THREE NEW ISSUES — BOOK ENTRY ONLY

RATINGS: MOODY'S A3
STANDARD & POOR'S A
FITCH A

Interest on the Series 2010 Bonds 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 2010 Bonds will be exempt from certain Ohio taxes. See "TAX MATTERS."

AMERICAN MUNICIPAL POWER, INC.
$1,378,990,000
COMBINED HYDROELECTRIC PROJECTS REVENUE BONDS, SERIES 2010
consisting of
$152,995,000 SERIES 2010A (FEDERALLY TAXABLE)
$1,109,995,000 SERIES 2010B (FEDERALLY TAXABLE — ISSUER SUBSIDY — BUILD AMERICA BONDS)
$116,000,000 SERIES 2010C (FEDERALLY TAXABLE — ISSUER SUBSIDY — NEW CLEAN RENEWABLE ENERGY BONDS)

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

The Combined Hydroelectric Projects Revenue Bonds, Series 2010 (the "Series 2010 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 2010 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 2010 Bonds will be made to beneficial owners by DTC through its participants. See APPENDIX F hereto. The Series 2010 Bonds will bear interest at the rates, and mature on the dates, as described on the inside cover hereof. Interest on the Series 2010 Bonds will accrue from their Issuance Date and will be paid each February 15 and August 15, commencing on February 15, 2011 as more fully described herein.

The Series 2010 Bonds are subject to redemption prior to maturity as described herein.

The Series 2010 Bonds are being issued and will be secured under the Master Trust Indenture, dated as of November 1, 2009, between AMP and U.S. Bank National Association, Cincinnati, Ohio, as trustee (the "Trustee"), as supplemented by three supplemental indentures, each dated as of December 1, 2010, 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 2010 Bonds are being issued primarily to (i) make deposits to the Construction Accounts under the Indenture to finance a portion of the capital expenditures, costs and expenses associated with the acquisition, construction and permitting of the Projects; (ii) fund capitalized interest on the Series 2010 Bonds through six months after the scheduled in service dates of the Projects; (iii) fund deposits to the Parity Common Reserve Account and three Special Reserve Accounts; and (iv) pay the costs of issuance of the Series 2010 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 Kentucky, Michigan, Ohio, 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 2010 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 SERIES 2010 BONDS ARE NOT OBLIGATIONS OF OR GUARANTEED BY 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 2010 BONDS. AMP HAS NO TAXING POWER.

The Series 2010 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 2010 Bonds will be made on or about December 21, 2010, through the facilities of DTC.

BMO Capital Markets **BofA Merrill Lynch** **J.P. Morgan** **Morgan Stanley**

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 December 15, 2010 and the information contained herein speaks only as of that date.

MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS, AND CUSIPS

AMERICAN MUNICIPAL POWER , INC.
$1,378,990,000

COMBINED HYDROELECTRIC PROJECTS REVENUE BONDS, SERIES 2010
consisting of
$152,995,000 SERIES 2010A (FEDERALLY TAXABLE)

DUE FEBRUARY 15	PRINCIPAL AMOUNT	INTEREST RATE	PRICE	CUSIP[(1)]	ISIN[(1)]
2016	$12,625,000	4.657%	100%	02765UEA8	US02765UEA88
2017	7,620,000	5.157	100	02765UEB6	US02765UEB61
•					
2020	2,365,000	6.123	100	02765UEC4	US02765UEC45
2021[†]	8,060,000	6.223	100	02765UED2	US02765UED28
•					
2029	22,570,000	7.200	100	02765UEF7	US02765UEF75
2030	24,265,000	7.300	100	02765UEG5	US02765UEG58

$75,490,000 7.734% Term Bonds due February 15, 2033 — Yield 7.834% CUSIP[(1)] 02765UEH3 ISIN[(1)] US02765UEH32

$1,109,995,000 SERIES 2010B (FEDERALLY TAXABLE — ISSUER SUBSIDY — BUILD AMERICA BONDS)

$324,130,000 7.834% Term Bonds due February 15, 2041 — Price 100% CUSIP[(1)] 02765UEJ9 ISIN[(1)] US02765UEJ97

$785,865,000 8.084% Term Bonds due February 15, 2050 — Price 100% CUSIP[(1)] 02765UEK6 ISIN[(1)] US02765UEK60

$116,000,000 SERIES 2010C (FEDERALLY TAXABLE — ISSUER SUBSIDY — NEW CLEAN RENEWABLE ENERGY BONDS)

DUE FEBRUARY 15	PRINCIPAL AMOUNT	INTEREST RATE	PRICE	CUSIP[(1)]	ISIN[(1)]
2022[†]	$ 9,735,000	6.473%	100%	02765UEL4	US02765UEL44
2023[†]	9,500,000	6.623	100	02765UEM2	US02765UEM27
2024	16,095,000	6.973	100	02765UEN0	US02765UEN00

$80,670,000 7.334% Term Bonds due February 15, 2028 — Price 100% CUSIP[(1)] 02765UEP5 ISIN[(1)] US02765UEP57

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(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP and ISIN data herein are provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP and ISIN numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of investors. Neither AMP nor the Underwriters are responsible for the selection or uses of these CUSIP or ISIN numbers, and no representation is made as to their correctness on the Series 2010 Bonds or as included herein. The CUSIP or ISIN number for a specific maturity is subject to being changed after the issuance of Series 2010 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2010 Bonds.

(†) The scheduled payment of the principal of and interest the Series 2010A Bonds and Series 2010C Bonds (New CREBs) identified above (the "Series 2010 Insured Bonds") when due will be guaranteed under two separate municipal bond insurance policies, one with respect to the Series 2010 Insured Bonds of each series, to be issued by Assured Guaranty Municipal Corp. concurrently with the delivery of the Series 2010 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/Managing Dir. of Operations, 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
Dan Preising	Vice President, Project Development
Jane Juergens	Vice President, Human Resources and Talent Management
Terry Leach	Vice President, Risk Control
Michael Perry	Vice President, Generation Operations
Phil Meier	Assistant Vice President, Hydroelectric Development

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 Engineers
Sawvel & Associates, Inc.
Findlay, Ohio

Financial Advisor
PNC Capital Markets LLC
Columbus, Ohio

Financial Products Advisor
Kensington Capital Advisors LLC
Charlotte, North Carolina

R.W. Beck, Inc.
An SAIC Company
Orlando, Florida

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 2010 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 2010 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 2010 BONDS. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

GENERAL

IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

NO ACTION HAS BEEN OR WILL BE TAKEN IN ANY JURISDICTION THAT WOULD PERMIT A PUBLIC OFFERING OF ANY OF THE SERIES 2010 BONDS, OR POSSESSION OR DISTRIBUTION OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL, IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. EACH UNDERWRITER IS REQUIRED TO COMPLY WITH ALL RELEVANT LAWS, REGULATIONS AND DIRECTIVES IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS, SELLS OR DELIVERS SERIES 2010 BONDS OR HAS IN ITS POSSESSION OR DISTRIBUTES THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL, IN ALL CASES AT ITS OWN EXPENSE.

MINIMUM UNIT SALES

THE SERIES 2010 BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT), FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 20 UNITS (BEING 20 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $100,000).

PUBLIC OFFER SELLING RESTRICTION IN THE EUROPEAN ECONOMIC AREA

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF THE SERIES 2010 BONDS IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER STATE") WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF THE BONDS. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THAT RELEVANT MEMBER STATE OF THE BONDS WHICH ARE THE SUBJECT OF THIS OFFICIAL STATEMENT MAY ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR AMP OR ANY OF THE UNDERWRITERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE, IN EACH CASE IN RELATION TO SUCH OFFER. NEITHER AMP NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SERIES 2010 BONDS IN CIRCUMSTANCES IN WHICH AN OBLIGATION ARISES FOR AMP OR ANY OF THE UNDERWRITERS TO PUBLISH A PROSPECTUS FOR SUCH OFFER.

ACCORDINGLY, IN RELATION TO RELEVANT MEMBER STATE, EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF ANY OF THE BONDS TO THE PUBLIC IN THAT RELEVANT MEMBER STATE OTHER THAN:

(A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES;

(B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (1) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR, (2) A TOTAL BALANCE SHEET OF MORE THAN €43,000,000, AND (3) AN ANNUAL NET TURNOVER OF MORE THAN €50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS;

(C) TO FEWER THAN 100 NATURAL OR LEGAL PERSONS (OTHER THAN QUALIFIED INVESTORS AS DEFINED IN THE PROSPECTUS DIRECTIVE) SUBJECT TO OBTAINING THE PRIOR CONSENT OF AMP; OR

(D) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE,

PROVIDED THAT NO SUCH OFFER OF BONDS SHALL REQUIRE AMP OR ANY UNDERWRITER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF THE BONDS TO THE PUBLIC" IN RELATION TO ANY BONDS IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE THE BONDS, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE AND THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

UNITED KINGDOM

EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT: (A) IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA") RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE SERIES 2010 BONDS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO AMP; AND (B) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE BONDS IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

THE COMMUNICATION OF THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENTS OR MATERIALS RELATING TO THE ISSUE OF THE SERIES 2010 BONDS IS NOT BEING MADE, AND SUCH DOCUMENTS AND/OR MATERIALS HAVE NOT BEEN APPROVED, BY AN AUTHORIZED PERSON FOR THE PURPOSES OF SECTION 21 OF THE FSMA. ACCORDINGLY, SUCH DOCUMENTS AND/OR MATERIALS ARE NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. THE COMMUNICATION OF SUCH DOCUMENTS AND/OR MATERIALS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS IN THE UNITED KINGDOM FALLING WITHIN THE DEFINITION OF INVESTMENT PROFESSIONALS (AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE FINANCIAL PROMOTION ORDER)) OR WITHIN ARTICLE 49(2) OF THE FINANCIAL PROMOTION ORDER, OR TO ANY OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE UNDER THE FINANCIAL PROMOTION ORDER.

HONG KONG

THE SERIES 2010 BONDS HAVE NOT BEEN AUTHORIZED BY THE HONG KONG SECURITIES AND FUTURES COMMISSION.

EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT: (A) IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL IN HONG KONG, BY MEANS OF ANY DOCUMENT, ANY SERIES 2010 BONDS OTHER THAN (I) TO PERSONS WHOSE ORDINARY BUSINESS IS TO BUY OR SELL SHARES OR DEBENTURES (WHETHER AS PRINCIPAL OR AGENT); (II) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG (THE "SFO") AND ANY RULES MADE UNDER THAT ORDINANCE, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES ORDINANCE (CAP. 32) OF HONG KONG OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THAT ORDINANCE; AND (B) IT HAS NOT ISSUED OR HAD IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, AND WILL NOT ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SERIES 2010 BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO ANY BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THAT ORDINANCE.

JAPAN

THE SERIES 2010 BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (LAW NO.25 OF 1948, AS AMENDED, THE "FIEA") AND EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT IT WILL NOT OFFER OR SELL ANY SERIES 2010 BONDS, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE 6 OF THE FOREIGN EXCHANGE AND FOREIGN TRADE CONTROL LAW (LAW NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, A RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PEOPLE'S REPUBLIC OF CHINA

THE SERIES 2010 BONDS MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY IN THE PEOPLE'S REPUBLIC OF CHINA (WHICH, FOR SUCH PURPOSES, DOES NOT INCLUDE THE HONG KONG OR MACAU SPECIAL ADMINISTRATIVE REGIONS OR TAIWAN) (THE "PRC"). THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT WILL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SERIES 2010 BONDS WITHIN THE PRC. THIS OFFICIAL STATEMENT OR THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT HAVE NOT BEEN AND WILL NOT BE SUBMITTED TO OR APPROVED/VERIFIED BY OR REGISTERED WITH ANY RELEVANT GOVERNMENTAL AUTHORITIES IN THE PRC AND MAY NOT BE SUPPLIED TO THE PUBLIC IN THE PRC OR USED IN CONNECTION WITH ANY OFFER FOR THE SUBSCRIPTION OR SALE OF THE SERIES 2010 BONDS IN THE PRC. THE SERIES 2010 BONDS MAY ONLY BE

OFFERED OR SOLD TO PRC INVESTORS THAT ARE AUTHORIZED TO ENGAGE IN THE PURCHASE OF BONDS OF THE TYPE BEING OFFERED OR SOLD. PRC INVESTORS ARE RESPONSIBLE FOR OBTAINING ALL RELEVANT GOVERNMENT REGULATORY APPROVALS/LICENSES, VERIFICATION AND/OR REGISTRATION THEMSELVES, INCLUDING, BUT NOT LIMITED TO, ANY WHICH MAY BE REQUIRED FROM THE STATE ADMINISTRATION OF FOREIGN EXCHANGE, THE CHINA SECURITIES REGULATORY COMMISSION, THE CHINA BANKING REGULATORY COMMISSION, THE CHINA INSURANCE REGULATORY COMMISSION AND OTHER REGULATORY BODIES, AND COMPLYING WITH ALL RELEVANT PRC REGULATIONS, INCLUDING, BUT NOT LIMITED TO, ANY RELEVANT FOREIGN EXCHANGE REGULATIONS AND/OR OVERSEAS INVESTMENT REGULATIONS.

SINGAPORE

EACH UNDERWRITER HAS ACKNOWLEDGED THAT THIS OFFICIAL STATEMENT HAS NOT BEEN REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF ANY SERIES 2010 BONDS TO BE ISSUED FROM TIME TO TIME BY AMP PURSUANT TO THE OFFER HAVE NOT BEEN AND WILL NOT BE CIRCULATED OR DISTRIBUTED, NOR THE BONDS OFFERED OR SOLD, OR MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (A) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT (CAP.289) OF SINGAPORE ("SFA"); (B) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1) OF THE SFA; (C) TO ANY PERSON PURSUANT TO THE CONDITIONS OF SECTION 275(1A) OF THE SFA; OR (D) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH, THE CONDITIONS OF ANY OTHER APPLICABLE PROVISIONS OF THE SFA.

ANY SUBSEQUENT OFFERS IN SINGAPORE OF THE SERIES 2010 BONDS ACQUIRED PURSUANT TO AN INITIAL OFFER MADE IN RELIANCE ON AN EXEMPTION UNDER SECTION 274 OF THE SFA OR SECTION 275 OF THE SFA MAY ONLY BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 276 OF THE SFA, FOR THE INITIAL SIX MONTH PERIOD AFTER SUCH ACQUISITION TO PERSONS WHO ARE INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR TO ACCREDITED INVESTORS AND CERTAIN OTHER PERSONS (AS SET OUT IN SECTION 275 OF THE SFA). ANY TRANSFER AFTER SUCH INITIAL SIX MONTH PERIOD IN SINGAPORE SHALL BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 257 OF THE SFA, IN RELIANCE ON ANY APPLICABLE EXEMPTION UNDER SUBDIVISION (4) OF DIVISION 1 OF PART XIII OF THE SFA.

IN ADDITION TO THE ABOVE, PURSUANT TO THE REQUIREMENTS OF SECTION 276(3) AND 276 (4) OF THE SFA, WHERE THE SERIES 2010 BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES (AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTERESTS (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE SERIES 2010 BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW; OR

(4) WHERE THE SERIES 2010 BONDS WERE PREVIOUSLY OFFERED AND MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE BONDS TRADING LIMITED.

SWITZERLAND

THIS DOCUMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR SOLICITATION TO PURCHASE OR INVEST IN THE SERIES 2010 BONDS DESCRIBED HEREIN. THE SERIES 2010 BONDS MAY NOT BE PUBLICLY OFFERED, SOLD OR ADVERTISED, DIRECTLY OR INDIRECTLY, IN OR FROM SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS AS SUCH TERM IS UNDERSTOOD PURSUANT TO ARTICLE 652A OR ARTICLE 1156 OF THE SWISS FEDERAL CODE OF OBLIGATIONS OR A LISTING PROSPECTUS WITHIN THE MEANING OF THE LISTING RULES OF THE SIX SWISS EXCHANGE AG, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.]

MEXICO

THE SERIES 2010 BONDS OFFERED HEREBY ARE NOT AND WILL NOT BE REGISTERED IN THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*) MAINTAINED BY THE NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*). THE SERIES 2010 BONDS MAY NOT BE PUBLICLY OFFERED OR SOLD IN MEXICO WITHOUT THE APPLICABILITY OF AN EXEMPTION FOR THE PRIVATE PLACEMENT OF SECURITIES PURSUANT TO THE MEXICAN SECURITIES LAW. IN MAKING AN INVESTMENT DECISION, YOU SHOULD RELY ON YOUR OWN REVIEW AND EXAMINATION. THE SERIES 2010 BONDS ARE NOT BEING OFFERED AND MAY NOT BE OFFERED NOR ACQUIRED WITHIN THE TERRITORY OF THE UNITED MEXICAN STATES EXCEPT PURSUANT TO THE EXEMPTION FOR THE PRIVATE PLACEMENT OF SECURITIES PURSUANT TO THE MEXICAN SECURITIES LAW.

COLOMBIA

THE SERIES 2010 BONDS OFFERED HEREBY ARE NOT AND WILL NOT BE REGISTERED AT THE ISSUERS AND SECURITIES NATIONAL REGISTRY ("*REGISTRO NACIONAL DE VALORES E INTERMEDIARIOS RNVI*") AND MAY NOT BE PUBLICLY OFFERED OR SOLD IN COLOMBIA WITHOUT THE APPLICABILITY OF AN EXEMPTION FOR THE PRIVATE OFFER

OF SECURITIES PURSUANT TO APPLICABLE COLOMBIAN SECURITIES LAWS IN SUCH EVENTS WHERE COLOMBIAN LAW IS IN FACT APPLICABLE.

THE SERIES 2010 BONDS ARE NOT BEING OFFERED PUBLICLY AND MAY NOT BE OFFERED NOR ACQUIRED WITHIN COLOMBIA, WHEN THE LAWS OF COLOMBIA ARE APPLICABLE, EXCEPT BY CERTAIN INSTITUTIONAL INVESTORS PURSUANT TO AN EXEMPTION FOR THE PRIVATE PLACEMENT OF SECURITIES PURSUANT TO APPLICABLE COLOMBIAN SECURITIES LAWS.

PERU

THE SERIES 2010 BONDS AND THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH OR APPROVED BY THE PERUVIAN SECURITIES EXCHANGE COMMISSION (*COMISIÓN NACIONAL SUPERVISORA DE EMPRESAS Y VALORES – CONASEV*) OR THE LIMA SECURITIES EXCHANGE (*BOLSA DE VALORES DE LIMA – BVL*). ACCORDINGLY, THE SERIES 2010 BONDS CANNOT BE OFFERED OR SOLD IN PERU, EXCEPT IF SUCH OFFER QUALIFIES AS A PRIVATE OFFERING UNDER THE SECURITIES LAWS AND REGULATIONS OF PERU. THE PERUVIAN SECURITIES MARKET LAW ESTABLISHES THAT ANY PARTICULAR OFFER MAY QUALIFY AS PRIVATE IF IT IS DIRECTED EXCLUSIVELY TO INSTITUTIONAL INVESTORS.

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INTRODUCTION

General

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 2010A (Federally Taxable) (the "*Series 2010A Bonds*"), Series 2010B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "*Series 2010B Bonds (BABs)*") and Series 2010C Bonds (Federally Taxable – Issuer Subsidy – New Clean Renewable Energy Bonds) (the "*Series 2010C Bonds (New CREBs)*") 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*"). The Series 2010A Bonds, the Series 2010B Bonds (BABs) and the Series 2010C Bonds (New CREBs) are referred to herein collectively as the "*Series 2010 Bonds*".

The Series 2010 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 Fifth Supplemental Indenture (the "*Fifth Supplemental Indenture*"), the Sixth Supplemental Indenture (the "*Sixth Supplemental Indenture*") and the Seventh Supplemental Indenture (the "*Seventh Supplemental Indenture*" and, together with the Fifth Supplemental Indenture and the Sixth Supplemental Indenture, the "*Series 2010 Supplemental Indentures*"), each dated as of December 1, 2010, 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 2010 Bonds are the fifth, sixth and seventh series of Bonds to be issued under the Master Trust Indenture. The Series 2010 Bonds, the Series 2009 Bonds (hereinafter defined), and any additional bonds issued under the Indenture on a parity with the Series 2010 Bonds (collectively, with the Series 2010 Bonds and the Series 2009 Bonds, the "*Bonds*") and any Parity Debt are herein called collectively "*Parity Obligations.*" See "THE SERIES 2010 BONDS."

The Series 2010 Bonds are being issued by AMP primarily to (i) make deposits to the Construction Accounts under the Indenture to finance a portion of the capital expenditures, costs and expenses associated with the acquisition, construction and permitting of the Projects; (ii) fund capitalized interest on the Series 2010 Bonds through six months after the scheduled in-service dates of the Projects; (iii) fund deposits to the Parity Common Reserve Account and three Special Reserve Accounts; and (iv) pay the costs of issuance of the Series 2010 Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2010 BONDS" herein.

The Bonds, including Series 2010 Bonds, are payable primarily from payments owing to AMP by 79 of its Members ("*Participants*") that entered into a Power Sales Contract dated as of November 1, 2007 (the "*Power Sales Contract*") with AMP. In the Power Sales Contract, AMP agrees to issue bonds to finance the Projects, to construct the Projects and to operate the Projects, all subject to certain conditions set forth therein, and the Participants agree to take or pay for shares of the output of the Projects. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2010 BONDS - Power Sales Contract" and APPENDIX C – Summary of Certain Provisions of the Power Sales Contract."

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 member municipalities (the "*Members*").

AMP operates on a cooperative nonprofit basis for the mutual benefit of its Members, all but one of which owns and/or operates a municipal electric utility system (each, an "*Electric System*" and collectively, the "*Electric Systems*"). The remaining Member is in the process of creating a municipal electric distribution system. As of November 1, 2010, AMP had 128 Members – 82 municipalities in Ohio, 30 boroughs in Pennsylvania, six cities in Michigan, five municipalities in Virginia, three cities in Kentucky and two cities in West Virginia.

AMP has obtained letters from the Internal Revenue Service (the "*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. In particular, the order specifically found that the take-or-pay and step-up provisions of the Power Sales Contract related to the Projects are valid and binding obligations of the Ohio localities executing the contract. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2010 BONDS – POWER SALES CONTRACT – *Validation and Legislation*" and "APPROVAL OF LEGAL MATTERS – POWER SALES CONTRACT." The order is final and non-appealable.

In its opinion, the form of which appears as APPENDIX E-1, Bond Counsel will provide its unqualified approving opinion as to the validity of the Master Trust Indenture and of each Series of the Series 2010 Bonds. AMP's Ohio state counsel, as well as counsel for the Participants located in the other states, Kentucky, Michigan, Virginia and West Virginia, will provide their unqualified opinions as the validity of the Power Sales Contract, and the take-or-pay and step-up provisions thereof, as to the Participants located in their state. See "APPROVAL OF LEGAL MATTERS – Power Sales Contract."

Under Ohio law, a validation action is not required prior to the issuance of bonds. AMP has not brought, and does not intend to bring, a validation action with respect to the Series 2010 Bonds.

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' (the "*Army Corps*") 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 has received all of the Army Corps' approvals and permits required to commence construction of, and currently holds the Federal Energy Regulatory Commission ("*FERC*") licenses necessary to operate, all three Projects. See "THE PROJECTS" herein.

OWNERSHIP AND OPERATION OF THE PROJECTS

Under the terms of the Power Sales Contract, the Participants have subscribed for 100% of the anticipated aggregate generating capacity of the Projects or approximately 208,000 kW. 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*"). In early November, 2010, AMP and the Central Virginia Electric Cooperative ("*CVEC*") terminated their negotiations respecting the terms on which CVEC would have obtained a less than 9% undivided ownership interest in each of the Cannelton Project (7,832 kW) and the Smithland Project (6,764 kW). AMP has no further plans to sell any interest in or sell any portion of the output of the Projects, or any of them, to any one other than the Participants. The Participants' kW allocations associated with their Project Shares (as hereinafter defined) and set forth in Appendix A reflect AMP's continued ownership of 100% of the Projects.

OTHER

This Official Statement includes information regarding and descriptions of AMP, the Projects, the Participants and the Series 2010 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 2010 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 has issued both interim and long-term debt to pay costs associated with the financing, development, acquisition, construction, equipping and placing into service of the Projects. AMP currently estimates that the capital costs of the Projects will be approximately $1.46 billion, excluding financing costs, the funding of debt service reserves and capitalized interest.

CREDIT AGREEMENT

AMP is party to a five-year 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, as last amended, of $750 million (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. AMP also uses its Line of Credit for, among other purposes, to provide working capital, to post collateral when

required under power purchase agreements, and to pay development costs and provide interim financing for projects prior to their permanent financing or refinancing. AMP has drawn approximately $22.21 million on the Line of Credit to finance capital expenditures at the Projects. In addition, on December 15, 2010, AMP drew approximately $1.33 million on the Line of Credit to pay the scheduled debt service coming due on AMP's Series 2009D Bonds (as defined herein) on such date. Such draws will be paid off with a portion of the proceeds of the Series 2010 Bonds.

COMMERCIAL PAPER PROGRAM

On January 22, 2008, AMP initiated a tax-exempt CP program (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. On September 24, 2009, AMP replaced its Initial CP Program with its second tax-exempt CP program (the "*Second CP Program*"), with an authorized par amount of $450 million, secured by a letter of credit issued under its Line of Credit. There is currently no commercial paper outstanding under the Second CP Program.

HYDROELECTRIC PROJECT NOTES

On April 16, 2009, AMP issued its Hydroelectric Projects Revenue Bond Anticipation Notes (the "*Series 2009 Hydro BANs*") to (i) refund all of the commercial paper its issued under the Initial CP Program 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 matured on April 1, 2010 and were currently refunded in advance of their maturity with proceeds of the Series 2009 Bonds.

COMBINED HYDROELECTRIC PROJECT REVENUE BONDS

On December 2, 2009, AMP issued its $22,600,000 Combined Hydroelectric Projects Revenue Bonds, Series 2009D (Federally Taxable – Clean Renewable Energy Bonds)" (the "*Series 2009D Bonds*"). The Series 2009D Bonds were issued as Parity Obligations, but do not have the benefit of the Parity Common Reserve Account. The proceeds of the Series 2009D Bonds were used to pay a portion of the redemption price of the Series 2009 Hydro BANs.

On December 9, 2009, AMP issued its $643,835,000 Combined Hydroelectric Projects Revenue Bonds (collectively with the Series 2009D Bonds, the "*Series 2009 Bonds*") consisting of $24,425,000 Series 2009A (Federally Taxable), $497,005,000 Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "*Series 2009B BABs*"), and $122,405,000 Series 2009 C (Tax-Exempt) (the "*Series 2009C Bonds*") to (i) currently refund a portion of the Series 2009 Hydro BANs; (ii) make deposits to the 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 in-service dates of the Projects as estimated by AMP in November 2009; (iv) pay the debt service installment on the Series 2009D Bonds coming due on December 15, 2009; (v) fund deposits to the Parity Common Reserve Account; and (vi) pay the costs of issuance of the Series 2009 Bonds. The Series 2009 Bonds are Parity Obligations secured by the Power Sales Contract and the Indenture and have the benefit of the Parity Common Reserve Account.

SERIES 2010 BONDS

AMP currently estimates that it will issue approximately $1,975 billion in Bonds, including the Series 2010 Bonds and the $666,435,000 Series 2009 Bonds, to finance the Project Costs, including interest for six months past the estimated in service dates of the respective Projects, deposits to the Parity Common Reserve Account and Special Reserve Accounts and costs of issuance.

Proceeds of the Series 2010A Bonds will be used to fund Special Reserve Accounts for the Series 2010B Bonds (BABs) and Series 2010C Bonds (New CREBs) in amount equal to the respective maximum amounts of the Federal Subsidies (hereinafter defined) receivable by AMP in respect of any subsequent semi-annual interest period on such Bonds.

Proceeds of the Series 2010A Bonds will also be used to fund a Special Reserve Account for the Series 2009B BABs in amount equal to the maximum amount of the Federal Subsidy (hereinafter defined) receivable by AMP in respect of any subsequent semi-annual interest period on such Bonds. Proceeds of the Series 2010A Bonds will also be used (i) to repay with interest the amount drawn on the Line of Credit to pay the approximately $1.33 million December 15, 2010 debt service due on AMP's Series 2009D Bonds (See "– Credit Agreement" above), (ii) to pay debt service on AMP's Series 2009D Bonds in the amount of approximately $1.33 million on December 15 in each of the years 2011, 2012, 2013 and 2014 and (iii) to refund the Series 2009A Bonds due February 15, 2015. Proceeds of the Series 2010A Bonds and of the Series 2010B Bonds (BABs) will also fund capitalized interest on all the Series 2009 Bonds from the respective dates (September 22, 2013, June 30, 2014 and March 6, 2014) to which interest was capitalized from proceeds of the Series 2009 Bonds to December 15, 2014, April 15, 2015 and September 15, 2015 (six months past the currently estimated in service dates of Cannelton, Smithland and Willow Island Projects, respectively).

AMP estimates that the aggregate net proceeds of the Series 2010 Bonds, together with the unexpended proceeds of the Series 2009 Bonds, and the investment income thereon will be sufficient to pay balance of the costs of constructing and placing into service all three Projects.

CLEAN RENEWABLE ENERGY BONDS

AMP applied to and received from the Internal Revenue Service (the "*IRS*") $22,600,000 in allocations of Clean Renewable Energy Bond ("*CREBs*") volume cap for the Cannelton, Smithland and Willow Island Projects (the "*Initial CREB Allocations*"). The 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. An earlier deadline for the issuance of the CREBs was extended to December 31, 2009 by the Energy Improvement and Extension Act of 2008. CREBs are tax-credit bonds intended to provide the issuers thereof with zero-interest rate financing for qualifying renewable energy projects. On December 2, 2009, AMP issued its Series 2009D Bonds pursuant to the Initial CREBs Allocations.

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 applied for the transfer from other AMP projects to Willow Island of allocations of up to $49 million in additional New CREBs. The IRS approved such transfer request on December 6, 2010 and AMP will issue $116 million New CREBs as the Series 2010C Bonds (New CREBs).

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 2010 Bonds credited to the Parity Common Reserve Account and the three Special Reserve Accounts. AMP's decision to seek and accept any such proposal will be made immediately following the pricing of the Series 2010 Bonds and will be subject to the acceptability of the terms and conditions of such proposals, market conditions and other factors.

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ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2010 BONDS

The sources and uses of the proceeds of the Series 2010 Bonds are estimated to be as follows:

	SERIES 2010A BONDS	SERIES 2010B BONDS (BABS)	SERIES 2010C BONDS (NEW CREBS)	TOTAL SERIES 2010 BONDS
SOURCES:				
Par Amount	$152,995,000	$1,109,995,000	$116,000,000	$1,378,990,000
Net Offering Discount	(800,194)	-	-	(800,194)
Total Sources	$152,194,806	$1,109,995,000	$116,000,000	$1,378,189,806
USES:				
Payment, Line of Credit	$2,479,539	$21,061,746	-	$ 23,541,285
Deposits to/for:				
Construction Accounts				
2010A	7,367,729	-	-	7,367,729
2010B	-	784,108,831	-	784,108,831
2010C	-	-	$115,038,224	115,038,224
Capitalized Interest[1]				
Series 2010A Bonds	36,657,998	-	-	36,657,998
Series 2010B Bonds	26,905,826	206,147,858	-	233,053,684
Series 2010C Bonds	1,666,175	14,692,913	-	16,359,087
Parity Common Reserve Account[2]	15,232,493	62,856,152	-	78,088,644
2010B BABs Interest Subsidy Reserve[3]	15,561,292	-	-	15,561,292
2010C CREBs Interest Subsidy Reserve[4]	2,354,800	-	-	2,354,800
Series 2009 Bonds[5]	42,194,908	11,925,212	-	54,120,120
Costs of Issuance[6]	1,774,047	9,202,288	961,776	11,938,111
Total Uses	$152,194,806	$1,109,995,000	$116,000,000	$1,378,189,806

[1] AMP intends to net-fund from proceeds of the Series 2010 Bonds the Capitalized Interest Subaccounts of the Bond Subfund in an amount to be sufficient, with investment earnings on the Capitalized Interest Subaccounts and the Parity Common Reserve Account and, in the case of the Series 2010B Bonds (BABs) and Series 2010C Bonds (New CREBs), the Federal Subsidies and investment earnings on the Special Reserve Accounts, to pay interest on the Series 2010 Bonds through the estimated in service dates of the Projects and for six months thereafter. The proceeds of the Series 2010B Bonds (BABs) deposited to the 2010B Capitalized Interest Subaccount and the 2010C Capitalized Interest Subaccount will be in amounts sufficient to pay interest on the Series 2010B Bonds (BABs) through the estimated in service dates. A portion of the proceeds of the Series 2010A Bonds will be used to pay capitalized interest on the Series 2010B Bonds (BABs) and the Series 2010C Bonds (New CREBs) allocable to the respective six-month periods following the estimated in service dates of the Projects.

[2] Equal the Parity Common Reserve Requirement (maximum annual debt service, net of the Federal Subsidies) for the Series 2010 Bonds.

[3] Equal to 35% of the maximum Interest Requirement during any Interest Period for the Series 2010B Bonds (BABs).

[4] Equal to the maximum New CREBs Federal Subsidy during any Interest Period for the Series 2010C Bonds (New CREBs).

[5] To a special reserve account equal to 35% of the maximum Interest Requirement during any Interest Period for the Series 2009B Bonds (BABs), to debt service on the Series 2009D Bonds through December 15, 2014, to capitalize interest on the Series 2009 Bonds allocable to the three Projects from the dates to which such interest was funded from proceeds of the Series 2009 Bonds to December 15, 2014, April 15, 2015 and September 15, 2015, six months beyond the currently estimated respective in service dates of the Projects, and to refund the Series 2009A Bonds due February 15, 2015. See "PLAN OF FINANCE – Proposed Financing."

[6] Includes underwriting discount and rating agency, Trustee, consultant and legal fees, bond insurance premium and other expenses related to the issuance of the Series 2010 Bonds.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2010 BONDS

The Series 2010 Bonds are payable from and secured solely by the Trust Estate pledged under the Indenture. The Series 2010 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.

THE SERIES 2010 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 2010 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 2010 BONDS. AMP HAS NO TAXING POWER.

THE INDENTURE

The Series 2010 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 2010 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.

FEDERAL SUBSIDIES

AMP will designate the Series 2010B Bonds (BABs) as "Build America Bonds" for purposes of the Recovery Act. See "THE SERIES 2010 BONDS – DESIGNATION OF SERIES 2010B 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 2010B Bonds (BABs) (the "*2010B BABs Federal Subsidy*").

In addition, pursuant to the Hiring Incentives to Restore Employment Act (the "*HIRE Act*"), AMP will elect to receive a cash subsidy payment equal to 70% of interest which would have been payable on the Series 2010C Bonds (New CREBs) if the interest on such bonds were determined by reference to the applicable tax credit rate under Section 54A(b)(3) of the Internal Revenue Code, as amended (the "*2010 New CREBs Federal Subsidy*" and, together with the 2010 BABs Federal Subsidy, the "*2010 Federal*

Subsidies"). As determined on the date hereof, the effective subsidy of the 2010 New CREBs Federal Subsidy will be approximately 56% of the interest due on the Series 2010C Bonds (New CREBs) on each interest payment date therefor.

Under the applicable Supplemental Indenture, AMP will covenant to file timely the required documents with the Internal Revenue Service so that the Trustee may receive the 2010 Federal Subsidies directly on or before each Interest Payment Date for the Series 2010B Bonds (BABs) and Series 2010C Bonds (New CREBs). AMP will pledge the 2010 BABs Federal Subsidy solely to the payment of interest on the Series 2010B Bonds (BABs) and the 2010 New CREBs Federal Subsidy solely to payment of interest on the Series 2010C Bonds (New CREBs). The payments of the Federal Subsidies are not pledged to the payment of other Bonds. Moreover, the 2010 BABs Federal Subsidy is not pledged to the payment of the Series 2010C Taxable Bonds (New CREBs,) and the 2010 New CREBs Federal Subsidy is not pledged to the payment of the Series 2010B Bonds (BABs). See APPENDIX D – "Summary of Certain Provisions of the Indenture – *Covenants*" for a description effect of such treatment of the Federal Subsidies on certain covenants made therein.

(AMP previously designated the Series 2009B BABs as "Build America Bonds" for purposes of the Recovery Act and has received and expects to continue to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series 2009B BABs (the "*2009B Federal Subsidy*"), which is pledged solely to the payment of interest on the Series 2009B BABs.)

PARITY COMMON RESERVE ACCOUNT

Pursuant to the Indenture, the Series 2010 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 2010 Bonds and any other Parity Obligations having the benefit of the Parity Common Reserve Account, collectively, "PCRA-Secured Parity Obligations"). AMP's outstanding Combined Hydroelectric Projects Revenue Bonds, Series 2009A (Federally Taxable), Series 2009B Bonds (Federally Taxable – Issuer Subsidy – Build America Bonds) and Series 2009C Bonds (Tax-Exempt) are PCRA-Secured Parity Obligations. AMP's outstanding Combined Hydroelectric Projects Revenue Bonds, Series 2009D (Federally Taxable – Clean Renewable Energy Bonds) are not 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 2010 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 2010 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 2010 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 2010 Bonds equal to the Parity Common Reserve Requirement for all the PCRA-Secured Parity Obligations. As of the date

of issuance of the Series 2010 Bonds, the Parity Common Reserve Requirement will be in the amount of $122,530,968, which is equal to the Parity Common Reserve Account Requirement (adjusted for the scheduled Federal Subsidy payments on the Series 2010B BABs, the Series 2010C Bonds (New CREBs) and Series 2009B BABs) for the PCRA-Secured Parity Obligations. 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.

Additional Parity Obligations, including additional 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.

SPECIAL RESERVE ACCOUNTS

As permitted by the Indenture, Special Reserve Accounts, the Series 2010B Bonds (BABs) Interest Subsidy Reserve Account and the Series 2010C Bonds (New CREBs) Interest Subsidy Reserve Account, will be created under the applicable Supplemental Indentures authorizing the Series 2010B Bonds (BABs) and Series 2010C Bonds (New CREBs), respectively. The Special Reserve Account Requirement for the Series 2010B Bonds (BABs) Interest Subsidy Reserve Account will be, as of any date of calculation, 35% of the Interest Requirement for the current semi-annual Interest Period (which will be equal to scheduled 2010 Series 2010B BABs Federal Subsidy for such Interest Period). The Special Reserve Account Requirement for the Series 2010C Bonds (New CREBs) Interest Subsidy Reserve Account will be, as of any date of calculation, an amount equal to approximately 56% of the Interest Requirement for the current semi-annual Interest Period (which amount will be equal to the 2010 New CREBs Federal Subsidy for such Interest Period).

AMP is also funding from the proceeds of the Series 2010A Bonds, as permitted by the Indenture, a Special Reserve Account, the Series 2009B BABs Interest Subsidy Reserve Account, for the benefit of the Series 2009B BABs. The Eighth Supplemental Indenture, dated as of December 1, 2010, between AMP and the Trustee, will create the Series 2009B BABs Interest Subsidy Reserve Account. The Special Reserve Account Requirement for the Series 2009B BABs Interest Subsidy Reserve Account will be, as of any date of calculation, 35% of the Interest Requirement for the current semi-annual Interest Period.

Amounts deposited to such Special Reserve Accounts will be pledged to the Trustee under the applicable Supplemental Indentures to pay interest on the related series of Bonds in the event that the applicable Federal Subsidy is not received by the Trustee on a timely basis or the amount of the Federal Subsidy received is less than scheduled. If the Parity Common Reserve Account has been completely depleted, such Special Reserve Accounts may be drawn upon to pay the principal of and interest on the related series of Bonds.

The Series 2010B Bonds (BABs) Interest Subsidy Reserve Account, the Series 2010C Bonds (New CREBs) Interest Subsidy Reserve Account and the Series 2009B BABs Interest Subsidy Reserve Account secure only the Series 2010B Bonds (BABs), the Series 2010C Bonds (New CREBs) and the Series 2009B BABs, respectively.

THE POWER SALES CONTRACT

General. The Bonds, including Series 2010 Bonds, are payable primarily from payments owing to AMP by the 79 Participants that entered into the Power Sales Contract with AMP. The term of the Power Sales Contract expires on December 31, 2057, unless extended or terminated in accordance with

its terms. 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 consist 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 2010 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 outstanding revenue bonds are retired.

Take-or-Pay. Each Participant's obligation to make payments pursuant to the Power Sales Contract are "Take-or-Pay" obligations of such Participant. Therefore, such payments shall 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".

