

# **American Municipal Power, Inc.**

**Interim Consolidated Financial Statements  
September 30, 2023**

**American Municipal Power, Inc.**  
**Index**  
**September 30, 2023 (Unaudited) and December 31, 2022**

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## **Report of Independent Auditors**

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

### ***Results of Review of Interim Financial Information***

We have reviewed the accompanying consolidated interim financial information of American Municipal Power, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of September 30, 2023, and the related consolidated statements of revenues and expenses, of changes in member and patron equities, and of cash flows for the nine month periods ended September 30, 2023 and 2022, including the related notes ("collectively referred to as the consolidated interim financial information").

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 accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Review Results***

We conducted our review in accordance with auditing standards generally accepted in the United States of America (US GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

### ***Responsibilities of Management for the Consolidated Interim Financial Information***

Management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

### ***Other Matter***

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of American Municipal Power, Inc. and its subsidiaries as of December 31, 2022, and the related statements of revenues and expenses, of changes in member and patron equities, and of cash flows for the year then ended (not presented herein), and in our report dated April 20, 2023, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2022, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

*PricewaterhouseCoopers LLP*

Columbus, Ohio  
December 15, 2023

**American Municipal Power, Inc.**  
**Consolidated Balance Sheets**  
**September 30, 2023 (Unaudited) and December 31, 2022**

	September 30, 2023	December 31, 2022
Assets		
Utility plant		
Electric plant in service	\$ 4,995,030,487	\$ 4,989,915,714
Accumulated depreciation	(1,207,729,535)	(1,120,383,722)
Total utility plant	<u>3,787,300,952</u>	<u>3,869,531,992</u>
Nonutility property and equipment		
Nonutility property and equipment	27,511,186	26,358,173
Accumulated depreciation	(16,832,629)	(15,177,827)
Total nonutility property and equipment	<u>10,678,557</u>	<u>11,180,346</u>
Construction work-in-progress	70,296,555	43,219,987
Plant held for future use	34,881,075	34,881,075
Coal reserves	18,003,391	18,633,118
Trustee funds and other assets		
Trustee funds	226,861,039	230,547,643
Regulatory assets	503,023,424	515,116,952
Prepaid assets	70,961,137	74,347,263
Intangible and other assets	41,487,852	50,894,071
Total trustee funds and other assets	<u>842,333,452</u>	<u>870,905,929</u>
Current assets		
Cash and cash equivalents	223,382,275	233,759,433
Cash and cash equivalents - restricted	16,011,145	15,828,972
Trustee funds	255,554,119	317,053,597
Collateral postings	5,432	5,432
Accounts receivable	104,822,536	125,446,021
Interest receivable	13,861,075	33,351,879
Financing receivables - members	30,858,863	28,989,206
Notes Receivable	3,400,000	4,450,000
Inventories	16,119,472	15,360,424
Regulatory assets - current	29,988,260	29,383,947
Prepaid expenses and other assets	11,877,555	15,388,672
Total current assets	<u>705,880,732</u>	<u>819,017,583</u>
Total assets	<u>\$ 5,469,374,714</u>	<u>\$ 5,667,370,030</u>

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

**American Municipal Power, Inc.**  
**Consolidated Balance Sheets**  
**September 30, 2023 (Unaudited) and December 31, 2022**

	September 30, 2023	December 31, 2022
Equities and Liabilities		
Member and patron equities		
Contributed capital	\$ 828,968	\$ 828,968
Patronage capital	113,099,926	103,634,662
Total member and patron equities	<u>113,928,894</u>	<u>104,463,630</u>
Long-term debt		
Term debt	4,690,518,378	4,810,305,154
Term debt on behalf of others	15,083,330	15,937,497
Revolving credit loan	185,100,000	163,400,000
Total long-term debt	<u>4,890,701,708</u>	<u>4,989,642,651</u>
Current liabilities		
Accounts payable	77,865,793	107,250,263
Accrued interest	36,396,335	109,210,502
Term debt - current portion	105,459,412	100,979,412
Term debt on behalf of others	32,144,167	30,989,167
Collateral postings	6,096,000	43,206,000
Regulatory liabilities	11,417,713	12,375,383
Other liabilities	39,903,695	39,069,923
Total current liabilities	<u>309,283,115</u>	<u>443,080,650</u>
Other noncurrent liabilities		
Asset retirement obligations	13,816,102	12,327,081
Regulatory liabilities	139,474,983	116,192,947
Other liabilities	2,169,912	1,663,071
Total other noncurrent liabilities	<u>155,460,997</u>	<u>130,183,099</u>
Total liabilities	<u>5,355,445,820</u>	<u>5,562,906,400</u>
Total equities and liabilities	<u>\$ 5,469,374,714</u>	<u>\$ 5,667,370,030</u>

