AMERICAN MUNICIPAL POWER INC.

2008 ANNUAL REPORT

AMP
PUBLIC POWER PARTNERS

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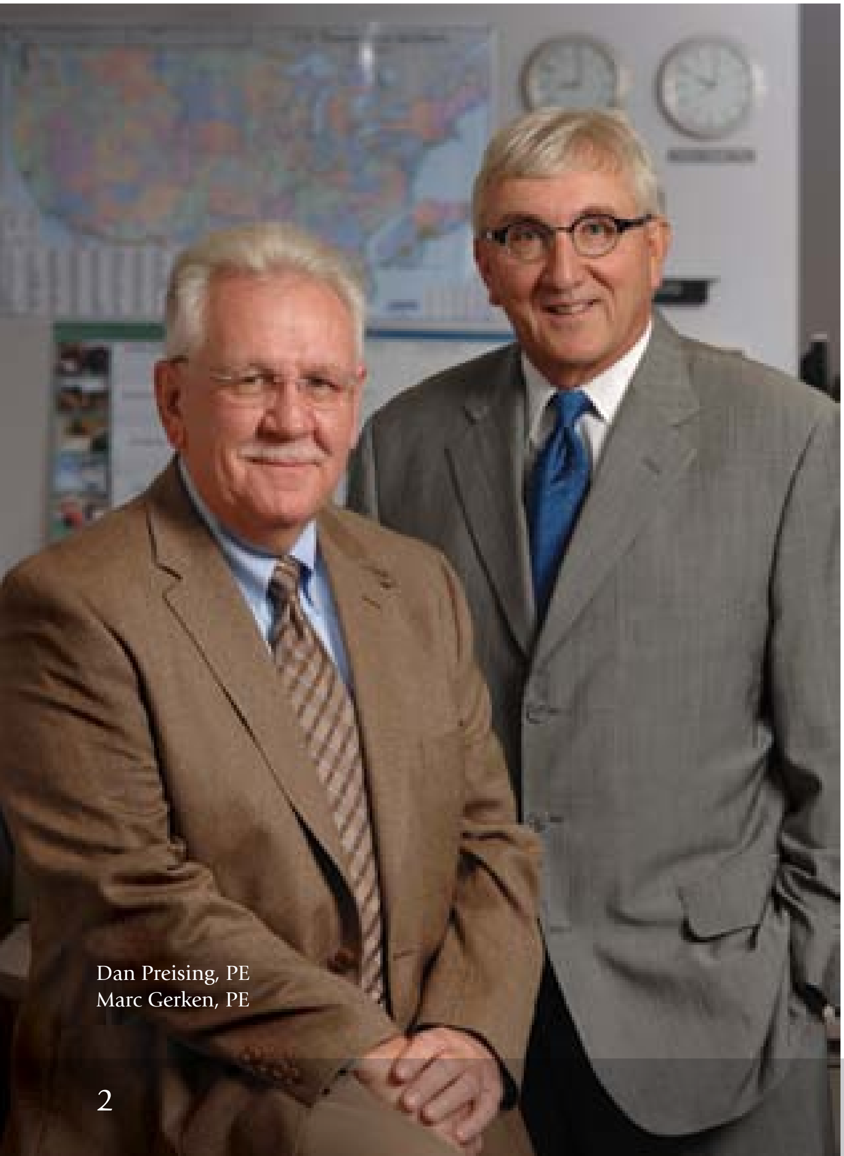
American Municipal Power Inc. is the Columbus-based nonprofit wholesale power supplier and services provider for 128 member municipal electric systems — 82 in Ohio, 29 in Pennsylvania, seven in Michigan, five in Virginia, three in Kentucky and two in West Virginia. At the end of 2008, AMP membership totaled 125, three additional communities joined the organization early in 2009. Owned and governed by its member communities, the organization is dedicated to providing member assistance and low-cost power supply. AMP also serves as project manager for groups of municipal electric communities participating in joint ventures to share ownership of power generation and related facilities.

AMP's mission statement calls for it to "develop, manage and supply diverse, competitively priced, reliable wholesale energy to public power through strategic partnerships and member-focused relationships."

AMP is closely aligned with two other municipal power organizations. The Ohio Municipal Electric Association (OMEA) is the legislative liaison for Ohio's municipal electric systems. The Ohio Public Power Educational Institute (OPPEI) is the nonprofit foundation that provides educational services for municipal electric employees and informs consumers and the general public about the benefits of public power.

LETTER TO MEMBERS



Dan Preising, PE
Marc Gerken, PE

Before anyone even opened this year's annual report, they almost certainly became aware of a major change in this organization. A new name — simply American Municipal Power or AMP, instead of American Municipal Power-Ohio — signals another expansion of our horizon. Nothing has been lost; our 82 Ohio member communities remain the largest element of AMP membership and the core of this organization's participants. But something has been gained; a sense that all member communities have an equal standing in this organization.

The old name no longer accurately reflected the geographic reality represented by our membership. As noted later in this report, driving from the western-most member community to those furthest east would take more than 14 hours. More than a third of our member communities now lie outside the state of Ohio. Just as the original United States flag's 13 stars no longer accurately depict this nation, our previous name and logo — with its stylized outline of Ohio — no longer accurately portrayed who we serve.

AMP member municipal electric systems are as varied as the populations they serve. Some communities are governed as cities, other as villages, boroughs or towns. In some, a city manager or village administrator has oversight of municipal utilities. Others have service directors or elected boards of public affairs. In some, the mayor has the final say over utility matters. The common factor is the local control they exercise over decisions about how best to serve their customers.

Those local decisions mean AMP cannot rely on a single method of obtaining power if it wants to meet the needs of all 128 communities. While we recognized several years ago that asset ownership provided the most prudent method for meeting the power supply needs of member communities, we also realized that AMP would have to offer alternatives. To that end, we currently have two coal-fired base load generating facilities under development, have awarded contracts for turbines and generators at four Ohio River hydroelectric sites, and are developing other hydro sites. Further development of wind generation sites and solar power are also part of our planning process.

Since this organization's earliest days, our advice to member communities has always been to develop a diversified power supply portfolio. In the past decade, member communities addressed their need for peaking (short-term) power through OMEGA Joint Venture 2 and its network of diesel and gas-turbine generators. Our new projects will help our members address their base — and intermediate-term power supply needs and offer them a choice in how they do that. Some power will still come from purchases in the wholesale market. However, for many of our power members, more will come from the base load projects under development. Participants in the projects now under way will have, on average, 23% of their capacity needs met by renewable resources.

We recognize, of course, that the least expensive electricity is that which is never used. Some communities have already begun efforts to reduce their energy usage; others have held discussions on their options. Recognizing this, AMP is moving forward with its Efficiency Smart program, designed to place the organization in the top-tier nationally in terms of energy savings. To do that, our goal calls for a 1-percent annual energy savings for member communities. When achieved, this will cut growth in energy demand (on average) by half.

Accomplishing all the projects and new programs we have begun, or will begin in the coming year, meant that other changes — some of them physical, some of them involving internal organization — would need to be made.

In recent years, our headquarters building began to show its limitations. We recognized there were a number of issues — not enough meeting and class rooms, a shortage of work space for staff members, limited means to secure critical areas and not enough parking spaces — as examples. These concerns were studied and presented to the AMP Board of Trustees. In early 2008, the board authorized purchase of a new building on the north side of Columbus, convenient to several major highways. The new building, at 1111 Schrock Road, has more than three times the space of the one at 2600 Airport Drive, eliminating the current deficiencies and providing room for any foreseeable future needs.

But our growth since 2000 — more than 40 new member communities and additional services to meet their needs — meant that more than physical needs would have to be addressed. In September, we announced a strategic restructuring that established three senior vice presidents. This supports our growth pattern, our evolution into a generation-asset organization and provides succession planning to ensure AMP's ongoing strength.

Pam Sullivan, as senior vice president of marketing & operations, provides oversight to power supply services, generation services and member marketing programs.

Jolene Thompson, as senior vice president of member services & external affairs, oversees staff members covering energy policy and sustainability, government affairs, technical services, energy efficiency and business development, environmental compliance, communications, human resources and safety. She also continues in her role as executive director of the Ohio Municipal Electric Association.

Robert Trippe, as senior vice president of finance, oversees accounting and treasury, finance, cash management and information technology functions and continues to serve as chief financial officer.

Between the three, they have more than 40 years of experience at American Municipal Power and they bring a high level of professionalism and commitment to moving this organization forward.

The commitment of everyone involved with AMP — both staff and members — brought us additional recognition in 2008 as a leader in the public power community. For AMP, this came through our selection by Hometown Connections as National Sales Affiliate for the year and through Marc Gerken's service on the American Public Power Association board of directors as chair-elect. In June 2009, he began his one-year term as chair of the APPA board.

Also in June, the AMP Board of Trustees elected a new chairman, following Dan Preising's retirement as Orrville director of utilities to accept a position with AMP. Jon Bisher, Napoleon city manager, moved up from his position as vice chair. The board will hold its regular annual reorganization in October, following elections for board seats at AMP's general membership meeting.

Fourteen member communities were recognized for their excellence through the APPA's Reliable Public Power Provider (RP3) program, which is based on a community's proficiency in reliability, safety, training and system betterment. Member involvement reached new attendance levels at three AMP annual events — the Pennsylvania safety meeting, the Technical Services Conference and the AMP Annual Conference, which drew more than 450 people from 69 member communities.

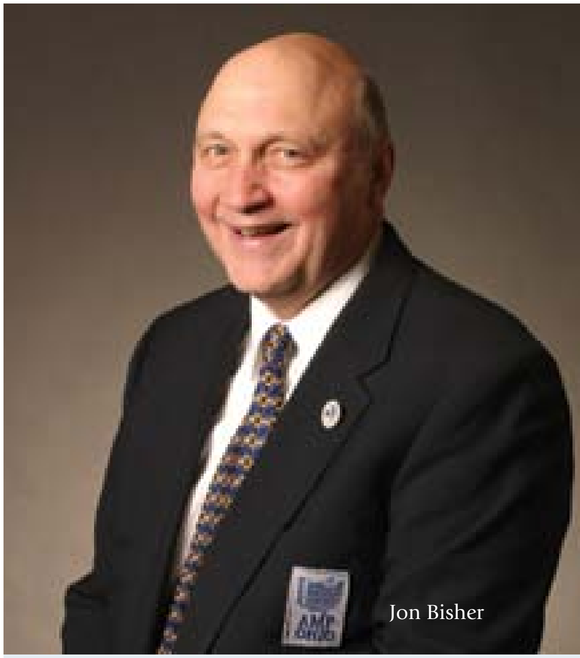
Taken together, the events of 2008 and early 2009 — both large and small — reveal the continually evolving character of this organization. But while certain things — including our name and address — have changed, our focus on the needs of member communities and their consumers has not. Everything accomplished in the past year has served, or will serve, to further our objective of being the best member service organization in public power.