Enforceability of the Power Sales Contract; Legislation. In December 2007, the Franklin County, Ohio, Court of Common Pleas issued an order validating a power sales contract relating to the Projects, between AMP and the Ohio Participants. Specifically, the court held that the Take-or-Pay and Step-Up provisions in the Power Sales Contract constitute valid and binding obligations of the Ohio Participants. Based on such validation order and the constitutional home-rule powers granted Ohio municipalities, Ohio State Counsel is of the opinion that such provisions are binding and enforceable obligations of the Ohio Participants. The Michigan, Virginia and West Virginia Participants have specific legislative authority to enter into long-term power sales agreements, such as the Power Sales Contract including 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 for a description of the opinions of AMP's Kentucky, Michigan, Ohio, Virginia and West Virginia State Counsel as to the validity and enforceability as to the

Participants in such states of the Power Sales Contract, including the Take-or-Pay and Step-Up provisions thereof.

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 2010 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.

BOND INSURANCE

Assured Guaranty Municipal Corp. ("*AGM*") has agreed to issue municipal bond insurance policies (the "*Bond Insurance Policies*") to insure the payment of the principal of and interest on the Series 2010A Bonds maturing on February 15, 2021 (the "*Series 2010A Insured Bonds*" and the Series 2010C Bonds (New CREBs) maturing on February 15, 2022 and February 15, 2023 (the "*Series 2010C Insured Bonds (New CREBs)*" and, together with the Series 2010A Taxable Insured Bonds, the "*Series 2010 Insured Bonds*"). For information about AGM and a description of the Policies, see APPENDIX I-1 – "INFORMATION CONCERNING ASSURED GUARANTY MUNICIPAL CORP.". For a specimen copy of the Policies, see APPENDIX I-2 – "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY. "

AGM'S RIGHTS

The Fifth Supplemental Indenture relating to the Series 2010A Bonds and the Seventh Supplemental Indenture relating to the Series 2010C Bonds (New CREBs) will provide that AGM shall be deemed the sole Owner of the Series 2010A Insured Bonds and the Series 2010C Insured Bonds (New CREBs), respectively, for purposes of exercising any voting right or privilege of giving any consent or direction or taking any other action that the Owner of a Series 2010 Insured Bond is entitled to take pursuant to Article VIII (Defaults and Remedies) and Article XI (Supplements and Amendments) of the Master Indenture and the Power Sales Contract. AGM will not take any action without the specific consent of the holders of each Series 2010 Insured Bond if such action would require the consent of the holders of all Bonds or the holders of all Bonds of a specific Series.

THE SERIES 2010 BONDS

GENERAL

The Series 2010 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, 2011, 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 2010 Bonds will be issuable only in fully registered form in denominations of $5,000 or any integral multiple thereof. Interest on any Series 2010 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 2010B BONDS (BABS) AS "BUILD AMERICA BONDS"; ELECTION WITH RESPECT TO SERIES 2010C BONDS (NEW CREBS)

AMP will designate the Series 2010B Bonds (BABs) as "Build America Bonds" for purposes of the Recovery Act. Furthermore, AMP will elect to apply Section 54AA(g) of the Code with respect to Series 2010B Bonds (BABs), pursuant to which AMP will be allowed by the United States Treasury a credit that AMP will receive in the form of the BABs Federal Subsidy, payable on or before each Interest Payment Date to the Trustee for the credit of AMP, pursuant to Section 6431 of the Code.

AMP has received allocations from the Internal Revenue Service, pursuant to the Heartland, Habitat, Harvest and Horticulture Act of 2008 and the Recovery Act, to issue $67 million in New Clean Renewable Energy Bonds for the Projects ($24 million for the Smithland Project, $23 million for the Cannelton Project and $20 million for the Willow Island Project). In addition, the IRS approved AMP's request to transfer $49 million to the Projects of allocations to issue New Clean Renewable Bonds previously allocated to other AMP projects. The $116 million Series 2010C Bonds (New CREBs) will be issued pursuant to such allocations. AMP will elect to have Section 6431(f) of the Code apply to the Series 2010C Bonds (New CREBs), pursuant to which provision AMP will be allowed by the United States Treasury a credit that AMP will receive in the form of the 2010 New CREBs Federal Subsidy, payable on each Interest Payment Date to the Trustee for the credit of AMP, pursuant to Section 6431 of the Code. The actual credit was determined on the date hereof (i.e., the date that AMP and the Underwriters executed the Purchase Contract described under "UNDERWRITING") to be approximately 56% of the interest payable on the Series 2010C Bonds (New CREBs) on each Interest Payment Date therefor.

AMP expects that the Trustee will receive the Federal Subsidies on or before each interest payment date for the Series 2010B Bonds (BABs) and the Series 2010C Bonds (New CREBs). The Federal Subsidies do not constitute a full faith and credit guarantee of the United States, but are required to be paid by the Treasury under the Recovery Act, as amended by the HIRE Act. See "RISK FACTORS – Factor Relating to the Series 2010B Bonds (BABs) and the Series 2010C Bonds (New CREBs)."

AMP is obligated to make all payments of principal and interest on the Series 2010B Bonds (BABs) and the Series 2010C Bonds (New CREBs) whether or not it receives the Federal Subsidies pursuant to the Recovery Act, but solely from the revenues, moneys, securities and funds, including the applicable Special Reserve Account, 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 2010B Bond (BABs) receive a credit under Section 54AA(f)(1) of the Code against the tax imposed. Similarly, pursuant to the HIRE Act, interest on any New CREB shall be includable in gross income and owners of the Series 2010C Bonds (New CREBs) will not be entitled to receive a credit under Section 54A(a) of the Code against the tax imposed.

REDEMPTION – SERIES 2010 BONDS

Make-Whole Optional Redemption – Series 2010 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 2010 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 2010 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 2010 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted on a semi-annual basis to the date on which the Series 2010 Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" (as defined below) plus 35 basis points, plus, in each case, accrued and unpaid interest on the Series 2010 Bonds to be redeemed on the redemption date.

The "Treasury Rate" is, as of any redemption date for a particular Series 2010 Bond, the yield to maturity of United States Treasury securities (excluding inflation indexed 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, but not more than 45 calendar days, such date to be selected by AMP, prior to the redemption date most nearly equal to the period from the redemption date to the maturity date of the Series 2010 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 2010B Bonds (BABs) and Series 2010C Bonds (New CREBs). The Series 2010B Bonds (BABs) and Series 2010C Bonds (New CREBs) are subject to redemption from any available moneys, 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 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 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted on a semi-annual basis to the date on which the Bonds 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 Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if (i) 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, with respect to Section 6431 of the Code, by the HIRE Act) or (ii) there is any guidance published by the IRS or the United States Treasury with respect to such Sections or any other determination by the IRS or the United States Treasury, and pursuant to which the BABs Federal Subsidy or New CREBs Federal Subsidy from the United States Treasury is reduced or eliminated other than as the result of any act or omission by AMP to satisfy the requirements to qualify to receive the BABs Federal Subsidy with respect to the Series 2010B Bonds (BABs), or New CREBs Federal Subsidy with respect to the Series 2010C Bonds (New CREBs), from the United States Treasury.

Extraordinary Mandatory Redemption – Series 2010C Bonds (New CREBs). To the extent that less than 100% of the Available Project Proceeds (as defined below) of the Series 2010C Bonds (New CREBs) is spent by AMP for qualifying purposes within three years of after the Issuance Date of the Series 2010C Bonds (New CREBs) and no extension of such expenditure period has been granted by the Internal Revenue Service ("*IRS*"), the Series 2010C Bonds (New CREBs) shall be subject to mandatory redemption in part on a date to be selected by AMP, which date shall be not later than 90 days after the end of the expenditure period, in the amount of the unexpended Available Project Proceeds, at a Redemption Price of par, provided that the Series 2010C Bonds (New CREBs) shall only be redeemed in authorized denominations.

For purposes of this provision, "*Available Project Proceeds*" means the sum of (i) the excess of the proceeds from the sale of the Series 2010C Bonds (New CREBs) over the costs of issuance paid for out of such proceeds (to the extent such costs do not exceed 2% of such proceeds), and (ii) any investment earnings on such excess.

Mandatory Sinking Fund Redemption - Series 2010A Bonds. The Series 2010A Bonds due on February 15, 2033 are Term Bonds subject to mandatory sinking fund redemption on the Principal Payment Dates 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 2010A Term Bonds Maturing on February 15, 2033

Year	Principal Amount
2031	$26,165,000
2032	28,270,000
2033	21,055,000*

* Unamortized balance at final maturity

Mandatory Sinking Fund Redemption - Series 2010B Bonds (BABs). The Series 2010B Bonds (BABs) due on February 15, 2041 and due on February 15, 2050, are Term Bonds subject to mandatory sinking fund redemption on the Principal Payment Dates 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 2010B Term Bonds (BABs) Maturing

February 15, 2041

Year	Principal Amount
2033	$ 9,405,000
2034	32,420,000
2035	34,185,000
2036	36,055,000
2037	38,030,000
2038	40,100,000
2039	42,300,000
2040	44,600,000
2041	47,035,000*

* Unamortized balance at final maturity.

February 15, 2050

Year	Principal Amount
2042	$ 49,645,000
2043	52,435,000
2044	55,380,000
2045	91,900,000
2046	96,685,000
2047	101,725,000
2048	107,025,000
2049	112,600,000
2050	118,470,000*

* Unamortized balance at final maturity.

Mandatory Sinking Fund Redemption - Series 2010C Bonds (New CREBs). The Series 2010C Bonds (New CREBs) due on February 15, 2028 are Term Bonds subject to mandatory sinking fund redemption on the Principal Payment Dates 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:

Year	Principal Amount
2025	$18,730,000
2026	19,930,000
2027	20,640,000
2028	21,370,000*

* Unamortized balance at final maturity

Selection of Series 2010 Bonds to be Redeemed. If the Series 2010 Bonds are not registered in book-entry-only form, any redemption of less than all of the Series 2010 Bonds will be allocated among the registered owners of such Series 2010 Bonds as nearly as practicable in proportion to the principal amounts of the Series 2010 Bonds owned by each registered owner, subject to the authorized denominations applicable to the Series 2010 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 2010 Bonds to be redeemed will be determined by the Trustee, using such method as the Trustee in its sole discretion shall determine.

For so long as a the Series 2010 Bonds are registered in book-entry-only form and The Depository Trust Company or a successor securities depository, or its nominee, is the sole registered owner of such Series 2010 Bonds, in the event of a redemption of less than all of the Series 2010 Bonds of a maturity, the particular ownership interests of such maturity to be redeemed will be determined by DTC and Direct DTC Participants and Indirect DTC Participants (all as defined in APPENDIX F hereto), or by any such successor securities depository or any other intermediary, in accordance with their respective operating rules and procedures. The Series 2010 Bonds will be made eligible for partial redemptions to be treated by DTC, in accordance with its rules and procedures, as a "pro-rata pass-through distribution of principal", and partial redemptions are expected to be processed by DTC on a pro-rata pass-through distribution of principal basis in accordance with such rules and procedures. In the event of a partial redemption in lieu of redemption of Series 2010 Bonds, the security position at DTC will not be reduced but the balance will be subject to adjustment by a factor to be provided to DTC by the Trustee. If, at the time of a partial redemption of Series 2010 Bonds, the Trustee fails to identify the Series 2010 Bonds being redeemed or purchased as being subject to a pro-rata pass-through distribution of principal and/or fails to furnish such factor to DTC, DTC's rules and procedures provide that such redemption or purchase will be processed by random lottery.

AMP provides no assurance that DTC and any Direct DTC Participant and Indirect DTC Participant, or any successor securities depository or other intermediary, will make any such determination on a pro rata basis or effectuate a pro-rata pass-through distribution of principal in the case of a partial redemption or purchase in lieu of redemption of Series 2010 Bonds, and that the Trustee will identify the Series 2010 Bonds and provide the appropriate factor as described above in the case of a partial redemption of Series 2010 Bonds, and in each case any failure to do so shall not affect the sufficiency or the validity of the related redemption of Series 2010 Bonds.

Defeasance of Series 2010 Bonds. Under the 2010 Supplemental Indentures for the Series 2010 Bonds, 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 2010 Bonds to defease either (i) all its obligations under the Indenture with respect to the Series 2010 Bonds so redeemed ("*Legal Defeasance*") or (ii) its obligations under certain covenants contained in the Indenture ("*Covenant Defeasance*") with respect to the Series 2010 Bonds. AMP may complete a Legal Defeasance with respect to any Series 2010 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 2010 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 affected Series 2010 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.

NOTICE OF REDEMPTION

Unless waived by any owner of Series 2010 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 2010 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 2010B 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 2010 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 2010 Bonds will not be redeemed.

The failure of any owner of Series 2010 Bonds to receive such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2010 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 2010 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 2010 Bond (having been mailed notice from the Trustee, a Direct Participant, an Indirect Participant or otherwise), to notify the Beneficial Owner of the Series 2010 Bond so affected, shall not affect the validity of the redemption of such Series 2010 Bond.

DEBT SERVICE REQUIREMENTS

The following table sets forth the gross debt service requirements for the Series 2010 Bonds without regard to capitalized interest or the Federal Subsidies. Principal of and interest on the Series 2010 Bonds are shown in the table below in the year in which the same come due.

Gross Debt Service Requirements for the Series 2010 Bonds

Year Ending December 31,	Series 2010A Bonds Principal	Series 2010A Bonds Interest	Series 2010B Bonds (BABs) Principal	Series 2010B Bonds (BABs) Interest	Series 2010C Bonds (New CREBs) Principal	Series 2010C Bonds (New CREBs) Interest	Series 2010 Bonds Gross Debt Service
2011	-	$ 7,060,348	-	$57,799,086	-	$5,393,683	$ 70,253,117
2012	-	10,862,074	-	88,921,671	-	8,297,974	108,081,719
2013	-	10,862,074	-	88,921,671	-	8,297,974	108,081,719
2014	-	10,862,074	-	88,921,671	-	8,297,974	108,081,719
2015	-	10,862,074	-	88,921,671	-	8,297,974	108,081,719
2016	$12,625,000	10,568,101	-	88,921,671	-	8,297,974	120,412,745
2017	7,620,000	10,077,646	-	88,921,671	-	8,297,974	114,917,291
2018		9,881,164	-	88,921,671	-	8,297,974	107,100,809
2019		9,881,164	-	88,921,671	-	8,297,974	107,100,809
2020	2,365,000	9,808,760	-	88,921,671	-	8,297,974	109,393,404
2021	8,060,000	9,485,569	-	88,921,671		8,297,974	114,765,213
2022	-	9,234,782	-	88,921,671	$ 9,735,000	7,982,900	115,874,353
2023	-	9,234,782	-	88,921,671	9,500,000	7,353,235	115,009,687
2024	-	9,234,782	-	88,921,671	16,095,000	6,477,490	120,728,942
2025	-	9,234,782	-	88,921,671	18,730,000	5,229,509	122,115,961
2026	-	9,234,782	-	88,921,671	19,930,000	3,811,847	121,898,299
2027	-	9,234,782	-	88,921,671	20,640,000	2,324,145	121,120,597
2028	-	9,234,782	-	88,921,671	21,370,000	783,638	120,310,090
2029	22,570,000	8,422,262	-	88,921,671	-	-	119,913,932
2030	24,265,000	6,724,069	-	88,921,671	-	-	119,910,740

Year Ending December 31,	Series 2010A Bonds Principal	Series 2010A Bonds Interest	Series 2010B Bonds (BABs) Principal	Series 2010B Bonds (BABs) Interest	Series 2010C Bonds (New CREBs) Principal	Series 2010C Bonds (New CREBs) Interest	Series 2010 Bonds Gross Debt Service
2031	26,165,000	4,826,596	-	88,921,671	-	-	119,913,267
2032	28,270,000	2,721,595	-	88,921,671	-	-	119,913,265
2033	21,055,000	814,197	$ 9,405,000	88,553,277	-	-	119,827,474
2034	-	-	32,420,000	86,914,992	-	-	119,334,992
2035	-	-	34,185,000	84,306,074	-	-	118,491,074
2036	-	-	36,055,000	81,554,773	-	-	117,609,773
2037	-	-	38,030,000	78,652,864	-	-	116,682,864
2038	-	-	40,100,000	75,592,512	-	-	115,692,512
2039	-	-	42,300,000	72,364,904	-	-	114,664,904
2040	-	-	44,600,000	68,961,031	-	-	113,561,031
2041	-	-	47,035,000	65,371,688	-	-	112,406,688
2042	-	-	49,645,000	61,522,676	-	-	111,167,676
2043	-	-	52,435,000	57,396,602	-	-	109,831,602
2044	-	-	55,380,000	53,038,720	-	-	108,418,720
2045	-	-	91,900,000	47,085,662	-	-	138,985,662
2046	-	-	96,685,000	39,463,057	-	-	136,148,057
2047	-	-	101,725,000	31,443,324	-	-	133,168,324
2048	-	-	107,025,000	23,005,649	-	-	130,030,649
2049	-	-	112,600,000	14,128,407	-	-	126,728,407
2050	-	-	118,470,000	4,788,557	-	-	123,258,557
Total	$152,995,000	$198,363,238	$1,109,995,000	$2,959,298,939	$116,000,000	$122,336,183	$4,658,988,360

Numbers may not add to totals due to rounding.

The following table sets forth the gross debt service requirements for the Series 2010 Bonds net of capitalized interest and the Federal Subsidies. Debt service on the Series 2010 Bonds is shown in the table below in the year in which the same comes due.

Net Debt Service Requirements for the Series 2010 Bonds

	1	2	3 [1]-[2]	4	5 [3]-[4]
Year Ending December 31	**Gross Debt Service on Series 2010 Bonds[1]**	**Series 2010 Bonds Federal Subsidies**	**Debt Service Net of 2010 Federal Subsidies[2]**	**Capitalized Interest[3]**	**Debt Service Net of Federal Subsidies and Capitalized Interest**
2011	$ 70,253,117	$(23,290,920)	$46,962,197	$(46,962,197)	$ 0
2012	108,081,719	(35,832,185)	72,249,534	(72,249,534)	0
2013	108,081,719	(35,832,185)	72,249,534	(72,249,534)	0
2014	108,081,719	(35,832,185)	72,249,534	(72,249,534)	0
2015	108,081,719	(35,832,185)	72,249,534	(49,539,289)	22,710,244
2016	120,412,745	(35,832,185)	84,580,561	(2,115,224)	82,465,336
2017	114,917,291	(35,832,185)	79,085,106	-	79,085,106
2018	107,100,809	(35,832,185)	71,268,624	-	71,268,624
2019	107,100,809	(35,832,185)	71,268,624	-	71,268,624
2020	109,393,404	(35,832,185)	73,561,220	-	73,561,220
2021	114,765,213	(35,832,185)	78,933,028	-	78,933,028
2022	115,874,353	(35,634,564)	80,239,789	-	80,239,789
2023	115,009,687	(35,244,094)	79,765,593	-	79,765,593
2024	120,728,942	(34,724,515)	86,004,427	-	86,004,427
2025	122,115,961	(34,017,568)	88,098,393	-	88,098,393
2026	121,898,299	(33,232,770)	88,665,529	-	88,665,529
2027	121,120,597	(32,409,199)	88,711,398	-	88,711,398
2028	120,310,090	(31,556,396)	88,753,695	-	88,753,695
2029	119,913,932	(31,122,585)	88,791,348	-	88,791,348
2030	119,910,740	(31,122,585)	88,788,155	-	88,788,155

Year Ending December 31	Gross Debt Service on Series 2010 Bonds[1]	Series 2010 Bonds Federal Subsidies	Debt Service Net of 2010 Federal Subsidies[2]	Capitalized Interest[3]	Debt Service Net of Federal Subsidies and Capitalized Interest
2031	119,913,267	(31,122,585)	88,790,682	-	88,790,682
2032	119,913,265	(31,122,585)	88,790,681	-	88,790,681
2033	119,827,474	(30,993,647)	88,833,827	-	88,833,827
2034	119,334,992	(30,420,247)	88,914,745	-	88,914,745
2035	118,491,074	(29,507,126)	88,983,948	-	88,983,948
2036	117,609,773	(28,544,171)	89,065,602	-	89,065,602
2037	116,682,864	(27,528,502)	89,154,361	-	89,154,361
2038	115,692,512	(26,457,379)	89,235,132	-	89,235,132
2039	114,664,904	(25,327,716)	89,337,187	-	89,337,187
2040	113,561,031	(24,136,361)	89,424,670	-	89,424,670
2041	112,406,688	(22,880,091)	89,526,597	-	89,526,597
2042	111,167,676	(21,532,937)	89,634,739	-	89,634,739
2443	109,831,602	(20,088,811)	89,742,791	-	89,742,791
2044	108,418,720	(18,563,552)	89,855,168	-	89,855,168
2045	138,985,662	(16,479,982)	122,505,680	-	122,505,680
2046	136,148,057	(13,812,070)	122,335,987	-	122,335,987
2047	133,168,324	(11,005,164)	122,163,161	-	122,163,161
2048	130,030,649	(8,051,977)	121,978,672	-	121,978,672
2049	126,728,407	(4,944,942)	121,783,464	-	121,783,464
2050	123,258,557	(1,675,995)	121,582,562	-	121,582,562
Total	$4,658,988,360	$(1,104,872,881)	$3,554,115,479	$(315,365,312)	$3,238,750,167

Numbers may not add to totals due to rounding.

[1] From page 19.
[2] Total reflects gross debt service on the Series 2010 Bonds net of the scheduled Federal Subsidies on the Series 2010B Bonds (BABs) and the Series 2010C Bonds (New CREBs).
[3] Amounts deposited to the Capitalized Interest Subaccounts of the Bond Subfund, including anticipated investment earnings to be credited thereto.

The following table sets forth the net debt service requirements for the Series 2010 Bonds and the gross debt service requirements for the Series 2009 Bonds net of capitalized interest on all the Series 2009 Bonds and the federal interest subsidy on the Series 2009B BABs. Debt service on the Bonds is shown in the table below in the year in which the same comes due.

Net Debt Service Requirements for the Bonds

	1	2	3	4 [2]-[3]	5 [1]+[4]
Year Ending December 31	**Net Debt Service on Series 2010 Bonds[(1)]**	**Gross Debt Service on Series 2009 Bonds**	**Capitalized Interest and Federal Interest Subsidy on Series 2009 Bonds[(2)]**	**Net Debt Service on Series 2009 Bonds**	**Total Net Debt Service on Series 2009 Bonds and Series 2010 Bonds**
2011	$ 0	$39,971,678	$(39,971,678)	$ 0	$ 0
2012	0	39,971,678	(39,971,678)	0	0
2013	0	39,971,678	(39,971,678)	0	0
2014	0	39,971,678	(39,971,678)	0	0
2015	22,710,244	57,901,000	(41,421,826)	16,479,173	39,189,418
2016	82,465,336	48,723,953	(11,823,902)	36,900,051	119,365,387
2017	79,085,106	54,218,460	(11,004,761)	43,213,699	122,298,805
2018	71,268,624	63,230,773	(11,004,761)	52,226,012	123,494,636
2019	71,268,624	63,236,898	(11,004,761)	52,232,137	123,500,761
2020	73,561,220	59,715,136	(10,972,841)	48,742,295	122,303,515
2021	78,933,028	54,202,573	(10,837,238)	43,365,335	122,298,363
2022	80,239,789	52,974,002	(10,607,919)	42,366,083	122,605,872
2023	79,765,593	52,715,380	(10,348,439)	42,366,941	122,132,535
2024	86,004,427	46,147,390	(10,069,624)	36,077,766	122,082,193
2025	88,098,393	43,774,815	(9,772,141)	34,002,674	122,101,067
2026	88,665,529	42,155,903	(9,460,816)	32,695,087	121,360,616
2027	88,711,398	41,844,953	(9,136,734)	32,708,220	121,419,618
2028	88,753,695	41,508,774	(8,786,321)	32,722,453	121,476,148
2029	88,791,348	41,123,405	(8,408,192)	32,715,213	121,506,561
2030	88,788,155	40,734,156	(8,014,704)	32,719,451	121,507,606

Year Ending December 31	Net Debt Service on Series 2010 Bonds[1]	Gross Debt Service on Series 2009 Bonds	Capitalized Interest and Federal Interest Subsidy on Series 2009 Bonds[2]	Net Debt Service on Series 2009 Bonds	Total Net Debt Service on Series 2009 Bonds and Series 2010 Bonds
2031	88,790,682	40,319,185	(7,605,215)	32,713,970	121,504,652
2032	88,790,681	39,894,428	(7,178,300)	32,716,128	121,506,809
2033	88,833,827	39,445,110	(6,732,288)	32,712,821	121,546,648
2034	88,914,745	38,974,036	(6,266,413)	32,707,624	121,622,368
2035	88,983,948	38,491,050	(5,780,618)	32,710,433	121,694,381
2036	89,065,602	37,978,733	(5,274,057)	32,704,677	121,770,279
2037	89,154,361	37,444,829	(4,745,940)	32,698,889	121,853,250
2038	89,235,132	36,896,434	(4,195,252)	32,701,182	121,936,314
2039	89,337,187	36,310,969	(3,621,089)	32,689,880	122,027,067
2040	89,424,670	35,715,533	(3,022,437)	32,693,097	122,117,767
2041	89,526,597	35,082,063	(2,398,222)	32,683,841	122,210,438
2042	89,634,739	34,427,655	(1,747,429)	32,680,225	122,314,965
2443	89,742,791	33,748,763	(1,068,817)	32,679,946	122,422,737
2044	89,855,168	33,037,001	(361,200)	32,675,801	122,530,969
2045	122,505,680	-	-	-	122,505,680
2046	122,335,987	-	-	-	122,335,987
2047	122,163,161	-	-	-	122,163,161
2048	121,978,672	-	-	-	121,978,672
2049	121,783,464	-	-	-	121,783,464
2050	121,582,562	-	-	-	121,582,562
Total	$3,238,750,167	$1,481,860,073	($412,558,969)	$1,069,301,104	$4,308,051,271

Numbers may not add to totals due to rounding.

[1] From page 21.

[2] Total reflects gross debt service on the Series 2009 Bonds net of the scheduled Federal Subsidy on the Series 2009B BABs, capitalized interest on all Series 2009 Bonds, including anticipated investment earnings to be credited to the respective Capitalized Interest Subaccounts and proceeds of the Series 2010 Bonds to be used to pay the principal of the Series 2009A Bonds due February 15, 2015 and the principal of the Series 2009D Bonds maturing on due on December 15, 2011 through December 15, 2014, inclusive.

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 2016.

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. See APPENDIX A for the Project Shares of the Participants and their allocations in kW of the Cannelton, Smithland and Willow Island Projects.

THE THREE 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 Locks 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.

See APPENDIX G-1- "Consulting Engineer's Report – Description of the Projects" for a detailed description of the Projects.

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. See Appendix G-1 - "The Consulting Engineer's Report – Permitting and FERC License Compliance – Expiration of Licenses".

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 Permits for the Cannelton Project and the Smithland Project were received in June 2009 and November 2009, respectively, and construction has commenced on both Projects. The Section 404 Permit for the Willow Island Project was delayed owing to archeological investigations and approval of spoil disposal plans, but was issued by the Army Corps on December 3, 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. AMP received the Section 408 Approval for the Willow Island Project from the Army Corps on December 3, 2010, the same day it received the Section 404 Permit.

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.

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 contracts for the design and construction of the cofferdams for each Project. Construction on the cofferdam for the Cannelton Project is substantially complete and is expected to be completed at the Smithland Project in the spring of 2011. 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. Construction of the cofferdam for the Willow Island Project is expected to commence shortly after the issuance of its Section 404 Permit. As noted, the contract for the design and construction of the cofferdam has been awarded and design work is ongoing.

Contracts for the construction of the powerhouses at the Smithland and Willow Island Projects are being sent out for bid by AMP close in time to the date cofferdam construction is completed. AMP has awarded the powerhouse contract for the Cannelton Project.

Following a competitive bidding process conducted by AMP and MWH, in June 2008 AMP awarded Voith Hydro, Inc. ("*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 GmbH ("*Voith*"), with a workforce of around 3,600 employees and an order intake of almost €1.4 billion in the past business year.

On November 23, 2010, Voith issued a press release stating that irregularities in the accounting methods used by Voith Hydro had been detected and that the management team of Voith Hydro responsible for the affected financial years has been relieved of its duties pending the outcome of the ongoing review. According to the press release, revenues from multi-year projects were not appropriately accounted for on an accrual basis and the financial impact on Voith has been estimated by Voith to be less than $1.5 million for its fiscal year 2009.

On November 24, 2010, AMP's President and Chief Executive Officer and Senior Vice President of Finance and Chief Financial Officer met with the President and Chief Executive Officer of Voith Hydro, who is also a member of the Board of Management of Voith, and received assurances that these accounting irregularities will not adversely impact Voith Hydro's performance of its contracts with AMP for the turbines and generators for the Projects and the Meldahl Project (hereinafter mentioned).

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. AMP has executed a interconnection agreement with respect to the Cannelton Project and work on the physical interconnection has commenced. The interconnection requests for the Smithland and Willow Island Projects are currently under review.

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 ENGINEERS' REPORTS

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-1 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.

AMP also retained R.W. Beck, Inc, an SAIC Company, to prepare a report to assess whether the Participants can beneficially use their respective Project Shares (the "*Beneficial Use Report*"). The

Beneficial Use Report takes into account factors such as the Participants' existing loads, projected growth and participation in other AMP generation projects. The Beneficial Use Report is attached as APPENDIX G-2 hereto.

AMERICAN MUNICIPAL POWER, INC.

NONPROFIT CORPORATION

AMP was formed in 1971 as a nonprofit corporation under Ohio Revised Code Chapter 1702. 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.

As of November 1, 2010, AMP had 128 Members – 82 municipalities in Ohio, 30 boroughs in Pennsylvania, six 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 a municipal 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 initial letter. 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 another Ohio statewide municipal power organization. The Ohio Municipal Electric Association ("*OMEA*") is the legislative liaison for the state's municipal electric systems. 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.–Other 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. The facility is owned by AMP.

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 2009, the cost of power sold or arranged by AMP for its Members was approximately $740 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.

RELATIONSHIP WITH THE ENERGY AUTHORITY

AMP has contracted with The Energy Authority® ("*TEA*") to provide bilateral trading, risk control and RTO services for AMP's wholesale portfolio. TEA provides 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.

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 fossil fuel 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 Meldahl Project, AMP and its Members are currently pursuing the development of approximately 295 MW of additional run-of-the-river hydroelectric power at existing dams on the Ohio River. See "- Other *Hydroelectric Projects*" herein. 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. Specifically, AMP recently announced a collaboration with Standard Energy, Inc., an affiliate of Standard Solar, to develop up to 300 MW of solar over the next 25 years.

Energy Efficiency. In 2010, in connection with the Consent Decree relating to Gorsuch Station (each as hereinafter defined), AMP executed a 3-year contract with the Vermont Energy Investment Corp. ("*VEIC*") to implement a set of state-of-the-art energy efficiency services for AMP's Members. VEIC is a nationally recognized leader in developing energy efficiency programs. The executed contract will create an Ohio-based turnkey entity (i.e., emphasizing VEIC's technical expertise and financial incentives for Member customers) to provide a portfolio of energy efficiency services to all major retail customer classes (i.e., residential, commercial, and industrial) and is designed to achieve at least 70,000 MWh of energy savings over its initial term. The AMP/VEIC contract is performance-based which means a portion of VEIC's fee is at risk if the contract's performance targets are not met.

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. 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, as well as forestry projects. 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.

GOVERNANCE

AMP is governed by a Board of Trustees. The current Member Trustees and their representatives are shown on page ii 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 AMP's 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: Chair of the Board, Vice Chair, 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 immediate past Chairman of the American Public Power Association ("*APPA*") and a member of its Board of Directors. 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 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 University.

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, Prairie State Construction of AMP since November 2003. Previously, Mr. Marquis served as the administrator for the Columbus Division of Electricity and Vice Chair 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 a M.S. in Electrical Engineering from the University of Nebraska.

Dan Preising, P.E., also serves as a Vice President, Project Development of AMP. Mr. Preising joined AMP in July 2009, as Vice President of AMPGS Construction and became Vice President of Project Development in January 2010. He previously worked for the City of Orrville as director of Utilities, represented Orrville on the AMP Board of Trustees, and served Chair of the Board for five years. He is a registered professional engineer in Ohio with a Master of Business Administration from Baldwin-Wallace College and a bachelor's degree in Chemical Engineering from the University of Akron.

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, of AMP. Previously, Mr. Leach served as General Manager of AMPO Inc. 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 and in operations management, IT consulting and sales and banking

services for several national corporations. He holds a Bachelor of Science Degree in Business Management from Franklin University.

Michael Perry serves as Vice President of Generation Operations of AMP. In this capacity, Mr. Perry oversees all AMP operating generation assets, including hydroelectric operations, development and construction. Prior to joining AMP, he worked for the Electric System for the City of Hamilton for 14 years, including 10 years of service as the Director of the Electric Department. While he worked for Hamilton, he represented it on the AMP Board of Trustees for 10 years. He previously worked for the City of Columbus and AMP in various capacities. He holds a Bachelor 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 Project. 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 Project and the Combined Hydroelectric Projects. 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). AMP's Richard H. Gorsuch Generating Station ("*Gorsuch Station*") is a 1950's vintage 213 MW coal-fired, base load power plant located on the Ohio River near Marietta, Ohio. Gorsuch Station was originally built as a co-generation facility and today still supplies steam to several nearby industrial customers. As discussed below, AMP ceased Gorsuch Station electric generation operations on November 17, 2010. AMP is analyzing options for the future use of the Gorsuch Station site.

AMP purchased in 1988 a 69.24% undivided ownership interest in the electric generating facilities, now known as the Gorsuch Station, from Elkem Metals, Inc. ("*Elkem*"), an industrial metals company, and purchased Elkem's remaining interest in 1999. The power and energy associated with the Gorsuch Station, associated resources and replacement power are sold pursuant to take-and-pay power sales contracts to 48 of AMP's Members (the "*Gorsuch Participants*"). Under the Gorsuch power sales contracts, AMP may purchase or otherwise provide 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.

Under the Gorsuch power sales take-and-pay contracts, a Gorsuch Participant bears certain risks that include, but are not limited to, any: (a) regulatory risk, including obtaining and complying with necessary Environmental Protection Agency permits and the effects of any legislation resulting in limits on emissions that could increase the cost of operating Gorsuch Station, the cost of fuel, or significant additional capital expenditures to meet those requirements; (b) risks associated with the operation of Gorsuch Station, including fuel cost escalation and damage to Gorsuch Station in excess of insurance coverage; (c) risks of non payment by other Gorsuch Participants; and (d) risk that the power available and required to be purchased under the power sales contracts becomes uneconomical. The costs associated with these risks are recovered by AMP by increasing its rates for electricity delivered under the power sales contracts. Gorsuch Participants are also responsible for all Gorsuch Station closing costs, which AMP may determine to recover over some future period of time from the Gorsuch Participants.

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 future closing of Gorsuch Station. The 2008 Gorsuch Bonds were secured by a letter of credit issued by KeyBank National Association ("*KeyBank*") and the payment obligations of the Gorsuch Participants under the Gorsuch power sales contracts. In December 2009, $17,720,000 of scheduled principal payments were made on the 2008 Gorsuch Bonds, and, on January 21, 2010, AMP redeemed the outstanding balance of the 2008 Gorsuch Bonds with the unspent proceeds thereof and proceeds of two five-year Notes issued by AMP to KeyBank in an aggregate principal amount of $40,000,000 (the "*Gorsuch Term Notes*"). The Gorsuch Term Notes are payable in fifty-nine consecutive monthly installments, with the balance payable in full on December 15, 2014. The principal of the floating rate Gorsuch Term Notes is payable in equal monthly payments of principal plus accrued interest. AMP amended the two floating-to-fixed, cost of funds, interest rate swap agreements with KeyBank associated with the Gorsuch 2008 Bonds to match the principal amounts and variable interest rates on the Gorsuch Term Notes. The Gorsuch Term Notes are special non-recourse obligations of AMP and the principal of and the interest thereon are payable solely from the payments made by the Gorsuch Participants to AMP pursuant to the terms of the Gorsuch power sales contracts. As of November 1, 2010, $33,333,330 aggregate principal amount of the Gorsuch Notes was outstanding.

AMP ceased electric generation operations at Gorsuch Station on November 17, 2010. Previously, AMP had determined the project had a useful life through approximately 2012. The decision to cease operations early stems from the settlement reached with the U.S. Environmental Protection Agency ("*USEPA*") that resolves all issues related to a Notice of Violation (*NOV*) issued by the USEPA that alleged that certain work performed at the plant in 1981-1986 (before AMP had an interest therein), and in 1988-1991 (after AMP acquired an interest in the plant) should have triggered a "New Source Review." The settlement includes a binding obligation that AMP cease coal-fired generation operations at Gorsuch no later than December 31, 2012 and also requires AMP to spend $15 million on an environmental mitigation project over several years and pay a civil penalty of $850,000. The environmental mitigation project will be in the form of an energy efficiency initiative administered by VEIC pursuant to a contract with AMP. The initiative will include services for residential, commercial and industrial customers and will be designed to help participating AMP Members save 70,000 MWh over a set period. The terms of the settlement are embodied in the form of a federally-enforceable consent decree ("Consent Decree"). The Consent Decree has been approved by the United States District Court for the Southern District of Ohio.

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, Ohio (the largest participant), consisting of six 1.5 MW Caterpillar diesel units then 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, 2010, $33,445,000 principal amount of the AMP OMEGA JV2 bonds was outstanding. The debt is non-recourse to AMP. On October 25, 2010, AMP authorized a draw of up to $27,500,000 on its Line of Credit to make a loan to OMEGA JV2 for the purpose, and the OMEGA JV2 participants approved the use of the proceeds of the loan, together with other available funds, for redeeming, on or about January 1, 2011, the entire principal balance of the AMP OMEGA JV2 bonds due after January 1, 2011.

- *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, Ohio 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 Franklin County, Ohio, Court of Common Pleas of 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, 2010, $114,052,921 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, 2010, $5,416,000 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, Ohio (each of which is an AMP Member), 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, 2010, $11,285,000 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 them 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, 2010, $181,130,000 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 (81 Members). Until November 2009, AMP had been developing a twin unit, supercritical boiler, coal-fired, steam and electric generating facility to have an aggregate net rated electric generating capacity of approximately 940 MW, known as the American Municipal Power Generating Station ("*AMPGS*"), in Meigs County, in southeastern Ohio, on the Ohio River. AMPGS had been expected to enter commercial operation in 2014 at a total capital cost of approximately $3 billion. In the fourth quarter of 2009, however, the estimated capital costs increased by 37% and the EPC (engineer, procure and construct) contractor would not guarantee that the costs would not continue to escalate.

As a result, prior to the commencement of major construction at the project site, the 81 AMP Members that had subscribed for capacity from AMPGS ("*AMPGS Participants*") voted to cease development of AMPGS as a coal fired project. AMP had previously exercised options on approximately 900 acres of land for the proposed site for AMPGS. AMP studied various alternatives, including developing AMPGS as a natural gas combined cycle facility supplemented with market purchases and with the possibility of future enhancements for the project, such as biomass or other advanced energy technology. On August 19, 2010, the AMPGS Participants and the AMP Board determined to pursue a self-build natural gas combined cycle electric generation facility with a net rated electric generating

capacity of approximately 600 MW at the Meigs County site. The conversion provides AMP and the AMPGS Participants the ability to benefit from some of the previous development work as well as utilize the site. On September 1, 2010, AMP selected the team of Ramco and Burns and McDonnell to provide engineering, procurement and construction services for the combined cycle project.

As of December 31, 2009, AMPGS had been classified in AMP's consolidated financial statements as "plant held for future use." With the AMPGS Participants' decision related to the planned use of the Meigs County site, a portion of the AMPGS development costs will be reclassified to construction work-in-progress. To the extent that that other such costs incurred to date are not able to be used as part of a new project, these costs will be determined to be impaired and reestablished in AMP's financial statements as a "regulatory asset" to be recovered from the AMPGS Participants.

Following the settlement or other resolution of any contract or other claims by or against vendors and contractors related to AMPGS, AMP expects to recover the remaining costs associated with AMPGS from the AMPGS Participants pursuant to the terms of the take-or-pay power sales contract they executed in connection with the development of AMPGS. AMP does anticipate that any such costs that are not recovered as part of a replacement project would be financed by AMP and recovered from the AMPGS Participants over a period of years to be determined.