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

**American Municipal Power, Inc.**  
**Consolidated Statements of Revenues and Expenses**  
**Nine Months Ended September 30, 2023 and 2022 (Unaudited)**

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	September 30, 2023	September 30, 2022
<b>Revenues</b>		
Electric revenue	\$ 779,129,519	\$ 870,252,576
Transmission revenues	-	-
Service fees	8,800,630	9,060,756
Programs and other	41,467,978	48,707,424
Total revenues	<u>829,398,127</u>	<u>928,020,756</u>
<b>Operating expenses</b>		
Purchased electric power	316,102,593	373,494,145
Production	89,012,992	101,039,269
Fuel	122,910,865	156,850,545
Depreciation and amortization	99,660,684	95,628,704
Administrative and general	38,872,804	40,616,548
Property and real estate taxes	10,281,240	9,847,735
Programs and other	13,886,139	13,438,572
Total operating expenses	<u>690,727,317</u>	<u>790,915,518</u>
Operating margin	<u>138,670,810</u>	<u>137,105,238</u>
<b>Nonoperating revenues (expenses)</b>		
Interest expense	(203,142,122)	(197,469,087)
Interest income, subsidy	49,873,449	49,548,842
Interest and other income & expenses	24,063,127	8,071,417
Total nonoperating expenses	<u>(129,205,546)</u>	<u>(139,848,828)</u>
Net margin (loss)	<u>\$ 9,465,264</u>	<u>\$ (2,743,590)</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, 2023 and 2022 (Unaudited)**

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	<b>Contributed Capital</b>	<b>Patronage Capital</b>	<b>Total</b>
<b>Balances at December 31, 2021</b>	\$ 828,968	\$ 105,588,811	\$ 106,417,779
Net loss	<u>-</u>	<u>(2,743,590)</u>	<u>(2,743,590)</u>
<b>Balances at September 30, 2022</b>	<u>\$ 828,968</u>	<u>\$ 102,845,221</u>	<u>\$ 103,674,189</u>
<b>Balances at December 31, 2022</b>	\$ 828,968	103,634,662	\$ 104,463,630
Net margin	<u>-</u>	<u>9,465,264</u>	<u>9,465,264</u>
<b>Balances at September 30, 2023</b>	<u>\$ 828,968</u>	<u>\$ 113,099,926</u>	<u>\$ 113,928,894</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, 2023 and 2022 (Unaudited)**

	September 30, 2023	September 30, 2022
<b>Cash flows from operating activities</b>		
Net margin (loss)	\$ 9,465,264	\$ (2,743,590)
Adjustments to reconcile net margin to net cash used in operating activities		
Depreciation and amortization	99,660,684	95,628,704
Amortization of bond premium, net of amortization of bond discount and amortization of deferred financing costs	(15,822,452)	(26,911,101)
Amortization of premiums and discounts on held-to-maturity debt securities	(3,300,985)	(3,954,810)
Loss on disposal of utility property and equipment and stranded costs	372,761	753,778
Changes in assets and liabilities		
Collateral postings	(37,000,000)	27,335,000
Accounts and interest receivable	40,114,291	(28,268,359)
Inventories	(759,048)	(3,517,139)
Regulatory assets and liabilities, net	43,108,566	48,037,920
Prepaid expenses and other assets	4,862,797	(537,800)
Accounts payable and other liabilities	(13,497,516)	46,909,344
Accrued interest	(72,814,167)	(76,338,519)
Net cash provided by operating activities	<u>54,390,195</u>	<u>76,393,428</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and construction work-in progress	(54,663,422)	(29,400,308)
Proceeds from sale of property, plant and equipment	60,000	9,682
Proceeds from insurance claims	-	584,042
Proceeds from sale of investments	229,456,479	994,427,502
Purchase of investments	(160,969,412)	(291,686,261)
Net cash provided by investing activities	<u>\$ 13,883,645</u>	<u>\$ 673,934,657</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, 2023 and 2022 (Unaudited)**

