municipal electric systems and rural electric cooperatives maintain local decision-making authority. Staff and counsel to the OMEA (legislative liaison to 81 Ohio municipal electric systems and to AMP) were successful in including favorable language regarding customer switches and treatment of hydroelectric facilities in the legislation. PUCO is nearing the end of the regulatory implementation of the legislation and AMP has been engaged in the rulemaking process.

Customer Choice (ORC 4928.141; 4928. 142; 4928.143). Senate Bill 221 preserves the ability of utilities to go to competition, but initially requires the four investor-owned utilities (each an "IOU") in Ohio to file electric security plans ("ESPs"). The IOUs each then have the option to file a market rate option. All four IOUs have filed ESP's with the PUCO, and they have all since been approved. *These provisions have no direct impact on Ohio municipal electric systems or AMP.*

Alternative Energy Portfolio Standard (ORC 4928.64). In addition to the provisions addressing retail electric rates for investor-owned utilities, the bill also includes an alternative energy portfolio standard ("*AEPS*") that requires the state's IOUs to supply 25 percent of their power from alternative energy resources by 2025, with benchmarks beginning in 2009. The proposal requires that at least half of the 25% come from renewable energy, and a requirement that half the renewable energy come from Ohio projects. *This provision has no direct impact on Ohio municipal electric systems or AMP, as the two – as well as the rural electric cooperatives – are not mandated into the AEPS.*

Compliance with AEPS (ORC 4928.65). As noted above, the state's investor-owned utilities are required to provide 25% of their power from alternative energy resources, with at least half coming from renewable energy resources. Benchmarks for compliance with the mandate begin in 2009. Utilities may use renewable energy credits, up to five years after purchase or acquisition, to help meet their renewable energy obligation. The PUCO has developed rules for which renewable energy resource credits qualify, and the provision is clear that hydroelectric facilities brought online after 1998 and located in Ohio or in an adjoining state will qualify. AMP and other stakeholders continue to participate in the regulatory implementation of this provision to ensure that all of AMP's and its Members' existing renewable generation assets qualify. *This provision is important to Ohio municipal electric systems and to AMP in that it is here that the rules for which renewable energy resource would qualify would be developed and would ultimately provide the best value for the renewable energy credit from AMP's existing and proposed renewable resources, including the Projects.*

Energy Efficiency Standard (ORC 4928.66). In general, the bill requires IOUs to implement energy efficiency programs that can include demand-response programs, customer-sited programs, and transmission and distribution infrastructure improvements that reduce line loss. The standard includes benchmarks that begin in 2009 and ultimately reach 22% by 2025. *This provision has no direct impact on Ohio municipal electric systems or AMP, as the two – as well as the rural electric cooperatives – are not mandated into the energy efficiency standard.*

Customer Switches (ORC 4928.69). The legislation includes beneficial language designed to ensure that customer switches from IOUs to existing municipal systems will not be subject to surcharges, service termination charges, exit fees or transition charges.

Federal Energy Advocate (ORC 4928.24). The PUCO shall employ a federal energy advocate to monitor the activities of FERC and other federal agencies and to advocate on behalf of Ohio retail electric service customers. Among the duties assigned to the new position, the advocate shall examine the value of the participation of electric utilities in regional transmission organizations, and to issue a report on whether continued participation of those utilities is in the interest of those consumers. The PUCO opened a formal proceeding to begin discussions on this topic, and AMP has been engaged in the process through filings on the case docket, and working with coalition partners on issues of mutual concern. *The creation of such an advocate and review of regional transmission organizations has long been supported by AMP and OMEA.*

Greenhouse Gas Emission Reporting (ORC 4929.68). Senate Bill 221 includes a provision directing the PUCO to adopt rules establishing greenhouse gas reporting requirements, including participation in the Climate Registry, and carbon dioxide control planning requirements for each electric generating unit, including existing facilities, owned or operated by a public utility subject to jurisdiction by the PUCO. Although the legislation and statute are clear as to whom this provision applies to, the PUCO has developed rules that would require AMP facilities to participate in the above-mentioned requirements. AMP and a number of other stakeholders are opposing the PUCO proposal, which does not follow the statute nor legislative intent. *Although not required to participate in the state-mandated programs, AMP has joined the Chicago Climate Exchange already and is a partner in the Midwest Regional Carbon Sequestration Project.*

MICHIGAN LEGISLATION

General. In 2000, the Michigan legislature enacted a package of bills intended to provide the framework for re-structuring and partially de-regulating a portion of the electricity market in Michigan. This legislation introduced customer choice programs and froze rates for investor owned utilities for a period of time. Except as described below, however, this legislation did not directly impact municipal-owned utilities.

Under Michigan law, Michigan municipalities are authorized to establish electric systems to provide service within the boundaries of the municipality and in a limited amount of territory outside those boundaries. Michigan municipal utility electric rates are not subject to approval by the Michigan Public Service Commission or any other entity, except for the governing bodies of the utility and the municipality.

With respect to service within the borders of a municipality providing electric service, the municipality is generally (with limited exceptions) not subject to direct competition, since under the Michigan constitution, utilities may not operate within any city, village or township without the consent of and receiving a franchise from, that municipality.

Utilities may compete with a municipality for new (not presently being served) customers located outside of the borders of a municipality if the utility has or can acquire a necessary franchise and any required certificate of convenience and necessity from the Michigan Public Service Commission. However, a person shall not, without the consent of the municipally owned utility, provide delivery service or customer account service to a retail customer that was receiving that service from a municipally owned utility as of June 5, 2000, or is receiving the service from a municipally owned utility.

Recent Legislation. In March of 2008, Michigan enacted into law amendments to the act under which joint power agencies in Michigan are organized. These amendments provided for, among other things, the power of municipalities which are members of a joint agency, and the joint agencies themselves, to enter into power acquisition contracts with "take or pay" and "step up" provisions, as are provided in the Power Sales Contracts.

Effective October 6, 2008, Michigan enacted Renewable Energy Portfolio Standards and Energy Optimization requirements, which apply to, among other entities, municipally-owned utilities. Pursuant to the statute and Michigan Public Service Commission orders, municipally-owned utilities were required to file plans for compliance with these new statutes by April 2009. Regarding Renewable Energy Portfolio requirements, the new statute requires, subject to certain conditions, limitations and rate caps, municipally-owned electric utilities to serve by 2015 10% of their energy requirements with qualified renewable energy resources. Regarding Energy Optimization, the new statute requires utilities to either: (i) file and implement a plan which produces incremental energy savings each year up to a maximum requirement of 1% of retail sales in a prior year; or alternatively (ii) pay up to 2.0% of a prior year's revenues to a independent energy optimization program administrator selected by the Michigan Public Service Commission.

The Michigan South Central Power Agency filed a joint renewable energy plan for its members, including the City of Coldwater and City of Marshall. With a modification related to proposed tire fractionalization, the Michigan Public Service Commission approved, by orders dated July 1, 2009, the renewable energy and energy optimization plans for the City of Coldwater and City of Marshall. Each city has its own Energy Optimization plan and will not use the administrator selected by the Michigan Public Service Commission.

VIRGINIA LEGISLATION

General. Virginia municipal corporations are authorized by statute, and in some instances by charter, to acquire, establish, and operate public utilities for the generation and distribution of electricity. The powers of cities and towns to operate such public utilities (with a minor exception relating to service areas) and the rates charged to customers are not generally regulated by Virginia's State Corporation Commission ("*SCC*").

In 1999, the Virginia General Assembly adopted Senate Bill 1269 entitled the Virginia Electric Utility Restructuring Act ("*Restructuring Act*"). This comprehensive legislation provided for the deregulation of the generation component of electric service while transmission and distribution remained as regulated services. The Restructuring Act provided for customer choice of generation providers to be phased in, and during the transition from fully regulated electricity prices to generation customer choice, capped rates for electricity service were in effect. The Restructuring Act contained numerous additional provisions and was significantly amended in subsequent years. *As amended, the Restructuring Act specifically exempts municipal power systems from retail competition and other Restructuring Act provisions unless a municipality operating them (a) elects to become subject to such provisions or (b) competes for certain electric customers outside the service territories served by their systems as of 1999 (Va. Code §56-580 F).*

In 2007, the Virginia General Assembly passed House Bill 3068/Senate Bill 1416 (Chapters 888 and 933 of the 2007 Acts of the General Assembly) which have been referred to as the electricity "re-regulation" legislation. This legislation became effective on July 1, 2007. It amended the Restructuring Act and other statutes by largely ending Virginia's approximately ten year experiment with deregulation and by restoring full cost-of-service regulation by the SCC. In addition, the legislation provided incentives for utilities to build new generation to meet growing demand and to add environmental equipment at their power stations. It also provided incentives for utilities to invest in renewable forms of energy and demand-side management and conservation programs. In 2008, the Virginia General Assembly further amended the Restructuring Act and renamed it the Virginia Electric Utility Regulation Act. *The re-regulation legislation maintained the Restructuring Act's exemption for municipal power systems.*

Customer Choice. Capped rates ended on December 31, 2008, and retail choice generally has been eliminated for all but individual retail customers with a demand of more than 5 megawatts and non-residential retail customers who obtain SCC approval to aggregate their load to reach the 5 megawatt threshold, subject to a cap of 1% of peak load of the customers' electric utility. In addition, individual retail customers are permitted to purchase renewable energy from competitive suppliers if the incumbent electric utility does not offer a tariff approved by the SCC for the sale of electric energy provided 100 percent from renewable energy (Va. Code § 56-577). In December 2008, the SCC determined that tariffs proposed by Dominion Virginia Power and Appalachian Power for the sale of renewable energy credits do not constitute a sale of electrical energy provided 100 percent from renewable energy. As a result, customer choice remains in effect for electrical energy provided 100 percent from renewable energy for customers of these companies, which are the two largest investor-owned utilities in Virginia. *These provisions have no direct impact on Virginia municipal power systems.*

Renewable Energy. The 2007 "re-regulation" legislation established a voluntary Renewable Portfolio Standard ("*RPS*") program with the goal of meeting 12% of annual electric energy use by 2022 from renewable sources. "Renewable energy" generally means energy derived from sunlight, wind, falling water, sustainable biomass, energy from waste, municipal solid waste, wave motion, tides, and geothermal power, and does not include energy derived from coal, oil, natural gas or nuclear power. The RPS goals are 4% in 2010, 7% in 2016 and 12% in 2022. Participating utilities will be awarded an additional .5% on their authorized rate of return upon achieving and maintaining these goals. The legislation provides an additional 2 percent return for utility investments in generating facilities using renewable energy (Va. Code §§ 56-585.1 and 56-585.2). *These provisions have no direct impact on Virginia municipal power systems.*

Energy Conservation. The "re-regulation" legislation provided that Virginia shall have a stated goal of reducing the consumption of electric energy by retail customers through the implementation of demand side management, conservation, energy efficiency, and load management programs, including consumer education, by the year 2022 by an amount equal to ten percent of the amount of electric energy consumed by retail customers in 2006. In December 2007, the SCC Staff reported that the 10% electric energy consumption reduction goal is attainable. *These provisions have no direct impact on Virginia municipal power systems.*

Integrated Resource Planning. In 2008, legislation was adopted requiring investor-owned electric utilities to submit an integrated resource plan by September 1, 2009. Among other things, these plans are to include: a forecast of the utility's load obligation; a plan to meet those obligations by supply-side and demand-side resources over a 15-year time period; goals of providing reasonable prices, reliable service, energy independence, and environmental responsibility; and a requirement to evaluate investments in demand-side resources (Va. Code § 56-597 *et seq*.). In addition, the SCC has adopted

Integrated Resource Planning Guidelines. *These provisions have no direct impact on Virginia municipal power systems.*

2009 Legislation. Following are summaries of various energy-related bills that that were passed in the 2009 session of the Virginia General Assembly and approved by the Governor. Each bill will become law effective July 1, 2009. *None of these bills will have a direct impact on Virginia municipal power systems, except House Bill 1646.*

House Bill 1646. This bill updates the City of Danville's bond authority by raising the amount for which the city can issue bonds without a referendum. Other changes will give the city greater flexibility in financing electric power generation facilities.

House Bill 1994. This bill establishes a goal for investor-owned incumbent electric utilities to have 15 percent of their total electric energy sales, in a 2007 base year, come from renewable energy sources by 2025. Currently, such a utility may participate in the voluntary renewable energy portfolio standard program if it demonstrates that it has a reasonable expectation of achieving 12 percent of its base year electric energy sales from certain renewable energy sources by calendar year 2022. The bill amends Va. Code § 56-585.2.

House Bill 2175. This bill directs the Department of Environmental Quality to develop permits by rule for the construction and operation of small renewable energy projects that have a maximum capacity of 100 megawatts if they generate electricity from sunlight, wind, falling water, wave motion, tides or geothermal power, or 20 megawatts if they generate electricity from biomass, energy from waste or municipal solid waste. A small renewable energy project for which such a permit by rule has been issued will be exempt from requirements that the SCC issue a permit for its construction and operation. SB 1347 is identical. The bill amends Va. Code §§ 56-46.1 and 56-580 and add Va. Code §§ 10.1-1197.5 through 10.1-1197.11.

House Bill 2506. This bill authorizes investor-owned electric utilities to recover, through a rate adjustment clause, the costs of designing and operating energy efficiency programs that have the effect of producing measured and verified reductions in the amount of electricity required. The utility may earn a general rate of return on energy efficiency programs. The SCC may allow for the recovery of reductions in revenue related to energy efficiency programs, to the extent the revenue is not recovered through off-system sales. The costs of new energy efficiency programs shall not be assigned to any large general service customer that has implemented energy efficiency measures. The bill amends Va. Code §§ 56-576, 56-585.1 and 56-585.3.

House Bill 2531. Among its provisions, this bill directs the SCC to conduct a proceeding to determine achievable, cost-effective energy conservation and demand response targets that can be accomplished through demand-side management portfolios administered by generating electric utilities. The measure also requires the SCC to approve a demand-side management program that is proposed by a certain generating electric utility or a qualified nonutility provider if certain conditions are satisfied. SB 1348 is identical. The bill adds Va. Code § 10.1-1307.02.

Senate Bill 1339. This bill establishes an additional voluntary renewable portfolio standard goal of 15 percent by 2025. The measure also (i) requires investor-owned electric utilities to develop tariffs offering dynamic rates that vary in accordance with the utility's costs of providing electricity seasonally, daily, and throughout each day; and (ii) requires that rates for utility payments to eligible customer-generators under a net energy metering program be based on the utility's avoided generation costs and the average market value of the renewable attributes for the customer-generator's

facility. The measure will become effective if reenacted by the 2010 Session. The proposed law would amend Va. Code §§ 56-585.2 and 56-594 and add Va. Code § 56-234.2:1.

WEST VIRGINIA LEGISLATION

General. Under W.Va. Code §8-19-1, any West Virginia municipality or county commission is authorized to "acquire, construct, establish, extend, equip, repair, maintain and operate, or lease to others for operation a waterworks system or an electric power system or construct, maintain and operate additions, betterments and improvements to an existing waterworks system or an existing electric power system . . . *Provided*, that such municipality or county commission shall not serve or supply water facilities or electric power facilities or services within the corporate limits of any other municipality or county commission without the consent of the governing body of such other municipality or county commission."

Contracts for purchase of electric power by municipality. In 2007, the West Virginia Legislature passed S.B. 615, authorizing municipalities to enter into long-term take-or-pay contracts for the purchase of electricity. Under the legislation, municipalities operating an electrical power system may enter into a contract with any other party for the purchase of electricity from one or more projects. The contract may include provisions that the contracting municipality is obligated to make payments whether or not the project is completed, operable, or operating, and that payments shall not be subject to reduction or conditioned upon performance or nonperformance by any party. Contracts may provide that if a municipality or other party defaults, any nondefaulting municipality or other party to the contract shall on a pro rata basis succeed to the rights and assume the obligations of the defaulting party. The contract shall not create an obligation, pledge, charge, lien, or encumbrance on the property of the municipality, except revenues of the municipality's electric power system. The law requires the municipality to set rates sufficient to provide adequate revenues to meet the contract obligations, subject to the notice and review procedure set forth below.

Municipally-operated public utilities in West Virginia are required under West Virginia law to provide notice to the public and the West Virginia Public Service Commission ("*WVPSC*") within five days of the municipality passing an ordinance approving a rate increase. (*See* W.Va. Code §24-2-4b and W.Va. Code of State Rules 150-2-22). The increase may be effective no sooner than 45 days after adoption of the ordinance. Customers may file a petition challenging a rate change. Upon the filing of such a petition, the WVPSC must review and approve or modify the proposed rates within 30 days of adoption of the ordinance. If a petition is signed by at least 25% of the customers served by the utility residing within the state, the rate change will be suspended for 120 days from the date the change would otherwise go into effect or until an order is issued. During that stay, a hearing examiner appointed by the WVPSC from its staff must conduct a public hearing and, within 100 days from the date the rate change would otherwise go into effect, enter an order approving, disapproving or modifying the rates.

A municipal electric utility may petition the WVPSC to allow an interim or emergency rate to take effect, subject to refund or future modification, if the WVPSC determines it is necessary to protect the municipality or the utility from financial hardship attributable to the purchase of the electricity or financial distress, respectively. In such cases, the WVPSC may waive the 45-day waiting period and the 120-day suspension period mentioned above.

Competition. West Virginia has not deregulated its electric utility industry. In 2001, the West Virginia Legislature failed to pass a resolution that would have triggered previously enacted legislation initiating the restructuring of the West Virginia electric utility industry. Accordingly, West Virginia currently does not have statutes similar to those in Ohio concerning electric utility competition.

Greenhouse Gas Emissions. In 2007, the West Virginia Legislature passed S.B. 337, authorizing the Secretary of the Department of Environmental Protection to establish a greenhouse gas inventory ("*GHG Inventory*") for the State. The legislation authorized the Secretary to adopt rules establishing GHG Inventory requirements for all sources that emit greater than a *de minimis* amount of GHGs on an annual basis. The reporting requirements are not mandatory for those entities not subject to the Secretary's current air pollution reporting requirements. Naturally occurring emissions need not be reported and reporting entities will be permitted to provide existing and ongoing documented inventories, such as those provided to the Chicago Climate Exchange Registry and other widely recognized and verified GHG inventory programs, to fulfill completely their West Virginia program reporting requirements.

Alternative Energy Portfolio Standard. On June 30, 2009 the West Virginia Legislature passed the "Alternative and Renewable Energy Portfolio Act" (HB103) (for purposes of this section, the "Act"). Similar to legislation in neighboring states, the Act requires "electric utilities" to obtain twenty-five percent of the power they sell in West Virginia from "alternative or renewable energy resources" by the year 2025. The requirement is phased in, starting with a ten percent requirement by 2015 and 15 percent by 2020. However, these requirements also terminate effective June 30, 2026. The term "alternative energy resources" includes, among other technologies, advanced coal technologies and pumped-storage hydropower. The term "renewable energy resources" includes solar, wind, and run-of-the-river hydropower. These requirements do not apply to AMP, as "electric utility" is limited to generators and distributors selling electricity to retail customers in the state. In addition, "electric utility" is defined to exclude West Virginia municipally-owned electric facilities, electric cooperatives, and utilities serving less than 30,000 residential customers. However, the legislation mandates that WVPSC initiate a proceeding to consider adopting, by rule, portfolio requirements for such entities. The WVPSC has initiated this proceeding with the issuance of a Notice of Future Rulemaking. The preliminary comment period has closed in the above-referenced proceeding, with numerous comments having been received.

Alternative Energy Credits. The Act also requires that the WVPSC develop a system of tradable alternative and renewable energy resource credits to be awarded to electric utilities in proportion to the amount of alternative or renewable energy the utility generates or purchases. A utility would receive one credit for each megawatt hour of alternative energy purchased or generated and two credits for each megawatt hour of renewable energy purchased or generated. The provision allowing for the award of credits based on a utility's purchase of alternative or renewable energy is important to West Virginia electric systems and AMP because it enhances the value of their existing and proposed renewable energy resources. In addition, the Act directs the WVPSC to consider extending, by rule, the awarding of credits to electric generators and distributors other than electric utilities.

Energy Efficiency Standard. The Act also provides for the award of credits to electric utilities for the implementation of greenhouse gas emission reduction or offset projects and investments in energy efficiency and demand-side energy initiative projects. At this time, these provisions have no direct impact on West Virginia municipal electric systems or AMP because they are excluded from the definition of "electric utility." However, they would be impacted if, as mentioned above, the WVPSC were to extend portfolio requirements to municipal systems and cooperatives or make credits available to electric generators and distributors other than electric utilities.

Net metering. The Act mandates that the WVPSC consider adoption of a rule that all sellers of electricity to retail customers in the state, including rural electric cooperatives, municipally-owned electric facilities or utilities serving less than 30,000 residential customers, offer net metering rebates or discounts to customer-generators.

TAX LEGISLATION

Bills have been and in the future may be introduced that could impact the issuance of tax-exempt bonds for transmission and generation facilities. AMP is unable to predict whether any of these bills or any similar federal bills proposed in the future will become law or, if they become law, what their final form or effect would be. Such effect, however, could be material to the Participants.

LITIGATION

AMP reports that there are no proceedings or transactions relating to the issuance, sale or delivery of the Series 2009 Bonds. AMP reports that there is no litigation pending or, to the knowledge of AMP, threatened against or affecting AMP, in any way questioning or in any manner affecting the validity or enforceability of the Series 2009 Bonds, the Power Sales Contract or the Indenture.

AMP is a party from time to time to litigation typical for electric utilities of its size and type. In the opinion of AMP's General Counsel, no such litigation is pending or, to his knowledge threatened, against AMP that is material to the Projects. Further, General Counsel is of the opinion that, except as described in this Official Statement and except as relates to the permitting process for AMPGS, no such litigation is pending or, to its knowledge threatened, that would be material to the financial condition of AMP taken as a whole.

CONTINUING DISCLOSURE UNDERTAKING

Pursuant to a Continuing Disclosure Agreement to be entered into by AMP simultaneously with the delivery of the Series 2009 Bonds (the "*Continuing Disclosure Agreement*"), AMP will covenant for the benefit of the Bondowners and the "Beneficial Owners" (as defined in the Continuing Disclosure Agreement) of the Series 2009 Bonds to provide, on an annual basis, by November 30 of each year, commencing with the report for AMP fiscal year ended December 31, 2009, certain financial information and operating data relating to each of the Large Participants (the "*Annual Disclosure Report*"), and to provide notices of the occurrence of certain enumerated events with respect to the Series 2009 Bonds, if material. Pursuant to amendments to Securities and Exchange Commission Rule 15c2-12 (as the same may be further amended from time to time, "*Rule 15c2-12*") which became effective on July 1, 2009, the Annual Disclosure Report will be filed by or on behalf of AMP with the Municipal Securities Rulemaking Board ("*MSRB*"), through its Electronic Municipal Market Access ("*EMMA*") system, in the electronic format prescribed by the MSRB, and with the State Information Depository established by the State of Ohio (the "*SID*"). The notices of such material events will be filed by or on behalf of AMP with the MSRB (and with such SID). The specific nature of the information to be contained in the Annual Disclosure Report or the notices of material events is set forth in the form of the Continuing Disclosure Agreement attached hereto as APPENDIX H. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

As will be provided in the Continuing Disclosure Agreement, if AMP fails to comply with any provision of the Continuing Disclosure Agreement, any Bondowner or "Beneficial Owner" of the Series 2009 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause AMP to comply with its obligations under the Continuing Disclosure Agreement. "Beneficial Owner" will be defined in the Continuing Disclosure Agreement to mean any person holding a beneficial ownership interest in Series 2009 Bonds through nominees or depositories (including any person holding such interest through the book-entry only system of DTC). IF ANY PERSON SEEKS TO CAUSE AMP TO COMPLY WITH ITS OBLIGATIONS UNDER THE CONTINUING DISCLOSURE AGREEMENT, IT IS THE RESPONSIBILITY OF SUCH PERSON TO

DEMONSTRATE THAT IT IS A "BENEFICIAL OWNER" WITHIN THE MEANING OF THE CONTINUING DISCLOSURE AGREEMENT.

As described under "APPENDIX F – Book-Entry System" herein, upon initial issuance, the Series 2009 Bonds will be issued in book-entry-only form through the facilities of DTC, and the ownership of one fully registered Series 2009 Bond for each maturity, in the aggregate principal amount thereof, will be registered in the name of Cede & Co., as nominee for DTC. For a description of DTC's current procedures with respect to the enforcement of bondowners' rights, see "APPENDIX F – Book-Entry System" herein.

UNDERWRITING

BMO Capital Markets GKST Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Wachovia Bank, National Association, Barclays Capital Inc., Edward Jones, The Huntington Investment Company, KeyBanc Capital Markets Inc., Samuel A. Ramirez & Co., Inc. and Raymond James & Associates, Inc. (collectively, the "*Underwriters*") have agreed to purchase all of the Series 2009 Bonds pursuant to a Purchase Contract (the "*Purchase Contract*") between AMP and BMO Capital Markets GKST Inc., as representative of the Underwriters, at a purchase price reflecting an aggregate underwriters' discount of $5,705,792 from the initial public offering prices derived from the yields or yields derived from the prices on the inside cover of this Official Statement. The Series 2009 Bonds are offered subject to receipt and acceptance by the Underwriters and to certain other conditions. The Purchase Contract provides that the obligation of the Underwriters thereunder is subject to a number of conditions precedent as further described therein. The Purchase Contract provides that the Underwriters will purchase all of the Series 2009 Bonds if any are purchased.

In the ordinary course of their business, the Underwriters and some of their affiliates have engaged and, in the future, may engage in investment banking and/or commercial banking transactions with AMP.

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GKST Inc. which is a direct, wholly-owned subsidiary of Harris Financial Corp. which is itself a wholly-owned subsidiary of Bank of Montreal.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2009 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009 Bonds.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wachovia Bank, National Association.

The Series 2009D CREBs are being sold by AMP pursuant to a separate purchase contract. The Purchase Contract for the Series 2009 Bonds does not make the issuance of the Series 2009D CREBs a condition precedent to the issuance of the Series 2009 Bonds.

RATINGS

The Series 2009 Bonds have been rated "A" by Fitch Inc., "A2" by Moody's Investors Service, Inc. and "A" by Standard & Poor's, a division of The McGraw Hill Companies, Inc.

Certain information and materials not included in this Official Statement were furnished to the rating agencies. A securities rating is not a recommendation to buy, sell or hold securities. There is no assurance that a rating, once obtained, will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the opinion of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the marketability or market price of the Series 2009 Bonds. AMP has not undertaken any responsibility after issuance of the Series 2009 Bonds to assure the maintenance of the ratings applicable thereto or to oppose any revision or withdrawal of such ratings.

TAX MATTERS

SERIES 2009 TAXABLE BONDS

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Circular 230 Notice

Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the Series 2009 Bonds was written in connection with the promotion and marketing of the transactions described in this Official Statement. Such discussion is not intended or written to be legal or tax advice with respect to the Series 2009 Bonds to any person, and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

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General

The following is a summary of the principal U.S. federal income tax consequences of the purchase, ownership and disposition of the Series 2009 Taxable Bonds. This discussion does not purport to be a complete analysis of all the potential tax consequences of such purchase, ownership and disposition and is based upon the Code, Treasury regulations (whether final, temporary or proposed), and rulings and judicial decisions in effect as of the date hereof. Those laws are subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances or to certain types of investors subject to special treatment under the U.S. federal income tax laws (including persons whose functional currency is not the U.S. dollar, entities classified as partnerships for U.S. federal income tax purposes, life insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, banks, tax-exempt organizations or persons holding Series 2009 Taxable Bonds in a tax-deferred or tax-advantaged account, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, persons who hold Series 2009 Taxable Bonds as part of a hedging, straddle, integrated, conversion or constructive sale transaction, persons who have ceased to be U.S. citizens or to be taxed as resident aliens or persons liable for the alternative minimum tax) and does not discuss any aspect of state, local or foreign tax laws. This discussion applies only to U.S. holders and non-U.S. holders (each defined below) of Series 2009 Taxable Bonds who purchase their Series 2009 Taxable Bonds in the original offering at the original offering price, and who hold their

Series 2009 Taxable Bonds as capital assets. This discussion does not address any tax consequences applicable to a holder of an equity interest in a holder of Series 2009 Taxable Bonds. In particularly, this discussion does not address any tax consequences applicable to a partner in a partnership holding Series 2009 Taxable Bonds. If a partnership holds Series 2009 Taxable Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Thus, a person who is a partner in a partnership holding Series 2009 Taxable Bonds should consult his or her own tax advisor.

This summary only addresses Series 2009 Taxable Bonds with the features described herein.

Prospective purchasers are urged to consult their own tax advisors with respect to the U.S. federal and other tax consequences of the purchase, ownership and disposition of the Series 2009 Taxable Bond before determining whether to purchase Series 2009 Taxable Bonds.

In this discussion, the term "U.S. Holder" means a beneficial owner of Series 2009 Taxable Bonds that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996 and properly elected to continue to be treated as a United States person. As used herein, the term "non-U.S. Holder" means a beneficial owner Series 2009 Taxable Bonds that is not a U.S. Holder.

U.S. Holders

Interest on Series 2009 Taxable Bonds. Payments of interest on the Series 2009 Taxable Bonds will be included in gross income for U.S. federal income tax purposes by a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with the U.S. Holder's regular method of accounting for tax purposes.

Market Discount. If a U.S. Holder purchases a Series 2009 Taxable Bond for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity), such U.S. Holder will be treated as having purchased such Series 2009 Taxable Bond at a "market discount," unless the amount of such market discount is less than a specified de minimis amount. For this purpose, the "revised issue price" of a Series 2009 Taxable Bond generally equals the issue price, increased by the amount of any original issue discount that has been accrued on such Series 2009 Taxable Bond and decreased by the amount of any payments previously made on such Series 2009 Taxable Bond that were not qualified stated interest payments.

Under the market discount rules, a U.S. Holder is required to treat any partial principal payment on, or any gain realized on the sale, exchange, retirement or other disposition of, a Series 2009 Taxable Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain, or (ii) the amount of market discount that has not previously been included in gross income and is treated as having accrued on such Series 2009 Taxable Bond at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of such Series 2009 Taxable Bond, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Series 2009 Taxable Bond with market discount until the maturity of such Series 2009 Taxable Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of such Series 2009 Taxable Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies, and may be revoked only with the consent of the IRS.

Premium. If a U.S. Holder purchases a Series 2009 Taxable Bond for an amount that is greater than the sum of all amounts payable on such Series 2009 Taxable Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased such Series 2009 Taxable Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of such Series 2009 Taxable Bond and may offset interest otherwise required to be included in respect of such Series 2009 Taxable Bond during any taxable year by the amortized amount of such premium for the taxable year. However, if a Series 2009 Taxable Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules will apply that could result in a deferral of the amortization of a portion of the bond premium until later in the term of such Series 2009 Taxable Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any Series 2009 Taxable Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such Series 2009 Taxable Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder's tax basis in the Series 2009 Taxable Bond and (B) the sum of all amounts payable on such Series 2009 Taxable Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder's tax basis in such Series 2009 Taxable Bond and (Y) the sum of all amounts payable on such Series 2009 Taxable Bond after the purchase date due on or before the early call date, described below, other than payments of qualified stated interest. If a Series 2009 Taxable Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder's tax basis in the Series 2009 Taxable Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the Series 2009 Taxable Bond will be treated as "reissued" on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section "Premium." The rules relating to a Series 2009 Taxable Bonds that may be optionally redeemed are complex and, accordingly, prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of Series 2009 Taxable Bonds. Except as discussed above, upon the sale, exchange, redemption or retirement of a Series 2009 Taxable Bond, a U.S. Holder generally will recognize taxable

gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such Series 2009 Taxable Bond and such U.S. Holder's adjusted tax basis in such Series 2009 Taxable Bond. A U.S. Holder's adjusted tax basis in a Series 2009 Taxable Bond generally will equal such U.S. Holder's initial investment in the Series 2009 Taxable Bond increased by any original issue discount included in income (and accrued market discount, acquisition premium, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Series 2009 Taxable Bond. Such gain or loss generally will be long term capital gain or loss if the Series 2009 Taxable Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. holder is an individual, long term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Non-U.S. Holders.

A non-U.S. holder who is an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2009 Taxable Bonds on its own behalf will not be subject to U.S. federal income tax on payments of principal of, or premium (if any), or interest (including original issue discount, if any) on Series 2009 Taxable Bonds, unless the non-U.S. holder is a direct or indirect 10% or greater shareholder of AMP, a controlled foreign corporation related to AMP or a bank receiving interest described in section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- is signed under penalties of perjury by the beneficial owner of the Series 2009 Taxable Bonds,
- certifies that the owner is not a U.S. holder, and
- provides the beneficial owner's name and permanent residence address.

A "Withholding Agent" is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. holder (that itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN, which is effective for the remainder of the year of signature and three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new Form W-8BEN. A non-U.S. holder of Series 2009 Taxable Bonds that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2009 Taxable Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Series 2009 Taxable Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A non-U.S. holder of Series 2009 Taxable Bonds whose income from such Series 2009 Taxable Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. holder (and, if the non-U.S. holder of Series 2009 Taxable Bonds is a corporation, possibly subject to a branch profits tax at a 30% rate or lower rate as may be prescribed by an applicable tax treaty), provided the holder furnishes to the Withholding Agent an IRS Form W-8ECI.

Certain securities clearing organizations, and other entities that are not beneficial owners may be able to provide a signed statement to the Withholding Agent. In that case, however, the signed statement may require a copy of the beneficial owner's Form W-8BEN.

Generally, a non-U.S. holder will not be subject to U.S. federal income tax on any capital gain recognized on retirement or disposition of Series 2009 Taxable Bonds, unless the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such Series 2009 Taxable Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a non-U.S. holder in these circumstances should consult his tax advisor.

Series 2009 Taxable Bonds will not be includible in the estate of a non-U.S. holder unless the decedent was a direct or indirect 10% or greater shareholder of AMP or, at the time of the decedent's death, income from such Series 2009 Taxable Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

Information Reporting and Backup Withholding.

Information reporting requirements, on IRS Form 1099, generally apply to (i) payments of principal of and interest on Series 2009 Taxable Bonds to a noncorporate U.S. Holder within the United States or by a U.S. paying agent or other U.S. intermediary, including payments made by wire transfer from outside the United States to an account maintained in the United States, and (ii) payments to a noncorporate U.S. Holder of the proceeds from the sale of Series 2009 Taxable Bonds effected by a U.S. broker or agent or at a U.S. office of a broker.

Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the backup withholding rules. Compliance with the identification procedures described in the preceding section will establish an exemption from backup withholding for those non-U.S. holders who are not exempt recipients.

Owners of Series 2009B Taxable Bonds (BABs).

Although the Series 2009B Taxable Bonds (BABs) will be issued as "Build America Bonds," AMP will elect to receive a cash subsidy payment from the United States Treasury equal to thirty-five percent (35%) of the interest payable by AMP on the Series 2009B Taxable Bonds (BABs). UNDER NO CIRCUMSTANCES WILL THE OWNERS OF THE SERIES 2009B TAXABLE BONDS (BABS) RECEIVE OR BE ENTITLED TO A CREDIT AT ANY TIME AGAINST THE TAX IMPOSED BY THE CODE.

SERIES 2009C TAX-EXEMPT BONDS

General. The Code, includes requirements regarding the use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States, which must continue to be satisfied by AMP and the Participants after the issuance of the Series 2009C Tax-Exempt Bonds in order that interest on the Series 2009C Tax-Exempt Bonds not be included in gross income for federal income tax purposes. The failure to meet these requirements by AMP or the Participants may cause interest on the Series 2009C Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. AMP has covenanted to comply, and has covenanted to obtain a certificate from each Participant that it will comply, with the requirements of

the Code in order to maintain the exclusion from gross income of interest on the Series 2009C Tax-Exempt Bonds for federal income tax purposes.

In the opinion of Sidley Austin LLP, Federal Tax Counsel, subject to continuing compliance by AMP and the Participants with the tax covenant referred to above, based on existing law, interest on the Series 2009C Tax-Exempt Bonds will not be includable in gross income for federal income tax purposes. Interest on the Series 2009C Tax-Exempt Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. No opinion is expressed as to the extent to which, if any, interest on the Series 2009C Tax-Exempt Bonds may be excluded from the calculation of federal corporate alternative minimum taxable income. No opinion is expressed as to the effect of any change to any document pertaining to the Series 2009C Tax-Exempt Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Federal Tax Counsel or in reliance upon the advice of counsel other than Federal Tax Counsel with respect to the exclusion from gross income of the interest on the Series 2009C Tax-Exempt Bonds for federal income tax purposes.

Premium Bonds. The excess of the tax basis of a Series 2009C Tax-Exempt Bond to a purchaser (other than a purchaser who holds such Bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) who purchases such Bond as part of the initial offering and at the initial offering price as set forth on the inside cover page hereof over the amount payable at maturity of such Bond is "Bond Premium." Bond Premium is amortized over the term of such Bond for federal income tax purposes. No deduction is allowed for such amortization of Bond Premium; however, United States Treasury regulations provide that Bond Premium is treated as an offset to qualified stated interest received on the Bond. An owner of such Bond is required to decrease his adjusted basis in such Bond by the amount of amortizable Bond Premium attributable to each taxable year such Bond is held. An owner of such Bond should consult his tax advisor with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon sale, redemption or other disposition of such Bond.

Other. Ownership of tax-exempt obligations such as the Series 2009C Tax-Exempt Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit.

Prospective purchasers of the Series 2009C Tax-Exempt Bonds should consult their tax advisors as to the applicability and impact of any collateral consequences.

Information Reporting and Backup Withholding. Interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Series 2009C Tax-Exempt Bonds to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

Future Developments. Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Series 2009C Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax-exempt status of such interest. Prospective purchasers of the Series 2009 Bonds should consult their own tax advisors regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which neither Federal Tax Counsel nor Bond Counsel expresses any opinion.

OHIO TAX CONSIDERATIONS

In the opinion of Peck, Shaffer & Williams LLP, Bond Counsel, interest on the Series 2009 Bonds will be exempt from taxes levied by the State of Ohio and its subdivisions, including the Ohio personal income tax, and will also be excludable from the net income base used in calculating the Ohio corporate franchise tax.

ADVISORS

AMP has retained PNC Capital Markets LLC as financial advisor (the "*Financial Advisor*") and Kensington Capital Advisors, LLC as Financial Products Advisor (the "*Financial Products Advisor*") in connection with the issuance of the Series 2009 Bonds. Neither the Financial Advisor nor the Financial Products Advisor is obligated to undertake, and neither has undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

APPROVAL OF LEGAL MATTERS

GENERAL

Certain legal matters incident to the authorization, issuance and delivery of the Series 2009 Bonds by AMP are subject to the approving opinion of Peck Shaffer & Williams LLP, Bond Counsel. The approving opinion of Bond Counsel, in substantially the form set forth as APPENDIX E-1 to this Official Statement, will be delivered with the Series 2009 Bonds.

Certain federal tax matters regarding the Series 2009B Taxable Bonds (BABs) and the Series 2009C Tax-Exempt Bonds will be passed upon for AMP by Sidley Austin LLP, Federal Tax Counsel. The forms of its opinions regarding the Series 2009B Taxable Bonds (BABs) and Series 2009C Tax-Exempt Bonds, respectively, are set forth as APPENDIX E-2 to this Official Statement.

Certain legal matters will be passed upon for AMP by its General Counsel, Chester Willcox & Saxbe LLP. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP.

POWER SALES CONTRACT

Counsel for each of the Participants ("*Local Counsel*") have delivered to AMP, prior to the delivery of the Series 2009 Bonds, their opinions to the effect that such Participant has duly authorized and executed the Power Sales Contract. In reliance on the opinions of Local Counsel for the Participants located in their states, Ohio, Michigan, Virginia, Kentucky and West Virginia counsel for AMP ("*State Counsel*") will deliver in connection with the issuance of the Series 2009 Bonds their opinions as to the validity and enforceability of the Power Sales Contract as to the Participants located therein.

In 2007, the legislatures of Virginia and West Virginia enacted similar statutes expressly authorizing municipalities therein to enter into long-term take-or-pay contracts, including step up provisions, with out-of-state corporations, including non-profit corporations. In early March 2008, the legislature of Michigan enacted amendments to existing statutes expressly authorizing municipalities therein to enter into long-term take-or-pay contracts, including step up provisions, with out-of-state persons.

On December 7, 2007, the Franklin County, Ohio, Court of Common Pleas, issued an order validating the Master Trust Indenture and the Power Sales Contract. In particular, the order specifically found that the Take-or-Pay and Step-Up provisions of the Power Sales Contract are valid and binding obligations of the Ohio Participants. The order is final and non-appealable. Ohio State Counsel will reference such order in its opinion as to the validity of the Power Sales Contract.

Kentucky State Counsel advises that although there is no Kentucky statute that specifically authorizes cities such as Paducah and Princeton or their electric plant boards to enter into long-term take-or-pay contracts with private, out-of-state corporations or with step up provisions with out-of-state municipalities, such counsel is of the opinion that Kentucky statutes generally and in particular the provisions of Chapter 96 of the Kentucky Revised Statutes grant electric plant boards such as the City of Paducah Electric Plant Board and the City of Princeton Electric Plant Board sufficient power and authority to enter into and comply with the material provisions of the Power Sales Contract.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, estimates or forecasts, whether or not expressly so stated, are intended as such and not as representations of fact. The Appendices attached hereto are an integral part of this Official Statement and must be read in conjunction with the foregoing material. This Official Statement is not to be construed as a contract or agreement between AMP and the purchasers or owners of the Series 2009 Bonds.

The delivery of this Official Statement has been duly authorized by the Board of Trustees of AMP.

AMERICAN MUNICIPAL POWER, INC.

By /s/ Marc S. Gerken, P.E.
President and Chief Executive Officer

By /s/ Robert W. Trippe
Senior Vice President of Finance and
Chief Financial Officer

APPENDIX A

THE PARTICIPANTS[1]

Participant	Allocation (kW)	Allocation (%)	Participant	Allocation (kW)	Allocation (%)
Cleveland	35,000	16.83	St. Clairsville	1,099	0.53
Danville, Virginia	22,084	10.62	Versailles	1,099	0.53
Bowling Green	19,986	9.61	Deshler	999	0.48
Paducah, Kentucky	7,550	3.63	Pioneer	999	0.48
Cuyahoga Falls	7,294	3.51	Grafton	899	0.43
Coldwater, Michigan	6,496	3.12	Edgerton	799	0.38
Piqua	5,996	2.88	New Martinsville, West Virginia	799	0.38
Orrville	5,896	2.83	Yellow Springs	799	0.38
Dover	5,197	2.50	Clinton, Michigan	700	0.34
Painesville	4,997	2.40	New Bremen	700	0.34
Celina	4,497	2.16	Philippi, West Virginia	700	0.34
Martinsville, Virginia	4,297	2.07	Greenwich	500	0.24
St. Marys	4,297	2.07	Jackson Center	500	0.24
Clyde	4,197	2.02	Oak Harbor	500	0.24
Jackson	3,598	1.73	Arcanum	400	0.19
Tipp City	3,598	1.73	Beach City	400	0.19
Napoleon	3,498	1.68	Elmore	300	0.14
Hillsdale, Michigan	3,398	1.63	New Knoxville	300	0.14
Marshall, Michigan	2,798	1.35	Plymouth	300	0.14
Oberlin	2,598	1.25	Bradner	200	0.10
Shelby	2,598	1.25	Genoa	200	0.10
Amherst	2,398	1.15	Lakeview	200	0.10
Minster	2,398	1.15	Prospect	200	0.10
Columbiana	1,899	0.91	Sycamore	200	0.10
Bryan	1,800	0.87	Waynesfield	200	0.10
Carey	1,800	0.87	Woodville	200	0.10
Front Royal, Virginia	1,800	0.87	Arcadia	100	0.05
Galion	1,800	0.87	Bloomdale	100	0.05
Niles	1,800	0.87	Custar	100	0.05
Seville	1,800	0.87	Cygnet	100	0.05
Wadsworth	1,800	0.87	Eldorado	100	0.05
Wapakoneta	1,800	0.87	Lucas	100	0.05
Montpelier	1,799	0.86	Mendon	100	0.05
Wellington	1,599	0.77	Milan	100	0.05
Richlands, Virginia	1,499	0.72	Ohio City	100	0.05
Princeton, Kentucky	1,450	0.70	Pemberville	100	0.05
Monroeville	1,399	0.67	Republic	100	0.05
Hubbard	1,299	0.62	Shiloh	100	0.05
Newton Falls	1,299	0.62	South Vienna	100	0.05
Brewster	1,199	0.58			
			Total[2]	208,000	100.00%

[1] Located in Ohio unless otherwise noted.
[2] Percentages may not add to totals due to rounding.

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APPENDIX B

INFORMATION ON THE SIX PARTICIPANTS WITH THE LARGEST PROJECT SHARES

Presented in Appendix B is selected financial information concerning the six largest Participants (the "*Large Participants*") in terms of their Project Shares, that is their respective shares of AMP's Entitlement to the output of the Projects and transmission services.

Each of the Ohio Large Participants – Cleveland, Bowling Green, and Cuyahoga Falls – are required by law to file their annual audited financial statements with the Ohio Auditor of State and reference is made to their annual audits on line at www.auditor.state.oh.us. Furthermore, Cleveland has had a separate annual audit prepared of the results of the operations of their Electric Systems, and such audit is also available on line with the Ohio Auditor of State. Danville, Virginia has posted its recent annual audits online at www.danville-va.gov – Departments, Finance, Accounting, CAFR. Coldwater, Michigan has posted their most recent audits online to the Michigan Department of Treasury's website: http://www.michigan.gov/treasury/ and are available for download as well. None of the Large Participants is contractually obligated to AMP to continue to make available audits of its Electric System on its website or otherwise.

Data for 2007 are presented for the Ohio Large Participants where comparable data for calendar year 2008 data were not made available to AMP. The fiscal years of Virginia local governments as well as both Paducah, Kentucky Electric Plant Board and Coldwater, Michigan end on June 30, and Danville, Paducah Electric Plant Board and Coldwater Michigan's data are for the most part presented as of such date.

A difference in the presentation of assessed valuation for the Large Participants should be noted. Pursuant to Virginia law, the assessed valuation information for Danville is based on 100 percent of appraised value of real property. For the Ohio Large Participants, the assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property is assessed at 25 percent for everything except inventories, which are assessed at 23 percent. Tangible personal property taxes on (i) manufacturing equipment, (ii) furniture and fixtures and (iii) inventory is being phased-out over a four-year period, ending in 2009. Since 1994, under Michigan law taxable property is assigned two valuations: state equalized value and taxable value. The state equalized value of real property may not exceed fifty percent of the current true cash value. Generally, taxable value of property is the lesser of (a) the taxable value of the property in the immediately preceding year, adjusted for additions and losses, multiplied by the lesser of the net percentage change in the property's state equalized value, the consumer price index or 5%, or (b) the property's current state equalized value. Ad valorem taxes are levied on the property's taxable value. In Kentucky, all property not exempted from taxation must be assessed at its "fair cash value," being the price it would bring at a fair voluntary sale, as determined by a property valuation administrator elected in each county.

The Large Participants are participants in several other AMP sponsored projects for which selected data and related information are presented in this Appendix B. Reference is made to the "AMERICAN MUNICIPAL POWER, INC. – Other Projects" in the forepart of this Official Statement for brief descriptions of the projects and the related financings.

See the form of AMP's Continuing Disclosure Agreement, which is Appendix H to this Official Statement, in which AMP undertakes to update the financial information and operating data provided in this Appendix B with respect to such Large Participants.

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SECTION I

LARGE PARTICIPANTS' PEAK DEMAND AND PROJECT SHARES

PARTICIPANT	2008 PEAK DEMAND (Kilowatts)	PROJECT SHARES (Kilowatts)	PROJECT SHARES (Percent)	CUMULATIVE PROJECT SHARES (Percent)
1. Cleveland, Ohio	296,600	35,000	16.83%	16.83%
2. Danville, Virginia	226,400	22,085	10.62	27.44
3. Bowling Green, Ohio	95,194	19,987	9.61	37.05
4. Paducah, Kentucky	159,265	7,550	3.63	40.68
5. Cuyahoga Falls, Ohio	103,518	7,295	3.51	44. 19
6. Coldwater, Michigan	57,870	6,496	3.12	47.31[(1)]
TOTAL	938,847	98,413	47.31%[(1)]	

[(1)] Percentages may not add to totals due to rounding.

SECTION II

LARGE PARTICIPANTS' INFORMATION

CLEVELAND, OHIO

Project Rank	1
Project Share	16.827%
Municipality Established	1796
Electric System Established	1906
County	Cuyahoga
Basis of Accounting	Accrual
2008 Peak Demand (kW)	296,600

Location, Population and Government: The City of Cleveland is located in the northeast quadrant of Ohio on Lake Erie. The City operates under and is governed by the Charter, which was first adopted by the voters in 1913 and has been and may be further amended by the voters from time to time. The City is also subject to certain general State laws that are applicable to all cities in the State. In addition, under Article XVIII, Section 3, of the Ohio Constitution, the City may exercise all powers of local self-government and may exercise police powers to the extent not in conflict with applicable general State laws. The Charter provides for a mayor-council form of government.

Legislative authority is vested in a 21-member Council. The terms of Council members and the Mayor are four years. All Council members are elected from wards. The present terms of the Mayor and Council members expire on January 3, 2010. The table below set forth historical population figures for Cleveland since 1990.

YEAR	POPULATION
1990	505,616
2000	478,403
2008	433,748 (est.)

Source: U.S. Bureau of Census

Economic Base: Cleveland's economy is based on a mix of industrial and commercial development. The City's major industries include health care, retail sales, hospitality, dairy products and light industrials.

The following table provides a summary of certain economic indicators for the City of Cleveland.

BUILDING PERMITS

2006	2007	2008
$107,126,000	$146,198,000	$129,971,208

Source: City of Cleveland Official Statement, April 2009 (for 2006 and 2007); City of Cleveland (for 2008)

ASSESSED VALUATION

2006	2007	2008
$6,457,248,000	$6,114,332,000	$5,937,459,000

Source: City of Cleveland Official Statement, April 2009.

UNEMPLOYMENT

2006	2007	2008	2009*
7.2%	7.7%	8.5%	10.9%

Source: City of Cleveland Official Statement, April 2009 (for 2006 through 2008; Ohio Labor Market Information, http://lmi.state.oh.us/ (for 2009)

*As of August 2009, not seasonally adjusted.

MEDIAN FAMILY INCOME

1990	2000
$22,448	$30,286

Source: U.S. Bureau of Census

Electric System. Authority over the Cleveland electric system is vested in the Board of Control. The Board of Control consists of the Mayor and 14 directors of the City's departments. Cleveland Public Power's rates are subject to approval by the City Council and fixed by the Board of Control. The City's Department of Public Utilities operates the Division of Cleveland Public Power ("*CPP*") for the purpose of supplying electric energy to customers located primarily in the City of Cleveland. Under the Constitution of the State and the Charter of the City, the City has authority to own, operate and regulate CPP, and in connection therewith, to acquire property, construct facilities, provide electric energy throughout the service area and perform other necessary functions to operate and maintain CPP.

CPP is in the Cleveland Electric & Illuminating ("*CEI*") Transmission Service Area, an operating company of First Energy Corp. In 2008, CPP purchased approximately 85% of its power from AMP. The City utility owns and maintains 50 miles of transmission and 900 miles of distribution lines and has 33 substations. The City owns three 16.2 MW combustion turbine units and leases six 1.825 MW diesel generators, all of which are used for peak load and emergency purposes. City of Cleveland municipal customers accounted for 18% of CPP's revenue in 2008.

In the early 1990s, CPP initiated a system expansion program that included the construction of over 30 miles of 138-kV transmission lines, six new distribution substations, and a new 138-kV interconnection with CEI. This program increased CPP's geographical coverage of the City from about 35% to approximately 60% and added over 26,000 new customers.