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 2010, engineering efforts were approximately 94% complete, construction efforts were approximately 48% complete, start-up activities were approximately 3% complete and overall efforts were approximately 49% 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 2008 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 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 provide temporary financing for certain 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 2009A Prairie State Bonds, the "*2009 Prairie State Bonds*") to finance additional PSEC project costs, fund capitalized interest on the Series 2009B and C Prairie State Bonds, fund deposits to a debt service reserve and pay the costs of issuance.

On September 29, 2010, AMP issued $300,000,000 aggregate principal amount of its Prairie State Energy Campus Project Revenue Bonds, Series 2010 (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "*Series 2010 Prairie State Bonds*" and, collectively with the 2008 Prairie State

Bonds and 2009 Prairie State Bonds, the "*Prairie State Bonds*") to finance additional PSEC project costs, fund capitalized interest on the Series 2010 Prairie State Bonds, fund deposits to a debt service reserve and pay the costs of issuance.

As of September 29, 2010, AMP estimated that the total capital costs of placing its PSEC Ownership Interest into service to be approximately $1.147 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 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.

Meldahl (48 Members) and Greenup (47 Members). AMP and the City of Hamilton, Ohio ("*Hamilton*"), an AMP Member, have agreed to jointly develop the Meldahl hydroelectric project (the "*Meldahl Project*"), a run-of-the-river generating facility to be located at the Captain Anthony Meldahl Locks and Dam on the Ohio River. The Meldahl Project is expected to have a generating capacity of approximately 105 MW when it enters commercial operation. Under the agreements between AMP and Hamilton (the "*AMP-Hamilton Agreements*"), AMP will own, and Hamilton will operate, the Meldahl Project. AMP and Hamilton hold, as co-licensees, the Federal Energy Regulatory Commission ("*FERC*") license necessary to operate the Meldahl Project. In April 2010, AMP received the last of the material permits required to commence construction and AMP broke ground on the Meldahl Project on June 29, 2010. The Meldahl Project is expected to enter into commercial operation in 2014.

As of November 12, 2010, AMP estimated the total capital cost of the Meldahl Project to be approximately $502.9 million. AMP expects to finance the cost of development and construction of the Meldahl Project through the issuance of approximately $667.5 million revenue bonds (the "*Meldahl Bonds*"), to be secured by a take-or-pay power sales contract with 48 Members, including Hamilton. Of the 79 Members participating in the Combined Hydro Project, 44 Members, including Cleveland, Ohio, Danville, Virginia and Paducah, Kentucky, among the Large Participants described in APPENDIX B, are also participants in the Meldahl Project.

On December 7, 2010, AMP issued $330,065,000 of Meldahl Bonds to finance a portion of the cost of the Meldahl Project. Prior to January 1, 2011, AMP intends to issue an additional series of Meldahl Bonds to finance the balance of the estimated cost of the Meldahl Project. Such bonds are anticipated to be issued as Build America Bonds, will initially bear interest at a variable LIBOR-based rate and will contain a provision permitting the holders thereof to tender such bonds prior to their conversion to a long-term fixed rate, subject to AMP's prior right of redemption.

In addition, upon the placement of the Meldahl Project into commercial operation, AMP has the right and obligation under the AMP-Hamilton Agreements to acquire a 48% undivided ownership interest in the 70.2 MW Greenup hydroelectric facility (the "*Greenup Project*"), an existing run-of-the-river generating facility on the Ohio River, for $139 million (the "*Greenup Purchase Price*"). The Greenup Project is currently owned and operated by Hamilton. Under the terms of the AMP-Hamilton Agreements, AMP must deliver the Greenup Purchase Price to Hamilton within 60 days after the date the Meldahl Project enters commercial operation. AMP intends to finance the Greenup Purchase Price through the issuance of revenue bonds to be secured by a separate take-or-pay power sales contract with 47 Members (the same Members (except Hamilton) that are participants in the Meldahl Project).

Other Hydroelectric Projects. AMP is also 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 and anticipates filing the License Application before April 1, 2011.

THE PARTICIPANTS

GENERAL

Each of the Participants is a Member of AMP. The Participants, together with their respective Project Shares, 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 Electric Plant Board of 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, Inc., an SAIC Company ("*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.

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 future generating resources that each Member has under contract with AMP. The future resources included the PSEC, the Combined Hydroelectric Projects, AMPGS, the Meldahl Project and the Greenup Project. 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 hydroelectric capacity (which consists of 105 MW from the Meldahl Project, the 70 MW Greenup 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 2010 Bonds involves certain investment considerations discussed throughout this Official Statement. Prospective purchasers of the Series 2010 Bonds should make a decision to purchase the Series 2010 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 2010 Bonds are payable solely from and secured solely by the Trust Estate pledged under the Indenture. The Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 AMP or any of the parties with which AMP has contracted under such agreements (including the Power Sales Contract) is involved as a debtor in a bankruptcy proceeding, the relevant agreement could be rejected resulting in a claim for damages against the party's estate with uncertain value. Such a damage claim could then be discharged. 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, the 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, subject to the availability of certain exceptions and defenses. 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.

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.

In almost all cases, political subdivisions, public agencies and instrumentalities must have specific statutory authorization under state law to constitute an eligible entity. Moreover, prior to initiating any Chapter 9 proceedings certain otherwise eligible entities must first participate in a state-

sponsored rehabilitation process before filing a Chapter 9 petition. See "- *Ohio Participants*" and "- *Michigan Participants*" herein.

Ohio Participants. The State Auditor is charged with monitoring the fiscal health of Ohio municipal corporations. On the request of a municipal corporation, or upon the occurrence of certain triggering events, such as casual general fund deficits exceeding a certain threshold, the State Auditor may place any municipal corporation in fiscal watch (*"Fiscal Watch*"). If a municipal corporation is placed on Fiscal Watch, the State Auditor will provide various administrative and technical expertise, at the state's expense, in an effort to alleviate the conditions which led to the Fiscal Watch.

Again, on the request of a municipal corporation, or upon the occurrence of certain more onerous triggering events, such as large general fund deficits or a default on debt obligations, the State Auditor may place a municipal corporation in fiscal emergency ("*Fiscal Emergency*"). If a Fiscal Emergency 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. Moreover, the Commission must approve the issuance of additional cashflow or long-term borrowing and may require the use of certain credit enhancements, such as the use of a fiscal agent to handle debt service payments, in connection with the issuance of such indebtedness.

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.

Michigan. Pursuant to the Local Government Fiscal Responsibility Act, the State Treasurer is charged with monitoring the fiscal health of certain Michigan political subdivisions, including cities and villages. The State Treasurer, upon the occurrence of certain financial conditions, at the request of a local government or the passage of a resolution requesting review by either of the houses of the Michigan Legislature, may commence a fiscal review of a local government to determine the existence of a potential financial emergency. The findings of such review are presented to the Governor, who must

determine whether a "local government fiscal emergency" exists. The Governor's review is informed by the findings and investigations of a review team appointed by the Governor.

If the Governor determines that a local government fiscal emergency exists, an emergency financial manager, to whom the Governor is to assign responsibility for managing the local government fiscal emergency following such a determination, is appointed by the local emergency financial assistance loan board of the State. The emergency financial manager is tasked with creating and implementing a financial plan to return the affected local government to firm fiscal footing. During the term of the appointment, the emergency financial manager has broad discretion to manage the financial affairs of the affected local government.

If the emergency financial manager, 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.

Virginia. The existing law of Virginia does not specifically authorize, as required by the Bankruptcy Code, its municipalities to file for bankruptcy under the Bankruptcy Act. Virginia does not have 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.

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 adopted regulations aimed at promoting the formation of regional transmission organizations ("*RTOs*"), which would be established as 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 filed, on behalf of its American Transmission Systems, Inc. subsidiary, 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. FERC accepted the proposed First Energy RTO realignment in an order issued December 17, 2009. First Energy will make additional filings in the future to address issues such as the conversion of existing transmission service.

On May 20, 2010, Duke announced that the Duke Ohio and Kentucky operating companies would withdraw from MISO and join PJM effective January 1, 2012. Duke submitted a filing on the proposed realignment to FERC on June 25, 2010. Duke acknowledged that there are many details that must be addressed to accomplish the RTO realignment and stated that it would address those issues in future filings. AMP intervened in the docket on behalf of its Members. On October 21, 2010, FERC conditionally accepted the companies' RTO realignment request, subject to the satisfaction of certain conditions.

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 are required to meet some or all of these standards. FERC has the authority to impose penalties of up to $1 million per day for each violation of a reliability standard.

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 addressed a wide array of energy matters affecting 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 provided 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 authorized 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 and if the facilities for which the permit is sought will significantly reduce transmission congestion in interstate commerce and protect or benefit consumers;. EPACT 2005 contained provisions designed to increase imports of liquefied natural gas and incentives to support renewable energy technologies. EPACT 2005 also extended 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.

Net-Metering. KRS 278.466, 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.

Recent Legislation. In recent years Kentucky has enacted several tax incentives for businesses and individuals to install renewable energy systems and to install energy efficiency products for residential and commercial properties. In 2008, Kentucky created the Kentucky Bluegrass Turns Green Program and established a public sector grant fund for engineered demand-side management projects in public sector buildings and a loan fund to provide low-interest loans to the private sector for engineered demand-side management projects in private sector buildings. These and other similar laws have the potential to reduce the amount of energy that consumers purchase.

2010 Legislation. Following are summaries of certain energy-related bills that were passed in the 2010 session of the Kentucky General Assembly and approved by the Governor. Each bill became law effective July 15, 2010. These provisions have no direct impact on Kentucky municipal power systems, except to the extent HB 240 and SB 132 may reduce consumer demand.

HB 240: This bill declares it to be public policy to maximize the use of energy efficiency measures in the construction, renovation, and maintenance of buildings owned or leased by the Commonwealth. This bill further establishes the Energy Efficiency Program for State Government Buildings to provide low cost/no cost energy conservation measures, engineering analyses, energy efficiency measures, building improvements and monitoring of results for state-owned or state- leased buildings.

HB 552: The bill expands incentives for approved companies for the production of alternative energy to include the production of energy-efficient alternative fuels.

HB 589: Allows a severance tax credit for natural gas or natural gas liquids used as feedstock at an alternative transportation facility. The bill also includes natural gas or natural gas liquids as a permissible feedstock for an alternative transportation facility, and establishes a minimum investment level of $1,000,000 for such facilities. Finally, the bill includes natural gas-derived liquid fuels in the definition of "alternative transportation fuels."

SB 132: This bill supports the construction of new school buildings and the renovation of existing school buildings to create a healthy environment for students and teachers while saving energy, resources and operational expenses. The bill also encourages the use of a life-cycle cost consideration of school design, construction, operation and maintenance in the initial decision-making process in order to lower operating costs and increased asset value, reduce waste sent to landfills, conserve energy and water, reduce storm drainage runoff and reduce emissions of greenhouse gases.

HB 28: This bill establishes a Water Transportation Advisory Board as an advisory body to the executive and legislative branches of government. The bill directs the Board to advise the Transportation Cabinet, the Cabinet for Economic Development, the Governor's Office and the General Assembly on matters relating to water transportation, recommend ways for the Commonwealth to make best use of its waterways and riverports for economic growth, and help define the duties and functions of positions within state government responsible for water transportation.

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.

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. With respect to services provided by alternative electric suppliers, no person shall provide delivery service or customer account service to a customer of a municipal electric utility without the written consent of the municipal utility, so long as the municipal utility allows all customers living outside its boundaries the option of choosing an alternative electric supplier.

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 filed plans for compliance with these new statutes in early 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: (a) 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 (b) pay up to 1.0% of a prior year's revenues to a independent energy optimization program administer selected by the Michigan Public Service Commission.

In 2009, Michigan enacted legislation which applied certain limitations on shut-off remedies to municipally owned utilities, with civil penalties for failure to comply. These limitations are similar to those imposed on investor owned utilities.

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 2000s. 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, the Governor 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 IOUs. 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 has completed the regulatory implementation of the legislation.

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 IOUs in Ohio to file electric security plans ("*ESPs*"). The IOUs each then have the option to file a market rate option. FirstEnergy is the only IOU that filed a market rate option and the PUCO has not yet approved its application All four IOUs are currently operating under ESPs. *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 they – 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 began 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 certification process to ensure that all of AMP's and 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 setting forth which renewable energy resource will qualify would be developed and would ultimately provide the best value for the renewable energy credit from AMP's existing and proposed renewable resources.*

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 began in 2009 and ultimately reach 22% by 2025. *This provision has no direct impact on Ohio municipal electric systems or AMP, as they – 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. The legislation and statute are clear that this provision applies only to utilities regulated by the PUCO. *Although not required to participate in the state-mandated programs, AMP has joined the Chicago Climate Exchange and is a partner in the Midwest Regional Carbon Sequestration Project.*

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, as amended, are 4% in 2010, 7% in 2016, 12% in 2022 and 15% in 2025. 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 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. House Bill 1646 was an energy-related bill that was passed in the 2009 session of the Virginia General Assembly, approved by the Governor, and became law effective July 1, 2009. It amended and reenacted § 9-7, as amended, of Chapter 657 of the Acts of Assembly of 1982. This bill revised the charter of the City of Danville, an AMP Member and Participant, by raising the amount of bonds which the city can issue without a referendum. Other changes gave the city greater flexibility in financing electric power transmission and distribution facilities.

2010 Legislation. Following are summaries of certain energy-related bills that were passed in the 2010 session of the Virginia General Assembly and approved by the Governor. Each bill became law effective July 1, 2010. *These provisions have no direct impact on Virginia municipal power systems, except (i) House Bill 27/Senate Bill 12, (ii) House Bill 672, and (iii) House Bill 1300/Senate Bill 128.*

House Bill 27/Senate Bill 12. This bill converts Bristol Virginia Utilities into a new authority, to be known as the BVU Authority, which will own and operate the electric and other utility facilities of the City of Bristol. It amends and reenacts Va. Code § 15.2-2160 and adds in Title 15.2 a chapter numbered 72, consisting of sections numbered 15.2-7200 through 15.2-7226.

House Bill 88. This bill authorizes electric cooperatives, upon a customer's request, to install and operate prepaid metering equipment and a system that will terminate electric service immediately and automatically when the customer has incurred charges for electric service equal to the amount prepaid by the customer. It amends and reenacts Va. Code § 56-247.1.

House Bill 92. This bill allows electric cooperatives to offer 100 percent green power in the form of renewable energy certificates for those members who wish to purchase them. It amends and reenacts Va. Code § 56-577.

House Bill 672. This bill creates the Virginia Infrastructure Project Loan Fund, which will be administered by the Virginia Resources Authority. Money in the Fund would be used exclusively for the financing of landfill gas energy projects and sewerage system or wastewater treatment projects, including those undertaken by a municipality to generate electric energy from gas generated at such facilities. The measure also specifies that a landfill gas energy project constitutes a "project" under the Virginia Resources Authority Act. It amends and reenacts Va. Code §§ 62.1-198 and 62.1-199 and adds in Title 15.2 a chapter numbered 24.3, consisting of sections numbered 15.2-2430 through 15.2-2440.

House Bill 1300/Senate Bill 128. This bill retains the authority of the Commonwealth's Air Pollution Control Board to provide for participation in the EPA-administered cap and trade system for NOx and SO_2 to the fullest extent permitted by federal law. However, the bill prohibits the Board from requiring that electric generating facilities located in a nonattainment area, including those operated by a municipality, meet NOx and SO_2 compliance obligations without the purchase of allowances from in-state or out-of-state facilities. It amends and reenacts Va. Code § 10.1-1328.

Senate Bill 110. This bill expands the authority given to localities to provide loans for the initial acquisition and installation of clean energy improvements, such as distributed generation renewable energy sources and energy efficiency improvements. Specifically, it gives localities the power to place liens equal in value to the loan against any property where such clean energy systems are being installed. It further allows the locality to bundle the loans for transfer to private lenders in such a manner that would allow the liens to remain in full force to secure the loans. It amends and reenacts Va. Code § 15.2-958.3.

Senate Bill 645. This bill prohibits the State Corporation Commission from approving an agreement between a local governing body and an electric utility for the underground installation of an electric transmission line of at least 150 kilovolts if a feasible overhead alternative exists, unless all localities in which the line passes request that the line be installed underground. It amends and reenacts Va. Code § 15.2-2404.

Significant Legislation Carried over to the 2011 Session. Following are summaries of certain energy-related bills that were carried over to the 2011 session of the Virginia General Assembly. *These proposals in their current form would have no direct impact on Virginia municipal power systems.*

House Bill 327. This bill would establish an energy efficiency standard under which investor-owned electric utilities are required to reduce the consumption by their retail customers in the Commonwealth, through implementation of energy efficiency and conservation programs. By 2026, electric consumption would have to be reduced by 19 percent less than the consumption level currently projected for such year. Between 2011 and 2026, utilities would be required to meet interim benchmarks established by the State Corporation Commission.

House Bill 675. This bill would require the State Corporation Commission, as a condition of approving the construction of an underground or overhead transmission line, to establish certain conditions to minimize adverse environmental impact and the aesthetic appearance of the right-of-way.

House Bill 1236. This bill would require investor-owned electric utilities and natural gas distribution companies to provide information to customers to support and encourage conservation actions. The bill would require the State Corporation Commission to determine the type of information and issue guidelines indicating what information is to be (i) included with customers' periodic bills, (ii) sent annually to customers in reports, and (iii) made accessible to customers on the Internet.

House Bill 1274/Senate Bill 647. This bill would require standing committees of the General Assembly to request that the State Corporation Commission or the Joint Legislative Audit and Review Commission prepare an assessment of the economic impact, on customers and public utilities in the Commonwealth, of any proposed state law or other mandate that affects the use, delivery, availability or regulation of energy in the Commonwealth. The assessment would be required to be completed within 24 months.

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 and Renewable 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"). The Legislature later amended the Act with passage of HB408 and SB350 on November 19, 2009 and March 13, 2010, respectively. 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.

The Act did not extend its portfolio requirements to AMP, as "electric utility" was limited to generators and distributors selling electricity to retail customers in the state. Also excluded from the statutory definition were West Virginia municipally-owned electric facilities, rural electric cooperatives, and utilities serving less than 30,000 residential customers. However, the Act mandated that the WVPSC initiate a proceeding to consider, among other things, adopting, by rule, portfolio requirements for such entities.

On November 5, 2010, the WVPSC issued its final Rules Governing Alternative and Renewable Energy Portfolio Standards (the "Final Rules"). Pursuant to the Final Rules, West Virginia municipally-owned electric facilities, rural electric cooperatives, and utilities serving less than 30,000 residential customers are included in the definition of "electric utility" and, therefore, are subject to the portfolio requirements of the Act. The WVPSC did not, however, extend the requirements to generators and distributors that do not sell electricity to retail customers, such as AMP.

Alternative and Renewable Energy Credits. The Act also required the creation of a system of tradeable credits to establish, verify and monitor the generation and sale of alternative and renewable energy mandated under the Act's portfolio standards. A utility would receive one credit for each megawatt hour of alternative energy generated or purchased and two credits for each megawatt hour of renewable energy generated or purchased. The provision allowing for the award of credits based on a utility's generation or 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 the Final Rules discussed above, the WVPSC also set forth its rules for the credit trading system. Under the Final Rules, to receive a renewable energy credit, the electricity must be generated at a renewable energy resource facility approved and certified by the WVPSC. To be certified, the facility must, among other things, operate within the PJM Region. Importantly, the Final Rules also extend eligibility for the award of credits beyond electric utilities to qualifying nonutility generators of electricity, such as AMP. With their inclusion in the definition of "electric utility," West Virginia municipally-owned electric facilities, rural electric cooperatives, and utilities serving less than 30,000 residential customers also are eligible to be awarded credits.

Emissions Reductions and Energy Efficiency Standard. The Act also provided 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. With their inclusion in the definition of "electric utility" under the Final Rules, West Virginia municipally-owned electric facilities, rural electric cooperatives, and utilities serving less than 30,000 residential customers are eligible for such credits. The WVPSC chose, however, not to extend eligibility for these credits to nonutility generators, such as AMP.

Net metering. On June 30, 2010, the WVPSC adopted final rules pursuant to the Act establishing procedures relating to net metering arrangements and the interconnection of eligible electric generating facilities (the "Net Metering Rules"). Among other things, the Net Metering Rules limit the maximum nameplate capacity that may be contributed by residential Customer-generators, commercial Customer-generators, and industrial Customer-generators to 25 kilowatts, 500 kilowatts and 2 megawatts, respectively. Significantly, the rules define West Virginia municipally-owned electric facilities, rural electric cooperatives, and utilities serving less than 30,000 residential customers as "electric utilities," thereby requiring that they must offer net metering to Customer-generators. However, such entities are not obligated to offer net metering to Customer-generators with nameplate capacity exceeding 50 kilowatts.

Special rates for energy intensive industrial consumers. In an effort to retain and attract certain energy–intensive industries to the State, the West Virginia Legislature passed SB656 on March 9, 2010. The legislation authorized the WVPSC to establish special rates for energy-intensive industrial consumers of electric power. Qualifying industrial consumers must first attempt to negotiate with their utility a joint filing requesting such rates. If agreement is not reached, then the consumer may submit a petition to the WVPSC for the special rate. To qualify for a special rate, a consumer must, among other things, have a contract demand of at least 50,000 kW of electric power under normal operating conditions; create or retain at least 25 full-time jobs in the State; invest at least $500,000 in fixed assets in the State; and demonstrate that without the special rate, the facility is not economically viable. The legislation tasks the WVPSC with determining whether the excess revenue or revenue shortfall caused by the special rate should be allocated among the utility's other customers.

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 2010 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 2010 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 2010 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 2010 Bonds to provide, on an annual basis, by November 30 of each year, commencing with the report for AMP fiscal year ended December 31, 2010, 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 2010 Bonds. Pursuant to Securities and Exchange Commission Rule 15c2-12 (as the same may be amended from time to time, "*Rule 15c2-12*"), 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. The notices of such material events will be filed by or on behalf of AMP with the MSRB. 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 2010 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 2010 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 and Global Settlement Procedures" herein, upon initial issuance, the Series 2010 Bonds will be issued in book-entry-only form through the facilities of DTC, and the ownership of one fully registered Series 2010 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 and Global Settlement Procedures" herein.

AMP has not in the past five years failed to comply, in any material respect, with any of its existing continuing disclosure undertakings pursuant to Rule 15c2-12.

UNDERWRITING

BMO Capital Markets GKST Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated (as Joint Bookrunning Senior Managers and referred to herein as the "*Underwriters*") have agreed to purchase all of the Series 2010 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 $10,320,661 from the initial public offering price or yield on the inside cover of this Official Statement. The Series 2010 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 2010 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.

J.P. Morgan Securities LLC ("*JPMS*") has entered into negotiated dealer agreements (each, a "*Dealer Agreement*") with each of UBS Financial Services Inc. ("*UBSFS*") and Charles Schwab & Co., Inc. ("*CS&Co.*") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2010 Bonds from JPMS at the original issue price, less a negotiated portion of the selling concession applicable to any Series 2010 Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, one of the Underwriters of the Series 2010 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 2010 Bonds.

RATINGS

The Series 2010 Bonds have been rated "A" by Fitch Inc., "A3" by Moody's Investors Service Inc. ("*Moody's*") and "A" by Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("*S&P*"). The Series 2010 Insured Bonds are expected to be assigned ratings of "Aa3" (negative outlook) by Moody's and "AA+" (stable outlook) by S&P, based upon the issuance of the Policies by AGM at the time of delivery of the Series 2010 Bonds.

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 2010 Bonds. AMP has not undertaken any responsibility after issuance of the Series 2010 Bonds to assure the maintenance of the ratings applicable thereto or to oppose any revision or withdrawal of such ratings.

TAX MATTERS

SERIES 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 Bonds who purchase their Series 2010 Bonds in the original offering at the original offering price, and who hold their Series 2010 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 2010 Bonds. In particularly, this discussion does not address any tax consequences applicable to a partner in a partnership holding Series 2010 Bonds. If a partnership holds Series 2010 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 2010 Bonds should consult his or her own tax advisor.

This summary only addresses Series 2010 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 2010 Bond before determining whether to purchase Series 2010 Bonds.

In this discussion, the term "U.S. Holder" means a beneficial owner of Series 2010 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 2010 Bonds that is not a U.S. Holder.

U.S. Holders

Interest on Series 2010 Bonds. Payments of interest on the Series 2010 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.

Original Issue Discount. The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Series 2010 Bonds issued with original issue discount ("*Discount Bonds*"), if any. The following summary is based upon final Treasury regulations (the "*OID Regulations*") released by the Internal Revenue Service (the "*IRS*") under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a *de minimis* amount (generally 1/4 of 1% of the bond's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of each maturity of the Series 2010 Bonds equals the first price at which a "substantial amount" of such maturity has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Series 2010 Bond is the sum of all payments provided by such Series 2010 Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a Series 2010 Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting), as described above.

A U.S. Holder of a Discount Bond must include original issue discount in income as ordinary income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of a Discount Bond is the sum of the daily portions of original issue discount with respect to such Discount Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder holds such Discount Bond. The "daily portion" of original issue discount on any Discount Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length, over the term of the Discount Bond, provided that each accrual period is no longer than one year and that each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period), and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases a Discount Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Discount Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Discount Bond at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount that such U.S. Holder must include in its gross income with respect to such Discount Bond for any taxable year (or portion thereof in which the U.S. Holder holds the

Discount Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Market Discount. If a U.S. Holder purchases a Series 2010 Bond, other than a Discount 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) or, in the case of a Discount Bond, for an amount that is less than its revised issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Series 2010 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 2010 Bond generally equals its issue price, increased by the amount of any original issue discount that has been accrued on such Series 2010 Bond and decreased by the amount of any payments previously made on such Series 2010 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 (or, in the case of a Discount Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Series 2010 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 2010 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 2010 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 2010 Bond with market discount until the maturity of such Series 2010 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 2010 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 2010 Bond for an amount that is greater than the sum of all amounts payable on such Series 2010 Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased such Series 2010 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 2010 Bond and may offset interest otherwise required to be included in respect of such Series 2010 Bond during any taxable year by the amortized amount of such premium for the taxable year. However, if a Series 2010 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 2010 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 2010 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 2010 Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder's tax basis in the Series 2010 Bond and (B) the sum of all amounts payable on such Series 2010 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 2010 Bond and (Y) the sum of all amounts payable on such Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 Bonds. Except as discussed above, upon the sale, exchange, redemption or retirement of a Series 2010 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 2010 Bond and such U.S. Holder's adjusted tax basis in such Series 2010 Bond. A U.S. Holder's adjusted tax basis in a Series 2010 Bond generally will equal such U.S. Holder's initial investment in the Series 2010 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 2010 Bond. Such gain or loss generally will be long term capital gain or loss if the Series 2010 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 2010 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 2010 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 2010 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 2010 Bonds that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2010 Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Series 2010 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 2010 Bonds whose income from such Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010B Bonds (BABs).

Although the Series 2010B 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 2010B Bonds (BABs). UNDER NO CIRCUMSTANCES WILL THE OWNERS OF THE SERIES 2010B BONDS (BABS) RECEIVE OR BE ENTITLED TO A CREDIT AT ANY TIME AGAINST THE TAX IMPOSED BY THE CODE.

Owners of Series 2010C Bonds (New CREBs).

Although the Series 2010C Bonds (New CREBs) will be issued as "New Clean Renewable Energy Bonds," as permitted by the HIRE Act, AMP will elect to receive a cash subsidy payment from the United States Treasury equal to seventy percent (70%) of the interest payable by AMP on the Series 2010C Bonds (New CREBs). UNDER NO CIRCUMSTANCES WILL THE OWNERS OF THE SERIES 2010C BONDS (NEW CREBs) RECEIVE OR BE ENTITLED TO A CREDIT PURSUANT TO SECTION 54(A) OF THE CODE AT ANY TIME AGAINST THE TAX IMPOSED BY THE CODE.

OHIO TAX CONSIDERATIONS

In the opinion of Peck, Shaffer & Williams LLP, Bond Counsel, interest on all the Series 2010 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 2010 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 2010 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 2010 Bonds.

Certain federal tax matters regarding the Series 2010 Bonds will be passed upon for AMP by Sidley Austin LLP, Federal Tax Counsel. The forms of its opinions regarding the Series 2010 Bonds is 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 2010 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 2010 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.

OTHER FINANCING

On December 7, 2010, AMP issued $330,665,000 of its Meldahl Bonds referred to under "AMERICAN MUNICIPAL POWER, INC. - Other Projects – *Meldahl and Greenup*". Forty-four of the 79 AMP Members that are Participants in the Projects and have subscribed for Project Shares approximately equal to 159.2 MW are also parties to the power sales contract for AMP's Meldahl Project and have project shares approximately equal to 48.7 MW in the Meldahl Project. See "AMERICAN MUNICIPAL POWER, INC. – OTHER PROJECTS – *Meldahl and Greenup.*" Prior to January 1, 2011, AMP intends to issue issue an additional series of Meldahl Bonds in an aggregate principal amount not exceed $375 million to finance the balance of the estimated cost of the Meldahl Project.

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 2010 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.

APPENDIX B

INFORMATION ON THE LARGE PARTICIPANTS

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 Project 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 http://www.auditor.state.oh.us. Furthermore, Cleveland has had a separate annual audit prepared of the results of the operations of its Electric System, and such audit is also available on line with the Ohio Auditor of State. Danville, Virginia has posted its recent annual audits online at http://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.

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, which ended 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.

Pursuant to AMP's Continuing Disclosure Agreement, AMP will undertake to update the financial information and operating data provided in this Appendix B with respect to such Large Participants. See APPENDIX G – "PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING."

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SECTION I

LARGE PARTICIPANTS' PEAK DEMAND AND PROJECT SHARES

PARTICIPANT	2009 PEAK DEMAND (Kilowatts)	PROJECT SHARES (Kilowatts)	PROJECT SHARES (Percent)	CUMULATIVE PROJECT SHARES (Percent)
1. Cleveland, Ohio	289,600	35,000	16.83%	16.83%
2. Danville, Virginia	217,572	22,085	10.62	27.44
3. Bowling Green, Ohio	99,115	19,987	9.61	37.05
4. Paducah, Kentucky	145,776	7,550	3.63	40.68
5. Cuyahoga Falls, Ohio	99,377	7,295	3.51	44. 19
6. Coldwater, Michigan	55,565	6,496	3.12	47.31
TOTAL	907,005	98,413	47.32%	

SECTION II

LARGE PARTICIPANTS' INFORMATION

CLEVELAND, OHIO

Project Rank	1
Project Share	16.83%
Municipality Established	1796
Electric System Established	1906
County	Cuyahoga
Basis of Accounting	Accrual
2009 Peak Demand (kW)	289,600

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 19-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 in January 2014. The table below set forth historical population figures for Cleveland since 1990.

YEAR	POPULATION
1990	505,616
2000	478,403
2009	431,363 (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

2007	2008	2009
$146,198,000	$129,921,000	$128,318,820

Source: City of Cleveland Official Statement , April 2010 for 2007-2008, City of Cleveland CPP for 2009

ASSESSED VALUATION

2007	2008	2009
$6,114,332,000	$5,937,459,000	$5,513,219,000

Source: City of Cleveland Official Statement, April 2010 pg. A-28

UNEMPLOYMENT

2007	2008	2009	2010*
7.6%	8.9%	11.1%	12.1%

Source: City of Cleveland Official Statement, April 2010 (for 2007 and 2008; Ohio Labor Market Information, http://lmi.state.oh.us/ (for 2009 and 2010)
*As of August 2010, 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 2009, 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 18.9% of CPP's revenue in 2009.

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 2009, 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 projects are each consist of hydroelectric generation projects, including the Projects, and are expected to be completed and operational in 2014 and 2015.

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 the Cleveland Museum of Art, the Cuyahoga County Juvenile Court & Detention Center, Expedient Communications, the Hanna Theater, Ohio Technical College, Pierre's Ice Cream, Veteran's Development, and National Plating. 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, small commercial, and large commercial customers are approximately 2.22%, 23.07% and 5.2%, 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 each of the last six years.

In 2009, the Cleveland electric system served 74,850 residential, commercial and industrial customers. The following table lists the City's five largest customers by energy purchased in 2009 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (2009)	% of Total System Revenues
1. The Medical Center Co.	Consortium of Various Facilities	255,829,957	9.43%
2. Cargill, Inc	Salt Mining	35,626,207	2.11
3. NEORSD – Easterly	Sewage Facility	25,615,588	1.34
4. Cleveland Browns Stadium	Professional Football	18,607,431	1.25
5. Cleveland Thermal – Lakeside Ave.	Commercial Heating and Air Conditioning	14,729,348	0.96

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

	Cleveland ($000) 2007	2008	2009
Revenue			
Power Sales	$155,171	$158,106	$155,865
Other Income	4,061	2,118	169
Total Revenue	159,232	160,224	156,034
Operating Expense*			
Power Costs	83,523	86,850	90,550
O&M Expense	36,892	37,311	37,886
Total Operating Expense	120,415	124,161	128,436
Net Revenue Available for Debt Service	38,817	36,063	27,598
General Obligation Debt Service		-	-
Revenue Debt Service	17,011	18,483	19,625
Depreciation	17,056	17,682	17,785
Net Non-Operating Revenue (Excl. Interest Exp.)	(98)	2,680	(334)
Net Transfers	-	-	-
Net Assets 1/1	186,575	197,178	205,779
Net Assets 12/31	197,178	205,779	203,679
Year End Balance			
General Obligation Bonds	-	-	-
Revenue Bonds	194,260	261,301	255,623

* 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. In September 2010, the City issued $23,915,000 in public power system revenue bonds and from the proceeds refunded $26,425,000 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 2010 through 2012.

DANVILLE, VIRGINIA

Project Rank	2
Project Share	10.62%
Municipality Established	1793
Electric System Established	1886
County	N/A
Basis of Accounting	Accrual
2009 Peak Demand (kW)	217,572

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
2009	44,400 (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

2007	2008	2009
$50,274,554	$61,390,113	$27,659,787

Source: City of Danville

ASSESSED VALUATION

2007	2008	2009
$2,497,659,386	$2,531,311,088	$2,664,746,381

Source: City of Danville

UNEMPLOYMENT

2007	2008	2009	2010*
7.3%	9.2%	13.4%	14.0%

Source: Virginia Workforce Connection;
https://www.vawc.virginia.gov/
* As of August 2010, 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 Utilities Director, manages the Electric System. The Electric System serves a community covering approximately 500 square miles, which includes the City of Danville, and portions 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 17 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 kW back-up diesel generator at its water treatment plant and a 150 kW mobile generator for the pump stations. In fiscal year 2009, the Danville electric system employed 116 people.

In 2009, the Danville Electric System served 38,335 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 2009 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (fiscal 2009)	% of Total System Revenues
1.Intertape	Clear Tape Manufacturer	62,549,100	4.55%
2.Danville Regional Med	Hospital	25,150,464	1.95
3.Nestle	Food Processing	22,344,640	1.69
4.Swedwood	Furniture Manufacturer	20,524,431	1.61
5.Shorewood Packaging	Manufacturer of Cardboard Boxes	11,963,054	0.93

In 2009, the electric system also provided the City of Danville with 23,347,797 kWh for general municipal purposes.

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.

	Danville ($000) 2007	2008	2009
Revenue			
Power Sales	$88,910	$90,182	$98,950
Other Income	-	-	-
Total Revenue	88,910	90,182	98,950
Operating Expense*			
Power Costs	61,233	62,566	69,843
O&M Expense	7,075	7,870	8,716
Total Operating Expense	68,308	70,436	78,559
Net Revenue Available for Debt Service	20,603	19,746	20,391
General Obligation Debt Service	1,979[(a)]	2,129	2,251[(b)]
Depreciation	3,915	4,049	5,498
Net Non-Operating Revenue (Excl. Interest Exp.)	4,098	2,681	1,848
Net Transfers	(8,524)	(9,063)	(9,063)
Net Assets 7/1	120,314	131,794	141,150
Net Assets 6/30	131,794	141,150	149,438
Year End Balance			
General Obligation Bonds[(1)]	19,558[(a)]	19,221	27,319[(b)]

* Excluding Depreciation.

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

(b) The City of Danville issued $9.8 million of GO Bonds to fund capital improvements in fiscal year 2008-2009.

BOWLING GREEN, OHIO

Project Rank	3
Project Share	9.61%
Municipality Established	1833
Electric System Established	1942
County	Wood
Basis of Accounting	Accrual
2009 Peak Demand (kW)	99,115

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
2009	28,775 (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 2009, sales to Tontogany totaled $351,433, or approximately 0.89 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 2009, 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 2009, 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, 2009, the OMEGA JV5 Beneficial Interest Certificates ("*BICs*") were outstanding in the amount of $117,598,609, of which the City's share is $18,502,181. 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. The City met its debt coverage obligation for 2006, 2007, 2008 and 2009.

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 2010 through 2012.

In 2009, the Bowling Green electric system served 14,575 residential, commercial and industrial customers. The following table lists the City's five largest customers by energy purchased in 2009 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (2009)	% of Total System Revenues
1. Bowling Green State University	Higher Education	79,603,500	14.98%
2. Southeastern Container	Manufacturing	60,980,000	11.28
3. Cooper Standard Automotive	Manufacturing	19,614,600	4.04
4. Phoenix Technologies	Manufacturing	15,582,948	3.02
5. Toledo Molding & Die	Manufacturing	11,582,400	2.58

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

2007	2008	2009
$21,470,634	$74,480,726	$1,790,543

Source: Wood County Auditor's Office

ASSESSED VALUATION

2007	2008	2009
$523,952,438	$514,754,046	$504,973,630

Source: Ohio Municipal Advisory Council

UNEMPLOYMENT

2007	2008	2009	2010*
4.3%	5.3%	8.3%	7.9%

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

*As of August 2010, 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)		
	2007	2008	2009
Revenue			
Power Sales	$36,369	$34,419	$38,439
Other Income	1,516	908	888
Total Revenue	37,885	35,327	39,327
Operating Expense*			
Power Costs	26,294	24,483	31,888
O&M Expense	3,953	4,899	4,056
Total Operating Expense	30,247	29,382	35,944
Net Revenue Available for Debt Service	7,638	5,945	3,383
General Obligation Debt Service	84	82	80
OMEGA JV5 Debt Service[(a)]	1,659	1,660	1,657
OMEGA JV2 Debt Service[(a)]	681	679	702
OMEGA JV6 Debt Service[(a)]	486	577	577
Revenue Debt Service	2,308	1,096	595
Depreciation	1,142	1,141	1,146
Net Non-Operating Revenue (Excl Interest Exp.)	(416)	(9)	(224)
Net Transfers	-	-	-
Net Assets 1/1	17,632	22,852	27,480
Net Assets 12/31	22,852	27,480	29,394
Year End Balance			
General Obligation Bonds	611	550	490
OMEGA JV2	6,904	6,516	6,110
OMEGA JV6	4,407	3,935	3,403
Bond Anticipation Notes	4,216	3,266	2,886

* Excluding depreciation.

(a) OMEGA JV debt service is included in Power Costs, recovered through Bowling Green's PCA.

On November 23, 2010, AMP issued, on behalf of the City, a Bond Anticipation Note (BAN) in the principal amount of $1,905,000 that, together with $981,000 provided by the City, was applied to pay at its maturity a previously issued AMP BAN in the principal amount of $2,886,000. The new AMP BAN bears interest at the rate of 1.50% per annum and is stated to mature on November 22, 2011. In addition, on March 18, 2010 AMP issued on behalf of the City, a new BAN in the principal amount of $570,000. The note bears interest at the rate of 2.00% and is stated to mature on March 17, 2011.

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 2007 through 2009 are as follows:

Year	Discount Awarded
2007	$1,500,451
2008	1,194,339
2009	444,437

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. This discount program ends December 31, 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
2009 Peak Demand (kW)	145,776

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
2009	25,721 (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 regional retail sales center.

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

BUILDING PERMITS

2007	2008	2009
$57,675,843	$34,464,789	$38,788,724

Source: Paducah Electric Plant Board

ASSESSED VALUATION

2007	2008	2009
$1,422,549,000	$1,457,284,000	$1,451,199,318

Source: Paducah Electric Plant Board 2007 and 2008, 2009 per McCracken County Property Valuation Administrator.

UNEMPLOYMENT

2007	2008	2009	2010*
5.0%	5.9%	8.9%	8.7%

Source: www.workforcekentucky.ky.gov
*As of August 2010, 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 (the "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. Said 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 were purchased from the Tennessee Valley Authority ("TVA") under a ten-year contract between the Board and TVA which became effective October 1, 1997. The contract was cancellable with five years prior written notice. The Board provided TVA with its cancellation notice on December 31, 2004 and the contract terminated December 21, 2009. The Board then began purchasing through multiple counterparty arrangements, with power scheduled through AMP. 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.

