

American Municipal Power, Inc.

**Interim Consolidated Financial Statements
September 30, 2011**

American Municipal Power, Inc.

Index

Nine Months Through and Ended September 30, 2011 (unaudited)

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Report of Independent Accountants

To the Board of Trustees and Members of
American Municipal Power, Inc.

We have reviewed the accompanying consolidated balance sheet of American Municipal Power, Inc. and its subsidiaries (the "Organization") as of September 30, 2011, and the related consolidated statements of revenues and expenses, changes in member and patron equities and cash flows for the nine month periods ended September 30, 2011 and 2010. This interim financial information is the responsibility of the Organization's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Organization as of December 31, 2010, and the related consolidated statements of revenues and expenses, changes in member and patron equities and of cash flows for the year then ended (not presented herein), and in our report dated March 31, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2010 and the consolidated statement of changes in member and patron equities for the year ended December 31, 2010, is fairly stated in all material respects in relation to the consolidated balance sheet and the

This report is intended solely for the information and use of management and the Board of Trustees of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

November 16, 2011

American Municipal Power, Inc.
Consolidated Balance Sheets
September 30, 2011 (unaudited) and December 31, 2010

	September 30, 2011	December 31, 2010
Assets		
Utility plant		
Electric plant in service	\$ 107,102,887	\$ 107,114,431
Accumulated depreciation	(93,125,529)	(92,153,158)
Total utility plant	<u>13,977,358</u>	<u>14,961,273</u>
Nonutility property and equipment		
Nonutility property and equipment	18,727,721	18,466,586
Accumulated depreciation	(3,867,496)	(2,328,898)
Total nonutility property and equipment	<u>14,860,225</u>	<u>16,137,688</u>
Construction work-in-progress	2,539,411,493	1,613,182,253
Plant held for future use	35,507,057	34,881,075
Coal reserves	26,612,000	26,612,000
Trustee funds and other assets		
Trustee funds	1,907,150,996	2,397,829,939
Long-term financing receivables - members	37,105,766	37,425,836
Note receivable - long-term	3,075,000	3,075,000
Regulatory assets	137,785,616	150,346,411
Prepaid power purchase asset	14,632,689	57,975,966
Prepaid pension costs	1,881,882	759,263
Intangible and other assets, net of accumulated amortization of \$9,118,944 and \$7,023,226 respectively	47,994,441	49,817,620
Total trustee funds and other assets	<u>2,149,626,390</u>	<u>2,697,230,035</u>
Current assets		
Cash and cash equivalents	45,094,106	34,849,485
Cash and cash equivalents - restricted	85,208,340	33,952,660
Trustee funds	458,533,931	465,964,390
Investments	13,260,435	12,874,257
Collateral postings	25,886,959	44,076,604
Accounts receivable	59,827,203	69,272,866
Interest receivable	21,006,851	22,873,586
Financing receivables - members	19,379,569	27,871,103
Emission allowances	1,831,259	1,917,985
Inventories	44,807	35,833
Regulatory assets - current	13,278,341	18,683,373
Prepaid power purchase asset - current	57,839,106	57,681,076
Prepaid expenses and other assets	3,540,325	2,402,953
Total current assets	<u>804,731,232</u>	<u>792,456,171</u>
Total assets	<u>\$ 5,584,725,755</u>	<u>\$ 5,195,460,495</u>

American Municipal Power, Inc.
Consolidated Balance Sheets
September 30, 2011 (unaudited) and December 31, 2010

	September 30, 2011	December 31, 2010
Equities and Liabilities		
Member and patron equities		
Contributed capital	\$ 801,208	\$ 790,528
Patronage capital	49,871,481	48,581,505
Total member and patron equities	<u>50,672,689</u>	<u>49,372,033</u>
Long-term debt		
Term debt	4,509,004,562	4,577,081,205
Term debt on behalf of members	14,600,000	16,298,000
Lines of credit	-	207,500,000
Total long-term debt	<u>4,523,604,562</u>	<u>4,800,879,205</u>
Current liabilities		
Accounts payable	78,610,715	103,270,109
Accrued salaries and related benefits	346,891	478,667
Accrued pension and postretirement benefits - current	644,000	644,000
Accrued interest	37,022,232	56,878,681
Term debt - current	88,637,966	85,707,962
Term debt on behalf of members - current	22,490,000	58,447,000
Lines of credit	750,000,000	-
Regulatory liabilities - current	1,817,805	1,418,469
Other liabilities	7,284,449	9,102,490
Total current liabilities	<u>986,854,058</u>	<u>315,947,378</u>
Other noncurrent liabilities		
Accrued pension and postretirement benefits	5,529,939	5,617,149
Deferred gain on sale of real estate	1,276,789	1,276,789
Asset retirement obligations	9,377,566	9,336,153
Regulatory liabilities	7,410,152	13,031,788
Total other noncurrent liabilities	<u>23,594,446</u>	<u>29,261,879</u>
Total liabilities	<u>5,534,053,066</u>	<u>5,146,088,462</u>
Total equities and liabilities	<u>\$ 5,584,725,755</u>	<u>\$ 5,195,460,495</u>