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	September 30, 2023	September 30, 2022
<b>Cash flows from financing activities</b>		
Proceeds from revolving credit loan	24,100,000	178,300,000
Payments on revolving credit loan	(2,400,000)	(186,700,000)
Principal payments on term debt	(99,650,000)	(679,625,000)
Proceeds from issuance of term debt on behalf of others	22,275,000	21,120,000
Principal payments on term debt on behalf of others	(21,974,167)	(23,799,167)
Proceeds from notes receivable	1,050,000	2,131,216
Proceeds from financing receivables - members	19,789,282	24,454,779
Funding of financing receivables - members	(21,658,940)	(26,920,225)
Net cash used in financing activities	<u>(78,468,825)</u>	<u>(691,038,397)</u>
Net change in cash, cash equivalents and restricted cash	(10,194,985)	59,289,688
<b>Cash, cash equivalents and restricted cash</b>		
Beginning of period	249,588,405	196,648,423
End of period	<u>\$ 239,393,420</u>	<u>\$ 255,938,111</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for interest, net of amount capitalized	<u>\$ 291,780,090</u>	<u>\$ 300,718,707</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Capital expenditures included in accounts payable	<u>\$ 13,779,610</u>	<u>\$ 25,710,797</u>

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, 2023 (Unaudited)

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#### 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 (“IRC”). As AMP derives its income from the exercise of an essential government function that will accrue to states or political subdivisions thereof; AMP’s income is excludable from gross income under IRC Section 115. AMP is a membership organization comprised of 84 municipalities throughout Ohio, 29 municipalities in Pennsylvania, five municipalities in Kentucky, five municipalities in Michigan, five municipalities in Virginia, two municipalities in West Virginia, one municipality in Indiana, one municipality in Maryland, and one joint action agency in Delaware. All but one of AMPs municipal members owns and operates an electric system. 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: 2, 4, 5, and 6 (“OMEGA” “JV2,” “JV4,” “JV5,” and “JV6”) (collectively, the “OMEGA Joint Ventures”). AMP is closely aligned with the Ohio Municipal Electric Association (“OMEA”), the provider of legislative liaison services to AMP and 80 Ohio public power communities. AMP members have also formed the Municipal Energy Services Agency (“MESA”) whose purpose is to provide administrative, management and technical services to AMP, its members, OMEA 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 368 LLC (“AMP 368”), a wholly owned and consolidated subsidiary of AMP, is the owner of a 23.26%, or 368 MW, undivided interest in the Prairie State Energy Campus (“PSEC”). PSEC, located in Washington County, Illinois, includes a coal-fired generating plant and adjacent coal mine.

Meldahl LLC, a wholly owned and consolidated subsidiary of AMP, is the owner of the 105 MW Meldahl project, a run-of-the river hydroelectric facility on the Ohio River near Maysville, Kentucky.

AMP Transmission LLC, a wholly owned and consolidated subsidiary of AMP currently owns and provides transmission services in Ohio for the benefit of members.

#### 2. Summary of Significant Accounting Policies

##### Basis of Consolidation

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, 2023 should be read in conjunction with the

**American Municipal Power, Inc.**  
**Notes to Interim Consolidated Financial Statements**  
**Nine Months Through and Ended September 30, 2023 (Unaudited)**

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consolidated financial statements and the notes thereto for the year ended December 31, 2022. 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, 2023 are not necessarily indicative of the results to be expected for the full year ending December 31, 2023.

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.

**Utility Plant**

AMP records amounts expended in connection with the purchase or construction of utility plant assets at cost. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. Operations are charged with labor, material, supervision and other costs incurred to maintain the utility plant. When utility plant assets are retired, accumulated depreciation is charged with the cost of assets, plus removal costs, less any salvage value, and any resulting gain or loss is reflected in other nonoperating revenues (expenses), net in the consolidated statements of revenues and expenses.

AMP has ownership interest in electric facilities that are jointly-owned with non-affiliated companies. AMP's ownership interest in these facilities is recorded in accordance with ASC 970-810-45, Undivided Interests. Each owner is obligated to pay its share of the costs of this jointly-owned property in the same proportion as its ownership interest. AMP's portion of the operating costs associated with these facilities are included in AMP's consolidated statements of revenues and expenses and the assets are reflected in AMP's consolidated balance sheets under total utility plant in the following table. The amounts below are inclusive of costs incurred by the developer and AMP:

	Ownership Interest	September 30, 2023	December 31, 2022
<b>Greenup</b>	48.60%		
Utility Plant in Service		\$ 144,656,063	\$ 144,656,063
Construction Work-in-Progress		466,039	-
Accumulated Depreciation		(34,621,079)	(31,090,181)
<b>Prairie State</b>	23.26%		
Utility Plant in Service		\$ 1,408,027,628	\$ 1,406,067,550
Construction Work-in-Progress		14,144,893	12,382,330
Accumulated Depreciation		(410,520,302)	(384,308,069)

**Nonutility Property and Equipment**

Nonutility property and equipment is recorded at cost. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When nonutility property and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and the related gains or losses are

**American Municipal Power, Inc.**  
**Notes to Interim Consolidated Financial Statements**  
**Nine Months Through and Ended September 30, 2023 (Unaudited)**

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reflected in other nonoperating revenues (expenses), net in the consolidated statements of revenues and expenses.