On January 29, 2009 the Board issued $161,730,000 of exempt special revenue bonds and $8,525,000 of taxable special revenue bonds to finance construction of a peaking plant to provide electric service to the community during times of peak energy consumption. The construction of these peaking units was completed in May 2010.

The Board has total assets of $224,530,679 with 895 miles of line with 25 customers per mile and an average residential usage of 1,066 kWh per month.

In fiscal year 2009, the Board served 22,488 residential, commercial and industrial customers.

The following table lists the Board's five largest customers by energy purchased in 2009 and as a percentage of total system revenues during the year.

Customer	Type of Business	kWh Purchased (2009)	% of Total System Revenues
1. Western Baptist Hospital	Health Care	37,362,770	5.24%
2. Lourdes Hospital	Health Care	26,773,355	3.68
3. Infiniti Plastic Tech Inc.	Plastic Manufacturing	11,946,000	1.55
4. Walmart Stores, Inc.	Retail	10,512,003	1.43
5. H.B. Fuller, Co.	Manufacturing	9,616,800	1.46

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

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

	2007	2008	2009
Revenue			
Power Sales	$48,502	$52,960	$58,557
Other Income	1,232	1,308	1,524
Total Revenue	49,734	54,267	60,081
Operating Expense*			
Power Costs	38,758	41,398	47,564
O&M Expense	7,100	7,300	7,492
Total Operating Expense	45,858	48,698	55,056
Net Revenue Available for Debt Service	3,875	5,569	5,025
Revenue Debt Service	891	921	7,289
Depreciation	2,482	2,684	2,743
Net Non-Operating Revenue (Excl. Interest Exp.)	313	220	554
Net Transfers	-	-	-
Net Assets 7/1	36,645	37,828	40,396
Net Assets 6/30	37,828	40,396	42,343
Year End Balance			
Revenue Bonds	10,494(a)	10,142	170,294(b)

* Excluding depreciation.

(a) In August 2006 the System issued $6 million in Bond Anticipation Notes for capital construction projects secured by the System's assets

(b) In January 2009 the System issued $161.73 million of exempt special revenue bonds and $8.525 million of taxable special revenue bonds to finance construction of a peaking plant to provide electric service to the community during times of peak energy consumption.

CUYAHOGA FALLS, OHIO

Project Rank	5
Project Share	3.51%
Municipality Established	1812
Electric System Established	1888
County	Summit
Basis of Accounting	Accrual
2009 Peak Demand (kW)	99,377

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 strong 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
2009	51,095 (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

2007	2008	2009
$54,225,676	$35,560,691	$29,827,578

Source: City of Cuyahoga Falls

ASSESSED VALUATION

2007	2008	2009
$1,056,780,848	$1,048,616,170	$1,022,700,960

Source: Ohio Municipal Advisory Council

UNEMPLOYMENT

2007	2008	2009	2010
4.9%	5.6%	9.1%	8.9%

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

* As of August 2010, 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. 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 was in compliance with this debt covenant obligation in 2009.

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 2010 through 2012.

In 2009, Cuyahoga Falls electric system served approximately 24,601 residential, commercial and industrial customers. The following table lists the City's five largest customers by energy purchased in 2009 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (2009)	% of Total System Revenues
1. GoJo Industries	Hand Cleaners	12,168,034	2.15%
2. Struktol International	Process Additives for Rubber and Plastic Industry	10,407,201	3.66
3. Associated Materials	Vinyl Window, Doors	9,842,400	1.62
4. Summa Western Reserve Hospital	Health Care	9,783,600	1.99
5. SGS Tools	Precision Ground Tools	8,621,199	1.73

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)		
	2007	2008	2009
Revenue			
Power Sales	$34,647	$33,758	$36,706
Other Income	1,366	773	479
Total Revenue	36,013	34,531	37,185
Operating Expense*			
Power Costs	20,241	22,353	25,285
O&M Expense	11,521	11,770	10,878
Total Operating Expense	31,763	34,123	36,163
Net Revenue Available for Debt Service (a)	4,250	408	1,022
General Obligation Debt Service	377	376	379
OMEGA JV5 Debt Service (a)	1,757	1759	1755
OMEGA JV2 Debt Service(a)	355	354	366
OMEGA JV6 Debt Service(a)	213	254	254
Depreciation	867	970	974
Net Non-Operating Revenue (Excl. Interest Exp.)	0	4	(49)
Net Transfers	(8)	(8)	58
Net Assets 1/1	31,297	35,037	34,486
Net Assets 12/31	35,037	34,486	34,544
Year End Balance			
General Obligation Bonds	1,005	670	355

* 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.

COLDWATER, MICHIGAN

Project Rank	6
Project Share	3.12%
Municipality Established	1861
Electric System Established	1891
County	Branch
Basis of Accounting	Accrual
2009 Peak Demand (kW)	55,565

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, which 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
2009	10,425 (est.)

Source: U.S. Bureau of Census

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

2007	2008	2009
$18,903,410	$9,056,992	$8,714,998

Source: City of Coldwater

ASSESSED VALUATION

2007	2008	2009
$376,092,400	$383,641,408	$367,660,898

Source: City of Coldwater

UNEMPLOYMENT

2007	2008	2009	2010*
7.0%	8.5%	14.2%	12.5%

Source: City of Coldwater for 2007, www.milmi.org for 2008-2010

* As of August 2010, 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 from AMP in January 2009.

As of June 30, 2010, the Coldwater Electric System served 6,799 residential, commercial and industrial customers. The following table lists the City's five largest customers by energy purchased during fiscal year 2010 and as a percentage of total system revenues during that year.

Customer	Type of Business	kWh Purchased (fiscal 2010)	% of Total System Revenues
1.Asama Manufacturing	Auto Parts	65,046,848	22.44%
2.Voltek, Inc.	Foam Products	14,830,984	4.66
3.Walmart	Distribution Warehouse	12,279,606	3.77
4. Aleris	Aluminum	10,085,529	3.04
5. Darling International	Rendering	8,852,142	3.05

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)

	2008	2009	2010
Revenue			
Power Sales	$26,286	$28,063	$27,997
Other Income	-	-	-
Total Revenue	26,286	28,063	$27,997
Operating Expense*			
Power Costs	19,900	20,828	21,551
O&M Expense	2,529	3,021	2,480
Total Operating Expense	22,429	23,849	24,031
Net Revenue Available for Debt Service	3,857	4,214	3,966
Revenue Debt Service	963	963	990
Depreciation	926	936	907
Net Non-Operating Revenue (Excl. Interest Exp.)	3,019	2,905	3,073
Net Transfers	1,588	1,558	1,671
Net Assets 7/1	28,373	32,609	36,886
Net Assets 6/30	32,609	36,886	41,046
Year End Balance			
Revenue Bonds	8,260	7,645	6,956

* Excluding Depreciation.

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	2009	2007	2008	2009	2007	2008	2009	2010[5]
Cleveland, Ohio	Cuyahoga	82.4	505,616	478,403	431,363	$6,114,332	$5,937,459	$5,513,219	7.6%	8.9%	11.1%	12.1%
Danville, Virginia	N/A	43.9	53,056	48,411	44,400	2,497,659	2,531,311	2,664,746	7.3	9.2	13.4	14.0
Bowling Green	Wood	10.2	28,176	29,636	28,775	523,952	514,754	504,974	4.3	5.3	8.3	7.9
Paducah, Kentucky	McCracken	19.5	27,256	26,307	25,721	1,422,549	1,457,284	1,451,199	5.0	5.9	8.9	8.7
Cuyahoga Falls, Ohio	Summit	25.6	48,950	49,374	51,095	1,056,781	1,048,616	1,022,701	4.9	5.6	9.1	8.9
Coldwater, Michigan	Branch	8.3	9,607	10,492	10,425	376,092	383,641	367,661	7.0	8.5	14.2	12.5

(1) Source: Wikipedia website for Participant.

(2) Source: U.S. Census Bureau for years 1990 and 2000, estimated for 2009.

(3) Source: Ohio Participants, except Cleveland - Ohio Municipal Advisory Council; Cleveland – April 2010 Cleveland Official Statement; Danville - City of Danville Audit; Paducah – Paducah Electric Plant Board for 2007 and 2008, McCracken County Property Valuation Administrator for 2009.

(4) Source: For all Ohio Participants for 2009 and 2010 - Ohio Labor Market Information website; for all Ohio Participants, except Cleveland, for 2007 and 2008 - Ohio Labor Market Information website; for Cleveland for 2007 and 2008 - April 2010 Cleveland Official Statement; Danville - Virginia Workforce Connection website; Paducah – Workforce Kentucky website; Coldwater for 2007 – City of Coldwater, for 2008, 2009 and 2010 - Michigan Labor Market Information website. For Ohio participants with populations of less than 25,000 and for Paducah, unemployment averages reflect those for the county.

(5) As of August 2010, not seasonally adjusted.

SECTION IV

LARGE PARTICIPANTS' RESIDENTIAL, INDUSTRIAL AND COMMERCIAL INFORMATION

LARGE PARTICIPANTS' RESIDENTIAL, INDUSTRIAL AND COMMERCIAL INFORMATION

Large Participants' Information
Residential, Industrial, and Commercial

	2007			2008			2009		
	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	67,734	418,958	45,559	66,768	413,731	45,832	66,834	409,158	45,357
Commercial	6,794	506,961	53,355	6,789	508,834	55,135	6,674	478,351	52,789
Industrial	21	620,848	45,107	22	611,729	45,508	22	585,847	43,408
Other	1,300	78,439	10,834	1,312	77,000	10,700	1,320	90,222	14,218
Total:	75,849	1,625,206	154,855	74,891	1,611,294	157,175	74,850	1,563,578	155,772
Danville, Virginia									
Residential	36,994	493,485	45,277	29,830	475,057	47,436	29,373	478,692	50,740
Commercial	11,482	348,727	31,806	9,019	339,762	33,255	8,917	324,503	32,284
Industrial	47	154,852	11,266	40	160,697	8,451	45	172,165	13,803
Total:	48,517	997,064	88,349	38,889[1]	975,516	89,142	38,335	975,361	96,827
Bowling Green									
Residential	12,505	104,739	8,555	12,595	102,793	8,081	12,602	100,869	9,426
Commercial	1,782	63,622	4,532	1,914	68,404	4,737	1,881	70,532	5,840
Industrial	82	350,871	23,480	93	343,093	22,169	92	297,962	23,083
Total:	14,369	519,233	36,567	14,602	514,290	34,987	14,575	469,363	38,349
Paducah, Kentucky									
Residential	18,652	238,514	18,190	18,670	249,028	19,721	18,695	231,889	22,079
Commercial	3,209	72,296	6,650	3,192	73,558	7,006	3,237	72,410	8,052
Industrial	563	310,670	23,662	593	334,592	26,232	556	301,879	28,426
Total:	22,424	621,480	48,502	22,455	657,178	52,959	22,488	606,178	58,557
Cuyahoga Falls, Ohio									
Residential	22,572	175,808	14,988	22,274	173,116	14,430	22,660	173,327	15,911
Commercial	1,805	63,287	5,525	1,777	60,845	5,250	1,742	60,033	5,565
Industrial	184	191,167	13,572	180	192,994	13,300	199	213,496	15,698
Total:	24,561	430,262	34,085	24,231	426,956	32,980	24,601	446,856	37,174
Coldwater, Michigan									
Residential	5,407	38,885	4,410	5,442	37,804	4,420	5,455	38,596	4,689
Commercial	1,303	46,643	5,268	1,317	45,683	5,299	1,325	45,271	5,528
Industrial	51	207,443	14,849	53	227,098	17,793	52	182,835	17,536
Total:	6,761	292,971	24,527	6,812	310,585	27,513	6,832	266,702	27,753

Source: Participant.
[1] As of February 2008, Danville changed its definition of customer count, which now reflects consolidation of meters under one payor.

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

(iii) 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.

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 Hydroelectric Projects Fund. Moneys in the 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 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 Hydroelectric Projects Fund, Subfunds and Accounts. AMP shall create on its books a special fund to be known as the "American Municipal Power, Inc. Hydroelectric Projects Fund" (the "Hydroelectric Projects Fund"). In addition to the Construction Subfund, the following subfunds and accounts are established in the Hydroelectric Projects 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 Stabilization 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 or attachment by 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 Depositaries, whichever is applicable, in Investment Obligations 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.

(d) 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.

(e) 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.

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

(g) 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 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 reasonable security and satisfactory indemnity 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.

APPENDIX E-1

PROPOSED FORM OF OPINION OF PECK, SHAFFER & WILLIAMS LLP

December __, 2010

American Municipal Power, Inc.
Columbus, Ohio

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the issuance of $152,995,000 Combined Hydroelectric Projects Revenue Bonds, Series 2010A (Federally Taxable) (the "2010A Bonds"), $1,109,995,000 Combined Hydroelectric Projects Revenue Bonds, Series 2010B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "2010B Bonds") and $116,000,000 Combined Hydroelectric Projects Revenue Bonds, Series 2010C (Federally Taxable – Issuer Subsidy – New Clean Renewable Energy Bonds) (the "2010C Bonds" and together with the 2010A Bonds and the 2010B Bonds, the "Bonds") issued by American Municipal Power, Inc. ("AMP") to make deposits to the Construction Accounts to finance 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"), to fund capitalized interest on the Bonds, to fund deposits to the Parity Common Reserve Account and the three Special Reserve Accounts and to pay the costs of issuance of the Bonds. The transcript documents include executed counterparts of: (i) Resolution No. 10-11-3052 adopted by the Board of Trustees of AMP on November 18, 2010 (the "Resolution"); (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 Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, each dated as of December 1, 2010 and each between AMP and U.S. Bank National Association, as trustee (the "Fifth Supplemental Indenture", the "Sixth Supplemental Indenture" and the "Seventh 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 December 15, 2010 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 FORMS OF FEDERAL TAX OPINIONS OF SIDLEY AUSTIN LLP

December __, 2010

American Municipal Power, Inc.
Columbus, Ohio

Re: $1,109,995,000 American Municipal Power, Inc.
Combined Hydroelectric Projects Revenue Bonds
Series 2010B (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. 10-11-3052, adopted on November 18, 2010, 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, Ohio, Michigan, 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 Sixth Supplemental Indenture, dated as of December 1, 2010, between AMP and U.S. Bank National Association, as trustee (the "Sixth Supplemental Indenture");

(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");

(vi) the Certificate of each of the Participants in which each Participant has made certain representations and covenants concerning current and future compliance with the Code (the "Participant Certificates"); and

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 the Authorizing Resolution, the Power Sales Contract, the Master Indenture and the Sixth 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 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, and compliance by the Participants with covenants contained in the Participant Certificates and the applicable requirements of the Code, 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 or the Participants to comply with such covenants and requirements, or failure to timely request the Refundable Credit with respect to each interest payment of the Bonds, 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 __, 2010

American Municipal Power, Inc.
Columbus, Ohio

Re: $116,000,000 American Municipal Power, Inc.
Combined Hydroelectric Projects Revenue Bonds
Series 2010C (Federally Taxable – Issuer Subsidy – New Clean Renewable Energy 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. 10-11-3052, adopted on November 18, 2010, 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, Ohio, Michigan, 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 Seventh Supplemental Indenture, dated as of December 1, 2010, between AMP and U.S. Bank National Association, as trustee (the "Seventh Supplemental Indenture");

(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");

(vi) the Certificate of each of the Participants in which each Participant has made certain representations and covenants concerning current and future compliance with the Code (the "Participant Certificates"); and

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 the Authorizing Resolution, the Power Sales Contract, the Master Indenture and the Seventh 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 or 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

current law, assuming compliance by AMP 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 are "new clean renewable energy bonds" within the meaning of Section 54C of the Code eligible for the credit payable by the federal government under Section 6431(f) of the Code with respect to "specified tax credit bonds," as defined in Section 6431(f)(3) of the Code, subject to the limitation in Section 6431(f)(2) of the Code (the "Refundable Credit"). Failure by AMP to comply with such covenants and requirements, or failure to timely request the Refundable Credit with respect to each interest payment of the Bonds, 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 new clean renewable energy bonds within the meaning of Section 54C of the Code, 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 new clean renewable energy bonds under Section 54C of the Code or their eligibility for the credit payable by the federal government under Section 6431(f) 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 opinion expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions. Such opinion 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 opinion is an expression of professional judgment and is not a guarantee of a result. The opinion expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions. Such opinion 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,

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

General

The Series 2010 Bonds will be available only in book entry form. DTC will act as the initial securities depository for the Series 2010 Bonds. The Series 2010 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 or more fully-registered bond certificates will be issued for the Series 2010 Bonds of each series and maturity, in the aggregate principal amount thereof, and will be deposited with the Trustee on behalf of DTC. Beneficial Owners (defined below) may own beneficial interests in the Series 2010 Bonds in the United States through DTCC and in Europe through Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V. ("Euroclear"), directly if they are participants of such systems, or indirectly through organizations that are participants in such systems. Clearstream, Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depositories, which in turn will hold such positions in customers securities accounts in the depositories names on the books of DTC.

AMP CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2010 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES 2010 BONDS, (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2010 BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2010 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER AMP NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES 2010 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2010 BONDS.

PORTIONS OF THE INFORMATION BELOW CONCERNING DTC, CLEARSTREAM, LUXEMBOURG AND EUROCLEAR AND THEIR BOOK ENTRY SYSTEMS ARE BASED ON INFORMATION FURNISHED BY DTC, CLEARSTREAM, LUXEMBOURG AND EUROCLEAR TO THE UNIVERSITY. NO REPRESENTATION IS MADE HEREIN BY THE UNIVERSITY, THE TRUSTEE OR THE UNDERWRITERS AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF SUCH INFORMATION, OR AS TO THE ABSENCE OF MATERIAL ADVERSE, CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

DTC

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2010 Bonds. The Series 2010 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 security certificate will be issued for each maturity of each Series of the Series 2010 Bonds, in the aggregate principal amount of such issues, 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 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 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 2010 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 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 2010 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 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 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 2010 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 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2010 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 2010 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.

- **Global Clearance Procedures**

Clearstream, Luxembourg. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier ("CSSF") and the Banque Centrale du Luxembourg ("BCL") which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg, has established an electronic bridge with Euroclear as the Operator of the Euroclear system (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear. Euroclear holds securities and book entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear participants. Non-participants in the Euroclear system may hold and transfer book entry interests in the Series 2010 Bonds through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book entry interest in the Series 2010 Bonds through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Holding and Trading Series 2010 Bonds on Clearstream, Luxembourg or Euroclear. Although Euroclear has agreed to the procedures provided below in order to facilitate transfers of securities among participants in the Euroclear system, and between Euroclear participants and participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Investors electing to acquire Series 2010 Bonds through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Series 2010 Bonds to be acquired against payment through an account with Euroclear will be credited to the securities clearance accounts of the respective Euroclear

participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Investors electing to acquire, hold or transfer Series 2010 Bonds through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities.

Investors who are participants in the Euroclear system may acquire, hold or transfer interests in the Series 2010 Bonds by book entry to accounts with Euroclear. Investors who are not participants in the Euroclear system may acquire, hold or transfer interests in the Series 2010 Bonds by book entry to accounts with a securities intermediary who holds a book entry interest in the Series 2010 Bonds through accounts with Euroclear.

Investors that acquire, hold and transfer interests in the Series 2010 Bonds by book entry through accounts with Euroclear or any other securities intermediary arc subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual Series 2010 Bonds.

Euroclear has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear have a coproperty right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on Euroclear's records, all participants having an amount of interests in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions Upon Behalf of Owners. All of the Series 2010 Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream, Luxembourg and Euroclear may hold omnibus positions on behalf of their participants through customers securities accounts in Clearstream, Luxembourg's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream, Luxembourg and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories"). Holders of the Series 2010 Bonds may hold their Series 2010 Bonds through DTC (in the United States) or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Series 2010 Bonds through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Euro bonds in registered form. Series 2010 Bonds will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Series 2010 Bonds held beneficially through Clearstream, Luxembourg will be credited to the cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Series 2010 Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions governing the relationship between Euroclear and Euroclear participants, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream, Luxembourg or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Series 2010 Bonds on behalf of a Clearstream, Luxembourg customer or Euroclear participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading. Secondary market trading between participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg customers will be settled using the procedures applicable to conventional Euro bonds in same-day funds. When Series 2010 Bonds are to be transferred from the account of a participant (other than U.S. Depositories) to the account of a Euroclear participant or a Clearstream, Luxembourg customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct its U.S. Depository to receive the Series 2010 Bonds against payment. Its U.S. Depository will then make payment to the participants account against delivery of the Series 2010 Bonds. After settlement has been completed, the Series 2010 Bonds will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participants or Clearstream, Luxembourg customers accounts. Credit for the Series 2010 Bonds will appear on the next day (European time) and cash debit will be backvalued to, and the interest on the Series 2010 Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York), if settlement is not completed on the intended value date (*i.e.*, the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear participants and Clearstream, Luxembourg customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, they may take on credit exposure to Euroclear or Clearstream, Luxembourg until the Series 2010 Bonds arc credited to their accounts one day later. As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg customers purchasing Series 2010 Bonds would incur overdraft charges for one day, assuming they cleared the overdraft when the Series 2010 Bonds were credited to their accounts. However, interest on the Series 2010 Bonds would accrue from the value date. Therefore, in many cases, the investment income on Series 2010 Bonds earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear participants or Clearstream, Luxembourg customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a cross-market transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear participants and Clearstream, Luxembourg customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to other participants. In these cases, Euroclear will instruct its U.S. Depository to credit the Series 2010 Bonds to the participants account against payment. The payment will then be reflected in the account of the Euroclear participant or Clearstream, Luxembourg customer the following business day, and receipt of the cash proceeds in the Euroclear participants or Clearstream, Luxembourg customers accounts will be backvalued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear participant or Clearstream, Luxembourg customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Euroclear participants or Clearstream, Luxembourg customers accounts would instead be valued as of the actual settlement date.

Procedures May Change. Although DTC, Clearstream, Luxembourg and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its participants, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

COMBINED HYDROELECTRIC PROJECTS
CONSULTING ENGINEER'S REPORT

PREPARED FOR
AMERICAN MUNICIPAL POWER, INC.
BY SAWVEL AND ASSOCIATES, INC.

DECEMBER 15, 2010

AMP
PUBLIC POWER PARTNERS

Sawvel
AND ASSOCIATES, INC.

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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

RTO – Regional Transmission Organization

Synfuel – Liquid fuel obtained from coal, natural gas or biomass

USFWS – United States Fish and Wildlife Service

EXECUTIVE SUMMARY

Sawvel and Associates, Inc. ("Sawvel") prepared this Combined Hydroelectric Projects Consulting Engineer's Report (the "Report"), for inclusion in the Official Statement to which this Report is appended, to provide (i) a description of the Cannelton, Smithland and Willow Island Hydroelectric Projects (each a "Project" and collectively the "Projects" or the "Combined Hydro Projects") undertaken by American Municipal Power, Inc. ("AMP") on the Ohio River and (ii) an assessment and analysis of (A) the estimates of the capital costs and (B) projections of the operating costs of the Projects.

This Report is an update of our report produced in connection with AMP's offering of its Series 2009 Bonds (hereinafter mentioned). Our 2009 report was in turn a condensed update of the Report on Hydroelectric Technical and Economic Feasibility Study, dated September 2007 ("2007 Report") provided by Sawvel and Associates, Inc. to AMP members in connection with their decision to subscribe, or not, for shares of the output of the Combined Hydro Projects. The Report is provided in connection with AMP's offering of its Series 2010 Bonds (hereinafter mentioned) to provide permanent financing for the Willow Island Project (excluding the cost of the turbine generators that was funded by the Series 2009 Bonds) and all estimated remaining costs of the Cannelton and Smithland Projects. This Report assumes the total estimated cost of Willow Island and the estimated remaining costs of Cannelton and Smithland is financed using long-term bonds in December 2010. 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 should meet the requirements of the FERC Licenses and License Amendments. The remaining terms of the FERC Licenses for the sites are approximately 30 years. AMP expects to apply for and receive timely renewals of these Licenses at the end of their terms.

3. Each Project will be constructed using conventional bulb type turbine-generating units similar to Belleville. Bulb type technology is common in the industry and is a proven technology that can be supported by manufacturers and hydroelectric engineers now and in the foreseeable future. AMP personnel are experienced in operating this technology.

4. The physical life of each Project is expected to exceed 50 years from the beginning of commercial operation 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 U.S. Army Corps of Engineers (the "Corps") is responsible for operating and maintaining the Locks and Dams on the Ohio River and is expected to maintain the structural integrity of the Dams so as to not negatively impact the useful lives of the Projects. Funding for maintaining the Locks and Dams on the Ohio River is provided by the U.S. Treasury in accordance with the Water Resources Development Act of 1986. Thus, it is reasonable to expect the Locks and Dams on the Ohio River to have useful lives of at least 100 years if the Corps properly operates, maintains and improves the facilities.

5. The Project sites are located along the Ohio River (see Appendix A) 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.

6. The weighted average capacity factor of the Projects is projected by MWH and Sawvel at approximately 55% and is comparable to similar run-of-river hydroelectric generating facilities on the Ohio River such as the Belleville Hydroelectric Plant.

7. The terms of the Power Sales Contract provide the long-term benefit of the Projects to the Participants and will provide adequate revenue to pay the debt service and operating expenses of the Projects.

PROJECTED COST OF THE PROJECTS

Table S-1, Estimated Total Financial Requirement and Debt Service of the Projects summarizes the Projects' total financial requirement and estimated annual and monthly debt service. The projected annual energy cost of the Projects is shown in Figure S-1, Projected AMP Combined Hydroelectric Projects Cost. Although the last of the Projects is scheduled to begin commercial operation in the first quarter of 2015, the first full year of operation of all three Projects that debt service and a full year of operating expenses will be billed to Participants is estimated to be 2016. The estimated total cost of the Projects, including financing costs, is $9,858/kW. The Projects are projected to be billed to the participants at approximately $125.30/MWh ($50.60/kW-month) in 2016 increasing to $130.50/MWh ($52.70/kW-month) in 2038.

This Report assumes the 2010 Bonds issued to finance the Willow Island Project and the estimated unfunded portion of the Cannelton and Smithland Project costs will have a final maturity of 2050 and a long-term net average borrowing rate of approximately 5.3%. The long-term net average borrowing rate is net of anticipated Build America Bonds ("BABs") and New Clean Renewable Energy Bonds ("New CREBs") Federal Interest Subsidy receipts. Actual financing could vary from this assumption and could cause the projected cost of power from the Projects to vary from projections in this Report.

Table S-1
Estimated Total Financial Requirement and Debt Service of the Projects [1][2]
AMP

Expense Item	($)
Deposit to Project Fund [3]	1,443,616,834
Capitalized Interest [4]	441,764,705
Debt Service Reserve Fund	122,530,969
BABs Subsidy Reserve	21,063,673
CREBs Subsidy Reserve	2,354,800
COI, UD and Add. Proceeds[5]	19,200,261
Total Financial Requirement	2,050,531,241
($/kW)[6]	9,858
Average Annual Net Debt Service[7]	118,076,819
($/kW-month)[6]	47.31

[1] From Table 3, Hydroelectric Project Total Financial Requirement in Section V - "Projected Costs of the Projects"

[2] BAB: Build America Bond
CREB: Clean Renewable Energy Bond

[3] Deposit to Project Fund is net of anticipated interest earnings of approximately $15.9 million.

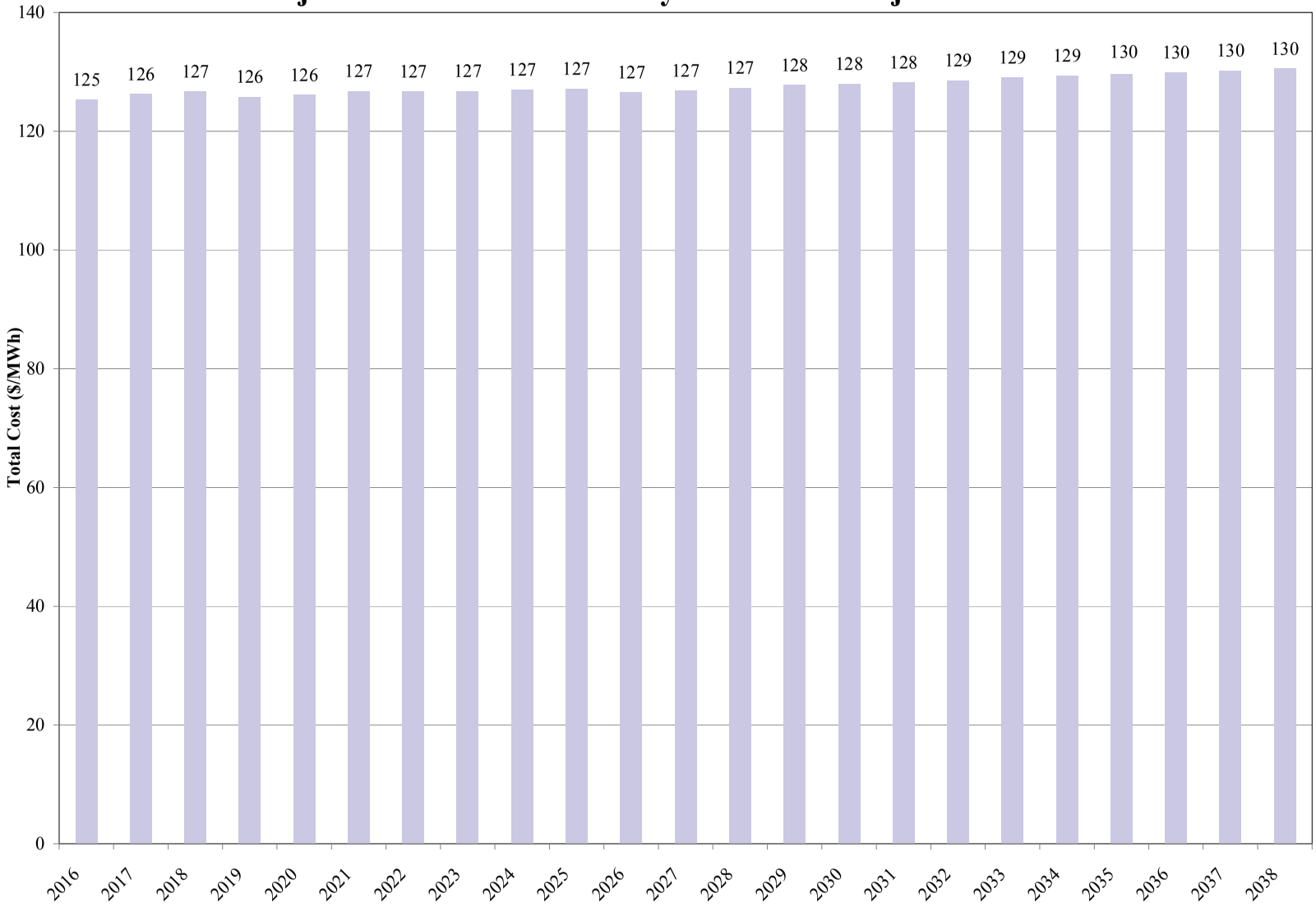
[4] Capitalized interest through six months after the scheduled commercial operation date of each Project.

[5] COI: Cost of Issuance
UD: Underwriter's Discount

[6] Estimated total capacity of the Projects is 208,000 kW.

[7] Net of Federal Interest Subsidy receipts and interest earned on Debt Service Reserve Fund and Federal Subsidy Special Reserves.

Figure S-1
Projected AMP Combined Hydroelectric Projects Cost



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 general public are interested in developing generating projects that emit less air pollutants. The Projects do not emit air pollutants.

Approximately 80% of the annual cost of the Projects on average is attributable to debt service. Thus, the annual cost of the Projects after the debt is retired decreases to approximately 20% of the cost when debt service is included. The annual cost of the Combined Hydro Projects in 2051, the first year without debt service, is estimated at approximately $25.60/MWh.

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.

AMP pursued development of hydroelectric generating facilities on behalf of its members for several reasons. Most importantly, most AMP Members need generating resources to replace existing volatile market energy purchases. AMP retained an independent power supply consulting firm, R. W. Beck, an SAIC company, 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 and less risky 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.

BACKGROUND

Summary of Existing AMP Power Supply Arrangements

AMP Member existing power supply resources include:

- wholesale power purchases through AMP and market energy purchases from investor-owned utilities and marketers;
- Replacement energy that was previously generated by AMP's 213 MW, coal-fired Richard H. Gorsuch Generating Station near Marietta, Ohio; (Retired November 17, 2010)
- 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 Wind Farm located near Bowling Green, Ohio and approximately 334 MW of distributed peaking generation (either owned by AMP or one of the municipal joint ventures) strategically sited throughout Ohio, using natural gas and diesel fuel; and
- New York Power Authority hydroelectric energy.

The majority of Members participates in AMP power pools. The power pools are typically grouped by geographic area that corresponds 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 taking into account other factors such as risk, availability and environmental concerns. AMP is also pursuing energy efficiency initiatives. Many of the Participants have power purchase contracts with AMP for power derived from AMP's ownership interest in the coal-fired project known as the Prairie State Energy campus in southeastern Illinois, and the Meldahl and Greenup Hydroelectric Projects. Descriptions of these projects are contained in the Official Statement to which this Report is appended.

Hydroelectric generating facilities take advantage of a zero 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 in that the dams where the Projects are located already exist for flood control and navigation purposes. The existence of the dams is an economic and ecological benefit to each Project because dams do not need to be constructed, thus the cost and environmental impact of building a new dam is avoided.

II. PURPOSE

AMP retained Sawvel to prepare this Report to assess the costs of the Projects. The analyses in this Report rely in part 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 includes 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 Advisor
- 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 by Sawvel and AMP. Operation and maintenance costs include insurance, potential taxes or potential payments in lieu of taxes, and payments to FERC and the U.S. Army Corps of Engineers.

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 required time frames. 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. MWH is also the Owner's Engineer for the Meldahl Hydroelectric Project currently being developed by AMP and Hamilton and also located on the Ohio River.

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 and 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 Combined Hydroelectric Projects" or "Hydro Projects" or "Projects"). 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 submitted for review and approval by the Corps' Huntington, West Virginia for Willow Island and Louisville, Kentucky Districts for Cannelton and Smithland 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 contracts for Cannelton and Smithland were awarded to Kiewit/Traylor (a joint venture) and C.J. Mahan Construction Company, respectively, and construction is underway. AMP awarded the Willow Island design build cofferdam contract to Ruhlin Company and construction is expected to begin in March 2011.

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 were 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 was selected to provide the gate equipment. Oregon Iron Works total price for the Cannelton, Smithland and Willow Island sites is $49,103,122 and such amount is 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 7 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 Smithland to allow shorter transmission lines to minimize capital outlay, environmental impacts, and transmission service costs. AMP has received a FERC order approving an amendment to the FERC License allowing a shorter transmission line for Cannelton.

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.

MISO was working on the Smithland Facilities Study, which is the last study prior to signing a generator interconnection agreement. However, Big Rivers Electric Corporation has now joined MISO. This will enable Smithland to interconnect to a transmission line approximately 2 miles from the site and eliminate nearly 10 miles of the length of the previously planned transmission line. 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 totaled approximately $9.8 million. The crane contract amounts are $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, which could serve any of the Projects and the Meldahl Project was priced at $815,932. Costs, including associated storage 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 in Hancock County, Kentucky, 720.7 river miles downstream of Point Bridge, Pittsburgh, and about three (3) river miles upstream of Cannelton, Indiana. 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 on reviews by AMP and MWH of 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 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. AMP executed a Generator Interconnection Agreement with Vectren and MISO effective December 17, 2009. A non-capacity FERC transmission line amendment application has been filed. All of the transmission line is within the FERC project boundary and no one opposed the request for amendment.

Smithland

- ***Existing Facilities***

The Smithland Navigation Project is located in Livingston County, Kentucky, 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. 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. 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 U.S. Route 60 to a point near (less than a mile from) 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 2 miles from the Smithland project to decrease transmission service costs.

Willow Island

- ***Existing Facilities***

The Willow Island Lock and Dam is located in Pleasant County, West Virginia, 161.7 river miles downstream of Point Bridge, Pittsburgh. 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 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.

USEFUL LIFE

The Projects are long term generation resources with useful lives in excess of 50 years from the beginning of commercial operation. The Projects are expected to have useful lives through the end of the financing term and beyond. 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 approximately 55% of their maximum energy generation capability over their expected lifetimes. Thus the Projects are comparable to 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.

The oldest Locks and Dam where the Projects are to be located was constructed by the U.S. Army and placed in service in 1974 (Cannelton). The U.S. Army Corps of Engineers is responsible for operating and maintaining the Locks and Dams on the Ohio River and is expected to maintain the structural integrity of the Dams so as to not negatively impact the useful lives of the Projects. Funding for maintaining the Locks and Dams on the Ohio River is provided by the U.S. Treasury in accordance with the Water Resources Development Act of 1986. Thus, it is reasonable to expect the Locks and Dams on the Ohio River to have useful lives of at least 100 years if the Corps properly operates, maintains and improves the facilities.

Gross generation production numbers for the Projects were estimated by MWH based on actual Ohio River flows for a period of 30 years. The period of October 1, 1975 to September 30, 2005 was selected for historical Ohio River flows. 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 not 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 were awarded from Summer 2009 – Fall 2010
Turbine	Contracts Awarded in June of 2008
General Construction	All Contracts to be awarded by Summer 2012 (Cannelton awarded September 2010)

The units at each project (three at Cannelton and Smithland and two at Willow Island) must be tested and synchronized to the electric grid before beginning commercial operation. AMP currently estimates that the Cannelton Project will begin commercial operation by June 15, 2014, the Smithland Project by October 15, 2014 and the Willow Island Project by March 15, 2015.

The estimated commercial operation dates for Cannelton, Smithland and Willow Island in the November 2009 Report were Summer 2013, Spring 2014 and Fall 2013, respectively. All of the projects were delayed by the new requirement that all hydro projects connecting to U.S. Army Corps of Engineers dams have a US Section 33 USC section 408 approval prior to receiving their Corps of Engineer's Section 404 permits required for the start of construction. See "Permitting and FERC License Compliance – FERC Licenses and 404/408 Permits" hereinafter.

AMP planned for the development and construction of the Projects and the Meldahl Hydroelectric Project simultaneously. AMP bid larger equipment 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 1 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. 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 that define 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 turbine-generators, gates, cranes, and main power transformers for the Projects were issued as previously described in this Report.

AMP initiated bidding and awarded the contract for the turbine generator equipment to Voith of York, Pennsylvania. The contract award was for approximately $310 million for the supply of all eight turbines and generators for the Projects. Voith is designing the equipment and has procured steel for the turbines and generators.