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

American Municipal Power, Inc.
Consolidated Statements of Revenue and Expenses
Nine Months Ended September 30, 2011 and 2010 (unaudited)

	September 30, 2011	September 30, 2010
Revenues		
Electric revenue	\$ 534,240,377	\$ 576,775,921
Service fees	4,800,377	5,901,577
Programs and other	14,392,916	11,055,908
Total revenues	<u>553,433,670</u>	<u>593,733,406</u>
Operating Expenses		
Purchased electric power	512,216,560	503,217,761
Production	15,596,854	17,422,826
Fuel	1,135,994	38,853,657
Depreciation	2,522,513	9,968,914
Administrative and general	4,017,988	5,269,860
Interest expense	6,735,554	10,668,464
Property and real estate taxes	505,000	546,576
Programs and other	10,055,954	6,075,836
Total operating expenses	<u>552,786,417</u>	<u>592,023,894</u>
Operating margin	647,253	1,709,512
Nonoperating Revenues		
Interest income	171,327	183,112
Other, net	471,396	338,227
Total nonoperating revenues	<u>642,723</u>	<u>521,339</u>
Net margin	<u>\$ 1,289,976</u>	<u>\$ 2,230,851</u>

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

American Municipal Power, Inc.
Consolidated Statements of Changes in Member and Patron Equities
Nine Months Ended September 30, 2011 (unaudited) and December 31, 2010

	Contributed Capital	Patronage Capital	Total
Balances, December 31, 2009	\$ 790,528	\$ 45,217,602	\$ 46,008,130
Net margin	-	3,363,903	3,363,903
	<hr/>	<hr/>	<hr/>
Balances, December 31, 2010	790,528	48,581,505	49,372,033
Capital contributions	10,680	-	10,680
Net margin	-	1,289,976	1,289,976
	<hr/>	<hr/>	<hr/>
Balances, September 30, 2011	<u>\$ 801,208</u>	<u>\$ 49,871,481</u>	<u>\$ 50,672,689</u>

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

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2011 and 2010 (unaudited)

	September 30, 2011	September 30, 2010
Cash Flows from Operating Activities		
Net margin	\$ 1,289,976	\$ 2,230,851
Adjustments to reconcile net margin to net cash provided by (used in) operating activities		
Depreciation	2,522,513	9,968,914
Amortization of deferred financing costs	2,819,949	2,498,346
Amortization of bond premium, net of amortization of bond discount	(1,121,639)	(1,181,641)
Accretion of interest on asset retirement obligations	41,413	192,195
Unrealized gain on investments	(386,178)	(1,202,932)
Impairment of emission allowance	-	2,081,426
Changes in assets and liabilities		
Accounts receivable	9,445,663	3,848,737
Collateral deposits	18,189,645	(45,448,536)
Emission allowances	86,726	1,970,485
Inventories	(8,974)	3,615,369
Prepaid expenses and other assets	51,862	(2,182,588)
Regulatory assets and liabilities, net	12,743,527	(11,569,616)
Accounts payable	(4,891,775)	76,118
Prepaid power purchase asset	43,185,247	42,993,334
Accrued salaries and related benefits	(131,776)	(272,333)
Accrued pension and postretirement benefits	(1,209,829)	651,798
Accrued interest	(3,576,407)	(15,524,453)
Other liabilities	(1,818,041)	1,215,290
Net cash provided by (used in) operating activities	<u>77,231,902</u>	<u>(6,039,236)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments, net of purchases of investments	498,109,402	177,182,038
Purchase of utility property and equipment	-	(126,075)
Purchase of nonutility property and equipment	(261,135)	(1,477,501)
Purchase of construction in process and plant held for future use	(961,036,148)	(504,331,293)
Restricted cash and cash equivalents	<u>(51,255,680)</u>	<u>(21,997,578)</u>
Net cash used in investing activities	<u>(514,443,561)</u>	<u>(350,750,409)</u>

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2011 and 2010 (unaudited)