In addition to the power it purchased from AMP in 2008, CPP obtained its remaining power and energy requirements (approximately 15%) through short- and long-term agreements with various regional utilities and other power suppliers for power delivered through CEI interconnections, from CPP's three combustion turbine generating units and various arrangements for the exchange of short-term power and energy. To reduce its reliance on the wholesale market, in addition to the Prairie State project, CPP intends to participate in two other generation projects through its membership in AMP. These plants, if constructed, are expected to be completed and operational in 2012 and 2013.

Unlike other Participants, CPP competes head-to-head for customers with CEI. Because of the overlapping service areas of CPP and CEI, CPP's potential customers are either new customers for electric service or existing customers of CEI. Accordingly, CPP's ability to attract new customers is heavily dependent on its ability to compete directly with CEI based on rates, system reliability and customer service. Head-to-head competition with CEI for existing large commercial and industrial customers services by CEI or CPP generally occurs at the time those customers' contractual arrangements expire.

CPP continues to be successful in winning contracts with commercial and industrial customers, some of which were previously customers of CEI. However, CEI has also been able to obtain contracts with former CPP customers. Recent additions to CPP's large commercial and industrial customer base include Produce Packaging, Target Department Store, Benedictine High School, Downing Construction, McDonald's, and Spiral of Ohio. CPP believes that it has been successful in competing head-to-head with CEI for large commercial and industrial customer accounts within CPP's service area because of slightly lower rates, better customer service, and increased reliability of its service.

CPP's rates have historically been lower than CEI's rates, and its current average rates for residential and commercial customers in 2008 are approximately 4.57% and 10.59%, respectively, below CEI's average system rates. While CPP loses a small number of customers each year for a variety of reasons, including customer relocation and population loss, it has seen a net gain of customers from CEI in six of the past seven years.

In 2008, the Cleveland electric system served 76,553 residential, commercial and industrial customers. The following table lists the City's five largest customers by energy purchased in 2008 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (2008)	% of Total System Revenues
1. The Medical Center Co.	Consortium of Various Facilities	254,991,071	9.32%
2. Cargill, Inc	Salt Mining	34,220,561	1.97
3. NEORSD – Easterly	Sewage Facility	28,381,954	1.55
4. Cleveland Browns	Professional Football	19,460,584	1.25
5. Cleveland Thermal – Lakeside Ave.	Commercial Heating and Air Conditioning	16,627,772	1.06

The following table presents certain financial data respecting the City's Electric System for the calendar years shown, on an accrual basis.

	Cleveland ($000)		
	2006	2007	2008
Revenue			
Power Sales	$146,347	$155,171	$158,106
Other Income	2,929	4,061	2,118
Total Revenue	149,276	159,232	160,224
Operating Expense*			
Power Costs	79,746	83,523	86,850
O&M Expense	35,196	36,892	37,311
Total Operating Expense	114,942	120,415	124,161
Net Revenue Available for Debt Service	34,334	38,817	36,063
General Obligation Debt Service	-	-	-
Mortgage Revenue Debt Service	19,169	17,011	18,483
Depreciation	16,713	17,056	17,682
Net Non-Operating Revenue (Excl. Interest Exp.)	(817)	(98)	2,680
Net Transfers	-	-	-
Net Assets 1/1	178,867	186,575	197,178
Net Assets 12/31	186,575	197,178	205,779
Year End Balance			
General Obligation Bonds	-	-	-
Revenue Bonds	199,428	194,260	261,301

* Excluding depreciation.

In April 2008, the City issued $93,712,880 in current interest and capital appreciation public power system revenue bonds and from the proceeds refunded $20,325,000 of its public power system revenue bonds.

The City is a Prepay Participant with an obligation to purchase 58.48% of 171 MW (or 100 MW), equal to approximately $38.0 million for each of the years 2009 through 2012.

DANVILLE, VIRGINIA

Project Rank	2
Project Share	10.618%
Municipality Established	1793
Electric System Established	1886
County	N/A
Basis of Accounting	Accrual
2008 Peak Demand (kW)	226,400

Location, Population and Government: The City of Danville, Virginia is located in the south central region of Virginia near the North Carolina state line surrounded by Pittsylvania County (Virginia cities and counties are mutually exclusive and do not overlap). The City has a Council-Manager form of government. The Council is comprised of nine persons, elected at-large for four-year staggered terms. The City Council elects a Mayor and a Vice-Mayor from its membership and these officials serve two year terms. The table below sets forth historical population figures for Danville since 1990.

YEAR	POPULATION
1990	53,056
2000	48,411
2008	44,660 (est.)

Source: U.S. Bureau of Census

Economic Base: Danville's economy is based on a mix of industrial and commercial development. The City's major industries include retail sales, auto aftermarket supply, wood products and by-products and light industrials.

The following table provides a summary of certain economic indicators for the City of Danville

BUILDING PERMITS

2006	2007	2008
$41,238,168	$50,274,554	$61,390,113

Source: City of Danville

ASSESSED VALUATION

2006	2007	2008
$2,372,864,914	$2,497,659,386	$2,531,311,088

Source: City of Danville

UNEMPLOYMENT

2006	2007	2008	2009*
10.3%	7.4%	9.9%	14.6%

Source: Virginia Department of Job and Family Services; 2008 and 2009 Virginia Workforce Connection; https://www.vawc.virginia.gov/

* As of August 2009, not seasonally adjusted.

MEDIAN FAMILY INCOME

1990	2000
$27,752	$36,024

Source: U.S. Bureau of Census

Electric System: Authority over the Danville Electric System is vested in the City of Danville. The Power & Light Director, who reports to the Assistant City Manager of Utilities, manages the Electric System. The Electric System serves a community covering approximately 500 square miles, which includes the City of Danville, and a portion of Pittsylvania County, Henry County, and Halifax County. Danville exercises its right to serve exclusively within its service territory. There are a few commercial and industrial customers within the service territory that are served by American Electric Power ("*AEP*"). AEP has served these customers since 1970.

Since 2007, Danville has purchased the majority of its power from AMP. The City utility owns and maintains 118 miles of transmission and distribution lines and has 15 substations. The City of Danville owns and operates a three-unit hydroelectric generating plant with a maximum capacity of 10.5 MW, a 750 kW unit at the Talbott Dam site and three 2000 kVa diesel generators in the service area. The City utility also has two generators, a 200 kilowatt back-up diesel generator at its water treatment plant and a 150 kW mobile generator for the pump stations. In fiscal year 2008, the Danville electric system employed 116 people.

In 2008, the Danville Electric System served 38,889 residential, commercial and industrial customers. (As of February 2008, Danville changed its definition of customer count to reflect the consolidation of meters under one payor and such change is reflected in Section IV of the Appendix B). The following table lists the City's five largest customers by energy purchased in 2008 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (fiscal 2008)	% of Total System Revenues
1.Intertape	Clear Tape Manufacturer	62,506,300	4.57%
2.Danville Regional Med	Hospital	28,111,533	2.16
3.Nestle	Food Processing	21,787,040	1.67
4.Columbia Flooring	Flooring Manufacturer	12,746,400	1.14
5.Shorewood Packaging	Manufacturer of Cardboard Boxes	11,367,891	0.91

In 2008, the electric system also provided the City of Danville with 20,951,733 kWh for general municipal purposes.

The following table presents certain financial data respecting the City's Electric System for the fiscal years (ending June 30) shown, on an accrual basis. The presentation is generally consistent with the flow of revenues of the Electric System.

	Danville ($000) 2006	2007	2008
Revenue			
Power Sales	$72,752	$88,910	$90,182
Other Income	-	-	-
Total Revenue	72,752	88,910	90,182
Operating Expense*			
Power Costs	50,459	61,233	62,566
O&M Expense	6,405	7,075	7,870
Total Operating Expense	56,864	68,308	70,436
Net Revenue Available for Debt Service	15,888	20,603	19,746
General Obligation Debt Service	1,420(1)	1,979(2)	2,129
Depreciation	3,764	3,915	4,049
Net Non-Operating Revenue (Excl. Interest Exp.)	1,619	4,098	2,681
Net Transfers	(10,234)	(8,524)	(9,063)
Net Assets 7/1	116,553	120,314	131,794
Net Assets 6/30	120,314	131,794	141,150
Year End Balance			
General Obligation Bonds(1)	15,706(1)	19,558(2)	18,467

* Excluding Depreciation.

(1) The City of Danville issued $8.8 million of GO Bonds to fund capital improvements in fiscal year 2005-2006.

(2) The City of Danville issued $5 million of GO Bonds to fund capital improvements in fiscal year 2006-2007.

BOWLING GREEN, OHIO

Project Rank	3
Project Share	9.609%
Municipality Established	1833
Electric System Established	1942
County	Wood
Basis of Accounting	Accrual
2008 Peak Demand (kW)	95,194

Location, Population and Government: The City of Bowling Green is a charter city located in Wood County, approximately 15 miles south of Toledo, in the northwest quadrant of the state. The Mayor, who is elected to a four-year term, and a City Council of seven members, including a Council President, govern the City. The table below sets forth historical population figures for Bowling Green since 1990.

YEAR	POPULATION
1990	28,176
2000	29,636
2008	29,542 (est.)

Source: U.S. Bureau of Census

Electric System: Authority over the Bowling Green Electric System is vested in the Board of Public Utilities. A Superintendent, who reports in turn to the Director of Utilities, manages the Electric System. The Electric System serves a community covering 10.2 square miles, and also serves the adjoining Village of Portage with retail power and the Village of Tontogany at wholesale. In 2008, sales to Tontogany totaled $290,443, or approximately 0.82 percent of total system revenues. Bowling Green provides exclusive service to all electric consumers within its city limits.

Bowling Green is in the First Energy Transmission Service Area. In 2008, Bowling Green purchased 100% of its power from AMP or through the AMP sponsored OMEGA JV5 (the Belleville project) and OMEGA JV2 (the distributed generation project). Bowling Green is also a participant in OMEGA JV6, AMP's Combustion Turbine Project and the AMP prepaid purchase power transaction. The City utility owns and maintains 220 miles of transmission and distribution lines and has six substations. The City does not own directly any generating facilities. In 2008, the Bowling Green utility employed 38 people.

The City has a 15.73% (6,608 kW) undivided ownership share of interest in the OMEGA JV5 Belleville hydroelectric project. As of December 31, 2008, the OMEGA JV5 Beneficial Interest Certificates ("*BICs*") were outstanding in the amount of $120,905,158, of which the City's share is $19,022,412. The City's share of debt service on the BICs ranges from approximately $1.441 million through 2024 to approximately $1.717 million in 2025 through 2029. The City is subject to a maximum step-up of 25% in these amounts in the event of other OMEGA JV5 participant defaults.

Pursuant to the OMEGA JV5 Joint Venture Agreement, the City is obligated to a number of covenants, including an obligation to set rates to maintain a 110% debt coverage ratio annually. In 2005, Bowling Green failed to comply with this covenant. In late 2005, the City developed a five-year financial

plan for the municipal electric utility that included a 5% base rate increase and also modified the City's power cost adjustment from a retrospective to a forward-looking calculation. These changes were implemented January 1, 2006 and the City met its debt coverage obligation for both 2006 and 2007. In December 2006, Bowling Green applied for and received a waiver from OMEGA JV5 for its Coverage Non-Compliance in year 2005.

The City is also a member of OMEGA JV2, a joint venture of 36 Ohio municipalities, which acquired and installed gas-fired and diesel generating units for peaking and other power supply purposes near the loads they serve. An "Owner Participant" with a 14.32% undivided ownership interest in these units, the City is also a "Financing Participant" responsible for 18.27% (subject to an increase of up to 25% of such percentage) of the debt service on the $50,260,000 bonds issued by AMP to finance a portion of the cost of these units. Debt service on these AMP bonds is approximately $4 million annually for 20 years ending January 1, 2021, with the City's share being approximately $730,800 annually.

Bowling Green is also a member of OMEGA JV6, a joint venture of 10 Ohio municipalities. The joint venture owns the 7.2 MW AMP/Green Mountain Energy Wind Farm located in Bowling Green and is Ohio's only utility-scale wind farm. The facility features four 1.8 MW wind turbines. The City owns 56.94% of the project. On July 1, 2004, AMP issued $9.8 million adjustable rate revenue bonds. Debt service on these bonds is approximately $1 million annually.

The City purchases 11 MW of power from AMP under a power schedule for AMP's Combustion Turbine Project. Based on the 3.89% swapped, fixed interest rate payable by AMP and the existing amortization schedule agreed to with KeyBank as the issuer of the CT Letter of Credit, Bowling Green's 7.7% responsibility for such debt service will be approximately $88,000 annually through 2023.

The City is also a Prepay Participant with an obligation to purchase 3.8% of 171 MW (or 6.5 MW), equal to approximately $2.5 million for each of the years 2009 through 2012.

In 2008, the Bowling Green electric system served 14,602 residential, commercial and industrial customers. The following table lists the City's five largest customers by energy purchased in 2008 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (2008)	% of Total System Revenues
1. Bowling Green State University	Higher Education	81,238,800	14.38%
2. Southeastern Container	Manufacturing	62,036,000	10.56
3. Cooper Standard Automotive	Manufacturing	27,685,800	5.14
4. Owens Illinois	Manufacturing	24,508,800	4.15
5. Toledo Molding & Die	Manufacturing	15,321,600	3.05

Economic Base: Bowling Green's economy is based on a mix of industrial and commercial development. The City's major industries include higher education, health care, hospitality, and light industrials.

The following table provides a summary of certain economic indicators for the City of Bowling Green.

BUILDING PERMITS

2006	2007	2008
$38,558,500	$21,470,634	$74,480,726

Source: Wood County Auditor's Office

ASSESSED VALUATION

2006	2007	2008
$522,669,480	$523,952,438	$514,695,786

Source: Ohio Municipal Advisory Council

UNEMPLOYMENT

2006	2007	2008	2009*
4.5%	4.3%	5.3%	8.3%

Source: Ohio Labor Market Information, http://lmi.state.oh.us/

* As of August 2009, not seasonally adjusted.

MEDIAN FAMILY INCOME

1990	2000
$36,799	$51,804

Source: U.S. Bureau of Census

The following table presents certain financial data respecting the City's Electric System for the calendar years shown, on an accrual basis. The presentation is generally consistent with the flow of revenues of the Electric System required by the OMEGA JV5 Joint Venture Agreement.

	Bowling Green ($000)		
	2005	2006	2007
Revenue			
Power Sales	$31,492	$35,739	$36,369
Other Income	739	1,125	1,516
Total Revenue	32,231	36,864	37,885
Operating Expense*			
Power Costs	28,237	27,646	26,294
O&M Expense	4,499	4,146	3,953
Total Operating Expense	32,736	31,792	30,247
Net Revenue Available for Debt Service	(505)	5,071	7,638
General Obligation Debt Service	87	86	84
OMEGA JV5 Debt Service(1)	1,657	1,658	1,659
OMEGA JV2 Debt Service(1)	718	699	681
OMEGA JV6 Debt Service(1)(2)	578	48	486
Revenue Debt Service	2,048	1,504	2,308
Depreciation	1,118	1,127	1,142
Net Non-Operating Revenue (Excl Interest Exp.)	530	107	(406)
Net Transfers	-	-	-
Net Assets 1/1	15,051	13,785	17,632
Net Assets 12/31	13,785	17,632	22,852
Year End Balance			
General Obligation Bonds	732	671	611
OMEGA JV2	7,627	7,273	6,904
OMEGA JV6	5,223	4,808	4,407
Bond Anticipation Notes	5,471	4,916	4,216

* Excluding depreciation.

(1) OMEGA JV debt service is included in Power Costs, recovered through Bowling Green's PCA, and principal payments are not shown as debt service in the case of JV2 and JV6 until 2006. OMEGA JV5 debt service remains fully in purchased power for these reporting periods.

(2) OMEGA JV6 debt service payments for February through December 2006 were made from excess bond proceeds.

On November 25, 2008, AMP issued, on behalf of the City, a Bond Anticipation Note (BAN) in the principal amount of $3,266,000 that, together with $950,000 provided by the City, was applied to pay at its maturity the $4,216,000 outstanding AMP BAN. The new AMP BAN bears interest at the rate of 3.00% per annum and is stated to mature on November 24, 2009.

Beginning in 1998, Bowling Green began entering into long-term power supply requirements agreements with customers. Agreements had been reached with over 2,000 customers through 2002. Agreements signed before July 1, 2002 gave customers a discount of $0.005 per kWh off the applicable rate through December 31, 2008. Agreements signed after July 1, 2002 gave customers a discount of $0.0025 per kWh off the applicable rate for a period of 10 years. In exchange, the customer agreed to buy all of its power from Bowling Green through the end of the agreement. The discounts awarded to customers for 2006 through 2008 are as follows:

Year	Discount Awarded
2006	$1,631,066
2007	1,500,451
2008	1,194,339

Currently over 2,341 customers have long-term contracts representing approximately 60% of the City's annual kWh sales. In January 2001, Bowling Green began a customer choice program after a substantial number of its customers had entered into long-term power supply requirements contracts with the City. On March 1, 2004 the City opted to end its customer choice program and closed its system to competition. As part of this process, the City extended the discount program to 1,388 of the customers who were then under contract through 2010. The contracts are on a declining discount adjusted annually on January 1 of each year through 2010.

ELECTRIC PLANT BOARD OF THE CITY OF PADUCAH, KENTUCKY

Project Rank	4
Project Share	3.63%
Municipality Established	1798
Electric System Established	1945
County	McCracken
Basis of Accounting	Accrual
2008 Peak Demand (kW)	159,265

Location, Population and Government: The City of Paducah ("City") is situated in the western portion of Kentucky some 225 miles southwest of Louisville. The City, which covers an area of seven square miles, is the seat of the McCracken County government. The City is governed by a five-member City Commission consisting of the Mayor and four other Commissioners. The City Manager, who is responsible for the administration and supervision of all City services and facilities, is appointed by the City Commission.

The table below sets forth historical population figures for Paducah since 1990.

YEAR	POPULATION
1990	27,256
2000	26,307
2008	25,521 (est.)

Source: U.S. Bureau of Census

Economic Base: Paducah's economy is based on a mix of industrial and commercial development. The City's major industries include river transportation, a uranium enrichment plant, two regional hospitals and a regional retail sales center.

The following table provides a summary of certain economic indicators for the City of Paducah.

BUILDING PERMITS

2006	2007	2008
$72,672,846	$57,675,843	$34,464,789

Source: Paducah Electric Plant Board

ASSESSED VALUATION

2006	2007	2008
$1,352,319,000	$1,422,549,000	$1,457,284,000

Source: Paducah Electric Plant Board

UNEMPLOYMENT

2006	2007	2008	2009*
5.5%	4.9%	5.8%	9.4%

Source: www.workforcekentucky.ky.gov

* As of August 2009, not seasonally adjusted.

MEDIAN FAMILY INCOME

1990	2000
$23,665	$34,092

Source: U.S. Bureau of Census

Electric System: The Paducah Electric Plant Board ("Board") was created by an ordinance enacted on January 30, 1945 by the governing body of the City, which ordinance was amended on March 7, 1959. The Board functions on behalf of the City and has duties, powers and authority as specifically defined by Kentucky statutes. The Board is a separate political subdivision of the Commonwealth of Kentucky.

An ordinance was adopted by the City Commission on August 23, 1960, declaring that it was desirable to purchase, and operate a municipal electric system, subject to approval of the voters. The election was held on November 8, 1960 and the purchase and operation of a municipal utility was approved by over 76% of voters.

In July 1961, the Board issued bonds for the purpose of purchasing from Kentucky Utilities Company, that segment of the system which was inside the City limits.

The Board's service area now includes most of the area within the City limits and a portion of surrounding McCracken County.

The total power requirements for the system are currently purchased from the Tennessee Valley Authority ("TVA"). Power is received at two delivery points at 161,000 volts. One delivery point is located near the northwestern boundary of the system. The second delivery point is located near the southern boundary.

A 69,000 volt transmission system connects the system's eight distribution substations to the delivery points. The 69 kV system is "looped" from distribution substation to substation to provide flexibility in switching and increase reliability.

The distribution substations reduce the voltage from 69,000 volts to 12,470 volts, which is the System's nominal distribution voltage. Distribution transformers, both pole-mounted and pad-mounted, reduce the voltage to the utilization level required by the system's customers.

The total transformer nameplate capacity of the distribution substations is 356,000 kilo-volt amps. The nameplate capacity of the delivery point transformers (total system capacity) is 316,000 kilo-volt amperes. An all-time maximum system peak for the system is 161,000 kilowatts. This peak was set in August 2000.

A ten-year contract between the Board and TVA became effective October 1, 1997, which was a renewal of the Board's original contract with TVA, dated August 8, 1960. Under the terms thereof, the contract could be canceled after October 1, 2002, with five years' prior written notice. The Board provided TVA with its cancellation notice on December 31, 2004, and the contract will terminate on December 21, 2009. The Board has joined AMP as a member as of November 20, 2008.

TVA, by the power contract, is also the regulatory authority over Board. TVA provides power to 159 distributors under one wholesale rate but offers several retail rate schedules for its distributors use. In the past, TVA has been flexible in allowing distributors to change rate levels as financial conditions change. The Board has total assets of $46,077,581 with 895 miles of line with 25 customers per mile and an average residential usage of 1,066 kWh per month.

In fiscal year 2008, the Board served 22,424 residential, commercial and industrial customers.

The following table lists the Board's five largest customers by energy purchased in 2008 and as a percentage of total system revenues during the year.

Customer	Type of Business	kWh Purchased (2008)	% of Total System Revenues
1. Western Baptist Hospital	Health Care	32,835,134	4.33%
2. Lourdes Hospital	Health Care	23,781,815	3.08
3. H.B. Fuller Co.	Manufacturing	9,159,000	1.33
4. Infiniti Plastic Tech Inc.	Plastic Manufacturing	10,134,000	1.20
5. Walmart Stores, Inc.	Retail	9,173,408	1.19

The following table presents certain financial data respecting the Board's Electric System for the fiscal years (ended June 30) shown, on an accrual basis.

Electric Plant Board of the City of Paducah, KY
($000)

	2006	2007	2008
Revenue			
Power Sales	$45,709	$48,502	$52,960
Other Income	1,173	1,232	1,308
Total Revenue	46,882	49,734	54,267
Operating Expense*			
Power Costs	36,455	38,758	41,398
O&M Expense	7,029	7,100	7,300
Total Operating Expense	43,484	45,858	48,698
Net Revenue Available for Debt Service	3,398	3,875	5,569
Revenue Debt Service	606	891	921
Depreciation	2,352	2,482	2,684
Net Non-Operating Revenue (Excl. Interest Exp.)	67	313	220
Net Transfers	-	-	_
Net Assets 7/1	35,785	36,645	37,828
Net Assets 6/30	36,645	37,828	40,396
Year End Balance			
General Obligation Bonds	4,832	10,494**	10,142

* Excluding depreciation.

** In August 2006, the Board issued $6 million in Bond Anticipation Notes for capital construction projects secured by the System's assets.

CUYAHOGA FALLS, OHIO

Project Rank	5
Project Share	3.51%
Municipality Established	1812
Electric System Established	1888
County	Summit
Basis of Accounting	Accrual
2008 Peak Demand (kW)	103,518

Location, Population and Government: The City of Cuyahoga Falls is a charter city located in Summit County. The City is located north east of Akron and south east of Cleveland and is accessible by major interstates including I-271, I-480, I-80 (Ohio Turnpike), I-76, I-77, and State Route 8. City Council conducts the legislative or law-making business of the City. Cuyahoga Falls is served by a total of 11 Council members, with eight individuals representing eight wards and three at large seats. The City has a mayoral form of government, with the Mayor elected by a city wide election. The Mayor serves a 4 year term. The table below sets forth historical population figures for Cuyahoga Falls since 1990.

YEAR	POPULATION
1990	48,950
2000	49,374
2008	51,090 (est.)

Source: U.S. Bureau of Census

Economic Base: Cuyahoga Falls' economy is based on a mix of industrial, commercial and residential development. The City's major industries include various manufacturing facilities including hand cleaners, process additives for the rubber industry, plastic production, as well as the medical care industry.

The following table provides a summary of certain economic indicators for the City of Cuyahoga Falls.

BUILDING PERMITS

2006	2007	2008
$58,637,062	$54,225,676	$35,560,691

Source: City of Cuyahoga Falls

ASSESSED VALUATION

2006	2007	2008
$1,052,415,200	$1,041,903,613	$1,032,513,542

Source: City of Cuyahoga Falls

UNEMPLOYMENT

2006	2007	2008	2009*
4.7%	4.9%	5.8%	9.5%

Source: Ohio Labor Market Information, http://lmi.state.oh.us/

* As of August 2009, not seasonally adjusted.

MEDIAN FAMILY INCOME

1990	2000
$36,740	$52,372

Source: U.S. Bureau of Census

Electric System: Cuyahoga Falls purchases all of its power through AMP. The Electric System operates 2 - 138KV substations which interconnect with First Energy and provide Cuyahoga Falls with a peak capacity of 240MW, well in excess of the 2002 system peak of 107MW. With 10 distribution substations and over 223 miles of overhead and underground distribution lines, this power is then distributed through over 3,500 transformers to more than 23,000 electric customers. More than 40 Electric System employees work to maintain the distribution system and provide quick response to emergencies and power outages.

The City has a 16.67% (7,000 kW) undivided ownership share of interest in the OMEGA JV5 Belleville hydroelectric project. As of December 31, 2008, the OMEGA JV5 Beneficial Interest Certificates ("BICs") were outstanding in the amount of $120,905,158, of which the City's share is approximately $20,154,890. The City's share of debt service on the BICs ranges from approximately $1.528 million through 2024 to approximately $1.820 million in 2025 through 2029. The City is subject to a maximum step-up of 25% in these amounts in the event of other OMEGA JV5 participant defaults.

Pursuant to the OMEGA JV5 Joint Venture Agreement, the City is obligated to a number of covenants. Among these covenants is an obligation to set rates to maintain a 110% debt coverage ratio annually. In 2005, Cuyahoga Falls failed to comply with this covenant and realized that Electric Fund income was much lower than originally anticipated. After analysis the City determined that higher purchased power costs and the Seams Elimination Charge Adjustment charges approved by the Federal Energy Regulatory Commission and imposed by the Regional Transmission Organizations, were the primary reasons. Furthermore, these increased costs were recovered over a period of time extending beyond 2005. In April 2006, Cuyahoga Falls applied for and received a waiver from OMEGA JV5 for its Coverage Non-Compliance in year 2005. The City maintained compliance for the years 2006 and 2007, however due to a power supply expense billing error, fell out of compliance for 2008. The City has addressed this billing error and is in the process of collecting this under recovered expense. In October 2009, Cuyahoga Falls applied for and received a waiver from OMEGA JV5 for its Coverage Non-Compliance in year 2008.

The City is also a member of OMEGA JV2, a joint venture of 36 Ohio municipalities that has acquired, and installed near the loads they serve, gas-fired and diesel generating units for peaking and other power supply purposes. An "Owner Participant" with a 7.46% undivided ownership interest in these units, the City is also a "Financing Participant" responsible for 9.52% (subject to an increase of up to 25% of such percentage) of the debt service on the $50,260,000 bonds issued by AMP to finance a portion of the cost of these units. Debt service on these AMP bonds is approximately $4 million annually for 20 years ending January 1, 2021, with the City's share being approximately $381,000 annually.

Cuyahoga Falls is also a member of OMEGA JV6, a joint venture of 10 Ohio municipalities. The joint venture owns the 7.2 MW AMP/Green Mountain Energy Wind Farm located in Bowling Green, Ohio and is Ohio's only utility-scale wind farm. The facility features four 1.8 MW wind turbines. The City owns 25.00% of the project. On July 1, 2004, AMP issued $9.8 million adjustable rate revenue bonds. Debt service on these bonds is approximately $1 million annually.

The City purchases 26.6 MW of power from AMP under a power schedule for AMP's 2006 Combustion Turbine Project. Based on the 3.89% swapped, fixed interest rate payable by AMP and the existing amortization schedule with the bank providing the letter of credit for the $13,260,000 financing, Cuyahoga Falls' 18.7% responsibility for such debt service will be approximately $217,000 annually through 2023.

The City is also a Prepay Participant with an obligation of 4.6% for 7.9 MW or approximately $3.1 million for each of the years 2008 through 2012.

In 2008, Cuyahoga Falls electric system served approximately 24,231 residential, commercial and industrial customers. The following table lists the City's five largest customers by energy purchased in 2008 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (2008)	% of Total System Revenues
1. GoJo Industries	Hand Cleaners	13,419,600	2.14%
2. Struktol International	Process Additives for Rubber and Plastic Industry	11,404,000	2.09
3. Falls General Hospital	Health Care	10,141,200	1.82
4. SGS Tools	Precision Ground Tools	9,835,668	1.74
5. Pilot Plastics	Plastic Products	9,139,680	1.70

The following table presents certain financial data respecting the City's Electric System for the calendar years shown, on an accrual basis.

	Cuyahoga Falls ($000)		
	2006	2007	2008
Revenue			
Power Sales	$35,223	$34,647	$33,758
Other Income	401	1,366	773
Total Revenue	35,624	36,013	34,531
Operating Expense*			
Power Costs	19,336	20,241	22,353
O&M Expense	11,808	11,521	11,770
Total Operating Expense	31,144	31,763	34,123
Net Revenue Available for Debt Service	4,480	4,250	408
General Obligation Debt Service	377	377	376
OMEGA JV5 Debt Service (a)	1,757	1,757	1759
OMEGA JV2 Debt Service(a)	364	355	354
OMEGA JV6 Debt Service(a)(b)	21	213	254
Depreciation	969	867	970
Net Non-Operating Revenue (Excl. Interest Exp.)	6	0	4
Net Transfers	(8)	(8)	(8)
Net Assets 1/1	27,873	31,297	35,037
Net Assets 12/31	31,297	35,037	34,486
Year End Balance			
General Obligation Bonds	1,306	1,005	670

* Excluding depreciation.

(a) All OMEGA JV debt service is included in Purchased Power and recovered through the City's Power Cost Adjustment. Principal payments are not shown as debt service within Cuyahoga Falls' audits.

(b) OMEGA JV6 debt service payments for 2006 were made from excess bond proceeds fro February 2006 through January 2007

COLDWATER, MICHIGAN

Project Rank	6
Project Share	3.1%
Municipality Established	1861
Electric System Established	1891
County	Branch
Basis of Accounting	Accrual
2008 Peak Demand (kW)	57,870

Location, Population and Government: The City of Coldwater, the Branch County seat, is located in south central Michigan approximately 28 miles south of Battle Creek and 14 miles north of the Indiana state line. The City has a council-manager form of government. The citizens elect the city council, who in turn hires the city manager. Coldwater has four wards with two council members representing each ward elected to staggered four-year terms and the mayor elected at large for a two-year term.

The nine-member city council is the governing body of the City and determines all municipal policies, adopts ordinances (local laws) and approves the budget for carrying out all municipal operations. The mayor is charged with the responsibility of conducting the meetings of the council and also represents the City in ceremonial functions. The city manager is appointed by the city council on the basis of merit, professional training, experience in city management and demonstrated ability. The manager is responsible to the council, insures that laws and ordinances are enforced and works with the department heads and employees so that municipal operations and functions are carried out efficiently. The manager and staff keep the council advised on the financial condition of the City, prepare the annual budget for council review, prepare the agenda for council meetings and through periodic reports keep the council and public informed on City operations. The table below sets forth historical population figures for Coldwater since 1990.

YEAR	POPULATION
1990	9,607
2000	10,492
2008	10,514 (est.)

Sources U.S. Bureau of Census for 1990 and 2008, City of Coldwater for 2000.

Economic Base: The City is an industrial and commercial oriented community serving as a principal business, marketing, and cultural center for the surrounding suburban and agricultural territory, including the northern section of Indiana.

The following table provides a summary of certain economic indicators for the City of Coldwater.

BUILDING PERMITS

2006	2007	2008
$11,392,082	$18,903,410	$9,056,992

Source: City of Coldwater

ASSESSED VALUATION

2006	2007	2008
$353,951,600	$376,092,400	$383,641,408

Source: City of Coldwater

UNEMPLOYMENT

2006	2007	2008	2009*
7.7%	7.0%	8.7%	14.1%

Source: City of Coldwater for 2006-2007, www.milmi.org for 2008 and 2009

* As of August 2009, not seasonally adjusted.

MEDIAN FAMILY INCOME

1990	2000
$27,813	$41,107

Source: U.S. Bureau of Census

Electric System: The Coldwater Board of Public Utilities ("Board") established by a vote of the electorate in 1891, acting for and on behalf of the City, oversees operations for the Electric, Water and Wastewater and Telecommunication Systems of the City. The Board is composed of five members, appointed by the Mayor, subject to City Council approval, for a term of five years each, with the terms of one member expiring each year. The Board appoints a Director, who is responsible to the Board. The Director has control and direction of and is responsible for the supervision of all of the utility facilities and the properties of the City pertinent thereto which are entrusted to the Board, and is responsible for the economical and proper operation and maintenance of all of the utility facilities and properties.

The Electric System serves a community covering approximately 8.6 square miles and approximately 136 miles of distribution lines. In order to continue to provide needed energy, the Board has joined forces with four other municipalities to create and own the Michigan South Central Power Agency ("Agency") in order to assure a supply of needed energy to the municipalities at the lowest cost to the consumer. Power from the Agency is transmitted via Consumer Power company's transmission system by two 138 KV interconnection circuits. The Agency owns and operates a nominally rated 55 MW coal fired electric generating plant, 31 MW of peaking generation, related transmission switching systems and other facilities.

The City has joined AMP and began receiving some power supply in January 2009.

As of June 30, 2008, the Coldwater Electric System served 6,586 residential, commercial and industrial customers. The following table lists the City's five largest customers by energy purchased during fiscal year 2008 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (fiscal 2008)	% of Total System Revenues
1.Asama Manufacturing	Auto Parts	72,903,996	18.52%
2.Voltek, Inc.	Foam Products	18,695,404	5.23
3.Walmart	Retail	13,500,248	3.83
4.Brazing Concepts	Tubing	12,382,438	3.47
5.Alchem Aluminum	Aluminum	11,133,420	3.06

The following table presents certain financial data respecting the City's Electric System for the fiscal years shown, on an accrual basis. The presentation is generally consistent with the flow of revenues of the Electric System.

Coldwater, Michigan
($000)

	2007	2008	2009
Revenue			
Power Sales	$24,469	$26,286	$28,063
Other Income	-	-	-
Total Revenue	24,469	26,286	28,603
Operating Expense*			
Power Costs	18,621	19,900	20,828
O&M Expense	3,746	2,529	3,021
Total Operating Expense	22,367	22,429	23,849
Net Revenue Available for Debt Service	2,102	3,857	4,214
Revenue Debt Service	1,015	963	963
Depreciation	949	926	936
Net Non-Operating Revenue (Excl. Interest Exp.)	2,820	3,019	2,905
Net Transfers	-	1,588 (a)	1,558 (a)
Net Assets 7/1	24,795	28,373	32,609
Net Assets 6/30	28,373	32,609	36,886
Year End Balance			
Revenue Bonds[1]	8,850	8,260	7,645

* Excluding Depreciation.

(a) In prior years the payment in lieu of taxes was treated as an operating income expense. In 2008 accounting treatment changed for it to be treated as a transfer as opposed to an operating expense.

SECTION III

SUMMARY OF LARGE PARTICIPANTS' AREA, POPULATION, ASSESSED VALUATION AND UNEMPLOYMENT RATES

SECTION III

Summary of Large Participants' area, population, assessed valuation and unemployment rates

Participant	County	Area (Sq. Miles)[1]	Population[2]			Property Tax Base Assessed Valuation ($000)[3]			Unemployment Averages[4]			
			1990	2000	2008	2006	2007	2008	2006	2007	2008	2009[5]
Cleveland, Ohio	Cuyahoga	82.4	505,616	478,403	433,748	$6,457,248	$6,114,332	$5,937,459	7.2%	7.7%	8.5%	10.9%
Danville, Virginia	N/A	43.9	53,056	48,411	44,660	2,372,865	2,497,659	2,531,311	10.3	7.4	9.9	14.6
Bowling Green	Wood	10.2	28,176	29,636	29,542	522,669	523,952	514,696	4.5	4.3	5.3	8.3
Paducah, Kentucky	McCracken	19.5	27,256	26,307	25,521	1,352,319	1,422,549	1,457,284	5.5	4.9	5.8	9.4
Cuyahoga Falls, Ohio	Summit	25.6	48,950	49,374	51,090	1,052,415	1,041,904	1,032,514	4.7	4.9	5.8	9.5
Coldwater, Michigan	Branch	8.3	9,607	10,492	10,514	353,952	376,092	383,641	7.7	7.0	8.7	14.1

(1) Source: Wikipedia website for Participant.

(2) Source: U.S. Census Bureau for years 1990 and 2000 (except Coldwater), estimated for 2008; City of Coldwater for 2000.

(3) Source: Bowling Green and Cuyahoga Falls; City of Cleveland per its April 2009 GO debt issuance Official Statement; Coldwater, Michigan from the Participant; Danville, Virginia City audits; Paducah, Kentucky from Paducah.

(4) Source: For the Ohio Participants per Ohio Labor Market Information website, Virginia per Virginia Workforce Connection website, Coldwater, Michigan per the City for 2006-2007 and 2008-2009 per Michigan Labor Market Information website www.milmi.org . For participants with populations of less than 25,000, unemployment averages reflect those for the county.

(5) As of August 2009, not seasonally adjusted.

LARGE PARTICIPANTS' RESIDENTIAL, INDUSTRIAL AND COMMERCIAL INFORMATION

Large Participants' Information
Residential, Industrial, and Commercial

	2006[1]			2007[2]			2008[2]		
	Customers	kWh Sales (x 1,000)	Revenue (x $1,000)	Customers	kWh Sales (x 1,000)	Revenue (x $1,000)	Customers	kWh Sales (x 1,000)	Revenue (x $1,000)
Cleveland									
Residential	69,602	410,724	44,822	67,734	418,958	45,559	68,412	413,731	45,832
Commercial	6,855	501,418	52,205	6,794	506,961	53,355	6,800	508,834	55,135
Industrial	21	584,573	37,855	21	620,848	45,107	21	611,729	45,508
Other	1,322	79,957	11,314	1,300	78,439	10,834	1,300	77,000	10,700
Total:	77,800	1,576,672	146,196	75,849	1,625,206	154,855	76,533	1,611,294	157,175
Danville, Virginia									
Residential	37,243	477,029	40,153	36,994	493,485	45,277	29,830	475,057	47,436
Commercial	11,682	343,191	28,758	11,482	348,727	31,806	9,019	339,762	33,255
Industrial	43	146,184	9,524	47	154,852	11,266	40	160,697	8,451
Total:	48,968	966,404	78,435	48,517	997,064	88,349	38,889[3]	975,516	89,142
Bowling Green									
Residential	12,463	99,708	8,233	12,505	104,739	8,555	12,595	102,793	8,081
Commercial	1,846	66,607	4,843	1,782	63,622	4,532	1,917	72,787	5,028
Industrial	90	346,668	23,454	82	350,871	23,480	93	343,093	22,169
Total:	14,399	512,983	36,530	14,369	519,233	36,567	14,605	518,673	35,278
Paducah, Kentucky									
Residential	18,711	242,465	17,183	18,652	238,514	18,190	18,670	249,028	19,721
Commercial	3,199	73,678	6,376	3,209	72,296	6,650	3,192	73,558	7,006
Industrial	571	310,607	22,149	563	310,670	23,662	593	334,592	26,232
Total:	22,481	626,750	45,708	22,424	621,480	48,502	22,455	657,178	52,959
Cuyahoga Falls, Ohio									
Residential	22,331	168,600	15,419	22,572	175,808	14,988	22,274	173,116	14,430
Commercial	1,732	60,648	6,135	1,805	63,287	5,525	1,777	60,845	5,250
Industrial	180	186,014	14,175	184	191,167	13,572	180	192,994	13,300
Total:	24,243	415,262	35,729	24,561	430,262	34,085	24,231	426,956	32,980
Coldwater, Michigan									
Residential	5,512	38,102	4,230	5,407	38,885	4,410	5,442	37,804	4,420
Commercial	1,151	19,548	2,415	1,303	46,643	5,268	1,317	45,683	5,299
Industrial	222	235,753	17,461	51	207,443	14,849	53	227,098	17,793
Total:	6,885	293,403	24,106	6,761	292,971	24,527	6,812	310,585	27,513

[1] Source: Energy Information Administration (EIA) division of the U.S. Department of Energy - EIA-861 Database (except Paducah); Paducah for Paducah.
[2] Source: Participant.
[3] As of February 2008, Danville changed its definition of customer count, which now reflects consolidation of meters under one payor.

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Appendix C

SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACT

The following is a summary of certain provisions of the Power Sales Contract. The following summary is not to be considered a full statement of the terms of the Power Sales Contract and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Summaries of certain provisions of the Power Sales Contract also appear in the body of the Official Statement. Capitalized terms not otherwise previously defined in this Official Statement or defined below have the meaning set forth in the Power Sales Contract. Copies of the Power Sales Contract are available from AMP and the Trustee.

Definitions and Explanations of Terms.

American Municipal Power Hydroelectric System or AMP Hydro System shall mean the following hydroelectric generating facilities located on the Ohio River, consisting of the Smithland Hydroelectric Project (FERC Project 6641); the Cannelton Hydroelectric Project (FERC Project 10228) and the Willow Island Hydroelectric Project (FERC Project 6902) and related equipment used in the production and transformation of electric power and energy and related interconnection and transmission facilities as well as any natural gas or diesel-fired back-up or blackstart generation sited at such facility, having an expected maximum rated net electric generating capacity (not including any natural gas or diesel-fired black start or back-up generation) of approximately one-hundred ninety-one megawatts (191 MW), including the sites and all related permits, licenses, easements and other real and personal property rights and interests, together with all additions, improvements, renewals and replacements to said electric generating facilities necessary to keep said facilities in good operating condition or to prevent a loss of revenues therefrom or as required by any governmental agency having jurisdiction.

AMP Entitlement shall mean AMP's ownership, undivided ownership in, or contractual rights to the available capacity of and energy from the AMP Hydro System and other power Sales Contract Resources.

Bonds shall mean revenue bonds, notes, bank loans, commercial paper or any other evidences of indebtedness, without regard to the term thereof, whether or not any issue thereof shall be subordinated as to payment to any other issue thereof, from time to time issued by AMP (including any legal successor thereto) to finance or refinance any cost, expense or liability paid or incurred or to be paid or incurred by AMP in connection with the planning, investigating, engineering, permitting, licensing, financing, acquiring and construction of any and all real or personal property, facilities, rights, licenses, permits that constitute the AMP Hydro System and any other Power Sales Contract Resources, and the refurbishing, operating, maintaining, improving, repairing, replacing, retiring, decommissioning or disposing of the AMP Hydro System or any other power Sales Contract Resources or otherwise paid or incurred or to be paid or incurred by AMP in connection with the performance of its obligations under the Power Sales Contract or any Related Agreement, and shall include revenue bonds, notes, bank loans, commercial paper, or any other evidences of indebtedness issued by AMP (including any legal successor thereto) to refund any outstanding revenue bonds, notes, bank loans, commercial paper, or any other evidences of indebtedness issued by AMP (including any legal successor thereto) for any of the foregoing purposes, as well as the repayment of interim financing for all AMP Hydro System or other Power Sales Contract Resources Developmental Costs advanced by AMP and its Members. Bonds shall also include any interest rate hedge, swap instrument and the effect thereof, where the context is appropriate.

Commercial Operation Date shall mean the earliest date, confirmed by a certificate by an independent engineer selected by AMP, that a generating unit of the AMP Hydro System is determined to be in service after physical completion, completion of all specified testing and release by such unit's equipment suppliers and contractors for all commercial operating purposes without material restrictions.

Contract or Power Sales Contract shall mean the Power Sales Contract dated as of November 1, 2007, between AMP and the 79 Participants.

Demand Charge shall mean the rate or charge to the Participants principally designed to recover fixed costs of Power Sales Contract Resources.

Developmental Costs shall mean all development costs incurred by AMP in furtherance of the planning, siting, engineering, permitting, land acquisition and related activities in connection with the AMP Hydro System, potential and actual Additional Projects, or other Power Sales Contract Resources, which are to be reimbursed to AMP from the proceeds of its first issuance of Bonds, and a portion of which shall be remitted by AMP to AMP members and Michigan South Central Power Agency in accordance with certain developmental agreements between AMP and those entities.

Energy Charge shall mean the rate or charge to the Participants, principally designed to recover variable costs of the output of Power Sales Contract Resources.

Environmental Fund shall mean the subfund of the Reserve and Contingency Subfund that may be used from time to time to mitigate AMP Hydro System or other Power Sales Contract Resources environmental impacts or to moderate volatility in the costs of environmental compliance, including, but not limited to, the funding of reserves for, or the purchase of, allowances or offsets from Participants, AMP or others.

Force Majeure shall mean any cause beyond the control of AMP or a Participant, including, but not limited to, failure of facilities, flood, earthquake, storm, lightning, fire, epidemic, pestilence, war, riot, civil disturbance, labor disturbance, sabotage, and restraint by court or public authority, which by due diligence and foresight AMP or such Participant, as the case may be, could not reasonably have been expected to avoid.

Load Factor shall mean the Participant's energy scheduled from Power Sales Contract Resources over a time period in MWh, divided by Participant's PSCR Share in MW multiplied by the hours in the same time period.

MISO RTO shall mean the Midwest Independent System Operator RTO or its successor organization.

O&M Expenses of a Participant shall mean (i) the ordinary and usual operating expenses, of its Electric System including purchased power expense and all amounts payable by the Participant to or for the account of AMP under the Power Sales Contract, including its obligations for Step Up Power; and (ii) to the extent not included in (i), all other items included in operating expenses under generally accepted accounting principles as adopted by the Governmental Accounting Standards Board or other applicable authority; provided, however, that if any amount payable by the Participant under the Power Sales Contract is prohibited by applicable law or by an existing contract from being paid as an O&M Expense of the Participant's Electric System, such amount shall be payable from any available funds of the Participant's Electric System and shall constitute an O&M Expense of the Participant's Electric System at such time as such law or contract shall permit or terminate.

Operating Agreement shall mean any agreements between AMP and other joint owners of any of the facilities that constitute the AMP Hydro System or other Power Sales Contract Resources for the operation, fuel and maintenance, including repairs and replacements, thereof.

Participants Committee shall mean a committee of AMP's Board of Trustees consisting of Participants, the members of which, in the aggregate, have not less than a majority of the PSCR Shares, organized and operating in accordance with the terms of the Power Sales Contract.

PJM RTO shall mean the PJM RTO or its successor organization.

Points of Delivery shall mean the points at which AMP shall be required to deliver power and energy to or for the benefit of each of the respective Participants from the various hydroelectric generation facilities comprising the AMP Hydro System pursuant to the Power Sales Contract at the PSR.

Power Sales Contract Resources or PSCR shall mean, to the extent acquired or utilized by AMP to meet its obligations to deliver electric power and energy to the Participants at their respective Points of Delivery pursuant to the Power Sales Contract, (i) the AMP Entitlement and (ii) all sources of Replacement Power and Transmission Service, whether real or personal property or contract rights.

Postage Stamp Rates or PSR means the total delivered cost to Participants for Demand Charges, Energy Charges and any power cost adjustments at the Points of Delivery, as specified in the Rate Schedule.

Project Costs shall mean all costs incurred in connection with the planning, investigating, licensing, siting, permitting, engineering, financing, equipping, construction and acquisition of the Project including, without limitation, and the costs of any necessary transmission facilities or upgrades required to interconnect any of the generation facilities of AMP Hydro System with the PJM RTO, MISO RTO or any other transmission provider and transmit power and energy to the Participants, any other Developmental Costs, all FERC license costs and payments to prior or current licenses associated with securing the rights to any FERC licenses or rights to output associated with the same, any payments of taxes or in lieu of taxes and interest during construction of the Project, initial inventories, including the purchase of any inventories of emission allowances or other environmental rights, working capital, spares and other start up related costs, related environmental compliance costs, legal, engineering, accounting, advisory and other financing costs relating thereto and the refurbishing, improving, repairing, replacement, retiring, decommissioning or disposing of the Project, or otherwise paid or incurred or to be paid or incurred by or on behalf of the Participants or AMP in connection with its performance of its obligations under the Power Sales Contract, any Trust Indenture or any Related Agreement and may include the cost of the prepayment for Replacement Power.

PSCR Share for any Participant expressed in kilowatts (kW) shall mean such Participant's nominal entitlement to power and associated energy from the Power Sales Contract Resources such that the sum of all PSCR shares (in kW) equals the AMP Entitlement (in kW) from the AMP Hydro System; subject to adjustment as set forth in the Power Sales Contract. PSCR Share for any Participant expressed as a percentage (%), rounded to the nearest one-hundredth of one percent, shall mean the result derived by dividing such Participant's PSCR Share in kW by the total of all of the Participants' PSCR Shares (including such Participant's PSCR Share) in kW such that the sum of all such PSCR shares (in %) is one hundred percent (100%).

Prudent Utility Practice shall mean any of the practices, methods and acts which, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the United States electrical utility industry prior

thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. It includes a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

Rate Schedule shall mean the schedule of rates and charges attached to the Power Sales Contract, as the same may be revised from time to time in accordance with the provisions of said Contract.

Rate Stabilization Fund shall mean the subfund of the Reserve and Contingency Fund that may be used from time to time to moderate volatility of the PSR.

Regulations shall mean the bylaws for Participants and Participants Committee meetings and actions, as the same may be amended from time to time.

Related Agreements shall mean any Operating Agreement, agreements for interconnection of the facilities comprising the AMP Hydro System or other Power Sales Contract Resources to the appropriate transmission system, including, any agreements for Supplemental Transmission Service and the interconnection agreement for the interconnection of the facilities comprising the AMP Hydro System to the PJM RTO or MISO RTO transmission systems, any agreements with the U.S. Army Corps of Engineers relating to the AMP Hydro System, any agreements for the purchase of electric power and energy, other agreements for Transmission Service to enable AMP to meet its obligations to deliver electric power and energy for the Participants at their respective Secondary Points of Delivery pursuant to the Power Sales Contract, and all other agreements of greater than one (1) year in length entered into by AMP for the acquisition of Power Sales Contract Resources, all as the same may be amended from time to time.

Replacement Power shall mean power and energy purchased by AMP (i) after the effective date of the Power Sales Contract but prior to the Commercial Operation Date of the last generating unit of the AMP Hydro System for delivery to the Participants provided that such purchase is approved by a Super Majority of the Participants; (ii) on or after the Commercial Operation Date of the first generating unit of the AMP Hydro System to back-up all or any portion of the output of the Project's generation facilities or to replace the same during periods in which any unit of the AMP Hydro System is not, for any reason, in service or is derated or otherwise incapable of generating its full nominal capability; or (iii) when, in AMP's estimation and in accordance with procedures approved by the Participants Committee, to purchase from or sell to the market, perform commodity swaps or other like transactions such as capacity swaps, reliability exchanges and reserve sharing arrangements, will lower the expected PSR or is consistent with Prudent Utility Practices.

Reserve and Contingency Fund shall have the meaning set forth in a Trust Indenture and refers to a special fund, including subfunds, established by AMP to accumulate funds sufficient to provide an immediately available source of funds for the extraordinary maintenance, repair, overhaul and replacement of the Project facilities and equipment, to mitigate environmental impacts, achieve environmental compliance or purchase allowances (Environmental Account) to stabilize or mitigate rate increases to the Participants (Rate Stabilization Account) and to meet other requirements of a Trust Indenture for which other funds are not, by the terms of a Trust Indenture, immediately available.

RTO shall mean any one of the Regional Transmission Organizations approved by the Federal Energy Regulatory Commission or its successors or assigns, the territory of which includes the transmission systems to which the Point of Delivery is connected.