In short, what has not changed is our mission to be member focused and strategically driven.

Marc S. Gerken, PE
AMP President/CEO

Dan Preising, PE
2008 AMP Board Chairman

Jon Bisher
Current AMP Board Chairman

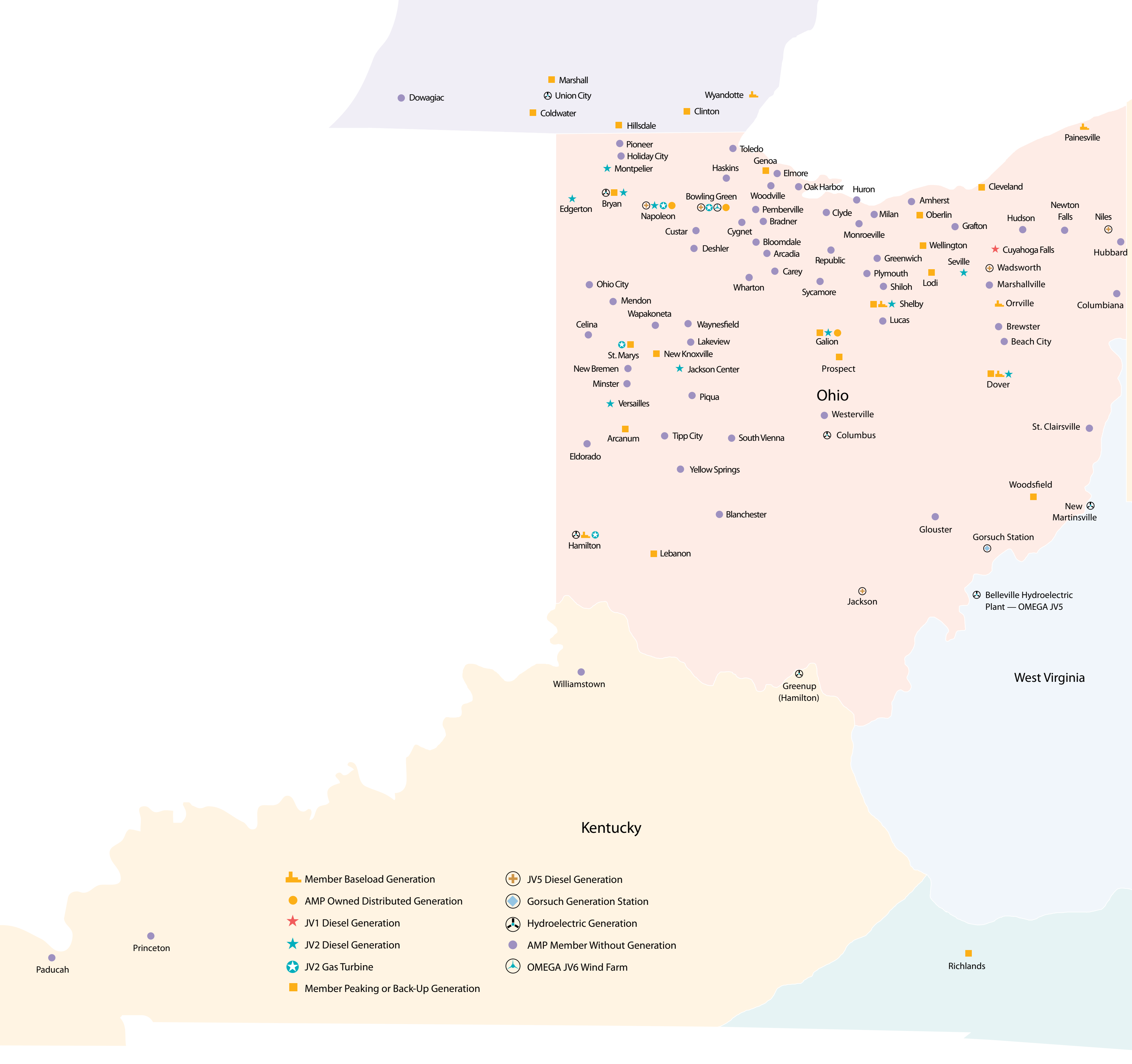


Jon Bisher

For AMP, 2008 was a year to push beyond old boundaries. Creating a new corporate identity, extending its membership area, and offering new services and benefits to member communities helped set new parameters for the organization. As could be expected, moving beyond existing boundaries brought both challenges and opportunities. It also required an expanded and sharpened vision of where the organization is going and a roadmap of how to get there.

Three new communities joined the organization in 2008 and three more were accepted in early 2009, bringing the total to 128 and extending the territory covered. Perkasie, part of the Philadelphia metropolitan area, became a member in August. AMP began supplying power for the community’s 3,800 meters in 2009 when the previous contract with DTE Energy expired. The Kentucky communities of Paducah and Princeton joined in November, extending AMP membership to the western edge of the state. Together, the two communities serve more than 26,000 customers. In January, Wampum became the newest Pennsylvania AMP member community. The borough is less than 10 miles east of the Ohio-Pennsylvania border, north of Pittsburgh, and serves approximately 435 customers.

In May 2009, two additional communities joined AMP. The Borough of Zelienople, Pennsylvania with approximately 2,250 customers and the city of Toledo, Ohio, which is in the early stages of creating a municipal electric system.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Marshall
Union City
Coldwater
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Clinton
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Painesville
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Holiday City
Montpelier
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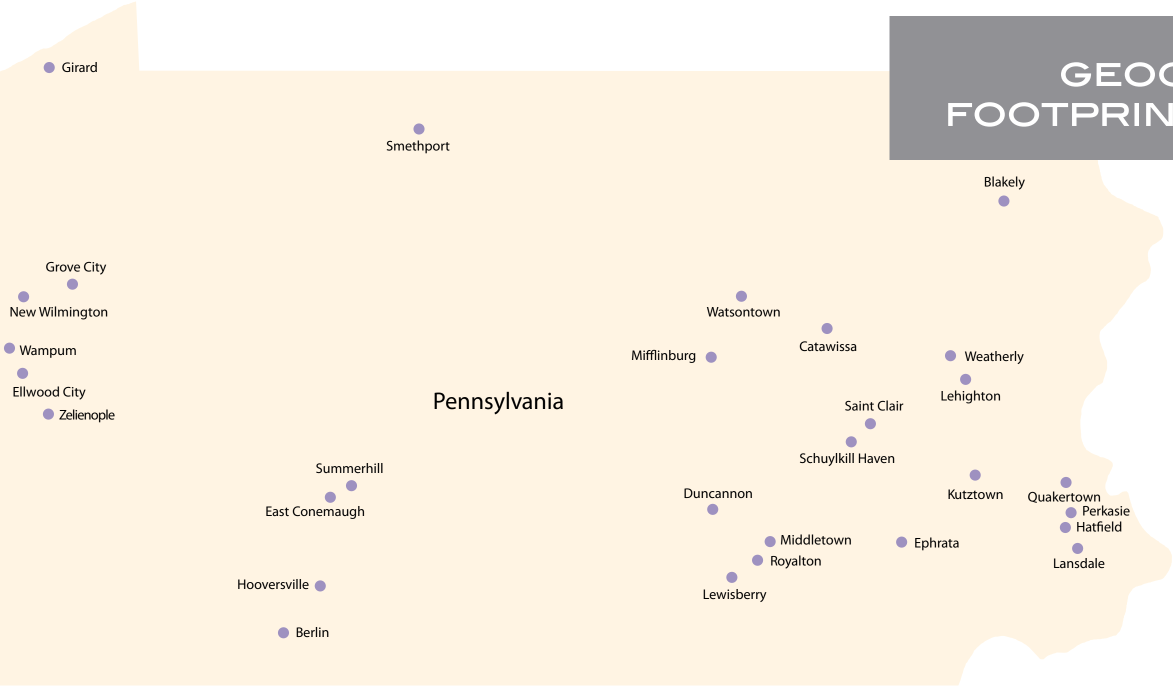
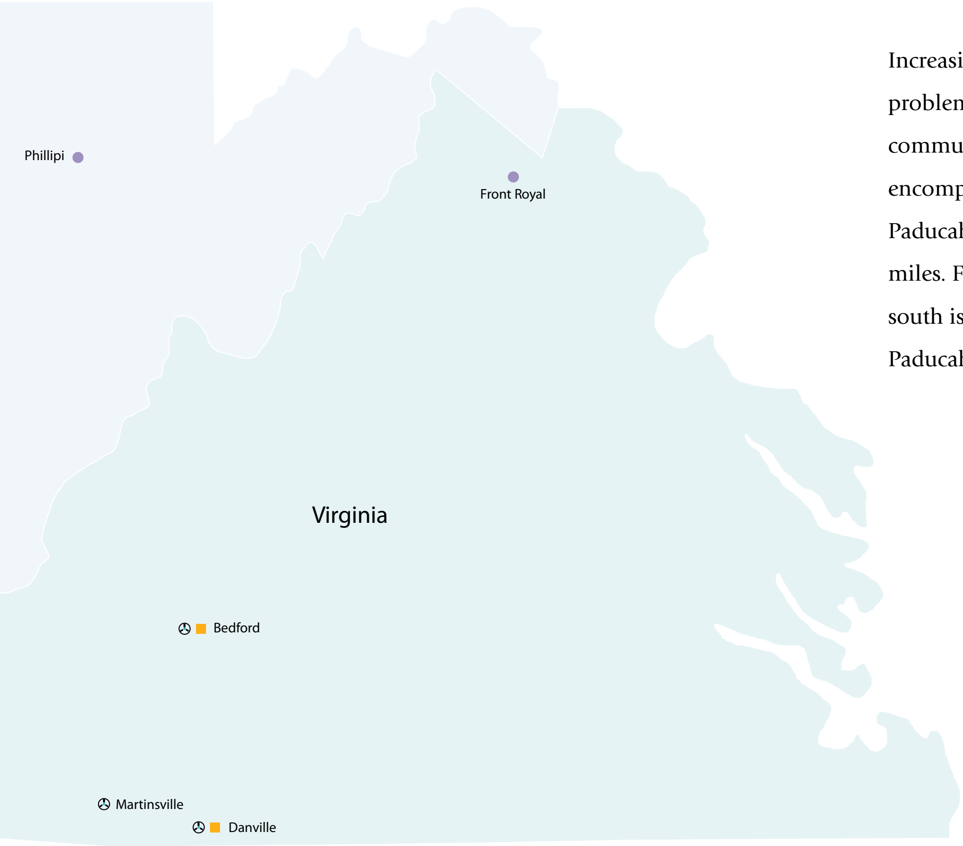
Oak Harbor
Huron
Cleveland
Edgerton
Bryan
Napoleon
Bowling Green
Woodville
Pemberville
Bradner
Clyde
Milan
Amherst
Oberlin
Grafton
Hudson
Newton Falls
Niles
Hubbard
Custar
Cygnet
Monroeville
Deshler
Bloomdale
Arcadia
Republic
Greenwich
Wellington
Seville
Cuyahoga Falls
Wadsworth
Plymouth
Lodi
Marshallville
Shiloh
Carey
Wharton
Sycamore
Ohio City
Mendon
Wapakoneta
Shelby
Orrville
Columbiana
Lucas
Celina
Waynesfield
Brewster
Beach City
Galion
Lakeview
St. Marys
New Knoxville
Prospect
New Bremen
Jackson Center
Dover
Minster
Versailles
Piqua
Ohio
Westerville
Columbus
St. Clairsville
Arcanum
Tipp City
South Vienna
Eldorado
Yellow Springs
Woodsfield
New Martinsville
Blanchester
Glouster
Gorsuch Station
Hamilton
Lebanon
Belleville Hydroelectric Plant — OMEGA JV5
Jackson
Williamstown
Greenup (Hamilton)
West Virginia
Kentucky
Member Baseload Generation
AMP Owned Distributed Generation
JV1 Diesel Generation
JV2 Diesel Generation
JV2 Gas Turbine
Member Peaking or Back-Up Generation
JV5 Diesel Generation
Gorsuch Generation Station
Hydroelectric Generation
AMP Member Without Generation
OMEGA JV6 Wind Farm
Princeton
Paducah
Richlands