	September 30, 2011	September 30, 2010
Cash flows from financing activities		
Proceeds from revolving credit loan	632,386,819	2,042,000,000
Payments on revolving credit loan	(89,886,819)	(1,892,000,000)
Principal payments on term debt	(64,025,000)	(140,065,003)
Proceeds from issuance of term debt	-	340,000,000
Cost of issuance of term debt	(2,186,004)	(3,412,067)
Principal payments on term debt on behalf of members	(40,400,000)	(17,757,000)
Proceeds from issuance of term debt on behalf of members	2,745,000	8,224,000
Proceeds from financing receivable - members	13,387,624	12,671,837
Funding of financing receivable - members	(4,576,020)	(4,510,912)
Capital contributions	10,680	-
Net cash provided by financing activities	<u>447,456,280</u>	<u>345,150,855</u>
Net change in cash and cash equivalents	10,244,621	(11,638,790)
Cash and cash equivalents, beginning of year	<u>34,849,485</u>	<u>37,929,850</u>
Cash and cash equivalents, end of period	<u>\$ 45,094,106</u>	<u>\$ 26,291,060</u>
Supplemental disclosure of non-cash investing and financing activities		
Capital expenditures included in accounts payable and other liabilities	\$ 22,185,339	\$ 79,964,357
Capital expenditures included in accrued interest, net of interest receivable	\$ 14,331,829	\$ 10,711,656

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

American Municipal Power, Inc.

Notes to Interim Consolidated Financial Statements

Nine Months Through and Ended September 30, 2011 (unaudited)

1. Description of Business

American Municipal Power, Inc. ("AMP") is a not-for-profit Ohio corporation organized to provide electric capacity and energy and to furnish other services to its members on a cooperative basis. AMP is a tax-exempt organization for federal tax purposes under Section 501(c)(12) of the Internal Revenue Service Code. AMP is a membership organization comprised of 82 municipalities throughout Ohio, two municipalities in West Virginia, 30 municipalities in Pennsylvania, six municipalities in Michigan, five municipalities in Virginia, three municipalities in Kentucky and one joint action agency in Delaware, all but one of which own and operate electric systems. AMP purchases and generates electric capacity and energy for sale to its members. AMPO, Inc. is a for-profit subsidiary that provides electric and natural gas aggregation consulting services to both members and nonmembers in Ohio.

In addition, AMP serves as a project manager for Ohio members participating in joint venture projects to share ownership of power generation and transmission facilities, known as Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 ("OMEGA" "JV1," "JV2," "JV4," "JV5," and "JV6") (collectively, the "OMEGA Joint Ventures").

AMP is closely aligned with Ohio Municipal Electric Association ("OMEA"), the legislative liaison for the state's municipal electric systems. In addition to the OMEGA Joint Ventures, Municipal Energy Services Agency ("MESA") has also been formed by the members. MESA provides management and technical services to AMP, its members, and the OMEGA Joint Ventures.

AMP has received approval pursuant to a private letter ruling from the Internal Revenue Service ("IRS") to issue tax-exempt securities on behalf of its members. In connection with the financing of projects undertaken by the electric systems of certain member communities, AMP has issued tax-exempt debt on their behalf. Additionally, AMP has issued tax-exempt bonds to finance the construction of its generating projects.

AMP has 100% of the membership interests in AMP 368 LLC ("AMP 368"). AMP 368 is a wholly owned and consolidated subsidiary of AMP, which through AMP 368 is the owner of a 23.26%, or 368MW, undivided interest in the Prairie State Energy Campus ("PSEC"). The PSEC is a mine-mouth, pulverized coal-fired generating station under construction in southwest Illinois.

AMP also has 100% of the membership interests in Meldahl, LLC ("Meldahl LLC"). Meldahl LLC is a wholly owned and consolidated subsidiary of AMP, which through Meldahl LLC, is the owner of the 105 MW Meldahl project under construction as a run-of-the river hydroelectric facility on the Ohio River.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include all entities in which AMP has control, which are its majority-owned subsidiaries. The interim consolidated financial statements have been prepared without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The interim consolidated financial statements as of September 30, 2011 should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2010.

American Municipal Power, Inc.
Notes to Interim Consolidated Financial Statements
Nine Months Through and Ended September 30, 2011 (unaudited)

The accompanying interim consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year ending December 31, 2011.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates. All intercompany transactions and balances have been eliminated.

Construction Work-in-Progress

AMP records amounts expended in connection with construction work-in-progress projects at cost. Upon completion of a project, AMP places the asset in service and the related costs are recorded as either utility plant or nonutility property and equipment. There is \$3,674,198 and \$3,498,616 of land included in the construction work-in-progress account at September 30, 2011 and December 31, 2010, respectively. AMP capitalized interest costs in the amount of \$173,103,061 and \$74,850,908 for the nine-month period ended September 30, 2011 and 2010, respectively.