Secondary Points of Delivery shall mean the receipt point for each Participant which is either (i) a metered point of interconnection with the transmission or distribution system of the Participant or (ii) any other metered point of interconnection designated by a Participant for ultimate delivery of power and energy from the Points of Delivery to such Secondary Delivery Point under the Power Sales Contract; provided; however, that the Secondary Point of Delivery with respect to any Participant may, with AMP's written approval (which approval shall not be unreasonably withheld), be changed by such Participant.

Service Fee shall mean AMP's Service Fee B charge of up to one mill ($0.001) per kWh for all energy delivered pursuant to the Power Sales Contract to the respective Participants at their respective Points of Delivery under the Power Sales Contract. Said charge may be prospectively increased or decreased at the sole option of AMP's Board of Trustees at any time provided, however, that except as provided below, such fee shall not exceed one mill ($0.001) per kWh. Service Fee B may be increased above $0.001 per kWh with the approval of both the AMP Board of Trustees and the Participants Committee.

Step Up Power Costs shall mean that portion of Revenue Requirements that is allocable to a defaulting Participant's payment obligations under the Power Sales Contract.

Super Majority shall mean not less than a seventy-five percent (75%) majority of the weighted vote, based upon PSCR Shares, of all the Participants.

Supplemental Transmission Service shall mean the power delivery service under any agreements, tariffs and rate schedules necessary or convenient to transmit power and energy made available to or for the benefit of any Participant for delivery from the Points of Delivery to a Secondary Point of Delivery.

Transmission Service shall mean all transmission arrangements, together with all related or ancillary services rights and facilities, to the extent the same are necessary or prudent to provide for delivery of power and energy to the Points of Delivery.

Trust Indenture shall mean any one or more trust indentures, trust agreements, loan agreements, resolutions or other similar instruments providing for the issuance and securing of Bonds.

Sale and Purchase. (A) AMP agrees to sell to each Participant, and each Participant agrees to buy from AMP, such Participant's PSCR Share (in kW) of the Power Sales Contract Resources as set forth in the Power Sales Contract, subject to increase in an event of default of a Participant.

(B) Subject to the absolute payment obligations of the Participants, AMP (i) shall borrow, and capitalize from the proceeds of such borrowing, all or a portion of the amounts otherwise payable by the Participants in respect of AMP's Revenue Requirements prior to the Commercial Operation Date of the first generating unit of the AMP Hydro System and (ii) may borrow, and capitalize from the proceeds of such borrowing, all or a portion of the amounts otherwise payable by the Participants in respect of AMP's Revenue Requirements prior to the Commercial Operation Date of the last generating unit of the AMP Hydro System and for a reasonable time thereafter, or (iii) to the extent that AMP, upon the request and subject to the approval of the Participants Committee, does not borrow and capitalize from the proceeds of such borrowing all of AMP's Revenue Requirements prior to the Commercial Operation Date of the first generating unit of the AMP Hydro System and for a reasonable period thereafter, AMP shall, to such extent and only upon not less than one hundred twenty (120) days prior written notice, bill the Participants for their PSCR Shares of up to twenty-five percent (25%) of AMP's Revenue Requirements for such period or, with the approval of a Super Majority of the Participants, up to one hundred percent (100%) of AMP's Revenue Requirements for such period.

(C) Upon the request and subject to approval of a Super Majority of the Participants, in order to decrease the amount of capitalized interest which may otherwise be accrued during the construction of the AMP Hydro System, AMP may purchase and sell and deliver to the Participants, prior to the Commercial Operation Date of the AMP Hydro System last generating unit, power and energy under the Power Sales Contract from Power Sales Contract Resources in *pro rata* amounts up to the amounts listed in the Power Sales Contract for such period and in such amounts as determined appropriate by the Participants Committee, at rates which cover all costs of such power and which may include all or any portion of AMP's Revenue Requirements for such period; provided, however, that any Participant may elect not to receive such energy and only be charged the Demand Charge portion of Revenue Requirements relating to such interest during construction.

(D) If at any time any Participant has power and energy in excess of its needs, it may request that AMP sell and deliver any or all of said Participant's PSCR Share of power and energy available under the Power Sales Contract, and AMP shall use commercially reasonable efforts in consultation with such Participant to attempt to sell such surplus for such Participant at not less than a minimum price approved by the Participant.

AMP Undertakings. (A) AMP, in good faith and in accordance with the provisions of the Power Sales Contract and Prudent Utility Practice:

(i) shall undertake, or cause to be undertaken, the planning, developing, engineering, acquisition, construction and equipping of the Project; the financing of costs of the same (including financing costs, legal, engineering, accounting and financial advisory fees and expenses and Developmental Costs) and the operating, maintaining, refurbishing, replacing, retiring, decommissioning and disposing of the Project; and to obtain, or cause to be obtained, all Federal, state and local permits, licenses and other rights and regulatory approvals necessary or convenient to accomplish the same;

(ii) shall utilize to the extent available and in the best interests of the Participants, the Project's hydroelectric facilities as the primary Power Sales Contract Resource to fulfill its obligations to deliver power and energy to the Participants at the Point of Delivery and respective Secondary Points of Delivery and utilize Replacement Power, when prudent and appropriate, as secondary Power Sales Contract Resources; and

(iiii) may undertake, or cause to be undertaken, the acquisition of other Power Sales Contract Resources, in addition to the Project, as AMP deems necessary or desirable to enable AMP to deliver electric power and energy to the Participants at their respective Points of Delivery in such amounts and on such terms as are set forth in the Power Sales Contract; provided, however, that any obligations for any such additional Power Sales Contract Resources shall be subject to approval of the Participants Committee if (a) such obligations are for periods greater than one (1) year or (b) if such obligations are for other than Replacement Power during deratings or planned or forced outages of any of the facilities comprising the AMP Hydro System or other Power Sales Contract Resources; and

(iv) may, at the direction of the Participants Committee, utilize funds from the Reserve and Contingency Fund, to the extent not inconsistent with any Trust Indenture, to defray the costs of Replacement Power to the Participants during any prolonged outage or derating of any of the facilities comprising the AMP Hydro System; and

(v) shall inform the Participants Committee on a regular basis, not less often than in conjunction with the regular meetings of the AMP Board of Trustees, of its actions, plans and

efforts undertaken in furtherance of the provisions of the Power Sales Contract including review of the Project's proposed annual operating and capital budgets prior to their adoption and to receive and give due consideration to any recommendations of the Participants Committee regarding the same; and

(vi) shall submit to the Participants Committee for approval, the general plan of financing for the Project along with any proposed material changes to such general plan as the same may be proposed from time to time.

(B) In the event that, notwithstanding its efforts undertaken in accordance with the Power Sales Contract, AMP is unable to supply all of the power and energy contracted for by the Participants, it shall allocate the power and energy available from the Power Sales Contract Resources among the Participants *pro rata,* on the basis of their respective PSCR Share percentages.

(C) In the event that at any time Power Sales Contract Resources acquired by AMP to supply power and energy to the Participants at the Point of Delivery and their respective Secondary Points of Delivery pursuant to the Power Sales Contract result in surplus power, surplus energy, surplus Transmission Service or Supplemental Transmission Service capacity, or other surplus rights, products or services that AMP believes may be salable to another entity in light of prevailing market conditions and the characteristics of any such surplus, or which due to prevailing market conditions make it desirable and in the best interests of AMP, the holders of the Bonds or the Participants to sell all or any portion of the power and energy associated with the Project or other Power Sales Contract Resource and utilize Replacement Power, to the extent required, to replace the same, AMP shall use commercially reasonable efforts to attempt to sell such surplus power, surplus energy, surplus transmission capacity, or other surplus product or service or such power and energy for such Participant at not less than a minimum price approved by the Participant, on such terms and for such period as AMP deems appropriate and as AMP deems not adverse to the tax or regulatory status or other interests of AMP, the Participants or any Bonds. All net revenues received by AMP from such surplus sales shall be utilized by AMP to reduce the Revenue Requirements that otherwise must be paid by the Participants and thereby offset rates and charges to the Participants under the Power Sales Contract. Any such sales for periods of one year or greater shall be subject to approval by the Participants Committee.

(D) In addition to such sales of power and energy to any entity permitted by the Power Sales Contract, AMP may (i) sell, on a temporary or permanent basis, or otherwise dispose of fuel, emission allowances or other inventory or spare parts for or byproducts from the AMP Hydro System or any other Power Sales Contract Resource or sell, lease or rent any excess land or land rights, including mineral or other subsurface rights and facilities associated with any by-product not required for operation of the AMP Hydro System or any other Power Sales Contract Resource or (ii) sell, lease or otherwise dispose of on a temporary or permanent basis any other rights or interests associated with any Power Sales Contract Resource; provided, however, that prior to entering into any such agreement on a permanent basis, or for any term of five (5) years or longer, AMP shall have determined that such disposition will not adversely affect the tax or regulatory status of AMP or any Bonds and, for such sales if the rights or interests are valued in excess of $500,000 in 2007 dollars, shall have obtained the approval of the Participants Committee and a report or certificate of an independent engineer or engineering firm or corporation having a national reputation for experience in such work to the effect that such permanent sale, lease or other disposition should not, in the ordinary course of operation of the affected Power Sales Contract Resource, materially adversely affect the operation of the affected Power Sales Contract Resource or AMP's ability to perform its obligations under the Power Sales Contract.

(E) All power sold or made available under the Power Sales Contract shall include the associated capacity, in kW, and AMP, upon written request of a Participant, shall provide such Participant

with any appropriate certifications reasonably necessary for the Participant to confirm its rights to such capacity for any purpose, including any requirements of the MISO RTO or the PJM RTO.

(F) AMP covenants that it shall, prior to entering into any such agreements and in consultation with the Participants Committee, adopt, maintain and revise from time to time a written policy respecting any variable rate indebtedness and hedge or swap agreements entered into under the Power Sales Contract, including the circumstances and terms under which any such agreements may be terminated.

(G) Other than for sales of two (2) months or less, AMP shall be obligated to provide the Participants a right of first refusal with respect to Power Sales Contract Resources, it is understood by the Participants that it may be in the best interests of the Participants for AMP to resell such Power Sales Contract Resources immediately and that it may be impracticable for AMP to effectively communicate a *bona fide* offer to all the Participants of such Power Sales Contract Resources under the circumstances.

(H) AMP and the Participants recognize that there may be certain environmental attributes such as green tags, renewable energy credits, carbon credits or the like associated with AMP Hydro System's hydroelectric generation. Each Participant shall be entitled to a share of the benefits associated with all such environmental attributes in proportion to its PSCR Share, AMP shall adopt, from time to time, with the approval of the Participants Committee, protocols for utilizing or distributing such environmental attributes to, or for the benefit of, the Participants.

Rates and Charges; Method of Payment. (A) After consultation with the Participants Committee, the Board of Trustees of AMP shall establish, maintain and adjust rates or charges, or any combination thereof, as set forth in the Rate Schedule, for the capability and output of the Power Sales Contract Resources sold to the Participants under the Power Sales Contract that result in Postage Stamp Rates and other rates and charges, adjusted as set forth in the Power Sales Contract, at levels that will provide revenues to or for the account of AMP sufficient, but only sufficient, to meet the Revenue Requirements of AMP, which Revenue Requirements shall consist of the sum of the following without duplication:

(i) all costs incurred by AMP under the Related Agreements, including, without limitation, all costs to AMP of any Replacement Power, and the cost of Transmission Service for delivery of electric power and energy under the Power Sales Contract to the Points of Delivery as well as any costs incurred in the event AMP defaults on its obligations and a third party is brought in to perform whatever duties or obligations are not being performed by AMP;

(ii) all costs incurred by AMP for the operation and maintenance of all Power Sales Contract Resources, including but not limited to, the costs of equipment and other leases, an appropriate allocation of AMP's energy control center, metering and other common costs of AMP reasonably allocable to Power Sales Contract Resources and not otherwise recovered by the Service Fee or other fees or charges, such as AMP's Energy Control Center charges, that AMP charges the Participants pursuant to other agreements, the cost to AMP of taxes, payments in lieu of taxes, all permits, licenses and related fees, related to any Power Sales Contract Resource, the cost of insurance and damage claims to the extent associated with any Power Sales Contract Resource, any fuel and fuel related costs, pollution control or emissions costs, fees and allowances, cost of any refunds to any Participant pursuant to the provisions of the Power Sales Contract and (to the extent not paid out of the proceeds of Bonds or related investment income) legal, engineering, accounting and financial advisory fees and expenses;

(iii) costs of decommissioning and disposal of properties constituting Power Sales Contract Resources, including reserves therefor;

(iv) the cost to establish and maintain, or to obtain the agreement of third parties to provide to the extent not included in Project Costs, an allowance for working capital, inventories and spares, including emission fees, allowances, credits or other environmental rights, and reasonable reserves for repairs, refurbishments, renewals, replacements and other contingencies deemed necessary by the Board of Trustees of AMP in order to carry out its obligations under the Power Sales Contract and the cost to AMP of renewals and replacements of all Power Sales Contract Resources to the extent not paid for out of working capital or reserves;

(v) the cost of power supply engineering, planning and forecasting incurred by AMP in connection with the performance of its obligations under the Power Sales Contract or in attempting to comply with laws or regulations requiring the same to the extent such laws or regulations are applicable to Power Sales Contract Resources;

(vi) the Service Fees not otherwise charged by AMP pursuant to other agreements;

(vii) the costs of Supplemental Transmission Services furnished or procured and paid by AMP for the respective Participants as set forth in the Rate Schedule, such costs to be reimbursed to AMP by the respective Participants receiving such services and not through the PSR;

(viii) payments of principal of and premium, if any, and interest on all Bonds, payments which AMP is required to make into any fund or account during any period to be set aside for the payment of such principal, premium or interest when due from time to time under the terms of any Trust Indenture (whether, in the case of principal of any Bond, upon the stated maturity or upon prior redemption, including any mandatory sinking fund redemption, under such Trust Indenture), and payments which AMP is required to make into any fund or account to establish or maintain a reserve for the payment of such principal, premium or interest under the terms of any Trust Indenture, provided, however, that the amounts required to be included in Revenue Requirements pursuant to this clause (viii) shall not include payments in respect of the principal of any Bonds payable solely as a result of acceleration of maturity of such Bonds and not otherwise scheduled to mature or to be redeemed by application of mandatory sinking fund payments; provided further, however, that the amounts required to be included in Revenue Requirements pursuant to this clause (viii) may include payments in respect of a termination of a hedge or swap agreement;

(ix) amounts required under any Trust Indenture to be paid or deposited into any fund or account established by such Trust Indenture (other than funds and accounts referred to in clause (viii) above), including any amounts required to be paid or deposited by reason of the transfer of moneys from such funds or accounts to the funds or accounts referred to in clause (viii) above;

(x) the cost to establish and maintain additional reserves, or to obtain the agreement of third parties to provide, for contingencies including (a) reserves against losses established in connection with any program of self-insurance, (b) the making up of any deficiencies in any funds or accounts as may be required by the terms of any Trust Indenture, (c) contributions to any Rate Stabilization Fund or Environmental Fund, subject, to the extent not otherwise required to be paid as a part of Revenue Requirements or required by any Trust Indenture, to approval by the Participants Committee;

(xi) amounts required to be paid by AMP to procure, or to perform its obligations under, any liquidity or credit support obligation (to the extent not included in clause (viii) above), interest rate swap or hedging instrument (including, in each case, any amounts due in connection with the termination thereof to the extent not included in clause (viii) above) associated with any Bonds or amounts payable with respect thereto;

(xii) additional amounts, if any, which must be realized by AMP in order to meet the requirements of any rate covenant with respect to coverage of debt service on Bonds under the terms of any Trust Indenture, and such additional amounts as may be deemed by AMP desirable to facilitate marketing Bonds on favorable terms; and

(xiii) any cost or expenditure associated with the AMP Hydro System facilities compliance with reliability standards approved by FERC.

less amounts arising from any Operating Agreement and amounts available as a result of any appropriate refunds, rebates, miscellaneous revenues or other distributions relating to the AMP Hydro System and any sales of surplus power or any Power Sales Contract Resource (after payment of all associated costs and expenses incurred by AMP in connection therewith) and less any Bond proceeds or related investment income applied by AMP in the exercise of its discretion to pay any costs referred to in clauses (i) through (xii) above, provided, however that in the event that any Trust Indenture requires another application of such funds or AMP determines that any of such amounts of proceeds or income must be applied in accordance with the provisions of clause (i) of (J) below, then and to such extent such other application shall be required, such funds shall be so applied.

(B) The Revenue Requirements of AMP in respect of any month shall be computed as provided above and shall be paid by the respective Participants through rates and charges as set forth in the Rate Schedule. In determining the rates and charges under the Power Sales Contract, estimated amounts may be utilized until actual data becomes available, at which time any necessary adjustments necessary to true-up the estimates to actual shall be made.

(C) The rates and charges to each of the Participants under the Power Sales Contract, as set forth on the Rate Schedule, shall be a uniform PSR to the primary Points of Delivery.

(D) After consultation with the Participants Committee, the Board of Trustees of AMP will determine and establish the initial Rate Schedule to be effective, on or about the Commercial Operation of the first generating unit of the AMP Hydro System, to meet AMP's Revenue Requirements. At such intervals as the Board of Trustees of AMP shall determine appropriate, but in any event not less frequently than at the end of each quarter during each Contract Year, the Participants Committee and the Board of Trustees of AMP shall review and, if necessary, the Board of Trustees shall revise prospectively the Rate Schedule to ensure that the rates and charges under the Power Sales Contract continue to cover AMP's estimate of all of the Revenue Requirements and to recognize, to the extent not inconsistent with the Power Sales Contract, other factors and changes in service conditions as it determines appropriate. AMP shall transmit to each Participant a copy of each revised Rate Schedule, setting forth the effective date thereof, for delivery not less than thirty (30) days prior to such effective date. Each Participant agrees that the revised Rate Schedule, as determined from time to time by the Board of Trustees of AMP, shall be deemed to be substituted for the Rate Schedule previously in effect and agrees to pay for electric power and energy and related Transmission Service made available by AMP to it under the Power Sales Contract after the effective date of any revision of the Rate Schedule in accordance with such revised Rate Schedule. Unless otherwise determined by the AMP Board of Trustees, the Rate Schedule shall be structured so as to consist of: (i) a Demand Charge, principally designed to recover fixed costs, including

the fixed costs of Transmission Service, associated with providing Power Sales Contract Resources; (ii) an Energy Charge, principally designed to recover the variable costs of providing the output of Power Sales Contract Resources and the variable costs of Transmission Service; (iii) a Power Cost Adjustment Factor designed to adjust either or both the Demand Charge or Energy Charge upward or downward to reflect monthly changes in fuel and environmental costs and purchased power, any power sales to third parties and any changes in the cost of Transmission Service; (iv) the Service Fee; and (v) a Participant specific rate for Supplemental Transmission Service for each Secondary Delivery Point to the extent AMP incurs costs related thereto. The determination of the Power Cost Adjustment Factor each month shall be made by appropriate officials designated by the Board of Trustees of AMP according to methodology determined by the Participants Committee and approved by the Board of Trustees, no specific action by the Participants Committee or Board of Trustees to approve the Power Cost Adjustment Factor so determined each month shall be required.

(E) Unless some other time period is otherwise approved by the AMP Board of Trustees and the Participants Committee, in each month after the establishment of the initial Rate Schedule, AMP shall render to each Participant a monthly invoice showing the amount payable by such Participant under the Power Sales Contract with respect to power and energy, Transmission Service, including any Supplemental Transmission Service or other charges, credits, adjustments or true-ups, applicable to such Participant with respect to the immediately preceding month. Prior to the Commercial Operation of the first generating unit of the AMP Hydro System, such invoice may include payments with respect to any Bonds issued as well as Replacement Power. Such Participant shall pay such amounts to AMP, at such time and in such manner as shall provide to AMP (or such other person so designated by AMP) funds available for use by AMP (or its designee, including a trustee under any Trust Indenture) on the first banking day not more than the fifteenth (15^{th}) day after the date of the issuance of the monthly invoice.

(F) If any Participant does not make a required payment in full in funds available for use by AMP (or its designee) on or before the close of business on the due date thereof, a delayed-payment charge on the unpaid amount due for each day over-due will be imposed at a rate per annum equal to the lesser of (i) the maximum rate permitted by law, and (ii) two percent (2%) per annum above the rate available to AMP through its short-term credit facilities as the same may be adjusted from time to time, together with any damages or losses incurred by AMP, or through AMP, or any other Participant, as a result of such failure to make timely payment which is not compensated by such delayed-payment charge.

(G) In the event of any dispute by any Participant as to any portion of any invoice, such Participant shall nevertheless pay the full amount of the disputed charges when due and shall give written notice of the dispute to AMP not later than one hundred eighty (180) days from the date such payment is due; provided, however, that AMP shall not be required to refund any disputed amounts relating to third-party charges if such notice, although timely, does not afford AMP a reasonable opportunity to pursue a claim against such third-party due to the requirements of a Related Agreement, Supplemental Transmission Agreement, RTO or other Transmission Service provider dispute resolution procedures. Such notice shall identify the disputed invoice, state the amount in dispute and set forth a full statement of the grounds on which such dispute is based. Billing disputes and any subsequent adjustments shall be limited to the two (2) year period prior to the date timely notice was given; provided, however, that to the extent AMP may reasonably pursue a third-party on account of such dispute for a period longer than such two (2) year period, AMP shall do so and adjustments may, to such extent, relate to such longer period.

(H) In the event that at any time AMP shall determine that it has rendered an invoice containing a billing error, AMP shall furnish promptly to each Participant whose invoice was in error a revised invoice, clearly marked as such, with the error corrected. If the revised invoice indicates that the Participant has been undercharged, the difference between the amount paid by the Participant and the correct amount, together with interest (from the date of payment by the Participant of the incorrect

amount to the due date of the invoice next submitted to the Participant after AMP has furnished the revised invoice) at the rate which would apply under the Power Sales Contract to overdue payments by such Participant, less two percent (2%), shall be paid by the Participant to AMP (or such other person designated by AMP) at such time and in such manner as shall provide to AMP (or such other person so designated) funds available for use by AMP (or its designee) on the due date of such next invoice. If the revised invoice indicates that the Participant has been overcharged, the difference between the correct amount and the amount paid by the Participant, together with interest (from the date of payment by the Participant of the incorrect amount to the due date of the invoice next submitted to the Participant after AMP has furnished the revised invoice) at the rate which would apply under the Power Sales Contract to overdue payments by such Participant, less two percent (2%), shall be subtracted by AMP from the invoice next submitted to such Participant (and paid by AMP to the Participant in funds available for use by the Participant on the due date of such next invoice if, but only to the extent by which, the amount so due to the Participant exceeds the amount of the next invoice). The date of payment by the Participant shall mean the date on which funds in the amount so paid first become available for use by AMP (or its designee).

(I) The obligations of each Participant to make its payments shall constitute obligations of such Participant payable as an O&M Expense of its Electric System. No Participant shall be required to make payments under the Power Sales Contract except from the revenues of its Electric System and from other funds of such system legally available therefor. In no event shall any Participant be required to make payments under the Power Sales Contract from tax revenues, or any other source of funds other than its Electric System's funds, but it may elect, in its sole discretion, to do so. The obligations of each Participant to make payments described under this heading in respect of any month or other billing period shall be on a "take-or-pay" basis and, therefore, shall not be subject to any reduction, whether by offset, counterclaim, or otherwise, such payment obligations of such Participant shall not be conditioned upon the performance by AMP or any other Participant of its obligations under the Power Sales Contract, or any other agreement, and such payments shall be made whether or not any generating unit of the AMP Hydro System, any other component of the Project or any other Power Sales Contract Resource is completed, operable, operating and, as long as Bonds remain outstanding, notwithstanding the suspension, interruption, interference, reduction or curtailment, in whole or in part, for any reason whatsoever, of the AMP Entitlement or the Participant's PSCR Share, including Step Up Power, if any; provided, however, that nothing contained in the Power Sales Contract shall be construed to prevent or restrict such Participant from asserting any rights which it may have against AMP under the Power Sales Contract or in any provision of law, including institution of legal proceedings.

For purposes of paragraph (I) above, it should be noted that the City of Coldwater and the City of Marshall, Michigan (each a "Michigan Participant") each have bond issues outstanding that limit the payments from each under the Power Sales Contract from being considered an O&M Expense of their respective Electric Systems. Therefore, as long as a Michigan Participant's current bond issues remain outstanding, the Michigan Participant's obligations to make payments under the Power Sales Contract (i) shall constitute obligations of such Michigan Participant payable as an O&M Expense of its Electric System so long as such obligations are "take and pay" obligations and (ii) shall constitute obligations payable from any revenues or other moneys of the Michigan Participant's Electric System legally available for the purpose if and to the extent such obligations are payable on a "take-or-pay" basis. However, once the currently outstanding bonds of a Michigan Participant are no longer outstanding under the terms of their applicable ordinance, all of the Michigan Participant's obligations to make payments under the Power Sales Contract shall constitute obligations of such Michigan Participant payable as an O&M Expense of its Electric System on a "take-or-pay" basis.

(J) Proceeds from the sale of Bonds in excess of the amount required for the purposes for which such Bonds were issued and investment income earned on any investments held under the Trust

Indenture shall be applied, subject to the provisions of any Trust Indenture, by AMP, as approved by the Participants Committee (i)(a) to pay principal or interest on the Bonds, (b) to the purchase or redemption of Bonds prior to their stated maturity, (c) to the payment of costs of renewals and replacements of any property constituting a part of the Power Sales Contract Resources, or as a reserve therefor and (ii) as a credit against the Revenue Requirements. Insurance proceeds, condemnation awards and damages received by AMP in connection with any Power Sales Contract Resource and not required to be applied to the restoration, renewal or replacement of facilities, and proceeds from the sale or disposition of surplus property constituting a part of the Power Sales Contract Resources, shall be applied by AMP, subject to approval by the Participants Committee, (a) to the purchase or redemption of Bonds prior to their stated maturity, (b) to the payment of costs of renewals and replacements of any property constituting a part of the Power Sales Contract Resources, or as a reserve therefor by deposit to the Reserve and Contingency Fund, or (c) as a credit against Revenue Requirements. If any Trust Indenture, any instrument of a similar nature relating to borrowings by AMP to finance Power Sales Contract Resources or any Related Agreement shall require the application of any amount referred to in the foregoing provisions to any specific purpose, AMP shall apply such amount to such purpose as so required.

Force Majeure. Neither AMP nor any Participant shall be considered to be in default in respect to any obligation under the Power Sales Contract (other than the obligation of each Participant to make payments) if prevented from fulfilling such obligation by reason of *Force Majeure*. A party rendered unable to fulfill any such obligation by reason of *Force Majeure* shall exercise due diligence to remove such inability with all reasonable dispatch and such party shall promptly communicate with the other regarding such *Force Majeure*, its expected length and the actions being taken to remove the same.

Insurance. AMP shall maintain, or cause to be maintained, in force, and is authorized to procure insurance with responsible insurers with policies payable to the parties as their interests shall appear, against risk of direct physical loss, damage or destruction, at least to the extent that similar insurance is mandated by law or usually carried by utilities constructing and operating facilities of the nature of the facilities of the Power Sales Contract Resources, including liability insurance, workers' compensation and employers' liability, all to the extent available at reasonable cost and subject to reasonable deductible provisions, but in no case less than will satisfy all applicable regulatory requirements, including FERC license requirements and requirements of the U.S. Army Corps of Engineers and conform to Prudent Utility Practice. AMP may procure additional insurance subject to the approval of the Participants Committee. Notwithstanding the foregoing, AMP may, to the extent permitted by the Related Agreements, the Trust Indentures and the similar instruments relating to borrowings by AMP to finance Power Sales Contract Resources and, subject to the approval of the Participants Committee, self-insure or participate in a program of self-insurance or group insurance to the extent it receives a written opinion of a qualified insurance consultant that such self-insurance, after consideration of any existing or required reserve deposits, is reasonable in light of existing programs of comparable utilities constructing and operating facilities of the nature of the facilities of the Power Sales Contract Resources.

Bonds; Trust Indenture; Power Sales Contract. AMP shall issue Bonds for the purpose of paying Project Costs as well as all or any part of the costs of planning, engineering, siting, permitting, acquiring, constructing, improving, repairing, restoring, renewing or refurbishing Power Sales Contract Resources, including, without limitation, reimbursement of all Developmental Costs or to refund any outstanding Bonds, all upon such terms and pursuant to one or more Trust Indentures having such terms as AMP, in its sole discretion and exclusive judgment, deems necessary or desirable to enable AMP to fulfill satisfactorily its obligations under the Power Sales Contract; provided, however, that AMP shall not issue Bonds having a final maturity date extending beyond the later of 2057 or the initial estimated useful life of the Project, as estimated, in a report or certificate of an independent engineer or engineering firm or corporation having a national reputation for experience in electric utility matters. All Bonds, any Trust Indenture, and all revenues and other funds of AMP allocable to the Participants and to this Power

Sales Contract, other than the Service Fee, shall be separate and apart from all other borrowings, indentures, revenues, and funds of AMP. AMP shall not pledge or assign any of its right, title or interest in, to or under any of the foregoing, the Power Sales Contract or any Power Sales Contract Resources, or otherwise make available any thereof, to secure or pay any indebtedness or obligation of AMP or as otherwise expressly permitted by the Power Sales Contract.

Disposition or Termination of the AMP Hydro System or other Power Sales Contract Resources.

For so long as any Bonds are outstanding, except as otherwise permitted in the Power Sales Contract, AMP shall not sell or otherwise dispose of, in whole or in part, its ownership interest in any of the hydroelectric generation facilities comprising the AMP Hydro System without the consent of a Super Majority of the Participants. The Power Sales Contract does not prohibit (i) a merger or consolidation or sale of all or substantially all of the property of AMP, (ii) any sale, lease or other disposition or arrangements permitted by the Power Sales Contract or (iii) the mortgaging, pledging or encumbering of all or any portion of AMP's ownership interest in the AMP Hydro System or any other Power Sales Contract Resources pursuant to any Trust Indenture to secure any Bonds. Subject to the provisions of the Related Agreements, any facilities of the AMP Hydro System shall be terminated and AMP shall cause such facilities to be salvaged, discontinued, decommissioned, and disposed of or sold in whole or in part on such terms as both the AMP Board of Trustees and the Participants Committee determine to be reasonable and appropriate when:

(a) so required pursuant to the applicable Related Agreement; or

(b) both the AMP Board of Trustees and the Participants Committee determine that AMP is unable to operate such facilities due to licensing or operating conditions or other similar causes; or

(c) both the AMP Board of Trustees and the Participants Committee determine that such facilities are not capable of producing or delivering energy consistent with Prudent Utility Practice.

Additional Covenants of the Participants. (A) Each Participant covenants and agrees to establish and maintain rates for electric power and energy to its consumers which shall provide to such Participant revenues at least sufficient, together with other available funds, to meet its obligations to AMP under the Power Sales Contract; to pay all other O&M Expenses; to pay all obligations, whether now outstanding or incurred in the future, payable from, or constituting a charge or lien on, the revenues of its Electric System; and to make any other payments required by law.

(B) Each Participant covenants and agrees that, unless the Power Sales Contract has been assigned, it shall not sell, lease or otherwise dispose of all or substantially all of its Electric System except on 180 days' prior written notice to AMP and, in any event, shall not so sell, lease or otherwise dispose of the same unless AMP shall reasonably determine that all of the following conditions are met: (i) such Participant shall assign the Power Sales Contract and its rights thereunder (except as otherwise provided in the last sentence of this paragraph) in writing to the purchaser or lessee of the Electric System and such purchaser or lessee, as assignee of rights and obligations of such Participant under the Power Sales Contract, shall assume in writing all obligations (except to the extent theretofore accrued) of such Participant under the Power Sales Contract or such Participant shall post a bond or other security, in either case reasonably acceptable to AMP, to assure its obligations under the Power Sales Contract are fulfilled and clauses (iv) (a), (b) and (c) below are satisfied; (ii) if and to the extent necessary to reflect such assignment and assumption, AMP and such assignee shall enter into an agreement supplemental to the Power Sales Contract to clarify the terms on which power and energy are to be sold by AMP to such

assignee; (iii) the senior debt of such assignee shall be rated in one of the four highest whole rating categories, without regard to sub-categories represented by + or – or similar designations, by at least one nationally recognized bond rating agency or if such entity is not rated, AMP and any trustee under any Trust Indenture shall receive an opinion from a nationally recognized financial expert that the assignment does not materially adversely affect the security for any Bonds; and (iv) AMP shall have received an opinion or opinions of counsel of recognized standing selected by AMP stating that such assignment (a) will not adversely affect any pledge and assignment by AMP of the Power Sales Contract or the revenues derived by AMP thereunder (other than the Service Fee) as security for the payment of Bonds and the interest thereon, (b) is lawfully permitted under applicable law, and (c) will not affect the regulatory or tax status of AMP or any Bonds. Notwithstanding the foregoing, if AMP reasonably determines that the assignment of the Power Sales Contract, pursuant to the immediately preceding sentence in connection with the sale, lease or other disposition of a Participant's Electric System, could reasonably be expected to result in any increase in the rates and charges to any of the remaining Participants for power and energy and associated Transmission Service made available under the Power Sales Contract, AMP may, by delivery of written notice thereof sent no later than 120 days following receipt by AMP of notice sent pursuant to the immediately preceding sentence, refuse to approve such sale, lease or other disposition and, should the Participant nonetheless and in contravention of the provisions of the Power Sales Contract proceed with such sale, lease or other disposition, terminate, effective upon such sale, lease or other disposition, all of such Participant's rights under the Power Sales Contract (except to the extent of any rights theretofore accrued); provided, however, that prior to the effective date of any such termination AMP shall have arranged for the assignment by such Participant of its rights (except as otherwise in the last sentence of this paragraph) and obligations (except to the extent theretofore accrued) under the Power Sales Contract to another entity which assumes in writing all obligations of such Participant (except to the extent theretofore accrued) and which satisfies each of the conditions set forth in clauses (ii) through (iv) of the immediately preceding sentence; provided, further, that nothing contained in this paragraph shall be construed to prevent or restrict any Participant from issuing mortgage revenue bonds (subject to the provisions of (E) below of this heading) secured by a mortgage of the property and revenues of such Participant's Electric System, including a franchise. Each Participant agrees to cooperate in effecting any assignment pursuant to the immediately preceding sentence.

(C) Each Participant covenants and agrees that it shall take no action the effect of which would be to prevent, hinder or delay AMP from the timely fulfillment of its obligations under the Power Sales Contract, any Related Agreement, any then outstanding Bonds or any Trust Indenture; provided, however, that nothing contained in the Power Sales Contract shall be construed to prevent or restrict such Participant from asserting any rights which it may have against AMP or under any provision of law, including institution of legal proceedings for specific performance or recovery of damages.

(D) Each Participant covenants and agrees that it shall, in accordance with Prudent Utility Practice, (i) operate the properties of its Electric System and the business in connection therewith in an efficient manner, (ii) maintain its Electric System in good repair, working order and condition, and (iii) make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its Electric System; provided, however, that this covenant shall not be construed as requiring such Participant to expend any funds which are derived from sources other than the operation of its Electric System, although nothing herein shall be construed as preventing such Participant from doing so.

(E) Each Participant covenants and agrees that it shall not issue bonds, notes or other evidences of indebtedness or incur lease or contractual obligations which are payable from the revenues derived from its Electric System superior to the payment of the O&M Expenses of its Electric System; provided, however, that nothing shall limit such Participant's present or future rights (i) to incur lease or contractual obligations that, under generally accepted accounting principles, are operating expenses of its

Electric System and that are payable on a parity with O&M Expenses or (ii) to issue bonds, notes or other evidences of indebtedness payable from revenues of its Electric System subject to the prior payment or provision for the payment of the O&M Expenses, including amounts payable under the Power Sales Contract, of its Electric System.

(F) Each Participant covenants and agrees that not later than the date on which it issues bonds, notes or other evidences of indebtedness or incurs capital lease or take-or-pay contractual obligations which are payable from the revenues of its Electric System on a parity with O&M Expenses it will provide to AMP, with a copy to the Participants Committee, of an independent engineer's estimation that such issuance or incurrence will not result in total O&M Expenses and debt service in excess of the revenues of the Participant's Electric System adjusted for any rate increases enacted by the governing body of the Participant prior to such issuance or incurrence in the fiscal year immediately preceding the issuance of such obligations.

(G) Each Participant agrees to use all commercially reasonable efforts to take all actions necessary or convenient to fulfill all of its obligations under the Power Sales Contract.

(H) Each Participant agrees that, prior to any assignment of its rights under the Power Sales Contract it shall grant to AMP, for the benefit of the remaining Participants, a right of first refusal for a period of not less than one hundred twenty (120) days to match any *bona fide* offer for such assignment.

(I) Each Participant that has some contractual or other legal impediment to its payment obligations to AMP under the Power Sales Contract being classified under applicable law or any trust indenture securing bonds payable from the revenues of its Electric System as O&M Expenses, covenants and agrees that it will in good faith endeavor to remove any such contractual or other legal impediments at the earliest possible time.

Default. (A) In the event any payment due from any Participant under the Power Sales Contract remains unpaid subsequent to the due date thereof, such event shall constitute a default under the Power Sales Contract and AMP may, upon fifteen (15) days prior written notice to and at the cost and expense of such defaulting Participant (i) withhold any payments otherwise due such Participant and suspend deliveries or availability of such defaulting Participant's PSCR Share to or on behalf of the defaulting Participant, (ii) bring any suit, action or proceeding at law or in equity as may be necessary or appropriate to enforce any covenant, agreement or obligation against the defaulting Participant, and (iii) take any other action permitted by law to enforce the Power Sales Contract. Upon suspension of the rights of the defaulting Participant as provided in the immediately preceding sentence, AMP shall be entitled to and may, sell or make available, from time to time, to any other person or persons any power or energy associated with the defaulting Participant's PSCR Share, and any such sale may be on such terms and for such periods deemed necessary or convenient in AMP's judgment, which shall not be exercised unreasonably, to make such sale under then existing market conditions; provided, however, that no such sale shall be made for a period exceeding two (2) months. Any such sale of such PSCR Share contracted for by AMP shall not relieve the defaulting Participant from any liability under the Power Sales Contract, except that the net proceeds of such sale shall be applied in reduction of the liability (but not below zero) of such defaulting Participant. When any default giving rise to the suspension of the rights, including the delivery of power and energy of the defaulting Participant, has been cured in less than sixty (60) days subsequent to such default and payment has been made by the defaulting Participant to AMP of all costs and expenses incurred as a result of such default, the Participant which had been in default shall be entitled to the restoration of its rights, including a resumption of delivery of its PSCR Share or other service, subject to any sale to others of its PSCR Share made by AMP. AMP shall promptly notify all Participants in writing of any default by any other Participant, which remains uncured for thirty (30) days or more.

(B) (i) If any Participant shall fail to pay any amounts due under the Power Sales Contract, or to perform any other obligation thereunder, which failure constitutes a default under the Power Sales Contract and such default continues for sixty (60) days or more, AMP may, in addition to any other remedy available at law or equity, terminate the provisions of the Power Sales Contract insofar as the same entitle the Participant to a PSCR Share and during such default, the defaulting Participant shall not be entitled to any vote on the Participants Committee or any matter which requires a vote of the Participants; but, the obligations of the Participant under the Power Sales Contract shall continue in full force and effect. AMP shall forthwith notify such Participant of such termination.

(ii) Upon the termination of entitlement to a PSCR Share as provided in the preceding paragraph, AMP shall attempt to sell the defaulting Participant's PSCR share, first to other Participants, then to Members who are not Participants and then to other persons, and, to the extent such defaulting Participant's obligations are not thereby fulfilled, each non-defaulting Participant shall purchase, for so long as such default remains uncured, a *pro rata* share of the defaulting Participant's entitlement to its PSCR Share which, together with the shares of the other non-defaulting Participants, is equal to the defaulting Participant's PSCR Share in kilowatts ("Step Up Power"); provided*;* however, that no such termination shall reduce the defaulting Participant's obligations under the succeeding paragraph; and, provided further*,* however, that the sum of all such increases for each non-defaulting Participant pursuant to this paragraph shall not exceed, without consent of the non-defaulting Participant, an accumulated maximum kilowatts equal to twenty-five percent (25%), or such lesser percentage as set forth in any Trust Indenture, of such non-defaulting Participant's initial PSCR Share in kilowatts prior to any such increases. AMP shall mail written notice and may, at its option, also transmit the same by electronic means, to each non-defaulting Participant of the amount of any Step Up Power as soon as practicable. All Step Up Power Costs shall be determined consistent with and be treated as a part of Revenue Requirements and shall be paid by the non-defaulting Participant in accordance with the Power Sales Contract. Within twenty (20) days after the notice of default by any other Participant, a Participant may notify AMP in writing of its election to purchase voluntarily Step Up Power under the terms and conditions described under this heading in any amount more than that which would otherwise be its *pro rata* share and up to the amount of the defaulting Participant's PSCR Share. Such purchase shall continue for so long as the default is not cured. To the extent the sum of such voluntary elections is greater than the amount of Step Up Power to be distributed, the same shall be distributed among the Participants so electing in proportion to the amounts requested. To the extent the sum of such voluntary elections is less than the defaulting Participant's PSCR Share, the remainder shall be distributed *pro rata* among the remaining Participants as Step Up Power. Non-defaulting Participants assuming Step-Up Power shall be entitled to exercise all voting rights associated with all amounts of Step Up Power taken or assigned.

(iii) The fact that other Participants have assumed their obligations for Step Up Power Costs shall not relieve the defaulting Participant of its liability for such payments and all Participants assuming such obligation (voluntarily or otherwise), either individually or as a member of a group, shall have a right of recovery from the defaulting Participant of all damages occasioned thereby. AMP in consultation with the Participants Committee may commence such suits, actions or proceedings, at law or in equity, including suits for specific performance, as may be necessary or appropriate to enforce the obligations of the Power Sales Contract against the defaulting Participant.

(C) In the event of default by a Participant in the payment of any of the sum or sums now or hereafter secured, or in the performance of any of the covenants and conditions of the Power Sales Contract; or in the event Participant shall for any reason be rendered incapable of fulfilling its obligations thereunder; or final judgment for payment of money shall be rendered against Participant which adversely affects its ability to fulfill its obligations, and any such judgment shall not be discharged within 60 days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which, or pursuant to which, such judgment shall have been granted, or entered, in such manner as to stay

the execution of, or levy under, such judgment, order, decree, or process or the enforcement thereof, or any proceeding shall be instituted with the consent or acquiescence of Participant for the purpose of effecting a compromise between Participant and its creditors, or for the purpose of adjusting the claims of such creditors pursuant to any Federal or State statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Participant's rights under the Power Sales Contract; or if (a) Participant is adjudged insolvent by a court of competent jurisdiction which assumes jurisdiction of Participant's Electric System, or (b) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of Participant, a receiver or trustee of Participant or of the whole or any part of Participant's Electric System and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within sixty (60) days from the date of entry thereof; or if Participant shall file a petition or answer seeking reorganization or any arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, which would place jurisdiction of Participant's Electric System in other than Participant; then, in addition to all other remedies, including the remedy of specific performance, AMP shall have the right and power to, and may, at its sole option, by notice in writing to the Participant, apply for the appointment of a receiver of rents, income and profits of the Participant's Electric System received or receivable by Participant as a matter of right and as security for the amounts due AMP without consideration of the value of Participant's Electric System, or the solvency of any person or persons liable for the payment of such amounts, the rents, income and profits of the Participant's Electric System received or receivable by Participant being hereby assigned by Participant to AMP as security for payment of the sum or sums now or hereafter secured by the Power Sales Contract.

(D) If at any time before the entry of final judgment or decree in any suit, action or proceeding instituted by AMP on account of default as defined above, or before the completion of the enforcement of any other remedy under the Power Sales contract or law, a defaulting Participant shall pay all sums then payable by their stated terms, and all arrears of interest, if any, upon said sums then outstanding and the charges, compensation, expenses, disbursements, advances and liabilities of AMP, and all other amounts then payable by the Participant under the Power Sales Contract, and every other default of which AMP has notice shall have been remedied to the satisfaction of AMP, then and in every such case AMP shall, and if such default continued for a period greater than one (1) year, AMP may, with the approval of its Board of Trustees and the Participants Committee, and to the extent another Participant has voluntarily "stepped up" for all or a portion of such defaulting Participant's entitlement to its PSCR share, with the approval of such other Participant, rescind and annul the declaration of default and its consequences, provided, however, that if any Participant has defaulted and all or any portion of such Participant's PSCR Share has become Step Up Power, such Participant shall cure such default by paying all arrearages and all liabilities otherwise owing due to such default, net of the proceeds of any sales and of the recovery of Step Up Power Costs, and such defaulting Participant shall also pay, as liquidated damages and not as a penalty in recognition of the difficulty in precisely measuring damages to the non-defaulting Participants caused by reason of such written notice of the defaulting Participant, an amount equal to the product of one hundred twenty-five percent (125%) of the defaulting Participant's PSCR Share of the Demand Charges paid by the non-defaulting Participants as Step Up Power Costs, multiplied by the "Prime Rate" as published in "Money Rates" in the *Wall Street Journal*, or, if in determination of AMP, the Prime Rate is no longer publicly available, then the prime rate values published in the Federal Reserve Bulletin plus, in any case, two percent (2%). Such amount shall then be paid to the non-defaulting Participants in proportion to their respective payments of Step Up Power Costs. However, no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(E) AMP shall provide timely reports to the Participants Committee of any Participant defaults and actions taken by AMP.

(F) Should AMP default on any of its obligations under the Power Sales Contract and such default continues for a period of thirty (30) days, any Participant or the Participants Committee may give AMP written notice of such default. Subject to the provisions of any Trust Indenture, should AMP not cure such default, or provide the Participants Committee with a satisfactory plan to cure such default within sixty (60) days of such written notice, then by the affirmative vote of a Super Majority of the Participants, AMP may be directed to contract with a third party to perform whatever duties or obligations which are in default. The costs of such contract shall be included in Revenue Requirements.

Modification or Amendment. The Power Sales Contract shall not be amended, modified or otherwise changed except by written instrument executed and delivered by AMP and each of the Participants; provided, however that the Power Sales Contract shall not in any event be amended, modified or otherwise changed in any manner that will materially adversely affect the security afforded by the provisions of the Power Sales Contract for the payment of the principal, interest, and premium, if any, on the Bonds, except as, and to the extent, permitted by any Trust Indenture.

Dispute Resolution. The Parties agree to negotiate in good faith to settle any and all disputes arising under the Power Sales Contract. Representatives of the Participants Committee and AMP Board of Trustees shall participate in any such negotiations. Good faith mediation shall be a condition precedent to the filing of any litigation in law or equity by any party against any other party, except injunctive litigation necessary to solely restrain or cure an imminent threat to the public or employee safety.

The parties may mutually agree to waive mediation or subsequent to mediation waive their right to litigate in court and, in either case, submit any dispute to binding arbitration, if permitted by law, before one or more arbitrators pursuant to the Commercial Arbitration Rules of the American Arbitration Association or such other arbitration procedures to which they may agree. Such agreement shall be in writing and may otherwise modify the procedures set forth in this section for resolving any particular dispute.

Term of Contract. The Power Sales Contract shall remain in effect until December 31, 2057, and thereafter, unless otherwise required by law, until (i) the date the principal of, premium, if any, and interest on all Bonds have been paid or deemed paid in accordance with any applicable Trust Indenture; and (ii) a Super Majority of the Participants recommends the Power Sales Contract be terminated; provided, however, that each Participant shall remain obligated to pay to AMP its respective share of the costs of terminating, discontinuing, disposing of, and decommissioning all Power Sales Contract Resources except those Power Sales Contract Resources which AMP, in its sole discretion, elects not to terminate, discontinue, dispose of or decommission in connection with or prior to the termination of the Power Sales Contract. In the event that a Super Majority of the Participants does not elect to terminate the Power Sales Contract, each Participant that so elects may continue to receive its PSCR Share of the power and energy available to AMP from such Power Sales Contract Resources at rates which reflect the lack of payments with respect to Bonds and any Participant that does not so elect may discontinue taking any power and energy under the Power Sales Contract and shall have no other liability except as otherwise specified in the Power Sales Contract.

No Replacement Power. On October 29, 2009, in order to assure that all power and energy from the AMP Hydro System remains eligible for renewable energy credits or other environmental attributes, the Participants Committee voted to instruct AMP not to provide Participants with Replacement Power as a part of the Project, unless and until otherwise directed by the Participants Committee. Any required power and energy that otherwise would be Replacement Power may be provided to the Participants by AMP under other agreements.

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Appendix D

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE

The following is a summary of certain provisions of the Master Trust Indenture (the "Master Indenture"), as the same may be amended and supplemented by Supplemental Indentures from time to time (as so amended and supplemented, the "Indenture"). The following summary is not to be considered a full statement of the terms of the Master Indenture and, accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise previously defined in this Official Statement or defined below have the meaning set forth in the Master Indenture. Copies of the Master Indenture may be obtained from AMP or the Trustee.

Definitions

"AMP Entitlement" means AMP's ownership, undivided ownership in, or contractual rights to the available capacity of and energy from the Projects and other Power Sales Contract Resources, as the same may be increased or reduced from time to time.

"AMP Operating Expenses" means for any period AMP's Service Fee (as defined in the Power Sales Contract) and AMP's reasonable and necessary current expenses for the operation, repair and maintenance of the Projects, as determined in accordance with generally accepted accounting principles except as modified by this definition, and shall include, without limiting the generality of the foregoing, all ordinary and usual expenses of maintenance, repair and operation, which may include expenses not annually recurring, administrative expenses, any reasonable payments to pension or retirement funds properly chargeable to the Hydroelectric Projects Fund, insurance premiums, engineering expenses relating to maintenance, repair and operation, fees and expenses of the Trustee, Depositories, Paying Agents and the Bond Registrar, legal expenses (including the costs of any actions to defend AMP's rights under any Project Agreement), fees of consultants, any taxes which may be lawfully imposed on or are fairly allocable to AMP with respect to the Projects, or payments in lieu of such taxes, or the income therefrom, operating lease payments, the Operating Component of the Cost of Contracted Services, and all other payments, not chargeable to the capital account of the Projects, to be made by AMP under the Power Sales Contract and any other expenses required or permitted to be paid by AMP under the provisions of the Master Indenture including, but not limited to, subject to the terms of any related agreement or Supplemental Indenture, costs, fees and expenses (but not early termination obligations) associated with the investment of the proceeds of Parity Obligations or with Derivative Agreements (excluding Derivative Agreements related to Subordinate Obligations), but shall not include any reserves or expenses for extraordinary maintenance or repair or any allowance for depreciation, but AMP Operating Expenses shall not include (i) depreciation or amortization, (ii) any deposit to any fund, subfund, account and subaccount established under The Master Indenture or any Supplemental Indenture or any payment of principal, redemption premium, if any, and interest on any Bonds from any such fund, subfund, account and subaccount, (iii) any debt service payment in respect of Parity Debt or Subordinate Obligations, or (iv) early termination obligations associated with the investment of the proceeds of Indebtedness, Gross Receipts or Net Receipts or other moneys held under the Indenture or with Derivative Agreements.

"Annual Budget" means the budget, adopted by the Board of AMP, of Gross Receipts and AMP Operating Expenses including, as separate line items, extraordinary expenses for repairs, renewals, rehabilitation and improvement of the Projects and capital expenditures for the Projects for a Fiscal Year, as the same may be amended from time to time, all in accordance with the provisions of the Master Indenture.

"Bond" or "Bonds" means the bonds or notes issued under the provisions of the Master Indenture and secured on parity with each other and any Parity Debt by the Master Indenture.