Cofferdam and Excavation

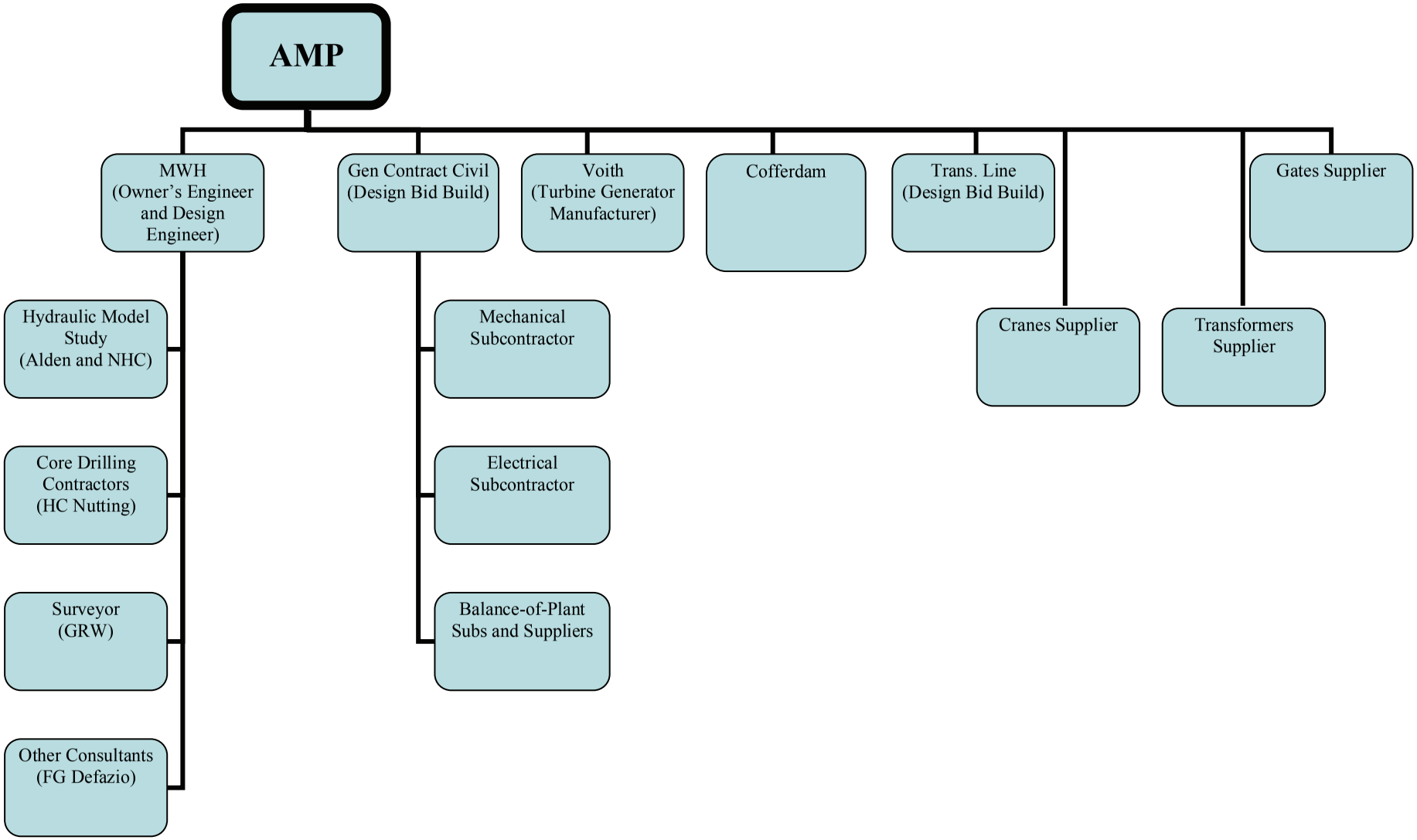
AMP awarded the cofferdam and excavation contract for Cannelton to a joint venture of Kiewit and Traylor Brothers Construction. AMP awarded the cofferdam and excavation contract for Smithland to C. J. Mahan Construction. AMP awarded the cofferdam and excavation contract to Ruhlin Construction for Willow Island. 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. The powerhouse construction contract will be awarded after the cofferdam and powerhouse excavation are substantially complete. This enables AMP to more readily absorb and control delays from the cofferdam contract in the event differing conditions are encountered during the excavation. This also enables the powerhouse contractor to inspect the site before its work begins and accept the site in an "as is" condition.

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 construction can begin, but such storage costs should be much less than the amount saved.

Powerhouse Construction

The powerhouse construction contract will be let out for bid after cofferdam and excavation work is nearly completed. This contract will include the supply and installation of the balance of plant equipment and installation of the owner furnished turbine-generator, gate equipment, crane equipment and main power transformers. Much of the project design and equipment fabrication is in progress and pertinent information will be provided when the construction contractor prepares its bid. The construction contractor will be responsible for bringing all aspects of the plant together to form an operating generating facility and will have a lot of site specific information to prepare a more specific bid than if site work had not already begun. It is anticipated that there will be three separate contractors. The powerhouse construction contract for Cannelton was awarded in September 2010. The powerhouse construction contracts for Smithland and Willow Island are expected to be awarded in 2011 and 2012, respectively.

Figure 1
AMP Construction Contracts
Cannelton, Smithland and Willow Island



Transmission Line

The transmission line contract will be handled separately from the station construction contracts. The transmission line contractor will prepare the detailed design and build the transmission lines for the Projects. The first of these contracts was awarded in 2010 for Cannelton. The transmission line contracts for Smithland and Willow Island are expected to be awarded in 2011.

Prequalification, Bidding, and Award

Prospective bidders for most large construction and equipment supply contracts are 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 are 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 are as complete as reasonable and will include the contract documents and all drawings available at the time bids are solicited. Where necessary, the contract includes issuance of detailed construction drawings not included in the bid documents, subsequent to contract award.

The bid documents 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 are based on industry standard practices that are appropriate for the design, manufacturing and installation of hydroelectric equipment. Pre-bid meetings are held for each bid package.

Bids are opened publicly and evaluated to select the bidder that best satisfies Project requirements in accordance with AMP and MWH selection criteria. MWH assists AMP during negotiations with selected bidders. After prerequisites for contract execution are confirmed by MWH in consultation with AMP, AMP awards 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 total contract price will require execution of a contract amendment.

Construction contracts in general are and will 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.

Bonding Requirements

Bidders for all contracts are required to furnish a bid bond or financial guarantee in the amount dependent on the type of contract to be awarded. Generally, a 10% bid bond is 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 has procured an Owner's Controlled Insurance Policy ("OCIP"). Through the OCIP AMP will provide General Liability, Employer's Liability, Workers Compensation Insurance and Excess Liability for enrolled contractors and enrolled subcontractors. In addition to the OCIP, AMP has procured the following additional owner provided coverage's: Builders Risk and Project Specific Contractor's Pollution Liability Coverage. These insurance policies have been purchased to project AMP and the Participants during the construction phase of the Projects. All Contractors and Subcontractors, whether enrolled in the OCIP or not, must participate in and adhere to the Owner's Site Specific Safety and Health Program Guidelines. 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

As a general rule, 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 $2 billion. The debt necessary to finance the Projects is secured by the Power Sales Contract with 79 Participants. AMP intends to finance the Projects and capitalize interest during the construction periods, and for six months thereafter, 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.

Security Arrangement

The primary security for the debt issued to finance the Projects is payments made by the Participants, in accordance with the terms of the Power Sales Contract. See the Official Statement for more information about, and a summary of the provisions of, the Power Sales Contract. The Power Sales Contract provides AMP with flexibility to capitalize interest during construction, or, subject to the approval of the Participants Committee to begin making debt service payments and thus billing the Participants during the construction phase.

AMP has issued and secured 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 provide long-term financing for the Project. Under the MTI, AMP pledges 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. Description of the provisions of the MTI and the various supplemental indentures, and a summary of certain provisions thereof, are contained in the Official Statement to which this Report is appended.

Interim Financing

AMP has access to a $750 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 and may be drawn upon to, among other things, pay expenses of its Project or as a letter of credit thereunder to credit enhance the issuance of tax-exempt commercial paper or bond anticipation notes.

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 tax-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. As of the date of this Report, AMP had no commercial paper outstanding for any of its generation projects, including the Project.

In April 2009, AMP issued $350 million of unenhanced 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 refunded the BANs from the proceeds of its Series 2009 Bonds mentioned below. As of the date of this Report, AMP had no bond anticipation notes outstanding for any of its generation projects, including the Combined Hydro Projects.

Permanent Financing

- ***The Series 2009 Bonds***

In December 2009, AMP issued its $666,435,000 Combined Hydroelectric Projects Revenue Bonds, Series 2009 (the "Series 2009 Bonds") 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 2009 C (Tax-Exempt) and $22,600,000 Combined Hydroelectric Projects Revenue Bonds, Series 2009D (Federally Taxable – Clean Renewable Energy Bonds) to refund the BANs; finance a portion of its capital expenditures, costs and expenses associated with Cannelton Project and the Smithland Project, fund capitalized interest on the Series 2009 Bonds through six months after the then scheduled in-service dates of the Projects, fund deposit to the Parity Common Reserve Account; and pay the costs of issuance of the Series 2009 Bonds.

- ***The Series 2010 Bonds***

On December 21, 2010, AMP expects to issue its $1,378,990,000 Combined Hydroelectric Projects Revenue Bonds, Series 2010 (the "Series 2010 Bonds") consisting of $152,995,000 Series 2010A (Federally Taxable), $1,109,995,000, Series 2010B (Federally Taxable – Issuer Subsidy – Build America Bonds) and $116,000,000 Series 2010 C (Federally Taxable – Clean Renewable Energy Bonds). The proceeds of the 2010 Bonds will be used primarily to 1) repay outstanding draws on the Line of Credit to pay Project Costs, 2) fund the estimated remaining Project costs, 3) make a deposit to the Parity Common Debt Service Reserve Fund, 4) fund the Build America Bond (BAB) Federal Subsidy Special Reserve, 5) fund Clean Renewable Energy Bond (CREB) Federal Subsidy Special Reserves, 6) fund capitalized interest for each project through six months after the currently estimated in service dates of the Projects and debt service on the Series 2009D bonds through 2014 and 7) pay costs of issuance. See "PLAN OF FINANCE" in the Official Statement to which this Report is appended.

Tax Status

The private letter rulings AMP has obtained from the Internal Revenue Service enable AMP to issue debt the interest on which is exempt from federal income tax or eligible for certain federal

tax subsidies or credits. Access to low-cost capital is especially important in relatively high capital cost projects such as hydroelectric projects. AMP is subject to Ohio personal property

and real estate taxes and maybe subject to taxes in other states to the extent it owns property and operates projects in such states.

Federal Interest Subsidies

Included in the 2010 Bonds will be two series of bonds that will be eligible for Federal interest subsidies. The Series 2010B will be issued as "Build America Bonds" or "BABs." Under the terms of the applicable section of the Internal Revenue Code, AMP expects to receive from the U.S. Treasury a semi-annual payment (subsidy), on or before each scheduled interest payment date on the BABs, equal to 35% of the interest due on the BABs on such date.

AMP will also issue another Series of 2010 Bonds (Series 2010C) as New Clean Renewable Energy Bonds ("Federally Taxable – Issuer Subsidy – New CREBs"). AMP submitted to the Internal Revenue Service ("IRS") a request for, and on October 23, 2009 received, an allocation of New CREBs in the amount of $23 million for Cannelton, $24 million for Smithland and $20 million for Willow Island. At the time of submission and allocation, the New CREBs were eligible for a 70% tax credit against the owner's taxable income. Under a recent amendment of the Internal Revenue Code, AMP has the option to issue the New CREBs (i) on terms that would permit the bondholders to receive the 70% tax credit or (ii) to receive a federal subsidy for a portion of the interest on New CREBs equal to 70% of the applicable credit rate published by the U.S. Treasury Department. AMP also requested from the IRS a reallocation of $49 million of New CREBs to the Willow Island Project that were allocated to other future AMP projects. AMP received a letter on December 6, 2010 from the IRS approving the reallocation. With this reallocation AMP will issue $116 million New CREBs on terms that will entitle AMP to receive the federal interest subsidy.

Consistent with the provisions of AMP's Master Trust Indenture, Sawvel has assumed in this Report that AMP will take into account the federal interest subsidies payable on or before each interest payment date and, therefore, that AMP's bills to the Participants will take into account the federal subsidies and as well as the interest earnings on the Parity Common Debt Service Reserve and both of the Federal Subsidy Special Reserves. In addition, AMP in calculating its debt service for purposes of its rate covenant and funding of the Parity Common Debt Service Reserve Fund has assumed the full and timely receipt of the anticipated federal interest subsidies and reduced the amount of interest in such calculations accordingly. See "PLAN OF FINANCE" in the Official Statement to which this Report is appended.

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 was a possibility that one Federally Endangered species was found. This was a matter of a difference in opinion and has been resolved by AMP agreeing to 10 years of monitoring at the Willow Island site.

Toxic Substance Investigations (Willow Island)

AMP has addressed the circumstance that the chemical operations of Cytec Industries, Inc. ("Cytec") are proximate 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 has received approval from the West Virginia Department of Environmental Protection of its soil management plan. AMP has also received an NPDES Permit. No further permits are required.

FERC Licenses and 404/408 Permits

AMP has obtained the FERC Licenses required 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, a Corps of Engineer's Section 404 permit is required for each Project. 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 404 permit was received December 3, 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 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. 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]

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[1] 43 FERC ¶ 62,387 (1988).
[2] 48 FERC ¶ 61,360 (1989).
[3] 55 FERC ¶ 61,463 (1991).
[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.

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.

Since the term of the Power Sales Contract between AMP and the Participants extends 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.

INTERCONNECTION/TRANSMISSION SERVICE

Generation interconnection requests for the Cannelton, Smithland and Willow Island Projects were submitted to PJM and MISO in July and August 2007. The generator interconnection study process involves three study phases. In general, the phases include the Feasibility Study, System Impact Study, and Facilities Study. The studies review various aspects of the physical interconnection of the proposed generator to the electric grid with the intent of determining system modifications for the direct interconnection of the wires from the generator, networked electric grid upgrades necessary to support the output of the generator, the estimated cost of any electric grid modifications, and an estimated schedule to complete any physical electric grid modifications.

The status of the interconnection study process for each project is as follow:

- Cannelton: AMP executed a Generator Interconnection Agreement with Vectren and MISO effective December 17, 2009. Work is proceeding on the physical interconnection.

[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

- Smithland: MISO is working with the Southern Illinois Power Cooperative and Big Rivers Electric Cooperative to complete the Facilities Study. Once the study is complete AMP will execute a Generator Interconnection Agreement and work will begin on the physical interconnection facilities.
- Willow Island: PJM issued a draft Interconnection Service Agreement on August 27, 2010. AMP submitted comments on draft agreement and is awaiting the final version for execution.

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. Administrative, ancillary service, congestion and loss charges from the facility busses to the RTO border will be included in the Projects' cost.

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 to construct and finance the Projects, including capitalized interest during construction.

PROJECT 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.

Capital Cost

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 costs are approximately $521 million, $552 million and $387 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 capital cost estimates for all three projects have increased since the November 2009 Report. The largest increase in capital cost is the General Construction/Powerhouse. The bids for the Cannelton powerhouse contract came in higher than the November 2009 estimate. The increases in cost are reflective of an underestimation of the design engineer, a lack of competition as a result of fewer bidders (because of work going on with the American Recovery and Reinvestment Act of 2009 and Hurricane Katrina / New Orleans flood protection), a reduced overall bond capacity availability, and increased risk because of commodity swings in steel and fuel prices.

Several assumptions were incorporated in the cost estimates. The key assumptions are described 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.

The estimated cost of each Project is summarized in Table 2, Combined Hydroelectric Projects Capital Cost Estimate. Engineering costs for design and construction services, owner's internal administrative/project management costs, bond performance insurance costs, the cost of the collateral trust fund and the cost of issuance and interest accrued on the 2009A BANs are included. Capitalized interest during construction and financing costs are not included in Table 2.

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).

Table 2
Combined Hydroelectric Projects Capital Cost Estimate
(2010$)
AMP

Description	($)			
	Cannelton	Smithland	Willow Island	Total
Land Spoils	287,778	192,725	-	480,503
Land Improvements	95,160	3,160,000	1,500,000	4,755,160
Cofferdams	63,800,000	64,727,528	39,197,854	167,725,382
General Construction/Powerhouse	220,800,000	231,500,000	163,875,000	616,175,000
Turbine Generator	115,651,397	116,393,209	87,467,672	319,512,277
Gates	19,074,569	19,074,569	12,613,177	50,762,315
Cranes	3,930,594	3,800,055	2,736,340	10,466,989
Main Power Transformer	2,072,496	2,072,496	1,909,969	6,054,961
Transmission Lines	4,727,917	15,805,600	6,357,205	26,890,722
Machinery & Equipment	20,898	-	-	20,898
CMC (Steel Supplier)	3,675,375	3,930,594	3,118,500	10,724,469
Fuel	2,700,000	5,400,000	2,250,000	10,350,000
Purchased Vehicles	267,364	194,471	162,000	623,835
Subtotal [(1)]	437,103,547	466,251,246	321,187,717	1,224,542,510
Bond Performance Insurance Cost	15,000,000	15,000,000	10,000,000	40,000,000
Collateral Trust Fund for WC & GL	2,537,753	2,537,751	2,537,753	7,613,257
2009A BAN Cost of Issuance and Interest	1,135,709	1,135,709	1,135,709	3,407,127
AMP Admin, Insurance and Legal[(2)]	33,805,918	34,548,134	26,352,160	94,706,212
Eng.and Construction Management	31,200,000	32,200,000	25,800,000	89,200,000
Total Capital Cost	520,782,927	551,672,840	387,013,339	1,459,469,106

[(1)] Includes AMP's estimate of contingencies on contracts that have not been bid.

[(2)] Includes cost of hydraulic model and payment to previous FERC License owner for transfer of License to AMP.

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.

Financing Requirements

Capital cost drawdowns for the Cannelton, Smithland, and Willow Island Projects were provided by AMP. 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 assumes the issuance of the 2010 Bonds to complete the funding for Cannelton, Smithland and Willow Island as described under "Financing Plan-Permanent Financing" in Section IV.

Based on the construction schedule and amounts of the drawdowns, provided by AMP, the estimated total financial requirement of the Project is $2,050,531,241 including investment

interest income, interest during construction, the funding of debt service reserves, costs of issuance and additional funds. Annual net debt service is estimated at approximately $118,076,819 in 2016. The total financial requirement and debt service for each Project are shown in Table 3. AMP assumed that the 2010 Bonds would have a final maturity of 2050 and a long-term net average borrowing rate of approximately 5.3%. The long-term net average borrowing rate is net of anticipated BABs and New CREBs Federal Interest Subsidy receipts. Actual financing could vary from this assumption and, since debt service accounts on average for approximately 80% of the annual cost of power from the Projects, could cause the projected cost of the Projects to vary from the projections in this Report.

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 will 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. The locks and dams where the Projects are to be located are expected to be maintained by the Corps and not impact the useful life of the Projects if the Corps properly operates, maintains and improves the facilities.

Table 3
Estimated Combined Hydroelectric Projects
Total Financial Requirement and Debt Service [1]

AMP

Expense Item	($)			
	Cannelton	Smithland	Willow	Total
Deposit to Project Fund [2]	516,556,586	545,734,417	381,325,830	1,443,616,834
Capitalized Interest [3]	143,833,939	168,139,898	129,790,868	441,764,705
Debt Service Reserve Fund	44,147,716	46,988,797	31,394,455	122,530,969
BABs Subsidy Reserve	6,408,797	7,314,014	7,340,861	21,063,673
CREBs Subsidy Reserve	716,467	817,666	820,667	2,354,800
COI, UD and Add. Proceeds[4]	7,065,410	7,394,522	4,740,329	19,200,261
Total Financial Requirement	718,728,916	776,389,314	555,413,010	2,050,531,241
($/kW)[5]	8,167	10,216	12,623	9,858
Average Annual Net Debt Service [6]	40,802,374	45,443,028	31,831,417	118,076,819
($/kW-month)[5]	38.64	49.83	60.29	47.31

[1] Financing costs prepared by BMO Capital Markets GKST Inc.

[2] Deposit to Project Fund is net of anticipated total interst earnings on all three projects of approximately $15.9 million.

[3] Capitalized interest through six months after the scheduled commercial operation date of each Project.

[4] COI: Cost of Issuance
UD: Underwriter's Discount

[5] Estimated project capacities for Cannelton, Smithland and Willow Island are 88,000 kW, 76,000 kW and 44,000 kW, respectively.

[6] Net of Federal Interest Subsidy receipts and interest earnings on Debt Service Reserve Fund and Federal Subsidy Special Reserves.

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 precisely predictable by the operators over the life of the Projects. Energy can be predicted and scheduled a day in advance. It is expected that the capacity factor of the three Projects will average 55% on an annual basis and occasionally operate at a higher capacity factor 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 Belleville, it was assumed that each Project would be staffed with seven employees.

Operation and Maintenance Expenses

Total annual operating costs were projected based on historical Belleville operating costs. Equipment renewals and replacements for the Projects are estimated at approximately $1,300,000 in 2016. The 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 $13,600,000 in 2015 for the Projects and were generally escalated at 3% annually except for charges for transmission related services which are generally expected to escalate at 1% annually, as described in the section below.

Annual Transmission Related Costs

AMP expects the entire output of the Willow Island Project will be delivered to participants in PJM and therefore would not incur ancillary service charges to deliver the output of the Project to participants in MISO. Costs associated with transmitting the output of the Cannelton and Smithland Projects to the PJM/MISO interface (border) and congestion and losses are considered project costs and will be socialized among all the participants of the Combined Hydro Projects. Nearly 90% of the output of the Cannelton and Smithland Projects is expected to be transmitted over MISO to the PJM/MISO border to be delivered to participants in PJM. In July 2010, MISO filed at FERC requesting approval of a new transmission charge that, if approved in its current form, will increase the cost to transmit the output of Cannelton and Smithland to the PJM/MISO border. Sawvel has estimated this charge to be $0.25/MWh in 2013 (assumed to be the first year the new charge would be implemented) increasing to $2.00/MWh in 2022 and escalating 1.0% annually thereafter. Sawvel has estimated congestion and losses for the Cannelton and Smithland Projects at $1.00/MWh in 2010 escalating 1.0% annually. MISO ancillary service and administrative charges are estimated by AMP at $1.10/MWh in 2010 and are assumed by Sawvel to escalate 1.0% annually.

ESTIMATED ANNUAL COSTS

All three Projects are estimated to begin commercial operation before the end of 2015.

Cannelton

The Cannelton Project is estimated to begin commercial operation by June 15, 2014. The estimated annual cost of energy generated by the Cannelton Project is shown in Table 4, Cannelton Projected Operating Results. The annual cost, including a credit for the sale of Renewable Energy Certificates, of Cannelton is estimated at approximately $48,600,000 ($113.30/MWh) in 2015 and $47,400,000 ($110.50/MWh) in 2038.

Smithland

The Smithland Project is estimated to begin commercial operation by October 15, 2014. The estimated annual cost of energy generated by the Smithland Project is shown in Table 5, Smithland Projected Operating Results. The annual cost, including a credit for the sale of Renewable Energy Certificates, of Smithland is estimated at approximately $37,700,000 ($106.10/MWh) in 2015 increasing to $51,700,000 ($145.90/MWh) in 2038.

Willow Island

The Willow Island Project is estimated to begin commercial operation by March 15, 2015. The estimated annual cost of energy generated by the Willow Island Project is shown in Table 6, Willow Island Projected Operating Results. The annual cost, including a credit for the sale of Renewable Energy Certificates, of Willow Island is estimated at approximately $32,500,000 ($145.20/MWh) in 2016 and $32,300,000 ($144.40/MWh) in 2038.

Combined Hydro Projects

The estimated annual cost of energy generated by all three Projects is shown in Table 7. As shown in Table 7, the total project annual cost, including a credit for the sale of Renewable Energy Certificates, of the Combined Hydro Projects is estimated at approximately $126,200,000 ($125.30/MWh) in 2016 increasing to $131,400,000 ($130.50/MWh) in 2038. Table 8 summarizes the estimated total annual costs for each generating facility and the Combined Hydroelectric Projects.

Credit for Renewable Energy

AMP estimates the value of RECs associated with energy to be generated by Cannelton and Smithland at $3.00/MWh in 2010 escalating 2.4% annually. RECs from Cannelton and Smithland are expected to qualify as adjacent-state eligible resources in the Ohio Alternative Energy Portfolio Standard. AMP expects Willow Island will qualify as an in-state resource in the new West Virginia Alternative and Renewable Energy Portfolio Standard, and thus receive two credits for every MWh generated from the Project. AMP estimates the value of RECs associated with energy to be generated by Willow Island at $6.00/MWh in 2010 escalating 2.4% 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. 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 Projects.

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. Sawvel has included, however, in its estimates of the capital and operating costs of the Projects amounts provided by AMP for such taxes and payments in lieu of taxes for the Projects.

Table 4
Cannelton Projected Operating Results
AMP

		2014[24]	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Revenues ($000)													
1	Participant Revenue [1]	8,598	50,019	44,177	46,160	46,470	47,646	47,183	45,738	45,679	45,646	45,686	45,596	45,587
2	Transfers from IR Fund [2]	-	4,248	4,012	3,437	3,540	3,552	3,631	3,565	3,393	3,334	3,302	3,279	3,244
3	**Total Revenue ($000) [3]**	8,598	54,267	48,189	49,596	50,010	51,198	50,814	49,304	49,073	48,980	48,988	48,875	48,832
4	**Operating Expenses ($000)**													
5	Operation and Maintenance [4]	344	653	673	693	714	735	757	780	804	828	852	878	904
6	Administrative and General [4]	33	63	65	67	69	71	73	76	78	80	83	85	88
7	Engineering [5]	33	63	65	67	69	71	73	76	78	80	83	85	88
8	Corps of Engineers Power Payment [5]	36	69	71	73	75	78	80	82	85	87	90	93	95
9	Mussel Monitoring, Dissolved Oxygen, Fisheries [5]	53	101	104	108	111	114	117	121	125	128	132	136	140
10	Insurance, License Fees and Taxes	1,519	2,817	2,830	2,842	2,855	2,868	2,880	2,893	2,906	2,918	2,931	2,944	2,957
11	Socialized Transmission Charges [6]	581	1,116	1,170	1,235	1,315	1,413	1,535	1,685	1,872	1,891	1,910	1,929	1,948
12	**Total Operating Expenses ($000)**	2,600	4,884	4,979	5,086	5,209	5,351	5,517	5,713	5,947	6,013	6,081	6,150	6,221
13	Net Available [7]	5,999	49,383	43,210	44,510	44,802	45,847	45,298	43,591	43,126	42,967	42,907	42,725	42,611
14	Net Debt Service Requirement [8]	1,500	44,875	39,263	40,445	40,709	41,659	41,159	39,606	39,183	39,038	38,983	38,818	38,714
15	Debt Service Coverage (%) [9]	400	110	110	110	110	110	110	110	110	110	110	110	110
16	Interim Replacements (IR) Deposits [10]	4,487	4,487	3,926	4,044	4,071	4,166	4,116	3,961	3,918	3,904	3,898	3,882	3,871
17	Interim Replacements Cost [11]	239	455	469	483	497	512	528	544	560	577	594	612	630
18	Funds to be Transferred to General Subfund [12]	4,248	4,012	3,437	3,540	3,552	3,631	3,565	3,393	3,334	3,302	3,279	3,244	3,215
19	Deposit to Working Capital Reserve Account [13]	11	20	21	21	22	22	23	24	25	25	25	26	26
20	**Total Revenue Requirement ($000) [14]**	8,598	54,267	48,189	49,596	50,010	51,198	50,814	49,304	49,073	48,980	48,988	48,875	48,832
21	**Total Project Cost**													
22	Net Cost to Participants [15]	8,598	50,019	44,177	46,160	46,470	47,646	47,183	45,738	45,679	45,646	45,686	45,596	45,587
23	Net Capacity (MW)	88	88	88	88	88	88	88	88	88	88	88	88	88
24	Gross Energy (MWh)	248,083	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000
25	Less: 4% Station Service & Forced Outages (MWh)	9,923	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320
26	Less: 2.5% Transmission Losses (MWh) [16]	5,954	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992
27	Net Energy (MWh) [17]	232,206	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688
28	Capacity Factor (%)	30	56	56	56	56	56	56	56	56	56	56	56	56
29	Total Cost to Participants ($/kW-month) [18]	13.03	47.37	41.83	43.71	44.01	45.12	44.68	43.31	43.26	43.23	43.26	43.18	43.17
30	($/MWh) [19]	37.03	116.68	103.05	107.68	108.40	111.14	110.06	106.69	106.56	106.48	106.57	106.36	106.34
31	Credit for REC Sale ($/MWh) [20]	(3.30)	(3.38)	(3.46)	(3.54)	(3.63)	(3.71)	(3.80)	(3.89)	(3.99)	(4.08)	(4.18)	(4.28)	(4.38)
32	($000)	(766)	(1,448)	(1,483)	(1,518)	(1,555)	(1,592)	(1,630)	(1,669)	(1,709)	(1,750)	(1,793)	(1,836)	(1,880)
33	**Net Total Cost to Participants ($000) [21]**	**7,832**	**48,571**	**42,694**	**44,641**	**44,915**	**46,054**	**45,553**	**44,069**	**43,970**	**43,896**	**43,894**	**43,761**	**43,708**
34	**($/kW-month) [22]**	**11.87**	**46.00**	**40.43**	**42.27**	**42.53**	**43.61**	**43.14**	**41.73**	**41.64**	**41.57**	**41.57**	**41.44**	**41.39**
35	**($/MWh) [23]**	**33.73**	**113.30**	**99.59**	**104.13**	**104.77**	**107.43**	**106.26**	**102.80**	**102.57**	**102.40**	**102.39**	**102.08**	**101.96**

Table 4
Cannelton Projected Operating Results
AMP

		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
	Revenues ($000)												
1	Participant Revenue [1]	45,803	48,362	48,683	48,775	48,910	49,016	48,867	49,049	49,245	49,449	49,658	49,875
2	Transfers from IR Fund [2]	3,215	3,206	3,412	3,433	3,415	3,397	3,375	3,329	3,311	3,295	3,279	3,263
3	**Total Revenue ($000) [3]**	49,018	51,569	52,095	52,207	52,324	52,412	52,242	52,378	52,555	52,743	52,937	53,138
4	**Operating Expenses ($000)**												
5	Operation and Maintenance [4]	932	959	988	1,018	1,048	1,080	1,112	1,146	1,180	1,215	1,252	1,289
6	Administrative and General [4]	90	93	96	99	102	105	108	111	114	118	121	125
7	Engineering [5]	90	93	96	99	102	105	108	111	114	118	121	125
8	Corps of Engineers Power Payment [5]	98	101	104	107	111	114	117	121	125	128	132	136
9	Mussel Monitoring, Dissolved Oxygen, Fisheries [5]	144	149	153	158	163	168	173	178	183	189	194	200
10	Insurance, License Fees and Taxes	2,970	2,983	2,997	3,010	3,023	3,036	3,050	3,063	3,077	3,090	3,104	3,118
11	Socialized Transmission Charges [6]	1,968	1,987	2,007	2,027	2,048	2,068	2,089	2,110	2,131	2,152	2,174	2,195
12	**Total Operating Expenses ($000)**	6,293	6,366	6,441	6,518	6,596	6,675	6,757	6,839	6,924	7,010	7,099	7,189
13	Net Available [7]	42,725	45,203	45,653	45,689	45,729	45,737	45,486	45,539	45,631	45,733	45,838	45,949
14	Net Debt Service Requirement [8]	38,817	41,069	41,479	41,511	41,546	41,554	41,325	41,373	41,457	41,549	41,644	41,745
15	Debt Service Coverage (%) [9]	110	110	110	110	110	110	110	110	110	110	110	110
16	Interim Replacements (IR) Deposits [10]	3,882	4,107	4,148	4,151	4,155	4,155	4,133	4,137	4,146	4,155	4,164	4,174
17	Interim Replacements Cost [11]	649	668	689	709	730	752	775	798	822	847	872	898
18	Funds to be Transferred to General Subfund [12]	3,206	3,412	3,433	3,415	3,397	3,375	3,329	3,311	3,295	3,279	3,263	3,246
19	Deposit to Working Capital Reserve Account [13]	26	27	27	27	27	28	28	28	29	29	30	30
20	**Total Revenue Requirement ($000) [14]**	49,018	51,569	52,095	52,207	52,324	52,412	52,242	52,378	52,555	52,743	52,937	53,138
21	**Total Project Cost**												
22	Net Cost to Participants [15]	45,803	48,362	48,683	48,775	48,910	49,016	48,867	49,049	49,245	49,449	49,658	49,875
23	Net Capacity (MW)	88	88	88	88	88	88	88	88	88	88	88	88
24	Gross Energy (MWh)	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000	458,000
25	Less: 4% Station Service & Forced Outages (MWh)	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320	18,320
26	Less: 2.5% Transmission Losses (MWh) [16]	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992	10,992
27	Net Energy (MWh) [17]	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688
28	Capacity Factor (%)	56	56	56	56	56	56	56	56	56	56	56	56
29	Total Cost to Participants ($/kW-month) [18]	43.37	45.80	46.10	46.19	46.32	46.42	46.28	46.45	46.63	46.83	47.02	47.23
30	($/MWh) [19]	106.84	112.82	113.56	113.78	114.09	114.34	113.99	114.42	114.87	115.35	115.84	116.34
31	Credit for REC Sale ($/MWh) [20]	(4.49)	(4.60)	(4.71)	(4.82)	(4.94)	(5.05)	(5.18)	(5.30)	(5.43)	(5.56)	(5.69)	(5.83)
32	($000)	(1,925)	(1,971)	(2,018)	(2,067)	(2,116)	(2,167)	(2,219)	(2,272)	(2,327)	(2,383)	(2,440)	(2,498)
33	**Net Total Cost to Participants ($000) [21]**	**43,878**	**46,392**	**46,665**	**46,708**	**46,793**	**46,849**	**46,648**	**46,777**	**46,918**	**47,066**	**47,218**	**47,377**
34	**($/kW-month) [22]**	**41.55**	**43.93**	**44.19**	**44.23**	**44.31**	**44.36**	**44.17**	**44.30**	**44.43**	**44.57**	**44.71**	**44.86**
35	**($/MWh) [23]**	**102.35**	**108.22**	**108.85**	**108.96**	**109.15**	**109.28**	**108.82**	**109.12**	**109.45**	**109.79**	**110.15**	**110.52**

Table 4
Cannelton Projected Operating Results
AMP

Footnotes:

(1) Line 3 minus Line 2.

(2) From Line 18.

(3) Equal to Line 20, Total Revenue Requirement.

(4) Estimated based on actual expenses of the Belleville Hydroelectric Plant. Escalated 3% annually.

(5) Escalated 3% annually.

(6) Estimated cost to transmit the output of the Project to the MISO/PJM border. Line 27, Net Energy multiplied by Estimated MISO Ancillary Service and Other Charges (Estimated at $2.50/MWh in 2014). See "Annual Transmission Related Costs" in Section V.

(7) Line 3, Total Revenue minus line 12, Total Operating Expenses.

(8) From Table 3, Estimated Combined Hydroelectric Projects Total Financial Requirement and Debt Service. Net of Federal Interest Subsidies and interest earnings on Debt Service Reserve Fund and Federal Subsidy Special Reserves.

(9) Line 13, Net Available divided by Line 14, Net Debt Service Requirement multiplied by 100.

(10) Line 14, Net Debt Service Requirement multiplied by 10%. 2015 Net Debt Service Requirement used to calculate 2014.

(11) 0.25% of initial cost of electrical and mechanical equipment. Escalated 3% annually.

(12) Line 16, Interim Replacements (IR) Deposits minus Line 17, Interim Replacement Costs.

(13) Line 12, Total Operating Expenses divided by 12 months and multiplied by 5%.

(14) Sum of Lines 12, 14, 16 and 19.

(15) From Line 1, Participant Revenue.

(16) 2.5% of the difference of Line 24, Gross Energy and Line 25, Station Service & Forced Outages.

(17) Line 24, Gross Energy minus Line 25 and Line 26.

(18) Line 22, Net Cost to Participants divided by Line 23, Net Capacity (MW) multiplied by 1,000 and divided by 12 months.

(19) Line 22, Net Cost to Participants divided by Line 27, Net Energy (MWh) and multiplied by 1,000.

(20) Estimated by AMP at $3.00/MWh in 2010 escalated 2.4% annually. REC = Renewable Energy Certificates. See "Credit for Renewable Energy" in Section V.

(21) Line 22 plus Line 32.

(22) Line 33, Net Total Cost to Participants divided by Line 23, Net Capacity (MW) multiplied by 1,000 and divided by 12 months.

(23) Line 33, Net Total Cost to Participants divided by Line 27, Net Energy (MWh) and multiplied by 1,000.

(24) Estimated in-service date is June 15, 2014.

Table 5
Smithland Projected Operating Results
AMP

		2014[24]	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Revenues ($000)													
1	Participant Revenue [1]	4,218	38,852	52,208	49,903	49,838	47,840	48,663	47,919	47,791	47,736	47,768	47,698	47,726
2	Transfers from IR Fund [2]	-	3,170	4,187	4,172	3,937	3,884	3,669	3,694	3,595	3,538	3,503	3,478	3,444
3	**Total Revenue ($000) [3]**	4,218	42,022	56,395	54,075	53,775	51,723	52,332	51,613	51,386	51,273	51,272	51,176	51,170
4	**Operating Expenses ($000)**													
5	Operation and Maintenance [4]	132	653	673	693	714	735	757	780	804	828	852	878	904
6	Administrative and General [4]	13	63	65	67	69	71	73	76	78	80	83	85	88
7	Engineering [5]	13	63	65	67	69	71	73	76	78	80	83	85	88
8	Corps of Engineers Power Payment [5]	13	66	68	70	72	74	77	79	81	84	86	89	92
9	Mussel Monitoring, Dissolved Oxygen, Fisheries [5]	20	101	104	108	111	114	117	121	125	128	132	136	140
10	Insurance, License Fees and Taxes	568	2,738	2,750	2,762	2,775	2,788	2,800	2,813	2,826	2,839	2,852	2,865	2,878
11	Socialized Transmission Charges [6]	185	924	968	1,022	1,088	1,170	1,270	1,395	1,549	1,565	1,580	1,596	1,612
12	**Total Operating Expenses ($000)**	944	4,609	4,694	4,790	4,899	5,024	5,169	5,339	5,541	5,604	5,668	5,734	5,801
13	Net Available [7]	3,274	37,413	51,701	49,285	48,876	46,700	47,164	46,274	45,846	45,670	45,603	45,442	45,369
14	Net Debt Service Requirement [8]	-	32,696	46,983	44,786	44,414	42,435	42,856	42,047	41,657	41,497	41,436	41,289	41,222
15	Debt Service Coverage (%) [9]	-	114	110	110	110	110	110	110	110	110	110	110	110
16	Interim Replacements (IR) Deposits [10]	3,270	4,698	4,698	4,479	4,441	4,244	4,286	4,205	4,166	4,150	4,144	4,129	4,122
17	Interim Replacements Cost [11]	99	492	506	522	537	553	570	587	605	623	642	661	681
18	Funds to be Transferred to General Subfund [12]	3,170	4,187	4,172	3,937	3,884	3,669	3,694	3,595	3,538	3,503	3,478	3,444	3,417
19	Deposit to Working Capital Reserve Account [13]	4	19	20	20	20	21	22	22	23	23	24	24	24
20	**Total Revenue Requirement ($000) [14]**	4,218	42,022	56,395	54,075	53,775	51,723	52,332	51,613	51,386	51,273	51,272	51,176	51,170
21	**Total Project Cost**													
22	Net Cost to Participants [15]	4,218	38,852	52,208	49,903	49,838	47,840	48,663	47,919	47,791	47,736	47,768	47,698	47,726
23	Net Capacity (MW)	76	76	76	76	76	76	76	76	76	76	76	76	76
24	Gross Energy (MWh)	78,958	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000
25	Less: 4% Station Service & Forced Outages (MWh)	3,158	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160
26	Less: 2.5% Transmission Losses (MWh) [16]	1,895	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096
27	Net Energy (MWh) [17]	73,905	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744
28	Capacity Factor (%)	11	53	53	53	53	53	53	53	53	53	53	53	53
29	Total Cost to Participants ($/kW-month) [18]	9.25	42.60	57.25	54.72	54.65	52.46	53.36	52.54	52.40	52.34	52.38	52.30	52.33
30	($/MWh) [19]	57.07	109.52	147.17	140.67	140.49	134.86	137.18	135.08	134.72	134.56	134.66	134.46	134.54
31	Credit for REC Sale ($/MWh) [20]	(3.30)	(3.38)	(3.46)	(3.54)	(3.63)	(3.71)	(3.80)	(3.89)	(3.99)	(4.08)	(4.18)	(4.28)	(4.38)
32	($000)	(244)	(1,198)	(1,227)	(1,256)	(1,287)	(1,317)	(1,349)	(1,381)	(1,415)	(1,449)	(1,483)	(1,519)	(1,555)
33	**Net Total Cost to Participants ($000) [21]**	**3,974**	**37,654**	**50,981**	**48,646**	**48,551**	**46,522**	**47,314**	**46,538**	**46,376**	**46,287**	**46,285**	**46,179**	**46,170**
34	**($/kW-month) [22]**	**20.92**	**41.29**	**55.90**	**53.34**	**53.24**	**51.01**	**51.88**	**51.03**	**50.85**	**50.75**	**50.75**	**50.63**	**50.63**
35	**($/MWh) [23]**	**53.77**	**106.14**	**143.71**	**137.13**	**136.86**	**131.14**	**133.38**	**131.19**	**130.73**	**130.48**	**130.47**	**130.18**	**130.15**

Table 5
Smithland Projected Operating Results
AMP

		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
	Revenues ($000)												
1	Participant Revenue [1]	47,925	51,169	51,545	51,623	51,758	52,040	52,665	52,903	53,115	53,338	53,567	53,810
2	Transfers from IR Fund [2]	3,417	3,406	3,672	3,702	3,683	3,663	3,656	3,680	3,672	3,657	3,641	3,625
3	**Total Revenue ($000) [3]**	51,343	54,576	55,217	55,325	55,441	55,703	56,321	56,583	56,786	56,995	57,208	57,435
4	**Operating Expenses ($000)**												
5	Operation and Maintenance [4]	932	959	988	1,018	1,048	1,080	1,112	1,146	1,180	1,215	1,252	1,289
6	Administrative and General [4]	90	93	96	99	102	105	108	111	114	118	121	125
7	Engineering [5]	90	93	96	99	102	105	108	111	114	118	121	125
8	Corps of Engineers Power Payment [5]	94	97	100	103	106	109	113	116	120	123	127	131
9	Mussel Monitoring, Dissolved Oxygen, Fisheries [5]	144	149	153	158	163	168	173	178	183	189	194	200
10	Insurance, License Fees and Taxes	2,891	2,904	2,917	2,930	2,944	2,957	2,970	2,984	2,997	3,011	3,025	3,039
11	Socialized Transmission Charges [6]	1,628	1,645	1,661	1,678	1,694	1,711	1,729	1,746	1,763	1,781	1,799	1,817
12	**Total Operating Expenses ($000)**	5,870	5,940	6,011	6,084	6,159	6,234	6,312	6,391	6,472	6,555	6,639	6,725
13	Net Available [7]	45,473	48,636	49,206	49,241	49,283	49,468	50,009	50,192	50,314	50,440	50,569	50,710
14	Net Debt Service Requirement [8]	41,317	44,192	44,710	44,742	44,779	44,948	45,439	45,605	45,716	45,830	45,947	46,074
15	Debt Service Coverage (%) [9]	110	110	110	110	110	110	110	110	110	110	110	110
16	Interim Replacements (IR) Deposits [10]	4,132	4,419	4,471	4,474	4,478	4,495	4,544	4,560	4,572	4,583	4,595	4,607
17	Interim Replacements Cost [11]	701	722	744	766	789	813	837	862	888	915	942	970
18	Funds to be Transferred to General Subfund [12]	3,406	3,672	3,702	3,683	3,663	3,656	3,680	3,672	3,657	3,641	3,625	3,609
19	Deposit to Working Capital Reserve Account [13]	24	25	25	25	26	26	26	27	27	27	28	28
20	**Total Revenue Requirement ($000) [14]**	51,343	54,576	55,217	55,325	55,441	55,703	56,321	56,583	56,786	56,995	57,208	57,435
21	**Total Project Cost**												
22	Net Cost to Participants [15]	47,925	51,169	51,545	51,623	51,758	52,040	52,665	52,903	53,115	53,338	53,567	53,810
23	Net Capacity (MW)	76	76	76	76	76	76	76	76	76	76	76	76
24	Gross Energy (MWh)	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000	379,000
25	Less: 4% Station Service & Forced Outages (MWh)	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160	15,160
26	Less: 2.5% Transmission Losses (MWh) [16]	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096	9,096
27	Net Energy (MWh) [17]	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744
28	Capacity Factor (%)	53	53	53	53	53	53	53	53	53	53	53	53
29	Total Cost to Participants ($/kW-month) [18]	52.55	56.11	56.52	56.60	56.75	57.06	57.75	58.01	58.24	58.48	58.74	59.00
30	($/MWh) [19]	135.10	144.24	145.30	145.52	145.90	146.70	148.46	149.13	149.73	150.36	151.00	151.69
31	Credit for REC Sale ($/MWh) [20]	(4.49)	(4.60)	(4.71)	(4.82)	(4.94)	(5.05)	(5.18)	(5.30)	(5.43)	(5.56)	(5.69)	(5.83)
32	($000)	(1,593)	(1,631)	(1,670)	(1,710)	(1,751)	(1,793)	(1,836)	(1,880)	(1,925)	(1,972)	(2,019)	(2,067)
33	**Net Total Cost to Participants ($000) [21]**	**46,333**	**49,539**	**49,875**	**49,913**	**50,007**	**50,246**	**50,828**	**51,022**	**51,189**	**51,366**	**51,548**	**51,743**
34	**($/kW-month) [22]**	**50.80**	**54.32**	**54.69**	**54.73**	**54.83**	**55.09**	**55.73**	**55.95**	**56.13**	**56.32**	**56.52**	**56.74**
35	**($/MWh) [23]**	**130.61**	**139.65**	**140.59**	**140.70**	**140.97**	**141.64**	**143.28**	**143.83**	**144.30**	**144.80**	**145.31**	**145.86**

Table 5
Smithland Projected Operating Results
AMP

Footnotes:

(1) Line 3 minus Line 2.