GEOGRAPHIC FOOTPRINT EXPANSION





Increasingly, the idea that any one solution can solve multiple problems is fading. Where the territory served by AMP member communities once stretched across just one state, it now encompasses all, or parts, of six states. From west to east — Paducah, Ky., to Perkasie, Penn. — is a distance of nearly 900 road miles. From Dowagiac, Mich., in the north to Danville, Va., in the south is another journey of more than 700 miles. What works for Paducah may not meet the needs of Perkasie or Danville.

Meeting Unique Power Needs for Diverse Communities

An American Municipal Power Forestry Service crew member works to clear downed trees in a member community.

It's not just the geography that's diverse, of course. Some member communities have more than 40,000 customers; others serve fewer than 500. Not all of them operate within the boundaries of the same regional transmission organization. A small city in a rural county may have a healthy mix of industrial accounts, while a much larger suburban community has few industrial customers, but many more commercial accounts. Today, AMP member communities are almost as varied as the individual customers they serve.

This diverse mix of communities requires an equally diverse mix of energy sources and services tailored to meet the conditions under which each member municipal electric system must operate. A key element of AMP's efforts to meet these changing needs is provided by applying the principle of sustainability to its business practices. This is defined by the organization's management as a business approach that creates long-term member value by embracing opportunities and managing risks derived from economic, environmental and social developments.

To fulfill both its sustainability vision and the organization's mission statement, AMP developed a strategic plan that addresses both current and future power supply needs of existing and potential member communities. As part of that plan, the organization's Board of Trustees decided that ownership of a significant amount of new generation capacity would provide the best guarantee that power would be available to member communities at competitive rates.

Again, not every option would fit the requirements of every member community. Thus, AMP is moving forward with a variety of projects that include coal-fired and hydroelectric generation, while studying the feasibility of additional wind and methane-gas generation facilities and pursuing the possibility of solar generation.

2008 saw significant progress on the organization's large-scale generation projects, which include the American Municipal Power Generating Station, the Prairie State Energy Campus, and five run-of-the-river hydroelectric facilities.

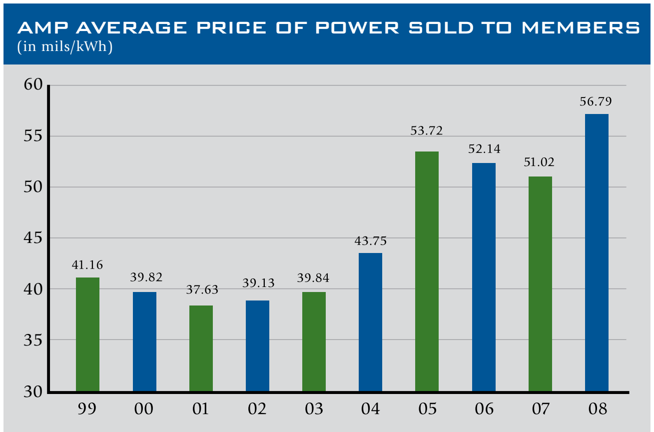
Prairie State Energy Campus

The project most advanced along its timeline is Prairie State, a 1,582-megawatt (MW) coal-fired plant in southern Illinois. AMP completed arrangement for its equity ownership portion of the project in late 2007; at 368 MW this makes AMP the single largest stakeholder in the project. Throughout the year, workers completed

Bill Cook, Celina Municipal Utilities lineworker, surveys an area of trees that was trimmed as part of the city's tree trimming program.

"We do most of our tree trimming and line clearance ourselves, usually in the fall and winter when we aren't as busy elsewhere. The AMP forestry crew — using their brush chipper — did a terrific job clearing out brush and undergrowth along our lines, doing work it would take us months to do. Most of their work was along the 69-kilovolt transmission lines we use to tie our substations together. At the same time, they found quite a few bad trees that would have come down in a storm. They went ahead and took them down, saving us the trouble of going back in there at another time."

Jeff Severns
Celina Electric Superintendent



site work, drove pilings for the plant's foundation and constructed the stack that will serve both boilers. By early 2009, crews were setting structural steel for the boiler buildings, with assembly of the boilers to follow.

Also notable was the project's strong financial footing. Moody's Investors Service assigned the bonds issued by AMP for the project an A1 rating, while the bonds received A ratings from Fitch and Standard & Poor's. In its assessment, Fitch made note of the financial stability and diversity of the 68 participating member communities, and AMP's history of managing the power needs of a large, diverse membership. Aided by these high bond ratings, in June AMP sold $761 million of long-term, fixed rate bonds at an interest rate lower than the one assumed for the project's feasibility study.

When the plant's two units become operational — projected for 2011 and 2012 — Prairie State will be among the cleanest coal-fired plants in the nation, providing power for more than 2.5 million people.

American Municipal Power Generating Station (AMPGS)

In February 2008, the Ohio Environmental Protection Agency granted the final Air Permit-to-Install for the plant. The following month, the Ohio Power Siting Board (OSPB) issued its Certificate of Environmental Compatibility and Public Need for the plant, and in November the OSPB gave its approval for the Certificate of Environmental Compatibility and Public Need for the transmission line that will carry power from AMPGS to the regional electric grid. Also in November, the Ohio EPA issued the final National Pollutant Discharge permit.

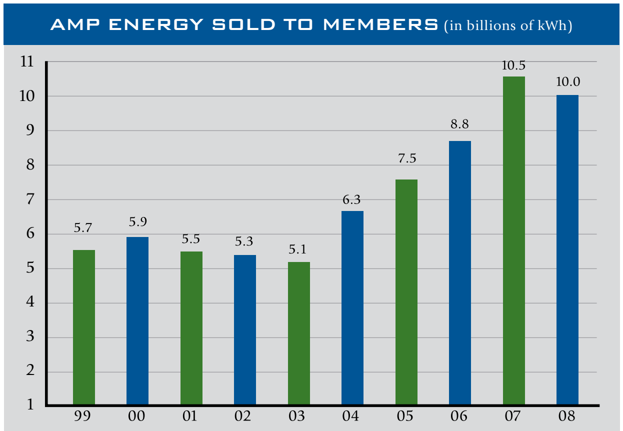
As permitting continued, representatives for the 81 participating communities approved giving limited-notice-to-proceed (LNTP) to the EPC contractor. This notice allows the EPC contractor to begin preliminary engineering and procurement of equipment.

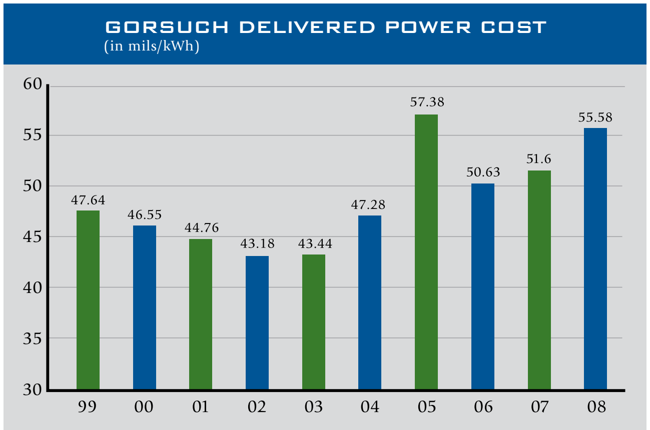
In early 2009, AMP obtained two additional permits from the Ohio EPA that are required for construction of the plant. A 401 permit, prerequisite to issuance of a 404 permit by the Army Corps of Engineers was the first. The 404 permit, issued in June 2009, covers excavation or placement of materials in support of the plant's construction. The Ohio EPA then issued the final Solid Waste Permit-to-Install for the project's landfill.