"Commercial Operation Date" means as to any Project the earliest date, determined in a certificate by an independent engineer selected by AMP, that all of the generating units of such Project are determined to be in service, after completion of all testing and release by the units' equipment suppliers and contractors, for all commercial operating purposes without material restrictions.

"Completion Date" means with reference to each Project the Commercial Operation Date of last of the units included in such Project to be placed in service.

"Credit Facility" means a line of credit, letter of credit, standby bond purchase agreement, bond insurance policy or similar liquidity or credit facility established or obtained in connection with the issuance of any Bonds, incurrence of any other Parity Debt or incurrence of any Subordinate Obligations.

"Credit Provider" means the Person providing a Credit Facility, as designated in the Supplemental Indenture authorizing the issuance of a Series of Bonds or in the Parity Debt Indenture authorizing the incurrence of Parity Debt or in the Subordinate Obligations Indenture authorizing the incurrence of Subordinate Obligations.

"Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing the Net Revenues by the Maximum Annual Debt Service Requirement for such period.

"Debt Service Requirement" means, for any period for which such determination is made, the sum, on an accrual basis, of the Principal Requirement and the Interest Requirement for such period (whether or not separately stated) on Outstanding Indebtedness during such period, taking into account:

(i) with respect to Balloon Indebtedness, the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis, at an interest rate equal to the current market rate for a fixed rate, 30-year obligation, set forth in an opinion, delivered to the Trustee, of a banking institution or an investment banking institution, selected by AMP and knowledgeable in municipal finance, as the interest rate at which the Person that incurred such Indebtedness could reasonably expect to borrow the same by incurring Indebtedness with the same term as assumed above; provided, however, that if the date of calculation is within twelve (12) calendar months of the actual final maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation;

(ii) with respect to Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness, the interest rate on such Indebtedness on the date of its incurrence shall be calculated at the lesser of (a) the initial rate at which such Indebtedness is incurred and (b) the rate certified by a banking institution or an investment banking institution, selected by AMP and knowledgeable in municipal finance, as being the average rate such Indebtedness would have borne for the most recent twelve-month period immediately preceding the date of calculation if such Indebtedness had been outstanding for such period, and thereafter shall be calculated as set forth above; provided, however, that if AMP enters into a Derivative Agreement with respect to such Indebtedness, the interest on such Indebtedness shall be calculated as set forth in clause (iv) below;

(iii) with respect to any Credit Facility, (a) to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to the reimbursement obligation for such Credit Facility shall not be included in the Debt Service Requirement and (b) to the extent that such Credit Facility shall have been drawn upon, the payment provisions of such Credit Facility with respect to repayment of principal and interest thereon shall be included in the Debt Service Requirement;

(iv) with respect to Derivative Obligations, the interest on such Indebtedness during any Derivative Period thereunder shall be calculated by adding (a) the amount of interest payable by AMP pursuant to its terms and (b) the amount payable by AMP under the Derivative Agreement and subtracting (c) the amount payable by the Derivative Agreement Counterparty at the rate specified in the Derivative Agreement, except that to the extent that the Derivative Agreement Counterparty has defaulted on its payment obligations under the Derivative Agreement, the amount of interest payable by AMP from the date of default shall be the interest calculated as if such Derivative Agreement had not been executed;

(v) subject to the provisions of clause (iv) above, to the extent that any Indebtedness incurred pursuant to the Master Indenture requires that AMP pay the principal of or interest on such Indebtedness in any currency or currencies other than United States dollars, in calculating the amount of the Debt Service Requirement, the currency or currencies in which AMP is required to pay shall be converted to United States dollars using a conversion rate equal to the applicable conversion rate in effect on a date that is not more than thirty (30) days prior to the date on which such Indebtedness is incurred;

(vi) in the case of Optional Tender Indebtedness, the options of such Owners or Holders shall be ignored, provided that such Optional Tender Indebtedness shall have the benefit of a Credit Facility and the Credit Provider or a guarantor of its obligations shall have ratings from at least two of the Rating Agencies in not less than one of the two highest short-term rating categories (without gradations such as plus or minus); and

(vii) in the case of Indebtedness, having the benefit of a Credit Facility that provides for a term loan facility that requires the payment of the Principal of such Indebtedness in one (1) year or more, such Indebtedness shall be considered Balloon Indebtedness and shall be assumed to have the maturity schedule provided clause (i) of this definition;

provided, however, that (A) interest shall be excluded from the determination of Debt Service Requirement to the extent that provision for payment of the same is made from the proceeds of the Indebtedness or otherwise provided so as to be available for deposit into the Capitalized Interest Account or similar account not later than the date of delivery of and payment for such Indebtedness, (B) all or a portion of interest in respect of one or more Series of Tax-Advantaged Bonds shall be excluded from the determination of Debt Service Requirement if, and to the extent, that Bonds, or the interest thereon, of such Series is payable from Federal Subsidies or credits, and (C) notwithstanding the foregoing, the aggregate of the payments to be made with respect to principal of and interest on Outstanding Indebtedness shall not include principal and/or interest payable from Qualified Escrow Funds.

"Defeasance Obligations" means, unless modified by the terms of a Supplemental Indenture or a Parity Debt Indenture, (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state or territory thereof in the capacity of custodian, (iii) Defeased Municipal Obligations and (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state or territory thereof in the capacity of custodian.

"Federal Subsidy" means a payment made by the Secretary of the Department of Treasury to or for the account of AMP pursuant to the Code in connection with the issuance of a Series of Tax-Advantaged Bonds. Any Federal Subsidy to be received by AMP in connection with the issuance of a Series of Tax-Advantaged Bonds shall be identified as such in the Supplemental Indenture authorizing the issuance of such Series.

"Gross Receipts" means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of AMP for the use of and for the output, services and facilities furnished by or from the AMP Entitlement, including, without limitation, (a) payments made by the Participants to or for the account of AMP pursuant to the Power Sales Contract, (b) proceeds derived from contract rights and other rights and assets now or hereafter owned, held or possessed by AMP and (c) interest or investment income on all investments excluding investments of proceeds of Indebtedness (unless credited and transferred to the Revenue Subfund) incurred by AMP and on deposits to Qualified Escrow Funds.

"Gross Revenues" revenues, as determined in accordance with generally accepted accounting principles, from all payments, proceeds, rates, fees, charges, rents all other income derived by or for AMP for the use of and for the output, services and facilities furnished by or from the Power Sales Contract Resources, and all rights to receive the same, whether in the form of accounts receivable, contract rights, credits or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, including payments received pursuant to the Power Sales Contract and for capacity, energy and other products of the AMP's Entitlement and any portion thereof, (b) any proceeds of use and occupancy or business interruption insurance, and (c) the income from the investment under the provisions of the Master Indenture of the moneys held for the credit of the various funds, subfunds, accounts and subaccounts created under the Master Indenture excluding (i) investments of proceeds of Indebtedness (unless credited and transferred to the Revenue Subfund) incurred by AMP and on deposits to Qualified Escrow Funds, (ii) the proceeds of any insurance, other than as mentioned above, (iii) any gifts, grants, donations or contributions or borrowed funds and (iv) Federal Subsidies (to the extent not credited against the Debt Service Requirement).

"Incurrence Test" means the test for the incurrence for Parity Obligations established by the Master Trust Indenture and described herein.

"Indebtedness" means (a) Parity Obligations, (b) Subordinate Obligations, (c) the Debt Service Components of the Cost of Contracted Services, (d) all other indebtedness of AMP relating to the Projects and payable from Gross Revenues and (e) all installment sales and capital lease obligations relating to the Projects, payable from Gross Revenues and incurred or assumed by AMP. Obligations to reimburse Credit Providers for amounts drawn under Credit Facilities to pay the Purchase Price of Optional Tender Indebtedness shall not constitute Indebtedness, except to the extent such obligations exceed the Debt Service Requirements on Bonds or Parity Debt held by or pledged to or for the account of a Credit Provider that shall have paid the Purchase Price of Optional Tender Indebtedness.

"Interest Requirement" for any Fiscal Year or any Interest Period, as the context may require, as applied to Bonds of any Series then Outstanding, means the total of the sums that would be deemed to accrue on such Bonds during such Fiscal Year or Interest Period if the interest on the Current Interest Bonds of such Series were deemed to accrue daily in equal amounts during such Year or Interest Period, employing the applicable methods of calculation set forth in the definition of Debt Service Requirement; provided, however, that interest expense shall be excluded from the determination of Interest Requirement to the extent that any interest is to be paid from the proceeds of Bonds or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Defeasance Obligations and to the extent such earnings may be determined

precisely. Interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds (herein called "excess interest"), shall not be included in the determination of Interest Requirement. AMP may in a Supplemental Indenture provide that such excess interest be included in the calculation of Interest Requirement for all provisions of the Master Indenture except those relating to the Rate Covenant.

"Investment Obligations" means Government Obligations and, to the extent from time to time permitted by the laws of the State of Ohio,

(A) the obligations of (i) Export Import Bank, (ii) Government National Mortgage Association, (iii) Federal Housing Administration, (iv) U. S. Department of Agriculture – Rural Development, (v) United States Postal Service and (vi) any other agency or instrumentality of the United States of America now or hereafter created, which obligations are backed by the full faith and credit of the United States of America,

(B) the obligations of (i) Federal National Mortgage Association, (ii) Federal Home Loan Mortgage Corporation, (iii) Federal Intermediate Credit Banks, (iv) Federal Banks for Cooperatives, (v) Federal Home Loan Mortgage Corporation; (vi) Federal Land Banks, and (vii) Federal Home Loan Banks,

(C) Defeased Municipal Obligations,

(D) negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of least A-1 by S&P and P-1 by Moody's for maturities of one year or less, and a rating of at least AA by S&P and Aa by Moody's for maturities over one year and not exceeding five years,

(E) any overnight, term or open repurchase agreement for Government Obligations or obligations described in clauses (A) and (B) above that is with (i) a bank or trust company (including the Trustee, any Depository and their affiliates) that has a combined capital, surplus and undivided profits not less than $100,000,000, or (ii) a subsidiary trust company whose combined capital, surplus and undivided profits, together with that of its parent state bank or bank, holding company, as the case may be, is not less than $100,000,000, or (iii) a financial institution (including, but not limited to, banks, insurance companies, investment banks, broker dealers, bank holding companies, insurance holding companies, affiliates of any of the foregoing, and other similar entities) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation ("SIPC") or with a dealer or parent holding company that is rated in one of the three highest rating categories by Moody's and S&P (without regard to gradations such as "plus" or "minus") and as to which the fair market value of such agreements, together with the fair market value of the repurchase agreement securities, exclusive of accrued interest, shall be valued daily and maintained at an amount at least equal to the amount invested in the repurchase agreements, provided, however, that (1) such obligations purchased must be transferred to the Trustee or Depository (who shall not be the provider of the collateral) or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations, (2) as to which failure to maintain the requisite collateral levels will require the Trustee or Depository, as the case may be, or its agent to liquidate the securities immediately, (3) as to which the Trustee or Depository, as the case may be, has a perfected, first priority security interest in the securities, and (4) as to which the securities are free and clear of third-party liens, and in the case of an SIPC broker, were not acquired pursuant to a repurchase or reverse repurchase agreement,

(F) any investment agreement that is with or is unconditionally guaranteed as to payment by (i) a bank or trust company (including the Trustee, any Depository and their affiliates) that has a combined

capital, surplus and undivided profits not less than $100,000,000, or (ii) a subsidiary trust company whose combined capital, surplus and undivided profits, together with that of its parent state bank or bank, holding company, as the case may be, is not less than $100,000,000, or (iii) a financial institution (including, but not limited to, banks, insurance companies, investment banks, broker dealers, bank holding companies, insurance holding companies, affiliates of any of the foregoing, and other similar entities) that, in the case of (i), (ii) or (iii), is rated in one of the two highest rating categories by Moody's and S&P (without regard to gradations such as "plus" or "minus"),

(G) commercial paper rated at the time of acquisition by the Trustee or a Depository in the highest rating category by Moody's and S&P (without regard to any gradations or refinements such as "plus" or "minus"),

(H) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured to their maturities by an insurer the bonds insured by which are rated at the time of acquisition by the Trustee or a Depository by Moody's and S&P in one of the two highest rating categories (without regard to any numerical or other gradations or refinements such as "plus" or "minus"),

(I) obligations of state or local government municipal bond issuers that are rated by Moody's and S&P in one of the two highest rating categories (without regard to any numerical or other gradations or refinements such as "plus" or "minus"),

(J) open-end investment funds registered under the Investment Companies Act of 1940, as amended, the authorized investments by which are permitted by the terms of the Master Indenture. Any investment in a repurchase agreement shall be considered to mature on the date the party providing the repurchase agreement is obligated to repurchase the Investment Obligations. Any investment in obligations described above may be made in the form of an entry made on the records of the issuer of or the securities depository with respect to the particular obligation, and

(K) bankers' acceptances drawn on and accepted by commercial banks (which may include the Trustee, any Co-Trustee, any Depository, any Bond Registrar and their affiliates).

"Maximum Annual Debt Service Requirement" means at the date of calculation the greatest Debt Service Requirement for the current or any succeeding Fiscal Year.

"Optional Tender Indebtedness" means any portion of Indebtedness incurred under the Master Indenture a feature of which is an option on the part of the holders of such Indebtedness to tender to AMP or the Trustee or a Depository, Paying Agent or other fiduciary for such holders, or an agent of any of the foregoing, all or a portion of such Indebtedness for payment or purchase.

"Parity Common Reserve Account Requirement" means, with respect to all Parity Obligations secured by the Parity Common Reserve Account, the amount provided in a Supplemental Indenture. The Parity Common Reserve Account Requirement may be satisfied with cash, Investment Obligations or Reserve Alternative Instruments, or any combination of the foregoing, as AMP may determine from time to time.

"Parity Debt" means all Parity Obligations incurred or assumed by AMP, including Parity Debt Service Components, and not evidenced by Bonds which (a) are designated as Parity Debt in the documents pursuant to which it was incurred, (b) are incurred in compliance with the provisions of the Master Indenture or are a reimbursement obligation for a Credit Facility supporting Parity Obligations incurred in compliance with the provisions of the Master Indenture, and (c) may be accelerated only in

compliance with the procedures set forth in the Master Indenture.

"Parity Obligations" means Bonds and Parity Debt.

"Principal Requirement" for any Fiscal Year or any other period, as the context may require, as applied to Bonds of any Series then Outstanding, means the total of the sums that would be deemed to accrue on such Bonds during such Fiscal Year or other period if the principal of the Current Interest Bonds of such Series were deemed to accrue daily in equal amounts during such Year or period, employing the applicable methods of calculation set forth in the definition of Debt Service Requirement; provided, however, that principal shall be excluded from the determination of Principal Requirement to the extent that any principal is to be paid from the proceeds of Bonds or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Defeasance Obligations and to the extent such earnings may be determined precisely.

"Reserve Alternative Instrument" means an irrevocable insurance policy or surety bond or an irrevocable letter of credit, guaranty or other facility deposited in the Parity Common Reserve Account or a Special Reserve Account in lieu of or in partial substitution for the deposit of cash and Investment Obligations in satisfaction of the Parity Common Reserve Account Requirement or a Special Reserve Account Requirement.

"Revenue Available For Debt Service" means the pro forma amount, indicated in an Officer's Certificate delivered to the Trustee, that is certified by such Officer to be a good faith estimate of the excess, of the Gross Revenues in any 12 consecutive months of the last 18 calendar months preceding the date of such Certificate over the AMP Operating Expenses for the same 12 months, taking into consideration and adjusted for any rate increases adopted by the Board of AMP that will take effect subsequent to the applicable 12-month period and in the current or following Fiscal Year, as shall be set forth in such Officer's Certificate.

"Short-Term Indebtedness" means all Indebtedness incurred for borrowed money, other than the current portion of Indebtedness and other than Short-Term Indebtedness excluded from this definition as provided in the definition of Indebtedness, for any of the following:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(iii) installment sale or conditional sale contracts having an original term of one year or less.

"Special Reserve Account" means a special debt service reserve account created by a Supplemental Indenture or a Parity Debt Indenture as a debt service reserve account only for the particular Parity Obligations authorized by such Supplemental Indenture or Parity Debt Indenture.

"Special Reserve Account Requirement" means the amount to be deposited or maintained in a Special Reserve Account pursuant to a Supplemental Indenture or a Parity Debt Indenture creating such Special Reserve Account. The Special Reserve Account Requirement may be satisfied with cash, Investment Obligations, a Reserve Alternative Instrument or any combination of the foregoing, as AMP may determine from time to time.

"Subordinate Obligations" means Indebtedness and other payment obligations the terms of which shall provide that they shall be subordinate and junior in right of payment, or provision for payment, to the prior payment in full of Parity Obligations to the extent and in the manner set forth in the Master Indenture.

"Subordinate Obligations Indenture" means the resolution and any other documents, instruments or agreements adopted or executed by AMP providing for the incurrence of Subordinate Obligations. If the Subordinate Obligations shall have the benefit of a Credit Facility, the reimbursement obligation for such Credit Facility shall provide for repayments on a subordinated basis (as compared to Parity Obligations) and the term Subordinate Obligations Indenture shall include any reimbursement agreement or similar repayment agreement executed and delivered by AMP in connection with the provision of such Credit Facility for such Subordinate Obligations.

"Tax-Advantaged Bonds" means all Bonds so identified in the Supplemental Indenture authorizing the issuance of such Bonds.

"Tax-Advantaged Parity Debt" means all Parity Debt so identified in the Parity Debt Indenture authorizing the incurrence of such Parity Debt.

"Tax-Advantaged Parity Obligations" means collectively all Tax-Advantaged Bonds and all Tax-Advantaged Parity Debt.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate until maturity.

Construction Subfund

Any money received by AMP from any source for the Cost of the Project shall be deposited in the Construction Subfund, a special subfund of the PSEC Fund. Moneys in the Acquisition and Construction Subfund shall be held by a Depository or Depositories in trust and applied to the payment of the Cost of the Projects or to the retirement of Bonds issued under the provisions of the Master Indenture or Parity Debt. Pending such application, such moneys shall be subject to a lien in charge of the Holders.

The Depository or Depositories may only disburse moneys from the Construction Subfund upon the receipt of a requisition signed by an AMP Representative, stating to whom the payment is to be made, the general purpose for which the obligation was incurred and that each charge is a proper charge against the Cost of the Projects and, if the payment is not made to someone other than AMP, the obligation has not been the basis for a prior requisition.

Upon the completion of the Project, AMP shall deliver to the Depository or Depositories a certificate of an AMP Representative, approved by the Board of AMP by appropriate resolution, setting forth A) setting forth the Completion Date or Dates, or if the Construction Subfund is no longer required stating that such balance is no longer required and the reason therefor in reasonable detail and (B) stating that requisitions have been made for the payment of all obligations which are payable from the Construction Subfund or such account or subaccount, to the appropriate Depository together with an Opinion of Counsel to the effect that there are no mechanics', workmen's, repairmen's, architects', engineers', surveyors', carriers', laborers', contractors' or materialmen's liens on any property constituting a part of the Projects on file in any public office where the same should be filed in order to be perfected liens against the Projects or any part thereof and that the time within which such liens can be filed has expired. As soon as practicable after such certification is delivered by AMP to the Depository or Depositories, the balance of the Acquisition and Construction Subfund not reserved by AMP to payment

of any remaining Cost of the Project, shall be transferred, as directed in writing by AMP, (i) to the Renewal and Replacement Account of the Reserve and Contingency Subfund, or (ii) to the Bond Subfund for the payment, purchase or redemption of Bonds in accordance with the provisions of the Master Indenture. If the balance in such Subfund, account or subaccount is proceeds of a Tax-Advantaged Bonds, or investment income allocable thereto, such direction of AMP shall be accompanied by an Opinion of Counsel nationally recognized as expert in tax matters relating to obligations of states and their political subdivisions to the effect that such proposed application of such balance will not adversely affect the exclusion from gross income for federal income tax purposes of interest or receipt of the Federal Subsidy, as applicable, on any or all of the outstanding Tax-Advantaged Bonds.

Establishment of Hydroelectric Projects Fund and Other Subfunds; Application of Gross Receipts and Net Revenues

Creation of PSEC Fund, Subfunds and Accounts. AMP shall create on its books a special fund to be known as the "American Municipal Power, Inc. Hydroelectric Projects Campus Fund" (the "Hydroelectric Projects Fund"). In addition to the Construction Subfund, the following subfunds and accounts are established in the PSEC Fund:

(i) with a Depository, the Costs of Issuance Subfund, in which there shall be established for each Series of Bonds a special account identified by such Series; and

(ii) with a Depository, the Revenue Subfund, in which there are established four special accounts to be known as the Operating Account, the Working Capital Account, the Derivative Receipts Account and the General Account; and

(iii) with the Trustee, the Bond Subfund, in which there are established seven or more special accounts to be known as the Capitalized Interest Account, the Interest Account, the Derivatives Payments Account, the Principal Account, the Sinking Account, the Redemption Account, the Parity Common Reserve Account and any Special Reserve Accounts identified by Series or otherwise; and

(iv) with a Depository, the Subordinate Obligations Subfund, in which AMP may create one or more accounts by one or more Subordinate Obligations Indentures; and

(v) with a Depository, a Reserve and Contingency Subfund, in which there are hereby established six special accounts to be known as the Renewal and Replacement Account, the Overhaul Account, the Capital Improvement Account, the Rate Stabilization Account, the Environmental Improvement Account and the Self-Insurance Account; and

(vi) with a Depository, a General Subfund.

Money in the Bond Subfund and all of the accounts and subaccounts therein established shall be held in trust and applied as provided in the Master Indenture. Pending such application, such money shall be subject to a pledge, charge and lien in favor of the Owners of the respective Series of Bonds issued and Outstanding under the Master Indenture.

Each Supplemental Indenture providing for the issuance of a Series of Tax-Advantaged Bonds the issuance of which will entitle AMP to receive a Federal Subsidy shall identify the Federal Subsidy and may provide that such Series of Tax-Advantaged Bonds shall be additionally secured by the Federal Subsidy identified therein.

Application of Moneys Received

Except as provided in a Parity Debt Indenture, all Gross Receipts received by AMP or the Trustee for the account of AMP shall be deposited in the Revenue Subfund. Proceeds of any Derivative Agreement shall be deposited to the credit of the Derivative Receipts Account in the Revenue Subfund.

Not less than monthly, on or before the last Business Day of each month and on such other Deposit Day as may be required for all Bonds Outstanding, the Depository of the Revenue Subfund shall withdraw from the Revenue Subfund any legally available moneys then held to the credit of such Subfund and set aside or transfer any moneys so withdrawn to the Trustee or a Depository or otherwise dispose of such moneys for the following purposes in the following order in amounts sufficient in the aggregate to satisfy the following requirements, subject to credits as provided in the Master Indenture:

(i) transfer to the Depository for the Operating Account an amount that together with funds then held to the credit of such account will make the total amount then to the credit of such subaccount equal to the sum of the AMP Operating Expenses budgeted for such month in the Annual Budget;

(ii) transfer to the Depository for the Working Capital Account an amount that together with funds then held to the credit of such account will make the total amount then to the credit of such account equal to ten percent (10%) the amount of the AMP Operating Expenses provided for the current Fiscal Year in the Annual Budget;

(iii) pay to the Trustee for deposit into the Bond Subfund, the sum of

(1) to the credit of the Interest Account, after first taking into account any accrued interest deposited from the proceeds of any Bonds and the advice of AMP contained in an Officer's Certificate respecting any transfers from Capitalized Interest Account and, subject to the requirements of the Master Indenture, from the Construction Subfund by deducting the sum of such amounts from the amount of interest otherwise payable, such amount of such amount as is required to make the amount to the credit of the Interest Account equal to so much of the Interest Requirement that shall have accrued during the then current Interest Period between the first Deposit Day in such Period and such Deposit Day; provided, however, that except as specified above, the amount so deposited on account of the then current Interest Requirement on each Deposit Day after the delivery of the Bonds of any Series under the provisions of the Master Indenture up to and including the Deposit Day immediately preceding the first Interest Payment Date thereafter of the Bonds of such Series shall be that amount which when multiplied by the number of such deposits will be equal to the amount of such current Interest Requirement respecting such Bonds during such first Interest Period; and provided, further, that in making such deposits, the Trustee shall take into account any excess moneys to the credit of the Parity Common Reserve Account and any Special Reserve Account that are to be transferred to the Interest Account or any subaccount thereof prior to any Interest Payment Date, should moneys held therein exceed the Parity Common Reserve Account Requirement and/or Special Reserve Account Requirement, as applicable,

(2) to the credit of the Derivatives Payments Account, the amount, if any, of any Derivative Obligations due under the terms of a Derivative Agreement to be paid to a Derivative Agreement Counterparty, on a parity with interest on Bonds, prior to the next Deposit Day,

(3) to credit of the Principal Account, beginning on the Deposit Day specified in the applicable Supplemental Indenture that is prior to the first month in which any Serial Bond matures, such amount as is required to make the amount to the credit of the Principal Account

equal to so much of the Principal Requirement that shall have accrued during the then current period between the date specified in the Supplemental Indenture or the prior Principal Payment Date and such Deposit Day or the next Principal Payment Date if it shall occur before the next scheduled Deposit Day,

(4) to credit of the Sinking Fund Account, beginning on the Deposit Day specified in the applicable Supplemental Indenture that is prior to the first month in which any Term Bond matures, such amount as is required to make the amount to the credit of the Sinking Fund Account equal to so much of the Sinking Fund Requirement that shall have accrued during the then current period between the date specified in the Supplemental Indenture or the prior Principal Payment Date and such Deposit Day or the next mandatory Sinking Fund redemption date if it shall occur before the next scheduled Deposit Day, and

(5) at such time or times as provided in a Supplemental Indenture or a Parity Debt Indenture, (I) to the credit of the Parity Common Reserve Account, if the amount in the Parity Common Reserve Account is less than the Parity Common Reserve Account Requirement, the amounts required by the Master Indenture to make up such deficiency in the Parity Common Reserve Account plus any other amounts required to reinstate fully any Reserve Alternative Instrument then held to the credit of the Parity Common Reserve Account and (II) to the credit of any Special Reserve Account, if the amount in any Special Reserve Account is less than the applicable Special Reserve Account Requirement, and deposit, or deliver to the appropriate Depository for deposit, the amounts required by any Supplemental Indenture or Parity Debt Indenture to make up any deficiency in any Special Reserve Account, provided that if there shall not be sufficient Net Receipts to satisfy all such deposits, such deposits shall be made among the Parity Common Reserve Account and each Special Reserve Account ratably according to the amounts so required to be deposited.

(iv) set aside with a Depository for deposit into the Subordinate Obligations Subfund, an amount which together with funds then held to the credit of the Subordinate Obligations Subfund will make the total amount then to the credit of the Subordinate Obligations Subfund equal to the entire aggregate amount of Subordinate Obligations; and

(v) pay to a Depository for deposit into the various accounts in the Reserve and Contingency Subfund, the amounts, if any, provided in the Annual Budget.

The balance, if any, remaining after making the transfers provided in clauses (i), (ii), (iii), (iv) and (v) above, shall be credited to the General Account in the Revenue Subfund.

If any Series of Bonds is secured by a Credit Facility, the Trustee shall establish a separate subaccount within the Interest Account, the Principal Account and the Sinking Fund Account corresponding to the source of moneys for each deposit made into either of such accounts so that the Trustee may at all times ascertain the source and date of deposit of the funds in each such account or subaccount.

If a Series of Tax-Advantaged Bonds, or the interest thereon, is payable from or secured by a Federal Subsidy, the Trustee shall, as directed by AMP Representative, credit such Federal Subsidy to the subaccount, established for such Series of Bonds, within the Interest or Principal Account as so directed.

Use of Money Held in Certain Accounts in the Revenue Subfund

Operating Account. AMP may withdraw to the credit of the Operating Account, in the event funds to the credit thereof are insufficient, first from the Working Capital Account and then from the Rate Stabilization Account to pay AMP Operating Expenses as the same come due and payable.

Working Capital Account. Amounts on deposit in the Working Capital Account shall be available to pay AMP Operating Expenses. To the extent moneys held in the Bond Subfund or Subordinate Obligations Subfund and the General Account and the Reserve and Contingency Subfund are insufficient to make required interest and principal payments, moneys in the Working Capital Account shall be used prior to any withdrawal from the Parity Common Reserve Account or Special Account Reserve, if any, to satisfy any deficiency.

General Account. Moneys credited to the General Account may by used by AMP for any lawful purpose related to the Projects, including the transfer to any Subfund. To the extent moneys held in the Bond Subfund or Subordinate Obligations Subfund are insufficient to make required interest and principal payments, moneys in the General Account shall be used prior to any withdrawal from the Reserve and Contingency Subfund, Working Capital Account, Parity Common Reserve Account or Special Account Reserve, if any, to satisfy any deficiency.

Deposit and Application of Money in the Parity Common Reserve Account and Any Special Reserve Account; Replenishment of Deficiencies

(a) If a Supplemental Indenture or a Parity Debt Indenture provides that the Parity Obligations issued or incurred thereunder are to be additionally secured by the Parity Common Reserve Account, AMP shall deposit, from the proceeds of such Parity Obligations or from any other available sources, concurrently with the delivery of and payment for such Parity Obligations, to the Parity Common Reserve Account such amount as is required to make the balance to the credit of such Account equal to the Parity Common Reserve Account Requirement. If a Supplemental Indenture or a Parity Debt Indenture provides that the Parity Obligations issued thereunder are to be secured by a Special Reserve Account, AMP shall fund, from the proceeds of such Parity Obligations or from any other available sources, at the time or times and in the manner specified in the applicable Supplemental Indenture or Parity Debt Indenture, such Special Reserve Account in an amount equal to the Special Reserve Account Requirement for such Parity Obligations.

(b) Unless the applicable Supplemental Indenture or a Parity Debt Indenture shall otherwise provide or modify the following, AMP may deposit with the Trustee a Reserve Alternative Instrument in satisfaction of all or any portion of the Parity Common Reserve Account Requirement or may substitute a Reserve Alternative Instrument for all or any portion of the cash or another Reserve Alternative Instrument credited to the Parity Common Reserve Account, provided that the following minimum provisions have been fulfilled:

(i) The Reserve Alternative Instrument shall be payable (upon the giving of notice as required thereunder) to remedy any deficiency in the appropriate subaccounts in the Interest Account, the Principal Account and the Sinking Account, or in an account for the payment of interest, or in an account or accounts for the payment of principal, in order to provide for the timely payment of the principal (whether at maturity or pursuant to a Sinking Fund Requirement or an amortization requirement therefor) of and interest on the Parity Obligations secured thereby.

(ii) The provider of a Reserve Alternative Instrument shall be (A) an insurance company or other financial institution that has been assigned, for obligations insured by the

provider of the Reserve Alternative Instrument, a rating by at least two Rating Agencies in one of the two highest rating categories (without regard to gradations by numerical modifier or otherwise) or (B) a commercial bank, insurance company or other financial institution the obligations payable or guaranteed by which have been assigned a rating by at least two Rating Agencies in one of the two highest rating categories (without regard to gradations by numerical modifier or otherwise). Unless otherwise provided in a Supplemental Indenture, the subsequent withdrawal or reduction in the rating of such provider of a Reserve Alternative Instrument or its guarantor subsequent to the deposit or substitution for cash of a Reserve Alternative Instrument shall not ipso facto disqualify such Reserve Alternative Instrument as a qualifying Reserve Alternative Instrument.

(iii) If the Reserve Alternative Instrument is an unconditional irrevocable letter of credit issued to the Trustee, the letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Parity Obligations having the benefit of the Parity Common Reserve Account. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify AMP and the Trustee, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. The Trustee is directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Parity Common Reserve Account is fully funded to the Parity Common Reserve Account Requirement.

(iv) The Trustee shall ascertain the necessity for a claim or draw upon the Reserve Alternative Instrument and shall provide notice to the issuer of the Reserve Alternative Instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Reserve Alternative Instrument) prior to each Interest Payment Date.

(v) Except as otherwise provided in a Supplemental Indenture or Parity Debt Indenture, cash on deposit in the Parity Common Reserve Account shall be used (or Investment Obligations purchased with such cash shall be liquidated and the proceeds applied as required) *pro rata* with any drawing on any Reserve Alternative Instrument. If and to the extent that more than one Reserve Alternative Instrument is deposited in the Parity Common Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder and the total amount then required to be to the credit of the Parity Common Reserve Account.

(c) The Trustee shall use amounts in the Parity Common Reserve Account to make transfers, or use moneys provided under a Reserve Alternative Instrument to make deposits, in the following order, in respect of all Parity Obligations additionally secured by the Parity Common Reserve Account, to the appropriate subaccounts in the Interest Account, the Principal Account and the Sinking Account to remedy any deficiency therein as of any Interest Payment Date, principal payment date or sinking fund payment date (or any earlier date as set forth in a Parity Debt Indenture), or to pay the interest on or the principal of or amortization requirements in respect of any Parity Debt when due, whenever and to the extent the money on deposit for such purposes is insufficient.

(d) The Trustee shall use amounts in any Special Reserve Account held by it to make transfers, or use moneys provided under a Reserve Alternative Instrument to make deposits, in the following order, in respect of the particular Parity Obligations secured by such Special Reserve Account,

to the appropriate subaccounts in the Interest Account, the Principal Account and the Sinking Account to remedy any deficiency therein as of any Interest Payment Date, principal payment date or sinking fund payment date (or any earlier date as set forth in a Supplemental Indenture or a Parity Debt Indenture) or to pay the interest on or the principal of or amortization requirement in respect thereof on Parity Debt when due, whenever and to the extent the money on deposit for such purposes is insufficient.

(e) Any deficiency in the Parity Common Reserve Account resulting from the withdrawal of moneys therein shall be made up by depositing to the credit of such Account the amount of such deficiency within one year following the date on which such withdrawal is made. Any deficiency in the Parity Common Reserve Account resulting from a draw on a Reserve Alternative Instrument shall be made up as provided in such Reserve Alternative Instrument or documentation relating thereto, but any such deficiency must be made up by not later than the final date when such deficiency would have been required to be made up if there had been a withdrawal of moneys from the Parity Common Reserve Account rather than a draw on a Reserve Alternative Instrument. Deficiencies, whether resulting from withdrawals or draws, may be satisfied through the deposit of additional cash, the delivery of an additional Reserve Alternative Instrument or an increase in the amount available to be drawn under a Reserve Alternative Instrument. Unless otherwise provided in a Supplemental Trust Indenture or a Parity Debt Indenture, cash or Investment Obligations on deposit to the credit of the Parity Common Reserve Account shall be used *pro rata* with draws on any Reserve Alternative Instrument to satisfy deficiencies, as provided above.

(f) Unless a Reserve Alternative Instrument shall be in effect, if on any date of valuation, the amount on deposit in the Parity Common Reserve Account is less than ninety percent (90%) of the Parity Common Reserve Account Requirement, AMP shall deposit into the Parity Common Reserve Account within one year following such date the amount required as of such date to cause the amount then on deposit in the Parity Common Reserve Account to be equal to the Parity Common Reserve Account Requirement. Any such deficiency may be satisfied through the deposit of additional cash, the delivery of an additional Reserve Alternative Instrument or an increase in the amount available to be drawn under a Reserve Alternative Instrument.

(g) Any deficiency in a Special Reserve Account resulting from the withdrawal of moneys therein or a draw on a Reserve Alternative Instrument or resulting from a valuation of the Investment Obligations therein shall be made up as provided in the Supplemental Indenture or the Parity Debt Indenture establishing such Special Reserve Account. The Supplemental Indenture or Parity Debt Indenture providing for the deposit of or the substitution in lieu of cash of a Reserve Alternative Instrument may provide that AMP may be required to post collateral or deposit cash or obtain a substitute Reserve Alternative Instrument in the event that the provider of the Reserve Alternative Instrument is downgraded or its rating is withdrawn or suspended with the result that the Reserve Alternative Instrument no longer meets all of the rating criteria set forth in (b)(ii) above.

(h) If at any time, the amount of moneys held for the credit of the Parity Common Reserve Account or any Special Reserve Account shall exceed the amount then required to be on deposit to the credit of such Account, the excess may be withdrawn and transferred as directed by AMP in accordance with any Supplemental Indenture and any Parity Debt Indenture.

Application of Money in the Redemption Account. Subject to the terms and priorities established in the Master Indenture, the Trustee shall apply money in the Redemption Account to the purchase or redemption of Bonds.

Application of Moneys in the Reserve and Contingency Subfund. Moneys held in the various Accounts of the Reserve and Contingency Subfund may be disbursed by AMP as follows: (a) money held

in the Overhaul Account may be used to pay the costs of unusual or extraordinary (as determined by AMP) repairs or maintenance, not occurring annually; (b) money held in the Renewal and Replacement Account may be used to pay the costs of renewals, replacements and repairs to the Projects resulting from any emergency, engineering and architectural fees and premiums on insurance carried under the terms of the Master Indenture; (c) money in the Capital Improvement Account may be used for paying the costs of fixtures, machinery, equipment, furniture, real property and additions to, or improvements, extensions or enlargements of, the Projects; (d) money held in the Rate Stablization Account may be, at AMP's direction, transferred to any other account or subfund, including the payment of interest, principal or redemption of Indebtedness; (e) money held in the Environmental Improvements Account may be used for the mitigation of environmental impacts of the Projects, including, but not limited to, any mitigation actions required as a condition of the licenses issued by FERC to operate the Projects; and (f) moneys held in the Self-Insurance Account may be used to pay for losses, liabilities or other purposes for which insurance proceeds, net of the applicable deductible, have been received or for losses, liabilities including reimbursement obligations or other purposes for which AMP was self-insured or uninsured or obligated for reimbursement on letters of credit or performance or surety bonds or the like.

Depositories and Investment of Funds

Security for Deposits. All money received by AMP pursuant to the provisions of the Master Indenture shall be deposited with the Trustee or one or more Depositories and, in the case of deposits with the Trustee, be trust funds under the Master Indenture, and shall not be subject to the lien of any creditor of AMP.

Investment of Money. Money held for the credit of all funds, accounts and subaccounts established under the Master Indenture and held by the Trustee shall, in accordance with the written directions of AMP, be continuously invested and reinvested by the Trustee or the Depositories, whichever is applicable, in the Investment Obligations, specified in such directions, to the extent practicable.

No Investment Obligations pertaining to any Series of Bonds in any fund, account or subaccount held by the Trustee or any Depository shall mature on a date beyond the latest maturity date of the Bonds of such Series Outstanding at the time such Investment Obligations are deposited.

AMP shall either enter into agreements with the Trustee or any Depository for the investment of any money required or permitted to be invested under the Master Indenture or give the Trustee or any Depository written directions respecting the investment of such money, subject, however, to the provisions of the Master Indenture, and the Trustee or such Depository shall then invest such money in accordance with such agreements or directions.

Except as provided in the Master Indenture with respect to the Parity Common Reserve Account, Investment Obligations shall mature or be redeemable at the option of the holder thereof not later than the respective dates when the money held for the credit of such funds, accounts and subaccounts will be required for the purposes intended.

Investment Obligations in the Parity Common Reserve Account shall mature or be redeemable at the option of the Trustee not later than the final maturity date of the Parity Obligations to which such Parity Common Reserve Account is pledged.

Money held for the credit of all funds, accounts and subaccounts established under the Master Indenture and held by the Trustee shall, in accordance with the written directions of AMP, be continuously invested and reinvested by the Trustee or the Depositaries, whichever is applicable, in Investment Obligations to the extent practicable. Except as provided in the Master Indenture with respect

to the disposition of investment income, the particular investments to be made and other related matters in respect of investments shall, as to each Series of Bonds, be provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

Valuation. For the purpose of determining the amount on deposit in any fund, account or subaccount established under the Master Indenture, Investment Obligations in which money in such fund, account or subaccount is invested shall, so long as no Event of Default shall have occurred and continue, be valued at Amortized Cost. During the pendency of any Event of Default, Investment Obligations in which money in such fund, account or subaccount is invested shall be valued at the lower of Amortized Cost or market.

All Investment Obligations in all of the subfunds, accounts and subaccounts established under the Master Indenture shall be valued as of the Business Day immediately preceding each Principal Payment Date and, at the written request of an AMP Representative, each or any Interest Payment Date.

Certain Covenants of AMP

Covenants to Construct and Maintain the Project. AMP will cause the Projects to be constructed substantially as contemplated by the Master Indenture and the Power Sales Contract and, except in limited circumstances and only upon the receipt of a report of the Consulting Engineer that ceasing construction would not adversely affect the holders, to proceed with due diligence to complete the Projects AMP will In addition, AMP covenants to operate and maintain the Projects in an efficient and economical manner and in accordance with all applicable laws, regulations or orders of any governmental body with jurisdiction over the Projects.

Insurance. AMP covenants that it maintain a practical insurance program, with reasonable terms, conditions, provisions and costs, which AMP determines (i) will afford adequate protection against loss caused by damage to or destruction of the Projects or any part thereof and (ii) will include reasonable liability insurance on all of the Projects for bodily injury and property damage resulting from the construction or operation of the Projects.

AMP further covenants that, immediately after any substantial damage to or destruction of any part of the Projects, it will cause plans and specifications for repairing, replacing or reconstructing the damaged or destroyed property (either in accordance with the original or a different design) and an estimate of the cost thereof to be prepared and that the proceeds of all insurance received in the circumstances described in the in this sentence shall be paid to a Depository and made available for, and shall to the extent necessary be applied to, the repair, replacement or reconstruction of the damaged or destroyed property, and such disbursements by the Depository for such purposes shall be made in accordance with the provisions of the Master Indenture for payments from the Construction Subfund to the extent that such provisions may be applicable.

Incurrence Tests. Following the date that is two years after the Commercial Operation Date of the last of the Projects to be placed into service, additional Parity Obligations may be issued or incurred only in compliance with the Incurrence Tests set forth in (a) and (b), subject to the issuance of Parity Obligations issued pursuant to (c) below:

(a) AMP may issue or incur Parity Obligations at one time or from time to time in any form or combination of forms permitted by the Master Indenture for the purpose of providing funds, with any other available funds, to pay the additional Costs of the Projects if, prior to the issuance or incurrence of such Parity Obligations, AMP shall file or cause to be filed with the Trustee an Officer's Certificate (which may rely upon certificates or other documentation delivered by an Independent Consultant)

certifying that, for each Fiscal Year thereafter for which sufficient proceeds of the Parity Obligations and other available funds have not been set aside with the Trustee to pay the interest due in such Fiscal Year, in the signer's good faith estimation, (i) the Debt Service Coverage Ratio will be not less than 1.10x Maximum Annual Debt Service Requirement for all of the Parity Obligations, including the proposed additional Parity Obligations, that will be Outstanding immediately following the issuance of such proposed Parity Obligations and (ii) the Debt Service Coverage Ratio is not less than 1.00x of the Maximum Annual Debt Service Requirement for all of the Indebtedness, including the proposed additional Parity Obligations, that will be Outstanding immediately following the issuance of such proposed Parity Obligations.

(b) AMP may incur Parity Obligations for the purpose of refunding or reissuing any Outstanding Indebtedness if, prior to the incurrence of such Parity Obligations, either (i) the Trustee receives from AMP an Officer's Certificate (which may rely upon certificates or other documentation delivered by an Independent Consultant) stating that, taking into account the Parity Obligations proposed to be incurred, the Parity Obligations to remain Outstanding after the refunding and the refunding of the Outstanding Indebtedness proposed to be refunded, the Maximum Debt Service Requirement will not be increased by more than five percent (5%), or (ii) AMP files or causes to be filed with the Trustee an Officer's Certificate (which may rely upon certificates or other documentation delivered by an Independent Consultant) certifying that, in the signer's good faith estimation, the Debt Service Coverage Ratio for each Fiscal Year thereafter for which sufficient proceeds of the Parity Obligations and other available funds have not been set aside with the Trustee to pay the interest due in such Fiscal Year, taking into account the Parity Obligations proposed to be incurred, the refunding of the Outstanding Indebtedness proposed to be refunded and the Parity Obligations to remain Outstanding after the refunding, will be not less than 1.10x, and (iii) the Trustee receives a report by an Independent Consultant verifying the computations supporting the determination in (i) or (ii) above.

(c) In the event of damage or destruction to any Project that materially adversely affects its generating capability and for which insurance proceeds are inadequate to pay the cost of repairs or for which AMP does not expect to receive adequate insurance proceeds in a timely manner to expedite the necessary repairs or reconstruction, AMP may issue or incur Parity Obligations for the sole purpose of paying the cost of repairs required for AMP to return such Project to Commercial Operation ("Emergency Bonds"); provided that the issuance of any such Emergency Bonds shall be contingent on the receipt by the Trustee of a favorable report of the Consulting Engineer to the effect that the net proceeds of the Emergency Bonds then to be issued and any other available funds of AMP paid into the Construction Subfund for the purpose shall be sufficient for AMP to pay the balance of the cost, as estimated by the Consulting Engineer, of the repairs required for AMP to return such Project to Commercial Operation.

(c) For purposes of demonstrating compliance with the Incurrence Tests set forth in paragraphs (a) or (b), AMP may (but is not required to) elect in the applicable Supplemental Indenture to treat all Parity Obligations authorized in a Credit Facility (including, for example and without limitation, a line of credit or a liquidity facility supporting a commercial paper program), but not immediately issued or incurred under such Credit Facility, as subject to such Incurrence Tests as of a single date, notwithstanding that none, or less than all, of the authorized principal amount of such Parity Obligations shall have been issued or incurred as of such date.

(d) Short-Term Indebtedness may be incurred under the Master Indebtedness as a Parity Obligation only in compliance with the Incurrence Tests. In addition, AMP may incur Short-Term Indebtedness as Subordinate Obligations under the Master Indenture.

(e) Notwithstanding the foregoing provisions, nothing contained in the Master Indenture shall preclude AMP from incurring any obligation under a Credit Facility.

(f) Notwithstanding the foregoing provisions, nothing contained in the Master Indenture shall preclude AMP from entering into a Derivative Agreement either in connection with Indebtedness or otherwise.

Rate Covenant. AMP covenants that it will at all times fix, charge and collect reasonable rates and charges for the use of, and for the services and facilities furnished by, the Projects and that from time to time, and as often as it shall appear necessary, it will adjust such rates and charges so that the Net Revenues will be sufficient to provide an amount in each Fiscal Year at least equal to greater of (A) one hundred ten per centum (110%) of the Debt Service Requirements for such Fiscal Year on account of all the Bonds and Parity Debt then outstanding and (B) one hundred per centum (100%) of the sum of the Debt Service Requirements for such Fiscal Year on account of all Bonds and Parity Debt then outstanding and the amount required to make all other deposits required by the Master Indenture and to pay all other obligations of AMP related to the Projects, including Subordinate Obligations, as the same become due.

AMP further covenants that if the moneys available for the payment of the sum of the amounts set forth in the preceding paragraph shall not equal or exceed the amount required above for any Fiscal Year, it will revise the rates and charges for the services and facilities furnished by the Projects and, if necessary, it will revise its plan of operation in relation to the collection of bills for such services and facilities, so that such deficiency will be made up before the end of the Fiscal Year following that Fiscal Year in which such deficiency occurred. Should any deficiency not be made up in such following Fiscal Year, the requirement therefor shall be cumulative and AMP shall continue to revise such rates until such deficiency shall have been completely made up.

Power Sales Contract; Project Agreements. AMP covenants and agrees that it will not suffer, permit or take any action or do anything or fail to take any action or fail to do anything which may result in the termination of the Power Sales Contract so long as any Parity Obligations are outstanding; that it will fulfill its obligations and will require the Participants to perform punctually their duties and obligations under the Power Sales Contract and will otherwise administer the Power Sales Contract in accordance with its terms to assure the timely payment of all amounts payable by the Participants thereunder, all in accordance with the terms of the Power Sales Contract; that it will not execute or agree to any change, amendment or modification of or supplement to the Power Sales Contract except by supplemental contract, as the case may be, duly executed by the applicable Participants and AMP, and upon the further terms and conditions set forth the Master Indenture; and that, except as provided the Master Indenture, it will not agree to any abatement, reduction, abrogation, waiver, diminution or other modification in any manner or to any extent whatsoever of the obligation of any Participant under the Power Sales Contract to meet its obligations as provided in such Contract.

So long as any Parity Obligations are outstanding, AMP shall (i) perform all of its obligations under any Project Agreement and take such actions and proceedings from time to time as shall be necessary to protect and safeguard the security for the payment of the Bonds afforded by the provisions of such Project Agreements and (ii) not voluntarily consent to or permit any rescission or consent to any amendment to or otherwise take any action under or in connection with any Project Agreement which will limit or reduce the obligation of the other parties thereto to make payments provided therein or which will have a material adverse effect on the security for the payment of Parity Obligations.

Covenant Against Sale or Encumbrances; Exceptions. AMP covenants that, except as provided below, it will not sell, exchange or otherwise dispose of or encumber the Projects or any part thereof.

(a) (i) AMP may, at any time or times, sell or otherwise dispose of undivided ownership interests in one or more of the Projects to one or more persons (each a "Buyer") in an aggregate amount of up to 20% thereof (each such percentage ownership interest an "Aliquot Share"), provided that the terms of any

such disposition shall meet all the requirements of paragraph (2) of this subsection (a).

(ii) Any such sale described in paragraph (i) of subsection (a) shall meet at least the following requirements:

(1) The Buyer shall at the closing for its purchase of its undivided ownership interest in the Projects or any of them pay to or for the account of AMP an amount at the least sufficient to pay, redeem, defease or otherwise retire any obligations, allocable to such Aliquot Share, for borrowed money that AMP shall have incurred to and through a date that is not less than 30 days prior to the date of such closing;

(2) the Buyer shall execute a Project Agreement with AMP thereby obligating the Buyer for (Y) the payment to or for the account of AMP of, among other things, the balance, if any, of the sum required to pay, redeem, defease or otherwise retire any obligations, allocable to such ownership interest, for borrowed money that AMP shall have incurred to and through the date of such closing and not paid pursuant to clause (i) of this subsection (a), and (Z) the Buyer's Aliquot Share of the balance of the Costs of the Projects to and including the Commercial Operation Date of the last of the Projects to be placed in service;

(3) the Buyer shall execute a Project Agreement with AMP thereby obligating the Buyer for its share, determined in accordance with the provisions of such agreement, of the operating and maintenance expenditures, repair, renewal and replacement expenditures, whether current or capital in nature, for the Projects;

(4) the Buyer shall have delivered to AMP, with a copy to the Trustee, an Opinion of Counsel, subject only to customary exceptions, to the effect that each of each of the Project Agreements referred to in clauses (ii) and (iii) of this paragraph (2) is a valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms;

(5) AMP shall provide to the Trustee written evidence that any and all of AMP's obligations for borrowed money that were allocable to the Aliquot Share of the Buyer have been paid, redeemed, defeased or otherwise retired and, in the event that Defeasance Obligations are deposited as Qualified Escrow Funds to effect the payment, redemption, defeasance or other retirement of the obligations, AMP shall deliver to the Trustee an executed escrow agreement, together with an Opinion of Counsel, which may rely on certifications of an Independent Consultant, to the effect that that any and all of Parity Obligations that are allocable to the undivided ownership interest in the Project or Projects purchased by the Buyer have been paid, redeemed, defeased or otherwise retired in accordance with the provisions of the applicable Supplemental Indenture(s); and

(6) AMP shall provide to the Trustee an Opinion of Counsel that the sale to the Buyer will not adversely impact the Tax-Advantaged status of any of the Tax-Advantaged Parity Obligations outstanding immediately prior to the date of the closing.

(b) AMP may from time to time sell, exchange or otherwise dispose of any equipment, motor vehicles, machinery, fixtures, apparatus, tools, instruments or other movable property if it determines that such articles are no longer needed or are no longer useful in connection with the Projects, and the proceeds thereof shall be applied to the replacement of the properties so sold, exchanged or disposed of or shall be transferred first to the Parity Common Reserve Account and any Special Reserve Account pro rata to the extent of any deficiency therein, then to the Reserve and Contingency Subfund to the extent of any deficiency therein, and then to the Acquisition and Construction Subfund or to the Redemption

Account in the Bond Subfund for the purchase or redemption of Parity Obligations in accordance with the provisions of the Master Indenture, all as directed in an Officer's Certificate.