(2) From Line 18.

(3) Equal to Line 20, Total Revenue Requirement.

(4) Estimated based on actual expenses of the Belleville Hydroelectric Plant. Escalated 3% annually.

(5) Escalated 3% annually.

(6) Estimated cost to transmit the output of the Project to the MISO/PJM border. Line 27, Net Energy multiplied by Estimated MISO Ancillary Service and Other Charges (Estimated at $2.50/MWh in 2014). See "Annual Transmission Related Costs" in Section V.

(7) Line 3, Total Revenue minus line 12, Total Operating Expenses.

(8) From Table 3, Estimated Combined Hydroelectric Projects Total Financial Requirement and Debt Service. Net of Federal Interest Subsidies and interest earnings on Debt Service Reserve Fund and Federal Subsidy Special Reserves.

(9) Line 13, Net Available divided by Line 14, Net Debt Service Requirement multiplied by 100.

(10) Line 14, Net Debt Service Requirement multiplied by 10%. 2015/2016 Net Debt Service Requirement Used to Calculate 2014/2015, respectively.

(11) 0.25% of initial cost of electrical and mechanical equipment. Escalated 3% annually.

(12) Line 16, Interim Replacements (IR) Deposits minus Line 17, Interim Replacement Costs.

(13) Line 12, Total Operating Expenses divided by 12 months and multiplied by 5%.

(14) Sum of Lines 12, 14, 16 and 19.

(15) From Line 1, Participant Revenue.

(16) 2.5% of the difference of Line 24, Gross Energy and Line 25, Station Service & Forced Outages.

(17) Line 24, Gross Energy minus Line 25 and Line 26.

(18) Line 22, Net Cost to Participants divided by Line 23, Net Capacity (MW) multiplied by 1,000 and divided by 12 months.

(19) Line 22, Net Cost to Participants divided by Line 27, Net Energy (MWh) and multiplied by 1,000.

(20) Estimated by AMP at $3.00/MWh in 2010 escalated 2.4% annually. REC = Renewable Energy Certificates. See "Credit for Renewable Energy" in Section V.

(21) Line 22 plus Line 32.

(22) Line 33, Net Total Cost to Participants divided by Line 23, Net Capacity (MW) multiplied by 1,000 and divided by 12 months.

(23) Line 33, Net Total Cost to Participants divided by Line 27, Net Energy (MWh) and multiplied by 1,000.

(24) Estimated in-service date is October 15, 2014.

Table 6
Willow Island Projected Operating Results
AMP

		2014	2015[24]	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Revenues ($000)													
1	Participant Revenue [1]	-	15,978	34,035	35,420	35,713	35,738	35,783	38,765	39,017	39,294	39,552	39,977	39,510
2	Transfers from IR Fund [2]	-	-	2,826	2,741	2,844	2,865	2,854	2,841	3,094	3,123	3,133	3,140	3,160
3	**Total Revenue ($000) [3]**	-	15,978	36,861	38,161	38,557	38,603	38,637	41,605	42,111	42,417	42,685	43,117	42,670
4	**Operating Expenses ($000)**													
5	Operation and Maintenance [4]	-	517	673	693	714	735	757	780	804	828	852	878	904
6	Administrative and General [4]	-	50	65	67	69	71	73	76	78	80	83	85	88
7	Engineering [5]	-	50	65	67	69	71	73	76	78	80	83	85	88
8	Corps of Engineers Power Payment [5]	-	69	90	92	95	98	101	104	107	110	114	117	121
9	Mussel Monitoring, Dissolved Oxygen, Fisheries [5]	-	80	104	108	111	114	117	121	125	128	132	136	140
10	Insurance, License Fees and Taxes	-	1,289	1,641	1,654	1,667	1,680	1,694	1,707	1,720	1,734	1,747	1,761	1,775
11	Socialized Transmission Charges [6]	-	-	-	-	-	-	-	-	-	-	-	-	-
12	**Total Operating Expenses ($000)**	-	2,056	2,639	2,682	2,726	2,770	2,816	2,863	2,911	2,961	3,011	3,063	3,116
13	Net Available [7]	-	13,922	34,222	35,479	35,832	35,833	35,820	38,742	39,200	39,456	39,674	40,054	39,555
14	Net Debt Service Requirement [8]	-	10,803	31,101	32,244	32,564	32,565	32,553	35,209	35,625	35,858	36,056	36,401	35,947
15	Debt Service Coverage (%) [9]	-	129	110	110	110	110	110	110	110	110	110	110	110
16	Interim Replacements (IR) Deposits [10]	-	3,110	3,110	3,224	3,256	3,256	3,255	3,521	3,563	3,586	3,606	3,640	3,595
17	Interim Replacements Cost [11]	-	275	358	369	380	391	403	415	427	440	454	467	481
18	Funds to be Transferred to General Subfund [12]	-	2,826	2,741	2,844	2,865	2,854	2,841	3,094	3,123	3,133	3,140	3,160	3,101
19	Deposit to Working Capital Reserve Account [13]	-	9	11	11	11	12	12	12	12	12	13	13	13
20	**Total Revenue Requirement ($000) [14]**	-	15,978	36,861	38,161	38,557	38,603	38,637	41,605	42,111	42,417	42,685	43,117	42,670
21	**Total Project Cost**													
22	Net Cost to Participants [15]	-	15,978	34,035	35,420	35,713	35,738	35,783	38,765	39,017	39,294	39,552	39,977	39,510
23	Net Capacity (MW)	-	44	44	44	44	44	44	44	44	44	44	44	44
24	Gross Energy (MWh)	-	189,208	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000
25	Less: 4% Station Service & Forced Outages (MWh)	-	7,568	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560
26	Less: 2.5% Transmission Losses (MWh) [16]	-	4,541	5,736	5,736	5,736	5,736	5,736	5,736	5,736	5,736	5,736	5,736	5,736
27	Net Energy (MWh) [17]	-	177,099	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704
28	Capacity Factor (%)	-	46	58	58	58	58	58	58	58	58	58	58	58
29	Total Cost to Participants ($/kW-month) [18]	-	30.26	64.46	67.08	67.64	67.69	67.77	73.42	73.90	74.42	74.91	75.71	74.83
30	($/MWh) [19]	-	90.22	152.14	158.34	159.64	159.76	159.96	173.29	174.41	175.65	176.80	178.71	176.62
31	Credit for REC Sale ($/MWh) [20]	-	(6.76)	(6.92)	(7.08)	(7.25)	(7.43)	(7.61)	(7.79)	(7.98)	(8.17)	(8.36)	(8.56)	(8.77)
32	($000)	-	(1,196)	(1,547)	(1,585)	(1,623)	(1,662)	(1,701)	(1,742)	(1,784)	(1,827)	(1,871)	(1,916)	(1,962)
33	**Net Total Cost to Participants ($000) [21]**	**-**	**14,782**	**32,487**	**33,836**	**34,090**	**34,076**	**34,082**	**37,022**	**37,233**	**37,467**	**37,681**	**38,061**	**37,549**
34	**($/kW-month) [22]**	**-**	**35.36**	**61.53**	**64.08**	**64.57**	**64.54**	**64.55**	**70.12**	**70.52**	**70.96**	**71.37**	**72.09**	**71.11**
35	**($/MWh) [23]**	**-**	**83.47**	**145.22**	**151.25**	**152.39**	**152.33**	**152.35**	**165.50**	**166.44**	**167.49**	**168.44**	**170.14**	**167.85**

Table 6
Willow Island Projected Operating Results
AMP

		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
	Revenues ($000)												
1	Participant Revenue [1]	39,531	34,332	34,189	34,368	34,482	34,603	34,741	34,815	34,834	34,860	34,885	34,907
2	Transfers from IR Fund [2]	3,101	3,077	2,583	2,504	2,492	2,479	2,466	2,454	2,436	2,412	2,387	2,361
3	**Total Revenue ($000) [3]**	42,631	37,410	36,771	36,871	36,974	37,082	37,208	37,270	37,271	37,272	37,271	37,268
4	**Operating Expenses ($000)**												
5	Operation and Maintenance [4]	932	959	988	1,018	1,048	1,080	1,112	1,146	1,180	1,215	1,252	1,289
6	Administrative and General [4]	90	93	96	99	102	105	108	111	114	118	121	125
7	Engineering [5]	90	93	96	99	102	105	108	111	114	118	121	125
8	Corps of Engineers Power Payment [5]	124	128	132	136	140	144	148	153	157	162	167	172
9	Mussel Monitoring, Dissolved Oxygen, Fisheries [5]	144	149	153	158	163	168	173	178	183	189	194	200
10	Insurance, License Fees and Taxes	1,789	1,803	1,817	1,831	1,846	1,860	1,875	1,889	1,904	1,919	1,934	1,949
11	Socialized Transmission Charges [6]	-	-	-	-	-	-	-	-	-	-	-	-
12	**Total Operating Expenses ($000)**	3,170	3,225	3,282	3,340	3,400	3,461	3,523	3,588	3,653	3,721	3,790	3,861
13	Net Available [7]	39,462	34,184	33,489	33,531	33,574	33,621	33,684	33,682	33,617	33,551	33,481	33,407
14	Net Debt Service Requirement [8]	35,862	31,065	30,432	30,470	30,509	30,551	30,609	30,607	30,547	30,487	30,423	30,355
15	Debt Service Coverage (%) [9]	110	110	110	110	110	110	110	110	110	110	110	110
16	Interim Replacements (IR) Deposits [10]	3,586	3,106	3,043	3,047	3,051	3,055	3,061	3,061	3,055	3,049	3,042	3,036
17	Interim Replacements Cost [11]	496	510	526	542	558	574	592	609	628	647	666	686
18	Funds to be Transferred to General Subfund [12]	3,077	2,583	2,504	2,492	2,479	2,466	2,454	2,436	2,412	2,387	2,361	2,333
19	Deposit to Working Capital Reserve Account [13]	13	13	14	14	14	14	15	15	15	16	16	16
20	**Total Revenue Requirement ($000) [14]**	42,631	37,410	36,771	36,871	36,974	37,082	37,208	37,270	37,271	37,272	37,271	37,268
21	**Total Project Cost**												
22	Net Cost to Participants [15]	39,531	34,332	34,189	34,368	34,482	34,603	34,741	34,815	34,834	34,860	34,885	34,907
23	Net Capacity (MW)	44	44	44	44	44	44	44	44	44	44	44	44
24	Gross Energy (MWh)	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000	239,000
25	Less: 4% Station Service & Forced Outages (MWh)	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560
26	Less: 2.5% Transmission Losses (MWh) [16]	5,736	5,736	5,736	5,736	5,736	5,736	5,736	5,736	5,736	5,736	5,736	5,736
27	Net Energy (MWh) [17]	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704
28	Capacity Factor (%)	58	58	58	58	58	58	58	58	58	58	58	58
29	Total Cost to Participants ($/kW-month) [18]	74.87	65.02	64.75	65.09	65.31	65.54	65.80	65.94	65.97	66.02	66.07	66.11
30	($/MWh) [19]	176.71	153.47	152.83	153.63	154.14	154.68	155.30	155.63	155.72	155.83	155.94	156.04
31	Credit for REC Sale ($/MWh) [20]	(8.98)	(9.19)	(9.42)	(9.64)	(9.87)	(10.11)	(10.35)	(10.60)	(10.86)	(11.12)	(11.38)	(11.66)
32	($000)	(2,009)	(2,057)	(2,106)	(2,157)	(2,209)	(2,262)	(2,316)	(2,372)	(2,428)	(2,487)	(2,546)	(2,607)
33	**Net Total Cost to Participants ($000) [21]**	**37,522**	**32,275**	**32,082**	**32,211**	**32,274**	**32,341**	**32,426**	**32,444**	**32,406**	**32,373**	**32,338**	**32,299**
34	**($/kW-month) [22]**	**71.06**	**61.13**	**60.76**	**61.01**	**61.12**	**61.25**	**61.41**	**61.45**	**61.37**	**61.31**	**61.25**	**61.17**
35	**($/MWh) [23]**	**167.73**	**144.28**	**143.41**	**143.99**	**144.27**	**144.57**	**144.95**	**145.03**	**144.86**	**144.71**	**144.56**	**144.38**

Table 6
Willow Island Projected Operating Results
AMP

Footnotes:

(1) Line 3 minus Line 2.

(2) From Line 18.

(3) Equal to Line 20, Total Revenue Requirement.

(4) Estimated based on actual expenses of the Belleville Hydroelectric Plant. Escalated 3% annually.

(5) Escalated 3% annually.

(6) No charges anticipated. All energy from the plant expected to be delivered to partcipants in PJM and not another RTO.

(7) Line 3, Total Revenue minus line 12, Total Operating Expenses.

(8) From Table 3, Estimated Combined Hydroelectric Projects Total Financial Requirement and Debt Service. Net of Federal Interest Subsidies and interest earnings on Debt Service Reserve Fund and Federal Subsidy Special Reserves.

(9) Line 13, Net Available divided by Line 14, Net Debt Service Requirement multiplied by 100.

(10) Line 14, Net Debt Service Requirement multiplied by 10%. 2016 Net Debt Service Requirement Used to Calculate 2015.

(11) 0.25% of initial cost of electrical and mechanical equipment. Escalated 3% annually.

(12) Line 16, Interim Replacements (IR) Deposits minus Line 17, Interim Replacement Costs.

(13) Line 12, Total Operating Expenses divided by 12 months and multiplied by 5%.

(14) Sum of Lines 12, 14, 16 and 19.

(15) From Line 1, Participant Revenue.

(16) 2.5% of the difference of Line 24, Gross Energy and Line 25, Station Service & Forced Outages.

(17) Line 24, Gross Energy minus Line 25 and Line 26.

(18) Line 22, Net Cost to Participants divided by Line 23, Net Capacity (MW) multiplied by 1,000 and divided by 12 months.

(19) Line 22, Net Cost to Participants divided by Line 27, Net Energy (MWh) and multiplied by 1,000.

(20) Estimated by AMP at $6.00/MWh in 2010 escalated 2.4% annually. REC = Renewable Energy Certificates. See "Credit for Renewable Energy" in Section V.

(21) Line 22 plus Line 32.

(22) Line 33, Net Total Cost to Participants divided by Line 23, Net Capacity (MW) multiplied by 1,000 and divided by 12 months.

(23) Line 33, Net Total Cost to Participants divided by Line 27, Net Energy (MWh) and multiplied by 1,000.

(24) Estimated in-service date is March 15, 2015.

Table 7
Combined Hydro Projected Operating Results [1]
AMP

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Revenues ($000)													
1	Participant Revenue	12,816	104,849	130,420	131,483	132,020	131,224	131,630	132,422	132,487	132,676	133,006	133,271	132,823
2	Transfers from IR Fund	-	7,418	11,026	10,350	10,322	10,301	10,154	10,100	10,083	9,994	9,939	9,897	9,849
3	**Total Revenue ($000)**	12,816	112,267	141,445	141,833	142,342	141,525	141,784	142,522	142,570	142,670	142,945	143,168	142,672
4	**Operating Expenses ($000)**													
5	Operation and Maintenance	476	1,824	2,019	2,079	2,142	2,206	2,272	2,340	2,411	2,483	2,557	2,634	2,713
6	Administrative and General	46	177	196	202	208	214	220	227	234	241	248	255	263
7	Engineering	46	177	196	202	208	214	220	227	234	241	248	255	263
8	Corps of Engineers Power Payment	50	204	229	236	243	250	258	265	273	282	290	299	308
9	Mussel Monitoring, Dissolved Oxygen, Fisheries	74	283	313	323	332	342	352	363	374	385	397	409	421
10	Insurance, License Fees and Taxes	2,087	6,844	7,221	7,259	7,297	7,336	7,374	7,413	7,452	7,491	7,530	7,570	7,610
11	Socialized Transmission Charges	765	2,040	2,138	2,258	2,404	2,583	2,805	3,080	3,422	3,456	3,490	3,525	3,561
12	**Total Operating Expenses ($000)**	3,544	11,549	12,312	12,558	12,833	13,145	13,502	13,915	14,399	14,578	14,761	14,947	15,138
13	Net Available	9,272	100,718	129,133	129,275	129,509	128,380	128,282	128,607	128,171	128,093	128,184	128,221	127,534
14	Net Debt Service Requirement	1,500	88,374	117,347	117,475	117,687	116,659	116,569	116,863	116,465	116,393	116,475	116,508	115,883
15	Debt Service Coverage (%)	-	114	110	110	110	110	110	110	110	110	110	110	110
16	Interim Replacements (IR) Deposits	7,757	12,296	11,735	11,748	11,769	11,666	11,657	11,686	11,646	11,639	11,648	11,651	11,588
17	Interim Replacements Cost	339	1,222	1,333	1,373	1,414	1,457	1,501	1,546	1,592	1,640	1,689	1,740	1,792
18	Funds to be Transferred to General Subfund	7,418	11,026	10,350	10,322	10,301	10,154	10,100	10,083	9,994	9,939	9,897	9,849	9,733
19	Deposit to Working Capital Reserve Account	15	48	51	52	53	55	56	58	60	61	62	62	63
20	**Total Revenue Requirement ($000)**	12,816	112,267	141,445	141,833	142,342	141,525	141,784	142,522	142,570	142,670	142,945	143,168	142,672
21	**Total Project Cost**													
22	Net Cost to Participants	12,816	104,849	130,420	131,483	132,020	131,224	131,630	132,422	132,487	132,676	133,006	133,271	132,823
23	Net Capacity (MW)	164	208	208	208	208	208	208	208	208	208	208	208	208
24	Gross Energy (MWh)	327,042	1,026,208	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000
25	Less: 4% Station Service & Forced Outages (MWh	13,082	41,048	43,040	43,040	43,040	43,040	43,040	43,040	43,040	43,040	43,040	43,040	43,040
26	Less: 2.5% Transmission Losses (MWh)	7,849	24,629	25,824	25,824	25,824	25,824	25,824	25,824	25,824	25,824	25,824	25,824	25,824
27	Net Energy (MWh)	306,111	960,531	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136
28	Capacity Factor (%)	21	53	55	55	55	55	55	55	55	55	55	55	55
29	Total Cost to Participants ($/kW-month)	10.42	42.01	52.25	52.68	52.89	52.57	52.74	53.05	53.08	53.16	53.29	53.39	53.21
30	($/MWh)	41.87	109.16	129.50	130.55	131.08	130.29	130.70	131.48	131.55	131.74	132.06	132.33	131.88
31	Credit for REC Sale ($/MWh)	(3.30)	(4.00)	(4.23)	(4.33)	(4.43)	(4.54)	(4.65)	(4.76)	(4.87)	(4.99)	(5.11)	(5.23)	(5.36)
32	($000)	(1,010)	(3,843)	(4,257)	(4,359)	(4,464)	(4,571)	(4,681)	(4,793)	(4,908)	(5,026)	(5,147)	(5,270)	(5,397)
33	**Net Total Cost to Participants ($000)**	**11,806**	**101,006**	**126,162**	**127,123**	**127,556**	**126,653**	**126,949**	**127,629**	**127,579**	**127,650**	**127,859**	**128,001**	**127,427**
34	**($/kW-month)**	**9.60**	**40.47**	**50.55**	**50.93**	**51.10**	**50.74**	**50.86**	**51.13**	**51.11**	**51.14**	**51.23**	**51.28**	**51.05**
35	**($/MWh)**	**38.57**	**105.16**	**125.27**	**126.22**	**126.65**	**125.76**	**126.05**	**126.72**	**126.67**	**126.75**	**126.95**	**127.09**	**126.52**

[1] Sum of Tables 4, 5 and 6.

Table 7

Combined Hydro Projected Operating Results [1]

AMP

		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
	Revenues ($000)												
1	Participant Revenue	133,259	133,864	134,416	134,766	135,150	135,658	136,273	136,767	137,194	137,647	138,110	138,592
2	Transfers from IR Fund	9,733	9,690	9,667	9,639	9,589	9,539	9,498	9,464	9,419	9,363	9,306	9,248
3	**Total Revenue ($000)**	142,992	143,554	144,083	144,404	144,740	145,197	145,771	146,231	146,612	147,010	147,417	147,840
4	**Operating Expenses ($000)**												
5	Operation and Maintenance	2,795	2,878	2,965	3,054	3,145	3,240	3,337	3,437	3,540	3,646	3,756	3,868
6	Administrative and General	271	279	287	296	305	314	323	333	343	353	364	375
7	Engineering	271	279	287	296	305	314	323	333	343	353	364	375
8	Corps of Engineers Power Payment	317	326	336	346	357	367	378	390	402	414	426	439
9	Mussel Monitoring, Dissolved Oxygen, Fisheries	433	446	460	474	488	503	518	533	549	566	583	600
10	Insurance, 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
11	Socialized Transmission Charges	3,596	3,632	3,668	3,705	3,742	3,780	3,817	3,856	3,894	3,933	3,972	4,012
12	**Total Operating Expenses ($000)**	15,333	15,531	15,735	15,942	16,154	16,371	16,592	16,818	17,049	17,286	17,528	17,775
13	Net Available	127,659	128,023	128,348	128,462	128,585	128,826	129,179	129,413	129,563	129,724	129,889	130,066
14	Net Debt Service Requirement	115,996	116,325	116,621	116,723	116,835	117,053	117,372	117,584	117,720	117,865	118,015	118,174
15	Debt Service Coverage (%)	110	110	110	110	110	110	110	110	110	110	110	110
16	Interim Replacements (IR) Deposits	11,600	11,633	11,662	11,672	11,683	11,705	11,737	11,758	11,772	11,787	11,801	11,817
17	Interim Replacements Cost	1,846	1,901	1,958	2,017	2,077	2,140	2,204	2,270	2,338	2,408	2,480	2,555
18	Funds to be Transferred to General Subfund	9,690	9,667	9,639	9,589	9,539	9,498	9,464	9,419	9,363	9,306	9,248	9,189
19	Deposit to Working Capital Reserve Account	64	65	66	66	67	68	69	70	71	72	73	74
20	**Total Revenue Requirement ($000)**	142,992	143,554	144,083	144,404	144,740	145,197	145,771	146,231	146,612	147,010	147,417	147,840
21	**Total Project Cost**												
22	Net Cost to Participants	133,259	133,864	134,416	134,766	135,150	135,658	136,273	136,767	137,194	137,647	138,110	138,592
23	Net Capacity (MW)	208	208	208	208	208	208	208	208	208	208	208	208
24	Gross Energy (MWh)	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000	1,076,000
25	Less: 4% Station Service & Forced Outages (MWh	43,040	43,040	43,040	43,040	43,040	43,040	43,040	43,040	43,040	43,040	43,040	43,040
26	Less: 2.5% Transmission Losses (MWh)	25,824	25,824	25,824	25,824	25,824	25,824	25,824	25,824	25,824	25,824	25,824	25,824
27	Net Energy (MWh)	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136
28	Capacity Factor (%)	55	55	55	55	55	55	55	55	55	55	55	55
29	Total Cost to Participants ($/kW-month)	53.39	53.63	53.85	53.99	54.15	54.35	54.60	54.79	54.97	55.15	55.33	55.53
30	Total Cost to Participants ($/MWh)	132.31	132.92	133.46	133.81	134.19	134.70	135.31	135.80	136.22	136.67	137.13	137.61
31	Credit for REC Sale ($/MWh)	(5.49)	(5.62)	(5.75)	(5.89)	(6.03)	(6.18)	(6.33)	(6.48)	(6.63)	(6.79)	(6.96)	(7.12)
32	($000)	(5,526)	(5,659)	(5,795)	(5,934)	(6,076)	(6,222)	(6,371)	(6,524)	(6,681)	(6,841)	(7,005)	(7,173)
33	**Net Total Cost to Participants ($000)**	**127,732**	**128,205**	**128,621**	**128,832**	**129,074**	**129,436**	**129,902**	**130,243**	**130,513**	**130,806**	**131,105**	**131,419**
34	**($/kW-month)**	**51.17**	**51.36**	**51.53**	**51.62**	**51.71**	**51.86**	**52.04**	**52.18**	**52.29**	**52.41**	**52.53**	**52.65**
35	**($/MWh)**	**126.83**	**127.30**	**127.71**	**127.92**	**128.16**	**128.52**	**128.98**	**129.32**	**129.59**	**129.88**	**130.18**	**130.49**

[1] Sum of Tables 4, 5 and 6.

Table 8
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($000)	7,832	48,571	42,694	44,641	44,915	46,054	45,553	44,069	43,970	43,896	43,894	43,761	43,708
($/MWh)	33.73	113.30	99.59	104.13	104.77	107.43	106.26	102.80	102.57	102.40	102.39	102.08	101.96
Energy (MWh)	232,206	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688
Smithland													
Total Cost($000)	3,974	37,654	50,981	48,646	48,551	46,522	47,314	46,538	46,376	46,287	46,285	46,179	46,170
($/MWh)	53.77	106.14	143.71	137.13	136.86	131.14	133.38	131.19	130.73	130.48	130.47	130.18	130.15
Energy (MWh)	73,905	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744
Willow Island													
Total Cost($000)	-	14,782	32,487	33,836	34,090	34,076	34,082	37,022	37,233	37,467	37,681	38,061	37,549
($/MWh)	-	83.47	145.22	151.25	152.39	152.33	152.35	165.50	166.44	167.49	168.44	170.14	167.85
Energy (MWh)	-	177,099	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704
All Projects													
Total Cost($000)	11,806	101,006	126,162	127,123	127,556	126,653	126,949	127,629	127,579	127,650	127,859	128,001	127,427
($/MWh)	38.57	105.16	125.27	126.22	126.65	125.76	126.05	126.72	126.67	126.75	126.95	127.09	126.52
Energy (MWh)	306,111	960,531	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136

[1] From Tables 4, 5, 6 and 7.

Table 8
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($000)	43,878	46,392	46,665	46,708	46,793	46,849	46,648	46,777	46,918	47,066	47,218	47,377
($/MWh)	102.35	108.22	108.85	108.96	109.15	109.28	108.82	109.12	109.45	109.79	110.15	110.52
Energy (MWh)	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688	428,688
Smithland												
Total Cost($000)	46,333	49,539	49,875	49,913	50,007	50,246	50,828	51,022	51,189	51,366	51,548	51,743
($/MWh)	130.61	139.65	140.59	140.70	140.97	141.64	143.28	143.83	144.30	144.80	145.31	145.86
Energy (MWh)	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744	354,744
Willow Island												
Total Cost($000)	37,522	32,275	32,082	32,211	32,274	32,341	32,426	32,444	32,406	32,373	32,338	32,299
($/MWh)	167.73	144.28	143.41	143.99	144.27	144.57	144.95	145.03	144.86	144.71	144.56	144.38
Energy (MWh)	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704	223,704
All Projects												
Total Cost($000)	127,732	128,205	128,621	128,832	129,074	129,436	129,902	130,243	130,513	130,806	131,105	131,419
($/MWh)	126.83	127.30	127.71	127.92	128.16	128.52	128.98	129.32	129.59	129.88	130.18	130.49
Energy (MWh)	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136	1,007,136

[1] From Tables 4, 5, 6 and 7.

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)
- 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.
- Technology risks would be mitigated through the incorporation of design specifications and guarantees in the design and construction contracts.

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 Due Date	Anticipated AMP Award Contract Due Date	Contract Complete Due Date
Cannelton			
Land Clearing	Sep-07	Executed	Complete
Turbine/Generator	Sep-07	Executed	Spring 2014
Cofferdam	Jan-08	Executed	Complete
Transmission Line	May-09	Executed	Fall 2010
General Contract	Dec-09	Executed	Spring 2014
Smithland			
Land Clearing	Sep-07	Executed	Complete
Turbine/Generator	Sep-07	Executed	Fall 2014
Cofferdam	Jan-08	Executed	Spring 2011
Transmission Line	Mar-11	Jul-11	Fall 2012
General Contract	Sep-10	Jun-11	Fall 2014
Willow Island			
Land Clearing	N/A	N/A	N/A
Turbine/Generator	Sep-07	Executed	Fall 2014
Cofferdam	Sep-10	Executed	Fall 2011
Transmission Line	Sep-10	Jan-11	Summer 2011
General Contract	Dec-10	Fall 2012	Spring 2015

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.

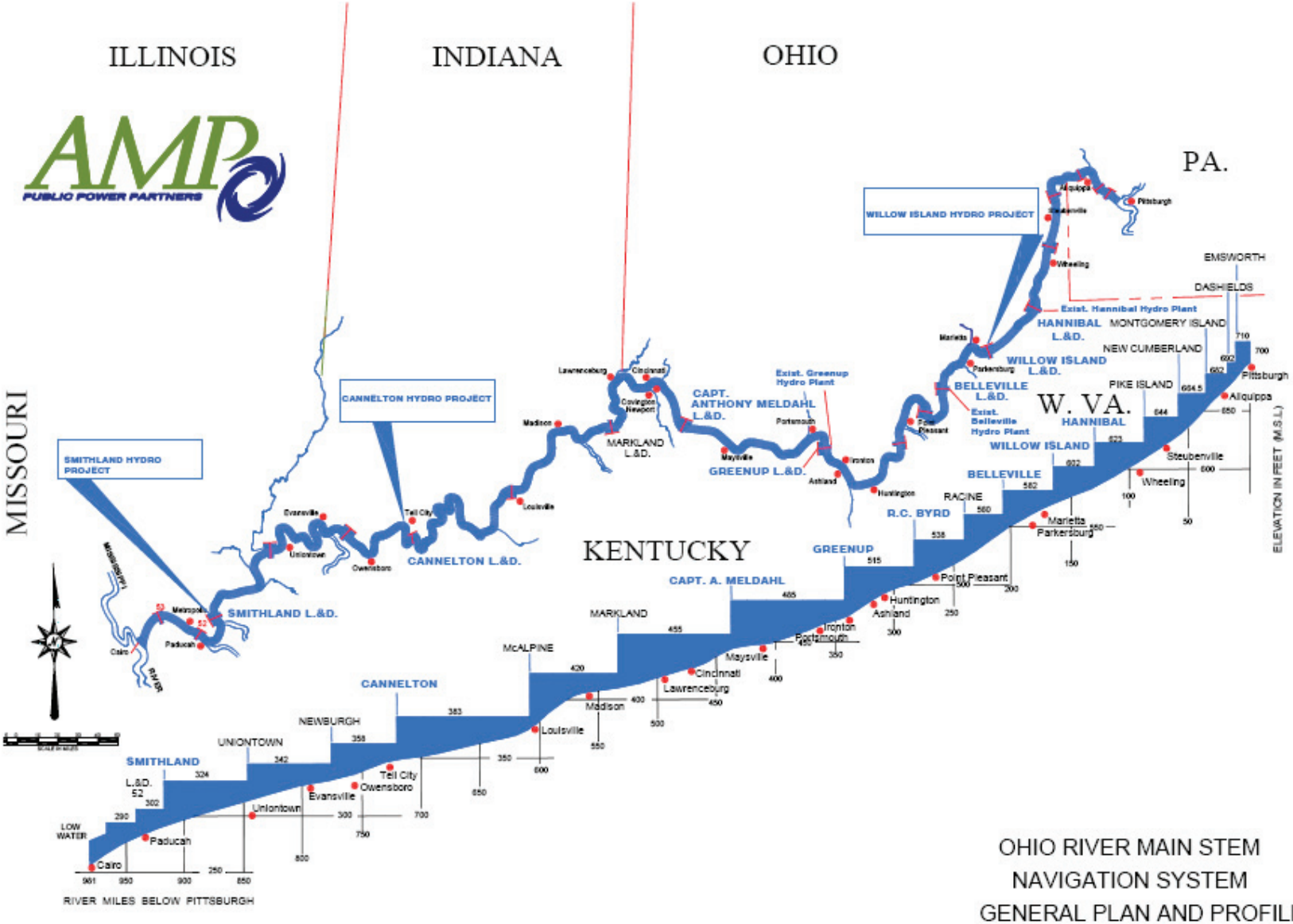
EXTERNAL RISK MITIGATION

- Event risks related to unplanned outages will be somewhat mitigated by the fact that the 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

Ohio River Main Stem Navigation System



OHIO RIVER MAIN STEM
NAVIGATION SYSTEM
GENERAL PLAN AND PROFILE

APPENDIX B

Projected Combined Hydroelectric Projects Performance and Costs

Table B-1
Projected Combined Hydroelectric Project Performance and Cost
Licenses Expire 2038 through 2041

1	2	3	4	5	6	7	8	9
Year	Thoeretical Max. Energy (MWh)[1]	River Flow De-Rate (MWh)	Gross Energy (MWh)[2]	Non-Flow De-Rate (MWh)	Net Energy (MWh)[3]	Capacity Factor (%)[4]	Project Cost ($/kW-mo)	Project Cost ($/MWh)
2011	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	556,260	229,218	327,042	20,931	306,111	21.31	9.60	38.57
2015	1,677,540	651,332	1,026,208	65,677	960,531	52.72	40.47	105.16

10	11	12	13	14	15	16	17	18	19
	($/MWh)								
Year	A&G	Debt Service	Insurance Lic. Fees and Taxes	Professional Services	Utilities	Environ. Costs	O&M	Other Expenses	Total Project Cost
2011	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-
2014	0.15	4.90	6.82	0.15	0.16	0.24	1.55	24.59	38.57
2015	0.18	92.01	7.13	0.18	0.21	0.29	1.90	3.25	105.16

[1] Project Capacity (164 MW in 2014 and 208 MW in 2015) multiplied by 8,760 hours. Adjusted to account for commercial operation dates of June 15, 2014 for Cannelton, October 15, 2014 for Smithland and March 15, 2015 for Willow Island.

[2] Column 2 minus Column 3.

[3] Column 4 minus Column 5.

[4] Column 6 divided by the product of the total capacity (164 MW for Cannelton and Smithland only in 2014 and 208 MW for all three Projects in 2015) and 8,760 hours.

December 15, 2010

R·W·BECK
An SAIC Company

Board of Trustees
American Municipal Power, Inc.
1111 Schrock Rd., Suite 100
Columbus, Ohio 43229

Members of the Board of Trustees:

Subject: *American Municipal Power, Inc.*
Combined Hydroelectric Projects
Market Comparison Analysis and Participant Beneficial Use Analysis

Presented herewith is a summary of the results of our studies, investigations and analyses undertaken in connection with the proposed issuance by American Municipal Power, Inc. ("AMP") of its Combined Hydroelectric Projects Revenue Bonds, Series 2010A (Federally Taxable) (the "Series 2010A Taxable Bonds"), Series 2010B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "Series 2010B Taxable BABs"), and Series 2010C (Federally Taxable – Issue Subsidy – New Clean Renewable Energy Bonds) (the "Series 2010C New CREBS" which, together with the Series 2010A Taxable Bonds and Series 2010B Taxable BABs are referred to herein as the "Series 2010 Bonds").

AMP plans to develop three run-of-the-river hydroelectric facilities with an aggregate generating capacity of approximately 208 MW to be located at existing United States Army Corps of Engineers' dams on the Ohio River. These facilities consist of the 88 MW Cannelton hydroelectric generating facility (the "Cannelton Project"), the 76 MW Smithland hydroelectric generating facility (the "Smithland Project") and the 44 MW Willow Island hydroelectric generating facility (the "Willow Island Project"). Collectively, the Cannelton Project, Smithland Project, and Willow Island Project are referred to as the Combined Hydroelectric Projects ("Combined Hydro Projects"). AMP currently projects that the Cannelton, Smithland, and Willow Island Projects will be commercially available in June 2014, October 2014, and March 2015, respectively.

For more information on the Combined Hydro Projects, see AMP's Official Statement for the Series 2010 Bonds (the "Official Statement"), which includes as Appendix G-1 the Consulting Engineer's Report prepared by Sawvel and Associates, Inc. ("Sawvel").

R. W. Beck, Inc., an SAIC company ("R. W. Beck"), has been retained by AMP in connection with its proposed issuance of the Series 2010 Bonds for the purposes of (i) preparing an analysis that compares the projected costs of the Combined Hydro Projects to projections of market prices (the "Market Comparison Analysis") and (ii) preparing an analysis, in accordance with Section 2 (B) (x) of the Power Sales Contract for each project, to determine if each Participant in the Combined Hydro Projects can beneficially utilize its resource share of the Combined Hydro Projects (the "Participant Beneficial Use Analysis"). The results of our analyses are summarized in this letter report (the "Report") attached as Appendix G-2 to the Official Statement.