As with Prairie State, the AMPGS project will be the cleanest in the region and one of the cleanest facilities of its type in the nation when completed and supplying power to its participating communities. The plant, in southeastern Ohio along the Ohio River, will use Powerspan ammonia-scrubbing emission control technology, principally to control sulfur dioxide emissions with co-benefits for the control of mercury and particulate matter. Among the primary reasons for choosing Powerspan is the promise it shows for efficiently capturing carbon emissions from the facility. This technology currently doesn't exist for large-scale electric applications.

Prairie State
Digital Rendering

AMP Generating Station
Digital Rendering





Richard H. Gorsuch Generating Station

AMP's Richard H. Gorsuch Generating Station, a coal-fired plant in Marietta, Ohio, provides experience in the operational concerns of fossil-fuel generation. Through a combination of operating efficiencies, management practices and an experienced workforce, the plant's availability remains high and offers the organization a reliable source of energy during peak usage months.

Many of the issues that will be faced when AMPGS becomes operational have already been examined through the operations of Gorsuch Station, including coal-purchasing strategies, succession planning with regard to workforce aging and retirements, safe operating standards and more.

Hydroelectric Projects

New hydroelectric generation will also provide an important part of the energy portfolio for AMP member communities. The organization is moving forward on the development of five Ohio River hydroelectric projects that, if all are completed, would add more than 380 MW of capacity to the existing 42 MW provided by the Ohio Municipal Energy Generating Agency (OMEGA) Joint Venture 5 Belleville Hydroelectric Plant.

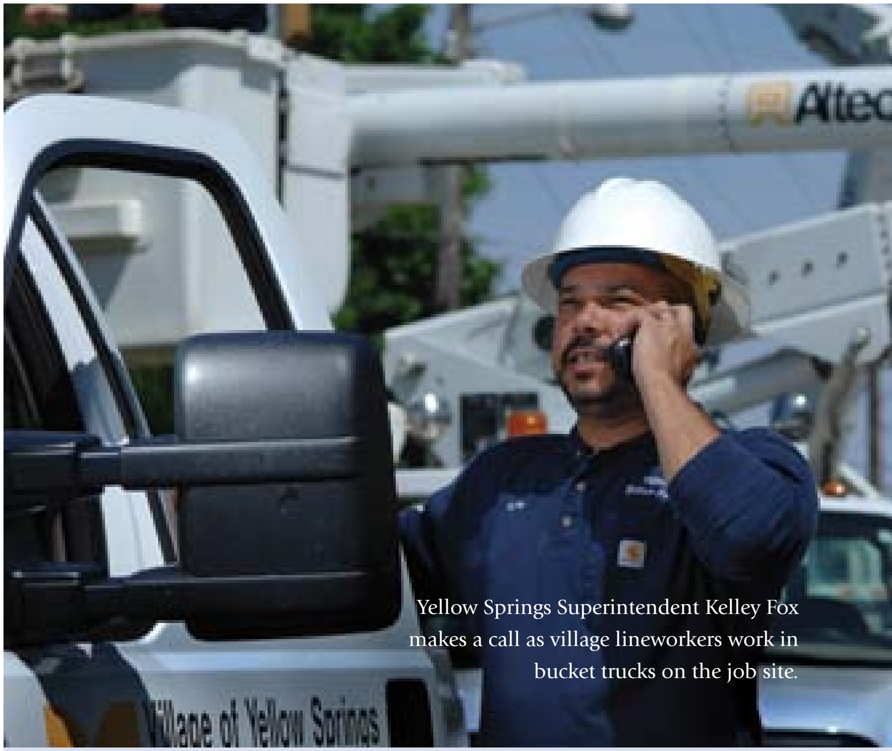
In June, after receiving three bids, AMP awarded a contract to Voith Hydro for turbines and generators at three of the Ohio River sites — Cannelton, Smithland and Willow Island locks and dams — with a combined 208 MW of generating capacity. The company said it plans to manufacture many of the turbine components in York, Pa., south of Harrisburg and near a number of member communities. Voith officials said the contract represents the largest order in the company's 131-year history in the United States.

Voith was again the choice when AMP awarded a contract in March 2009 to supply turbines and generators for the Captain Meldahl Dam hydroelectric project.

Progress on the 105-MW Meldahl facility moved quickly in 2008. The Federal Energy Regulatory Commission awarded member community Hamilton a license for the Meldahl site in June. Then, in August, AMP and Hamilton signed an agreement concerning the Meldahl site and the city's existing Greenup Hydroelectric Plant. Under the agreement, AMP would hold legal title to Meldahl, with a power purchase contract giving Hamilton 51.4 percent of the facility's output and AMP retaining 48.6 percent on behalf of participating communities.

The same agreement provides for joint ownership of the 70-MW Greenup plant also on the Ohio River, with the facility's output being shared using the same 51.4 percent — 48.6 percent split.

The final site is at the Robert C. Byrd Locks and Dam on the Ohio River. In November, two Kentucky communities — Paducah and Princeton — became AMP members and will work with the organization to develop a 48-MW hydroelectric generation resource available to member communities.



Yellow Springs Superintendent Kelley Fox makes a call as village lineworkers work in bucket trucks on the job site.

"When Hurricane Ike came through Ohio last fall, the entire village lost power when Dayton Power & Light's interconnection with us was cut. But, even after that was fixed, we wouldn't have been able to restore power to many people if we hadn't been assisted by six other municipal electric systems through the mutual aid program. The storm affected all areas of the village, but we had most of the damage repaired by the time DP&L restored the interconnection. It would have taken us weeks by ourselves to do all that work. Mutual aid works both ways; Yellow Springs went to Celina to help after its ice storm some years back and to Arcanum following the November tornado they had in the '90s."

Kelley Fox
Superintendent

Energy Conservation

During the year, AMP further addressed the future needs of public power customers through several programs designed to slow the growth in energy consumption, promote the use of renewable energy sources, and address concerns over emissions.

Energy Efficiency

In February, the Board of Trustees voted to move forward with an energy efficiency program — working with Vermont Energy Investment Corporation — that would place the organization among the nation's top tier in terms of energy savings. Under the brand identity of Efficiency Smart, AMP set a goal that calls for a 1-percent annual energy savings for member communities in the 2015–2017 period. Reaching that annual 1-percent mark would cut growth in energy demand by half (on average) and over the three-year period could bring an accumulated peak savings of approximately 272 MW.

The organization also continued its affiliation with the Energy Depot home energy audit program, which provides the 56 participating member communities with a means to offer an online audit to residential municipal energy customers. Through the program, residential customers can tabulate their current energy usage, estimate savings if they change their usage or purchase energy-efficient appliances, and have access to a library of home energy information. To encourage participation by member communities, the cost of Energy Depot is covered by AMP.

Renewable Energy Support and Climate Protection

Supplanting an earlier service, AMP began offering EcoSmart Choice, which provides customers of participating member communities an opportunity to support renewable energy development. Green pricing programs, such as EcoSmart Choice, allow customers to offset all, or a portion of, the electric usage with renewable energy at an increase in their rate per kilowatt hour.

Moving forward with earlier decisions approved by the Board of Trustees, in April the organization completed its first trade on the Chicago Climate Exchange (CCX), North America's only voluntary, rules-based greenhouse gas emission and reduction trading system. The AMP board had authorized the sale of up to 10 percent of the carbon dioxide allowances available. Two more trades were completed in May and June, before speculation about possible federal carbon legislation caused prices to fall. The organization then suspended trading as it waits for the market to stabilize and prices to recover. However, revenue from the three completed trades allowed AMP to recover all its costs and fees from participation in the CCX.

When AMP joined CCX in 2007, the exchange established a historical baseline of emissions from the Richard H. Gorsuch Generating Station and three combustion turbines owned by AMP. The agreement with CCX calls for AMP to reduce emissions below that baseline by a certain percentage each year from 2003 to 2010. When the actual reduction for each year is greater than the agreed-on percentage, AMP receives allowances that can be sold.

Going forward, AMP is considering a range of carbon-offset projects — many connected to agriculture — that will help lessen the potential carbon exposure from its fossil-fuel generation projects. These projects could include tree planting and reforestation, no-till farming and mine land restoration/mitigation.

Displaying a product produced at the Swedwood plant are (from left): Bengt Danielsson, president of Swedwood North America; Jörgen Lindquist, vice president of Swedwood North America; Joe King, Danville assistant city manager; and Kevin Martin, key accounts manager for Danville Utilities Department.

"Through the cooperative efforts of Danville and Pittsylvania County, IKEA decided to establish its North American manufacturing subsidiary — Swedwood — in the city's Cane Creek Centre Industrial Park. As Swedwood continues to build out its planned phases, it will become Danville Utilities' largest electric customer. For Swedwood, the capacity to reliably serve up to a 25-megawatt load was paramount. Competitive rates and dependable service, not just for electric, but for all the utilities, were essential considerations in IKEA's site selection process. Other factors that played a role in the decision were Danville's facilities for research and continuing employee training, a motivated workforce and transportation access to IKEA's Eastern markets."

Kevin Martin
Key Accounts Manager, Danville Utilities Department


Steve Holland, Superintendent of Operations ESSC, of Cleveland Public Power, left, shows lineworker Marvin Palacios a knot while conducting lineworker training in Cleveland.

"We recognized several years ago that Cleveland Public Power's workforce was getting older and we would need to find a source to recruit new apprentices. Our intern program with Cleveland public school graduates, which leads to an apprenticeship for successful interns, is part of Mayor (Frank) Jackson's commitment to find new jobs for Cleveland residents. It took a concerted, cooperative effort between the city, the schools and Local 39 of the International Brotherhood of Electrical Workers, which represents CPP's hourly employees, to make this happen. But it came together, and the 10 graduates that formed our first class of interns in 2008 are now apprentice lineworkers."

Ivan Henderson
Commissioner, Cleveland Public Power

Hundreds attend a celebration commemorating AMP member community Cleveland Public Power's 100th anniversary in 2007.

Leveraging Our Scale to Make a Difference

While financial strength is one key benefit of AMP membership, strength in numbers is another.

In Ohio, the Ohio Municipal Electric Association (OMEA) leverages the personal contact established by municipal officials with their local state legislators, using it to support the OMEA's efforts on behalf of AMP and its member communities. At several events during the year, members are updated on legislative and regulatory issues and afforded an opportunity to meet with both state and federal lawmakers.