Subject to the provisions of the Project Agreements, AMP may from time to time sell, exchange or otherwise dispose of (but not lease or contract for the use thereof except where AMP remains fully obligated under the Master Indenture and, if the rent in question exceeds 5% of the Gross Revenues of AMP for the preceding Fiscal Year, AMP shall expressly determine that such lease, contract or agreement will not materially impair the ability of AMP to meet the Rate Covenant) any other property of the Projects if it determines by resolution:

1. that such property is no longer needed or is no longer useful in connection with the Projects, or

2. that the sale, exchange or other disposition thereof would not materially adversely affect the operating efficiency of the Projects,

and the proceeds, if any, thereof shall be transferred first to the Parity Common Reserve Account or any Special Reserve Account to the extent of any deficiency therein, then to the Reserve and Contingency Subfund to the extent of any deficiency therein, and then to the Acquisition and Construction Subfund or the Redemption Account in the Bond Subfund for the purchase or redemption of Bonds in accordance with the provisions of the Master Indenture, all as directed in an Officer's Certificate.

Annual Budget. Subject to the provision of the required information from the other parties to the Project Agreements, AMP covenants that, on or before the 45th day preceding the first day of each Fiscal Year, it will prepare with respect to the Projects a preliminary budget of Gross Revenues and AMP Operating Expenses and a preliminary budget of capital expenditures for the ensuing Fiscal Year.

AMP further covenants that on or before the last day in such Fiscal Year it will finally adopt the budget of Gross Revenues and Operating Expenses and the budget of capital expenditures for the ensuing Fiscal Year (which budgets together with any amendments thereof or supplements thereto as hereinafter permitted being herein sometimes collectively called the "Annual Budget").

If for any reason AMP shall not have adopted the Annual Budget before the first day of any Fiscal Year, the preliminary budget for such Fiscal Year or, if there is none, the budget for the preceding Fiscal Year, shall, until the adoption of the Annual Budget, be deemed to be in force and shall be treated as the Annual Budget.

Defaults and Remedies

Events of Default. Under the Master Indenture, the following events constitute an Event of Default: (a) failure to make any payment of the principal of and the redemption premium, if any, on any of the Bonds or any Parity Debt when and as the same shall be due and payable, either at maturity or by redemption or otherwise; (b) failure to make any payment of the interest on any of the Bonds or any Parity Debt when and as the same shall be due and payable; (c) an event of default shall have occurred under any Supplemental Indenture or the Trustee shall have received written notice from any Holder of an event of default under any Parity Debt Indenture; (d) AMP's failure perform, observe or comply with any covenant or agreement on its part under the Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to AMP by the Trustee; provided, however, that if such failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected; (e)

AMP fails to make any required payment with respect to any Subordinate Obligations or other indebtedness (other than any Bond, Parity Debt or Subordinate Obligations), whether such indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness, whether such indebtedness now exists or shall hereafter be created, shall occur, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument or a trustee acting on its behalf, and as a result of such failure to pay or other event of default such indebtedness shall have been accelerated and such acceleration, in the opinion of the Trustee, does or could materially adversely affect the Owners of Bonds and the Holders of Parity Debt; or (f) certain events relating to bankruptcy, insolvency, reorganization or other related proceedings.

Upon the occurrence of an Event of Default, the Trustee shall give prompt written notice to AMP specifying the nature of the Event of Default. AMP shall give the Trustee prompt written notice of all events of which it is aware that either constitute Events of Default under the Master Indenture or, upon notice by AMP or the Trustee or the passage of time, would constitute Events of Default.

Acceleration. Upon the occurrence of, and continuance for a period of not less than 90 days, the Events of Default detailed in (a) and (b) above, the Trustee may, and upon the written request of the Owners or Holders of not less than a majority in aggregate principal amount of Parity Obligations then outstanding shall, by notice to AMP, declare the principal of all Parity Obligations then Outstanding immediately due and payable. If, however, at any time after the principal of the Parity Obligations shall been accelerated and before the entry of final judgment or decree in any suit instituted on account of such default, money sufficient to pay the principal of all matured Parity Obligations and all arrears of interest, if any, upon all Parity Obligations then Outstanding (including any sinking fund requirement, but excluding the principal on any Parity Obligation not due and payable in accordance with its terms) shall have been deposited with the Trustee and all other defaults known to the Trustee in the observance of the covenants contained in the Bonds, any Parity Debt, the Master Indenture or any Parity Debt Indenture shall have been remedied to the satisfaction of the Trustee, the Trustee shall rescind and annul such declaration.

Remedies. Upon the happening and continuance of any Event of Default, then and in every case the Trustee may, and upon the written request of the Owners or Holders of not less than a majority in aggregate principal amount of Parity Obligations then outstanding shall, proceed to enforce its rights and the rights of the Owners and Holders of the Parity Obligations then Outstanding under applicable laws and under the Master Indenture by such suits or other actions, in equity or at law.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Owners or Holders of not less than a majority of the aggregate principal amount of the Parity Obligations then Outstanding, shall, subject to appropriate indemnification, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of the Owners and Holders, provided that such request and the action to be taken by the Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Trustee, are not unduly prejudicial to the interest of the Owners and Holders not making such request.

Control of Proceedings. Anything in the Master Indenture to the contrary notwithstanding, the Owners or Holders of a majority in aggregate principal amount of Parity Obligations at any time Outstanding shall have the right, subject to the provisions of the Master Indenture relating to indemnification of the Trustee, by an instrument or concurrent instruments in writing executed and

delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Master Indenture, provided that such direction shall be in accordance with law and the provisions of the Master Indenture, and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of any Owners or Holders not joining in such direction, and provided further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and provided further that nothing shall impair the right of the Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by the Owners or Holders.

Restriction on Individual Action. Except in respect of an Owner's or Holder's right to enforce payment of a Parity Obligation, no Owner or Holder shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or Parity Debt or for the execution of any trust under the Master Indenture or for any other remedy under the Master Indenture unless such Owner or Holder previously shall (a) has given to the Trustee written notice of the Event of Default on account of which suit, action or proceeding is to be instituted, (b) has requested the Trustee to take action after the right to exercise such powers or right of action, as the case may be, shall have accrued, (c) has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or to institute such action, suit or proceedings in its or their name, and (d) has offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Supplements and Amendments

Supplemental Indentures Without Consent. AMP and the Trustee may execute and deliver Supplemental Indentures without the consent of or notice to any of the Owners or Holders to: (a) cure any ambiguity or formal defect or omission in the Master Indenture, or any conflict between the provisions of the Master Indenture and of the Power Sales Contract or of any Parity Debt Indenture delivered to the Trustee at the same time as AMP delivers the Master Indenture, to correct or supplement any provision the Master Indenture that may be inconsistent with any other provision therein, to make any other provisions with respect to matters or questions arising under the Master Indenture, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Master Indenture; (b) grant or confer upon the Trustee, for the benefit of the Owners or Holders, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners, the Holders or the Trustee, (c) add to the provisions of the Master Indenture other conditions, limitations and restrictions thereafter to be observed; (d) add to the covenants and agreements of AMP in the Master Indenture other covenants and agreements thereafter to be observed by AMP or to surrender any right or power in the Master Indenture reserved to or conferred upon AMP, (e) obtain a Credit Facility, Reserve Alternative Instrument, a Derivative Agreement, or other credit enhancement; provided, however, that no Rating Agency shall reduce or withdraw its rating on any of the Parity Obligations then Outstanding as a consequence of any such provision of such Supplemental Indenture, (f) enable AMP to comply with its obligations, covenants and agreements made in the Master Indenture or in any Parity Debt Indenture for the purpose of maintaining the tax status of interest or ability of AMP to receive a Federal Subsidy on any Tax-Advantaged Parity Obligations, provided that such change shall not materially adversely affect the security for any Parity Obligations, (g) to extent that such action is inconsistent with the provisions of the Master Indenture or any Supplemental Indenture, to enable AMP to perform any and all acts required by the order of FERC, or its successor, affecting the Projects, or (h) make any other change that, in the opinion of the Trustee, which may, but is not required to, rely upon one or more of affirmation of ratings by the Rating Agencies, certificates of Independent Consultants and Opinions of Counsel for such purpose, shall not materially adversely affect the security for the Parity

Obligations.

Supplemental Indentures With Consent. The Owners and Holders of not less than a majority in aggregate principal amount of the Parity Obligations then Outstanding shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution and delivery of such Supplemental Indentures as are deemed necessary or desirable by AMP for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Indenture; provided, however, that nothing contained in the Master Indenture shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond or Parity Debt without the consent of the Owner of such Bond or the Holder of such Parity Debt, (b) a reduction in the principal amount of any Bond or Parity Debt or the redemption premium or the rate of interest thereon without the consent of the Owner of such Bond or the Holder of such Parity Debt, (c) the creation of a security interest in or a pledge of Net Receipts other than the security interest and pledge created by the Master Indenture without the consent of the Owners of all Bonds Outstanding and the Holders of all Parity Debt Outstanding, (d) a preference or priority of any Bond or Parity Debt over any other Bond or Parity Debt without the consent of the Owners of all Bonds Outstanding and the Holders of all Parity Debt Outstanding or (e) a reduction in the aggregate principal amount of the Parity Obligations required for consent to such Supplemental Indenture without the consent of the Owners of all Bonds Outstanding and the Holders of all Parity Debt Outstanding.

Supplemental Power Sales Contract Without Consent. AMP and the Participants may, from time to time and at any time, consent to such contracts, supplemental or amendatory to the Power Sales Contract as shall not be inconsistent with the terms and provisions of the Master Indenture,

1. to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Power Sales Contract or in any supplemental or amendatory contract, or

2. to grant to AMP for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or AMP, or

3. to make any other change in, or waive any provision of, the Power Sales Contract, provided only that the ability of AMP to comply with the provisions of the Rate Covenant shall not thereby be materially impaired.

Supplemental Power Sales Contract with Consent. Except for as provided above, AMP shall not agree to any supplemental or amendatory contract respecting the Power Sales Contract, unless notice of the proposed execution of such supplemental or amendatory contract shall have been given and the Owners and Holders of not less than a majority in aggregate principal amount of the Bonds and Parity Debt then outstanding shall have consented to and approved the execution thereof, such consent to be obtained in the same manner as Supplemental Indentures requiring the consent of Owners or Holders.

Defeasance. The lien of the Master Trust Indenture shall be released when:

(a) the Bonds and any Parity Debt shall have become due and payable in accordance with their terms or otherwise as provided in the Master Indenture, and the whole amount of the principal and the interest and premium, if any, so due and payable upon all Parity Obligations shall be paid, or

(b) if the Bonds and any Parity Debt shall not have become due and payable in accordance with their terms, the Trustee or the Bond Registrar shall hold sufficient money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when

due and payable, will provide sufficient money to pay the principal of and the interest and redemption premium, if any, on all Parity Obligations then Outstanding to the maturity date or dates of such Parity Obligations or to the date or dates specified for the redemption thereof, as verified by a nationally recognized Independent Consultant, and, if Bonds or any Parity Debt are to be called for redemption, irrevocable instructions to call the Bonds or Parity Debt for redemption shall have been given by AMP to the Trustee, and

(c) sufficient funds shall also have been provided or provision made for paying all other obligations payable under the Master Indenture by AMP.

Defeasance of Series 2009 Bonds

Under the terms of the Series 2009 Supplemental Indentures, AMP at any time may terminate (i) all its obligations under the applicable Series 2009 Supplemental Indenture ("*Legal Defeasance Option*") or (ii) its obligations in respect of certain covenants made therein and in the Master Indenture, and the operation of the event of default described above in (d) under the heading "**Defaults and Remedies** – *Events of Default*" ("Covenant Defeasance Option") with respect to affected Series of Series 2009 Bonds. AMP may exercise the Legal Defeasance Option notwithstanding its prior exercise of the Covenant Defeasance Option.

If AMP exercises the Legal Defeasance Option, the maturity of the affected Series of Series 2009 Bonds may not be accelerated because of an Event of Default. If AMP exercises the Covenant Defeasance Option, the maturity of the 2009C Bonds may not be accelerated because of an Event of Default specified in the event of default described above in (d) under the heading "**Defaults and Remedies** – *Events of Default*".

Notwithstanding the exercise of either the Legal Defeasance Option or Covenant Defeasance Option or both, (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Series 2009 Bonds, (iii) rights of Holders to receive payments of principal, premium, if any, and interest, (iv) rights relating to the application of Trust funds, (v) the rights, obligations and immunities of the Trustee hereunder and (vi) the rights of Holders as beneficiaries hereof with respect to the property deposited with the Trustee payable to all or any of them, shall survive until the affected Series of the Series 2009 Bonds as to which the related Series 2009 Supplemental Indenture or certain obligations thereunder have been satisfied and discharged have been paid in full.

AMP may exercise the Legal Defeasance Option or the Covenant Defeasance Option only if:

(a) AMP has irrevocably deposited or caused to be irrevocably deposited in trust with the Trustee (i) cash and/or (ii) Defeasance Obligations which through the scheduled payments of principal and interest in respect thereof in accordance with their terms are in an amount sufficient to pay principal, interest and premium, if any, on such Series 2009 Bonds not theretofore delivered to the Trustee for cancellation and all other sums payable hereunder by AMP with respect to such Series 2009 Bonds when scheduled to be paid pursuant to mandatory sinking fund requirements and to discharge the entire indebtedness on such Series 2009 Bonds when due;

(b) AMP delivers to the Trustee a certificate from a nationally recognized firm of independent public accountants or other financial consultants not unacceptable to the Trustee expressing its opinion that the payments of principal and interest when due and without reinvestment of the deposited Defeasance Obligations plus any deposited cash without investment will provide cash at such times and in such amounts (but, in the case of the Legal Defeasance Option only, not more than such amounts) as will be sufficient to pay in respect of the Series 2009 Bonds so affected (i) principal in accordance with the

mandatory sinking fund requirements for such Series 2009 Bonds, (ii) interest when due and (iii) all other sums payable hereunder by AMP with respect to such Series 2009 Bonds;

(c) in the case of the Legal Defeasance Option, 95 days pass after the deposit is made and during the 95-day period no Default triggered by certain events relating to bankruptcy, insolvency, reorganization or other related proceedings occurs which is continuing at the end of the period;

(d) no event that constitutes, or event that with the passage of time and/or giving of notice would constitute, an Event of Default has occurred and is continuing on the day of such deposit and after giving effect thereto;

(e) in the case of an exercise of the Legal Defeasance Option, AMP shall have delivered to the Trustee an Opinion of Counsel experienced in Federal income tax matters stating that (i) AMP has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of the related Series 2009 Supplemental Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the affected Series of Series 2009 Bonds will not recognize income, gain or loss for federal tax purposes as a result of such legal defeasance and will be subject to federal tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(f) in the case of an exercise of the Covenant Defeasance Option, AMP shall have delivered to the Trustee an Opinion of Counsel experienced in Federal income tax matters to the effect that the Holders of the affected Series of Series 2009 Bonds will not recognize income, gain or loss for federal tax purposes as a result of such covenant defeasance and will be subject to federal tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(g) AMP delivers to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent to the satisfaction and discharge of the affected Series of Series 2009 Bonds to the extent contemplated by related Series 2009 Supplemental Indenture have been complied with;

(h) AMP delivers to the Trustee an Opinion of Counsel experienced in Federal bankruptcy matters to the effect that in a case under the Bankruptcy Code in which AMP is the debtor, the court would hold that the deposited money or Defeasance Obligations would not be in the bankruptcy estate of AMP (or any affiliate that deposited the money or Defeasance Obligations); and

(i) any condition established for such defeasance by any Rating Agency shall have been satisfied with respect to the exercise of any Legal Defeasance Option or Covenant Defeasance Option.

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Appendix E-1

PROPOSED FORM OF OPINION OF PECK, SHAFFER & WILLIAMS LLP

December __, 2009

American Municipal Power, Inc.
Columbus, Ohio

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the issuance of $24,425,000 Combined Hydroelectric Projects Revenue Bonds, Series 2009A (Federally Taxable) (the "2009A Bonds"), $497,005,000 Combined Hydroelectric Projects Revenue Bonds, Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "2009B Bonds") and $122,405,000 Combined Hydroelectric Projects Revenue Bonds, Series 2009C (Tax-Exempt) (the "2009C Bonds" and together with the 2009A Bonds and 2009B Bonds, the "Bonds") issued by American Municipal Power, Inc. ("AMP") to refund all or a portion of AMP's Hydroelectric Projects Revenue Bond Anticipation Notes, Series 2009A, which were issued to pay, among other things, a portion of the capital expenditures, costs and expenses associated with three hydroelectric facilities to be constructed on existing dams on the Ohio River and owned by AMP (the "Projects"), make deposits to the Construction Accounts to finance capital expenditures, costs and expenses associated with the Projects, to fund capitalized interest on the Bonds, to fund deposits to the Parity Common Reserve Account and to pay the costs of issuance of the Bonds. The transcript documents include executed counterparts of: (i) Resolution Nos. 09-10-2877, 09-10-2878 and 09-10-2879 adopted by the Board of Trustees of AMP on October 26, 2009 (collectively, the "Resolutions"); (ii) the Power Sales Contract dated as of November 1, 2007 (the "Power Sales Contract") between AMP and 79 of its members, located in Ohio, Kentucky, Virginia, Michigan and West Virginia (the "Participants"); (iii) the Master Trust Indenture dated as of November 1, 2009 between AMP and U.S. Bank National Association, as trustee (the "Master Indenture"); (iv) the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, each dated as of November 1, 2009 and each between AMP and U.S. Bank National Association, as trustee (the "First Supplemental Indenture", the "Second Supplemental Indenture" and the "Third Supplemental Indenture," respectively and, together with the Master Indenture, as previously supplemented, the "Indenture"); and (v) other documents executed and delivered in connection with the issuance of the Bonds. We have also examined the Constitution and laws of the State of Ohio and such other documents, certifications and records as we have deemed necessary for purposes of this opinion. We have also examined the form of the Bonds.

Based upon the examinations above referred to, we are of the opinion that, under the law in effect on the date of this opinion:

1. The Bonds have been duly authorized, executed, issued and delivered by AMP and constitute legal, valid and binding special obligations of AMP, enforceable in accordance with their terms. The principal of and interest on the Bonds are payable solely from and secured by: (a) the Gross Receipts, as defined in the Master Indenture, (b) all moneys and investments in certain funds established by the Indenture, and (c) all rights, interests and property pledged and assigned to the Trustee under the Indenture. The Bonds do not constitute a debt, or a pledge of

the faith and credit of the Participants or of any political subdivision of the State of Ohio and the registered owners thereof will have no right to have excises or taxes levied by the General Assembly of the State, the Participants or any other political subdivision of the State for the payment of debt service on the Bonds. AMP has no taxing power.

2. The Indenture has been duly authorized executed and delivered by AMP and constitutes a valid and binding obligation of AMP, enforceable in accordance with its terms.

3. Interest on the Bonds is exempt from taxes levied by the State of Ohio and its subdivisions, including the Ohio personal income tax, and also excludible from the net income base used in calculating the Ohio corporate franchise tax. We express no other opinion as to the federal or state tax consequences of purchasing, holding or disposing of the Bonds.

In giving this opinion, we have relied upon covenants and certifications of facts made by officials of AMP and others contained in the transcript which we have not independently verified. We have also relied upon the opinion of Chester, Willcox & Saxbe LLP, as general counsel to AMP, as to the matters contained therein. It is to be understood that the enforceability of the Bonds, the Indenture and all other documents relating to the issuance of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to the exercise of judicial discretion. Capitalized terms not defined herein have the meanings given them in the Official Statement dated November 19, 2009 relating to the offering of the Bonds.

We bring to your attention the fact that our legal opinions are an expression of professional judgment and are not a guaranty of a result.

We do not undertake to advise you of matters which may come to our attention subsequent to the date hereof which may affect our legal opinions expressed herein.

Very truly yours,

Appendix E-2

PROPOSED FORM OF FEDERAL TAX OPINION OF SIDLEY AUSTIN LLP

December __, 2009

American Municipal Power, Inc.
Columbus, Ohio

Re: $497,005,000 American Municipal Power, Inc.
Combined Hydroelectric Projects Revenue Bonds
Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds)

We have acted as Federal Tax Counsel in connection with the issuance by American Municipal Power, Inc., an Ohio non-profit corporation ("AMP"), of its bonds described above (the "Bonds"). For purposes of rendering this opinion, we have examined, among other things, certified copies of:

(i) Resolution No. 09-10-2878 adopted on October 26, 2009 by the Board of Trustees of AMP authorizing the Bonds (the "Authorizing Resolution");

(ii) the Power Sales Contract dated as of November 1, 2007 between AMP and 79 of its members, located in Kentucky, Michigan, Ohio, Virginia and West Virginia (such members, the "Participants," and such contract, the "Power Sales Contract");

(iii) the Master Trust Indenture dated as of November 1, 2009 between AMP and U.S. Bank National Association, as trustee (the "Master Indenture");

(iv) the Second Supplemental Indenture dated as of November 1, 2009 between AMP and U.S. Bank National Association, as trustee (the "Second Supplemental Indenture"); and

(v) the Tax Certificate delivered on the date hereof by AMP (the "Tax Certificate") in which it has made certain representations and covenants concerning current and future compliance with the Internal Revenue Code of 1986, as amended (the "Code"),

and other documents, proceedings and matters relating to the federal tax status of the Bonds as we deemed relevant to this opinion.

For purposes of rendering this opinion, we have assumed that each of the Authorizing Resolution, the Power Sales Contract, the Master Indenture and the Second Supplemental Indenture has been duly authorized, executed and delivered by the parties thereto and is valid and binding in accordance its terms.

We have assumed, without independent verification, (i) the genuineness of certificates, records and other documents submitted to us and the accuracy and completeness of the statements contained therein; (ii) that all documents and certificates submitted to us as originals are accurate and complete; (iii) that all documents and certificates submitted to us as copies are true and correct copies of the originals thereof; and (iv) that all information submitted to us, and all representations and warranties made, in the Tax Certificate and otherwise are accurate and complete. We have also assumed, without independent investigation, the correctness of the opinion of Peck, Shaffer & Williams LLP, Bond Counsel, delivered in connection with the issuance of the Bonds, that the Bonds constitute valid and binding obligations of AMP.

On the basis of the foregoing examination, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant in the circumstance, we are of the opinion that, under

existing law, assuming compliance by AMP and the Participants with certain covenants in the Authorizing Resolution and the Tax Certificate, and requirements of the Code, regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, the Bonds constitute "qualified bonds" within the meaning of Section 54AA(g) of the Code and are eligible for the credit payable by the federal government under Section 6431 of the Code (the "Refundable Credit"). Failure by AMP and the Participants to comply with such covenants and requirements may result in a delay or forfeiture of all or a portion of the Refundable Credit and may cause the Bonds to cease to be treated as qualified bonds either prospectively from the date of determination or retroactively to their date of issuance.

Other than as described herein, we have not addressed, and are not opining on any tax matters relating to the Bonds. Further, we express no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the qualification of the Bonds as qualified bonds under Section 54AA(g) of the Code.

More generally, we express no opinion with respect to the procedures regarding, and the availability of funds with respect to, the payment of the Refundable Credit by the federal government. Further, there is no assurance that the federal government (a) will continue to pay the Refundable Credit for the term of the Bonds, (b) will not reduce the Refundable Credit during the term of the Bonds, and (c) will not attempt to offset the Refundable Credit against another amount the federal government asserts is owed by AMP to the federal government.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

You have received the opinion of Peck Shaffer & Williams LLP regarding the State of Ohio tax consequences of ownership of or receipt or accrual of interest on the Bonds, and we express no opinion as to such matters.

We bring to your attention the fact that our legal opinions and conclusions are an expression of professional judgment and are not a guarantee of a result. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof.

IRS Circular 230 Disclosure: To comply with certain U.S. Treasury regulations, we inform you that, unless expressly stated otherwise, any U.S. federal tax advice contained in this communication, including attachments, was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on such taxpayer by the Internal Revenue Service. In addition, if any such tax advice is used or referred to by other parties in promoting, marketing or recommending any partnership or other entity, investment plan or arrangement, then (i) the advice should be construed as written in connection with the promotion or marketing by others of the transaction(s) or matter(s) addressed in this communication, and (ii) the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Respectfully submitted,

December __, 2009

American Municipal Power, Inc.
Columbus, Ohio

Re: $122,405,000 American Municipal Power, Inc.
Combined Hydroelectric Projects Revenue Bonds, Series 2009C (Tax-Exempt)

We have acted as Federal Tax Counsel in connection with the issuance by American Municipal Power, Inc., an Ohio non-profit corporation ("AMP"), of its bonds described above (the "Bonds"). For purposes of rendering this opinion, we have examined, among other things, certified copies of:

(i) Resolution No. 09-10-2877 adopted on October 26, 2009 by the Board of Trustees of AMP authorizing the Bonds (the "Authorizing Resolution");

(ii) the Power Sales Contract dated as of November 1, 2007 between AMP and 79 of its members, located in Kentucky, Michigan, Ohio, Virginia and West Virginia (such members, the "Participants," and such contract, the "Power Sales Contract");

(iii) the Master Trust Indenture dated as of November 1, 2009 between AMP and U.S. Bank National Association, as trustee (the "Master Indenture");

(iv) the Third Supplemental Indenture dated as of November 1, 2009 between AMP and U.S. Bank National Association, as trustee (the "Third Supplemental Indenture"); and

(v) the Tax Certificate delivered on the date hereof by AMP (the "Tax Certificate") in which it has made certain representations and covenants concerning current and future compliance with the Internal Revenue Code of 1986, as amended (the "Code"),

and other documents, proceedings and matters relating to the federal tax status of the Bonds as we deemed relevant to this opinion.

For purposes of rendering this opinion, we have assumed that each of the Authorizing Resolution, the Power Sales Contract, the Master Indenture and the Third Supplemental Indenture has been duly authorized, executed and delivered by the parties thereto and is valid and binding in accordance its terms. We have also assumed, without independent investigation, the correctness of the opinion of Peck, Shaffer & Williams LLP, Bond Counsel, delivered in connection with the issuance of the Bonds, that the Bonds constitute valid and binding obligations of AMP.

We have assumed, without independent verification, (i) the genuineness of certificates, records and other documents submitted to us and the accuracy and completeness of the statements contained therein; (ii) that all documents and certificates submitted to us as originals are accurate and complete; (iii) that all documents and certificates submitted to us as copies are true and correct copies of the originals thereof; and (iv) that all information submitted to us, and all representations and warranties made, in the Tax Certificate and otherwise are accurate and complete.

On the basis of the foregoing examination, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant in the circumstance, we are of the opinion that, under existing law:

1. Assuming compliance with the requirements and covenants described in the next sentence, interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes. Interest on the Bonds will be includable in gross income for purposes of federal income

taxation retroactive to the date of issuance of the Bonds in the event of a failure by AMP or the Participants to comply with the applicable requirements of the Code, and the covenants contained in the Tax Certificate regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States and we express no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

2. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. No opinion is expressed as to the extent to which, if any, interest on the Bonds may be excluded from the calculation of federal corporate alternative minimum taxable income. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of the Bonds or the inclusion in certain computations of interest that is excluded from gross income.

You have received the opinion of Peck Shaffer & Williams LLP regarding the State of Ohio tax consequences of ownership of or receipt or accrual of interest on the Bonds, and we express no opinion as to such matters.

We bring to your attention the fact that our legal opinions and conclusions are an expression of professional judgment and are not a guarantee of a result. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof.

Respectfully submitted,

APPENDIX F

BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2009 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned and operated by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009

Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2009 Bonds may wish to ascertain that the nominee holding the Series 2009 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to AMP as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2009 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from AMP or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or AMP, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of AMP or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to AMP or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

AMP may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that AMP believes to be reliable, but neither AMP nor the Underwriters takes any responsibility for the accuracy thereof.

APPENDIX G

REPORT ON HYDROELECTRIC TECHNICAL AND ECONOMIC FEASIBILITY STUDY

PREPARED FOR
AMERICAN MUNICIPAL POWER, INC.
BY SAWVEL AND ASSOCIATES, INC.

NOVEMBER 19, 2009

AMP
PUBLIC POWER PARTNERS

Sawvel
AND ASSOCIATES, INC.

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REPORT ON
HYDROELECTRIC TECHNICAL AND ECONOMIC FEASIBILITY STUDY
AMERICAN MUNICIPAL POWER, INC.

TABLE OF CONTENTS

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REPORT ON HYDROELECTRIC TECHNICAL AND ECONOMIC FEASIBILITY STUDY AMERICAN MUNICIPAL POWER, INC.

GLOSSARY OF TERMS

401 Certification – Kentucky State Clean Water Act 401 Certification

AACEI– Association for the Advancement of Cost Engineering International

cfs – Cubic Feet Per Second

Commercial operation – the date when a unit is capable of continuously delivering energy to the grid at its rated capacity

Corps – U. S. Army Corps of Engineers

CREB – Clean Renewable Energy Bond

DSC – Differing Site Conditions

EA – EA Engineering and Science

FERC – Federal Energy Regulatory Commission

GBR – Geotechnical Baseline Report

GDR – Geotechnical Data Report

Hamilton – City of Hamilton, Ohio

IRS – Internal Revenue Service

Kaplan - Type of runner that is suited to low heights of water (usually between 30 and 200 ft) and variable flow rates.

kW – Kilowatt or 1,000 Watts

LMP – Locational Marginal Pricing

Members – AMP members

MISO – Midwest Independent Transmission System Operator

MW – Megawatt or 1,000 kW

MWh – Megawatt hour

MTI – Master Trust Indenture, Master Indenture or Indenture

OCIP – Owner's Controlled Insurance Policy

PJM – Pennsylvania – New Jersey – Maryland Interconnection, LLC

Project or Projects – Cannelton, Smithland and Willow Island Hydroelectric Project

Project Management Committee – Management Committee for the AMP Hydro Project

Report – Report on Hydroelectric Technical and Economic Feasibility Study

RPM – Reliability Pricing Model

Synfuel – Liquid fuel obtained from coal, natural gas or biomass

USFWS – United States Fish and Wildlife Service

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EXECUTIVE SUMMARY

This Report describes the Cannelton, Smithland, and Willow Island Hydroelectric Projects (each a "Project" and collectively the "Projects") that will be constructed by American Municipal Power, Inc. ("AMP") on the Ohio River for the beneficial use of its members ("Members"). The estimated rated capacities of the Cannelton, Smithland and Willow Island Projects are 88,000 kW, 76,000 kW and 44,000 kW, respectively. All three Projects are expected to be in commercial operation by the end of calendar year 2014. Please see Section IV for specific commercial operation dates.

The purpose of this Report is to provide an estimate of the costs of constructing, owning and operating the Projects to support the permanent financing of the Cannelton and Smithland projects. This Report assumes the total estimated cost of Cannelton and Smithland is financed using long-term bonds in November 2009. Willow Island is expected to be financed in the 2010 following the issuance of its 404 permit from the U.S. Army Corps of Engineers (the "Corps"). As explained in more detail later in this Report, AMP has assembled a project team that includes an industry renowned design-engineering firm and financing team that will assist AMP in securing financing for the Projects. AMP executed a power sales contract with 79 of its Members ("Participants") that provides the long-term benefit of the Projects to the Participants and assures that there will be adequate revenue to pay the debt service and operating expenses of the Projects.

AMP staff has relevant hydroelectric generation experience from constructing and operating the Belleville Hydroelectric Plant ("Belleville"), a hydroelectric plant located on the Ohio River that has been in commercial operation since 1999. This experience forms the basis for the operating expenses that are projected in this Report.
Based on review of Ohio River hydroelectric project screening studies, capital cost estimates for each generating facility and the analyses prepared for this Report, we conclude the following:

1. AMP has chosen three of the top five hydroelectric development sites on the Ohio River identified by the hydroelectric design firm, MWH Americas, Inc. (MWH). This is a prudent approach to developing the hydroelectric generating facilities with the lowest reasonable cost.

2. AMP has chosen sites that were previously licensed by the Federal Energy Regulatory Commission ("FERC") and thus, has avoided the uncertainty and potentially lengthy process of applying for new FERC licenses ("FERC Licenses" or

"Licenses"). If these Projects are not developed by AMP, the Licenses could be acquired through a competitive license application process and the sites developed by other municipalities or investor-owned utilities. AMP must develop these Projects on a timely basis to meet the requirements set forth in the FERC Licenses and License Amendments. AMP has developed a schedule for these Projects that currently appears reasonable to meet the requirements of the FERC Licenses and License Amendments.

3. Each Project will be constructed using conventional bulb type turbine-generating units similar to Belleville. Bulb type technology has been in use for over 30 years and is a common, proven technology that can be supported by manufacturers and hydroelectric engineers now and in the foreseeable future. AMP staff is experienced in operating this technology.

4. The physical life of each Project is expected to be at least 50 years and thus will be beneficial to the Participants over a long period of time and should help the Participants to maintain predictable power supply costs in the future. The remaining terms of the FERC Licenses for the sites are approximately 30 years. AMP expects to apply for and receive renewals of these Licenses at the end of their terms.

5. The Project sites are located along the Ohio River (see Appendix C) at locations that will experience differing flow conditions. Operating three such Projects should provide greater diversity of energy generation profile and help to stabilize energy production as compared to operating a single generating plant.

COMPARISON OF PROJECTED PROJECT COST TO MARKET PRICE

Table S-1, Estimated Total Financial Requirement of the Projects summarizes the Projects' total financial requirement and estimated annual and monthly debt service. The projected annual energy cost of each Project and of the combined Projects is shown in Figure S-1, Comparison of Projected AMP Hydroelectric Project Energy Cost to Market Price. Although the Projects begin commercial operation by the end of 2014, the first full year of operation of the Projects that debt service and a full year of operating expenses will be billed to Participants is estimated to be 2015.

The Projects' total annual cost of energy is projected at approximately $91.89/MWh in 2015 increasing to $94.86/MWh in 2031. Market energy and capacity prices are projected at approximately $84.88/MWh in 2015 increasing to $143.61/MWh in 2031. The projected market purchase prices are discussed in more detail under "Estimated Annual Value of

Project Power" in Section V. This comparison, shown in Figure S-1, indicates that the projected annual Projects' energy cost will exceed market energy and capacity prices through 2018. The market price is projected to exceed the Projects' energy cost after 2018.

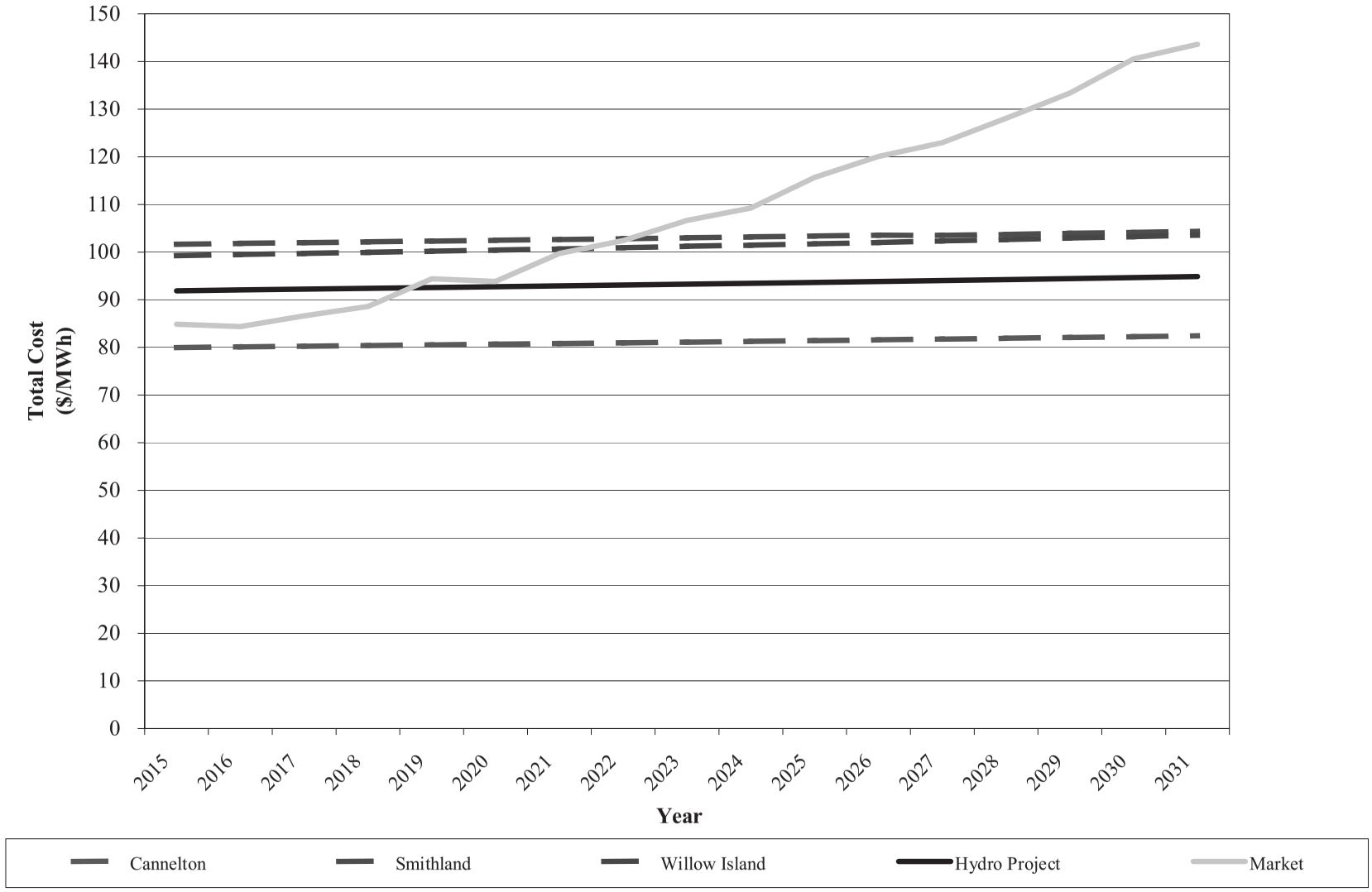
Table S-1
Estimated Total Financial Requirement of the Projects [1]
AMP

Expense Item	($)
Capital Cost	1,196,827,169
Interest Earned on Project Fund	(10,788,147)
Deposit to Project Fund	1,186,039,022
Cap. Interest Up to Commercial Operation	186,272,776
Cap. Interest After Commercial Operation	27,578,429
Debt Service Reserve Fund	86,189,505
Cost of Issuance and Additional Proceeds	17,221,703
Total Financial Requirement	1,503,301,435
($/kW)[2]	7,227
Average Annual Net Debt Service	83,158,598
($/kW-month)[2]	33.32

[1] From Table 3, Hydroelectric Project Total Financial Requirement in Section V - "Projected Costs of the Projects"

[2] Estimated total capacity of the Projects is 208,000 kW.

Figure S-1
Comparison of Projected AMP Hydroelectric Projects Energy Cost to Market Price



OTHER CONSIDERATIONS

There are important and compelling electric industry trends that should be considered in developing hydroelectric generating projects. The electric utility industry and the public in general are interested in developing generating projects that emit less air pollutants. The Projects do not emit air pollutants.

Approximately 66 to 75% of the annual cost of a hydroelectric facility is attributable to debt service. Thus, the annual cost of a hydroelectric facility after the debt is retired decreases to approximately 25% to 33% of the cost when debt service is included. The annual cost of the AMP Projects in 2044, the first year without debt service, is estimated at approximately $18.26/MWh.

The Projects will complement and diversify the Participants' power supply resource portfolio mix. If a renewable portfolio standard were to be required and applicable to AMP in the future, AMP should advocate that hydroelectric energy generated from these Projects would help to meet that requirement.

I. INTRODUCTION

AMP has obtained FERC Licenses to construct and operate three hydroelectric generating facilities on the Ohio River. The Projects are Cannelton, Smithland and Willow Island with estimated generating capacities of 88 MW, 76 MW and 44 MW, respectively. The FERC Licenses for Cannelton, Smithland and Willow Island are 10228, 6641 and 6902, respectively. This study summarizes the technical and economic feasibility of the Projects.

BACKGROUND

AMP pursued development of hydroelectric generating facilities for several reasons. AMP Members need generating resources to replace existing volatile market energy purchases. AMP retained another independent power supply consulting firm, R. W. Beck, to develop long-term power supply plans for each of its Members. The results of the power supply studies concluded that owning generating facilities would be, in the long-term, less costly than purchasing energy from the PJM and MISO energy markets. AMP Members are political subdivisions that own and operate electric systems, therefore they are not motivated to make a profit, but rather to acquire energy resources at the lowest reasonable cost.

Description of AMP

AMP was formed under Ohio Revised Code Chapter 1702 as a nonprofit corporation in 1971. Under applicable law, AMP has perpetual existence and the duration of its existence is not otherwise limited by its certificate of incorporation or by any agreement with its Members.

AMP operates on a cooperative nonprofit basis for the mutual benefit of its members. As of November 1, 2009, AMP membership was 129; 82 municipalities in Ohio, 30 boroughs in Pennsylvania, 7 cities in Michigan, 5 municipalities in Virginia, 2 cities in West Virginia and 3 cities in Kentucky. The Members own and operate electric distribution systems and a few own and operate generating assets.

Summary of Existing AMP Power Supply Arrangements

Figure 1 illustrates existing AMP Member power supply resources.

Member power supply resources include:

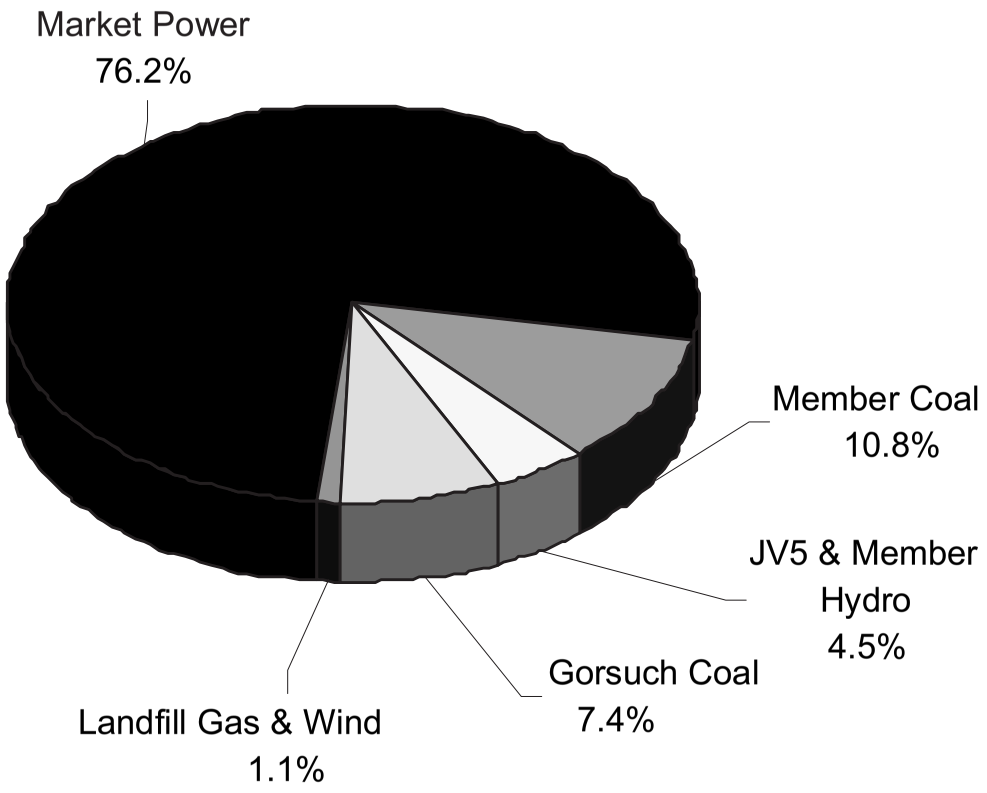
- Wholesale power purchases through AMP and market energy purchases from investor-owned utilities and marketers;
- AMP's 213 MW, coal-fired Richard H. Gorsuch Generating Station near Marietta, Ohio;
- Individual community-owned generation facilities;
- Municipal generation joint ventures such as the 42 MW Belleville Hydroelectric Plant at the Belleville Locks and Dam on the Ohio River; the 7.2 MW AMP/Green Mountain Energy Wind Farm located near Bowling Green, Ohio and approximately 334 MW of distributed peaking generation (either owned by AMP or a municipal joint venture) strategically sited throughout the state, using natural gas and diesel fuel; and
- New York Power Authority hydroelectric energy.

The majority of Members participate in AMP power pools. The power pools are typically grouped by geographic area that correspond with the investor-owned utility that provides transmission service to the group through MISO or PJM.

AMP is pursuing a portfolio of diverse power supply resources that include coal-fired generation, hydroelectric generation, natural gas, wind, solar and landfill gas power to meet its Members' energy requirements at the lowest reasonable cost, while taking into account other factors such as risk, availability and environmental concerns. AMP is also pursuing energy efficiency initiatives.

Hydroelectric generating facilities take advantage of a low cost, renewable fuel source: water. Hydroelectric generating facilities do not emit carbon dioxide, nitrogen oxide or mercury. Hydroelectric generating facilities developed on the Ohio River have the added benefit that the dams where the Projects are to be located already exist for flood control and navigation purposes. The existence of the dam is an economic and ecological benefit to each Project because a dam does not need to be constructed, thus the cost and environmental impact of building a dam is avoided.

Figure 1
AMP 2008 Member Power Portfolio



II. PURPOSE

AMP retained Sawvel and Associates, Inc. ("Sawvel") to prepare this Technical and Economic Feasibility Study to assess the economic feasibility of the Projects.

The analyses in this Report depend on information provided to Sawvel by AMP, AMP's hydroelectric design engineer, MWH, and other entities that assist AMP in the legal and financial aspects of the Projects. AMP employs a number of nationally recognized independent, legal and financial advisory firms to assist in structuring and executing various financing arrangements. At the date of this Report, the firms engaged to assist with the development and management of the plan of finance include the following:

- Sidley Austin LLP — Project Finance and Federal Tax Counsel
- Peck Shaffer & Williams LLP — Bond Counsel
- PNC Capital Markets LLC — Financial Advisor
- Kensington Capital Advisors — Financial Products Adviser
- Chester Willcox & Saxbe LLP — General Counsel

Information provided by the entities retained by AMP, and Sawvel cost projections, are subject to change, and thus actual costs may vary from the cost estimates and assumptions used in this Report.

APPROACH

The approach to this assignment was to gather all available information for each of the Projects. This information included the existing FERC license amendments and related documents, project capital cost estimates and historical operating and maintenance costs from AMP's experience operating the Belleville Hydroelectric Plant. Much of this information was provided by AMP. Capital cost estimates were developed by AMP and MWH and were used to estimate debt service for debt incurred to finance the Projects. Operation and maintenance costs were estimated for each Project. Operation and maintenance costs include insurance, potential taxes or potential payments in lieu of taxes, and payments to FERC and the Corps.

DESIGN ENGINEER

AMP retained MWH after reviewing the qualifications of several design-engineering firms with hydroelectric experience. AMP's selection process evaluated the experience, cost, manpower

and the overall ability to complete the work in the time frames needed. MWH was selected to be the Owner's Engineer to design the Projects.

MWH is the result of a merger in 2001 of two major water resources firms, Montgomery Watson and Harza Engineering Company. The combined company possesses a level of expertise in energy, infrastructure, hydropower, water and wastewater engineering that is recognized internationally.

AMP retained MWH to prepare Phase 1 and Phase 2 reports in 2006 entitled "Ohio River Lock and Dam Hydropower Study." The Phase 1 Screening Report involved a technical evaluation of ten potential lock and dam projects on the Ohio River. The Phase 2 report refined the evaluation completed in Phase 1 and provided capital cost estimates for Cannelton, Smithland, and Willow Island. MWH estimated energy generation potential at each site and estimated generating capacity and capital costs to develop a hydroelectric project at each site. The sites were ranked from lowest to highest construction cost per kilowatt. AMP is pursuing the sites that are of greatest economic value.

Table 1 summarizes the ranking of the top ten hydroelectric sites from the Phase 1 – Screening Study prepared by MWH. The Cannelton, Smithland and Willow Island sites were ranked 2, 3 and 5, respectively.

Table 1
Ohio River Hydroelectric Project Ranking [1]
AMP

Project	No. of Units	Maximum Gross Head (ft.)	Rated Net Head (ft.)	Generating Capacity (kW)	Annual Energy (GWh/yr)	Plant Factor (%)	Specific Cost ($/Per kW)	Specific Cost Rank
Meldahl	3	30.0	21.90	107,636	496	52.6	2,508	1
Cannelton	3	25.0	18.25	86,978	389	51.0	3,104	2
Smithland	3	22.0	16.06	77,929	346	50.7	3,465	3
R.C. Byrd	2	23.0	16.79	49,550	247	56.8	3,633	4
Willow Island	2	20.0	14.60	46,515	195	47.8	3,870	5
Pike Island [2]	2	21.0	15.33	39,795	220	63.0	4,523	6
New Cumberland [2] [3]	2	20.5	14.97	42,466	213	57.3	4,239	7
J.T. Myers	3	18.0	13.14	52,285	189	41.3	5,164	8
Newburgh	3	16.0	11.68	46,241	168	41.5	5,839	9

[1] From Phase 1 Screening Report prepared by MWH and dated December 2006. Annual Energy for Cannelton, Smithland and Willow Island were revised to approximately 458 GWh, 379 GWh and 239 GWh respectively, in January 2009 and are reflected in the analyses in this report.

[2] The actual expected energy values at New Cumberland and Pike Island may be lower because of the potential that spillage will be required for dissolved oxygen improvement.

[3] Ranked lower than Pike Island because the cost of a required rail relocation at New Cumberland is not included in the cost.

By comparison, the Belleville Hydroelectric Plant, developed by AMP in the 1990s, includes two units, a maximum gross head of 22 feet, a rated net head of 20 feet, a generating capacity of 42,000 kW and has produced an average gross energy of 260 GWh/yr since it began operation in 1999.

III. Description Of Projects

This section describes the Projects as if they are one Project, unless otherwise noted, in the same manner that AMP has approached purchasing equipment from vendors.

Overview of Projects

This report addresses three specific Generating Facilities that will be constructed and operated by AMP. AMP has combined the Cannelton, Smithland and Willow Island Generating Facilities into one project (the "AMP Hydroelectric System Project" or "Hydro Project" or "Project"). The 79 Participants that subscribed for output of the Projects have executed a long term power sales contract ("Power Sales Contract") with AMP that entitles them to output of the Projects and obligates them to pay amounts that reflect the debt service on AMP's Bonds and the operating costs of the Projects. The Projects are described in the following paragraphs. AMP holds the FERC Licenses for Cannelton (FERC Project No. 10228), Smithland (FERC Project No. 6641), and Willow Island (FERC Project No. 6902).

Cannelton

The Cannelton Project will divert water from the existing Corps Cannelton Locks and Dam through bulb turbines to generate an average gross annual output of approximately 458,000,000 kilowatt-hours (kWh). The site will include an intake approach channel, a reinforced concrete powerhouse, and a tailrace or downstream channel. The powerhouse will house three horizontal 29.3-MW bulb type turbine and generating units with an estimated total rated capacity of 88 MW at a gross head of 25 feet. A 1,000-ft-long 138-kV transmission line interconnection is planned to connect to MISO.