**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.

Construction work-in-progress projects consist of the following:

	<b>September 30,</b> <b>2023</b>	<b>December 31,</b> <b>2022</b>
'Behind-the-meter' Sub-peaking facilities	\$ 33,169,583	\$ 21,945,533
Prairie State Energy Campus	14,144,893	12,382,330
Transmission projects	13,653,232	3,476,065
Other	9,328,847	5,416,059
	<u>\$ 70,296,555</u>	<u>\$ 43,219,987</u>

**Plant Held for Future Use**

In November 2009, the participants in the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's targeted capital costs increased by 37% and the engineer, procure and construct contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site. In 2017, AMP entered into a Solar Lease and Easement Agreement with a third party to develop the AMPGS property. The initial lease term was for four years and has been amended to extend the term of the agreement through February 2, 2027.

The AMPGS Project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay any costs incurred for the project.

As a result of the decision to terminate further development of a coal plant at AMPGS, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the consolidated balance sheets. At December 31, 2010, AMP reclassified \$34,881,075 of costs to plant held for future use in the consolidated balance sheets. These costs were determined to be associated with the undeveloped Meigs County site regardless of the type of generating asset ultimately developed on the site.

The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. These stranded costs are being recovered through collections from Participants and Members over a 15 year term and from service fee and other member related revenues over the same term. At September 30, 2023, AMP has a remaining regulatory asset of \$3,281,312 for the recovery of these abandoned construction costs.

# American Municipal Power, Inc.

## Notes to Interim Consolidated Financial Statements

### Nine Months Through and Ended September 30, 2023 (Unaudited)

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#### **Impairment of Long-lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is the excess of the carrying value of the assets over fair value of the assets.

#### **Trustee Funds**

AMP maintains funds on deposit with the trustees ("trustee funds") under its various trust indentures securing bonds issued for its various projects. Investments of the trustee funds include money market funds and debt securities. The debt securities are classified as held-to-maturity in accordance with Accounting Standards Codification ("ASC") 320 *Investments – Debt and Equity Securities*, and are recorded at amortized cost. The debt securities mature at various dates through February 2050. The money market funds are valued at the net asset value of the underlying fund determined on the valuation date.

#### **Intangible and Other Assets**

Included in intangible assets are two interconnections contracts for offsite facilities which were a part of the acquisition cost for the AMP Fremont Energy Center ("AFEC") project. These contracts were valued at \$28,665,190 and were net of \$8,981,759 and \$8,408,455 of accumulated amortization as of September 30, 2023 and December 31, 2022, respectively. The contracts are being amortized over a 37.5 year period at a rate of \$764,405 per year, which is recognized in depreciation and amortization.

#### **Prepaid Assets**

AMP prepays for 25-year power supply solar agreements (the "Prepaid Agreements") which are included in prepaid assets in the accompanying consolidated balance sheets. The amount of the Prepaid Agreements was \$74,235,767 and \$77,731,602 as of September 30, 2023 and December 31, 2022, respectively. AMP is amortizing the cost of the power over the life of the Prepaid Agreements using a non-straight line method based on power used. AMP records the amount expected to be amortized over the next twelve months as a current asset in prepaid expenses and other assets in the accompanying consolidated balance sheets, which was \$4,272,257 and \$4,589,383 as of September 30, 2023 and December 31, 2022, respectively. AMP has concluded that the Prepaid Agreements qualify for the normal purchase/sale exemption in accordance with FASB's standard on accounting for derivative instruments.

#### **Collateral Postings**

At September 30, 2023 and December 31, 2022, AMP posted collateral deposits with insurance companies in connection with long-term construction projects. AMP also posted collateral to PJM Interconnection and Midcontinent Independent System Operator, Inc. ("MISO") for the ability to participate in auctions for future transmission rights ("FTRs"). AMP has recorded these collateral postings as current assets in the accompanying consolidated balance sheets. The impact of utilizing FTRs is included in the transmission cost of purchased power. During 2022, AMP engaged The Energy Authority ("TEA"), its energy supply manager, to manage the collateral and margin requirements with PJM and MISO, an existing service offering under the Operating Agreement with TEA.