As used in this Report, the capitalization of any word or term not normally capitalized indicates that such word or term shall have the meaning assigned to it in the particular agreement or other document discussed or is defined in AMP's Official Statement prepared in connection with the Series 2010 Bonds (the "Official Statement"). References to and descriptions of such agreements or documents in this Report represent our understanding of certain general principles thereof, but do not purport to be complete

and are qualified in their entirety by reference to such agreements or documents. For a more complete discussion, see the Official Statement, including certain appendices thereto for summaries of certain provisions of the agreements or documents referred to herein.

This Report summarizes the results of the investigations and analyses of R. W. Beck up to the date of this Report. Changed conditions occurring or becoming known after such date could affect the material presented herein to the extent of such changes. We have not been retained by AMP to update this Report beyond the date hereof.

Reference is made to the section in the Official Statement entitled "CERTAIN FACTORS AFFECTING AMP, THE PARTICIPANTS AND THE ELECTRIC UTILITY INDUSTRY" for a discussion of certain factors in the electric utility industry which will have an impact on the business affairs and financial condition of both public and private electric utilities.

Nothing contained in this Report is intended to indicate conditions with respect to the safety or security regarding the Combined Hydro Projects or to conformance with agreements, codes, permits, rules or regulations of any party having jurisdiction with respect to the construction, operation, and maintenance of the Combined Hydro Projects, which matters are outside the scope and purposes of this Report.

AMERICAN MUNICIPAL POWER, INC.

INTRODUCTION

AMP was formed in 1971 under Ohio Revised Code Chapter 1702 as a nonprofit corporation. AMP operates on a cooperative basis for the mutual benefit of its members (the "Members"). All but one Member own and operate electric utility distribution systems and in some cases generating assets. As of November 1, 2010, AMP had 128 Members located in 6 states. There are 82 Members in Ohio, 30 in Pennsylvania, 6 in Michigan, 5 in Virginia, 2 in West Virginia and 3 in Kentucky. For information concerning the AMP organization and its Members, see the section in the Official Statement entitled "AMERICAN MUNICIPAL POWER, INC."

POWER SUPPLY RESOURCES

The Members of AMP receive their power supply from a mix of resources that include:

- wholesale power purchases through AMP and on the open market from investor-owned utilities and marketers;
- replacement energy for that previously produced at AMP's 213 MW, coal-fired Richard H. Gorsuch Generating Station near Marietta, Ohio[1];
- individual Member-owned generation facilities; and
- municipal generation joint ventures such as the 42 MW Belleville Hydroelectric Project at the Belleville Locks and Dam on the Ohio River; the 7.2 MW AMP Wind Farm located near Bowling Green, Ohio and approximately 334 MW of distributed peaking generation (either owned by AMP or a municipal joint venture) using natural gas and diesel fuel.

[1] AMP ceased electric generation operations of the Gorsuch plant on November 17, 2010. For more information see the section in the Official Statement entitled "AMERICAN MUNICIPAL POWER, INC. – Other Projects – *Gorsuch Station*".

AMP is also developing additional power projects that are scheduled to be commercially available beginning in 2011.

AMP has a 23.26 percent undivided ownership interest in the 1,582 MW Prairie State Energy Campus ("PSEC") coal-fired power plant as a tenant-in-common with seven other parties that are co-owners of PSEC. Sixty-eight AMP Members have entered into a Power Sales Contract for the purchase of the capacity and energy from the PSEC (the "PSEC Project"). Unit 1 of the PSEC Project is projected to be commercially available beginning in late 2011, followed by Unit 2 in mid-2012.

AMP plans to develop a 105 MW run-of-the-river hydroelectric facility to be located on the Ohio River (the "Meldahl Project"). In addition, AMP plans to acquire an ownership interest in an existing 70 MW run-of-the-river hydroelectric facility located at the Greenup Locks and Dam on the Ohio River (the "Greenup Facility"). The Greenup Facility is currently owned and operated by the City of Hamilton, Ohio ("Hamilton"), an AMP Member. AMP has negotiated with Hamilton to purchase 48.6% of the Greenup Facility (the "Greenup Project"), which is contingent upon the development, construction and placing into service of the Meldahl Project. Forty-eight AMP Members, including Hamilton, have entered into a Power Sales Contract for the purchase of capacity and energy from the Meldahl Project. Forty-seven AMP Members, consisting of all Meldahl Participants except for Hamilton, have entered into a Power Sales Contract for the purchase of capacity and energy from the Greenup Project. AMP currently projects that the Meldahl Project will be placed in service by July 15, 2014 and that the acquisition of its undivided ownership interest in the Greenup Facility will close within 60 days thereafter as required by its agreements with Hamilton.

Table 1 shows the shares in these AMP additional power projects, as well as in the Combined Hydro Projects discussed herein, for each of the Participants in the Combined Hydro Projects.

Five of the Members in Michigan are members of the Michigan South Central Power Agency ("MSCPA"), which owns and operates a 50 MW (summer rating) power plant in Litchfield, Michigan on behalf of the MSCPA members. The members of MSCPA also own 76 MW of peaking units and hydro resources. Also, MSPCA purchases partial requirements service from AMP on behalf of the MSCPA members.

Four of the Members in Virginia are members of the Blue Ridge Power Agency. These four Members have purchased all requirements power from AMP since July 2006.

Two of the Members in Kentucky are members of the Kentucky Municipal Power Agency ("KMPA").

For additional information concerning the power supply resources of AMP and its Members, see the section in the Official Statement entitled "AMERICAN MUNICIPAL POWER, INC. – Other Projects".

POWER SUPPLY PLANS

Beginning in 2006, AMP has contracted with R. W. Beck to develop and update long-term power supply plans for its Members. R. W. Beck has prepared reports for each of the Members (that were Members at the time that the respective report was prepared) 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. The first reports were provided to Members in February 2007, and updates were prepared in June 2009, November 2009, and September 2010.

In developing the initial power supply plan for each Member, a generation expansion plan was developed assuming that the Member could participate in "slices" of future AMP generating resources equal to 15 percent of the Member's projected peak demand in the final year of the study period (plus an allowance for 12 percent reserves). The generating resource options have included future generic base load coal, natural gas-fired combined cycle and peaking resources, the proposed AMPGS project[2], the PSEC Project, the Meldahl Project, the Greenup Project, the Combined Hydro Projects, and proposed future wind projects. The purchase power options have included a 5-year peak load 5x16[3] contract, a 10-year base load 7x24[4] contract, as well as spot market purchases. The generation expansion plan was developed by considering shares (in terms of slices) of each of these options. The optimal power supply plan was developed by selecting the optimal power supply strategy (amount and timing of resource additions) that minimized the total net present value of power supply costs and risks over a 20-year projected period.

For the initial power supply plans provided in February 2007 for 119 AMP Members, the AMPGS project was included as an option for those Members that were participating in the development phase of the AMPGS project. The PSEC Project and the Combined Hydro Projects were included as an option for all Members. The initial power supply plan developed for each Member was intended to give that Member an indication of the optimal amount, timing, and type of power supply resources needed over the 20-year study period 2008-2027.

In June 2009, R. W. Beck was engaged by AMP to prepare a 20-year power supply plan ("June 2009 Power Supply Plan") for 126 AMP Members. 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 future generating resources that each Member has under contract with AMP. The future resources included AMPGS, PSEC, the Meldahl Project, the Greenup Project, and the Combined Hydro Projects. The "Optimal Resource Plan" indicated the generating resource additions each Member should consider making 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 plans also took into consideration the Renewable Portfolio Standards ("RPS") that had been adopted at the state level.

The results of the June 2009 Power Supply Plan indicated that there is a need for additional intermediate and peaking type generating resources. The Optimal Resource Plan (with the AMP Energy Efficiency programs) reflected an aggregate of 285 MW of additional hydro capacity (consisting of the 34.1 MW Greenup Project, 105 MW Meldahl Project, and 110 MW of other future hydro capacity), 697 MW of combustion turbine capacity and 1,007 MW of combined cycle capacity to be installed by 2020.

In November 2009, R. W. Beck was engaged by AMP to update the June 2009 plans to reflect a substantial increase in the capital cost estimate of AMPGS and to consider alternative portfolios including a portfolio with and without AMPGS. The lowest cost resource plan reflected the cancellation of AMPGS and included the recovery of the sunk costs of AMPGS with the additional resource options to include the Greenup Project, Meldahl Project, combined cycle projects, combustion turbine projects and

[2] AMPGS refers to the American Municipal Power Generating Station, which AMP originally proposed to develop as a two-unit, 960 MW coal-fired generating station to be located in Meigs County, Ohio.

[3] Power is delivered five days per week for 16 hours per day.

[4] Power is delivered seven days per week for 24 hours per day.

the two fixed-price purchased power contracts. After consideration of the results of the update and other information provided by the AMP staff, the AMPGS Participants and AMP Board of Trustees passed a resolution to cancel the development of AMPGS as a coal-fired facility.

In September 2010, R. W. Beck prepared updated power supply plans for 124 of AMP's Members, considering alternative portfolios that included each Member's existing resources and future committed resources under contract (PSEC Project, Combined Hydro Projects, Greenup Project and Meldahl Project), some combination of combined cycle, combustion turbine, nuclear, and fixed-price purchased power contracts, including solar and wind purchased power options. The combined cycle option includes a project to be built on the site of the recently-canceled AMPGS project.

The results of the September 2010 Power Supply Plan indicated that there is a need for additional intermediate and peaking type generating resources. The Optimal Resource Plan (with the AMP Energy Efficiency programs) reflected an aggregate need of 1,275 MW of future combined cycle capacity, plus 220 MW of future combustion turbine capacity, 203 MW of future nuclear capacity, 214 MW wind capacity and 434 MW of solar capacity by 2025[5].

PROJECT PARTICIPANTS

Of the 128 AMP Members, 79 Members (the "Combined Hydro Projects Participants") have entered into a Power Sales Contract dated as of November 1, 2007 with AMP for participation in the Combined Hydro Projects (the "Combined Hydro Projects Power Sales Contract"), pursuant to which each Combined Hydro Projects Participant is to receive its Power Sales Contract Resource Share ("Project Share") of the nominal power and associated energy from the Combined Hydro Projects Power Sales Contract Resources. For additional information concerning the Combined Hydro Projects Power Sales Contract, see Appendix C to the Official Statement entitled "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACT".

There are 67 Participants in the Combined Hydro Projects located in Ohio, 4 in Michigan, 4 in Virginia, 2 in West Virginia, and 2 in Kentucky. The Participants in the Combined Hydro Projects are referred to herein individually as a "Participant" and collectively as "Participants".

The Participants and Project Shares are listed on Table 2. Also, see Appendix A to the Official Statement entitled "THE PARTICIPANTS" for a list of the Participants in the Combined Hydro Projects and their respective Projects Shares represented in kilowatts ("kW") and percent of the total capacity of the Combined Hydro Projects.

The following table sets forth the aggregate demand and energy requirements for the Participants over the historical period 2005 through 2009.

[5] Wind and solar capacity values reflect the rated capacity of these resources. For capacity planning purposes, the capacity of wind and solar generation is discounted to 18 and 47 percent, respectively, of rated capacity to reflect the capacity credit received in PJM and MISO for these types of resources.

HISTORICAL POWER AND ENERGY REQUIREMENTS OF THE PARTICIPANTS

Fiscal Year	Peak Demand (MW)	Annual Percent Growth	Energy Requirements (GWh)	Annual Percent Growth
2004	2,067.0		10,603	
2005	2,237.5	8.3%	11,026	4.0%
2006	2,266.9	1.3%	10,735	-2.6%
2007	2,251.6	-0.7%	11,119	3.6%
2008	2,139.2	-5.0%	10,897	-2.0%
2009	2,088.0	-2.4%	10,185	-6.5%
Compound Average Annual Growth Rate 2004-2009		0.2%		-0.8%

The changes in demand and energy requirements from year to year reflect the net effects of variations in population and economic activity in the service areas of the Participants, incremental and decremental load impacts, and variations in weather conditions. Since December 2007, the United States has been in a historically deep and protracted recession. While the recession was determined to have ended in June 2009[6], the recovery has not been as robust as prior, deep recessions.

Across the counties within which the Participants provide service, total employment and gross regional product declined over 2007-2009 by 4.1 percent on a weighted average basis. Similarly, at the state levels, the unemployment rate increased from 5.2 percent to 9.8 percent.[7] However, employment and gross regional product are expected to recover over the next several years, eclipsing the 2007 levels by 2013 and 2012 for employment and gross regional product, respectively. Over the 2009-2035 period, employment and gross regional product, across the counties within which the Participants provide service, are expected to grow at average annual rates of 1.0 percent and 1.8 percent per year, respectively.[8]

Peak summer temperatures were slightly milder than normal during 2009 across the regions served by the Participants. In addition, average weather conditions during 2009, represented by heating and cooling degree days, were also milder than normal. Across the regions served by the Participants, cooling degree days were 12 percent lower than normal, and heating degree days were 3 percent lower than normal. While 2008 exhibited similar peak weather conditions to those exhibited during 2009, summer 2008 was on average warmer than normal and much warmer than 2009. This exacerbated the decline in energy requirements between 2008 and 2009 shown in the table above.

The following table shows the projected aggregate peak demand and energy requirements for the Participants for selected years through 2035. The forecasted requirements were prepared by R. W. Beck in August 2010, based on econometric models developed for each individual Participant, and reflect assumed normal weather conditions throughout the forecast period. The forecasted demand and energy requirements do not reflect additional demand-side management or conservation measures that may be undertaken in the future by AMP and/or the Participants.

[6] This determination was announced by the National Bureau of Economic Research ("NBER") in a September 20, 2010 press release. The NBER is the organization most often looked to for economic cycle dating, but it typically does not make pronouncements regarding the start or end dates of recessions until at least several months after the fact.

[7] For purposes of computing average economic data by county or state, 2009 system energy requirements are used as weights. Data regarding unemployment rates was obtained from the Bureau of Labor Statistics.

[8] Historical and projected employment and gross regional product data discussed in this paragraph are based on data published by Woods and Poole Economics, Inc., in their 2010 State Profiles.

PROJECTED POWER AND ENERGY REQUIREMENTS OF THE PARTICIPANTS

Calendar Year	Peak Demand (MW)	Annual Percent Growth	Energy Requirements (MWh)	Annual Percent Growth
2009 [1]	2,088.0		10,185	
2010	2,117.4	1.4%	10,423	2.3%
2015	2,256.5	1.3%	11,115	1.3%
2020	2,413.7	1.4%	11,897	1.4%
2025	2,584.6	1.4%	12,746	1.4%
2030	2,770.0	1.4%	13,666	1.4%
2035	2,969.9	1.4%	14,658	1.4%
Compound Average Annual Growth Rate 2009-2035		1.4%		1.4%

[1] Represents the actual aggregate peak demand and energy requirements for the Participants in 2009.

In August 2008, AMP authorized a 3-year energy efficiency start-up program, the AMP Efficiency Smart Power Plant ("Energy Efficiency Programs"), which consists of two tiers. Tier 1 consists of an educational and community-based initiative for all the AMP Members. Tier 2 consists of a subscription effort designed to enlist Members who wish to actively pursue a set of 10 energy efficiency programs. If all of the Combined Hydro Projects Participants subscribe to and participate in all 10 of the Energy Efficiency Programs, it is estimated that the projected energy requirements shown in the table above would be reduced by approximately three percent in 2015 and eight percent in 2025, based on information provided by AMP. For more information on AMP's Efficiency Smart program see the section in the Official Statement entitled "AMERICAN MUNICIPAL POWER, INC. – AMP's Integrated Resource Strategy and Approach to Sustainability – Energy Efficiency."

PARTICIPANT TRANSMISSION SERVICES

To deliver the output of the Combined Hydro Projects and to obtain interconnection capacity/deliverability rights for each project included in the Combined Hydro Projects, AMP must (i) be granted interconnection service with deliverability rights for each project included in the Combined Hydro Projects by PJM[9] or MISO[10] through the respective generator interconnection processes and (ii) obtain firm point-to-point transmission service under the PJM or MISO Open Access Transmission Tariff, as appropriate depending on the RTO region to which each project is interconnected, to deliver the appropriate amount of output from the Combined Hydro Projects to the PJM/MISO border, unless a lower cost and equally reliable method of delivery can be employed by AMP.

[9] PJM Interconnection ("PJM") is a regional transmission organization ("RTO") that coordinates the movement of wholesale electricity over thirteen states in the northeastern United States. PJM provides open access to transmission markets, long-term transmission planning and reliability, and operates a wholesale energy market. PJM's energy markets operations include Day-Ahead, Real-Time and Financial Transmission Rights markets. PJM also operates capacity markets.

[10] The Midwest Independent Transmission System Operator, Inc. ("MISO") is a non-profit, member-based organization that provides open access to transmission markets, long-term transmission planning, and transparent prices and manages the security-constrained economic dispatch of generation over its fifteen-state territory. MISO's energy markets operations include Day-Ahead, Real-Time and Financial Transmission Rights markets.

The Combined Hydro Projects will be interconnected to either MISO or PJM as follows. The Cannelton Project will be interconnected to Vectren's transmission system within the MISO region at Vectren's new 138 kV Cloverport substation. The Cannelton Project has been granted network resource interconnection service ("NRIS") with deliverability rights to loads within the MISO region and has executed a generator interconnection agreement with MISO and Vectren dated December 17, 2009. The Smithland Project will be interconnected to the MISO grid via a 161kV transmission line that will tap the existing Renshaw-Livingston 161 kV transmission line at the point of ownership of either Southern Illinois Power Cooperative's ("SIPC") or Big Rivers Electric Corporation ("BREC"). The system impact study conducted in June 2009 by MISO to evaluate interconnection at the SIPC point of ownership indicated that the Smithland Project could be granted NRIS contingent upon the completion of certain transmission upgrades for which the Smithland Project is not responsible. Additional studies will be conducted to further evaluate interconnection at the BREC point of ownership to determine the best alternative for interconnection of the project. The Willow Island Project will be interconnected to Allegheny Power Company's ("AP") transmission system within the PJM region via a 138 kV transmission line at AP's existing Belmont 138 kV substation. Results of a system impact study conducted in March 2009 by PJM indicated that no transmission upgrades would be required to grant interconnection service with capacity rights to the Willow Island Project. No additional studies are required by PJM and PJM has provided AMP with a draft interconnection agreement for review and comment by the parties. For more information, see the section entitled, "Interconnection/Transmission Service," in Appendix G-1).

The Combined Hydro Projects Power Sales Contract between AMP and the Participants states that the Point of Delivery for each of the projects included in the Combined Hydro Projects will be the respective project busses, that serve as the interconnection points to the respective transmission systems. However, energy from the Combined Hydro Projects will be priced to include congestion and losses from each respective project bus or interconnection point to the border with either MISO or PJM as appropriate, depending on the RTO region to which each project is interconnected. The Participants will ultimately take delivery at their individual delivery nodes as defined in Appendix C of the Power Sales Contract. Any transmission charges required to deliver capacity and energy from each project's Point of Delivery to the Participant's delivery nodes will be billed separately as supplemental transmission service charges.

In August 2009, ATSI/First Energy requested FERC acceptance of a proposal to move the ATSI system from MISO to PJM effective June 1, 2011. FERC conditionally accepted the proposal on December 17, 2009. In June 2010, Duke Energy filed a proposal requesting FERC acceptance to move its Ohio and Kentucky operating companies from MISO to PJM effective January 1, 2012. FERC conditionally accepted the Duke proposal on October 21, 2010. By 2012, the majority of AMP's Members will be located in PJM, which will likely increase the amount of point-to-point transmission service required from the Cannelton and Smithland Projects, if firm delivery is requested to the MISO/PJM border and would likewise reduce the amount of point-to-point transmission service required from the Willow Island Project, if firm delivery is requested to the PJM/MISO border.

In a Locational Marginal Pricing ("LMP") market such as PJM and MISO, the supplemental transmission service charges for which the Participants would be responsible include (i) energy market basis differentials caused by congestion and marginal losses from the MISO/PJM border to the Participant's delivery nodes and (ii) for those RTO regions that have an established capacity market, capacity market basis differentials if the project is located in a deliverability area that is different than the Participant's deliverability area. To provide an indication of what the congestion and loss costs might be, we have provided a summary of LMPs for the most recent twelve months for nodes of the Participants. The twelve-month averages (from November 2009 through October 2010) of the LMPs are provided in the table below.

12-Month Historical Average LMPs

LMP node	LMP ($/MWh)	Delta ($/MWh)
LMP Differential from Projects to PJM/MISO Border:		
Cannelton Proxy (BREC INTERFACE)	33.93	(0.61)
Smithland Proxy (SIPC.Mario5 Gen)	32.83	0.49
WILLOWIS GENERATOR	36.56	(3.25)
PJMC INTERFACE (MISO node)	33.32	0.00
LMP Differential from PJM/MISO Border to Participants:		
PJMC INTERFACE (MISO node)	33.32	0.00
CONS.MSCPA LOAD	36.41	3.10
DAY ZONE	37.71	4.39
FE.ATSI.AMPO LOAD	34.47	1.16
FE.CPP LOAD	34.70	1.38
FE.PAIN LOAD	34.02	0.70
AEP ZONE	37.63	4.31
AMP-OHIO AGGREGATE	37.08	3.76
BLUE RIDGE AGGREGATE	41.07	7.75
ROCKPOR2 GENERATOR	34.38	1.06
NEWMARTINSVILLE-AP AGGREGATE	35.79	2.47
DECO.AZ.ZONE	35.24	1.92

Historical price differentials during this time have ranged between $(3.25)/MWh and $0.49/MWh from the project sites to the PJM/MISO border and between $0.70/MWh and $7.75/MWh from the PJM/MISO border to the Participants; however, these differentials can change over time. The addition of the Combined Hydro Projects themselves and other generators, as well as the addition of new transmission facilities will result in changes in congestion from the historical values. It is unknown in which direction basis differentials will change, greater due to increased congestion because of competing generation projects, or lower due to major new transmission investment.

Presently, the Participants in PJM purchase their capacity obligations in PJM's Reliability Pricing Market ("RPM"). Once the Combined Hydro Projects are interconnected to either PJM or MISO with capacity/deliverability rights and firm point-to-point transmission service is obtained to the MISO/PJM border for those projects located in MISO, capacity associated with the Combined Hydro Projects can be sold into the RPM. Revenue from the capacity sales can then be used to offset the Participants' cost of purchasing capacity in the RPM. If at some point in the future the Participants choose to opt out of the RPM and "self-serve" their capacity obligations, the Participants will need to include the Combined Hydro Projects in their long term firm network resource designations.

Participants in MISO with Network Integration Transmission Service need to modify their transmission service to include the designation of the Combined Hydro Projects (or a portion thereof) as Network Resources either on the MISO system or from the MISO/PJM border, as the case may be for the Willow Island Project, and Participants that currently receive power through Point-to-Point service would need to re-direct or ask for additional Firm Point-to-Point service, unless a lower cost and equally reliable method of delivery can be employed by AMP.

In the LMP markets in PJM and MISO, the "basis differential" risks will be borne by the Participants as follows:

- Participants in PJM bear the risk of the energy market basis differentials caused by congestion and marginal losses from the MISO/PJM border to the Participants' delivery nodes.

- Participants in MISO bear the risk of the difference in LMPs from the PJM/MISO border to their delivery points.

- If available, Financial Transmission Rights ("FTRs") and Auction Revenue Rights ("ARRs"), MISO and PJM market hedging products, may be used to help manage this risk.

- Participants in PJM bear the risk of price differentials in the PJM capacity market prices between Locational Deliverability Areas ("LDAs") established within PJM. As somewhat analogous to the energy market basis differentials, the capacity market may settle at different prices between the LDAs (i.e., the Participants may have to pay a different, higher price to serve their loads than the revenue they would receive from the sale of the capacity associated with the Combined Hydro Projects delivered to the Participants delivery points). This is a risk for any Load Serving Entity meeting its capacity needs from resources outside of its LDA. To date, capacity price differentials have not occurred between the Willow Island Project LDA and the Participants' LDAs or the capacity price established for resources that have been bid into the RPM at the MISO/PJM border (as would be the case for the Cannelton and Smithland Projects) and the PJM Participants' LDAs.

An estimate of the LMP basis differential cost risk and certain RTO ancillary service and administrative charges that will be borne by AMP and included in Combined Hydro Projects' power costs have been reflected in the projected power costs prepared by Sawvel.

In July 2010, MISO filed at FERC requesting approval of a new transmission service charge to recover the costs of certain new MISO transmission facilities on a postage stamp basis from all load within MISO and all point-to-point transmission service used for exporting power out of or over the MISO system. To date, FERC has not approved the new MISO transmission service charge. If approved, this charge would be assessed in connection with the point-to-point transmission service needed to deliver the output (or portion thereof) of the Cannelton and Smithland Projects to the MISO/PJM border. This cost would also be borne by AMP and included in the Combined Hydro Projects' power costs and has been reflected in the projected power costs prepared by Sawvel.

PARTICIPANT BENEFICIAL USE ANALYSIS

OVERVIEW OF BENEFICIAL USE ANALYSIS

In accordance with Section 2 (B) (x) of the Combined Hydro Projects Power Sales Contracts, we have prepared an analysis to determine if each Participant can beneficially utilize its Project Shares. This analysis is based on each Participant's Project Shares as shown in Table 1.

We have prepared three types of analyses to determine if each Participant can beneficially utilize its share of the Combined Hydro Projects. The three analyses include:

- a comparison of each Participant's Project Share of the total capacity from the Combined Hydro Projects as a percent of peak demand for selected years,
- an analysis of the impact of adding the Combined Hydro Projects on potential surplus energy as a percentage of total generation and energy purchases, and
- an analysis of each Participant's projected power costs and risks, with and without its Project Shares of the Combined Hydro Projects.

COMBINED HYDRO PROJECT SHARES COMPARED TO PEAK DEMAND

Run-of-the-river hydroelectric power plants, such as the facilities comprising the Combined Hydro Projects, are designed to generate energy when water is available. The average annual capacity factors for the Combined Hydro Projects plants are projected to be in the range of 53 to 58 percent. Most utilities plan for around 20-25 percent of their projected peak demand to be supplied from this type of generation.

The Combined Hydro Projects Participants' actual 2009 peak demand and projected 2015 and 2025 peak demands were compared with their respective shares in the Combined Hydro Projects. Based on this analysis, the results indicate that there are only two Participants with Project Shares that exceed 15 percent of their projected peak demand in the year 2015 and only one in 2025. On a total basis, the capacity from the Combined Hydro Projects is projected to be approximately 9.2 percent of the Participants' aggregate peak demand in 2015 and 8.0 percent in 2025.[11]

If a utility has more generation than its hourly load requirements, it may either reduce the output of the plants online or sell the surplus energy in a given hour. This analysis does not take into consideration other generation that the Participants are expected to have available in the future that could cause surplus energy from existing plants and/or the Combined Hydro Projects. As discussed below, we have prepared a surplus energy analysis and an estimate of the impact on total power supply costs and risks for each Participant in the Combined Hydro Projects that reflect the Participant's existing generation and energy under contract, the Meldahl Project, the Greenup Project and the PSEC Project.

SURPLUS ENERGY ANALYSIS

Surplus energy occurs when a Participant has more energy available in any hour from its generating resources than its load requirements. As directed by the Participant, AMP will arrange to sell this surplus energy to other AMP Members and/or to PJM. Since surplus energy is not being utilized by the Participant to serve its load, it is not being "beneficially utilized" by the Participant. Also, because the amount and price paid for surplus energy is uncertain, surplus energy increases the Participant's power supply risk (cost uncertainty). Therefore, we have analyzed the extent to which adding the Combined Hydro Projects to the Participant's existing power supply resources results in an increase in surplus sales as a percent of total generation and energy under contract.

We have prepared stochastic projections of the total power supply cost for the period 2014 through 2035 and an extrapolative forecast for the period 2036 through 2050 for each of the Combined Hydro Projects Participants for two cases. The first case includes the Participant's existing power supply resources, the

[11] Taking into account the expected impact of Energy Efficiency Programs, (i) an additional one Participant in year 2015 and two in 2025 are expected to have Project Shares in the Combined Hydro Projects that exceed 15 percent of their peak demand, and (ii) the capacity from the Combined Hydro Projects is projected to be approximately 9.6 percent of the Participants' aggregate peak demand in 2015 and 9.0 percent in 2025.

Meldahl Project, the Greenup Project and the PSEC Project (the "Existing Portfolio") and the second case includes the Participant's Existing Portfolio and its current Project Shares of the Combined Hydro Projects ("Portfolio with AMP Combined Hydro Projects"). Based on the results of these projections, we computed the amount of the estimated surplus energy sales for each Participant under the Existing Portfolio and under the Portfolio with AMP Combined Hydro Projects. The results of this analysis are summarized below:

- Under the Existing Portfolio, 76 of the 79 Participants are projected to have surplus energy, on an average annual basis, ranging from 0 percent to 20 percent of total generation and energy under contract; these Participants comprise approximately 198.9 MW, or 95.6 percent of the AMP Combined Hydro Projects under the Existing Portfolio. Under the Existing Portfolio, 3 of the 79 Participants are projected to have surplus energy, on an average annual basis, greater than 20 percent of total generation and energy under contract; these Participants comprise approximately 9.1 MW, or 4.4 percent of the AMP Combined Hydro Projects under the Existing Portfolio.
- Under the Portfolio with AMP Combined Hydro Projects, 75 of the 79 Participants are projected to have surplus energy, on an average annual basis, ranging from 0 percent to 20 percent of total generation and energy under contract; these Participants comprise approximately 198.2 MW, or 95.3 percent of the AMP Combined Hydro Projects under the Portfolio with AMP Combined Hydro Projects. Under the Portfolio with AMP Combined Hydro Projects, 4 of the 79 Participants are projected to have surplus energy, on an average annual basis, greater than 20 percent of total generation and energy under contract; these Participants comprise approximately 9.8 MW, or 4.7 percent of the AMP Combined Hydro Projects under the Portfolio with AMP Combined Hydro Projects.
- On an aggregate weighted average basis, surplus energy under the Existing Portfolio is equal to approximately 7.6 percent of total generation and energy under contract; under the Portfolio with AMP Combined Hydro Projects, surplus energy is equal to approximately 7.4 percent of total generation and energy under contract.

Accordingly, across the majority of the Participants, the addition of their Project Shares in AMP's Combined Hydro Projects does not have a material impact on surplus energy sales as a percent of their total generation and energy under contract.

IMPACT OF THE COMBINED HYDRO PROJECTS ON PARTICIPANT COSTS AND RISKS

As described above, we have prepared stochastic projections of the total power supply cost for the period 2014 through 2035 and an extrapolative forecast for the period 2036 through 2050 for each of the Combined Hydro Projects Participants under the Existing Portfolio and the Portfolio with AMP Combined Hydro Projects. In addition, we have prepared similar projections of the total power supply cost for the period 2014 – 2050 for each of the Combined Hydro Projects Participants assuming that their respective Project Shares in the Combined Hydro Projects are increased by 25 percent. We have included this case to analyze the impact on the Participant's costs and risk of the respective percent step-up provisions under the Power Sales Contract for the Combined Hydro Projects. For more information concerning the step-up provision in the Power Sales Contract, see Appendix C to the Official Statement entitled, "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACT".

The stochastic power cost projections produce a range of costs resulting from the estimated volatility in loads, fuel prices, market prices, and CO_2 costs. Based on this analysis, we have developed an expected

average annual cost (annual cost present valued to 2014 and averaged). From the results of the stochastic analysis, we can estimate the uncertainty in future power costs (or risks) by computing the standard deviation in the projected average annual power costs under the 50 scenarios produced by the stochastic model.

- The results of the power cost analysis demonstrate that on a total net present value basis over the period 2014 – 2050, costs under the Portfolio with AMP Combined Hydro Projects range from approximately 1.0 percent lower to 1.0 percent higher than costs under the Existing Portfolio.

- The results of the power cost analysis demonstrate that on a total net present value basis over the period 2014 – 2050, costs under the Portfolio with AMP Combined Hydro Projects, including the step-up provisions, range from approximately 1.1 percent lower to 1.2 percent higher than costs under the Existing Portfolio..

- For all but two Participants, risks (as measured by the standard deviation) are lower under the Portfolio with AMP Combined Hydro Projects than the Existing Portfolio. These two Participants represent approximately 1.6 MW, or 0.7 percent, of the Combined Hydro Projects capacity (based on the total Project capacity of 208 MW).

- Also, for all but these same two Participants, risks are lower under the Portfolio with AMP Combined Hydro Projects, including the step-up provisions, than the Existing Portfolio for all of the Participants.

- For all Participants, upside costs[12], an alternative measure of risk, are lower under the Portfolio with AMP Combined Hydro Projects than the Existing Portfolio. Upside costs are also lower under the Portfolio with AMP Combined Hydro Projects, including the step-up provisions, than the Existing Portfolio.

Based on this analysis, the Participants' projected power costs on a total net present value basis over the period 2014-2050 with the Combined Hydro Projects are not materially different from the costs under the Existing Portfolio. All of the Participants are expected to have lower upside costs under the Portfolio with the Combined Hydro Projects than the Existing Portfolio. Accordingly, all of the Participants can beneficially use their share of capacity from the Combined Hydro Projects to meet their base to intermediate load requirements.

[12] Upside costs are defined as the 95th percentile of power costs.

MARKET COMPARISON ANALYSIS

For the period 2014 through 2050, we prepared projections of (i) the costs of AMP's ownership and operation of the Combined Hydro Projects Project and (ii) market prices in the market regions in which the facilities comprising the project are located. The Market Comparison Analysis is a projection of the power costs to Participants of the Combined Hydro Projects as compared to the projections of the market prices of generating resources with the same load profile as the Combined Hydro Projects in the PJM and MISO regions in which the Projects are located. The market price projections were prepared in July 2010.

PROJECTIONS OF PROJECT POWER COSTS

In developing the projected power costs for the Combined Hydro Projects summarized in Table 3, R. W. Beck relied primarily on information supplied by Sawvel and AMP.

Based on information provided by Sawvel, the development of the projected power costs for the Combined Hydro Projects was based on an assumed net plant capacity of 208 MW. Based on information provided by AMP, the weighted average annual capacity factors for the Combined Hydro Projects were assumed to be approximately 55 percent in all years, and we assumed that the Combined Hydro Projects would be dispatched into the PJM and MISO markets based on projected hourly load patterns provided by AMP.

The projected Project costs other than debt service were provided by Sawvel and were based on the latest information provided by MWH Global, Inc. ("MWH"), AMP's hydroelectric design engineer, at the time of this Report. The Project costs include net debt service, projected fixed operating costs, insurance, taxes, fees, cost of working capital and transmission. Projected fixed operating costs include estimated annual costs for labor, fixed operations and maintenance expenses, spare parts, major maintenance, contingencies and administrative and overhead costs. Projected variable costs include transmission charges that will be included in Project costs as defined in the Power Sales Contracts. The Project costs also reflect a credit for the sale of renewable energy certificates ("RECs"), associated with energy generated by the Projects, assumed to be sold in the REC market.

For the purpose of the projected power costs, we assumed that the Cannelton, Smithland, and Willow Island Projects will be commercially available in June 2014, October 2014, and March 2015, respectively, based on AMP's current projection.

PROJECTED FINANCING REQUIREMENTS AND NET DEBT SERVICE

The estimated capital costs for construction of the Combined Hydro Projects were provided by Sawvel, based on information provided by AMP. See the section of Appendix G-1 to the Official Statement entitled "CONSULTING ENGINEER'S REPORT".

The projected financing requirements for the Project are based on a plan of finance that AMP has developed to finance the Combined Hydro Projects. See the section in the Official Statement entitled "PLAN OF FINANCE." Based on a plan of finance developed by AMP, BMO Capital Markets prepared a projection of the financing requirements for the Project. Such estimates were prepared in November 2010 based on then existing market conditions, and the results could vary depending upon market conditions prevailing at the time AMP completes the financing of the cost of construction of the Project.

The total estimated par amount of Bonds that will be required by AMP to finance the Combined Hydro Projects, including construction costs, capitalized interest, deposits to a Debt Service Reserve Account, net original issue discount and bond issuance expenses is estimated to be approximately $2.0 billion. AMP's Plan of Finance assumes that interest during construction will be capitalized as needed from the proceeds of the Series 2010 Bonds and the Series 2009 Bonds (as defined in the Official Statement) until six months beyond the expected completion dates of each of the Combined Hydro Projects.

Based on the estimated amount of bonds, projected debt service schedules and interest earnings provided by AMP, the average annual debt service net of interest earnings is estimated to be approximately $118.0 million per year over the period 2016-2049.

AVERAGE PROJECT COSTS AND COMPARISON TO THE MARKET

We have prepared a projection of the average Project costs of the Combined Hydro Projects over the period 2014 through 2050. The projected average annual Project costs are summarized by major component through 2035 in Table 3 and through 2050 in Figure 1. The major components of the Project costs include: (i) net debt service, which represents approximately 90 percent of total costs, and equals the total annual debt service payments less interest earnings and federal interest subsidies; and (ii) total operating costs, which represents approximately 10 percent of the total costs of the Combined Hydro Projects.

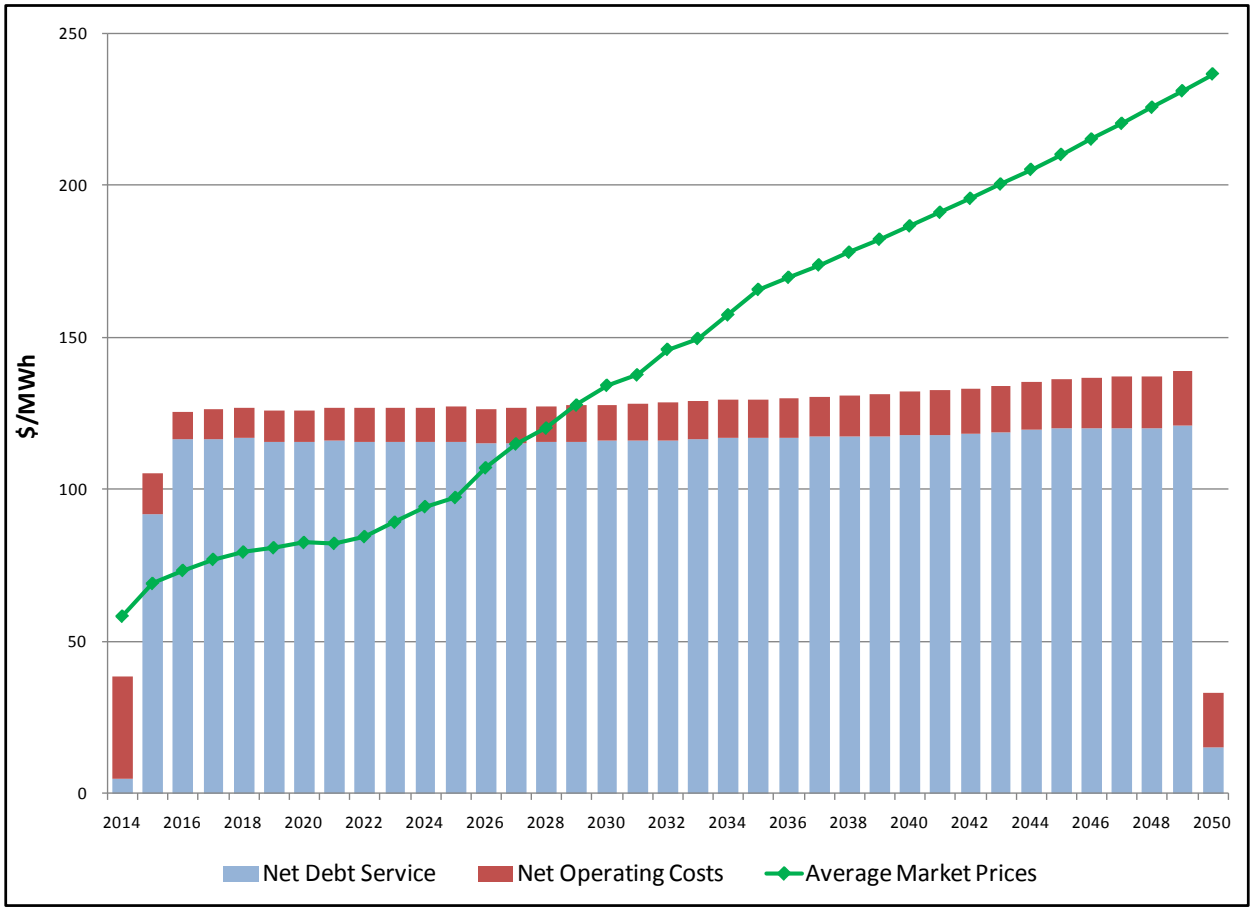


Figure 1 - Comparison of Projected Combined Hydro Projects Costs and Market Prices

Also shown in Figure 1 and summarized in Table 3 are projections of the weighted average price of power and energy (at the same capacity factor as the Projects) from the PJM and MISO markets in the regions in which the Projects are located. These average power prices are based on projections of hourly energy prices and average annual capacity prices over the period 2014 through 2035 and were developed in July 2010. The projected market prices were based on, among other things, projections of fuel costs, environmental costs (including projected CO_2 costs), the estimated costs of existing and future generating resources, and projected economic retirements and additions of generating resources over the period 2014 through 2035. The major assumptions related to the market price projections are set forth below in the section of this Report entitled "Principal Considerations and Assumptions." The projected cost of energy and capacity are summarized in Table 3. For the extrapolated period 2036 through 2050, projected net debt service was based on actual values and net operating costs for the Combined Hydro Projects and projected market prices were based on 2035 values escalated by 2.4 percent per year over the period 2036 through 2050.