Construction work-in-progress projects consist of the following at September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
PSEC	\$ 1,240,520,304	\$ 1,060,768,773
Hydro Plants	777,847,989	550,885,473
Fremont Energy Center	518,759,455	-
Other	2,283,745	1,528,007
	<u>\$ 2,539,411,493</u>	<u>\$ 1,613,182,253</u>

On July 28, 2011 AMP completed the purchase of the Fremont Energy Center with FirstEnergy Corp. for \$510,319,339. The Fremont Energy Center is a 707 MW natural gas fired combined cycle generation plant, located in the city of Fremont, Ohio. The plant is largely complete and is expected to be commercially available in the first quarter of 2012. The plant was procured by entering into an additional dedicated line of credit for \$600,000,000 secured for the purpose of purchasing the plant.

Derivative Instruments

AMP accounts for derivative instruments on its consolidated balance sheets at fair value unless the instruments qualify to be accounted for as normal purchase and normal sales. The fair values of derivative instruments accounted for using mark-to-market accounting are based on exchange prices and broker quotes, when available. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes and supply and demand market data and other assumptions. The fair values determined are reduced by the appropriate valuation adjustments for items such as discounting, liquidity, credit quality and modeling risk. There is inherent risk in valuation modeling given the complexity and volatility of energy markets. Therefore, it is possible that results in future periods may be materially different as contracts are ultimately settled.

American Municipal Power, Inc.

Notes to Interim Consolidated Financial Statements

Nine Months Through and Ended September 30, 2011 (unaudited)

AMP has determined each of its power purchase and power sales contracts which meet the definition of a derivative instrument qualifies to be accounted for as normal purchases and normal sales.

AMP's interest rate management strategy uses derivative instruments to minimize earnings fluctuations caused by interest rate volatility associated with AMP's variable rate debt. The derivative instruments used to meet AMP's risk management objectives are interest rate swaps.

AMP has entered into three interest rate swap agreements which are carried at their fair value on the consolidated balance sheets. The fair value of the swaps was (\$3,756,454) and (\$3,436,917) at September 30, 2011 and December 31, 2010, respectively, and is included in other liabilities. A corresponding regulatory asset has been recorded equal to the unrealized loss.

3. **Gorsuch Project**

On May 19, 2010, AMP announced plans to begin cessation of operation at the Gorsuch Project, a 1950's vintage coal-fired plant located near Marietta, Ohio. AMP determined it to be in the best interest of the participating member communities to cease operations at the facility. The facility ceased electric generation on November 11, 2010. The decision stems from a consent decree reached between the U.S. EPA and AMP that resolves all issues related to a Notice of Violation ("NOV") issued by the U.S. EPA. The settlement includes a binding obligation that AMP cease coal-fired generation operation at the Gorsuch Project no later than December 31, 2012 and also requires AMP to spend \$15,000,000 on an environmental mitigation project over the next several years and pay a civil penalty of \$850,000. This amount was paid in October of 2010. The \$15,000,000 required to be spent on the environmental mitigation project will be expensed as project expenditures are incurred. The environmental mitigation project is in the form of robust energy efficiency initiatives administered by a third party, The Vermont Energy Investment Corp. This project includes services for residential, commercial and industrial customers and is designed to assist participating AMP member communities with energy conservation. Through September 30, 2011, \$3,336,205 of the \$15,000,000 requirement has been incurred and expensed.

4. **Lines of Credit and Term Debt**

Credit Agreements

AMP has a revolving credit loan facility ("Facility") with a syndicate of lenders led by JPMorgan Chase Bank, N.A. Other members of the syndicate include KeyBank, N.A.; Depfa Bank; Union Bank of California, N.A.; Wells Fargo, N.A.; Suntrust Bank; U.S. Bank, N.A.; Bank of America, N.A.; Huntington National Bank, N.A. and Bank of Montreal. The Facility allows for different types of loans with different interest rates and terms and includes the ability to issue letters of credit. The Facility expires on September 24, 2012. AMP's base borrowing capacity under the Facility is \$750,000,000. At September 30, 2011, AMP had \$150,000,000 outstanding under the Facility and the effective interest rate was 1.55%. At December 31, 2010, AMP had \$207,500,000 outstanding under the Facility and the effective interest rate was 1.6125%.