#### **Notes Receivable**

Forty-two of AMP's members are members of OMEGA JV5, the Belleville hydroelectric project. In November 2022, OMEGA JV5 borrowed \$4,500,000 from AMP for working capital needs. OMEGA JV5 has been making monthly cash payments on this loan. At September 30, 2023, the balance was

# American Municipal Power, Inc.

## Notes to Interim Consolidated Financial Statements

### Nine Months Through and Ended September 30, 2023 (Unaudited)

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\$3,400,000 and is shown in current assets in the Consolidated Balance Sheet. At December 31, 2022, the balance was \$4,450,000.

#### **Revenue Recognition and Rates**

Revenues are recognized when service is delivered. AMP's rates for capacity and energy billed to members are designed by the AMP board of trustees to recover actual costs. In general, costs are defined to include AMP's costs of purchased power and operations (except for depreciation and amortization) and debt service requirements.

Rates charged to members for non-project power are based on the actual cost of purchased power. Members also pay a service fee based on kilowatt hours purchased through AMP and retail sales of kilowatt hours in each member electric system.

Programs and other revenues consist of the reimbursement for expenses incurred from programs that AMP offers to its members. Revenue from these programs is recorded as costs are incurred.

Accounts receivable includes \$86,156,570 and \$113,978,892 as of September 30, 2023 and December 31, 2022, respectively, for capacity and energy delivered to members that were not billed until the subsequent period.

#### **Project Power Sales Contracts**

AMP's member power sales contracts for AMPGS, AFEC, PSEC, Napoleon Solar, the hydro projects, and the behind the meter projects are long-term take or pay agreements, which must be paid regardless of delivery, construction completion or power availability.

#### **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 purchases 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.

AMP has determined certain power purchase and power sales contracts meeting the definition of derivative instruments qualify to be accounted for as normal purchase or normal sale contracts as provided in ASC815 "Derivatives and Hedging". Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to mark to market accounting treatment and are recognized on AMPS Consolidated Statements of Revenue and Expenses on an accrual basis.

AMP has adopted a fuel procurement and hedging program which contemplates that AMP will, subject to market conditions, undertake to secure, at times when AMP deems such advantageous and prudent, contracts with fuel providers and financial institutions, the effect which will be to hedge, on a rolling 36-month basis, the price of up to 80% of the natural gas volume that AMP projects will be consumed by AFEC operating at its base capacity. AMP has entered into a number of International Swaps and Derivatives Association agreements that are specific to AFEC in managing its natural gas supply requirements. All these agreements are with investment grade or higher counterparties (Baa3/BBB-). AMP utilizes fixed-for-floating swap contracts to economically hedge

**American Municipal Power, Inc.**  
**Notes to Interim Consolidated Financial Statements**  
**Nine Months Through and Ended September 30, 2023 (Unaudited)**

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the total natural gas fuel expense and records them at fair value. AMP does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

The maturities of the swaps highly correlate to forecasted purchases of natural gas, during time frames through December 2032. Under such agreements, AMP pays the counterparty at a fixed rate and receives from the counterparty a floating rate per MMBtu (“dekatherm” or “Dth”) of natural gas. Only the net differential is actually paid or received. The differential is calculated based on the notional amounts under the agreements. Notional amounts under contracts were \$118,909,775 and \$112,977,580 at September 30, 2023 and December 31, 2022, respectively.

Unrealized gains on these contracts are shown as assets on the balance sheet and unrealized losses are shown as liabilities on the balance sheet in the following locations and amounts:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Prepaid expenses and other assets - Current	\$ 620,301	\$ 3,435,855
Intangible and other assets - Non-current	9,562,087	17,613,892
<b>Total Assets</b>	<b>\$ 10,182,388</b>	<b>\$ 21,049,747</b>
Other liabilities - Current	\$ 6,798,661	\$ 9,244,978
Other liabilities - Non-current	1,421,419	919,403
<b>Total Liabilities</b>	<b>\$ 8,220,080</b>	<b>\$ 10,164,381</b>

The impact of counterparty netting as of September 30, 2023 and December 31, 2022 is immaterial.

The change in the fair market value of \$8,923,058 and \$45,746,436 was recognized in fuel on AMP’s consolidated statements of revenues and expenses for the nine months ended September 30, 2023 and 2022, respectively. The change in fair value, which represents both unrealized gains and losses and realized gains and losses due to settlement, are offset as regulatory assets or liabilities. The losses from the natural gas contracts do not result from other-than-temporary declines in market value.