Smithland

The Smithland Project will divert water from the existing Corps Smithland Locks and Dam through bulb turbines to generate an average gross annual output of approximately 379,000,000 kWh. The site will include an intake approach channel, a reinforced concrete powerhouse, and a tailrace channel. The powerhouse will house three horizontal 25,300 kW bulb type turbine and generating units with an estimated total rated capacity of 76,000 kW at a gross head of 22 feet. A 12-mile-long 161-kV transmission line interconnection is planned to connect to MISO.

Willow Island

The Willow Island Project will divert water from the existing Corps Willow Island Locks and Dam through bulb turbines to generate an average annual output of approximately 239,000,000

kWh. The site will include an intake approach channel, a reinforced concrete powerhouse, and a tailrace channel. The powerhouse will house two horizontal 22,000 kW bulb type turbine and generating units with an estimated total rated capacity of 44,000 kW at a gross head of 20 feet. A 1.6-mile-long 138-kV transmission line interconnection is planned to connect to PJM.

TURBINE-GENERATOR UNITS

All three Projects will include horizontal bulb-type turbines directly connected to generators ("units"). The bulb turbines will be horizontal shaft, double regulated Kaplan-type turbines with adjustable wicket gates. Emergency shut-down capability will be achieved by the operation of the adjustable wicket gates, with built-in redundancy in the closing systems, through the hydraulically operated emergency closure gates that will close automatically when loss of load, mechanical failure, or other emergencies occur. The Willow Island site will have two (2) units and the Smithland and Cannelton sites will each have three (3) units.

The turbine-generator will include a self-contained closed loop cooling system, sized with sufficient capacity to provide cooling water for the required number of thrust and guide bearing oil coolers, the governor oil coolers, the generator surface air coolers and the main power transformer oil coolers. The system will include a heat rejection cooler (water/water heat exchanger), expansion and make up tank, 3-phase motor driven water circulating pumps, piping, valves, expansion joints, monitoring instruments and controls. The closed loop cooling system will be filled with potable water treated with anti-corrosion and anti-algae additives.

In January 2008, three vendors submitted bids to supply the turbine-generator units for the Projects. A contract for all turbine generators was awarded to Voith Hydro in June 2008. The total value of the contract is approximately $310 million. Turbine-generator design began in June 2008 and the initial fabrication of components has begun. The turbines will be manufactured primarily in the U.S. at the Voith (formerly Voith Siemens) manufacturing facility in York, Pennsylvania.

INTAKE AND TAILRACE CHANNELS

Intake approach and tailrace channel design has been advanced in coordination with the Corps in an effort to minimize the effect of the Projects on navigation while providing adequate flow conditions. The channels are designed for hydraulic efficiency, velocity minimization in the channel and erosion protection requirements. Hydraulic model studies are completed for all three sites. The results of these studies will be incorporated in the design of the intake and tailrace channels.

COFFERDAMS

Temporary upstream and downstream cofferdams will be required during construction of the Projects. The Cannelton and Smithland cofferdams will include earthen embankments and Willow Island will be circular steel sheet piling cells filled with granular materials tied to a landside earth berm. Cofferdam designs will be developed by the contractor's engineer, and will be reviewed and approved by the Corps' Huntington, West Virginia and Louisville, Kentucky Districts and FERC regional offices. After the cofferdams are no longer needed, they will be removed, and the fill material will be used for backfill at the site. It is anticipated that fill material will be adequate for the recreation facilities required by the FERC License to be constructed above the hundred-year flood plain.

AMP has taken bids for the cofferdams at all three Projects. The contract for Cannelton was awarded to Kiewit/Traylor (a joint venture) and construction is underway. AMP is involved in contract negotiations with C. J. Mahan Construction Company at Smithland, and Ruhlin Company at Willow Island. The Smithland and Willow Island cofferdam contracts have not been executed as of the time of this Report because of delays in issuing the Corps' 404 permits ("404 permits"). However, the proposed contract price for each site has been tentatively agreed upon and included in the updated cost estimates in this Report. It is anticipated that cofferdam work will be awarded in December 2009 at Smithland and in the Spring of 2010 at Willow Island.

GATE EQUIPMENT

One set of manually operated intake and draft tube bulkheads will be fabricated for use at each site. Downstream bulkheads will be used to carry out maintenance on the emergency closure gate at each site. The upstream bulkheads will enable the units to be dewatered for maintenance purposes. Each unit will be sealed from tailwater when the emergency closure gates are lowered, or when the draft tube bulkheads are installed. Trash racks will be located in front of each of the unit intakes. Trash rack bar spacing will be approximately 8.25 inches to limit the inflow of debris and larger objects in the water passages and turbines. A trash rake will be mounted on rails along the length of the intake to clean the racks at each site.

AMP decided to procure gate equipment under a separate supply contract to ensure that an appropriate amount of lead-time is available to design, fabricate and deliver. Procurement documents have been prepared and issued to prospective bidders for all gate equipment. Bids for gate equipment were received in April 2009. After discussions with the three lowest bidders, Oregon Iron Works has been selected to provide the gate equipment. Oregon Iron Works prices

for the Cannelton, Smithland and Willow Island sites are $49,103,122 and are included in the capital cost estimates.

TRANSMISSION INTERCONNECTION

A transmission line will be constructed to deliver power generated from each site to the regional interconnected transmission networks. The total transmission line distance for the three Projects is less than 15 miles. Willow Island will be interconnected to PJM, and Cannelton and Smithland will be interconnected to MISO. AMP plans to request that FERC amend the FERC Licenses for Cannelton and Smithland to allow shorter transmission lines to minimize capital outlay, environmental impacts, and transmission service costs.

AMP requested interconnections to the RTOs for the respective transmission interconnections. Transmission interconnection studies are in progress. The System Impact Study for the Cannelton Project has been delayed by MISO. MISO is currently waiting on the Southwest Power Pool to complete a System Impact Study for a project that will be interconnecting to the Vectren transmission system that is electrically nearby the Cannelton interconnection and could affect the Cannelton interconnection. MISO has provided an initial cost estimate of $4,740,000 plus a 20% contingency for capital improvements that will be required to interconnect Cannelton to the Vectren transmission system. These costs have been included in the capital cost estimate.

The Smithland Project interconnection study is waiting for MISO to complete the System Impact Study. MISO is currently working with Big Rivers Electric Corporation to develop the model for the short circuit analysis. PJM completed the system impact study for Willow Island. The study estimated $1,364,651 in direct interconnection costs for modifications necessary at the substation. This is included in the estimated project cost.

ADDITIONAL EQUIPMENT

One overhead powerhouse crane will be provided at each site. Cranes will be used to handle the intake trash-racks, intake and draft tube bulkheads, the emergency closure gate, and equipment to be temporarily placed on the roof deck. The cranes will travel in the direction of flow (the crane rail will be parallel to the direction of flow, and the crane beam will be perpendicular to the direction of flow). Contract bid documents were prepared to procure the cranes. Crane bids were received in February 2008 for the projects and were approximately $9.8 million. The crane contract amounts were $3,586,000 for Cannelton, $3,616,000 for Smithland, and $2,666,000 for Willow Island. The variances in contract amounts are due to differing weights and transportation charges associated with the delivery locations.

Auxiliary mechanical equipment at the powerhouses will include fire pumps and other pumps, separate air compressors for station air and the governor pressure oil systems, ancillary equipment for the turbines and governors, a closed loop cooling system, a water strainer, oil systems, potable water and raw water systems, ventilating and air conditioning systems, fire protection systems, and elevators.

Clean oil, dirty oil, and oil centrifuging cleaning apparatus will be housed in the powerhouse, along with spare parts, tools, necessary shops and miscellaneous equipment. Piping systems will be embedded or exposed, as needed.

Sump pumps will be provided for station drainage and for dewatering the unit passages. At least two pumps will be provided for each sump and will include water level monitors and controls. Station sump pump discharge lines will be routed to oil separators. All potential sources of oil-contaminated water, including drainage from water deluge and water spray fire protection, will be routed to the oil separators for separation to prevent oil discharge to the intake or the tailrace channels. Sewage and domestic wastewater will be stored in an on-site tank that will be periodically serviced, trucked offsite, and disposed of in accordance with applicable state requirements.

Auxiliary Equipment

Auxiliary mechanical equipment will be procured and installed by the General Construction contractor using the design documents prepared by MWH and Voith. Auxiliary electrical equipment will include the following: equipment ancillary to the generators, such as voltage regulators and solid state exciters, generator circuit breakers, segregated phase bus to the main step up transformers, main step-up transformers and substation with one circuit breaker and five disconnecting switches, high voltage switchgear, station service transformers/motors and motor-control centers for station auxiliaries, lighting inside and outside the powerhouse, powerhouse grounding and equipment inside and outside the plant, control and annunciation equipment, communication equipment, a network for the 480 volt station service, and necessary protection and auxiliaries. If the plant becomes isolated from outside electric power supply, station emergency electrical service will be supplied from a backup generator. Direct current power for control and metering systems will be supplied from station backup battery systems.

Auxiliary electrical equipment, except the main step-up transformers, will be procured and installed by the general construction contractor using the design documents prepared by MWH and Voith.

Bid documents for the main power step-up transformers at each site were sent to prospective bidders. Bids were received on February 20, 2009 and the low bidder, Iljin / Pan America Supply, was selected. Iljin's / Pan American Supply's prices for the transformers are $1,771,547 for Cannelton, $1,769,807 for Smithland, and $1,216,414 for Willow Island. An additional spare transformer was priced at $815,932. Costs were less than the engineer's estimate and have been included in the capital cost estimate. AMP has awarded the main power step-up transformer contracts to Iljin.

Lands of the United States and Private Lands

Except for transmission lines, the Projects will be substantially located on lands owned by the United States and administered by the Corps. Small parcels of private property, less than 325 acres in aggregate, will be acquired for each site. Land acquisition agreements for Cannelton and Smithland are complete with the exception of the transmission line for the Smithland Project. While FERC eminent domain could be utilized if negotiations fail, discussions are ongoing with a property owner for the purchase of approximately five (5) acres of property needed at Willow Island. AMP does not expect that eminent domain will be required. Surveys are near completion for the exact acreages involved at each site.

Cannelton

- ***Existing Facilities***

The Cannelton Locks and Dam are located 720.7 river miles downstream of Point Bridge, Pittsburgh, and about three (3) river miles upstream of Cannelton, Indiana in Hancock County, Kentucky. The existing structure consists of a main lock, 1,200 feet long and 100 feet wide, and an auxiliary lock, 600 feet long and 110 feet wide. The navigation locks are located on the Indiana (north) bank. The dam is a concrete fixed weir with 12 tainter gates, each 100 feet long and 42 feet high. The dam is 1,412 feet in length. At the southern end of the gated section of the dam, there are concrete capped coffercells, which serves as a gravity overflow weir. The weir extends from the southern end of the gated section to the south bank of the Ohio River. The Cannelton Project will be on the Kentucky (south) shore of the Ohio River. Based upon previous Annual Inspection reports, the Corps' facilities are in good working order.

- ***Site Concept and Generating Capacity***

The site will include an intake approach channel, a reinforced concrete powerhouse, and a tailrace channel. The powerhouse will house three horizontal 29,300 kW bulb-type turbine-generating units with an estimated total rated capacity of 88,000 kW at a gross operating head of 25 feet.

- ***Powerhouse***

The powerhouse will be a cast-in-place reinforced concrete structure. The structure will be monolithic and about 258 feet long by 206 feet wide. The top of the powerhouse will be at elevation 390 feet, 17 feet above normal pool. The centerline of the unit distributors will be at elevation 325 feet (33 ft below the downstream pool elevation 358 feet). The powerhouse will be designed to be submerged during flood conditions. The powerhouse will support columns of runway frames for an overhead powerhouse crane.

An existing gravel road extends from Kentucky State Route 1406 to an existing access point at the powerhouse site. It should be noted that this access road also serves existing Domtar Inc. (previously Weyerhaeuser) paper mill operations located near the powerhouse site. This access road will be upgraded during construction and used to provide construction and permanent access to the powerhouse site and to any permanent recreation facilities that may be incorporated into the project plan.

Foundation conditions were evaluated with a subsurface exploration of the site. The investigations were used by MWH to characterize conditions and design parameters. The powerhouse will be founded on a mat foundation with a permanent cutoff wall beneath extending from the existing dam beneath the powerhouse and then into the left abutment.

- ***Intake and Tailrace Channels***

The intake approach channel will be flat at elevation 345.0 feet and then slope downward to a flat at elevation 299.5 approximately 100 feet upstream of the powerhouse. From the draft tube exit, the tailrace will slope up at an approximate 6H:1V grade to the tailrace channel exit elevation of 330.0 feet.

- ***Corps Facilities to be Modified***

The Project will be located on the south, Kentucky bank of the Ohio River, in line with the fixed weir portion of the structure. It is anticipated that the entire fixed weir will remain in place. Any additional structures, such as the sheet piling cutoff wall, disturbed during construction will be reinstated or integrated into the retaining walls to be located adjacent to the powerhouse.

- ***Existing Pools and Water Levels***

The upstream navigation pool is maintained by the Corps at normal elevation 383 feet. The pool level associated with the 500-year flood is about 406.8 feet according to Ohio River Datum ("ORD") and the pool level associated with the 100-year flood is about 403.2 feet (ORD). The downstream navigation pool is controlled by Newburgh Lock and Dam. The Corps maintains

the Newburgh pool level at normal elevation 358 feet. Maximum gross head at the site will be approximately 25 feet.

- ***Principal Equipment***

The Project will include three 29,300 kW horizontal bulb-type turbine generators. The annual gross energy generation is estimated at 458,000,000 kilowatt-hours (kWh). Each turbine will be in a horizontal-shaft, single runner, axial flow type, in the "bulb" configuration with adjustable wicket gates and runner blades. The turbines will be direct-coupled to a generator housed in a completely watertight steel bulb enclosure located within the water passage directly upstream of the turbine. The runner will be of the Kaplan type with three adjustable blades automatically operated by governor oil pressure to follow the movement of the wicket gates and assume optimum position in relation to gate position. Satisfactory means will be provided to conveniently assemble and dismantle an entire unit from above, including the upper discharge ring segments, outer gate barrel, wicket gates, runner, shaft and contained pipes, guide bearing and supports, and other removable parts. The turbine intake liner and bulb housing shall be designed for dismantling the generator, thrust bearing and oil head from above. Suitable lifting devices will be used in connection with the crane facilities to handle turbine parts and assemblies during construction or disassembly.

- ***Transmission Interconnection***

The original FERC license proposed a 700-ft-long 161 kV transmission line. Subsequent applications to the FERC for license amendments (in June 1997 and May 2005) requested an 8.3 mile transmission line from the powerhouse to the south to an interconnection with an existing 138 kV substation. The current plan is to construct a 138 kV transmission line from Cannelton to an existing 138 kV transmission line owned by Vectren Corporation (an investor-owned utility with a service area in Indiana). The transmission line would be approximately 1,000 feet long. A non-capacity FERC transmission line amendment will be required to change the interconnection point after completing RTO transmission studies.

Smithland

- ***Existing Facilities***

The Smithland Navigation Project is located 918.5 river miles downstream of Point Bridge, Pittsburgh, and about 62.5 river miles upstream of the confluence of the Ohio with the Mississippi River in Livingston County, Kentucky. The existing structure consists of two navigation locks, each 1,200 feet long and 110 feet wide, located on the Indiana (north) bank. The dam is a concrete fixed weir with 11 tainter gates, each 110 feet long and 36 feet high. The dam is 2,954 feet in length. At the southern end of the gated section of the dam, there is a

concrete gravity overflow weir and cellular overflow weir serve as a navigable pass under high water conditions. The weir extends from the southern end of the gated section to the south bank of the Ohio River. A prototype gate test facility is located where the south end of the weir ties into the left (south) bank of the Ohio River. This test facility was constructed to test alternative gate designs for the Olmsted project. The test facility is no longer used. The Smithland Project will be on the south shore, of the Ohio River in Kentucky landward from where the prototype gate test facility is located. The gate test facility will be removed during construction. Based upon previous Corps' inspection reports, the existing facilities are in good working order.

- ***Site Concept and Generating Capacity***

The site will include an intake approach channel, a reinforced concrete powerhouse, and a tailrace channel. The powerhouse will house three horizontal 25.3-MW bulb-type turbine-generating units with an estimated total rated capacity of 76 MW at a gross operating head of 22 feet.

- ***Powerhouse***

The powerhouse will be a cast-in-place reinforced concrete structure. The structure will be monolithic and about 258 feet long by 206 feet wide in plan. The top of the powerhouse intake structure will be at elevation 344 feet, approximately 10 feet above normal upstream pool. The centerline of the unit distributors will be at elevation 269 feet (33 ft below the downstream pool elevation 302 feet). The powerhouse will be designed to be submerged during flood conditions. The powerhouse will support columns of runway frames for one overhead powerhouse crane. The crane rails will be at elevation 388 feet.

Foundation conditions have been evaluated with the completion of a subsurface exploration at the site. The investigations have been used by MWH to characterize conditions and design parameters. The powerhouse will be founded on a mat foundation with a permanent cutoff wall beneath extending from the existing dam beneath the powerhouse and then into the left abutment.

An existing paved road (Smithland Dam Road) extends from US Route 60 to a point near (less than a mile) the powerhouse site. The existing road will be extended and raised by AMP during construction to provide construction and permanent access to the powerhouse site and to any permanent recreation facilities that may be incorporated into the project plan.

- ***Intake and Tailrace Channels***

The approach channel will be flat at elevation 286 feet and then slope towards the powerhouse at a 5H:1V slope to the intake invert elevation of 241 feet. The draft tube invert will be at elevation 249.3 feet and slope up at approximately a 6H:1V grade to the tailrace channel invert elevation of 274 feet.

- ***Existing Pools and Water Levels***

The upstream navigation pool is maintained by the Corps at normal elevation of 324 feet. The pool level associated with the 500-year flood is about 349.5 feet (ORD) and the pool level associated with the 100-year flood is about 345.6 feet (ORD). The downstream navigation pool is controlled by Lock and Dam 52. The Corps maintains Lock and Dam 52 at normal elevation 302 feet. Maximum gross head at the site will be approximately 22 feet.

- ***Principal Equipment***

The Project will include three 25,300 kW horizontal bulb-type turbine generators. The annual gross energy generation is estimated at 379,000,000 kWh. Each turbine will be in a horizontal-shaft, single runner, axial flow type, in the "bulb" configuration with adjustable wicket gates and runner blades. The turbines will be direct-coupled to a generator housed in a completely watertight steel bulb enclosure located within the water passage directly upstream of the turbine. The direction of rotation shall be clockwise when viewed from upstream looking downstream. The runner shall be of the Kaplan type with three adjustable blades automatically operated by governor oil pressure to follow the movement of the wicket gates and assume optimum position in relation to gate position. Satisfactory means shall be provided for conveniently assembling and dismantling the entire unit from above, including the upper discharge ring segments, outer gate barrel, wicket gates, runner, shaft and contained pipes, guide bearing and supports, and other removable parts. The turbine intake liner and bulb housing shall be designed for dismantling the generator, thrust bearing and oil head from above. Suitable lifting devices for use in connection with the crane facilities shall be furnished for handling the turbine parts and assemblies during construction or disassembly.

- ***Transmission Interconnection***

The existing FERC License indicated the Smithland transmission interconnection would require construction of approximately 11 miles of 161-kV transmission line from the powerhouse to interconnect with Big Rivers Electric Corporation 161-kV line between the Livingston County and Paducah, Kentucky substations. A future License amendment will be sought by AMP to change the Smithland interconnection to a MISO 161 kV transmission line that is approximately 12 miles from the Smithland project to decrease transmission service costs.

Willow Island

- ***Existing Facilities***

The Willow Island Lock and Dam is located 161.7 river miles downstream of Point Bridge, Pittsburgh, and located in Pleasant County, West Virginia. The existing structure consists of a main lock, 1,200 feet long and 110 feet wide, and an auxiliary lock, 600 feet long and 110 feet wide. The navigation locks are located on the Ohio (west) bank. The dam is a non-navigable gated dam, with a top length of 1,128 feet, including a 111-foot fixed weir with an 84-foot open crest. There are eight tainter gates, each with a clear span of 110 feet between piers, and with a dam height of 26 feet above the sills. The Willow Island Project will be on the West Virginia (east) shore of the Ohio River, at the existing Willow Island Lock and Dam. The Project will be located on the opposite shore of the locks at the bank overflow section consisting of the concrete capped coffercells. The existing facilities are in good working order.

- ***Site Concept and Generating Capacity***

The site will include an intake approach channel, a reinforced concrete powerhouse, and a tailrace channel. The powerhouse will house two horizontal 22,000 kW bulb-type turbine-generating units with an estimated total rate capacity of 44,000 kW at a gross operating head of 20 feet.

- ***Powerhouse***

The powerhouse will be a cast-in-place reinforced concrete structure. The structure will be monolithic and about 250 feet long by 142 feet wide. The centerline of the unit distributors will be at elevation 549 feet (33 ft submergence below the downstream pool elevation 582 feet). The powerhouse will be designed to be submerged during flood conditions. The powerhouse will support columns of runway frames for one overhead powerhouse cranes. The top of the powerhouse will be at elevation 614 Mean Sea Level, 12 feet above normal pool. Foundation conditions have been determined through subsurface investigations. The powerhouse structure will be founded on rock.

An existing gravel road extends from West Virginia State Route 2 to an existing recreation access point at the powerhouse site. This road will be upgraded by AMP during construction and used to provide construction and permanent access to the powerhouse site and to any permanent recreation facilities that may be incorporated into the project plan.

- ***Intake and Tailrace Channels***

The intake approach channel will be flat at elevation 558 feet and then slope towards the powerhouse to the intake invert. From the draft tube exit, the tailrace will slope up at approximately 5H:1V grade to the tailrace channel exit invert elevation of 555 feet.

- ***Corps Facilities to be Modified***

A portion of the sheet piling cell overflow weir will be removed and replaced with the construction of the powerhouse. Any additional structures, such as the sheet piling cutoff wall disturbed during construction would be reinstated or integrated into the retaining walls to be located to the south of the powerhouse.

- ***Existing Pools and Water Levels***

The upstream navigation pool is maintained by the Corps at normal elevation of 602 feet. The pool level associated with the 100 and 500-year floods are 621.8 and 626.9, respectively. The downstream navigation pool is controlled by Belleville Lock and Dam. The Corps maintains the Belleville pool level at normal elevation 582 feet. Maximum gross head at the site will be approximately 20 feet.

- ***Principal Equipment***

The Willow Island Project will include two 22,000 kW horizontal bulb-type turbine generators. The annual gross energy generation is estimated at 239,000,000 kWh. Each turbine will be in a horizontal-shaft, single runner, axial flow type, in the "bulb" configuration with adjustable wicket gates and three runner blades. The Turbines will be direct-coupled to a generator housed in a watertight steel bulb enclosure located within the water passage directly upstream of the turbine. The direction of rotation shall be clockwise when viewed from upstream looking downstream. The runner will be of the Kaplan type with adjustable blades automatically operated by governor oil pressure to follow the movement of the wicket gates and assume optimum position in relation to gate position. Satisfactory means shall be provided for conveniently assembling and dismantling the entire unit from above, including the upper discharge ring segments, outer gate barrel, wicket gates, runner, shaft and contained pipes, guide bearing and supports, and other removable parts.

The turbine intake liner and bulb housing shall be designed for dismantling the generator, thrust bearing and oil head from above. Suitable lifting devices for use in connection with the crane facilities shall be furnished for handling the turbine parts and assemblies during erection or disassembly.

- ***Transmission Interconnection***

The Willow Island Project will be connected to the Allegheny Power Company electric system in PJM through a new approximately 4 mile, 138 kV transmission line. A shorter route (1.6 miles) to the same substation is under consideration.

VIABILITY AS A LONG TERM POWER SUPPLY RESOURCE

The Projects are long term generation resources with useful lives in excess of 50 years. The Participants need long-term capacity resources to supplement their long-term capacity plans. Run-of-river hydroelectric facilities can be unpredictable to the extent that one cannot know exactly when water flows will result in specific energy generating levels. The Projects should generate at 50% to 60% of their maximum energy generation capability and thus are technically competitive with other Ohio River run-of-river hydroelectric plants such as Belleville and the Greenup Hydroelectric Project (owned and operated by the City of Hamilton, Ohio, an AMP Member) and should provide a good source of energy to meet load requirements of the AMP Members.

Generation production numbers were estimated based on actual Ohio River flows for a period of 30 years. The historical period of October 1, 1975 to September 30, 2005 was selected. All of the locks and dams were built prior to this period. The total theoretical maximum potential energy was estimated at each site. The estimates are based on the following data and assumptions:

- Estimated river flow as described above.
- Net head based on normal pool level minus tail water level as estimated using stage discharge curves obtained from the Corps for each site.
- Lockage and leakage losses through the existing gates at the dams of 3,000 cubic feet per second ("cfs")
- Combined turbine and generator efficiency up to 93%
- The results of the Voith Hydraulic Model Study

Station service and forced outages are also included.

IV. CURRENT PLANS FOR CONSTRUCTING, FINANCING, AND OPERATING THE PROJECTS

PROJECT SCHEDULE

The project schedule at the time this Report was issued is as follows:

Land Clearing	Completed in December 2007
Cofferdam	Contracts to be awarded from Summer 2009 – Spring 2010
Turbine	Contracts Awarded in June of 2008
General Construction	Contracts to be awarded from Spring 2011 - Summer 2011

The anticipated commercial operation dates for the Projects are as follows:

Cannelton Unit 1	Spring 2013
Cannelton Unit 2	Summer 2013
Cannelton Unit 3	Summer 2013
Smithland Unit 1	Winter 2013/2014
Smithland Unit 2	Winter 2013/2014
Smithland Unit 3	Spring 2014
Willow Island Unit 1	Fall 2013
Willow Island Unit 2	Fall 2013

These schedules may be improved depending on earlier awards of contracts and overall construction progress.

AMP planned for the development and construction of the Projects simultaneously. AMP bid larger construction packages and obtained the benefit of economy of scale because several similar pieces of equipment were purchased at the same time. According to AMP, this approach has resulted in a more attractive price proposal from manufacturers including the turbine-generator manufacturer (Voith). AMP and MWH estimate that this approach resulted in savings of approximately $60,000,000 for the Projects.

This approach was used to procure the cranes, transformers, and gate equipment. Another benefit of combining equipment bid packages is the ability to share spare parts among all four plants and to decrease project-specific staff training.

This approach was applied to the project engineering design. The same MWH and AMP engineering staff are working simultaneously on all four sites with a goal of minimizing engineering costs as compared to designing each site independently.

CONTRACTING, DESIGN AND CONSTRUCTION

Figure 2 illustrates the contracts and contracting relationships among AMP, MWH and major contractors who will construct the Projects. MWH is the Owner's Engineer and design engineer for the Projects. Thus, MWH reports to AMP and several subcontractors are under the direction of MWH, including the hydraulic model study consultants, surveyors, drilling contractors and other consultants needed to assist MWH. Specific contracts (core drilling, surveying, and hydraulic model studies) were directly contracted with MWH and any remaining contracts will be with AMP and overseen and managed by MWH.

MWH prepared bid documents defining the work in sufficient detail for bidding purposes. These documents included instructions to bidders, bid forms, general and special conditions of contract, technical specifications, and plans to clearly describe the work. Equipment supply specifications for the gates, cranes, and main power transformers for the Projects were issued. Bids were received for the cranes and main power transformers in February 2009. The gate bids were received in April 2009. Oregon Iron Works was selected in November 2009 to provide the gate equipment. AMP is negotiating the main power transformer contract and expects to award the contract in December 2009.

AMP initiated bidding and awarded the contract for the turbine generator equipment to Voith Hydro of York, Pennsylvania. The contract award was for $310 million for the supply of all eight turbines and generators for the Projects. Voith is designing the equipment, has procured steel, and is manufacturing the turbines and generators and ancillary components.

Cofferdam and Excavation

AMP awarded the cofferdam and excavation contract for Cannelton to a joint venture of Kiewit and Traylor Brothers Construction. AMP is in final negotiations with C. J. Mahan Construction for Smithland and anticipates an award in November 2009. AMP expects to negotiate the final contract with Ruhlin Construction for Willow Island in December 2009. Under these contracts with AMP, the cofferdam detail designer and excavator will work to build the cofferdam and

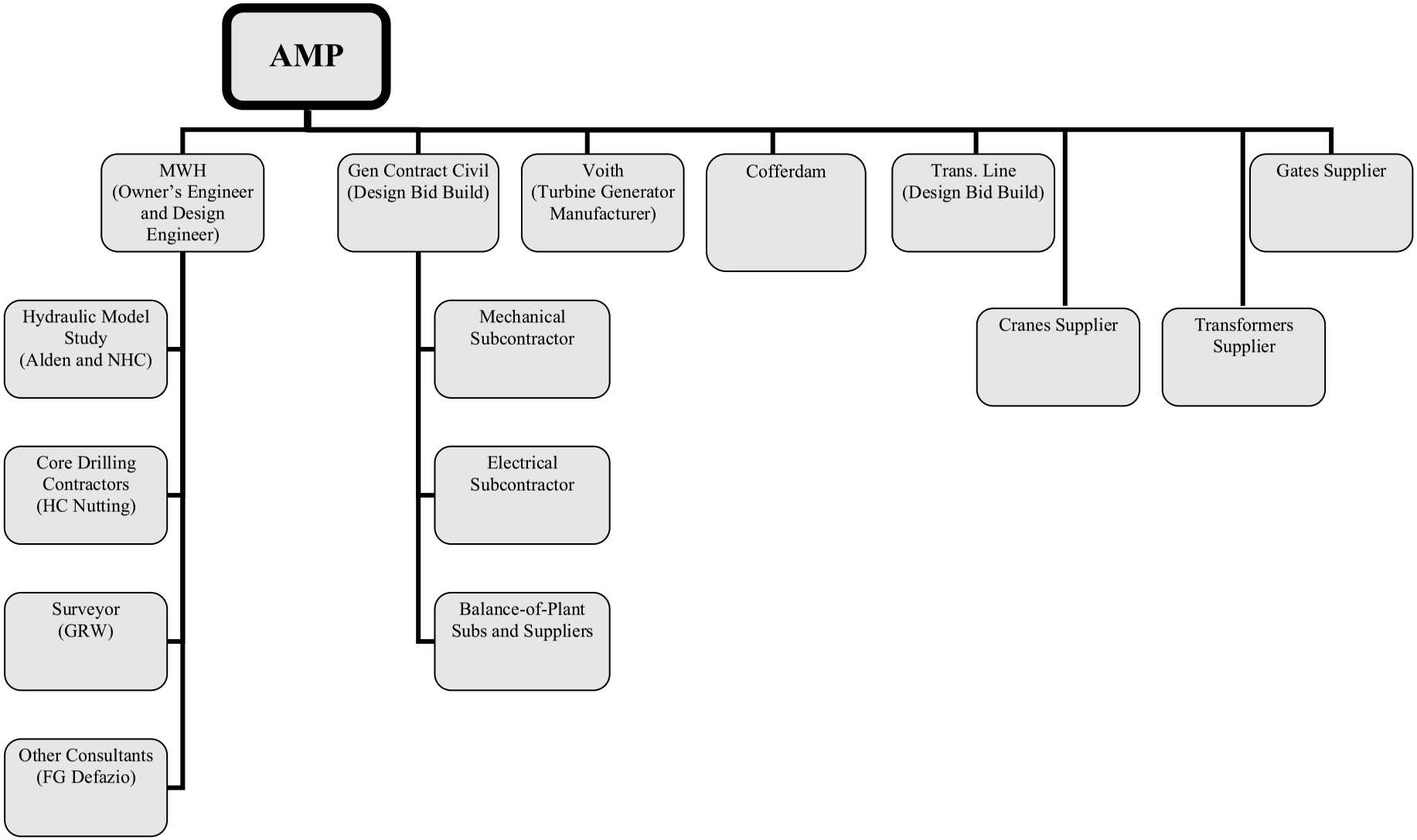
excavate the powerhouse to the foundation level. Since this scope of work is limited to only the cofferdam and power house excavation, AMP can wait to award the construction until the powerhouse after other excavation is complete. This also enables the powerhouse contractor to inspect the site before its work begins and accept the site in an "as is" condition. As a result of constructing the generating facilities at the same time, if one facility leads or lags, schedules and awards of further work can be delayed or staggered to accommodate site specific issues.

AMP anticipated an earlier start of construction at Willow Island, however, the Corps determined that because significant time had passed since the licensing of Willow Island an environmental assessment would be needed. AMP purchased over 4,000 tons of steel sheet piling for the Willow Island cofferdam prior to this determination. Although this steel was purchased before it was needed, AMP and MWH estimate this purchase will save approximately $2,000,000. Steel storage costs will be incurred until when the 404 permit is issued and construction can begin, but such storage costs should be much less than the amount saved.

Powerhouse Construction

The powerhouse construction contract will follow after the cofferdam and excavation work is completed. This contract will be for the supply and installation of the balance of plant equipment and will include the entire installation of the owner furnished turbine generator, gate equipment, crane equipment and main power transformers as mentioned above. Since much of the design and equipment will be well into fabrication, the construction contractor should have a wealth of information available to prepare its bid. This contractor will be responsible for bringing all of the plant together to form an operating generating facility. It is anticipated that there will be three separate contractors. These contracts are expected to be bid in late 2009 through late 2010 and contracts awarded in 2010 and 2011.

Figure 2
AMP Construction Contracts
Smithland, Cannelton and Willow Island



Transmission Line

The transmission line contract will be handled separately from the station construction contracts. Under this contract, the contractor will finalize the detailed design and build the transmission lines for the Projects. The first of these contracts is expected to be awarded in 2010.

Prequalification, Bidding, and Award

Prospective bidders for most large construction and equipment supply contracts will be subject to prequalification prior to submitting a bid. Firms with past relevant experience with AMP or MWH may be invited to pre-qualify. Other prospective bidders will be identified through an advertising process.

Bid documents have been and will be prepared for the purpose of providing a common basis for prospective contractors in preparing proposals and bid prices. This common basis will also facilitate fair and uniform bid evaluation. The bid documents will be as complete as reasonable and will include the contract documents and all drawings available at the time bids are solicited. Where necessary, the contract will include issuance of detailed construction drawings not included in the bid documents, subsequent to contract award.

The bid documents will include instructions to bidders, bid forms, contract and bond forms, general and supplementary contractual conditions, technical specifications, and bid drawings. The design and bid documents will be based on industry standard practices that are appropriate for the design, manufacturing and installation of hydroelectric equipment. Pre-bid meetings will be held for each bid package.

Bids will be opened publicly and evaluated to select the bidder that best satisfies Project requirements in accordance with AMP and MWH selection criteria requirements. Pre-bid meetings will be held for each bid package. MWH will assist AMP during negotiations with selected bidders. After prerequisites for contract execution are confirmed by MWH, in consultation with AMP, AMP will award the contract. AMP will issue a notice to proceed, and purchasing, fabrication and/or construction will commence after the contract is executed.

Equipment supply contracts will generally be fixed-price type contracts with lump sum pay items. Increases or decreases in lump sum prices and the overall contract price will require execution of a contract amendment.

Construction contracts will generally be fixed-price type contracts with both lump sum and unit-priced items. Variations in actual versus estimated quantities for unit-priced bid items will be

adjusted at the appropriate unit prices bid by the contract. All increases or decreases in unit price or lump sum bid items will require execution of a contract modification.

All increases or decreases in unit price or lump sum bid items will require execution of a contract modification.

Bonding Requirements

Bidders for all contracts will be required to furnish a bid bond or financial guarantee in the amount dependent upon the type of contract being awarded. A 10% bid bond will be required at bid time. Successful bidders will be required to furnish payment and performance bonds of 100% of the contract prices for the civil contracts and gates, cranes, and transformer contracts. A 50% performance bond threshold was required for the turbine-generator supply contract, and is consistent with common industry practices.

Construction Insurance

AMP procured an Owner's Controlled Insurance Policy ("OCIP") for the Cannelton and Smithland projects. The OCIP requires the owner to provide general liability and workers compensation insurance. Additional insurance includes builder's risk, pollution liability, and professional liability. Comprehensive liability, pollution liability, workers compensation and any other insurance policies will be purchased to protect AMP and the Participants during the construction phase of the Projects. AMP expects to utilize a separate OCIP for Willow Island. AMP has also contracted with Safex Co. to provide additional site safety services supplementing the contractor's safety staff.

Governing Law and Language; Approach Toward Disputes

The governing law for all contracts will be the State of Ohio. Where appropriate, such as for labor and environmental regulations, the governing law of Ohio will be supplemented with federal and local requirements.

Dispute resolution procedures have been and will be established in the contract documents. It is expected that all disputes that arise during performance of the work will be resolved through some method of mediation with the intention of avoiding litigation.

FINANCING PLAN

The total financial requirement of the Projects is estimated at approximately $1.5 billion. The

debt necessary to finance the Projects will be secured by the Power Sales Contract with 79 Participants. AMP intends to finance the Projects and capitalize interest during the construction period so that there is no impact on Participants' retail rates prior to the scheduled in-service dates of the Projects, while also ensuring favorable long term fixed rate financing.

Tax-Exempt Status

AMP obtained private letter rulings from the Internal Revenue Service ("IRS") that determined AMP qualifies as a Section 501(c)(12) corporation under the Internal Revenue Code of 1986, as amended (Code), provided that at least 85 percent of AMP's total revenue consists of amounts collected from its members for the sole purpose of meeting operating costs and expenses (including debt service). AMP believes it has met the requirements for maintenance of 501(c)(12) status each year since it received the ruling. On May 9, 1996, AMP also obtained a private letter ruling stating that it may issue obligations on behalf of its members, the interest on which is exempt from federal income taxes. In 2006, AMP received a private letter ruling from the IRS affirming previously issued private letter rulings in light of certain changes to the organization, including the addition of members from outside Ohio. The IRS rulings enable AMP to borrow money at tax advantaged interest rates.

Security Arrangement

The primary security for the debt issued to finance the respective Projects will be payments made by the Participants in accordance with the terms of the Power Sales Contract. See Section V, Contractual Arrangements with Participants for more information about the Power Sales Contract. The Power Sales Contract provides AMP with flexibility, subject to the approval of the respective Participants' Committees and the Project Management Committee, to capitalize interest during construction, or to begin making debt service payments and thus billing the respective Participants during the construction phase.

AMP will issue and secure Bonds under a Master Trust Indenture (the "Master Indenture" or "MTI" and as supplemented from time to time, the "Indenture"), with a corporate trustee (the "Trustee") to permanently finance the Project. Under the MTI, AMP would pledge for the payment and security of the Bonds its "Net Receipts" consisting of its "Gross Receipts" (primarily the payments owing by the Participants under the related Power Sales Contract), certain of its rights under the related Power Sales Contract and monies in the various subfunds and accounts created under the MTI and held by the Trustee, less certain operating expenses.

Interim Financing

AMP has access to a $550 million revolving credit facility (the "Line of Credit") with a syndicate of lenders led by JPMorgan Chase Bank, N.A that expires on September 24, 2012.

The Line of Credit provides different types of short term lending options with different interest rate terms.

AMP may draw directly on the Line of Credit to pay expenses of each Project or it may secure a letter of credit thereunder to support the issuance of tax-exempt commercial paper. AMP previously initiated a tax-exempt commercial paper program to finance, on an interim basis, the costs of certain of its projects. On September 24, 2009, AMP renewed and expanded its-exempt commercial paper program, which may be used to finance the Projects' costs. Under this program, AMP may have up to $450 million in commercial paper outstanding at any time.

In April 2009, AMP issued $350 million of its bond anticipation notes due April 1, 2010 (the "BANs") for the purpose of financing costs of the Projects, primarily to provide additional funds to pay capital costs of the Cannelton Project and to retire approximately $125 million of AMP's tax-exempt commercial paper and draws on its Line of Credit for the Projects. AMP intends to refund the BANs from the proceeds of its bonds described below under "PERMANENT FINANCING – 1) Cannelton/Smithland."

Permanent Financing

AMP intends to issue bonds in the future to provide permanent financing for the Projects as prudent and as market and economic conditions permit. The proceeds of the bonds may be applied to refinance any interim financings then currently outstanding and to finance, if appropriate, additional costs of the Projects. Each financing will be secured as described above and according to the following schedule:

1) ***Cannelton/Smithland*** – the $643,835,000 Series 2009A Bonds, Series 2009B Bonds and Series 2009C Bonds described in the Official Statement to which this report is appended and the $22,600,000 Series 2009D Bonds (CREBs), a portion of the proceeds of which will be applied to the early redemption of the $350 million BANs with the balance, net of capitalized interest, reserves and costs of issuance, to be applied to fund the estimated remaining capital costs of the Cannelton and Smithland Projects *(the above described bond issues in the fourth quarter 2009 and $544 million in 2010).*

2) ***Willow Island*** – fixed rate serial and term bonds to fund all Willow Island Project costs subject to the receipt of the Willow Island 404 permit for Willow Island only and market conditions at the time of sale *(approximately $287 million in 2010).*

Clean Renewable Energy Bond Funding

First authorized by the Energy Policy Act of 2006, the Clean Renewable Energy Bond ("CREB") program provides a tax credit based funding mechanism for certain qualifying renewable energy projects, including wind, biomass, landfill gas, geothermal, solar, qualified hydropower and refined coal ("synfuel") projects. The program was designed as an incentive for public power systems and rural electric cooperatives to support the construction of renewable energy facilities.

AMP filed applications with the U.S. Treasury Department to obtain bonding authority from the CREBs program. AMP received authorization of CREBs funding of $13.5 million for Willow Island, $4.2 million for Smithland, and $4.9 million for Cannelton. AMP will complete the issuance of $22.6 million of its authorized CREBS allocation on December 2, 2009 as part of its overall financing plan for the Project.

In October 2009, AMP received new CREBs allocations ("New CREBs") from the IRS of an additional $23 million for Cannelton, $24 million for Smithland and $20 million for Willow Island. AMP anticipates that it will issue New CREBs to fund a portion of the remaining capital costs of the Projects in 2010 and to the extent that New CREBs are cost effective when compared to alternatives such as tax-exempt bonds.

PERMITTING AND FERC LICENSE COMPLIANCE

AMP will be required to meet the environmental provisions set forth in the FERC License for each Project. These provisions include erosion control, dissolved oxygen maintenance and monitoring, minimum spill flows and spill monitoring plan, fish entrainment and impingement, endangered species and terrestrial resources, historical and cultural resources and recreational resources. Each site has its own environmental concerns that will require various plans and studies. All of these plans are in various stages of approval or implementation. These plans will not affect any start of construction nor materially affect the cost of construction or operation.

Mussel Studies

EA Engineering and Science ("EA") and Mainstream Divers were contracted to conduct a mussel survey for the downstream areas at the Cannelton, Smithland and Willow Island sites.

Cannelton mussel studies are complete and no threatened or endangered species were found. Federally endangered Fat Pocketbook mussels were found at Smithland. AMP and its consultants (MWH and EA) prepared a Biological Assessment and submitted it to the U.S. Fish and Wildlife Service ("USFWS") in Frankfort, Kentucky. The USFWS issued on its biological opinion under the Endangered Species Act on January 12, 2009 and FERC incorporated the recommendations from the Biological Opinion in an order issued February 26, 2009 that requires

some relocation of Fat Pocketbook mussels in the Smithland Project footprint, requirements for mitigating measures (silt fencing, silt blankets, etc.) during construction, some habitat replacement, and mussel monitoring during construction and operation.

AMP completed mussel surveys at Willow Island in 2007. The USFWS in Elkins, West Virginia requested additional surveys downstream of this Project on both the West Virginia and Ohio descending banks of the Ohio River. This work was completed in October 2008. There is a possibility that one Federally Endangered species was found. Additional mussel surveys at Willow Island have been agreed to but are not expected to impact the project schedule.

Toxic Substance Investigations (Willow Island)

AMP is aware of the proximate chemical operations of Cytec Industries, Inc. ("Cytec") to Willow Island. AMP contracted with MWH to complete a screening level site assessment for the contamination of the site. The assessment was designed to evaluate whether contaminated soil or groundwater is present at the site, and to assess the impacts to the property from the adjacent Cytec facility. If there were significant soil and/or groundwater contamination present at the site, the costs to manage the contaminated media during construction would need to be included in the total cost of constructing the Project.

The environmental assessment consisted of collecting soil and groundwater samples from a grid of locations across the site. Twenty-one soil samples and sixteen groundwater samples were analyzed for full-scan parameters. The investigation adequately covered the extent of the site and a large data set of soil and groundwater samples were laboratory analyzed.

MWH concluded from the results of the screening level site assessment that there are no significant sources of soil or groundwater contamination at the site. Trace detections of constituents characteristic of industrial sites were found across the site but these were generally below West Virginia soil remediation objectives for industrial properties. Semi-volatile organic compounds and polycyclic aromatic hydrocarbons were the constituents most commonly detected in soil and groundwater samples. The source of these compounds is uncertain, however it is possible that they may have originated from fill materials brought onto the site and/or may have come from a plume of dissolved hydrocarbons that may have migrated beneath the site in the past.

Significant soil or water contamination is not anticipated to be encountered during construction of the Willow Island Project. However, it is possible that contamination might be present that was not found by the screening level site assessment because the sampling is limited.

It was concluded that the planned development of Willow Island should continue with the following considerations:

- Sampling results indicate that the site soils are typical of industrial areas and therefore are suitable as industrial soil. Excavated soils that are not re-used on site or in an industrial area should be tested for hazardous material characteristics, prior to their removal, and should be disposed of accordingly. If the soil were to be transported elsewhere for other non-industrial uses, it would need to be handled according to West Virginia and Federal regulations.
- A seepage cutoff wall will be constructed around the proposed powerhouse excavation that will limit seepage into the excavation to modest amounts. However, it is anticipated that water will infiltrate into the excavation (from groundwater or as surface runoff) and will need to be disposed of. All excavation water should be disposed of under a National Pollutant Discharge Elimination System ("NPDES") permit.
- A site-specific health and safety plan, which addresses the potential for encountering significantly contaminated media, will be maintained at the site during construction activities.

AMP is working with the Corps, the West Virginia Department of Environmental Protection and the U.S. Environmental Protection Agency to finalize its soil management plan. An additional plan will be developed by MWH and AMP for the river and ground water. AMP has also applied for a NPDES Permit.

FERC Licenses and 404/408 Permits

AMP obtained the FERC Licenses to enable it to construct the Projects. The FERC Licenses require AMP to meet certain requirements to comply with federal, state and local laws. These requirements are set forth in the FERC License for each site.

In addition to the FERC Licenses, Corps of Engineer's Section 404 permits will need to be acquired for all three Projects. As part of this 404 permitting process, an additional approval is also required as a result of 33 USC Section 408 for "taking possession of, use of, or injury to harbor and river improvements". AMP has submitted these permit applications and request for approvals to the Corps. AMP has met with the Corps and resource agencies regarding these permits. One 404 permit will be issued for each site. The Cannelton 404 permit was received in May 2009. The Smithland 404 Permit was received in November 2009. The Willow Island permit will be issued by the Huntington District Corps of Engineers and is expected to be issued in 2010.

These permits have taken longer to process than the previous 404 permit for the Belleville project because of increasing regulations. The Cannelton 404 permit issuance was delayed by the presence of jurisdictional wetlands that had to be mitigated. At Smithland, the permit was delayed by the discovery of an endangered mussel (Fat Pocketbook) and at Willow Island, archaeological investigations and soil and water remediation plans have taken longer than expected. Additional delays have also occurred as a result of the introduction by the Corps of the 33 USC Section 408 requirements in November of 2008.

State 401 Clean Water Act Certifications

Kentucky State Clean Water Act 401 Certifications ("401 Certifications") were acquired for Smithland and Cannelton. An amended certification was needed for Cannelton as a result of a jurisdictional wetland that was discovered. The 401 Certification for Cannelton was issued October 30, 2008. For Smithland, the 401 certification was issued on November 17, 2008. The State of West Virginia issued a 401 Certification for Willow Island on February 24, 2009.

Expiration of Licenses

The following table indicates the dates of issuance of the FERC Licenses, Stays of the License, and the date of expiration of the Licenses:

Project	License Issued	License Expiration
Cannelton	6/1/1991	5/31/2041
Smithland	6/1/1988	5/31/2038
Willow Island	9/1/1989	8/31/2039

All three Projects were issued FERC Licenses with terms of 50 years from the License effective date. The Smithland Project No. 6641 License has an effective date of June 1, 1988,[1] so the License expires on May 31, 2038. The Willow Island Project No. 6902 License has an effective date of September 1, 1989,[2] so that License expires on August 31, 2039. The Cannelton License has an effective date of June 1, 1991,[3] so that License expires on May 31, 2041.

AMP expects to file applications for new Licenses for the Projects when the current licenses expire. Under the Federal Power Act, new Licenses are issued for terms from 30 to 50 years.

[1] 43 FERC ¶ 62,387 (1988).
[2] 48 FERC ¶ 61,360 (1989).
[3] 55 FERC ¶ 61,463 (1991).

Under FERC's long-standing policy, a new License is typically issued for 30 years if the application indicates minimal increases in generating capacity or environmental protection measures, 40 years if the investment in new generation or environmental protection is moderate, and 50 years if the investment is substantial.[4] AMP expects that FERC will issue new 30-year licenses for these projects near the end of the existing licenses. Existing Licensees have applied for hundreds of new licenses in recent decades and only once has FERC denied an application for a new License by an existing licensee.[5]

The expiration of the License is contingent upon stays issued by the FERC. The Smithland license was stayed by FERC three times for periods totaling 1,406 days, or about four years.[6] The Willow Island license was stayed for a period totaling of about one year.[7] These stays have decreased the 50-year terms of the licenses by these amounts of time.

As a result of the Power Sales Agreement among Participants extending beyond the term of the Licenses, a Section 22 of the Federal Power Act approval from the FERC was needed. FERC granted this approval on March 4, 2009.

PUC Waivers

The Kentucky Public Utilities Commission has waived jurisdiction for the Cannelton and Smithland Projects and, as a result, will not have any involvement with those Projects. A waiver from the West Virginia Public Utilities Commission, to the extent required, will be sought. However, if it is not granted, acquiring certification for the transmission line may be required. The Willow Island interconnection point is less than two miles from the plant and crosses a predominately industrial area. AMP is in the process of acquiring the right-of-way for this transmission line.

TRANSMISSION/DELIVERY OF CAPACITY

There are two fundamental transmission related costs that will affect each Project.

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[4] *See*, *e.g.*, *Consumers Power Company*, 68 FERC ¶ 61,077 at 61,383-84 (1994); *Rochester Gas & Electric Co.*, 76 FERC ¶ 61,182 (1996).

[5] *Edwards Manufacturing Company, Inc. and City of Augusta, Maine*, 81 FERC ¶ 61,255 (1997) , order *on reh'g*, 84 FERC ¶ 61,228 (1998), *order approving settlement*, 84 FERC ¶ 61,227 (1998), *reh. denied*, 91 FERC ¶ 61,213 (2000).

[6] The first stay was effective from May 29, 1992 through March 3, 1993, or a period of 278 days. *See* 59 FERC ¶ 61,375 (1992) and *order lifting stay*, 62 FERC ¶ 61,204. The second stay was effective from February 12, 1998, through January 12, 1999, or a period of 324 days. *See* 85 FERC ¶ 61,401 (1998) and *order approving amendment application*, 86 FERC ¶ 62,034. The third stay was effective from March 2, 1999, through May 15, 2001, or a period of 804 days. *See* 87 FERC ¶ 61,153 (1999) and *order approving amendment application*, 95 FERC ¶ 62,132.

[7] *City of New Martinsville, WV*, 55 FERC ¶ 61,270 (1991) and *City of Orrville, Ohi*o, *et al*., 59 FERC ¶ 61,080 (1992). (effective from March 28, 1991 through April 16, 1992

- Transmission system upgrades that may be associated with obtaining transmission service (e.g., interconnection service and/or firm transmission service).
- Price differentials in energy and capacity markets between the point of receipt and point of delivery (e.g., congestion, losses, capacity market price differentials, transmission rate pancaking) from each Project to each Participant.