As shown in Figure 1, the projected average annual costs of the Combined Hydro Projects are estimated to be higher than projected market costs over the period 2015 through 2028 but lower in all other years.

Market prices are heavily dependent on natural gas prices, both of which historically have exhibited extreme volatility. As shown in Figure 2, based on information provided by AMP, the average quarterly gas prices measured at Henry Hub have varied from approximately $4.40/MMBtu to $13.30/MMBtu over

the period January 1, 2005 to September 30, 2010. Based on information obtained from Ventyx's Velocity Suite® database, the historical market prices as measured by the average quarterly 5x16 on-peak energy prices and 7x24 energy prices at the AEP-Dayton Hub have varied from approximately $33.20/MWh to $76.90/MWh and $28.50/MWh to $57.70/MWh, respectively, over the same period. Our projections for both natural gas prices and energy prices have decreased over the past year to reflect the expectation that increased gas supply as a result of shale gas extraction will cause these prices to be lower over the forecast period than were previously anticipated.

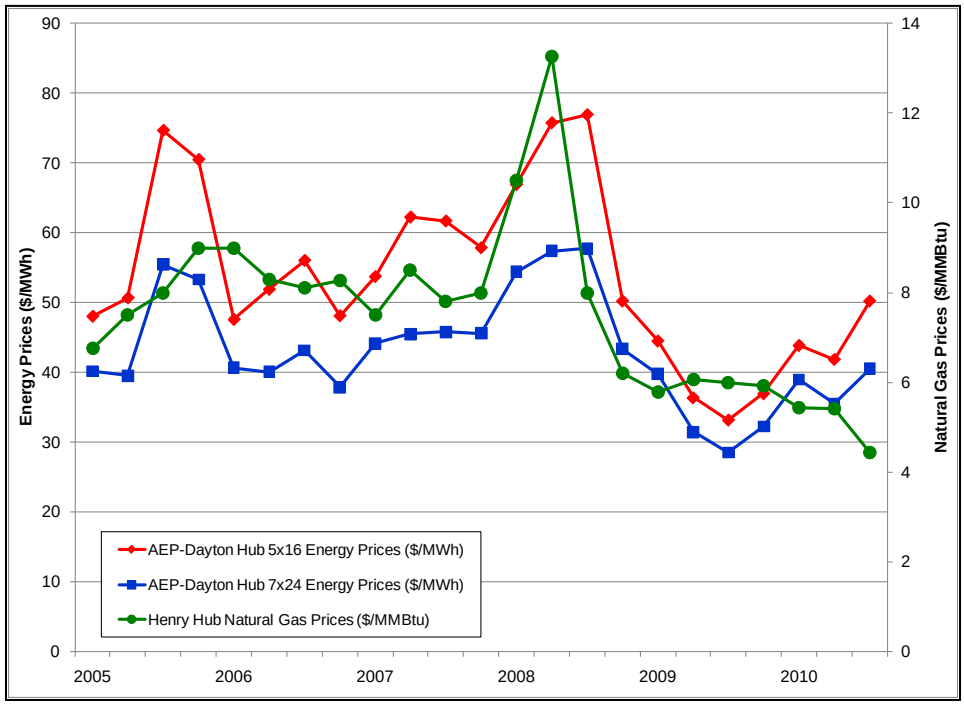


Figure 2 – Average Quarterly Historical Natural Gas and Energy Prices

PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS

In the preparation of this Report and the conclusions that follow, we have made certain assumptions with respect to conditions that may occur in the future. While we believe these assumptions are reasonable for the purpose of this Report, they are dependent upon future events and actual conditions may differ from those assumed herein. In addition, we have used and relied upon certain information and assumptions provided to us by others, but have not independently verified the information and offer no assurances with respect thereto. We believe the use of such information and assumptions is reasonable for the purposes of this Report. However, some assumptions will invariably not materialize due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those forecasted to the extent that actual future conditions differ from those assumed by us or from information or assumptions provided to us by others.

The principal considerations and assumptions made by us and the principal information and assumptions provided to us by others include the following:

1. The projections of demand and energy requirements for the period 2010 through 2035 for the 79 Combined Hydro Projects Participants were based on load forecasts prepared by R. W. Beck in August 2010. In aggregate, the Combined Hydro Projects Participants' demand and energy requirements are projected to increase at compound average annual growth rates of 1.7 percent and 1.4 percent, respectively, over the period 2009 through 2035. The methodology, data sources, and major assumptions relied on to develop the load forecasts are provided below.

    a) The load forecast for each Participant is based primarily on a multiple regression model that relates energy and demand requirements to some combination of population, per capital income, gross regional product, and weather conditions in the vicinity of the Participant.

    b) Adjustments to results for certain Participants were made based on AMP's knowledge of local factors affecting such Participants' future peak demand and energy requirements.

    c) Projected economic data were provided by a nationally-recognized economics firm specializing in such projections.

    d) Normal weather conditions are assumed to prevail over the forecast period.

    e) The future influence on energy requirements of the economic, demographic, and weather variables, on which the regression models are based, is assumed to be similar to the influence of such factors estimated over the recent historical period.

    f) The recent historical averages of relationships between energy requirements and peak demand are assumed to represent reasonable approximations of the future values of such load relationships.

    g) The load forecast utilized in the Beneficial Use Analysis reflects AMP's assumption that all of the Combined Hydro Projects Participants will subscribe to and participate in all 10 of the Energy Efficiency Programs, which are estimated to reduce projected energy requirements by approximately three percent in 2015 and eight percent in 2025, based on information provided by AMP.

    h) It was assumed that any changes in the current regulatory or competitive environment would not materially affect the forecast of demand and energy requirements for the Participants through 2035.

2. General inflation was based on the consensus projections prepared by Blue Chip Economic Indicators in March 2010. The Blue Chip forecast reflects the impacts of the economic recession that began in 2008 and a projected long-term average rate of inflation of 2.4 percent annually over the period 2010 through 2035.

3. Operating characteristics and costs of the Combined Hydro Projects were assumed to be as follows:

    a) The three generating facilities that comprise the Combined Hydro Projects will consist of run-of-the-river hydroelectric generating units with a combined nominal rating of 208 MW. The nominal rating of the Cannelton Project is 88 MW, the nominal rating of the Smithland Project is 76 MW, and the nominal rating of the Willow Island Project is 44 MW.

    b) The in-service dates for the Cannelton, Smithland, and Willow Island Projects will occur in June 2014, October 2014, and March 2015, respectively.

c) Based on information provided by AMP, the projected output of the Combined Hydro Projects is estimated to result in a weighted average annual capacity factor of approximately 55 percent.

d) Operation and maintenance costs for the Combined Hydro Projects were estimated by Sawvel.

4. The principal installments and debt service schedules for each series of estimated bonds to finance the Combined Hydro Projects are based on AMP's Plan of Finance, which is discussed in the section in the Official Statement entitled "PLAN OF FINANCE" and reflects the following assumptions:

a) A total of approximately $2.0 billion of long-term debt would be required to fund the total estimated cost of construction of the Combined Hydro Projects, including the amounts required to fund capitalized interest, reserves and issuance expenses.

b) Principal installments would begin in 2015 and debt service payments (principal and interest) would be based on debt service over 2015 through 2050.

c) Interest earnings rates on monies in funds and accounts ranging from 0.15 to 4.65 percent.

5. Transmission costs in the Postage Stamp Rate for the Cannelton and Smithland Projects include the projected cost of MISO ancillary services and congestion costs (estimated by Sawvel at $2.50/MWh in 2014, increasing to $4.37/MWh by 2022, and escalated at 1.0 percent thereafter), incurred to deliver power to the MISO/PJM border for that portion of the Combined Hydro Projects allocable to the Participants located in PJM.

6. The Participant Project Shares in the Combined Hydro Projects set forth on the attached Table 2 and in Appendix A of the Official Statement will remain unchanged.

7. The projections of REC prices are estimated based on $3/MWh (estimated 2010 sales price for Hydro RECs as provided by AMP) in 2010, escalated by inflation thereafter.

8. The projections for the period 2010 through 2035 of market prices in the PJM West and MISO East regions are based on the following:

a) A required reserve margin of 15 percent.

b) The projections reflect transmission transfer limits between regions, in terms of both energy and capacity, based on estimates prepared by R. W. Beck as of March 2010.

c) Natural gas prices, which are an average of projected delivered gas prices within the region, are based on R. W. Beck's second quarter 2010 forecast.

d) The forecast of average delivered coal prices within the region is based on coal industry data on supply and transportation cost forecasts provided by the mining consulting firm John T. Boyd Company.

e) Projections of SO_2 and NO_X allowance prices were prepared by R. W. Beck based on its proprietary forecasting model.

f) The market price projections reflect assumed climate change legislation and projected CO_2 allowance costs. R. W. Beck has a proprietary green house gas model that captures the relationship between CO_2 allowance prices, power demand and prices, gas demand and gas prices, and other fuel demand and prices. The model simulates the energy industry response to an assumed CO_2 allowance price, including gas consumption (and gas price response), CO_2 emissions, and demand response. A key environmental driver is the assumption for electric utility CO_2 caps, which are based generally on the most recent bill passed associated with CO_2 legislation. The U. S. House of Representatives passed H.R. 2454, the American Clean Energy and Security Act of 2009 (ACES), on June 26, 2009. This bill was sponsored by Energy and Commerce Committee Chair Henry Waxman and Energy and Environment Subcommittee Chair Ed Markey (referred to herein as "ACES" or the "Waxman-Markey Bill"). The Waxman-Markey Bill is a comprehensive energy bill that includes a cap-and-trade program designed to reduce economy-wide, greenhouse gas emissions to 17 percent below 2005 levels by 2020, increasing to 83 percent below 2005 levels by 2050. Other provisions include new renewable requirements for utilities, studies and incentives regarding new carbon capture and sequestration technologies, energy efficiency incentives for homes and buildings, and grants for green jobs, among other things. On May 12, 2010, Senators John Kerry and Joseph Lieberman released their draft climate change bill, entitled the American Power Act (referred to herein as the "Kerry-Lieberman Bill"). The draft bill addresses the impacts of climate change and the benefits of transitioning to a clean energy economy and establishes targets for reducing global warming pollution. The Kerry-Lieberman Bill is similar to the Waxman-Markey Bill and includes provisions for (i) renewable energy resource standards and energy efficiency standards and (ii) the regulation of CO_2 and other greenhouse gas emissions in a cap-and-trade system with declining free allowances to limit emissions to 4.75 percent below the 2005 level beginning 2013, 17 percent below the 2005 level beginning 2020, 42 percent below the 2005 level beginning 2030, and 83 percent below the 2005 level beginning 2050. Estimated CO_2 costs have been based on an analysis of the proposed Kerry-Lieberman Bill. CO_2 allowance costs are estimated to be $11/ton beginning in 2015, increasing to approximately $30/ton by 2025 and $92/ton by 2035.

g) The projected capital costs and operating costs of new generating resources are based on R. W. Beck's second quarter 2010 forecast. The projected capital costs include construction costs, capitalized interest, transmission interconnection costs and an allowance for other owner's costs. The financial assumptions for peaking and combined cycle units are based on the capital structure of developers for merchant plants, whereas the base-load resource assumptions are based on the capital structure of regulated utilities in the region.

h) The projections reflect regional estimates of technically feasible renewable resources for PJM West and MISO East that are based on a combination of state-level standards and goals in place as of December 2009 and the guidelines included in the proposed Kerry-Lieberman Bill.

9. The projected market prices and net operating costs for the Combined Hydro Projects for the period 2036 through 2050 are based on the 2035 values escalated by 2.4 percent per year after 2035.

The power cost projections herein have been prepared based on the assumption that all contracts, agreements, statutes, rules and regulations (hereinafter described as "contractual and legal requirements") that have been relied upon by R. W. Beck in preparing these projections will be fully enforceable in accordance with their terms and conditions. We make no representations or warranties, and provide no opinion, concerning the enforceability or legal interpretation of such contractual and legal requirements.

The power costs set forth in this Report have been projected assuming no significant changes in the electric utility industry (other than those set forth under Assumption 8) through the year 2035. Due to uncertainties caused by variable factors, including factors that influence the cost of all energy sources, we can give no assurance as to the reasonableness of the rates of escalation with respect to fuel costs and operating costs. Additionally, changes in costs, technology, legislation and regulation could affect the considerations and assumptions. In particular, future fuel cost and environmental factors could affect the assumptions set forth herein. In summary, any changes in costs, technology, legislation and regulation could affect the considerations and assumptions, which could impact the results of the projected power costs. For discussions of regulation, competition and other factors affecting the electric utility industry, see the section in the Official Statement entitled "CERTAIN FACTORS AFFECTING AMP, THE PARTICIPANTS AND THE ELECTRIC UTILITY INDUSTRY".

CONCLUSIONS

Based upon the foregoing principal considerations and assumptions and upon the studies and analyses as summarized or discussed in this Report, which Report should be read in its entirety in conjunction with the following, we are of the opinion that:

1. Relative to the projected market prices in the regions where the Combined Hydro Projects will be located, the Combined Hydro Projects represent a reasonable cost, long-term, intermediate to base-load power supply option for the Participants.

2. The amounts of capacity and energy from the Combined Hydro Projects, after giving effect to the sale of a portion of each Project's output in the short-term energy market, can be beneficially utilized by the Participants in serving their respective long-range intermediate to base-load power and energy requirements.

We have reviewed the Official Statement to which this Report is appended and, in our opinion, the information presented therein, which is taken from our Report or which otherwise is attributed to us, is accurately presented.

Respectfully submitted,

/s/ R. W. Beck, Inc.

AMP
Combined Hydro Projects
Participant Shares in AMP New Resources

	Participant [1]	Combined Hydro Projects (MW)	Meldahl Project (MW)	Greenup Project (MW)	PSEC Project (MW)	Total (MW)
1	Amherst	2.398	0.756	0.495	4.976	8.625
2	Arcadia	0.100	-	-	0.199	0.299
3	Arcanum	0.400	0.136	0.089	1.194	1.819
4	Beach City	0.400	-	-	0.398	0.798
5	Bloomdale	0.100	-	-	0.199	0.299
6	Bowling Green	19.986	3.043	1.993	35.000	60.022
7	Bradner	0.200	-	-	0.199	0.399
8	Brewster	1.199	-	-	-	1.199
9	Bryan	1.800	1.386	0.923	7.500	11.609
10	Carey	1.800	0.411	0.272	1.990	4.473
11	Celina	4.497	-	-	14.928	19.425
12	Cleveland	35.000	9.000	6.000	24.880	74.880
13	Clinton, MI [2]	0.700	0.111	0.072	-	0.883
14	Clyde	4.197	-	-	2.986	7.183
15	Coldwater, MI [2]	6.496	1.794	1.175	9.952	19.417
16	Columbiana	1.899	0.076	0.050	4.379	6.404
17	Custar	0.100	-	-	-	0.100
18	Cuyahoga Falls	7.294	-	-	9.952	17.246
19	Cygnet	0.100	-	-	-	0.100
20	Danville, VA	22.084	5.039	3.299	49.760	80.182
21	Deshler	0.999	-	-	0.746	1.745
22	Dover	5.197	1.401	0.917	4.976	12.491
23	Edgerton	0.799	-	-	0.995	1.794
24	Eldorado	0.100	0.025	0.016	0.199	0.340
25	Elmore	0.300	-	-	0.498	0.798
26	Front Royal, VA [3]	1.800	1.573	1.045	5.971	10.389
27	Galion	1.800	-	-	9.952	11.752
28	Genoa	0.200	-	-	0.896	1.096
29	Grafton	0.899	-	-	1.294	2.193
30	Greenwich	0.500	0.206	0.135	0.498	1.339
31	Hillsdale, MI [2]	3.398	0.731	0.479	-	4.608
32	Hubbard	1.299	0.353	0.231	1.294	3.177
33	Jackson	3.598	0.826	0.541	8.161	13.126
34	Jackson Center	0.500	0.020	0.013	1.393	1.926
35	Lakeview	0.200	0.005	0.003	0.796	1.004
36	Lucas	0.100	0.015	0.010	-	0.125
37	Marshall, MI [2]	2.798	0.594	0.389	1.990	5.771
38	Martinsville, VA	4.297	-	-	5.772	10.069
39	Mendon	0.100	0.030	0.020	0.398	0.548
40	Milan	0.100	-	-	0.995	1.095
41	Minster	2.398	-	-	6.966	9.364
42	Monroeville	1.399	-	-	0.995	2.394
43	Montpelier	1.799	-	-	2.488	4.287
44	Napoleon	3.498	0.504	0.330	4.976	9.308
45	New Bremen	0.700	0.025	0.016	5.971	6.712
46	New Knoxville	0.300	0.060	0.039	0.149	0.548
47	New Martinsville, WV	0.799	-	-	0.995	1.794
48	Newton Falls	1.299	0.232	0.152	1.990	3.673
49	Niles	1.800	0.050	0.480	2.886	5.216
50	Oak Harbor	0.500	-	-	0.995	1.495
51	Oberlin	2.598	0.504	0.330	-	3.432
52	Ohio City	0.100	-	-	0.299	0.399
53	Orrville	5.896	3.526	2.308	4.976	16.706
54	Paducah, KY [4]	7.550	4.530	3.020		15.100
55	Painesville	4.997	-	-	9.952	14.949
56	Pemberville	0.100	-	-	0.498	0.598
57	Philippi, WV	0.700	-	-	-	0.700

AMP
Combined Hydro Projects
Participant Shares in AMP New Resources

	Participant [1]	Combined Hydro Projects (MW)	Meldahl Project (MW)	Greenup Project (MW)	PSEC Project (MW)	Total (MW)
58	Pioneer	0.999	-	-	0.995	1.994
59	Piqua	5.996	1.199	0.785	19.904	27.884
60	Plymouth	0.300	0.080	0.053	0.498	0.931
61	Princeton, KY [4]	1.450	0.870	0.580		2.900
62	Prospect	0.200	0.045	0.030	0.100	0.375
63	Republic	0.100	-	-	0.199	0.299
64	Richlands, VA	1.499	-	-	2.588	4.087
65	Seville	1.800	0.486	0.323	-	2.609
66	Shelby	2.598	0.559	0.366	3.981	7.504
67	Shiloh	0.100	-	-	0.398	0.498
68	South Vienna	0.100	-	-	-	0.100
69	St. Clairsville	1.099	-	-	-	1.099
70	St. Marys	4.297	-	-	3.881	8.178
71	Sycamore	0.200	-	-	0.299	0.499
72	Tipp City	3.598	0.715	0.469	9.952	14.734
73	Versailles	1.099	0.383	0.251	3.981	5.714
74	Wadsworth	1.800	3.953	2.623	-	8.376
75	Wapakoneta	1.800	1.618	1.074	2.986	7.478
76	Waynesfield	0.200	0.060	0.039	0.498	0.797
77	Wellington	1.599	0.060	0.039	3.981	5.679
78	Woodville	0.200	-	-	0.498	0.698
79	Yellow Springs	0.799	1.642	1.075	-	3.516
80	Total	208.000	48.632	32.549	314.191	603.372

[1] Members are Ohio municipalities, except as otherwise noted.
[2] Members of Michigan South Central Power Agency that are also Members of AMP.
[3] Members of Blue Ridge Power Agency that are also Members of AMP.
[4] Members of KMPA and AMP but participating in PSEC Project through KMPA.

AMP
Combined Hydro Projects
Participant Peak Demand and Project Share Amounts in Megawatts [1]

	Participant [2]	2009 Peak Demand (MW)	2015 Peak Demand (MW)	2025 Peak Demand (MW)	Combined Hydro Projects (Total Shares) (MW)	Total Shares as % of Peak Demand in Year: 2009	2015	2025
1	Amherst	26.367	31.224	38.009	2.398	9.1%	7.7%	6.3%
2	Arcadia	1.089	1.034	1.088	0.100	9.2%	9.7%	9.2%
3	Arcanum	5.198	4.782	4.953	0.400	7.7%	8.4%	8.1%
4	Beach City	3.097	3.162	3.700	0.400	12.9%	12.6%	10.8%
5	Bloomdale	1.330	1.351	1.617	0.100	7.5%	7.4%	6.2%
6	Bowling Green	99.115	103.857	135.021	19.986	20.2%	19.2%	14.8%
7	Bradner	1.469	1.488	1.741	0.200	13.6%	13.4%	11.5%
8	Brewster	8.623	9.932	12.626	1.199	13.9%	12.1%	9.5%
9	Bryan	42.709	46.057	54.217	1.800	4.2%	3.9%	3.3%
10	Carey	14.029	13.592	14.589	1.800	12.8%	13.2%	12.3%
11	Celina	41.813	45.190	47.638	4.497	10.8%	10.0%	9.4%
12	Cleveland	289.600	323.707	378.475	35.000	12.1%	10.8%	9.2%
13	Clinton, MI [3]	5.169	5.227	5.486	0.700	13.5%	13.4%	12.8%
14	Clyde	35.941	38.295	47.186	4.197	11.7%	11.0%	8.9%
15	Coldwater, MI [3]	55.565	59.822	73.101	6.496	11.7%	10.9%	8.9%
16	Columbiana	15.485	17.795	21.858	1.899	12.3%	10.7%	8.7%
17	Custar	0.705	0.752	1.026	0.100	14.2%	13.3%	9.7%
18	Cuyahoga Falls	99.377	118.891	152.341	7.294	7.3%	6.1%	4.8%
19	Cygnet	0.958	0.917	1.025	0.100	10.4%	10.9%	9.8%
20	Danville, VA	217.570	235.858	267.189	22.084	10.2%	9.4%	8.3%
21	Deshler	4.403	4.109	4.109	0.999	22.7%	24.3%	24.3%
22	Dover	44.765	50.781	57.547	5.197	11.6%	10.2%	9.0%
23	Edgerton	5.870	5.915	6.371	0.799	13.6%	13.5%	12.5%
24	Eldorado	1.117	1.199	1.402	0.100	9.0%	8.3%	7.1%
25	Elmore	3.311	3.521	3.876	0.300	9.1%	8.5%	7.7%
26	Front Royal, VA [4]	39.845	47.147	53.904	1.800	4.5%	3.8%	3.3%
27	Galion	22.354	23.142	24.099	1.800	8.1%	7.8%	7.5%
28	Genoa	3.844	3.914	4.297	0.200	5.2%	5.1%	4.7%
29	Grafton	6.318	6.581	7.497	0.899	14.2%	13.7%	12.0%
30	Greenwich	3.673	3.859	4.613	0.500	13.6%	13.0%	10.8%
31	Hillsdale, MI [3]	27.172	28.408	30.125	3.398	12.5%	12.0%	11.3%
32	Hubbard	14.070	13.939	14.124	1.299	9.2%	9.3%	9.2%
33	Jackson	33.027	33.979	37.238	3.598	10.9%	10.6%	9.7%
34	Jackson Center	4.253	3.872	4.019	0.500	11.8%	12.9%	12.4%
35	Lakeview	2.552	2.761	3.148	0.200	7.8%	7.2%	6.4%
36	Lucas	0.840	0.821	0.835	0.100	11.9%	12.2%	12.0%
37	Marshall, MI [3]	23.082	23.382	24.571	2.798	12.1%	12.0%	11.4%
38	Martinsville, VA [4]	42.300	40.168	40.985	4.297	10.2%	10.7%	10.5%
39	Mendon	1.434	1.332	1.353	0.100	7.0%	7.5%	7.4%
40	Milan	2.347	2.473	2.592	0.100	4.3%	4.0%	3.9%
41	Minster	19.895	23.071	28.765	2.398	12.1%	10.4%	8.3%
42	Monroeville	9.790	9.472	9.472	1.399	14.3%	14.8%	14.8%
43	Montpelier	14.330	14.030	16.115	1.799	12.6%	12.8%	11.2%
44	Napoleon	30.421	31.339	34.453	3.498	11.5%	11.2%	10.2%
45	New Bremen	12.438	11.929	12.290	0.700	5.6%	5.9%	5.7%
46	New Knoxville	2.450	2.478	3.041	0.300	12.2%	12.1%	9.9%
47	New Martinsville, WV	8.491	9.910	10.932	0.799	9.4%	8.1%	7.3%
48	Newton Falls	10.075	9.647	9.997	1.299	12.9%	13.5%	13.0%

	Participant [2]	2009 Peak Demand (MW)	2015 Peak Demand (MW)	2025 Peak Demand (MW)	Combined Hydro Projects (Total Shares) (MW)	Total Shares as % of Peak Demand in Year: 2009	2015	2025
49	Niles	63.196	66.660	70.010	1.800	2.8%	2.7%	2.6%
50	Oak Harbor	5.593	5.626	5.954	0.500	8.9%	8.9%	8.4%
51	Oberlin	20.748	21.453	21.830	2.598	12.5%	12.1%	11.9%
52	Ohio City	1.323	1.352	1.465	0.100	7.6%	7.4%	6.8%
53	Orrville	55.777	59.886	61.019	5.896	10.6%	9.8%	9.7%
54	Paducah, KY	148.065	171.788	198.926	7.550	5.1%	4.4%	3.8%
55	Painesville	52.550	53.969	60.879	4.997	9.5%	9.3%	8.2%
56	Pemberville	3.750	2.981	3.298	0.100	2.7%	3.4%	3.0%
57	Philippi, WV	7.144	8.560	10.770	0.700	9.8%	8.2%	6.5%
58	Pioneer	7.363	7.197	8.740	0.999	13.6%	13.9%	11.4%
59	Piqua	60.000	66.189	74.281	5.996	10.0%	9.1%	8.1%
60	Plymouth	2.754	2.992	3.293	0.300	10.9%	10.0%	9.1%
61	Princeton, KY	24.551	25.477	27.646	1.450	5.9%	5.7%	5.2%
62	Prospect	2.121	2.199	2.329	0.200	9.4%	9.1%	8.6%
63	Republic	0.681	0.743	0.849	0.100	14.7%	13.5%	11.8%
64	Richlands, VA [4]	21.500	20.190	21.062	1.499	7.0%	7.4%	7.1%
65	Seville	14.088	15.211	16.342	1.800	12.8%	11.8%	11.0%
66	Shelby	23.698	24.259	26.492	2.598	11.0%	10.7%	9.8%
67	Shiloh	1.143	1.092	1.197	0.100	8.8%	9.2%	8.4%
68	South Vienna	1.061	0.950	0.954	0.100	9.4%	10.5%	10.5%
69	St. Clairsville	12.079	12.774	13.409	1.099	9.1%	8.6%	8.2%
70	St. Marys	36.828	39.335	43.817	4.297	11.7%	10.9%	9.8%
71	Sycamore	1.457	1.422	1.565	0.200	13.7%	14.1%	12.8%
72	Tipp City	29.354	29.993	34.278	3.598	12.3%	12.0%	10.5%
73	Versailles	13.813	14.501	17.761	1.099	8.0%	7.6%	6.2%
74	Wadsworth	59.382	62.043	71.362	1.800	3.0%	2.9%	2.5%
75	Wapakoneta	31.847	34.259	38.591	1.800	5.7%	5.3%	4.7%
76	Waynesfield	2.272	2.202	3.022	0.200	8.8%	9.1%	6.6%
77	Wellington	13.570	14.410	17.710	1.599	11.8%	11.1%	9.0%
78	Woodville	3.160	3.397	3.828	0.200	6.3%	5.9%	5.2%
79	Yellow Springs	7.460	7.305	7.305	0.799	10.7%	10.9%	10.9%
80	Total	2,088.010	2,256.528	2,584.640	208.000	10.0%	9.2%	8.0%

[1] Peak demands are shown prior to accounting for Energy Efficiency programs, which on average are expected to reduce peak demand in 2015 by approximately 3% and in 2025 by approximately 10%.
[2] Members are Ohio municipalities, except as otherwise noted.
[3] Members of Michigan South Central Power Agency that are also Members of AMP.
[4] Members of Blue Ridge Power Agency that are also Members of AMP.

AMP
Combined Hydro Projects
Projection of Resource Costs v. Market Costs [1]

	Description		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1	Capacity	MW	164.0	208.0	208.0	208.0	208.0	208.0	208.0	208.0	208.0	208.0	208.0
2	Capacity Factor	%	21%	53%	55%	55%	55%	55%	55%	55%	55%	55%	55%
3	Net Generation [2]	GWh	306.1	960.5	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1
4	Net Debt Service	$000	$1,500	$88,374	$117,347	$117,475	$117,687	$116,659	$116,569	$116,863	$116,465	$116,393	$116,475
5	Operation & Maintenance	$000	476	1,824	2,019	2,079	2,142	2,206	2,272	2,340	2,411	2,483	2,557
6	Insurance, Taxes & Fees	$000	2,087	6,844	7,221	7,259	7,297	7,336	7,374	7,413	7,452	7,491	7,530
7	Renewals, Replacements, and Working Capital	$000	7,772	4,926	760	1,450	1,500	1,420	1,559	1,644	1,624	1,706	1,770
8	Transmission Costs [3]	$000	765	2,040	2,138	2,258	2,404	2,583	2,805	3,080	3,422	3,456	3,490
9	A&G and Other	$000	216	841	934	962	990	1,020	1,051	1,082	1,115	1,148	1,183
	Total Costs to Participants	$000	12,816	104,849	130,420	131,483	132,020	131,224	131,630	132,422	132,487	132,676	133,006
10	Average Power Costs	$/MWh	41.87	109.16	129.50	130.55	131.08	130.29	130.70	131.48	131.55	131.74	132.06
9	Credit for REC Sale [4]	$000	(1,010)	(3,843)	(4,257)	(4,359)	(4,464)	(4,571)	(4,681)	(4,793)	(4,908)	(5,026)	(5,147)
10	Net Costs to Participants	$000	$11,806	$101,006	$126,162	$127,123	$127,556	$126,653	$126,949	$127,629	$127,579	$127,650	$127,859
11	Average Power Costs (Net of REC Sale)	$/MWh	38.57	105.16	125.27	126.22	126.65	125.76	126.05	126.72	126.67	126.75	126.95
	WEIGHTED AVERAGE POWER COSTS [5]:												
12	Capacity Price	$/kW-yr	22.21	22.12	24.80	29.45	30.70	32.82	40.50	33.06	32.67	33.24	33.72
13	Energy Price	$/MWh	53.74	64.53	68.26	70.93	73.09	74.06	74.20	75.45	77.75	82.36	87.38
14	Total Power Cost of Hydro Projects at Market Prices [6]	$000	$17,860	$66,377	$73,907	$77,566	$79,999	$81,414	$83,150	$82,864	$85,097	$89,861	$95,021
15	Weighted Average Market Costs at Resource Capacity Factor [6]	$/MWh	58.35	69.10	73.38	77.02	79.43	80.84	82.56	82.28	84.49	89.22	94.35

[1] Debt service and operating costs based on information provided by BMO Capital Markets and Sawvel, respectively.

[2] Reflects in-service dates of June 15, 2014 for the Cannelton Project, October 15, 2014 for the Smithland Project, and March 15, 2015 for the Willow Island Project.

[3] Transmission costs in the Postage Stamp Rate for the Cannelton and Smithland Projects include the projected cost of MISO ancillary services and congestion costs (estimated by Sawvel at $2.50/MWh in 2014, increasing to $4.37/MWh by 2022, and escalated at 1.0 percent thereafter), incurred to deliver power to the MISO/PJM border for that portion of the Combined Hydro Projects allocable to the Combined Hydro Projects Participants located in PJM.

[4] The projections of REC prices are estimated based on $3/MWh (estimated 2010 sales price for Hydro RECs as provided by AMP) in 2010 escalated by inflation thereafter.

[5] Assumes climate change legislation effective January 1, 2015; see section entitled "Principal Considerations and Assumptions" for further information.

[6] Reflects the weighted average market prices of the capacity and energy of the hydro resources in the PJM and MISO regions in which the resources are located.

AMP
Combined Hydro Projects
Projection of Resource Costs v. Market Costs [1]

	Description		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1	Capacity	MW	208.0	208.0	208.0	208.0	208.0	208.0	208.0	208.0	208.0	208.0	208.0
2	Capacity Factor	%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%
3	Net Generation [2]	GWh	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1	1,007.1
4	Net Debt Service	$000	$116,508	$115,883	$115,996	$116,325	$116,621	$116,723	$116,835	$117,053	$117,372	$117,584	$117,720
5	Operation & Maintenance	$000	2,634	2,713	2,795	2,878	2,965	3,054	3,145	3,240	3,337	3,437	3,540
6	Insurance, Taxes & Fees	$000	7,570	7,610	7,650	7,690	7,731	7,771	7,812	7,853	7,895	7,936	7,978
7	Renewals, Replacements, and Working Capital	$000	1,816	1,802	1,930	2,007	2,061	2,100	2,162	2,235	2,309	2,364	2,425
8	Transmission Costs [3]	$000	3,525	3,561	3,596	3,632	3,668	3,705	3,742	3,780	3,817	3,856	3,894
9	A&G and Other	$000	1,218	1,255	1,292	1,331	1,371	1,412	1,454	1,498	1,543	1,589	1,637
	Total Costs to Participants	$000	133,271	132,823	133,259	133,864	134,416	134,766	135,150	135,658	136,273	136,767	137,194
10	Average Power Costs	$/MWh	132.33	131.88	132.31	132.92	133.46	133.81	134.19	134.70	135.31	135.80	136.22
9	Credit for REC Sale [4]	$000	(5,270)	(5,397)	(5,526)	(5,659)	(5,795)	(5,934)	(6,076)	(6,222)	(6,371)	(6,524)	(6,681)
10	Net Costs to Participants	$000	$128,001	$127,427	$127,732	$128,205	$128,621	$128,832	$129,074	$129,436	$129,902	$130,243	$130,513
11	Average Power Costs (Net of REC Sale)	$/MWh	127.09	126.52	126.83	127.30	127.71	127.92	128.16	128.52	128.98	129.32	129.59
	WEIGHTED AVERAGE POWER COSTS [5]:												
12	Capacity Price	$/kW-yr	29.27	40.49	41.36	37.87	50.78	54.33	46.48	55.45	48.93	62.36	72.41
13	Energy Price	$/MWh	91.30	98.74	106.41	112.33	117.23	122.99	128.03	134.58	139.50	144.48	150.78
14	Total Power Cost of Hydro Projects at Market Prices [6]	$000	$98,041	$107,863	$115,768	$121,012	$128,628	$135,172	$138,617	$147,073	$150,668	$158,484	$166,915
15	Weighted Average Market Costs at Resource Capacity Factor [6]	$/MWh	97.35	107.10	114.95	120.15	127.72	134.21	137.63	146.03	149.60	157.36	165.73

APPENDIX H

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered as of December __, 2010 by American Municipal Power, Inc. ("AMP") in connection with the issuance of its Combined Hydroelectric Projects Revenue Bonds, Series 2010A (Federally Taxable), Series 2010B (Federally Taxable – Issuer Subsidy – Build America Bonds) and Series 2010C (Federally Taxable – Issuer Subsidy – New Clean Renewable Energy Bonds) (collectively, the "Series 2010 Bonds"). The Series 2010 Bonds are being issued pursuant to a Master Trust Indenture, dated as of November 1, 2007 (the "Master Trust Indenture"), as supplemented by the Fifth Supplemental Indenture (the "Fifth Supplemental Indenture"), the Sixth Supplemental Indenture (the "Sixth Supplemental Indenture") and the Seventh Supplemental Indenture (the "Seventh Supplemental Indenture" and, together with the Fifth Supplemental Indenture and the Sixth Supplemental Indenture, the "Series 2010 Supplemental Indentures") each dated as of December 1, 2010 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 2010 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 2010 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 single 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 Electric Plant Board of the City of Paducah, Kentucky, and the City of Coldwater,

Michigan, 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 2010 Bonds, any of the events listed in subsection (b)(5)(i)(C) of the Rule, which are as follows:

"Listed Events" shall mean, with respect to the Series 2010 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, if material;

(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of security holders, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for AMP or an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of AMP or an obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of AMP;

(13) The consummation of a merger, consolidation, or acquisition involving AMP or an obligated person or the sale of all or substantially all of the assets of AMP or an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any

such actions, other than pursuant to its terms, if material; and

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

"MOP" shall mean an "obligated person" within the meaning of the Rule. Each of the cities of Cleveland, Ohio, Danville, Virginia, Bowling Green, Ohio, Cuyahoga Falls, Ohio, and Coldwater, Michigan, 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 December 15, 2010 relating to the Series 2010 Bonds.

"Participating Underwriter" shall mean each original Underwriter of the Series 2010 Bonds required to comply with the Rule in connection with the offering of such Series 2010 Bonds.

"Rule" shall mean Rule 15c2-12 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, 2010. 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 or such other manner of presentation as may be required by law, 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 of the City of Danville, Virginia and the Electric Plant Board of the City of Paducah, Kentucky begin on July 1 and end on June 30 of the following calendar year and, as such, annual statistical and financial information for such City or Board 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 notice of any of the Listed Events to the MSRB via EMMA in a timely manner not in excess of ten business days after the occurrence of the event. Whenever AMP obtains knowledge of the occurrence of a Listed Event that requires AMP to determine if such event would constitute material information, whether because of a notice from the Trustee or otherwise, AMP shall as soon as possible determine if such event would be material under applicable federal securities laws.

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 2010 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 2010 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 2010 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 2010 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 2010A (Federally Taxable), Series 2010B (Federally Taxable – Issuer Subsidy – Build America Bonds) and Series 2010C (Federally Taxable – Issuer Subsidy – New Clean Renewable Energy Bonds) (the "Series 2010 Bonds")

CUSIP NO._____

Dated: _____ __, 2010

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 2010 Bonds issued pursuant to that certain Master Trust Indenture, dated as of November 1, 2007, as supplemented by the as supplemented by the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Eighth Supplemental Indenture, each dated as of December 1, 2010, each between AMP and U.S. Bank National Association, Cincinnati, Ohio, as 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

APPENDIX I-1

INFORMATION CONCERNING ASSURED GUARANTY MUNICIPAL CORP.

This Appendix I-1 contains certain information supplied by AGM concerning AGM and the Policies to be issued by AGM. No representation is made by AMP or the Underwriters as to the accuracy, completeness or adequacy of such information supplied by AGM, or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither AMP nor the Underwriters have made any independent investigation of AGM or the Policies and reference should be made to the information set for below and in Appendix I-2 for a description therof

BOND INSURANCE POLICY

Concurrently with the issuance of the Series 2010 Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("*AGM*") will issue separate two separate Municipal Bond Insurance Policies (the "*Policies*"), one for the Series 2010A Bonds maturing on February 15, 2021 (the "*Series 2010A Insured Bonds*") and one for the Series 2010C Bonds (New CREBs) maturing on February 15, 2022 and February 15, 2023 (the "*Series 2010C Insured Bonds (New CREBs*)" and, together with the Series 2010A Taxable Insured Bonds, the "*Series 2010 Insured Bonds*"). The Policies guaranty the scheduled payment of principal of and interest on the Series 2010 Insured Bonds when due as set forth in the form of the Policy included in Appendix I-2 to this Official Statement.

The Policies are not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("*Holdings*"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("*AGL*"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "*SEC*") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, which was filed by AGL with the SEC on November 9, 2010.

Capitalization of AGM

At September 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,512,828,657 and its total net unearned premium reserve was approximately $2,305,542,616, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010);

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010); and

(iv) The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (which was filed by AGL with the SEC on November 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included in this Appendix I-1 under the caption "– ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)" or included in a document incorporated by reference herein (collectively, the "*AGM Information*") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented in this Appendix I-1.

APPENDIX I-2

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100

Form 500NY (5/90)