For certain gas risk management contracts, AMP is required to post or receive cash collateral based on third-party contractual agreements and risk profiles. Such amounts for the right to reclaim cash collateral or the obligation to return cash collateral have not been offset against net derivative instrument positions. AMP has cash collateral received from third parties against short-term and long-term risk management assets in the amounts of \$6,096,000 and \$43,206,000 as of September 30, 2023 and December 31, 2022, respectively.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

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assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Renewable Energy Credits (RECs)**

AMP views RECs as a government incentive. This perspective states that RECs do not arise because of the physical attributes of the property, but rather are a paper product from a government program (like tax incentives) created to promote the construction of renewable energy facilities. As such, AMP accounts for its RECs as compensation to the owner/operator for the additional costs associated with a green power facility. In addition, RECs are not physically produced or generated. No costs are allocated to the RECs and therefore, while AMP tracks RECs earned, they have no carrying value on the balance sheet.

**3. Regulatory Assets and Liabilities**

In accordance with the FASB standard for accounting for regulated entities, AMP records regulatory assets (capitalized expenses to be recovered in rates in future periods) and regulatory liabilities (deferred revenues for rates collected for expenses not yet incurred). Regulatory assets include the deferral of depreciation expense, the costs associated with the abandoned AMPGS Project, funds for member rate stabilization plans, unrecognized actuarial losses associated with the pension plan, and other capital expenditures not yet recovered through rates approved by the AMP board of trustees. Regulatory liabilities include revenues collected and intended to fund future capital expenditures, funds for member rate stabilization plans, and other differences between the rates collected from members and expense recognition. As the capital expenditures are depreciated and inventories are used, regulatory assets and liabilities are amortized to match revenues with the related expenditures. Regulatory liabilities or regulatory assets are also recognized for unrealized mark-to-market gains and losses on derivative instruments that are subject to the ratemaking process when realized (Note 5).



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Regulatory assets and liabilities consist of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Regulatory assets</b>		
Debt service costs	\$ 438,976,413	\$ 457,128,856
Operating and maintenance expenditures	18,228,026	15,127,116
Rate stabilization programs	37,647,518	29,662,327
Projects on behalf of	11,033,974	11,132,423
Closure of Gorsuch Project costs	10,659,435	10,989,108
Abandoned construction costs	9,807,311	8,985,017
Fair value of derivative instruments	801,109	-
Pension plan and postretirement healthcare plan obligations	3,792,560	4,667,766
Asset retirement costs	1,500,427	1,243,193
Other	564,911	5,565,093
Total regulatory assets	<u>533,011,684</u>	<u>544,500,899</u>
Current portion	<u>(29,988,260)</u>	<u>(29,383,947)</u>
Noncurrent portion	<u>\$ 503,023,424</u>	<u>\$ 515,116,952</u>
<b>Regulatory liabilities</b>		
Debt service costs	\$ 28,400,452	\$ 13,220,927
Operating and maintenance expenditures	23,633,002	24,667,690
Rate stabilization programs	46,707,019	39,127,974
Other	22,409,157	13,466,926
Working capital expenditures	14,944,588	14,944,588
Fair value of derivative instruments	2,763,416	10,885,365
Projects on behalf of	9,594,835	10,027,490
Capital improvement expenditures	2,440,227	2,227,370
Total regulatory liabilities	<u>150,892,696</u>	<u>128,568,330</u>
Current portion	<u>(11,417,713)</u>	<u>(12,375,383)</u>
Noncurrent portion	<u>\$ 139,474,983</u>	<u>\$ 116,192,947</u>

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**4. Revolving Credit Loan and Term Debt**

**Revolving Credit Loan**

On March 18, 2022 AMP entered into an Amended and Restated Credit Agreement (“2022 Credit Agreement”) under which it may borrow, from time to time, in an aggregate amount not to exceed \$600,000,000 with Royal Bank of Canada (“RBC”), as administrative agent for the Lenders and a syndicate of banks, financial institutions and other entities arranged by RBC Capital Markets, LLC, Bank of America, N.A., The Huntington National Bank, and PNC Bank, as joint lead arrangers and joint bookrunners. The term of the 2022 Credit Agreement is five (5) years with a maturity of March 17, 2027. AMP may elect to increase the overall commitment to \$850,000,000 with a minimum of \$50,000,000 and a 10 business day notice. This election cannot be made any more than 4 times during the term of the agreement.