In 2008, the OMEA and AMP continued their focus on the legislative and regulatory issues that could impact the organization, its member communities and their municipal electric systems. While many of these concerned issues specific to Ohio — such as the state's new energy bill and regulatory concerns with the AMPGS project — many others took place at the federal and regional level. The OMEA staff and counsel, working with AMP personnel, were very involved in such issues as climate change, renewable energy standards and the structure of energy markets. On such issues, the organizations engaged with federal legislators from a number of member community states.

As more than a few member communities could attest to in 2008, AMP's mutual aid program is another example of strength in numbers, providing critical help when ice storms and hurricane-force winds moved through the region in the fall and winter.

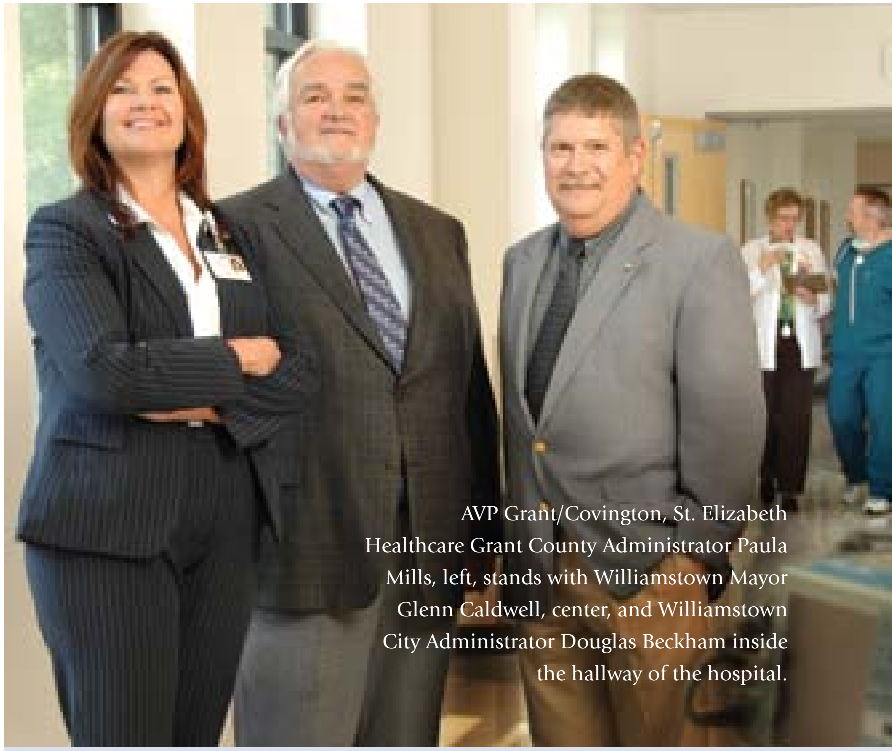
For most of 2008, the weather provided fewer problems than in recent years. Several localized ice storms in March affected only two communities, Prospect and Versailles, with crews from Hamilton and Westerville responding to the call for help. Spring and summer's normal severe thunderstorms and downforce winds were lacking in 2008, and many thought the threat of widespread outages was over as September began quietly.

All that changed in mid-month, when the remnants of Hurricane Ike blew through Ohio, stripping away electric service for nearly three million customers in the state, including approximately 74,000 municipal electric customers. Among the hardest hit member communities were Hamilton and Westerville, which together had approximately one-third of those 74,000 outages. Altogether, approximately 40 percent of Ohio member communities had some outages.

Five member communities requested mutual aid assistance and 16 member communities responded to the call. Westerville needed aid from six communities in restoring power to approximately 14,000 customers, or more than 85 percent of the city's total customer base. At the peak of the outage, approximately one-third of Hamilton's 30,000 customers were in the dark, and four communities aided the city's own crews in restoring power to almost all of them by the end of four days.

Yellow Springs lost power to the entire village when its interconnection with Dayton Power & Light was lost, but large trees also took down many distribution lines throughout the village. Crews from six communities responded and most services were ready when the interconnection was restored on Sept. 16.

Member municipal electric systems also came to the aid of investor-owned utilities following the storm. Crews from Piqua provided mutual aid to Dayton Power & Light in its service territory, while Hudson and Cleveland Public Power provided aid to FirstEnergy in the northeast corner of the state. Wadsworth crews went to the Duke Energy territory to provide aid in southwestern Ohio and northern Kentucky.



AVP Grant/Covington, St. Elizabeth Healthcare Grant County Administrator Paula Mills, left, stands with Williamstown Mayor Glenn Caldwell, center, and Williamstown City Administrator Douglas Beckham inside the hallway of the hospital.

"For a facility like St. Elizabeth Healthcare Grant County, power quality is a very important consideration. They're a major customer of Williamstown, not in terms of size, but in terms of quality. They require a source of clean power, at a constant voltage, because otherwise there may be adverse effects. In the past 15 years, the medical center has more than doubled its square footage, and much of that has been in diagnostics and imaging, including MRI. As a healthcare provider, they do have a back-up generator, but any time the power kicks off for just that brief interval of time, it can affect their equipment."

Douglas Beckham
Williamstown City Administrator

Fewer customers were affected when a devastating ice storm passed through Kentucky in late January 2009, but the effects were even more severe. Some communities were left without power for weeks as temperatures hovered around or below the freezing mark.

Three crews responded to member community Williamstown, about 30 miles south of Cincinnati, and another three crews arrived to aid nonmember Berea, in central Kentucky. New member community Princeton, which had joined just two months earlier, didn't need crews from the mutual aid program, but were assisted by the arrival of 31 requested pole-mounted transformers from Wadsworth.

Another western Kentucky city, nonmember Madisonville, was particularly hard hit by the storm, with almost all of its 8,500 customers left without power and miles of distribution lines on the ground. Seven AMP member communities sent a total of nine crews, with seven of the crews spending almost two weeks in the community.

Mutual aid is just one example of the programs AMP makes available to its member communities. Through mutual aid and many other programs, such as training, safety and OSHA compliance, AMP provides the means for a diverse group of member communities to come together in ways that not only meet the needs of individual municipal electric systems, but provide a collective approach to the issues that cannot be resolved by a single community.

Kendal at Oberlin Director of Facility Services Bob Brown, top left, and Oberlin Municipal Light & Power System Utility Services Manager Doug McMillan, stand with Kendal at Oberlin resident John Elder at the facility's community room in Oberlin.

"I've worked with Kendal at Oberlin, a continuing care retirement community, for eight years, both as its utility key accounts representative and as a member of its energy committee. Through AMP-Ohio and the Direct Connections program, we obtained a matching grant to perform an energy audit at Kendal. That audit revealed the potential for substantial energy savings and identified where the improvements could be made. The biggest savings — $41,925 annually — would come from replacing the old boilers and chillers with a high-efficiency one, and Kendal is doing that this year. The payback period for the boiler is less than five years, and less than 10 years for the chillers."

Doug McMillan
Utilities Services Manager, Oberlin Municipal Light and Power System

Just as it did when exploring the new programs introduced in 2008, the organization continues to listen to the needs and concerns of an expanding range of member communities. From its inception in 1971 as AMP-Ohio, merging the power supply requirements of member communities with the services previously offered though the OMEA, the organization has always faced forward. Thirty-eight years later, with a new identity as simply American Municipal Power, that farsightedness must extend to an ever-widening field of vision.

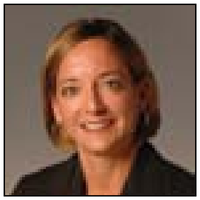
AMP BOARD OF TRUSTEES

AMP EXECUTIVE MANAGEMENT

Marc S. Gerken, PE, has served as president and chief executive officer of AMP since February 2000. Previously, Gerken served as vice president of business & operations from 1998 to 2000. He is a 1977 graduate of the University of Dayton, beginning his public service career in 1990 with the City of Napoleon, serving as city engineer. In 1995, he was named city manager of Napoleon and served in that capacity until his employment by AMP. Gerken became chair of the American Public Power Association board of directors in June 2009. He is also a member of the executive committee of the Transmission Access Policy Study Group. Gerken has provided testimony on numerous occasions to the Federal Energy Regulatory Commission and Congress regarding electric industry issues. He holds a Bachelor of Science degree in civil engineering from the University of Dayton.

Robert W. Trippe was named senior vice president of finance in September 2008 and continues to serve as chief financial officer (CFO). Trippe served as vice president of finance and CFO of AMP since April 1991. Before joining the organization, he worked at Detroit Edison from 1978 to 1991. During that time, Trippe served as the vice president and chief financial officer for SYNDECO Inc., a wholly owned, diversification subsidiary of Detroit Edison. Trippe holds a Bachelor of Science degree in accounting and finance from Southwest Missouri State University.

Jolene M. Thompson was named senior vice president of member services and external affairs in September 2008. She has been with AMP since 1990, most recently as vice president of public affairs prior to her new position. She also continues to serve as executive director of the Ohio Municipal Electric Association. She is a registered lobbyist in Ohio and Washington. Thompson is a past chair of the American Public Power Association (APPA) advisory committee of state and regional associations and former member of the APPA board of directors. She holds a Bachelor of Arts degree in journalism from Otterbein College.



Pam Sullivan came to AMP in 2003, and was named senior vice president of marketing and operations in September 2008. She had previously served as vice president of marketing. Before joining AMP, Sullivan was vice president of marketing for a consulting engineering firm specializing in power generation and distribution, where she was responsible for developing and implementing marketing plans and strategies. She holds a Bachelor of Science degree in electrical engineering from the University of Toledo.

John W. Bentine has served as AMP general counsel since 1981. Bentine is a partner in the Columbus, Ohio, law firm of Chester, Willcox & Saxbe LLP. Before entering private practice in 1981, he served as a senior assistant city attorney, City of Columbus, 1978-1981, and as an assistant attorney general and counsel to the Public Utilities Commission of Ohio, 1975-1978. Bentine holds a Bachelor of Business Administration degree from Marshall University and received a Juris Doctor degree cum laude from Ohio State University.