On July 28, 2011 AMP entered into a dedicated bank line of credit, with a syndicate of commercial banks led by JP Morgan Chase Bank, NA, with an additional total available line of credit of \$600,000,000. The agreement is for a 364-day Senior Secured Term Loan Facility, due in full on the maturity date. The proceeds of the loan provide transitional financing toward the purchase of the Fremont Energy Center. As of September 30, 2011, AMP had \$600,000,000 outstanding on the dedicated line of credit and the effective interest rate was 1.25%.

American Municipal Power, Inc.
Notes to Interim Consolidated Financial Statements
Nine Months Through and Ended September 30, 2011 (unaudited)

Commercial Paper Program

On January 22, 2008, AMP initiated a tax-exempt commercial paper program (the "Initial CP Program") with JP Morgan Chase Bank, N.A., with an authorized par amount of \$350,000,000 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 \$400,000,000. AMP utilized the Initial CP Program to provide interim financing for the costs of its projects. On September 24, 2009, AMP replaced the Initial CP Program with the second tax-exempt commercial program (the "Second CP Program"), with an authorized par amount of \$450,000,000, secured by a letter of credit secured under its line of credit. The Second CP program expired on April 26, 2011 and it is the intent of AMP to replace it with a third tax-exempt CP program in the near future. AMP had no borrowings under the CP program as of September 30, 2011 or December 31, 2010.

Term Debt

AMP has issued term debt in the form of notes payable and bonds for the financing of its own assets and on behalf of specific members. AMP is the primary obligor on term debt issued to finance its assets.

American Municipal Power, Inc.
Notes to Interim Consolidated Financial Statements
Nine Months Through and Ended September 30, 2011 (unaudited)

Bonds and notes payable related to financing AMP assets consists of the following September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
AMP Bond Anticipation Note due October 27, 2011 with interest at 2.00% payable at maturity	\$ 18,353,550	\$ 18,353,550
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2008A	760,655,000	760,655,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009A	166,565,000	166,565,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009B	83,745,000	83,745,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009C	385,835,000	385,835,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2010	300,000,000	300,000,000
Unamortized discount of Prairie State Campus Revenue Bonds	(11,595,751)	(12,073,909)
AMP Electricity Purchase Revenue Bonds Prepayment Issue, Series 2007A	123,770,000	181,130,000
Unamortized premium on Electricity Purchase Revenue Bonds Prepayment Issue, Series 2007A	1,837,257	2,870,715
AMP Multi-Mode Variable Rate Combustion Turbine Project Revenue Bonds, Series 2006	10,620,000	11,285,000
AMP Hydro Project Revenue Bonds, Series 2009A	24,425,000	24,425,000
AMP Hydro Project Revenue Bonds, Series 2009B	497,005,000	497,005,000
AMP Hydro Project Revenue Bonds, Series 2009C	122,405,000	122,405,000
AMP Hydro Project Revenue Bonds, Series 2009D	19,941,177	19,941,177
Unamortized discount on AMP Hydro Project Revenue Bonds, Series 2009D	(2,657,150)	(2,797,403)
Unamortized premium on AMP Hydro Project Revenue Bonds, Series 2009C	7,170,642	7,890,556
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010A	152,995,000	152,995,000
Unamortized discount on AMP Combined Hydroelectric Project Revenue Bonds, Series 2010A	(766,252)	(799,099)
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010B	1,109,995,000	1,109,995,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010C	116,000,000	116,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010A	45,495,000	45,495,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010B	260,000,000	260,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010C	20,000,000	20,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010D	4,570,000	4,570,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010E	300,000,000	355,035,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2011A	55,035,000	-
Unamortized premium on Meldahl Hydroelectric Revenue Bonds, Series 2010	244,055	263,580
Gorsuch Term Notes	26,000,000	32,000,000
	<u>4,597,642,528</u>	<u>4,662,789,167</u>
Current portion	(88,637,966)	(85,707,962)
Noncurrent portion	<u>\$ 4,509,004,562</u>	<u>\$ 4,577,081,205</u>

American Municipal Power, Inc.
Notes to Interim Consolidated Financial Statements
Nine Months Through and Ended September 30, 2011 (unaudited)

Meldahl Series 2010E Remarketing

The Meldahl Hydroelectric Project Revenue Bonds, Series 2010E (the "Meldahl 2010E Bonds") were issued on December 17, 2010 with an aggregate par amount of \$355,035,000. From the date of issuance to May 23, 2011, the bonds bore interest at the three-month LIBOR rate plus a 2.95% fixed spread per annum.