At September 30, 2023, AMP had \$185,100,000 outstanding under the Facility and the effective interest rate was 6.216%. At December 31, 2022, AMP had \$163,400,000 outstanding under the Facility and the effective interest rate was 5.223%.

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**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.

Bonds and notes payable related to financing AMP assets consist of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009B	\$ 20,335,000	\$ 23,790,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009C	282,515,000	282,515,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2010	300,000,000	300,000,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2015A	218,790,000	218,790,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2017A	56,385,000	57,595,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2019B	107,430,000	124,955,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2019C	74,740,000	87,485,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2019D	143,520,000	143,520,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2021A	142,010,000	142,010,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009B	364,180,000	364,180,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009D	3,988,235	3,988,235
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010A	122,325,000	122,325,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010B	1,109,995,000	1,109,995,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010C	96,765,000	106,265,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2016A	179,655,000	189,220,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2020A	90,665,000	103,060,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2021A	93,645,000	96,005,000
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 2010E	279,695,000	289,035,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2016A	72,690,000	74,930,000
AMP Fremont Energy Center Project Revenue Bonds, Series 2017A	112,745,000	124,385,000
AMP Fremont Energy Center Project Revenue Bonds, Series 2021A	266,045,000	269,520,000
AMP Greenup Hydroelectric Project Revenue Bonds, Series 2016A	116,830,000	118,760,000
AMP Solar Electric Prepayment Project Revenue Bonds, Series 2019A	49,500,000	51,040,000
AMP Solar Electric Prepayment Project Revenue Bonds, Series 2020A	23,655,000	24,385,000
Subtotal	<u>4,608,103,235</u>	<u>4,707,753,235</u>
Less: Current portion	(105,459,412)	(100,979,412)
Plus: Unamortized premium and discount, net	213,902,554	231,265,783
Less: Unamortized debt issuance costs, net	(26,028,000)	(27,734,451)
Long-term debt	<u>\$ 4,690,518,378</u>	<u>\$ 4,810,305,154</u>

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**5. Fair Value of Financial Instruments**

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 money market funds which are included in trustee funds on the consolidated balance sheets. AMP has money market funds that meet the definition of Level 1. AMP does not have any liabilities that meet the definition of Level 1.

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. Assets and liabilities in this category include natural gas swaps.

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 does not have any assets or liabilities that met the definition of Level 3.

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 table presents the carrying amounts and fair values of financial instruments not recognized at fair value in the consolidated balance sheets:

Financial Instruments	September 30, 2023		December 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Assets</b>				
Debt securities held in trustee funds, restricted and non-restricted	\$ 257,273,508	\$ 248,162,411	\$ 258,968,387	\$ 253,127,566
<b>Liabilities</b>				
Fixed rate term debt, including current maturities, AMP	4,822,005,789	4,878,155,121	4,939,019,018	5,151,192,983
Fixed rate term debt, including current maturities, on behalf of others	47,227,497	47,227,497	46,926,664	46,926,664

The carrying amounts of cash, accounts receivable, accounts payable and the member project notes approximate their fair value due to their short maturities. The carrying amount of the revolving credit loan approximates fair value because it carries a variable interest rate. The fair value of trustee funds is determined based on market observable inputs that include, but are not limited to, benchmark yields, reportable trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers. The fair value of debt securities included in trustee funds is within Level 2 of the fair value hierarchy. The fair value of long-term debt reflects 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 like AMP. The fair value of long-term debt is within Level 2 of the fair value hierarchy.

The estimated fair values of the natural gas swaps were determined using New York Mercantile Exchange (“NYMEX”) futures settlement prices for delivery of natural gas at Henry Hub adjusted by the price of NYMEX ClearPort basis swaps, which reflect the difference between the price of natural gas at a given delivery basin and the Henry Hub pricing points.

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The following tables set forth AMP's financial assets and financial liabilities that are accounted for on a recurring basis at fair value by level within the fair value hierarchy as of September 30, 2023 and December 31, 2022. 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.