AMP MEMBER ELECTRIC SYSTEMS AT A GLANCE

Community	Number of Meters	2008 Systems Peak (kW)	Installed Generation (kW) (as of 12/31/08)
Central AMP Service Group (CASG)			
Columbus	13,593	155,300	5,000
Glouster	1,063	2,600	
Jackson	4,167	34,632	3,600[3]
Westerville	16,148	102,878	
CASG subtotal	34,971	295,410	8,600
Northern AMP Service Group (NASG)			
Cleveland	74,891	296,600	59,950[5]
Painesville	11,896	50,700	35,400
NASG subtotal	86,787	347,300	95,350
North Central AMP Service Group (NCASG)			
Arcadia	305	1,117	
Bloomdale	308	1,394	
Bryan	6,034	44,513	54,450[6]
Carey	1,877	13,415	
Cygnet	259	1,064	
Deshler	1,022	4,773	
Dover	6,716	45,000	51,850[6]
Greenwich	767	3,672	
Marshallville	499	1,672	
New Knoxville	458	2,566	
Ohio City	464	1,382	
Orrville	6,985	57,950	70,475[5]
Plymouth	869	2,694	
Republic	323	774	
St. Clairsville	2,936	12,078	
St. Marys	4,149	37,715	35,900[6]
Shelby	5,196	22,600	34,325[6]
Shiloh	303	1,107	
Sycamore	520	1,480	
Wapakoneta	5,324	35,598	
Wharton	187	741	
Woodsfield	1,583	5,782	8,000
NCASG subtotal	50,052	335,268	245,000

Community	Number of Meters	2008 Systems Peak (kW)	Installed Generation (kW) (as of 12/31/08)
Northeast AMP Service Group (NEASG)			
Amherst	5,736	26,866	
Beach City	873	2,850	
Brewster	955	8,563	
Columbiana	3,527	16,545	
Cuyahoga Falls	24,266	103,518	9,000[1]
Galion	6,206	23,456	53,305[2,4,6]
Grafton	1,321	6,578	
Hubbard	6,297	14,489	5,400
Hudson	6,426	44,408	
Huron	3	12	
Lodi	1,792	9,166	1,800
Lucas	355	826	
Milan	717	2,444	
Monroeville	904	9,438	
Newton Falls	2,585	10,603	
Niles	11,364	66,605	5,400[3]
Oberlin	3,056	21,146	20,656
Prospect	732	2,197	1,800
Seville	1,769	15,362	5,475[2]
South Vienna	234	995	
Wadsworth	12,094	61,636	5,400[3]
Wellington	2,601	14,640	1,000
NEASG subtotal	93,813	462,343	109,236

Community	Number of Meters	2008 Systems Peak (kW)	Installed Generation (kW) (as of 12/31/08)
Northwest AMP Service Group (NWASG)			
Bowling Green	14,605	95,195	91,530[2,3,4,7]
Bradner	591	1,533	
Custar	125	652	
Edgerton	1,125	6,565	
Elmore	927	3,829	
Genoa	1,086	4,033	
Haskins	520	1,546	
Holiday City	38	17,200	
Montpelier	2,336	14,844	10,950[2]
Napoleon	5,911	31,068	58,055[2,3,4]
Oak Harbor	1,785	5,638	
Pemberville	687	4,115	
Pioneer	831	8,123	
Toledo	—	—	
Woodville	1,002	3,086	
NWASG subtotal	31,469	197,427	169,585
Southwest AMP Service Group (SWASG)			
Blanchester	2,206	15,816	
Hamilton	29,480	148,000	230,500[6]
Lebanon	8,970	61,000	33,800
SWASG subtotal	40,656	224,816	264,300
Western AMP Service Group (WASG)			
Arcanum	1,620	5,300	2,7255
Celina	7,642	44,807	
Eldorado	280	1,144	
Jackson Center	772	4,342	1,8252
Lakeview	959	2,569	
Mendon	336	1,502	
Minster	1,402	21,389	
New Bremen	1,561	12,578	
Piqua	10,680	63,000	36,000
Tipp City	4,861	30,060	
Versailles	1,859	13,372	5,475[2]
Waynesfield	452	2,318	
Yellow Springs	2,040	7,282	
WASG subtotal	34,464	209,663	46,025

Community	Number of Meters	2008 Systems Peak (kW)	Installed Generation (kW) (as of 12/31/08)
Belleville Hydroelectric Plant			**42,000**
Richard H. Gorsuch Generating Station			**213,000**
AMP Wind Farm			**7,200**
Ohio Total	**372,312**	**2,072,227**	**1,189,496**
New Martinsville	1,986	9,525	37,400
Philippi	1,674	7,688	
West Virginia Total	**3,660**	**17,213**	**37,400**
Berlin	1,130	4,665	
Blakely	3,311	8,098	
Catawissa	894	2,696	
Duncannon	909	2,435	
East Conemaugh	744	1,245	
Ellwood City	4,144	13,704	
Ephrata	6,698	30,962	
Girard	1,533	6,304	
Grove City	2,952	11,840	
Hatfield	1,507	5,034	
Hooversville	390	924	
Kutztown	2,454	15,048	
Lansdale	7,982	31,390	
Lehighton	3,029	9,973	
Lewisberry	174	563	
Middletown	3,870	18,078	
Mifflinburg	1,861	11,113	
New Wilmington	729	4,022	
Perkasie	3,837	13,620	
Quakertown	4,284	21,174	
Royalton	476	1,173	
Saint Clair	2,050	4,595	
Schuylkill Haven	3,170	9,953	
Smethport	1,063	2,959	
Summerhill	299	794	
Wampum	380	964	
Watsontown	1,051	3,451	
Weatherly	1,237	4,768	
Zelienople	2,250	7,642	
Pennsylvania Total	**64,408**	**249,187**	

Community	Number of Meters	2008 Systems Peak (kW)	Installed Generation (kW) (as of 12/31/08)
Clinton	1,371	5,215	17,520
Coldwater	6,812	57,816	12,000
Dowagiac	3,209	15,761	
Hillsdale	6,297	29,190	23,600
Marshall	4,571	23,452	11,800
Union City	1,430	3,507	375
Wyandotte	12,638	57,136	72,500
Michigan Total	**36,328**	**192,077**	**137,795**
Bedford	6,994	51,847	5,000
Danville	44,579	226,400	11,100
Front Royal	7,215	41,650	
Martinsville	7,952	40,314	1,300
Richlands	2,634	19,835	1,200
Virginia Total	**69,374**	**380,046**	**18,600**
Paducah	22,455	159,265	
Princeton	3,971	24,797	
Williamstown	1,695	11,330	
Kentucky Total	**28,121**	**195,392**	
AMP Total	**574,203**	**3,106,142**	**1,394,091**

1 Owned by OMEGA JV1

2 Owned by OMEGA JV2

3 Owned by OMEGA JV5

4 AMP distributed generation

5 Member and distributed generation

6 Member and OMEGA JV2

7 Owned by OMEGA JV6

AMERICAN MUNICIPAL POWER INC.

2008 ANNUAL REPORT

FINANCIALS

AMP
PUBLIC POWER PARTNERS

COMBINED FINANCIAL STATEMENTS & SUPPLEMENTAL FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION & ANALYSIS

Executive Summary

The following discussion and analysis provides an overview of the combined financial performance of projects owned or managed by AMP-Ohio for the year ended December 31, 2008. Other details and information related to AMP-Ohio and the joint venture projects are described in the Notes to the Combined Financial Statements. This Management's Discussion and Analysis should be read in conjunction with the Combined Financial Statements.

AMP-Ohio is, for federal income tax purposes, a tax-exempt organization that provides wholesale electricity to member municipalities that own and operate electric systems. Some projects, such as the Richard H. Gorsuch Generating Station, are owned directly by AMP-Ohio. Power supply from an AMP-Ohio owned project is delivered under a take-and-pay contract with each member community taking power from the project. Each month, the participating member community is invoiced for the cost of operating the project for the previous month, including fuel, replacement power and debt service. Other projects are organized under Ohio law as municipal joint ventures. Power supply from these projects is delivered pursuant to a joint venture agreement. Each participant in the joint ventures owns an undivided share of the joint venture. Each joint venture participant is also a member of AMP-Ohio. AMP-Ohio has long-term agency contracts in place to manage and operate the joint ventures. A joint venture participant is also invoiced monthly, pursuant to an approved operating budget, for the actual cost of fuel, replacement power, if any, and usually debt service. Budgets and rates are approved by the AMP-Ohio Board of Trustees and the joint venture's boards of participants.

AMP-Ohio is a projects based organization. Each project has separate financial reporting. AMP-Ohio members participating in a project receive a separate invoice for their participation in that project. Each project has a separate bank account and stands alone with respect to cash flow and liquidity. Cash is not co-mingled between projects. AMP-Ohio utilizes a bank lock box arrangement whereby cash receipts are segregated and deposited into the proper project account.

Some members do not participate in any project, but have contracted with AMP-Ohio to arrange and deliver power and energy for their respective electric systems. AMP-Ohio in turn, has in place short and long-term power supply contracts with various counterparties whereby power and energy is bought and resold on a wholesale basis to members. Member communities are invoiced monthly for this power supply delivered the previous month.

Most of AMP-Ohio's member communities are referred to as "all-requirements members" meaning that AMP-Ohio provides all power and energy requirements for that member community's electric system. The other member communities are "partial-requirements members," meaning they might have self-generation or a partial power supply contract independent of power supplied through AMP-Ohio.

AMP-Ohio is a member of the Midwest Independent System Operator ("MISO") and the Pennsylvania-New Jersey-Maryland Office of the Inter-connection ("PJM"). AMP-Ohio Members are about equally divided between MISO and PJM.

AMP-Ohio is not subject to regulation by any state public service commission. Certain contracts are subject to the jurisdiction of the Federal Energy Regulatory Commission. Most, if not all of AMP-Ohio's member communities set retail rates locally by action of the city council or other local governing body.

In keeping with AMP-Ohio's strategic plan initiative, the organization is seeking to build generating assets. During 2008, AMP-Ohio continued its plan to construct a new base load clean coal-fired 1,000 MW generating facility in Meigs County, Ohio. AMP-Ohio is also moving forward with developing several hydro electric projects. Other options being explored are acquiring base load assets and intermediate-term assets. AMP-Ohio's capital expenditure plan through 2013 for power plant development, construction and acquisition could approximate $6 billion.

AMP Ohio Access to Liquidity and 2008 Debt Financings

Amidst turbulent financial markets in 2008, AMP-Ohio complied with the terms of its existing financing obligations and demonstrated its ability to maintain liquidity and obtain financing for its capital construction projects on favorable terms. It also expanded its liquidity facilities to enable flexibility in the timing and quantity of term debt borrowings and acted as a conduit to financial markets for its members.