On May 17, 2011, AMP issued and sold its Meldahl Hydroelectric Project Revenue Bonds, Refunding Series 2011A (the "Meldahl 2011A Bonds") in aggregate principal amount of \$55,035,000 in order to provide funds to purchase and retire \$55,035,000 of the Meldahl 2010E Bonds. The Meldahl 2010E Bonds purchased by AMP with the proceeds of the Meldahl 2011A Bonds were not remarketed and were delivered to the trustee for cancellation. They were then canceled by the trustee and are no longer outstanding.

The Meldahl 2011A Bonds were sold to Wells Fargo Bank, National Association in a privately negotiated transaction. The Meldahl 2011A Bonds have a final maturity date of February 15, 2050 and bear interest at an initial rate of 2.924% for an approximate 39-month term. AMP has covenanted that it will apply any excess proceeds of its outstanding Meldahl Hydroelectric Revenue Bonds after the commercial operation date of the project to the purchase of the Meldahl 2011A Bonds. If and to the extent that there are not funds remaining after the commercial operation date of the project to pay for the purchase for all or any of the Meldahl 2011A Bonds, the bonds will remain outstanding and bear interest at the initial rate, plus an incremental spread. AMP may redeem the Meldahl 2011A Bonds, in whole or in part, commencing at the end of the 39-month term.

On May 23, 2011, \$300,000,000 of the Meldahl 2010E Bonds were remarketed. The Meldahl 2010E bonds will mature in 2050 and bear interest at a fixed rate of 6.270%. Interest is payable semiannually, beginning August 15, 2011.

The Meldahl 2010E Bonds have been designated as Build America Bonds ("BABs"). AMP expects to receive a 35% federal subsidy on or about each interest payment date for the Meldahl 2010E Bonds. The federal subsidy does not constitute a full faith and credit guarantee of the United States, but is required to be paid by the Treasury under the Recovery Act. AMP is obligated to make all payments of principal and interest on the Meldahl 2010E Bonds whether or not it receives the federal subsidy pursuant to the Recovery Act, but solely from the revenues, moneys, securities and funds pledged to the payment thereof in the Indenture. AMP accrues for the interest as it is earned and records the interest as a reduction in the amount of interest capitalized on the project. With the BABs subsidy, the effective interest rate on the Meldahl 2010E Bonds is 4.160%.

The Meldahl 2010E Bonds 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 amounts 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.

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An “Extraordinary Event” will have occurred if (i) AMP determines that a material adverse change has occurred to Section 54AA of 6431 of the Internal Revenue Code of 1986, as amended (“the Code”) 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 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 Meldahl 2010E Bonds, from the United States Treasury.

The Meldahl 2010E Bonds outstanding at September 30, 2011 are as follows:

Maturity Date - February 15	Principal Amount	Interest Rate
2021	\$ 2,065,000	6.270%
2022	8,900,000	6.270%
2023	9,340,000	6.270%
2024	6,665,000	6.270%
2025	6,915,000	6.270%
2026	7,170,000	6.270%
2027	2,125,000	6.270%
2028	125,000	6.270%
2029	7,965,000	6.270%
2030	8,250,000	6.270%
2031	8,545,000	6.270%
2032	8,845,000	6.270%
2033	9,145,000	6.270%
2034	9,455,000	6.270%
2035	7,735,000	6.270%
2036	10,535,000	6.270%
2037	10,890,000	6.270%
2038	11,260,000	6.270%
2039	11,625,000	6.270%
2040	11,995,000	6.270%
2041	12,365,000	6.270%
2042	12,745,000	6.270%
2043	13,120,000	6.270%
2044	13,500,000	6.270%
2045	13,875,000	6.270%
2046	14,245,000	6.270%
2047	14,615,000	6.270%
2048	14,980,000	6.270%
2049	15,330,000	6.270%
2050	15,675,000	6.270%
	<u>\$ 300,000,000</u>	

AMP has the right to redeem the Meldahl 2010E bonds on any date at par plus accrued interest.

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5. Fair Value of Financial Instruments

Financial Instruments	September 30, 2011		December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets				
Investments	\$ 13,260,435	\$ 13,260,435	\$ 12,874,257	\$ 12,874,257
Trustee funds, AMP	2,363,611,314	2,419,322,257	2,826,875,139	2,838,336,789
Trustee funds on behalf of members	2,073,613	2,156,003	36,919,190	36,919,190
Liabilities				
Fixed rate term debt, including current maturities, AMP	4,561,022,528	5,500,229,133	4,612,781,616	4,713,803,646
Fixed rate term debt, including current maturities, on behalf of members	33,142,000	33,341,064	76,541,550	76,607,948
Variable rate term debt, including current maturities, AMP and on behalf of members	40,568,000	40,568,000	48,201,996	48,201,996
Interest rate sw aps	3,756,454	3,756,454	3,436,917	3,436,917