INTERCONNECTION/TRANSMISSION SERVICE

Generation interconnection requests for the Willow Island, Cannelton and Smithland Projects were submitted to PJM and MISO in July and August 2007. The first phase of the interconnection study process is called the Feasibility Study and is estimated to require approximately four months to complete. The purpose of this first phase of the interconnection study process is to estimate the cost of transmission interconnection and transmission system improvements required to interconnect each generating facility to the transmission system.

Both RTOs have completed Feasibility Studies for the Projects and all three projects are now in the System Impact Study phase. There have been delays in the System Impact Study phase for all three Projects. After the System Impact Studies are completed the Projects will move on to the Facilities Study phase. Facilities Studies involve detailed design work for the transmission interconnection facilities for the Project. AMP estimates that it will take PJM approximately 25 months to complete a Facilities Study. It should be noted that the estimates for the length of each phase of the studies are estimates and there are no defined deadlines for the RTO to complete any of the studies.

To deliver the output of the Projects, AMP must:

- Obtain capacity interconnection rights through the PJM generation interconnection process for Willow Island.
- Obtain capacity interconnection rights through the MISO generation interconnection process for Smithland and Cannelton.

AMP intends to use the interconnection of each of the generating facilities to their respective RTOs as the physical delivery point. Congestion and loss charges from the facility busses to the RTO border will be included in the Projects' cost.

Price Differentials in Energy and Capacity Markets

PJM and MISO operate energy markets that use Locational Marginal Pricing ("LMP"). LMPs consist of two parts:

- Energy market price differentials caused by congestion and marginal losses; in other words, the difference in the price of energy at the point it is injected into the system (each Project) and the point it is withdrawn from the system ("RTO border").
- Capacity market price differentials. Similar to energy, capacity may have a location-based value. Because of differences in the PJM and MISO capacity rules, there maybe a difference in the cost of capacity between PJM and MISO. The Reliability Pricing Model ("RPM") establishes locational capacity prices within the PJM footprint similar to the locational energy prices referred to as LMP.

Capacity Market

The PJM RPM sets a capacity price based on forecasted load, PJM estimated cost to install a new simple cycle combustion turbine, and offers to sell capacity from existing and planned generators. RPM adopts a locational component for capacity prices similar to LMP energy prices.

MISO's capacity requirement causes utilities to demonstrate to MISO each month that they had sufficient capacity available each day to supply their load plus a reserve percentage and that the capacity was offered to the MISO energy market. It is expected, that over time, capacity prices in PJM and MISO will be similar.

V. PROJECTED COSTS OF THE PROJECTS

The purpose of this section is to estimate the total financial requirement of the Projects and to project annual ownership and operating costs, such as annual operation and maintenance costs and debt service. The cost estimates for the Projects include the costs associated with constructing and financing the Projects, including interest during construction.

CAPITAL COSTS

AMP's design engineer, MWH, prepared a screening-level cost and economic comparison of the potential hydroelectric projects as described earlier in this report. The cost estimates were derived from preliminary engineering layouts and work performed by MWH for other similar projects, both past and ongoing including the City of Hamilton application for a FERC license for the Meldahl Hydroelectric Project and the actual costs for Belleville. Quantities of major construction materials and earthwork were adjusted for each site and used as a basis for estimating the probable civil works cost. Estimates for major equipment were based on MWH's internal files of bid prices for other projects, actual bid prices received to date for the Projects and indications furnished by manufacturers. Contracts for materials and construction have been executed for approximately 50% of the capital costs of the Projects including the cost of the turbine-generators.

MWH's original estimates for the Projects were updated as more information about each Project site has become available and to incorporate the results of the bids received thus far, including the land clearing work, turbine/generator equipment and cofferdam and excavation contracts. The current estimated capital cost is approximately $444 million, $460 million and $293 million, for the Cannelton, Smithland and Willow Island Projects, respectively. These costs will continue to be refined as the design and equipment procurement activities progress.

The estimated cost of each Project is summarized in Table 2, Hydroelectric Project Capital Cost Estimate. Engineering costs for design and construction services, owner's internal administrative/project management costs, bond performance insurance costs, CREBs principal and interest payments up to commercial operation and the cost of issuance and interest accrued on the 2009A BANs are included.

Table 2
Hydroelectric Project Capital Cost Estimate[1]
(2009$)
AMP

Description	($)			
	Cannelton	Smithland	Willow Island	Total
Land Spoils	287,778	192,725	-	480,503
Land Improvements	95,160	1,160,000	500,000	1,755,160
Cofferdams	64,861,999	50,084,000	33,236,013	148,182,012
General Construction/Powerhouse	158,982,386	183,214,081	98,079,397	440,275,864
Turbine Generator	112,779,709	112,457,208	83,701,124	308,938,041
Gates	18,326,374	18,326,374	12,731,255	49,384,003
Cranes	3,765,300	3,796,800	2,799,300	10,361,400
Main Power Transformer	2,072,496	2,041,714	1,383,420	5,497,630
Transmission Lines	4,727,917	13,744,000	5,528,004	23,999,921
Subtotal[2]	365,899,119	385,016,902	237,958,512	988,874,534
Bond Performance Insurance Cost	15,000,000	15,000,000	10,000,000	40,000,000
CREBs Principal and Interest	1,668,417	1,783,137	5,592,285	9,043,839
2009A BAN Cost of Issuance and Interest	1,135,709	1,135,709	1,135,709	3,407,127
AMP Admin, Insurance and Legal[3]	36,724,547	33,349,635	20,528,207	90,602,389
Eng.and Construction Management	23,259,351	24,039,926	17,600,004	64,899,281
Total Capital Cost	443,687,142	460,325,310	292,814,717	1,196,827,169

[1] Monthly cost drawdowns for each project can be found in Appendix A, Detailed Capital Cost Drawdown.

[2] AMP is carrying 5% contingency on contracts that have not been bid.

[3] Includes cost of hydraulic model and payment for transfer of FERC license to previous owner.

A number of assumptions were incorporated in the cost estimates. The key assumptions are outlined below:

1. The costs for civil features, such as the approach and tailrace channels, cofferdams, intakes, waterways, powerhouse and access features have been based on estimation of the quantities of excavation and concrete, and application of appropriate unit prices as computed or estimated for similar work at other projects.

2. The unit prices used for each major item in the cost estimate are intended to represent bid prices, including overhead and profit, for work in the Kentucky and southern Ohio areas.

3. Mobilization costs are included in the estimate and are intended to account for the costs associated with transportation of the contractor's required equipment to the site, set-up of offices, camps, power supply and other temporary on-site facilities.

4. Contingencies are included in the construction costs estimate in amounts commensurate with the level of information available and the amount of design that has been performed to date. The contingency amounts are intended to be part of the estimated cost of each Project, as they cover the items that are not specifically accounted for, given the level of detail in this estimate, and to cover the cost of events that could reasonably be expected to occur.

License Acquisition Cost

The construction cost is the largest part of the Projects' capital cost budget. There are additional costs including payments for acquisition of the FERC licenses for Smithland and Cannelton ($6.7 million each, with such payments being due 50% upon financial closing of long-term financing and 50% after the first year of successful operation of the respective Project) and for Willow Island ($2.2 million).

Comments of Project Cost Variability

Estimates are often characterized as Class 1 to 5 when using the Association for the Advancement of Cost Engineering International ("AACEI") Recommended Practice No. 18R-97, Cost Estimate Classification System, where Class 1 and 2 estimates are based on very detailed engineering (after final design or during the construction phase to evaluate claims), typically involving thousands of line items. Class 5 estimates on the other hand, are generally prepared based on very limited information, and subsequently have wide accuracy ranges.

The capital cost estimates prepared by MWH and presented in this Report for portions of the work not yet awarded are considered to be Class 3 estimates. For these types of estimates, engineering is typically from 10% to 40% complete and are typically used to support full project funding requests. These also and become the first of the project phase "control estimates" against which all actual costs and resources will be monitored for variations to the budget. They are used as the project budget until replaced by more detailed estimates. In many owner organizations, a Class 3 estimate may be the last estimate required and could well form the only basis for cost/schedule control. Typical accuracy ranges for Class 3 estimates are -10% to -20% on the low side, and +10% to +30% on the high side, depending on the technological complexity of the project, appropriate reference information, and the inclusion of an appropriate contingency determination. Ranges could exceed those shown in unusual circumstances.; however, since over half of the anticipated costs have been realized in actual bids, it is anticipated that the ranges noted will be sufficient.

The costs of procuring equipment and constructing facilities have and will continue to be affected by market conditions, contracting methods, contract and insurance conditions imposed by AMP, banks or lending agencies, permitting agencies, risk factors that may deviate from the conditions anticipated at the time this Report was prepared, and other factors outside of AMP's control. As noted herein, actual costs for items such as land clearing, the cofferdam and excavation contracts, and owner furnished equipment including the turbine/generator units, gates, cranes and transformers are known and have been input into the costs estimates presented in this report. These costs are estimated to comprise over 50% of the capital costs for the projects.

EXPECTED USEFUL LIFE

Each generating facility consists of civil works and electro-mechanical equipment. It is generally expected that the useful life of the civil works would exceed 50 years. Electro-mechanical equipment typically has a useful lifetime in excess of 30 years with normal maintenance after which time such equipment would require additional improvements to further extend its useful life.

FINANCING REQUIREMENTS

Capital cost drawdowns for the Cannelton, Smithland, and Willow Island Projects were provided by AMP and are shown in Appendix A. Table 3 shows the total financial requirement for each Project. Permanent financing in the form of fixed rate long-term bonds has refunded the interim debt that was issued during the construction period. Permanent financing as projected assumed

the issuance of additional bonds in 2010 to complete the funding for Cannelton, Smithland and Willow Island.

Based on the construction schedule and amounts of the drawdowns, provided by AMP, the estimated total financial requirement of the Project is $1,503,301,435 including investment interest income, interest during construction, the funding of a debt service reserve, costs of issuance and additional funds. Average annual net debt service is estimated to be $83,158,598. The total financial requirement and debt service for each Project are shown in Table 3. AMP assumed that the bonds would be amortized over 35 years using a net average all-in borrowing rate of approximately 4.2%. Actual financing could vary from this assumption and could cause the projected cost of the Projects to vary, and such variance may be material, from the projections in this Report.

Table 3
Estimated Hydroelectric Project Total Financial Requirement [1]

AMP

Expense Item	($)			
	Cannelton	Smithland	Willow Island	Total
Capital Cost[2]	443,687,142	460,325,310	292,814,717	1,196,827,169
Interest Earned on Project Fund	(2,934,368)	(5,454,679)	(2,399,100)	(10,788,147)
Deposit to Project Fund	440,752,774	454,870,630	290,415,617	1,186,039,022
Capitalized Interest Up to Commercial Operation	62,215,901	80,987,024	43,069,851	186,272,776
Capitalized Interest After Commercial Operation	10,172,529	10,767,489	6,638,410	27,578,429
Debt Service Reserve Fund	33,233,023	34,324,488	18,631,994	86,189,505
Cost of Issuance, Underwriter's Discount and Additional Proceeds	6,416,458	6,809,205	3,996,040	17,221,703
Total Financial Requirement	552,790,685	587,758,837	362,751,912	1,503,301,435
($/kW)[3]	6,282	7,734	8,244	7,227
Average Annual Net Debt Service [4]	30,668,284	32,630,098	19,860,215	83,158,598
($/kW-month)[3]	29.04	35.78	37.61	33.32

[1] Financing costs prepared by BMO Capital Markets GKST Inc. using an average interest rate of approximately 4.2% and a 35-year amortization period.

[2] From Table 2, Hydroelectric Project Capital Cost Estimate.

[3] Estimated project capacities for Cannelton, Smithland and Willow Island are 88,000 kW, 76,000 kW and 44,000 kW, respectively.

[4] Net of interest earnings on Debt Service Reserve Fund and Build America Bonds Federal Subsidy payments.

Operating Characteristics

The Projects will be operated as run-of-river generating plants. The energy generation profile of a run-of-river plant is dependent on precipitation and flow from streams that feed into the Ohio River and the actions of the local lock master. Thus, when and how much energy that is available from the Projects is not predictable by the operators over the life of the Projects. Energy can, however, be scheduled a day in advance. It is expected that the Projects' capacity factors will range from 40% to 60% on an annual basis and occasionally operate at higher capacity factors from month to month.

The Belleville Hydroelectric Plant has been operated for 10 years by AMP in a similar manner as the Projects are expected to be operated. However, Belleville is supplemented by energy that is purchased from the energy market to provide a predictable energy supply profile to its participants. Many changes have occurred in the wholesale electric market since 1999 that have changed the approach to supplying energy from the Projects. Most of the Participants are located in the PJM RTO and in MISO and thus, are provided energy on an hourly basis from these respective energy markets. Because energy is readily available from the market on an hourly basis at changing prices that can include congestion costs, the Participants' energy requirements will be met by energy purchased at their specific locations on the power grid and their shares of energy generated at the Projects will be sold to the respective RTO or ISO (Cannelton - MISO, Smithland – MISO, and Willow Island – PJM) at the hourly energy prices at the Project locations.

OPERATION AND MAINTENANCE PLAN

The Projects will be operated as run-of-the-river hydroelectric power plants. Fluctuations in the upstream pool elevation will be minimized and plant operation will be constrained by the Corps. The Projects will be designed and operated in such a manner as to avoid or minimize adverse impacts on navigation, water quality and aquatic resources in the Ohio River.

All of the Projects will be designed for fully automatic control and unattended operation. For purposes of estimating operating expenses, and based on AMP's experience in operating the Belleville, it was assumed that each Project would be staffed with seven employees.

Estimated annual operating expenses are shown in Table 4, Hydro Project Operating Expenses. Total annual operating costs were projected based on historical Belleville operating costs. This estimate included approximately $1,137,000 annually for Equipment Renewals and Replacements for the Projects. Total annual operating costs for the Projects are projected at approximately $11,455,000 in 2014.

Table 4
Hydro Project Operating Expenses
(2014$)
AMP

Expense ($000)	($000)			
	Cannelton	Smithland	Willow Island	Project
Operation and Maintenance[1][2]	634	634	634	1,903
Administrative and General[2]	61	61	61	184
Engineering[2]	61	61	61	184
Corps Power Payment[2]	67	64	85	216
Environmental[2]	98	98	98	295
Insurances, License Fees and Taxes	2,805	3,114	1,616	7,536
Renewals and Replacements[2][3]	416	415	306	1,137
Total Operating Expenses	4,144	4,449	2,862	11,455

[1] Estimated from actual expenses for Belleville.

[2] Escalated 3% annually.

[3] 0.25% of the total cost of electrical and mechanical equipment.

Operation and Maintenance Expenses

Cost of Operation and Maintenance expenses, including Renewals and Replacements, Insurance, Administrative and General Expenses, transmission services by regional utilities and FERC annual charges are estimated at approximately $11.8 million per year (2015$) for the Projects and were generally escalated at 3% annually except for charges for transmission related services which are expected to escalate at 1% annually. Operating costs were estimated using actual costs of operating Belleville. It is expected that each facility will have, similar to Bellville, a total staff of seven.

ESTIMATED ANNUAL COSTS

All three Projects are estimated to begin commercial operation before the end of 2014.

Cannelton

The estimated annual cost of energy generated by the Cannelton Project is shown in Table 5, Cannelton Ownership and Operating Costs. The Cannelton total annual cost is estimated at $35,162,000 ($79.97/MWh) in 2015 increasing to $36,881,000 ($83.88/MWh) in 2038.

Smithland

The estimated annual cost of energy generated by the Smithland Project is shown in Table 6, Smithland Ownership and Operating costs. The Smithland total cost is estimated at $36,989,000 ($101.66/MWh) in 2015 increasing to $38,589,000 ($106.06/MWh) in 2038.

Willow Island

The estimated annual cost of energy generated by the Willow Island Project is shown in Table 7, Willow Island Ownership and Operating Costs. The Willow Island total cost is estimated at $22,772,000 ($99.25/MWh) in 2015 increasing to $24,342,000 ($106.09/MWh) in 2038.

Combined Project

The estimated annual cost of energy generated by all three Projects is shown in Table 8. As shown in Table 8, the total project ownership and operating costs of the Projects is $94,923,000 ($91.89/MWh) in 2015 increasing to $99,812,000 ($96.63/MWh) in 2038. A comparison of the ownership and operating costs of the Projects compared to purchasing energy from the market (PJM/Cinergy) is shown in Appendix B. Table 9 summarizes the ownership and operating costs for each generating facility and the entire Project.

Credit for Renewable Energy

Credits for the sales of greentags associated for renewable energy have not been included in this analysis. However, it is expected that AMP could sell greentags or renewable energy credits, for a conservative rate of $1/MWh or approximately $1,000,000 annually.

Local, State and Federal Taxes

AMP anticipates that it will not be subject to federal taxes except payroll related taxes and has not determined what taxes or abatements of the same are applicable in Ohio, Kentucky or West Virginia or what payments in lieu of taxes may be agreed to. AMP is exempt from certain state sales taxes in West Virginia and Kentucky under applicable laws and is working with those states to obtain exemption certificates. AMP is unable at this time to estimate any other taxes, which may or may not be applicable to the project. AMP is subject to Ohio personal property and real estate taxes and may be subject to taxes in other states to the extent it owns property and operates projects in such states.

Table 5
Cannelton Ownership and Operating Costs
AMP

	Esc.	Year												
	(%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cannelton Hydroelectric Generating Plant														
Total Gross Energy (MWh)		458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000
Plant Capacity (MW)		88	88	88	88	88	88	88	88	88	88	88	88	88
Plant Capacity Factor (%)		57	57	57	57	57	57	57	57	57	57	57	57	57
Station Service[1]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680
Operating Expenses ($000)[2]														
Operation and Maintenance	3.00	634	653	673	693	714	735	757	780	804	828	852	878	904
Administrative and General	3.00	61	63	65	67	69	71	73	76	78	80	83	85	88
Engineering	3.00	61	63	65	67	69	71	73	76	78	80	83	85	88
Corps of Engineers Power Payment	3.00	67	69	71	73	75	78	80	82	85	87	90	93	95
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	98	101	104	108	111	114	117	121	125	128	132	136	140
Insurances, License Fees and Taxes	0.44	2,805	2,817	2,830	2,842	2,855	2,868	2,880	2,893	2,906	2,918	2,931	2,944	2,957
Interim Replacements	3.00	416	428	441	455	468	482	497	512	527	543	559	576	593
Socialized Transmission Charges[3]	1.00	295	298	301	304	307	310	313	316	319	322	325	329	332
Total Operation & Maintenance		4,438	4,494	4,551	4,609	4,668	4,729	4,791	4,855	4,920	4,987	5,056	5,126	5,198
Annual Debt Service[4]		30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668
Total Cost ($000)		35,107	35,162	35,219	35,277	35,336	35,397	35,460	35,523	35,589	35,656	35,724	35,794	35,866
($/MWh)		79.85	79.97	80.10	80.23	80.37	80.51	80.65	80.79	80.94	81.09	81.25	81.41	81.57
Ancillary Services ($/MWh)	1.00	2.68	2.71	2.73	2.76	2.79	2.82	2.85	2.87	2.90	2.93	2.96	2.99	3.02

[1] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[2] From Table 4, Hydro Project Operating Expenses.

[3] Ancillary Services multiplied by 25% of Net Energy Delivered from Plant to reflect the amount of energy that will be delivered to a different RTO.

[4] From Table 3, Hydroelectric Project Total Financial Requirement.

Table 5
Cannelton Ownership and Operating Costs
AMP

	Esc.	Year											
	(%)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Cannelton Hydroelectric Generating Plant													
Total Energy (MWh)		458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000
Plant Capacity (MW)		88	88	88	88	88	88	88	88	88	88	88	88
Plant Capacity Factor (%)		57	57	57	57	57	57	57	57	57	57	57	57
Station Service[1]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680
Operating Expenses ($000)[2]													
Operation and Maintenance	3.00	932	959	988	1,018	1,048	1,080	1,112	1,146	1,180	1,215	1,252	1,289
Administrative and General	3.00	90	93	96	99	102	105	108	111	114	118	121	125
Engineering	3.00	90	93	96	99	102	105	108	111	114	118	121	125
Corps of Engineers Power Payment	3.00	98	101	104	107	111	114	117	121	125	128	132	136
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	144	149	153	158	163	168	173	178	183	189	194	200
Insurances, License Fees and Taxes	0.44	2,970	2,983	2,997	3,010	3,023	3,036	3,050	3,063	3,077	3,090	3,104	3,118
Interim Replacements	3.00	611	629	648	668	688	708	729	751	774	797	821	846
Socialized Transmission Charges[3]	1.00	335	339	342	345	349	352	356	359	363	367	370	374
Total Operation & Maintenance		5,271	5,347	5,424	5,503	5,585	5,668	5,753	5,841	5,930	6,022	6,116	6,213
Annual Debt Service[4]		30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668
Total Cost ($000)		35,940	36,015	36,092	36,172	36,253	36,336	36,421	36,509	36,598	36,690	36,785	36,881
($/MWh)		81.74	81.91	82.09	82.27	82.45	82.64	82.84	83.03	83.24	83.45	83.66	83.88
Ancillary Services ($/MWh)	1.00	3.05	3.08	3.11	3.14	3.17	3.21	3.24	3.27	3.30	3.34	3.37	3.40

[1] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[2] From Table 4, Hydro Project Operating Expenses.

[3] Ancillary Services multiplied by 25% of Net Energy Delivered from Plant to reflect the amount of energy that will be delivered to a different RTO.

[4] From Table 3, Hydroelectric Project Total Financial Requirement.

Table 6
Smithland Ownership and Operating Costs
AMP

	Esc.	Year												
	(%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Smithland Hydroelectric Generating Plant[1]														
Total Gross Energy (MWh)		252,667	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000
Plant Capacity (MW)		76	76	76	76	76	76	76	76	76	76	76	76	76
Plant Capacity Factor (%)		62	55	55	55	55	55	55	55	55	55	55	55	55
Station Service[2]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		242,560	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840
Operating Expenses ($000)[3]														
Operation and Maintenance	3.00	423	653	673	693	714	735	757	780	804	828	852	878	904
Administrative and General	3.00	41	63	65	67	69	71	73	76	78	80	83	85	88
Engineering	3.00	41	63	65	67	69	71	73	76	78	80	83	85	88
Corps of Engineers Power Payment	3.00	43	66	68	70	72	74	77	79	81	84	86	89	92
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	66	101	104	108	111	114	117	121	125	128	132	136	140
Insurances, License Fees and Taxes	0.45	1,817	2,738	2,750	2,762	2,775	2,788	2,800	2,813	2,826	2,839	2,852	2,865	2,878
Interim Replacements	3.00	277	427	440	454	467	481	496	510	526	542	558	574	592
Socialized Transmission Charges[4]	1.00	108	246	249	251	254	256	259	261	264	267	269	272	275
Total Operation & Maintenance		2,815	4,359	4,415	4,472	4,531	4,591	4,653	4,716	4,781	4,847	4,915	4,984	5,056
Annual Debt Service[5]		21,753	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630
Total Cost ($000)		24,568	36,989	37,045	37,103	37,161	37,222	37,283	37,346	37,411	37,477	37,545	37,615	37,686
Total Cost ($/MWh)		101.29	101.66	101.82	101.97	102.14	102.30	102.47	102.65	102.82	103.00	103.19	103.38	103.58
Ancillary Services ($/MWh)	1.00	2.68	2.71	2.73	2.76	2.79	2.82	2.85	2.87	2.90	2.93	2.96	2.99	3.02

[1] 8 months of operation in 2014 (May through December).

[2] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[3] From Table 4, Hydro Project Operating Expenses.

[4] Ancillary Services multiplied by 25% of Net Energy Delivered from Plant to reflect the amount of energy that will be delivered to a different RTO.

[5] From Table 3, Hydroelectric Project Total Financial Requirement.

Table 6
Smithland Ownership and Operating Costs
AMP

	Esc.	Year											
	(%)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Smithland Hydroelectric Generating Plant[1]													
Total Gross Energy (MWh)		379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000
Plant Capacity (MW)		76	76	76	76	76	76	76	76	76	76	76	76
Plant Capacity Factor (%)		55	55	55	55	55	55	55	55	55	55	55	55
Station Service[2]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840
Operating Expenses ($000)[3]													
Operation and Maintenance	3.00	932	959	988	1,018	1,048	1,080	1,112	1,146	1,180	1,215	1,252	1,289
Administrative and General	3.00	90	93	96	99	102	105	108	111	114	118	121	125
Engineering	3.00	90	93	96	99	102	105	108	111	114	118	121	125
Corps of Engineers Power Payment	3.00	94	97	100	103	106	109	113	116	120	123	127	131
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	144	149	153	158	163	168	173	178	183	189	194	200
Insurances, License Fees and Taxes	0.45	2,891	2,904	2,917	2,930	2,944	2,957	2,970	2,984	2,997	3,011	3,025	3,039
Interim Replacements	3.00	609	628	647	666	686	707	728	750	772	795	819	844
Socialized Transmission Charges[4]	1.00	185	187	189	191	192	194	196	198	200	202	204	206
Total Operation & Maintenance		5,036	5,110	5,186	5,263	5,343	5,424	5,508	5,593	5,681	5,771	5,864	5,959
Annual Debt Service[5]		32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630
Total Cost ($000)		37,666	37,740	37,816	37,893	37,973	38,054	38,138	38,223	38,311	38,401	38,494	38,589
Total Cost ($/MWh)		103.52	103.73	103.93	104.15	104.37	104.59	104.82	105.06	105.30	105.54	105.80	106.06
Ancillary Services ($/MWh)	1.00	3.05	3.08	3.11	3.14	3.17	3.21	3.24	3.27	3.30	3.34	3.37	3.40

[1] 8 months of operation in 2014 (May through December).

[2] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[3] From Table 4, Hydro Project Operating Expenses.

[4] Ancillary Services multiplied by 25% of Net Energy Delivered from Plant to reflect the amount of energy that will be delivered to a different RTO.

[5] From Table 3, Hydroelectric Project Total Financial Requirement.

Table 7
Willow Island Ownership and Operating Costs
AMP

	Esc.	Year												
	(%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Willow Island Hydroelectric Generating Plant														
Total Gross Energy (MWh)		239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000
Plant Capacity (MW)		44	44	44	44	44	44	44	44	44	44	44	44	44
Plant Capacity Factor (%)		60	60	60	60	60	60	60	60	60	60	60	60	60
Station Service[1]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440
Operating Expenses ($000)[2]														
Operation and Maintenance	3.00	634	653	673	693	714	735	757	780	804	828	852	878	904
Administrative and General	3.00	61	63	65	67	69	71	73	76	78	80	83	85	88
Engineering	3.00	61	63	65	67	69	71	73	76	78	80	83	85	88
Corps of Engineers Power Payment	3.00	85	87	90	92	95	98	101	104	107	110	114	117	121
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	98	101	104	108	111	114	117	121	125	128	132	136	140
Insurances, License Fees and Taxes	0.78	1,616	1,629	1,641	1,654	1,667	1,680	1,694	1,707	1,720	1,734	1,747	1,761	1,775
Interim Replacements	3.00	306	315	324	334	344	354	365	376	387	399	411	423	436
Socialized Transmission Charges[3]	1.00	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operation & Maintenance		2,862	2,912	2,963	3,016	3,070	3,125	3,181	3,239	3,299	3,359	3,422	3,486	3,551
Annual Debt Service[4]		19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860
Total Cost ($000)		22,722	22,772	22,824	22,876	22,930	22,985	23,042	23,099	23,159	23,220	23,282	23,346	23,412
Total Cost ($/MWh)		99.03	99.25	99.47	99.70	99.94	100.18	100.43	100.68	100.94	101.20	101.47	101.75	102.04
Ancillary Services ($/MWh)	1.00	-	-	-	-	-	-	-	-	-	-	-	-	-

[1] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[2] From Table 4, Hydro Project Operating Expenses.

[3] No Charges Anticipated because Energy is Expected to be Delivered in PJM (not delivered to another RTO).

[4] From Table 3, Hydroelectric Project Total Financial Requirement.

Table 7
Willow Island Ownership and Operating Costs
AMP

	Esc.	Year											
	(%)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Willow Island Hydroelectric Generating Plant													
Total Energy (MWh)		239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000
Plant Capacity (MW)		44	44	44	44	44	44	44	44	44	44	44	44
Plant Capacity Factor (%)		60	60	60	60	60	60	60	60	60	60	60	60
Station Service[1]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440
Operating Expenses ($000)[2]													
Operation and Maintenance	3.00	932	959	988	1,018	1,048	1,080	1,112	1,146	1,180	1,215	1,252	1,289
Administrative and General	3.00	90	93	96	99	102	105	108	111	114	118	121	125
Engineering	3.00	90	93	96	99	102	105	108	111	114	118	121	125
Corps of Engineers Power Payment	3.00	124	128	132	136	140	144	148	153	157	162	167	172
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	144	149	153	158	163	168	173	178	183	189	194	200
Insurances, License Fees and Taxes	0.78	1,789	1,803	1,817	1,831	1,846	1,860	1,875	1,889	1,904	1,919	1,934	1,949
Interim Replacements	3.00	449	462	476	490	505	520	536	552	569	586	603	621
Socialized Transmission Charges[3]	1.00	0	0	0	0	0	0	0	0	0	0	0	0
Total Operation & Maintenance		3,618	3,687	3,758	3,831	3,905	3,981	4,059	4,140	4,222	4,306	4,393	4,482
Annual Debt Service[4]		19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860
Total Cost ($000)		23,479	23,548	23,618	23,691	23,765	23,841	23,920	24,000	24,082	24,167	24,253	24,342
Total Cost ($/MWh)		102.33	102.63	102.94	103.25	103.58	103.91	104.25	104.60	104.96	105.33	105.71	106.09
Ancillary Services ($/MWh)	1.00	-	-	-	-	-	-	-	-	-	-	-	-

[1] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[2] From Table 4, Hydro Project Operating Expenses.

[3] No Charges Anticipated because Energy is Expected to be Delivered in PJM (not delivered to another RTO).

[4] From Table 3, Hydroelectric Project Total Financial Requirement.

Table 8
Hydroelectric Project Ownership and Operating Costs[1]
AMP

	Esc.	Year												
	(%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cannelton, Smithland, Willow Island														
Total Gross Energy (MWh)		949,667	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000
Plant Capacity (MW)		208	208	208	208	208	208	208	208	208	208	208	208	208
Plant Capacity Factor (%)		57	57	57	57	57	57	57	57	57	57	57	57	57
Station Service		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		911,680	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960
Operating Expenses ($000)														
Operation and Maintenance	3.00	1,691	1,960	2,019	2,079	2,142	2,206	2,272	2,340	2,411	2,483	2,557	2,634	2,713
Administrative and General	3.00	164	190	196	202	208	214	220	227	234	241	248	255	263
Engineering	3.00	164	190	196	202	208	214	220	227	234	241	248	255	263
Corps of Engineers Power Payment	3.00	194	222	229	236	243	250	258	265	273	282	290	299	308
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	262	304	313	323	332	342	352	363	374	385	397	409	421
Insurances, License Fees and Taxes		6,238	7,184	7,221	7,259	7,297	7,336	7,374	7,413	7,452	7,491	7,530	7,570	7,610
Interim Replacements	3.00	998	1,171	1,206	1,242	1,279	1,318	1,357	1,398	1,440	1,483	1,528	1,573	1,621
Socialized Transmission Charges	1.00	403	544	549	555	560	566	572	577	583	589	595	601	607
Total Operation & Maintenance		10,115	11,765	11,929	12,097	12,269	12,445	12,626	12,811	13,000	13,194	13,393	13,596	13,805
Annual Debt Service		72,282	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159
Total Cost ($000)		82,397	94,923	95,087	95,256	95,428	95,604	95,784	95,969	96,159	96,352	96,551	96,755	96,963
($/MWh)		90.38	91.89	92.05	92.22	92.38	92.55	92.73	92.91	93.09	93.28	93.47	93.67	93.87
Ancillary Services ($/MWh)	1.00	2.68	2.71	2.73	2.76	2.79	2.82	2.85	2.87	2.90	2.93	2.96	2.99	3.02

[1] From Tables 5, 6, and 7.

Table 8
Hydroelectric Project Ownership and Operating Costs[1]
AMP

	Esc.	Year											
	(%)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Cannelton, Smithland, Willow Island													
Total Energy (MWh)		1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000
Plant Capacity (MW)		208	208	208	208	208	208	208	208	208	208	208	208
Plant Capacity Factor (%)		57	57	57	57	57	57	57	57	57	57	57	57
Station Service		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960
Operating Expenses ($000)													
Operation and Maintenance	3.00	2,795	2,878	2,965	3,054	3,145	3,240	3,337	3,437	3,540	3,646	3,756	3,868
Administrative and General	3.00	271	279	287	296	305	314	323	333	343	353	364	375
Engineering	3.00	271	279	287	296	305	314	323	333	343	353	364	375
Corps of Engineers Power Payment	3.00	317	326	336	346	357	367	378	390	402	414	426	439
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	433	446	460	474	488	503	518	533	549	566	583	600
Insurances, License Fees and Taxes		7,650	7,690	7,731	7,771	7,812	7,853	7,895	7,936	7,978	8,021	8,063	8,105
Interim Replacements	3.00	1,669	1,719	1,771	1,824	1,879	1,935	1,993	2,053	2,115	2,178	2,243	2,311
Socialized Transmission Charges	1.00	520	525	531	536	541	547	552	558	563	569	575	580
Total Operation & Maintenance		13,926	14,144	14,368	14,597	14,832	15,073	15,320	15,573	15,833	16,100	16,373	16,654
Annual Debt Service		83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159
Total Cost ($000)		97,085	97,303	97,526	97,756	97,991	98,232	98,479	98,732	98,992	99,258	99,532	99,812
Total Cost ($/MWh)		93.99	94.20	94.41	94.64	94.86	95.10	95.34	95.58	95.83	96.09	96.36	96.63
Ancillary Services ($/MWh)	1.00	3.05	3.08	3.11	3.14	3.17	3.21	3.24	3.27	3.30	3.34	3.37	3.40

[1] From Tables 5, 6, and 7.

Table 9
Summary of Project Ownership and Operating Costs[1]
AMP

Project	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cannelton													
Total Cost($000)	35,107	35,162	35,219	35,277	35,336	35,397	35,460	35,523	35,589	35,656	35,724	35,794	35,866
($/MWh)	79.85	79.97	80.10	80.23	80.37	80.51	80.65	80.79	80.94	81.09	81.25	81.41	81.57
Energy (MWh)	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680
Smithland													
Total Cost($000)	24,568	36,989	37,045	37,103	37,161	37,222	37,283	37,346	37,411	37,477	37,545	37,615	37,686
($/MWh)	101.29	101.66	101.82	101.97	102.14	102.30	102.47	102.65	102.82	103.00	103.19	103.38	103.58
Energy (MWh)	242,560	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840
Willow Island													
Total Cost($000)	22,722	22,772	22,824	22,876	22,930	22,985	23,042	23,099	23,159	23,220	23,282	23,346	23,412
($/MWh)	99.03	99.25	99.47	99.70	99.94	100.18	100.43	100.68	100.94	101.20	101.47	101.75	102.04
Energy (MWh)	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440
All Projects													
Total Cost($000)	82,397	94,923	95,087	95,256	95,428	95,604	95,784	95,969	96,159	96,352	96,551	96,755	96,963
($/MWh)	90.38	91.89	92.05	92.22	92.38	92.55	92.73	92.91	93.09	93.28	93.47	93.67	93.87
Energy (MWh)	911,680	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960

[1] From Tables 5, 6, 7 and 8.

Table 9
Summary of Project Ownership and Operating Costs[1]
AMP

Project	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Cannelton												
Total Cost($000)	35,940	36,015	36,092	36,172	36,253	36,336	36,421	36,509	36,598	36,690	36,785	36,881
($/MWh)	81.74	81.91	82.09	82.27	82.45	82.64	82.84	83.03	83.24	83.45	83.66	83.88
Energy (MWh)	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680
Smithland												
Total Cost($000)	37,666	37,740	37,816	37,893	37,973	38,054	38,138	38,223	38,311	38,401	38,494	38,589
($/MWh)	103.52	103.73	103.93	104.15	104.37	104.59	104.82	105.06	105.30	105.54	105.80	106.06
Energy (MWh)	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840
Willow Island												
Total Cost($000)	23,479	23,548	23,618	23,691	23,765	23,841	23,920	24,000	24,082	24,167	24,253	24,342
($/MWh)	102.33	102.63	102.94	103.25	103.58	103.91	104.25	104.60	104.96	105.33	105.71	106.09
Energy (MWh)	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440
All Projects												
Total Cost($000)	97,085	97,303	97,526	97,756	97,991	98,232	98,479	98,732	98,992	99,258	99,532	99,812
($/MWh)	93.99	94.20	94.41	94.64	94.86	95.10	95.34	95.58	95.83	96.09	96.36	96.63
Energy (MWh)	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960

[1] From Tables 5, 6, 7 and 8.

Estimated Annual Value of Project Power

The projected annual cost of the Projects and the cost of alternative power for each year are shown in Appendix B. As shown in Table B-4, the cost of energy from the Projects is estimated at $91.89/MWh in 2015 increasing to $96.63/MWh in 2038. The cost of purchasing energy and capacity from the market is estimated at approximately $84.88/MWh in 2015 increasing to $180.72/MWh in 2038.

The market price projection was generated by R. W. Beck, Inc. and provided to AMP in June 2009. R. W. Beck projected market purchase prices in MISO and PJM including CO_2 emission costs. R. W. Beck included an estimated cost for capacity in PJM and MISO of approximately $57/kW-year and $50/kW-year respectively, in 2015, and $84/kW-year and $55/kW-year, respectively, in 2031. The cost of CO_2 in MISO and PJM included in the projection was approximately $12/ton in 2014 increasing to approximately $65/ton in 2031. The market purchase price projection used in this Report is a weighted average using 50% of the MISO price plus 50% of the PJM West price. The present value savings of the Projects from 2014 through 2038 was estimated at approximately $360,500,000 (2014$) less than the cost of obtaining an equivalent amount of energy and capacity from the market.

VI. Analysis of Potential Project Risks

The purpose of this section is to identify risks associated with constructing, owning and operating the Projects.

Overview of Risk

We have reviewed the potential risks associated with the Projects. An overview of the risk identification and mitigation process is as follows:

- Develop risk inventory of all risks of the Projects
- Evaluate risk in terms of likelihood of occurrence and potential impact on Participant costs
- Identify risk mitigation strategies

The following sections identify the risks associated with the Projects.

Overview of Process

Identifying the risks involved, developing a risk inventory of the risks that could occur for the Projects and developing risk mitigation strategies for each risk source. Developing the risk inventory was approached from the perspective of three risk environments:

- Internal risks – Those risks that occur internal to the AMP organization or the Projects and can be controlled by processes implemented by AMP.
- Market risks – AMP will have moderate control over the risks that occur in the electric market environment. There are market derivatives and hedging instruments available to manage market risks.
- External risks – Risks related to political, regulatory and environmental are the most difficult to control.
- Financing Risks – AMP may mitigate, but not eliminate, the risk that interest rates rise above the levels assumed in estimating the costs of interim financing or the debt service requirements for permanent financing.

Internal Environment Risk Identification

- Strategic Risk (Risk related to competitive position and changes in customer demand)

- Operational Risk (Risk related to the Projects; operations and failures in people, processes, and systems)
- Financial Risk (Risk related market access, to AMP's credit rating, Participant credit worthiness and interest rate fluctuations)
- Technology Risk (Risk associated with technology uncertainties and uncertain operating performance)
- Development and Construction Risk (Risk associated with construction delays, cost over-runs and availability of construction materials and human craft resources)

Market Environment Risk Identification

- Transmission Risk (Risk related to power delivery and congestion)
- Credit Risk (Risk related to the possibility of counter party default)

External Environment Risk Identification

- Event Risk (Risk related to unplanned generation outages, water condition (high/low water) interruptions, etc.)
- Hazard Risk (Risk related to accidents, insurability of generation assets, acts of nature, terrorism, etc.)
- Legal and Contractual Risk (Risk related to the interpretation and enforceability of contracts, and the failure of counter party to perform)
- Regulatory Risk (Risk related to uncertainty in laws and regulations and changing environmental regulations)

Internal Risk Mitigation

- Strategic risks are expected to be low because the cost of the Projects should not cause the Participants' rates to become uncompetitive. Strategic risks related to potential changes in the Participants' competitive position would be mitigated by keeping the cost (and cost increases) of the Projects to the Participants as low (and stable) as possible through the use of longer-term debt, low cost financing and use of rate stabilization funds (if needed).
- Operational risks are mitigated by developing procedures to attract and maintain highly qualified staff, training programs, developing high standards for plant performance, sound maintenance programs, and state-of-the-art systems.

- Financial risks are mitigated by (i) the establishment of reserves for the Projects, debt service coverage ratios, and step-up provisions in the Power Sales Contracts; (ii) development of a financial plan (see Plan of Finance) and use of interest rate swaps to mitigate the risk of interest rate fluctuations; and (iii) AMP's existing member "credit scoring" program.
- Technology risks would be mitigated through the incorporation of design specifications and guarantees in the design and construction contracts.

Financing Risks

As mentioned previously, debt service typically comprises two-thirds to three quarters of the annual cost of a hydroelectric facility. Consequently, the interest rates AMP must pay to finance the costs of constructing, equipping and placing into commercial operation the Projects will substantially affect the price the Participants must pay for energy from the Projects. While AMP's current plan of finance calls for it to undertake permanent financing for Cannelton and Smithland in November of 2009, AMP does not expect to issue Bonds to acquire the Willow Island Project before the second quarter of 2010. While AMP has advised us that it has no reason now to anticipate materially higher interest rates in 2010, AMP can provide no assurance that interest rate levels will not rise and the increase could be substantial. AMP is not able to predict interest rate levels in 2010. AMP believes, however, based on present interest rate levels, that the assumptions used in the projections of the debt service requirements for its Bonds issued for the Projects are reasonable and conservative.

DEVELOPMENT AND CONSTRUCTION RISK MITIGATION

For the purpose of the contracting plan that was prepared by MWH, risk was defined as any action or event that causes delay to the completion schedule for the works or causes an increase to the agreed contract amount. It is understood that it is not reasonable to eliminate all risks but with thorough planning and careful assignment, the magnitude of risks can be mitigated and managed.

AMP, in consultation with MWH and legal counsel, have developed a plan of contracting that should mitigate risks on the Projects but still allow for compliance with the FERC required construction timelines. Most cost overruns occur as a direct result of a lack of information. In an effort to reduce risks, AMP decided to utilize the following contract packages to develop the Projects:

CONTRACT DESCRIPTION	ISSUE TO BIDDERS	ANTICIPATED AMP AWARD CONTRACT	CONTRACT COMPLETE
	Due Date	Due Date	Due Date
Cannelton			
Land Clearing	Sep-07	Executed	Complete
Turbine/Generator	Sep-07	Executed	Fall 2013
Cofferdam	Jan-08	Executed	Summer 2010
Transmission Line	May-09	Oct-09	Fall 2010
General Contract	Dec-09	Spring 2010	Fall 2013
Smithland			
Land Clearing	Sep-07	Executed	Complete
Turbine/Generator	Sep-07	Executed	Summer 2014
Cofferdam	Jan-08	Executed	Spring 2011
Transmission Line	Mar-11	Jul-11	Fall 2012
General Contract	Sep-10	Feb-11	Spring 2014
Willow Island			
Land Clearing	N/A	N/A	N/A
Turbine/Generator	Sep-07	Executed	Fall 2013
Cofferdam	Jan-08	Executed	Spring 2011
Transmission Line	Sep-10	Jan-11	Summer 2011
General Contract	Aug-10	Spring 2011	Fall 2013

For the construction of the Projects, the four principal categories of risk addressed herein include the following:

1. Delay/Disruption/Acceleration – Risk of schedule impact caused by circumstances beyond the control of the contractor. This category of risk includes both cost and schedule impacts and also is normally encountered as a major component for all risk categories. Examples include: delayed turnover of work areas from one contractor to the next; delayed delivery of equipment supplied by others; delayed delivery or review of drawings; revision of construction sequence due to other changes (disruption or ripple affect); and, failure to issue extensions of time in a timely manner resulting in the contractor's speeding up other work to achieve, makeup, or overcome time lost (acceleration).

2. Differing Site Conditions – The predominant cause for differing site conditions ("DSC") risk relates to geologic risk of encountering subsurface conditions that would not reasonably be expected by a competent contractor performing similar work. DSC issues almost universally also include delay/disruption/acceleration impacts.

3. Force Majeure – Risk of circumstances occurring which are beyond the control of the owner or contractor fall into this general category. Examples include: unusual weather such as floods, civil disturbance, etc.

4. Other - Although the categories of risk identified under items 1, 2, and 3 above describe the major issues that may be anticipated during implementation of the Projects, the last category addressed herein is the risk of cost and schedule impacts resulting from design changes, market conditions, outside influence including agency and third party demands, and most importantly, misunderstandings between the parties.

Delay/Disruption/Acceleration Risk

The primary cause of such risks specifically limited to schedule is interference from others beyond the control of the contractor. These risks will be mitigated using one or more of the following measures:

1. To the maximum extent reasonable, all work will be compartmentalized such that interfacing of separate prime contractors is minimized.

2. Contracts will be scheduled for award and commencement such that sufficient float time is available to complete the previous work.

3. To the maximum extent reasonable, design documents will be completed prior to bidding of all contracts to minimize schedule issues related to late delivery of design. With final design provided at the time of bid, design changes will be minimized and limit the risk of disruption due to design changes.

4. Where interfacing is inevitable, performance milestones will be established in each contract for all significant interface events (i.e. equipment delivery, work area turnover, etc.). The interface milestones will be calculated such that float time belonging to AMP is incorporated between dates set out in each contract.

5. Most of the bidders for the gates, cranes, and transformers are located in the United States and as a result, if they are successful, risks for the supply of this equipment will be reduced.

Schedule-related risks for delay, disruption and acceleration constitute the largest and most difficult category of issues for avoidance and, if necessary, to protect against. In addition to issues specifically limited to schedule impact, nearly all other risks will incorporate a significant component of cost and time impact for delay, disruption and acceleration. For the construction of the Projects, the risks of delay, disruption, and acceleration will be addressed in the contract documents as follows:

Differing Site Conditions

The primary source of DSC risk is subsurface geologic conditions that would not be reasonably anticipated by a competent contractor performing similar work. The risk for encountering differing geologic site conditions have been reduced by a thorough subsurface investigation program but cannot be eliminated prior to construction. For the Projects, the key geologic factors are elevation of the top-of-rock and overburden thickness; consistency and workability of materials encountered during excavation; strength of foundation materials; permeability of foundations; buried trash; possible toxic substances or volatile organic compounds; location and suitability of borrow, fill and rock materials incorporated into the works; and disposal of surplus material from excavations.

Results of the investigation program will be provided to prospective contractors and they will be accepted by bidders prior to the time of bidding. The results will be presented in the form of a Geotechnical Data Report ("GDR") as well as a Geotechnical Baseline Report ("GBR"), which are 1) intended to assist prospective contractors in the evaluation of the geological and geotechnical conditions for bidding and construction of the work, and 2) establish a baseline of geological and geotechnical conditions to be used for comparing the anticipated conditions stated in the GBR to the actual conditions encountered during construction. All potential bidders will review these and draw their own conclusions relative to the possible impacts of subsurface conditions upon its construction means and methods. Contractors will also be provided the opportunity to do additional investigations upon request. In this way, the contractor will retain complete responsibility for determination of the optimal means and methods for performance of the work.

Despite assignment of the risk to the contractor for interpretation of the GDR/GBR and for selection of the means and methods to perform the work, the investigation program cannot assure

that unforeseen conditions will not be encountered. The risk that unforeseen conditions may be uncovered during the course of the work therefore remains.

Acknowledging the presence of the DSC risk, the scope for contract packaging will be structured to compartmentalize the risk and limit its impact on the Projects. For the Projects, the risk for geologic DSC is limited to: cofferdam construction and fill preparation; excavation; dewatering; foundation preparation; channel excavation; and backfill. These activities are anticipated to be performed at the early stages with the exception of channel excavation and backfill. To compartmentalize or isolate these risks from the balance of the work, the activities of cofferdam construction and fill preparation, excavation, dewatering, and foundation preparation will be packaged into a single construction contract. This contract will be awarded sufficiently early in the project implementation program to permit completion prior to commencement of the remaining civil works. The expected benefits of this approach are as follows:

- Because of the time necessary to incorporate the equipment design into the civil works construction design, sufficient time is available to complete cofferdam construction and fully prepare the site prior to bidding the remaining civil works package. Therefore, an advance cofferdam construction package will not only advance the overall implementation program but will also isolate these subsurface risks from the remaining civil works.

- Any DSC risks realized during cofferdam construction, excavation, dewatering, or foundation preparation can be resolved prior to bidding of the remaining civil works. Any delays caused by DSC issues will be historical and have no further impact upon the program.

- Because indirect costs are directly related to the magnitude of the contract, any DSC claims during cofferdam construction, excavation, dewatering, or foundation preparation will tend to be economically smaller due to the smaller value of that bid package.

The possibility exists that the larger civil contractors will be induced to bid smaller packages (cofferdam / excavation) in hopes of positioning themselves for the larger contracts (equipment supply, installation, and concrete works). By holding off the award of the second contract, earlier civil contractors may have the incentive to minimize claims in the first phase.

During the bidding period for the remaining civil works package, the cofferdam, excavation, dewatering facilities, and foundation preparation will be complete and available for inspection by prospective contractors for that work.

Although the majority of the DSC risk can be isolated with award of an advanced cofferdam contract, DSC risk cannot be fully removed from the remaining civil works package due to the requirements for channel excavation, cofferdam removal, and channel protection which occur later in the implementation schedule. However, these activities are not critical path activities and DSC claims would likely be limited to work only outside of the cofferdam. This typically would involve unit quantity count disputes and impacts associated from river changes including but not limited to sedimentation.

Force Majeure

Floods and other events that fall into the category of Force Majeure are risks that cannot be controlled by either the contractor or the owner. Neither the magnitude nor duration of these events can be reasonably predicted by either party. Delays caused by such events impact both parties. Because neither party is at fault for the delay, neither is considered financially culpable for the delays. The contracts for the Projects will acknowledge these facts by establishing the basis for extension of time for Force Majeure events and also by specifying that each party is responsible for the consequences to it of such "no fault" events. The cofferdams will be constructed to provide for up to a 100-year flood event. Lesser frequent events are not expected to severely impact construction.

Other Risks

Although the categories of risk identified previously incorporate the major issues anticipated during implementation of the Projects, it must also be recognized that cost and schedule risks for such complex work are limited only by the imagination. The last category addressed herein includes the risk of cost and schedule impacts resulting from design change, market conditions, outside influence including agency and third party demands, and most importantly, misunderstandings between parties.

The most effective method to mitigate the miscellaneous category of schedule and cost risk is to maintain open and cooperative communications between knowledgeable and experienced professionals of the owner, the engineer, and leadership for the contractors. As part of contractor selection for pre- and post-qualification, contractors will be requested to provide the names, resumes, and references for the specific individuals to be assigned to the work. This information will be evaluated to confirm that contractor leadership positions are filled by staff that have recent relevant experience, that have sufficient background knowledge of the works to be undertaken, and have a record of successful performance in similar roles for similar work. The contracts will contain provision for AMP or MWH to remove contractor staff deemed

detrimental to the Projects. The following additional information will be gathered from every pre-qualified contractor for evaluation:

- Name of bidder and business address;
- Financial statements including independent audits;
- Statement of bonding capacity from the bidder's surety;
- Statement of work currently bonded;
- Statement of location of current work being performed;
- Statement of safety records;
- Statement of any current or pending litigation, including bankruptcy proceedings;
- Organizational status (corporation, partnership, etc.);
- Name and title of principals in the bidder's organization;
- Location of points of design and fabrication (suppliers only);
- Resume of experience in the design and fabrication of similar types of equipment with respect to size, scope, and performance requirements;
- Listing of similar projects including original contract amount, final contract amount, client reference, and contact;
- Names and experience of individuals available for assignment to the contract work (this information will also be submitted with the bid);
- Statement of intent to subcontract any portion of the work and the nature of such work; and
- Name, business address, and point of fabrication of any known subcontractors.