In January 2008, AMP-Ohio entered into a commercial paper program with JPMorgan Chase Bank, NA. This program allows for AMP-Ohio to issue commercial paper obligations which are supported by its revolving credit loan facility. The company has the ability to issue up to $350,000,000 of letters of credit against the Facility which expires in 2012. On December 31, 2008, the Organization had $179,605,000 of outstanding borrowings under the CP program with an effective interest rate of 1.06%. On February 12, 2009, AMP-Ohio increased the authorized par amount of the CP Program to $400,000,000.

On January 25, 2008, AMP-Ohio retired the $50,030,904 Peabody Promissory Note, per the terms of this agreement.

On April 2, 2008, AMP-Ohio issued $120,000,000 in Prairie State Bond Anticipation Note (BAN), Series 2008, due April 1, 2009, at a fixed rate of 3.5%. This BAN was classified as a noncurrent liability as it was refinanced on a long-term basis in April 2009 and is nonrecourse to AMP-Ohio.

On July 2, 2008 AMP-Ohio issued $760,655,000 in Prairie State Energy Campus (PSEC) Project Revenue Bonds, Series 2008A. These bonds mature between 2013 and 2043 and bear interest at fixed rates between 4.0% and 5.25%. Proceeds from the bonds and the BAN will be used to fund its pro-rata obligations for PSEC's construction expenses. These bonds are nonrecourse to AMP-Ohio.

On August 1, 2008, AMP-Ohio issued its Multi-Mode Variable Rate Gorsuch Station Taxable Revenue Bonds, Series 2008A and 2008B with principal amounts of $91,090,000 and 7,800,000, respectively (collectively the "Gorsuch 2008 Bonds"). The interest rate on these bonds is variable. AMP-Ohio entered into interest rate swap agreements on the same day as the debt issuance which will result in AMP-Ohio effectively paying a fixed rate of 3.86% on these obligations. These bonds are nonrecourse to AMP-Ohio. In order to secure the Gorsuch 2008 bonds, AMP-Ohio obtained a letter of credit from KeyBank in favor of the trustee holding the Gorsuch 2008 bonds. AMP-Ohio agreed to reimburse KeyBank for any payments made pursuant to such letter of credit, under a Letter of Credit Reimbursement Agreement with KeyBank (the "Gorsuch KeyBank facility").

On October 20, 2008, AMP-Ohio rolled over its $4,567,550 project note due October 29, 2008 with a $4,097,550 project note due October 29, 2009. Interest rates on the 2009 project note was 3.75%.

On December 17, 2008 AMP-Ohio issued an $8,000,000 Project Note due October 29, 2009 at a rate of 2.25% to finance the purchase of a new headquarters facility in Columbus, Ohio.

During 2008, AMP-Ohio also helped its members obtain debt financing for their own electric generation, transmission or distribution projects and issued or renewed $36,496,150 of "on behalf of " Municipal BANS. The individual municipality is the primary obligor on term debt issued on its behalf. This debt was issued at rates varying from 3.45% to 4.35% during 2008.

Legal Status

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

Tax Status

AMP-Ohio has obtained private letter rulings from the Internal Revenue Service (IRS) determining that AMP-Ohio qualifies as a Section 501(C) (12) corporation under the Internal Revenue code of 1986, as amended (the "Code"), provided that at least 85% of AMP-Ohio's total revenue consists of amounts collected from its member communities for the sole purpose of meeting losses and expenses (which include debt service). AMP-Ohio believes it has met the requirements for maintenance of 501(C) (12) status each year since it received the ruling. On May 9, 1996, AMP-Ohio also obtained a private letter ruling that it may issue obligations on behalf of its member communities, the interest on which is exempt from federal income taxes (term debt on behalf of members).

AMP-Ohio obtained a private letter ruling from the IRS on October 24, 2002 determining that AMP-Ohio is an instrumentality of its member communities for purposes of Section 141 of the Code. AMP-Ohio requested and received on May 8, 2004, a private letter ruling from the Internal Revenue Service that (1) AMP-Ohio's income is excluded from gross income for federal income tax purposes under Section 115 of the Code, and (2) because AMP-Ohio's income is excluded from gross income for federal tax purposes under Section 115 of the Code, AMP-Ohio could make an election to disregard its status as an organization described in Section 501(C) (12) of the Code. AMP-Ohio has not made that election. On April 18 2006, AMP-Ohio obtained a private letter ruling from the IRS that affirmed previously issued private letter rulings for issuing bonds on a tax exempt basis on behalf of member communities and that

AMP-Ohio remains an instrumentality of its member communities for tax exempt financing purposes with the consequence that ownership or use by AMP-Ohio will not result in private activity. Under Ohio law, AMP-Ohio is subject to Ohio personal property and real estate taxes.

Competitive Position

In 2001, the State of Ohio mandated that the Investor Owned Utilities ("IOU") open their systems to allow retail customers to choose their provider of electric service. Under this same mandate, municipal systems were given the option to open their systems. AMP-Ohio's Ohio Members are well positioned to keep their customers by having one of the lowest utility costs in Ohio and by providing outstanding customer service. None of AMP-Ohio's Ohio Members have open systems, so no customer switches have, or can, occur absent local legislative action or federal legislation.

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

Membership Health

AMP-Ohio works closely with all of its member communities to assist them with a variety of issues: electrical generation, transmission systems, financing, retail rates or with new accounting procedures facing municipal entities. AMP-Ohio is only as financially sound as its member communities. Therefore, AMP-Ohio monitors their financial soundness and creditworthiness. The joint ventures and some other AMP-Ohio issued long-term bonds and have covenants requiring that the member electric system revenues be greater than the sum of operating and maintenance expenses (ordinary and usual operating expenses under Generally Accepted Accounting Principles) and a minimum of 110% of debt service. Occasionally, a member community will, actually or apparently, fall below the requirement and AMP-Ohio will work with it to correct the situation. Correction can be in the form of making the system more efficient or simply raising rates. AMP-Ohio has established financial criteria for accepting new members. Any potential new member must meet these criteria before its application can be submitted to the board of trustees for acceptance. Also, AMP-Ohio has established a financial credit scoring system for all members. Each member will be credit scored annually once its audit report is made available.

Business Risk

Like any electric utility, AMP-Ohio has certain risks in the ordinary course of business. Some of the risks include but are not limited to:

- Risk Identification. AMP-Ohio's ability to identify, quantify and control risk. AMP-Ohio has an enterprise risk committee that meets regularly. The Chairman of the Board and the Treasurer of the Board are members of this committee. The committee reports directly to the Board of Trustees.
- Increases in Operating Expenses. Increases in operations and maintenance expenses, including health care and pension costs, particularly at Gorsuch Station.

- Commodity Price Risk. AMP-Ohio is exposed to market risk due to fluctuations in the wholesale price of electricity, coal, natural gas, diesel fuel and emission allowances. The wholesale market price of electricity is hedged through contracts as well as the use of peaking units and distributed generation. Although options are used from time to time, AMP-Ohio does not utilize derivative instruments for trading purposes. AMP-Ohio primarily only buys electricity needed for resale to member communities. AMP-Ohio uses natural gas for start-up at Gorsuch Station and for use in gas turbine peaking units. Natural gas use has been minimal and has been purchased on the spot market. Diesel fuel for distributed generation units is purchased as needed. Coal requirements for Gorsuch Station are a combination of high-sulfur and low-sulfur coal. AMP-Ohio has in place intermediate-term coal contracts for high-sulfur coal from local Ohio mines. The low sulfur supply is a mixture of Central Appalachia, Illinois Basin and Powder River Basin coal. Emission allowances are purchased on the open market.

- Weather Related Risk. Fluctuating weather conditions, including storms, flooding, low water conditions, high temperatures and high humidity could adversely impact fuel prices, wholesale power prices and hydro generation.

- Fuel Transportation Risk. AMP-Ohio is exposed to the risk of barge availability and transporting coal by barge on the Ohio River and to market costs of all transportation, particularly rail and barge costs in transporting coal to Gorsuch Station.

- Interest Rate Risk. AMP-Ohio's exposure to market interest rate risk is reduced since a significant portion of debt is issued at fixed rates or has been swapped to result in effectively fixed rates. AMP Ohio issued $98,890,000 of Multi-Mode Gorsuch Station Taxable Revenue Bonds, series 2008A, whose interest rate is variable. However, it entered into swap agreements, which result in AMP-Ohio effectively paying a fixed rate of 3.86% on this debt, which was a more attractive rate than would be obtained by issuing fixed rate debt at that time.

  At December 31, 2008, AMP-Ohio had approximately $168.6 million of bond anticipation notes outstanding for various purposes where the interest rate is set annually as long as those notes are outstanding. Of this amount, approximately $12.1 million was recourse to AMP-Ohio. The interest rates ranged for 2.25% to 4.5%. AMP-Ohio has interest rate risk with respect to financing future capital expenditures on power projects already under construction or to be constructed. AMP has retained financial and derivative advisory firms to assist in analyzing interest rate risk and investment of bond proceeds.

- Counterparty Credit Risk. AMP-Ohio has an energy risk management function that regularly monitors the credit quality of counterparties to its purchased power contracts. Credit limits are established with each counterparty and credit protection is obtained, when necessary. As of December 31, 2008, approximately 92.2% of the notional value of AMP-Ohio's wholesale power supply contracts was with counterparties with ratings in the A-/Aa3 category or above. AMP-Ohio has a contractual relationship with The Energy Authority (TEA), whereby TEA provides certain risk management functions and an independent calculation of mark-to-market exposure on wholesale counterparty contracts. The existence of such policies, procedures, contracts and functions does not imply that AMP-Ohio is insulated from such risks.

AMP-Ohio might continue to prepay for longer term power supply contracts with highly rated counterparties, depending on the market price of power and economic conditions.