The carrying amounts of cash, accounts receivable, accounts payable, the AMP project notes, the municipal project notes and the revolving credit loan approximate their fair value due to their short maturities. The carrying amount of the Gorsuch Term Notes, the Combustion Turbine Bonds and the OMEGA JV6 Bonds approximate their fair value due to their variable rates of interest. The fair value of long-term debt reflect the present value of cash outflows relating to those obligations based on the current call price or the yield to maturity as deemed appropriate at the end of each respective year. The yields assumed were based on municipal bond ratings offered by organizations similar to AMP.

As defined in the fair value measurements standard, fair value is the price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants on the measurement date. This standard establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by the fair value measurement standard are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those where transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. AMP's Level 1 assets primarily consist of equity securities, mutual funds and money market funds that are listed on active exchanges which are included in investments and trustee funds on the consolidated balance sheets. AMP does not have any liabilities that meet the definition of Level 1.

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- Level 2 Pricing inputs are either directly or indirectly observable in the market as of the reporting date, other than quoted prices in active markets included in Level 1. Level 2 includes those financial instruments that are valued using models or other valuation methodologies based on assumptions that are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. AMP's Level 2 assets consist primarily of debt securities and guaranteed investment contracts. Liabilities in this category include AMP's interest rate swaps. Interest rate swaps are included in other liabilities on AMP's consolidated balance sheets.
- Level 3 Pricing inputs include inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. AMP's Level 3 assets consist of its investment in hedge funds, which are included in investments on the consolidated balance sheets.

AMP utilizes market data and assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. AMP primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, AMP maximizes the use of observable inputs and minimizes the use of unobservable inputs.

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The following tables set forth AMP's financial assets and financial liabilities that are accounted for at fair value by level within the fair value hierarchy as of September 30, 2011 and December 31, 2010. As required by the fair value measurement standard, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. AMP's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures	September 30, 2011			Total
	Level 1	Level 2	Level 3	
Assets				
Equity securities and mutual funds	\$ 4,399,692	\$ -	\$ -	\$ 4,399,692
Money market funds	335,637,142	-	-	335,637,142
Guaranteed investment contract	-	40,671,926	-	40,671,926
Debt securities	-	2,053,971,892	-	2,053,971,892
Hedge funds	-	-	58,043	58,043
	<u>\$ 340,036,834</u>	<u>\$ 2,094,643,818</u>	<u>\$ 58,043</u>	<u>\$ 2,434,738,695</u>
Liabilities				
Interest rate sw aps	\$ -	\$ 3,756,454	\$ -	\$ 3,756,454
	<u>\$ -</u>	<u>\$ 3,756,454</u>	<u>\$ -</u>	<u>\$ 3,756,454</u>

Recurring Fair Value Measures	December 31, 2010			Total
	Level 1	Level 2	Level 3	
Assets				
Equity securities and mutual funds	\$ 2,135,876	\$ -	\$ -	\$ 2,135,876
Money market funds	848,558,769	-	-	848,558,769
Guaranteed investment contract	-	55,963,686	-	55,963,686
Debt securities	-	1,979,114,072	-	1,979,114,072
Hedge funds	-	-	2,357,833	2,357,833
	<u>\$ 850,694,645</u>	<u>\$ 2,035,077,758</u>	<u>\$ 2,357,833</u>	<u>\$ 2,888,130,236</u>
Liabilities				
Interest rate sw aps	-	3,436,917	-	3,436,917
	<u>\$ -</u>	<u>\$ 3,436,917</u>	<u>\$ -</u>	<u>\$ 3,436,917</u>

The determination of the above fair value measures takes into consideration various factors required under the fair value measurement standard. These factors include nonperformance risk, including counterparty credit risk and the impact of credit enhancements (such as cash deposits, LOCs and priority interests). The impact of nonperformance risk was immaterial in the fair value measurements.

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The following table provides a reconciliation of changes in the fair value of hedge fund investments classified as Level 3 in the fair value hierarchy during the nine months ended September 30, 2011 and the year ended December 31, 2010:

Balance as of January 1, 2010	\$ 4,181,826
Settlements	(2,118,709)
Unrealized gains	294,716
Balance as of December 31, 2010	<u>2,357,833</u>
Settlements	(2,357,833)
Unrealized gains	58,043
Balance as of September 30, 2011	<u>\$ 58,043</u>

6. Employee Benefits

Pension Plan

AMP has a defined benefit pension plan (the "Pension Plan") covering substantially all hourly employees at the Gorsuch Project. Benefits for eligible employees at retirement are based primarily on years of service and compensation rates. Assets held by the Pension Plan consist primarily of treasury notes, marketable securities, and alternative investments.