MARKET RISK MITIGATION

- Transmission risks would be mitigated by proper oversight of the processes required to interconnect the Projects to their respective RTO's transmission system and the use of allocated Financial Transmission Rights and Auction Revenue Rights to mitigate congestion costs.
- Credit risks will be mitigated by screening of counter parties so that only large highly rated financial institutions are used and only proposals from a limited number of large nationally recognized firms are considered for the design and construction contractor.

EXTERNAL RISK MITIGATION

- Event risks related to unplanned outages will be somewhat mitigated by the fact that the two Projects are at a separate locations.

- Hazard risks can be mitigated through training programs, good oversight as an owner, appropriate insurance instruments, establishment of reserves (if necessary) and implementing a reliable and sound design for the Projects.
- Legal and contractual risks surrounding counter party performance creates the need to negotiate comprehensive contracts with companies selected to design and build the Projects. The contract will need to contain strong provisions to protect AMP from liability of actions of the counter parties.

Regulatory risks related to environmental regulations may be somewhat mitigated by continued monitoring of environmental regulations and planning for the potential impact on the Projects.

APPENDIX A

Detailed Capital Drawdown Estimates

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Table A-1
Detailed Capital Cost Drawdown [1]
AMP

Year/Month	($)			
	Cannelton	Smithland	Willow Island	Total
2007				
January	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	-	-
May	-	-	-	-
June	22,080	15,598	27,350	65,028
July	22,087	20,365	27,506	69,957
August	302,631	304,282	265,302	872,215
September	188,273	151,940	145,514	485,727
October	243,899	215,544	128,221	587,663
November	245,117	279,639	111,232	635,989
December	961,247	943,431	665,144	2,569,823
Total	1,985,334	1,930,800	1,370,268	5,286,402
2008				
January	502,897	516,528	373,638	1,393,063
February	246,250	178,645	230,955	655,850
March	437,559	615,094	196,500	1,249,153
April	492,838	453,975	3,688,651	4,635,463
May	379,101	418,191	1,503,321	2,300,613
June	253,321	306,782	479,076	1,039,179
July	5,496,538	5,436,470	6,328,445	17,261,454
August	8,653,944	8,630,132	17,569,771	34,853,847
September	590,790	467,094	514,214	1,572,098
October	97,039	69,443	187,773	354,255
November	7,057,893	7,196,896	3,080,728	17,335,517
December	1,416,023	1,391,343	2,732,785	5,540,151
Total	25,624,193	25,680,591	36,885,858	88,190,642

[1] Provided by AMP October 26, 2009.

Table A-1
Detailed Capital Cost Drawdown [1]
AMP

Year/Month	($)			
	Cannelton	Smithland	Willow Island	Total
2009				
January	200,436	127,266	252,248	579,949
February	4,272,604	4,133,563	1,930,443	10,336,610
March	10,542,644	6,392,483	3,771,799	20,706,926
April	410,108	165,607	143,806	719,521
May	24,766,990	18,027,975	9,499,501	52,294,466
June	22,079,666	4,899,045	2,606,587	29,585,297
July	2,338,934	138,673	208,612	2,686,218
August	1,190,526	573,271	327,749	2,091,546
September	11,369,912	4,969,016	1,054,755	17,393,683
October	4,332,867	16,560,654	849,663	21,743,184
November	14,375,131	18,683,526	3,131,070	36,189,726
December	16,723,344	13,608,221	5,837,928	36,169,493
Total	112,603,162	88,279,299	29,614,160	230,496,620
2010				
January	12,222,553	13,928,323	8,811,508	34,962,385
February	14,343,790	9,732,008	9,923,215	33,999,013
March	7,964,684	7,407,037	4,625,349	19,997,070
April	8,127,496	10,307,829	5,979,350	24,414,676
May	7,142,180	12,583,845	9,114,230	28,840,256
June	11,155,513	8,978,239	5,480,274	25,614,025
July	9,728,189	7,842,706	3,742,556	21,313,451
August	8,755,774	6,850,539	4,051,948	19,658,261
September	6,383,073	4,294,391	16,126,723	26,804,188
October	8,210,402	4,361,101	3,705,519	16,277,021
November	5,623,807	4,153,308	3,285,898	13,063,013
December	7,755,439	5,540,102	8,748,263	22,043,804
Total	107,412,901	95,979,429	83,594,833	286,987,162

[1] Provided by AMP October 26, 2009.

Table A-1
Detailed Capital Cost Drawdown [1]
AMP

Year/Month	($)			
	Cannelton	Smithland	Willow Island	Total
2011				
January	9,371,287	10,964,337	6,789,025	27,124,649
February	11,061,654	9,293,071	6,943,323	27,298,048
March	9,672,640	7,532,146	7,704,650	24,909,436
April	12,233,895	7,390,298	6,885,966	26,510,158
May	9,405,352	7,918,311	7,689,756	25,013,419
June	12,425,388	7,255,532	7,641,814	27,322,734
July	9,042,096	8,362,480	6,021,814	23,426,389
August	9,130,051	7,319,609	4,612,064	21,061,724
September	9,064,457	6,318,658	4,612,978	19,996,092
October	11,158,710	6,351,991	6,146,499	23,657,200
November	8,849,046	7,612,163	6,013,108	22,474,317
December	8,114,642	6,651,264	7,291,075	22,056,982
Total	119,529,215	92,969,861	78,352,071	290,851,147
2012				
January	3,993,423	9,514,101	3,488,895	16,996,419
February	4,114,385	6,350,476	4,669,841	15,134,702
March	3,305,322	5,287,017	4,777,776	13,370,115
April	3,461,779	6,177,416	4,568,371	14,207,567
May	4,596,395	6,057,812	3,553,192	14,207,398
June	5,923,194	6,915,104	4,371,410	17,209,708
July	5,833,896	6,891,933	4,588,014	17,313,842
August	2,413,242	5,200,128	3,415,730	11,029,100
September	6,580,168	5,174,230	3,415,393	15,169,791
October	2,272,756	3,762,086	3,459,943	9,494,785
November	2,262,850	3,788,280	5,276,921	11,328,051
December	2,553,392	4,008,182	2,385,363	8,946,937
Total	47,310,802	69,126,766	47,970,848	164,408,416

[1] Provided by AMP October 26, 2009.

Table A-1
Detailed Capital Cost Drawdown [1]
AMP

Year/Month	($)			
	Cannelton	Smithland	Willow Island	Total
2013				
January	2,117,404	3,014,482	1,411,647	6,543,533
February	3,660,270	5,215,424	2,746,294	11,621,988
March	2,022,935	6,486,044	1,482,441	9,991,420
April	1,951,843	4,206,787	1,466,560	7,625,190
May	3,153,338	2,998,839	1,418,453	7,570,630
June	4,406,737	4,069,858	1,461,924	9,938,519
July	1,988,285	2,984,268	874,660	5,847,213
August	1,975,895	3,050,374	847,560	5,873,829
September	2,464,474	2,985,155	848,560	6,298,189
October	2,602,021	3,350,591	1,007,571	6,960,183
November	2,878,334	4,666,618	465,386	8,010,338
December	-	3,330,593	995,625	4,326,218
Total	29,221,536	46,359,033	15,026,681	90,607,250
2014				
January	-	4,994,527	-	4,994,527
February	-	4,994,527	-	4,994,527
March	-	4,994,527	-	4,994,527
April	-	4,994,527	-	4,994,527
May	-	4,994,527	-	4,994,527
June	-	5,037,840	-	5,037,840
July	-	4,994,527	-	4,994,527
August	-	4,994,529	-	4,994,529
September	-	-	-	-
October	-	-	-	-
November	-	-	-	-
December	-	-	-	-
Total	-	39,999,531	-	39,999,531
Project Total	**443,687,143**	**460,325,310**	**292,814,717**	**1,196,827,170**

[1] Provided by AMP October 26, 2009.

APPENDIX B

Hydroelectric Project Ownership and Operating Costs Compared to Purchasing Energy and Capacity from the Market

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Table B-1
Cannelton Ownership and Operating Costs Compared to Purchasing Energy from the Market

	Base Yr	Esc.	P.V.												
	2007	(%)	2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cannelton Hydroelectric Generating Plant															
Total Gross Energy (MWh)				458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000
Plant Capacity (MW)				88	88	88	88	88	88	88	88	88	88	88	88
Plant Capacity Factor (%)				57	57	57	57	57	57	57	57	57	57	57	57
Station Service[1]				4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)				439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680
Operating Expenses ($000)[2]															
Operation and Maintenance	516	3.00		634	653	673	693	714	735	757	780	804	828	852	878
Administrative and General	50	3.00		61	63	65	67	69	71	73	76	78	80	83	85
Engineering	50	3.00		61	63	65	67	69	71	73	76	78	80	83	85
Corps of Engineers Power Payment	54	3.00		67	69	71	73	75	78	80	82	85	87	90	93
Mussel Monitoring, Dissolved Oxygen, Fisheries	80	3.00		98	101	104	108	111	114	117	121	125	128	132	136
Insurances, License Fees and Taxes	2,720	0.44		2,805	2,817	2,830	2,842	2,855	2,868	2,880	2,893	2,906	2,918	2,931	2,944
Interim Replacements	338	3.00		416	428	441	455	468	482	497	512	527	543	559	576
Socialized Transmission Charges[3]	275	1.00		295	298	301	304	307	310	313	316	319	322	325	329
Total Operation & Maintenance	4,083			4,438	4,494	4,551	4,609	4,668	4,729	4,791	4,855	4,920	4,987	5,056	5,126
Annual Debt Service[4]				30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668
Total Cost ($000)				35,107	35,162	35,219	35,277	35,336	35,397	35,460	35,523	35,589	35,656	35,724	35,794
Net Present Value ($000)[5]			569,982	35,107	33,745	32,437	31,181	29,975	28,816	27,703	26,634	25,608	24,622	23,675	22,765
Total Cost ($/MWh)				79.85	79.97	80.10	80.23	80.37	80.51	80.65	80.79	80.94	81.09	81.25	81.41
Cinergy/PJM[6]															
Demand (MW)				88	88	88	88	88	88	88	88	88	88	88	88
Energy (MWh)				439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680
Capacity Factor (%)				57	57	57	57	57	57	57	57	57	57	57	57
Energy Price ($/MWh)				82.18	84.88	84.35	86.61	88.57	94.40	93.86	99.70	102.44	106.69	109.24	115.67
Energy Cost ($000)				36,134	37,322	37,086	38,083	38,945	41,508	41,270	43,836	45,043	46,909	48,030	50,857
Ancillary Services ($/MWh)	2.50	1.00		2.68	2.71	2.73	2.76	2.79	2.82	2.85	2.87	2.90	2.93	2.96	2.99
Total Cost($000)				36,134	37,322	37,086	38,083	38,945	41,508	41,270	43,836	45,043	46,909	48,030	50,857
Net Present Value ($000)[5]			803,707	36,134	35,817	34,156	33,661	33,035	33,790	32,243	32,867	32,410	32,393	31,830	32,345
Total Cost ($/MWh)				82.18	84.88	84.35	86.61	88.57	94.40	93.86	99.70	102.44	106.69	109.24	115.67
Market minus Hydroelectric Plant				1,027	2,159	1,867	2,806	3,608	6,110	5,811	8,313	9,454	11,254	12,306	15,063
Market minus Hydro N.P.V. ($000)[5]			233,725	1,027	2,072	1,719	2,480	3,061	4,974	4,540	6,233	6,803	7,771	8,155	9,580

[1] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[2] From Table 4, Hydro Project Operating Expenses.

[3] Ancillary Services multiplied by 25% of Net Energy Delivered from Plant to reflect the amount of energy that will be delivered to a different RTO.

[4] From Table 3, Hydroelectric Project Total Financial Requirement.

[5] Discount Rate = 4.2%.

[6] June 2009 market price projection provided by AMP.

Table B-1
Cannelton Ownership and Operating Costs Compared to Purchasing Energy from the Market

	Esc.	Year												
	(%)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Cannelton Hydroelectric Generating Plant														
Total Gross Energy (MWh)		458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000
Plant Capacity (MW)		88	88	88	88	88	88	88	88	88	88	88	88	88
Plant Capacity Factor (%)		57	57	57	57	57	57	57	57	57	57	57	57	57
Station Service[1]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680
Operating Expenses ($000)[2]														
Operation and Maintenance	3.00	904	932	959	988	1,018	1,048	1,080	1,112	1,146	1,180	1,215	1,252	1,289
Administrative and General	3.00	88	90	93	96	99	102	105	108	111	114	118	121	125
Engineering	3.00	88	90	93	96	99	102	105	108	111	114	118	121	125
Corps of Engineers Power Payment	3.00	95	98	101	104	107	111	114	117	121	125	128	132	136
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	140	144	149	153	158	163	168	173	178	183	189	194	200
Insurances, License Fees and Taxes	0.44	2,957	2,970	2,983	2,997	3,010	3,023	3,036	3,050	3,063	3,077	3,090	3,104	3,118
Interim Replacements	3.00	593	611	629	648	668	688	708	729	751	774	797	821	846
Socialized Transmission Charges[3]	1.00	332	335	339	342	345	349	352	356	359	363	367	370	374
Total Operation & Maintenance		5,198	5,271	5,347	5,424	5,503	5,585	5,668	5,753	5,841	5,930	6,022	6,116	6,213
Annual Debt Service[4]		30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668	30,668
Total Cost ($000)		35,866	35,940	36,015	36,092	36,172	36,253	36,336	36,421	36,509	36,598	36,690	36,785	36,881
Net Present Value ($000)[5]		21,891	21,052	20,246	19,472	18,728	18,013	17,327	16,667	16,034	15,426	14,841	14,279	13,740
Total Cost ($/MWh)		81.57	81.74	81.91	82.09	82.27	82.45	82.64	82.84	83.03	83.24	83.45	83.66	83.88
Cinergy/PJM[6]														
Demand (MW)		88	88	88	88	88	88	88	88	88	88	88	88	88
Energy (MWh)		439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680	439,680
Capacity Factor (%)		57	57	57	57	57	57	57	57	57	57	57	57	57
Energy Price ($/MWh)		120.09	122.95	128.10	133.36	140.55	143.61	148.40	153.36	158.48	163.77	169.23	174.88	180.72
Energy Cost ($000)		52,801	54,058	56,321	58,637	61,797	63,143	65,250	67,428	69,679	72,005	74,408	76,892	79,458
Ancillary Services ($/MWh)	1.00	3.02	3.05	3.08	3.11	3.14	3.17	3.21	3.24	3.27	3.30	3.34	3.37	3.40
Total Cost($000)		52,801	54,058	56,321	58,637	61,797	63,143	65,250	67,428	69,679	72,005	74,408	76,892	79,458
Net Present Value ($000)[5]		32,227	31,665	31,661	31,634	31,995	31,374	31,115	30,857	30,602	30,349	30,097	29,848	29,601
Total Cost ($/MWh)		120.09	122.95	128.10	133.36	140.55	143.61	148.40	153.36	158.48	163.77	169.23	174.88	180.72
Market minus Hydroelectric Plant		16,934	18,118	20,306	22,545	25,626	26,890	28,914	31,007	33,170	35,406	37,718	40,107	42,577
Market minus Hydro N.P.V. ($000)[5]		10,336	10,613	11,415	12,163	13,268	13,361	13,788	14,190	14,568	14,923	15,256	15,569	15,862

[1] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[2] From Table 4, Hydro Project Operating Expenses.

[3] Ancillary Services multiplied by 25% of Net Energy Delivered from Plant to reflect the amount of energy that will be delivered to a different RTO.

[4] From Table 3, Hydroelectric Project Total Financial Requirement.

[5] Discount Rate = 4.2%.

[6] June 2009 market price projection provided by AMP.

Table B-2
Smithland Ownership and Operating Costs Compared to Purchasing Energy from the Market

	Base Yr	Esc.												
	2007	**(%)**	**2014**	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Smithland Hydroelectric Generating Plant[1]															
Total Gross Energy (MWh)				252,667	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000
Plant Capacity (MW)				76	76	76	76	76	76	76	76	76	76	76	76
Plant Capacity Factor (%)				55	55	55	55	55	55	55	55	55	55	55	55
Station Service[2]				4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)				242,560	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840
Operating Expenses ($000)[3]															
Operation and Maintenance	516	3.00		423	653	673	693	714	735	757	780	804	828	852	878
Administrative and General	50	3.00		41	63	65	67	69	71	73	76	78	80	83	85
Engineering	50	3.00		41	63	65	67	69	71	73	76	78	80	83	85
Corps of Engineers Power Payment	52	3.00		43	66	68	70	72	74	77	79	81	84	86	89
Mussel Monitoring, Dissolved Oxygen, Fisheries	80	3.00		66	101	104	108	111	114	117	121	125	128	132	136
Insurances, License Fees and Taxes	2,640	0.45		1,817	2,738	2,750	2,762	2,775	2,788	2,800	2,813	2,826	2,839	2,852	2,865
Interim Replacements	337	3.00		277	427	440	454	467	481	496	510	526	542	558	574
Socialized Transmission Charges[4]	152	1.00		108	246	249	251	254	256	259	261	264	267	269	272
Total Operation & Maintenance	3,877			2,815	4,359	4,415	4,472	4,531	4,591	4,653	4,716	4,781	4,847	4,915	4,984
Annual Debt Service[5]				21,753	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630
Total Cost ($000)				24,568	36,989	37,045	37,103	37,161	37,222	37,283	37,346	37,411	37,477	37,545	37,615
Net Present Value ($000)[6]			586,089	24,568	35,498	34,119	32,794	31,522	30,301	29,128	28,001	26,919	25,880	24,881	23,923
Total Cost ($/MWh)				101.29	101.66	101.82	101.97	102.14	102.30	102.47	102.65	102.82	103.00	103.19	103.38
Cinergy/PJM[7]															
Demand (MW)				76	76	76	76	76	76	76	76	76	76	76	76
Energy (MWh)				363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840
Capacity Factor (%)				55	55	55	55	55	55	55	55	55	55	55	55
Energy Price ($/MWh)				82.18	84.88	84.35	86.61	88.57	94.40	93.86	99.70	102.44	106.69	109.24	115.67
Energy Cost ($000)				29,901	30,884	30,689	31,514	32,227	34,348	34,152	36,275	37,273	38,818	39,745	42,085
Ancillary Services ($/MWh)	2.50	1.00		2.68	2.71	2.73	2.76	2.79	2.82	2.85	2.87	2.90	2.93	2.96	2.99
Total Cost($000)				29,901	30,884	30,689	31,514	32,227	34,348	34,152	36,275	37,273	38,818	39,745	42,085
Net Present Value ($000)[6]			665,076	29,901	29,639	28,265	27,855	27,337	27,962	26,681	27,198	26,820	26,805	26,339	26,766
Total Cost ($/MWh)				123.27	84.88	84.35	86.61	88.57	94.40	93.86	99.70	102.44	106.69	109.24	115.67
Market minus Hydroelectric Plant				5,333	(6,105)	(6,356)	(5,589)	(4,934)	(2,874)	(3,132)	(1,071)	(138)	1,341	2,200	4,470
Market minus Hydro N.P.V. ($000)[6]			78,987	5,333	(5,859)	(5,854)	(4,940)	(4,186)	(2,339)	(2,447)	(803)	(99)	926	1,458	2,843

[1] 8 months of operation in 2014 (May through December).

[2] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[3] From Table 4, Hydro Project Operating Expenses.

[4] Ancillary Services multiplied by 25% of Net Energy Delivered from Plant to reflect the amount of energy that will be delivered to a different RTO.

[5] From Table 3, Hydroelectric Project Total Financial Requirement.

[6] Discount Rate = 4.2%.

[7] June 2009 market price projection provided by AMP.

Table B-2
Smithland Ownership and Operating Costs Compared to Purchasing Energy from the Market

	Esc.	Year												
	(%)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Smithland Hydroelectric Generating Plant[1]														
Total Gross Energy (MWh)		379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000
Plant Capacity (MW)		76	76	76	76	76	76	76	76	76	76	76	76	76
Plant Capacity Factor (%)		55	55	55	55	55	55	55	55	55	55	55	55	55
Station Service[2]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840
Operating Expenses ($000)[3]														
Operation and Maintenance	3.00	904	932	959	988	1,018	1,048	1,080	1,112	1,146	1,180	1,215	1,252	1,289
Administrative and General	3.00	88	90	93	96	99	102	105	108	111	114	118	121	125
Engineering	3.00	88	90	93	96	99	102	105	108	111	114	118	121	125
Corps of Engineers Power Payment	3.00	92	94	97	100	103	106	109	113	116	120	123	127	131
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	140	144	149	153	158	163	168	173	178	183	189	194	200
Insurances, License Fees and Taxes	0.45	2,878	2,891	2,904	2,917	2,930	2,944	2,957	2,970	2,984	2,997	3,011	3,025	3,039
Interim Replacements	3.00	592	609	628	647	666	686	707	728	750	772	795	819	844
Socialized Transmission Charges[4]	1.00	275	185	187	189	191	192	194	196	198	200	202	204	206
Total Operation & Maintenance		5,056	5,036	5,110	5,186	5,263	5,343	5,424	5,508	5,593	5,681	5,771	5,864	5,959
Annual Debt Service[5]		32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630	32,630
Total Cost ($000)		37,686	37,666	37,740	37,816	37,893	37,973	38,054	38,138	38,223	38,311	38,401	38,494	38,589
Net Present Value ($000)[6]		23,002	22,063	21,216	20,401	19,619	18,868	18,146	17,453	16,787	16,147	15,533	14,943	14,376
Total Cost ($/MWh)		103.58	103.52	103.73	103.93	104.15	104.37	104.59	104.82	105.06	105.30	105.54	105.80	106.06
Cinergy/PJM[7]														
Demand (MW)		76	76	76	76	76	76	76	76	76	76	76	76	76
Energy (MWh)		363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840	363,840
Capacity Factor (%)		55	55	55	55	55	55	55	55	55	55	55	55	55
Energy Price ($/MWh)		120.09	122.95	128.10	133.36	140.55	143.61	148.40	153.36	158.48	163.77	169.23	174.88	180.72
Energy Cost ($000)		43,693	44,734	46,606	48,523	51,138	52,251	53,995	55,798	57,660	59,585	61,573	63,629	65,752
Ancillary Services ($/MWh)	1.00	3.02	3.05	3.08	3.11	3.14	3.17	3.21	3.24	3.27	3.30	3.34	3.37	3.40
Total Cost($000)		43,693	44,734	46,606	48,523	51,138	52,251	53,995	55,798	57,660	59,585	61,573	63,629	65,752
Net Present Value ($000)[6]		26,669	26,203	26,200	26,178	26,477	25,962	25,748	25,535	25,323	25,114	24,906	24,700	24,496
Total Cost ($/MWh)		120.09	122.95	128.10	133.36	140.55	143.61	148.40	153.36	158.48	163.77	169.23	174.88	180.72
Market minus Hydroelectric Plant		6,007	7,068	8,866	10,707	13,245	14,279	15,941	17,660	19,437	21,273	23,172	25,135	27,164
Market minus Hydro N.P.V. ($000)[6]		3,667	4,140	4,984	5,776	6,857	7,095	7,602	8,082	8,536	8,966	9,373	9,757	10,120

[1] 8 months of operation in 2014 (May through December).

[2] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[3] From Table 4, Hydro Project Operating Expenses.

[4] Ancillary Services multiplied by 25% of Net Energy Delivered from Plant to reflect the amount of energy that will be delivered to a different RTO.

[5] From Table 3, Hydroelectric Project Total Financial Requirement.

[6] Discount Rate = 4.2%.

[7] June 2009 market price projection provided by AMP.

Table B-3
Willow Island Ownership and Operating Costs Compared to Purchasing Energy from the Market

	Base Yr	Esc.												
	2007	(%)	2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Willow Island Hydroelectric Generating Plant															
Total Gross Energy (MWh)				239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000
Plant Capacity (MW)				44	44	44	44	44	44	44	44	44	44	44	44
Plant Capacity Factor (%)				60	60	60	60	60	60	60	60	60	60	60	60
Station Service[(1)]				4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)				229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440
Operating Expenses ($000)[(2)]															
Operation and Maintenance	516	3.00		634	653	673	693	714	735	757	780	804	828	852	878
Administrative and General	50	3.00		61	63	65	67	69	71	73	76	78	80	83	85
Engineering	50	3.00		61	63	65	67	69	71	73	76	78	80	83	85
Corps of Engineers Power Payment	69	3.00		85	87	90	92	95	98	101	104	107	110	114	117
Mussel Monitoring, Dissolved Oxygen, Fisheries	80	3.00		98	101	104	108	111	114	117	121	125	128	132	136
Insurances, License Fees and Taxes	1,530	0.78		1,616	1,629	1,641	1,654	1,667	1,680	1,694	1,707	1,720	1,734	1,747	1,761
Interim Replacements	249	3.00		306	315	324	334	344	354	365	376	387	399	411	423
Socialized Transmission Charges[(3)]	-	1.00		-	-	-	-	-	-	-	-	-	-	-	-
Total Operation & Maintenance	2,564			2,862	2,912	2,963	3,016	3,070	3,125	3,181	3,239	3,299	3,359	3,422	3,486
Annual Debt Service[(4)]				19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860
Total Cost ($000)				22,722	22,772	22,824	22,876	22,930	22,985	23,042	23,099	23,159	23,220	23,282	23,346
Net Present Value ($000)[(5)]			371,634	22,722	21,854	21,021	20,220	19,450	18,711	18,001	17,319	16,664	16,034	15,429	14,848
Total Cost ($/MWh)				99.03	99.25	99.47	99.70	99.94	100.18	100.43	100.68	100.94	101.20	101.47	101.75
Cinergy/PJM[(6)]															
Demand (MW)				44	44	44	44	44	44	44	44	44	44	44	44
Energy (MWh)				229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440
Capacity Factor (%)				60	60	60	60	60	60	60	60	60	60	60	60
Energy Price ($/MWh)				82.18	84.88	84.35	86.61	88.57	94.40	93.86	99.70	102.44	106.69	109.24	115.67
Energy Cost ($000)				18,856	19,476	19,352	19,873	20,323	21,660	21,536	22,875	23,505	24,479	25,064	26,539
Ancillary Services ($/MWh)	-	1.00		-	-	-	-	-	-	-	-	-	-	-	-
Total Cost($000)				18,856	19,476	19,352	19,873	20,323	21,660	21,536	22,875	23,505	24,479	25,064	26,539
Net Present Value ($000)[(5)]			419,402	18,856	18,691	17,824	17,565	17,239	17,633	16,825	17,151	16,913	16,904	16,610	16,879
Total Cost ($/MWh)				82.18	84.88	84.35	86.61	88.57	94.40	93.86	99.70	102.44	106.69	109.24	115.67
Market minus Hydroelectric Plant				(3,866)	(3,297)	(3,471)	(3,003)	(2,607)	(1,325)	(1,505)	(224)	346	1,259	1,782	3,193
Market minus Hydro N.P.V. ($000)[(5)]			47,767	(3,866)	(3,164)	(3,197)	(2,654)	(2,212)	(1,079)	(1,176)	(168)	249	869	1,181	2,031

[(1)] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[(2)] From Table 4, Hydro Project Operating Expenses.

[(3)] No Charges Anticipated because Energy is Expected to be Delivered in PJM (not delivered to another RTO).

[(4)] From Table 3, Hydroelectric Project Total Financial Requirement.

[(5)] Discount Rate = 4.2%.

[(6)] June 2009 market price projection provided by AMP.

Table B-3
Willow Island Ownership and Operating Costs Compared to Purchasing Energy from the Market

	Esc.	Year												
	(%)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Willow Island Hydroelectric Generating Plant														
Total Gross Energy (MWh)		239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000
Plant Capacity (MW)		44	44	44	44	44	44	44	44	44	44	44	44	44
Plant Capacity Factor (%)		60	60	60	60	60	60	60	60	60	60	60	60	60
Station Service[1]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440
Operating Expenses ($000)[2]														
Operation and Maintenance	3.00	904	932	959	988	1,018	1,048	1,080	1,112	1,146	1,180	1,215	1,252	1,289
Administrative and General	3.00	88	90	93	96	99	102	105	108	111	114	118	121	125
Engineering	3.00	88	90	93	96	99	102	105	108	111	114	118	121	125
Corps of Engineers Power Payment	3.00	121	124	128	132	136	140	144	148	153	157	162	167	172
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	140	144	149	153	158	163	168	173	178	183	189	194	200
Insurances, License Fees and Taxes	0.78	1,775	1,789	1,803	1,817	1,831	1,846	1,860	1,875	1,889	1,904	1,919	1,934	1,949
Interim Replacements	3.00	436	449	462	476	490	505	520	536	552	569	586	603	621
Socialized Transmission Charges[3]	1.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operation & Maintenance		3,551	3,618	3,687	3,758	3,831	3,905	3,981	4,059	4,140	4,222	4,306	4,393	4,482
Annual Debt Service[4]		19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860	19,860
Total Cost ($000)		23,412	23,479	23,548	23,618	23,691	23,765	23,841	23,920	24,000	24,082	24,167	24,253	24,342
Net Present Value ($000)[5]		14,289	13,753	13,237	12,742	12,266	11,808	11,369	10,946	10,540	10,150	9,775	9,415	9,069
Total Cost ($/MWh)		102.04	102.33	102.63	102.94	103.25	103.58	103.91	104.25	104.60	104.96	105.33	105.71	106.09
Cinergy/PJM[6]														
Demand (MW)		44	44	44	44	44	44	44	44	44	44	44	44	44
Energy (MWh)		229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440	229,440
Capacity Factor (%)		60	60	60	60	60	60	60	60	60	60	60	60	60
Energy Price ($/MWh)		120.09	122.95	128.10	133.36	140.55	143.61	148.40	153.36	158.48	163.77	169.23	174.88	180.72
Energy Cost ($000)		27,553	28,209	29,390	30,599	32,248	32,950	34,050	35,186	36,361	37,574	38,829	40,125	41,464
Ancillary Services ($/MWh)	1.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cost($000)		27,553	28,209	29,390	30,599	32,248	32,950	34,050	35,186	36,361	37,574	38,829	40,125	41,464
Net Present Value ($000)[5]		16,817	16,524	16,522	16,508	16,696	16,372	16,237	16,102	15,969	15,837	15,706	15,576	15,447
Total Cost ($/MWh)		120.09	122.95	128.10	133.36	140.55	143.61	148.40	153.36	158.48	163.77	169.23	174.88	180.72
Market minus Hydroelectric Plant		4,142	4,731	5,843	6,980	8,557	9,185	10,208	11,267	12,361	13,492	14,662	15,871	17,122
Market minus Hydro N.P.V. ($000)[5]		2,528	2,771	3,284	3,766	4,430	4,564	4,868	5,156	5,429	5,687	5,931	6,161	6,379

[1] Station Service Including 1% Losses on the Transmission Interconnection and 1% for the Stepup Transformer.

[2] From Table 4, Hydro Project Operating Expenses.

[3] No Charges Anticipated because Energy is Expected to be Delivered in PJM (not delivered to another RTO).

[4] From Table 3, Hydroelectric Project Total Financial Requirement.

[5] Discount Rate = 4.2%.

[6] June 2009 market price projection provided by AMP.

Table B-4

Total Project Ownership and Operating Costs Compared to Purchasing Energy from the Market [1]

	Base Yr	Esc.												
	2007	(%)	2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
AMP Hydroelectric Project															
Total Gross Energy (MWh)				949,667	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000
Plant Capacity (MW)				208	208	208	208	208	208	208	208	208	208	208	208
Plant Capacity Factor (%)				57	57	57	57	57	57	57	57	57	57	57	57
Station Service[1]				4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)				911,680	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960
Operating Expenses ($000)															
Operation and Maintenance	1,547	3.00		1,691	1,960	2,019	2,079	2,142	2,206	2,272	2,340	2,411	2,483	2,557	2,634
Administrative and General	150	3.00		164	190	196	202	208	214	220	227	234	241	248	255
Engineering	150	3.00		164	190	196	202	208	214	220	227	234	241	248	255
Corps of Engineers Power Payment	175	3.00		194	222	229	236	243	250	258	265	273	282	290	299
Mussel Monitoring, Dissolved Oxygen, Fisheries	240	3.00		262	304	313	323	332	342	352	363	374	385	397	409
Insurances, License Fees and Taxes	6,890			6,238	7,184	7,221	7,259	7,297	7,336	7,374	7,413	7,452	7,491	7,530	7,570
Interim Replacements	924	3.00		998	1,171	1,206	1,242	1,279	1,318	1,357	1,398	1,440	1,483	1,528	1,573
Socialized Transmission Charges	426	1.00		403	544	549	555	560	566	572	577	583	589	595	601
Total Operation & Maintenance	10,503			10,115	11,765	11,929	12,097	12,269	12,445	12,626	12,811	13,000	13,194	13,393	13,596
Annual Debt Service				72,282	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159
Total Cost ($000)				82,397	94,923	95,087	95,256	95,428	95,604	95,784	95,969	96,159	96,352	96,551	96,755
Net Present Value ($000)			1,527,706	82,397	91,097	87,577	84,195	80,948	77,828	74,832	71,955	69,190	66,536	63,985	61,536
Total Cost ($/MWh)				90.38	91.89	92.05	92.22	92.38	92.55	92.73	92.91	93.09	93.28	93.47	93.67
Cinergy/PJM															
Demand (MW)				208	208	208	208	208	208	208	208	208	208	208	208
Energy (MWh)				1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960
Capacity Factor (%)				57	57	57	57	57	57	57	57	57	57	57	57
Energy Price ($/MWh)				82.18	84.88	84.35	86.61	88.57	94.40	93.86	99.70	102.44	106.69	109.24	115.67
Energy Cost ($000)				84,891	87,681	87,127	89,470	91,494	97,516	96,958	102,986	105,821	110,206	112,839	119,480
Ancillary Services ($/MWh)	-	1.00		-	-	-	-	-	-	-	-	-	-	-	-
Total Cost($000)				84,891	87,681	87,127	89,470	91,494	97,516	96,958	102,986	105,821	110,206	112,839	119,480
Net Present Value ($000)			1,888,184	84,891	84,147	80,245	79,081	77,611	79,385	75,749	77,216	76,143	76,102	74,779	75,989
Total Cost ($/MWh)				82.18	84.88	84.35	86.61	88.57	94.40	93.86	99.70	102.44	106.69	109.24	115.67
Market minus Hydroelectric Plant				2,494	(7,242)	(7,961)	(5,786)	(3,934)	1,912	1,174	7,017	9,662	13,853	16,287	22,726
Market minus Hydro N.P.V. ($000)			360,479	2,494	(6,950)	(7,332)	(5,114)	(3,337)	1,556	917	5,261	6,952	9,566	10,794	14,453

[1] Sum of Tables B-1 through B-3.

Table B-4

Total Project Ownership and Operating Costs Compared to Purchasing Energy from the Market [1]

	Esc.	Year												
	(%)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
AMP Hydroelectric Project														
Total Gross Energy (MWh)		1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000
Plant Capacity (MW)		208	208	208	208	208	208	208	208	208	208	208	208	208
Plant Capacity Factor (%)		57	57	57	57	57	57	57	57	57	57	57	57	57
Station Service[1]		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Energy Delivered from Plant (MWh)		1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960
Operating Expenses ($000)														
Operation and Maintenance	3.00	2,713	2,795	2,878	2,965	3,054	3,145	3,240	3,337	3,437	3,540	3,646	3,756	3,868
Administrative and General	3.00	263	271	279	287	296	305	314	323	333	343	353	364	375
Engineering	3.00	263	271	279	287	296	305	314	323	333	343	353	364	375
Corps of Engineers Power Payment	3.00	308	317	326	336	346	357	367	378	390	402	414	426	439
Mussel Monitoring, Dissolved Oxygen, Fisheries	3.00	421	433	446	460	474	488	503	518	533	549	566	583	600
Insurances, License Fees and Taxes		7,610	7,650	7,690	7,731	7,771	7,812	7,853	7,895	7,936	7,978	8,021	8,063	8,105
Interim Replacements	3.00	1,621	1,669	1,719	1,771	1,824	1,879	1,935	1,993	2,053	2,115	2,178	2,243	2,311
Socialized Transmission Charges	1.00	607	520	525	531	536	541	547	552	558	563	569	575	580
Total Operation & Maintenance		13,805	13,926	14,144	14,368	14,597	14,832	15,073	15,320	15,573	15,833	16,100	16,373	16,654
Annual Debt Service		83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159	83,159
Total Cost ($000)		96,963	97,085	97,303	97,526	97,756	97,991	98,232	98,479	98,732	98,992	99,258	99,532	99,812
Net Present Value ($000)		59,183	56,868	54,699	52,615	50,613	48,689	46,842	45,067	43,361	41,723	40,149	38,637	37,184
Total Cost ($/MWh)		93.87	93.99	94.20	94.41	94.64	94.86	95.10	95.34	95.58	95.83	96.09	96.36	96.63
Cinergy/PJM														
Demand (MW)		208	208	208	208	208	208	208	208	208	208	208	208	208
Energy (MWh)		1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960	1,032,960
Capacity Factor (%)		57	57	57	57	57	57	57	57	57	57	57	57	57
Energy Price ($/MWh)		120.09	122.95	128.10	133.36	140.55	143.61	148.40	153.36	158.48	163.77	169.23	174.88	180.72
Energy Cost ($000)		124,047	127,001	132,317	137,759	145,183	148,344	153,295	158,412	163,700	169,164	174,810	180,645	186,674
Ancillary Services ($/MWh)	1.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cost($000)		124,047	127,001	132,317	137,759	145,183	148,344	153,295	158,412	163,700	169,164	174,810	180,645	186,674
Net Present Value ($000)		75,713	74,392	74,382	74,319	75,168	73,709	73,099	72,494	71,894	71,299	70,709	70,124	69,544
Total Cost ($/MWh)		120.09	122.95	128.10	133.36	140.55	143.61	148.40	153.36	158.48	163.77	169.23	174.88	180.72
Market minus Hydroelectric Plant		27,083	29,917	35,014	40,232	47,428	50,353	55,064	59,933	64,968	70,172	75,552	81,113	86,862
Market minus Hydro N.P.V. ($000)		16,531	17,524	19,683	21,705	24,556	25,019	26,257	27,427	28,533	29,576	30,560	31,487	32,360

[1] Sum of Tables B-1 through B-3.

APPENDIX C

Ohio River Main Stem Navigation System

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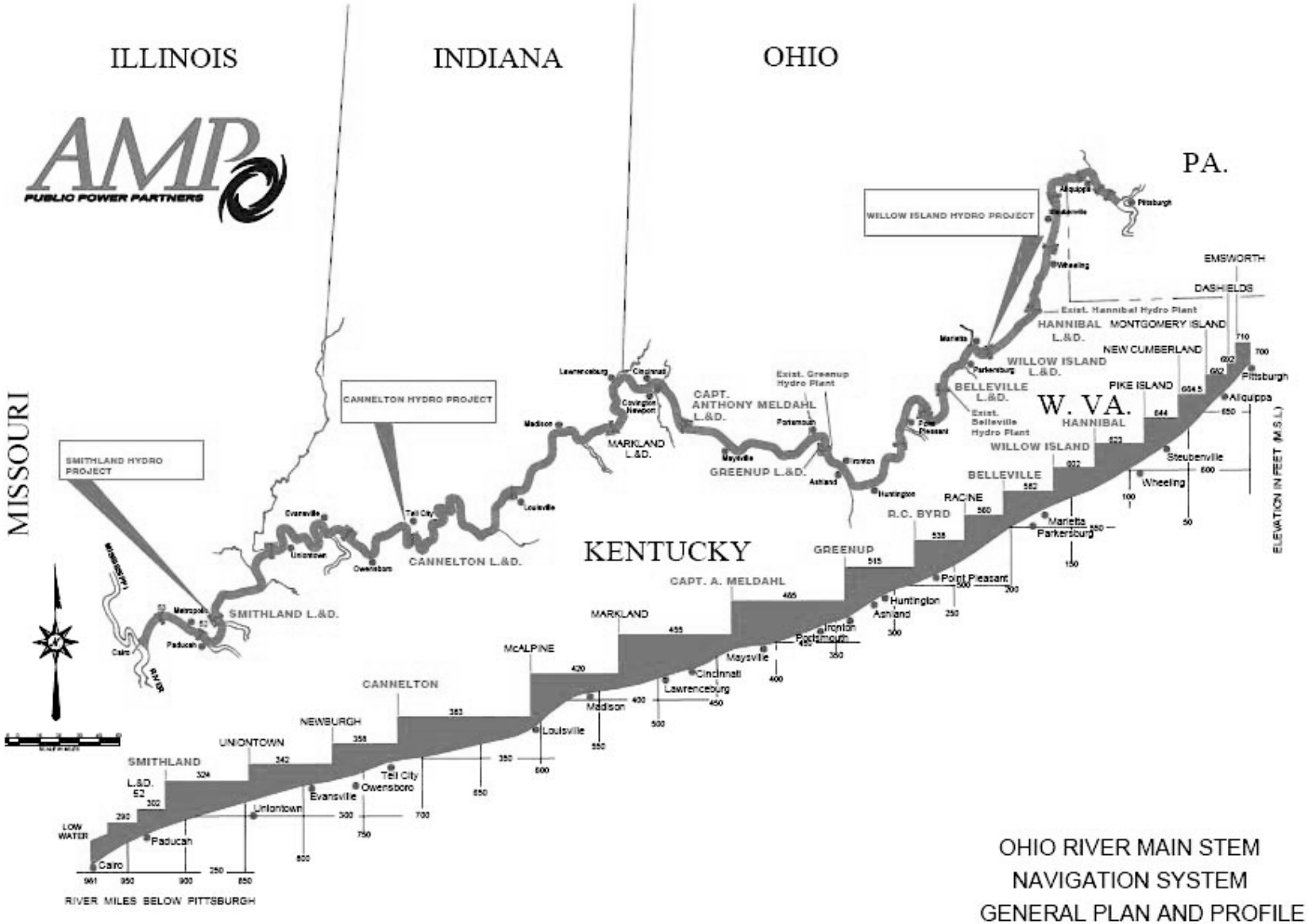

OHIO RIVER MAIN STEM
NAVIGATION SYSTEM
GENERAL PLAN AND PROFILE

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Appendix H

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement"), is executed and delivered as of December __, 2009 by American Municipal Power, Inc. ("AMP") in connection with the issuance of its Combined Hydroelectric Project Revenue Bonds, Series 2009A (Federally Taxable) (the "Series 2009A Taxable Bonds"), Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "Series 2009B Taxable Bonds (BABs)" and, together with the Series 2009A Taxable Bonds, the "Series 2009 Taxable Bonds") and Series 2009C Bonds (Tax-Exempt) (the "Series 2009C Bonds" and, together with the Series 2009 Taxable Bonds, the "Series 2009 Bonds"). The Series 2009 Bonds are being issued pursuant to a Master Trust Indenture, dated as of November 1, 2009 (as heretofore supplemented, the "Master Trust Indenture"), as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture each dated as of November 1, 2009 and between AMP and U.S. Bank National Association, Cincinnati, Ohio, as trustee (the "Trustee"), in each such case, in substantially the form thereof heretofore provided to the Participating Underwriters. The Master Trust Indenture, as so supplemented, is herein called the "Indenture". AMP covenants and agrees as follows:

1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by AMP for the benefit of the holders of the Series 2009 Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). AMP acknowledges that it is undertaking responsibility for any reports, notices or disclosures that may be required under this Agreement. AMP and its officials and its employees shall have no liability by reason of any act taken or not taken by reason of this Disclosure Agreement except to the extent required for the agreements contained in this Disclosure Agreement to satisfy the requirements of the Rule.

2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by AMP pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean, for purposes of this Disclosure Agreement, any person who is a beneficial owner of a Series 2009 Bond.

"Dissemination Agent" shall mean AMP, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by AMP and which has filed with AMP a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosure (http://emma.msrb.org) or any other dissemination agent or conduit required, designated or permitted by the SEC.

"Filing Date" shall have the meaning given to such term in Section 3.1 hereof.

"Fiscal Year" shall mean the twelve-month period at the end of which financial position and results of operations are determined. Currently, AMP's and each MOP's Fiscal Year begins January 1 and continues through December 31 of the same calendar year, with the exception of the City of Danville,

Virginia; the City of Coldwater, Michigan and the Electric Plant Board of the City of Paducah, Kentucky whose Fiscal Years begin on July 1 and end June 30 of the following calendar year as specified in Section 4 hereof.

"Listed Events" shall mean, with respect to the Series 2009 Bonds, any of the events listed in subsection (b)(5)(i)(C) of the Rule, which are as follows:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009 Bonds;

(7) modifications to rights of holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 2009 Bonds;

(11) rating changes.

"MOP" shall mean an "obligated person" within the meaning of the Rule. Each of the cities of Danville, Virginia; Coldwater, Michigan; Cuyahoga Falls, Ohio; Bowling Green, Ohio; Cleveland, Ohio; and the Electric Plant Board of the City of Paducah, Kentucky is deemed a MOP.

"MSRB" means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

"Official Statement" shall mean the Official Statement dated November 19, 2009 relating to the Series 2009 Bonds.

"Participating Underwriter" shall mean each original Underwriter of the Series 2009 Bonds required to comply with the Rule in connection with the offering of such Series 2009 Bonds.

"Rule" shall mean Rule 15c2-l2 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

3. **Provision of Annual Reports**.

3.1 AMP shall, or shall cause the Dissemination Agent to, provide to the MSRB via EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement.

Such Annual Report shall be filed on a date (the "Filing Date") that is not later than November 30 of the succeeding Fiscal Year commencing with the report for the fiscal year ending December 31, 2009. Not later than ten (10) days prior to the Filing Date, AMP shall provide the Annual Report to the Dissemination Agent (if applicable). In such case, the Annual Report must be submitted in electronic format and accompanying information as prescribed by the MSRB and (i) may be submitted as a single document or as separate documents comprising a package, (ii) may include by specific reference other information as provided in Section 4 of this Disclosure Agreement, and (iii) shall include such financial statements as may be required by the Rule.

3.2 The annual financial statements of the MOPs shall be prepared on the basis of generally accepted accounting principles, will be copies of the audited annual financial statements and will be filed with the MSRB when they become publicly available. Such annual financial statements may be filed separately from the Annual Report.

3.3 If AMP or the Dissemination Agent (if applicable) fails to provide an Annual Report to the MSRB by the date required in subsection (a) hereto, AMP or the Dissemination Agent, if applicable, shall send a notice to the MSRB in substantially the form attached hereto as Exhibit B.

4. **Content of Annual Reports**. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, (i) an updated table presenting the Participants and their allocation in the Projects expressed in kilowatts and percentages as shown on page A-1 of the Official Statement, and (ii) with respect to the MOPs, annual statistical and financial information, including operating data as described in Exhibit A attached hereto. For purposes of the Annual Report, it is recognized that the fiscal years for the City of Danville, Virginia; the City of Coldwater, Michigan; and the Electric Plant Board of the City of Paducah, Kentucky begin on July 1 and end June 30 of the following calendar year and, as such, annual statistical and financial information for each MOP will be as of the end of its fiscal year.

Any or all of such information may be included by specific reference from other documents, including offering memoranda of securities issues with respect to which AMP or a MOP is an "obligated person" (within the meaning of the Rule), which have been filed with the MSRB via EMMA or the Securities and Exchange Commission. If the document included by specific reference is a final Official Statement, it must be available from the MSRB via EMMA. AMP shall clearly identify each such other document so included by specific reference.

5. **Reporting of Listed Events.** AMP will provide in a timely manner to the MSRB via EMMA, if any, notice of any of the Listed Events, if material.

6. **Termination of Reporting Obligation**. AMP's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of all the Series 2009 Bonds.

7. **Dissemination Agent. AMERICAN MUNICIPAL POWER, INC. SHALL BE THE DISSEMINATION AGENT. AMP MAY, FROM TIME TO TIME, APPOINT OR ENGAGE ANOTHER DISSEMINATION AGENT TO ASSIST IT IN CARRYING OUT ITS OBLIGATIONS UNDER THIS DISCLOSURE AGREEMENT AND MAY DISCHARGE ANY SUCH AGENT, WITH OR WITHOUT APPOINTING A SUCCESSOR DISSEMINATION AGENT.**

8. **Amendment. NOTWITHSTANDING ANY OTHER PROVISION OF THIS DISCLOSURE AGREEMENT, AMP MAY AMEND THIS DISCLOSURE AGREEMENT, IF SUCH AMENDMENT IS SUPPORTED BY AN OPINION OF INDEPENDENT COUNSEL WITH EXPERTISE IN FEDERAL SECURITIES**

LAWS TO THE EFFECT THAT SUCH AMENDMENT IS NOT INCONSISTENT WITH OR IS REQUIRED BY THE RULE.

9. **Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent AMP from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If AMP chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, AMP shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. **Default**. Any Beneficial Owner may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause AMP to file its Annual Report or to give notice of a Listed Event. The Beneficial Owners of not less than a majority in aggregate principal amount of Series 2009 Bonds outstanding may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of AMP hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture or the Series 2009 Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of AMP to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

It shall be a condition precedent to the right, power and standing of any person to bring an action to compel performance under this Disclosure Agreement that, such person, not less than 30 days prior to commencement of such action, shall have actually delivered to AMP notice of such person's intent to commence such action and the nature of the non-performance complained of, together with reasonable proof that such person is a person otherwise having such right, power and standing, and AMP shall not have cured the non-performance complained of.

Neither the commencement nor the successful completion of an action to compel performance under this Disclosure Agreement shall entitle any person to any other relief other than an order or injunction compelling performance.

11. **Beneficiaries**. This Disclosure Agreement shall inure solely to the benefit of the Participating Underwriter and Beneficial Owners from time to time of the Series 2009 Bonds, and shall create no rights in any other person or entity

AMERICAN MUNICIPAL POWER, INC.

By: _____
Senior Vice President of Finance and
Chief Financial Officer

EXHIBIT A

PARTICIPANT INFORMATION

(a) Updates for the previous calendar or fiscal year, as applicable, of the statistical and financial data presented in Appendix B to the Official Statement.

(b) The audited financial statements for the electric system or, if separate financial statements are not prepared and audited for the electric system, then the audited general purpose financial statements of the MOP. The basis of presentation of such financial statements shall be generally accepted accounting principles or such other manner of presentation as may be required by law.

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT

RE: American Municipal Power, Inc. Combined Hydroelectric Projects Revenue Bonds, Series 2009A (Federally Taxable), Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) and Series 2009C (Tax-Exempt)

CUSIP NO. _____

Dated: _____, 2009

NOTICE IS HEREBY GIVEN that American Municipal Power, Inc. ("AMP") has not provided an Annual Report as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named Series 2009 Bonds issued pursuant to that certain Master Trust Indenture, dated as of November 1, 2009 (as heretofore supplemented, the "Master Trust Indenture"), as supplemented by the First Supplemental Indenture, Second Supplemental Indenture and Third Supplemental Indenture, each dated as of November 1, 2009 (collectively, the "Series 2009 Supplemental Indentures"), each between AMP and U.S. Bank National Association, Cincinnati, Ohio, as trustee (the "Trustee"). AMP anticipates that the Annual Report will be filed by _____.

Dated: _____ AMERICAN MUNICIPAL POWER , INC.

By: _____
Senior Vice President of Finance and
Chief Financial Officer

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