	<b>September 30, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Money market funds	\$ 225,141,650	\$ -	\$ -	\$ 225,141,650
Natural gas swaps	-	10,182,388	-	10,182,388
	<u>\$ 225,141,650</u>	<u>\$ 10,182,388</u>	<u>\$ -</u>	<u>\$ 235,324,038</u>
<b>Liabilities</b>				
Natural gas swaps	\$ -	\$ 8,220,080	\$ -	\$ 8,220,080
	<u>\$ -</u>	<u>\$ 8,220,080</u>	<u>\$ -</u>	<u>\$ 8,220,080</u>
	<b>December 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Money market funds	\$ 288,632,853	\$ -	\$ -	\$ 288,632,853
Natural gas swaps	-	21,049,747	-	21,049,747
	<u>\$ 288,632,853</u>	<u>\$ 21,049,747</u>	<u>\$ -</u>	<u>\$ 309,682,600</u>
<b>Liabilities</b>				
Natural gas swaps	\$ -	\$ 10,164,381	\$ -	\$ 10,164,381
	<u>\$ -</u>	<u>\$ 10,164,381</u>	<u>\$ -</u>	<u>\$ 10,164,381</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, line of credit and priority interests). The impact of nonperformance risk was immaterial in the fair value measurements.

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**6. Commitments and Contingencies**

**Environmental Matters**

AMP is subject to regulation by federal and state authorities with respect to air pollution and water quality, and other environmental matters.

**RICE NESHAP**

This USEPA rule regulates emissions of hazardous air pollutants from reciprocating internal combustion engines (“RICE”) by establishing emission limits and work practice standards. Some diesel engines owned or operated by AMP are affected and maintain compliance by using pollution control equipment.

**Cross-State Air Pollution Rule and Acid Rain Program**

USEPA requires large electric generating units to purchase allowances for air pollutant emissions of acid rain precursors and those impacting air quality in downwind states. AMP owned or operated facilities subject to the CSAPR have been allocated allowances for continued operation, and additional allowances may be purchased as needed to comply.

**Clean Water Act §401**

Permits are required when performing activities that impact streams and other water bodies, such as the construction of generation or distribution assets. The jurisdictional boundary between the state and federal authority is delineated in the definition of “waters of the United States” (or WOTUS). State certifications issued pursuant to Clean Water Act §401 contain requirements to maintain compliance with water quality standards. Hydropower plants owned or operated by AMP are affected and maintain compliance with these certifications using a variety of monitoring strategies and internal controls.

**Federal Power Act and National Environmental Policy Act**

Under the Federal Power Act, FERC issues and enforces licenses to construct and operate hydropower projects. The licensing process requires a review of environmental impacts under NEPA, and requirements from consulting agencies be included as license provisions. Hydropower plants owned or operated by AMP are affected and maintain compliance with these Acts using a variety of monitoring strategies and internal controls.

**Illinois Legislation**

On September 15, 2021, the Illinois Legislature passed, and Governor J.B. Pritzker signed into law comprehensive energy legislation in the form of SB 2408, the Climate and Equitable Jobs Act (the “CEJA”). Among other things, CEJA includes nearly \$700 million in subsidies for three nuclear plants, requires sweeping reductions in power plant emissions, and provides support in numerous ways for the State’s solar industry. Regarding the PSEC, the CEJA requires a 45% reduction in existing carbon dioxide equivalent (CO<sub>2</sub>e) emissions, by no later than January 1, 2035. If the reduction in existing CO<sub>2</sub>e emissions cannot be achieved by December 31, 2035, the CEJA would require action or actions, including the possible retirement of one or more generating units, to achieve the 45% reduction by September 30, 2038.

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In addition, all coal-fired generating units, including the PSEC, must permanently reduce CO<sub>2</sub>e emissions to zero by no later than December 31, 2045.

Prior to passage of the CEJA, AMP and the other PSEC Owners engaged consultants to develop various contingency plans to manage the impacts of comprehensive energy legislation that had previously been introduced in Illinois, and that planning continues. AMP and the other PSEC Owners will continue to advocate for favorable treatment of the PSEC that recognizes its value to the PSEC Owners and their ratepayers and the impact its closure would have on the community. The PSEC Owners continue to evaluate potential mitigation measures including as identified in the CEJA. Nevertheless, the ultimate impact on the PSEC, AMP and the Participants may be material, particularly after 2038. Such potential impacts cannot be gauged with certainty at this time, as any evaluation would be based on several variables, including, but not limited to, the availability and cost of control technologies, such as carbon capture and sequestration, Participant load requirements and cost of power, including replacement power. Closure of the PSEC would not terminate the Power Sales Contract, dated November 1, 2007 (the "Power Sales Contract") by and between AMP and 68 of its members (the "Participants") or relieve the Participants from their payment obligations thereunder.

**Other**

AMP is also 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.

**7. Subsequent Events**

The Company has evaluated subsequent events through December 15, 2023 as this was the date the consolidated financial statements were available to be issued.