Postretirement Plan

AMP sponsors a postretirement benefit plan (the "Postretirement Plan") covering salaried and hourly employees at the Gorsuch Project who were hired before November 1, 2003. The Postretirement Plan provides prescription drug and medical, dental, and life insurance benefits. Benefits are available to employees who retire under provisions of the Postretirement Plan. The eligible employees' share of the medical insurance premiums in the postretirement period is increased on the basis of the provisions of the Postretirement Plan. At September 30, 2011 and December 31, 2010, \$13,260,435, and \$12,874,257 respectively, of investments in the accompanying consolidated balance sheets are designated to fund Postretirement Plan benefits.

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The following table sets forth the components of net periodic benefit cost, for the Pension Plan and Postretirement Plan at September 30, 2011 and 2010:

	Pension Plan	
	September 30, 2011	September 30, 2010
Components of net periodic benefit costs		
Service cost	\$ 45,000	\$ 675,000
Interest cost	643,146	787,500
Expected return on plan assets	(1,331,850)	(1,702,500)
Recognized actuarial loss	1,117,323	772,058
Settlement loss	7,000,000	-
Net periodic benefit cost	<u>\$ 7,473,619</u>	<u>\$ 532,058</u>

	Postretirement Plan	
	September 30, 2011	September 30, 2010
Components of net periodic benefit costs		
Service cost	\$ 15,000	\$ 97,500
Interest cost	208,782	240,000
Amortization of transition obligation	58,950	58,950
Recognized actuarial loss	217,500	142,174
Net periodic benefit cost	<u>\$ 500,232</u>	<u>\$ 538,624</u>

The settlement loss on the Pension Plan recorded by AMP for the nine-month period ending September 30, 2011 was triggered by lump sum distributions to plan participants which were in excess of service and interest costs of the plan.

7. Commitments and Contingencies

Environmental Matters

AMP is subject to regulation by federal and state authorities with respect to air and water quality control and other environmental matters and is subject to zoning and other regulations by local authorities.

On February 17, 2010, USEPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for combustion ignited diesel engines at area sources. The AMP engines are affected by this rule and compliance must be demonstrated by May 2013. AMP is evaluating its compliance options.

Many metropolitan and industrialized counties in Ohio have become nonattainment areas under the new ozone and fine particulate matter ambient air quality standards. This may require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, and particulate matter. In addition to emission reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind neighboring states. AMP operates projects in Cuyahoga County, which is a nonattainment area for fine particulate matter therefore; the Ohio Environmental Protection Agency may restrict the hours of operations or require additional pollution control equipment on these projects.

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Power Purchase Commitments

AMP's general practice is to enter into long-term power purchase contracts only when such contracts are supported by corresponding sales contracts to its members. All such contracts are considered normal pursuant to the FASB's guidance on derivative instruments. All such purchases are "covered" by corresponding power sales arrangements either with individual members or one of AMP's power pools.

AMP has certain power supply agreements that include provisions that would require collateral upon a decrease in AMP's credit rating below investment grade, or power prices below certain thresholds.

Other Commitments

AMP is a party to various legal actions and complaints arising in the ordinary course of business. AMP does not believe that the ultimate resolution of such matters will have a material adverse effect on AMP's financial position or results of operations.

On February 11, 2011, AMP filed a complaint against Bechtel Power Corporation ("Bechtel") which stems from cancellation of the proposed AMPGS Project. On April 12, 2011, Bechtel filed a motion to dismiss the complaint. Bechtel also filed an answer denying any liability and a counterclaim seeking \$383,566 from AMP related to a termination payment that Bechtel alleges it is entitled to as a result of the cancellation of the AMPGS Project. AMP has not recorded a liability for this counterclaim as of September 30, 2011 as it does not believe payment to be probable.

On May 3, 2011, AMP was ordered by the Army Corps of Engineers to flood the cofferdam at the Smithland Hydroelectric Plant which is currently under development. A claim notice has been sent to the Builder's Risk Insurer and AMP is determining if it will meet deductible for damages or delays. AMP will monitor the site closely and is working with its insurance provider to determine the extent of damage caused by the flooding, which, at this time, cannot be determined.

8. Subsequent Events

The Company has evaluated subsequent events through November 16, 2011 as this was the date the interim consolidated financial statements were made available to be issued. No matters were identified that would materially impact the financial statements or require disclosure.