- Member Creditworthiness Risk. AMP-Ohio regularly monitors and credit scores the financial condition of its member communities. Corrective action is initiated if a member community experiences financial difficulty.
- Credit Ratings. AMP-Ohio strives to maintain high ratings from Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch), 3 nationally recognized rating services. AMP-Ohio's outstanding ratings are;

AMP-Ohio Issuer or Counterparty Rating		
Moody's	A1	
Fitch	A	
Commercial Paper		
Moody's	P1	
S&P	A1+	
AMP-Ohio Electricity Prepay Bonds		
Moody's	Aa3	Changed to A2 3/4/09
Fitch	AA-	Changed to A 2/4/09
S&P	A	
Gas Turbine Project		
Moody's	VMIG1	
OMEGA JV2		
Moody's	A1	
Fitch	A-	
OMEGA JV5		
Moody's	A1	
Fitch	A	
S&P	BBB+	
Prairie State Project BAN		
Moody's	M1G1	
Fitch	A	
S&P	A	
Prairie State Long-Term Bonds		
Moody's	A1	
Fitch	A	
S&P	A	

Credit rating downgrades could adversely affect borrowing costs and ability to access capital.

- Legislative Risk. AMP-Ohio is closely aligned with the Ohio Municipal Education Association and is a member of the American Public Power Association. Both of these organizations monitor legislative activities at the state and federal level for AMP-Ohio and its Members. AMP-Ohio is at risk for any state or federal legislative change that might have an adverse effect on its operations.
- Changes In Tax Law. AMP-Ohio is at risk for any change in tax law that might adversely impact its operations or its ability to issue tax-exempt debt.
- Transmission Risk. AMP-Ohio is a transmission dependent utility and is a member of both MISO and PJM. Adverse rulings or actions by the Federal Energy Regulatory Commission could increase the cost of transmission to AMP-Ohio's Members. The uncertainty of future operations of MISO and PJM is also a risk.
- Permitting and Environmental Risk AMP-Ohio is subject to regulation by federal and state agencies with respect to permitting and environmental matters. AMP-Ohio may have exposure to future legislative initiatives related to carbon taxes or a carbon cap and trade program, although AMP-Ohio project

feasibility studies have analyzed the potential impact of a carbon tax or cap and trade program on future coal-fired projects. AMP-Ohio's environmental group continuously monitors all generating activities for legal compliance. AMP-Ohio was in compliance with all environmental laws as of December 31, 2008. The cost to monitor, appeal and comply with rapidly changing permitting and environmental laws and the cost of future compliance could have an adverse impact on operations.

- Construction Risk. AMP-Ohio has construction risk related to inflation and the rapidly increasing price of steel, construction materials and the shortage of skilled labor associated with power plant construction. AMP-Ohio expects to hedge some of these costs and utilize fixed contracts and Engineer-Procure-Construct (EPC) contract structures.
- Human Resources Risk. AMP-Ohio might not be able to recruit and retain trained qualified employees to meet staffing requirements.
- Acts of Terrorism. Any act of terrorism could have a negative impact on AMP-Ohio and the electric utility industry.

AMP-Ohio Summary of Projects

The following projects are owned by AMP-Ohio:

Gorsuch Station Project

Gorsuch Station is a 213MW coal-fired base load power plant located on the Ohio River near Marietta, Ohio. Currently the project has a useful life through approximately 2012. AMP-Ohio is analyzing options for the future use of Gorsuch Station. The plant was originally built as a co-generation facility and today also supplies steam to several nearby industrial customers. At December 31, 2008, AMP-Ohio had $96,590,000 of term debt outstanding on its Facility for a variety of purposes including pension and postretirement benefits, the purchase of emission allowances, funding asset retirement obligations, working capital requirements and operating, maintenance and other costs and funding debt service reserve requirements and issuance costs. The debt service will be collected monthly from Gorsuch participants through 2012. There are 48 AMP-Ohio Members that have contracted for power from the Gorsuch Project. The debt is non-recourse to AMP-Ohio, in that only the revenues from the underlying power sales contracts with the 48 participants are pledged to cover the debt In December 2008, $2,300,000 scheduled principal payments were made on the Multi-Mode Variable Rate Gorsuch Station Taxable Revenue Bonds.

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

Gas Turbine Project

In August 2003, AMP-Ohio acquired three generating sites, each containing two gas turbines with a combined nameplate capacity of 49.5 MW located within the electric system of a Member. AMP-Ohio's ownership of these units includes spare parts that are sufficient for the assembly of already-permitted expansion sites at two locations. Capacity and energy is being sold to 33 AMP-Ohio Members participating in the Gas Turbine Project. The participants have each entered into power schedules that obligate each municipality to make monthly payments equal to the Gas Turbine Project revenue requirements, including operating and maintenance expenses and debt service charges each month. The debt is non-recourse to AMP-Ohio. In December 2006, AMP-Ohio issued $13,120,000 of variable rate bonds to permanently finance the project. AMP-Ohio entered into a cost of funds interest rate swap on the same day as the bond issuance. Interest on the interest rate swap is payable monthly at 3.89% per annum. There were no scheduled principal payments on the bonds in 2008.

Diesel Units

AMP-Ohio owns ten 1.825 MW Caterpillar diesel units. Six of these units have been located in a member community's electric system under a twenty-year power purchase arrangement, which includes payment of debt service. At December 31, 2008, the outstanding debt on these units was $3,104,000 at an interest rate of 2.25 %. The remaining four units are installed and operating under capacity contracts with AMP-Ohio Members. At December 31, 2008, $2,350,000 of tax-exempt bond anticipation notes was outstanding on this project at an interest rate of 3.75%.

AMPO, Inc.

Formed in 1998, AMPO, Inc. is a wholly owned taxable subsidiary of AMP-Ohio whose purpose is to provide direction and service to local governments and other energy consumers in evolving energy markets. This includes the development and implementation of local electric and gas aggregation programs, review and negotiation of energy contracts and the evaluation and implementation of energy supply alternatives for local business, industry and government. AMPO, Inc. currently works with over 60 Ohio communities to offer natural gas and/or electric aggregation programs to residential and small commercial customers. AMPO, Inc. does not take title to the natural gas or electricity, but only facilitates those aggregation programs. Accordingly, AMPO, Inc. has no supply or price risk regarding the supplies it facilitates.

Summary of Ohio Municipal Electric Generation Agency Joint Venture Projects

Beginning in 1992, pursuant to provisions of the Ohio Revised Code, AMP-Ohio began sponsoring the creation and organization of municipal joint ventures among certain of its Ohio Members for the purpose of acquiring certain electric utility assets.

- Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") consists of six diesel-fired units totaling 9 MW of distributive generation capacity located in Cuyahoga Falls, Ohio. OMEGA JV1 was organized by 21 AMP-Ohio Members ("Participants") in April 1992. OMEGA JV1 has no debt.
- OMEGA JV2 was organized by 36 AMP-Ohio Members in November 2000. The distributed generation project consists of two 32 MW gas-fired turbines, one 11 MW gas-fired turbine and 34 1.825 MW and one 1.6 MW diesel generators for a total of 138.65 MW. All the units are sited near or in the participant's municipal electric system. The project was purchased from AMP-Ohio in December 2000 by OMEGA JV2 issuing a promissory note in the amount of $58,570,598. In January 2001, AMP-Ohio issued $50,260,000 of fixed-rate 20-year bonds from the financing participants in the project,

the net proceeds of which were $45,904,712. Non-financing participants contributed $12,665,886 to the project. As of December 31, 2008, $37,790,000 of the bonds were outstanding. The debt is non-recourse to AMP-Ohio.

- OMEGA JV4 was organized by four AMP-Ohio Members in December 1995. The project consists of a 69kV three-phase transmission line located in Williams County, Ohio that electrically connects Members City of Bryan, Village of Montpelier, Village of Edgerton and Village of Pioneer. The project has no debt.
- OMEGA JV5 was organized in April 1993 by 42 AMP-Ohio member communities to acquire, construct and install a 42 MW hydroelectric generator at the Belleville Locks and Dam on the Ohio River, including related transmission facilities and 28 MW of diesel-fired back-up electric generators and related facilities (OMEGA JV5 Project). OMEGA JV5 also entered into a prepaid lease arrangement with the City of Oberlin for an additional 12 MW of back-up capacity. In June 1993 OMEGA JV5 issued $153.4 million of Beneficial Interest Certificates (BIC's) to fund project construction. OMEGA JV5 requires that Participants make payments: (i) sufficient to pay debt service on any bonds or obligations (OMEGA JV5 Obligations) issued, or to be issued (including additional bonds), by or on behalf of the OMEGA JV5 to pay costs of the OMEGA JV5 Project (OMEGA JV5 Debt Service Payments): (ii) required for any reserve or other fund or account under a trust indenture securing OMEGA JV5 Obligations or for provisions of a liquidity instrument or credit enhancement for OMEGA JV5 (Other Indenture Payments): (iii) sufficient to pay the operation and maintenance expenses incurred by OMEGA JV5 (OMEGA JV5 Operating Expenses): (iv) sufficient to supply all other amounts required by the OMEGA JV5 Agreement (OMEGA JV5 Other Required Payments): and (v) the Participant's portion of payments for (i) through (iv) which is attributable to a defaulting Participant's share of ownership (Step Up Costs). The Omega JV5 Obligations initially issued were in the aggregate principal amount of $153,415,000 (1993 BIC's). Subsequently, on July 26, 2001, OMEGA JV5 borrowed an additional $13,899,981 (2001 BIC's). The 2001 BIC's are non-callable and accrete in value to $56,125,000 until maturity in years 2025-2030. The 1993 BIC's were refunded on February 17, 2004 through the issuance of $116,910,000 (2004 Refunding BIC's). As of December 31, 2008, the principal outstanding on the 2004 Refunding BIC's was $100,060,000 The debt is non-recourse to AMP-Ohio.
- OMEGA JV6 is comprised of ten AMP-Ohio Members. OMEGA JV6 was organized in December 2003. The project currently consists of four 1.825 MW Wind Turbines located near Bowling Green, Ohio. The project is designed to bring low pollution electric generating capacity to the ten AMP-Ohio members participating in the project. In July 2004, AMP-Ohio entered into a $9,861,000 private placement arrangement on behalf of OMEGA JV6 to fund the project. Under the terms of the private placement, debt service of $500,000 is paid semi-annually on each February 15 and August 15 until final payment is made. The interest rate is reset on each debt service payment date based on a published index. Under the terms of the arrangement, the bonds are subject to redemption at the discretion of AMP-Ohio upon 180 days written notice. The bonds are also subject to optional tender at the discretion of the borrower under the same terms and conditions. At December 31, 2008, the outstanding debt was $6,818,000. The debt is non-recourse to AMP-Ohio.

- Municipal Energy Services Agency (MESA) was organized by 31 Members in December 1996. Its purpose is to provide access to a pool of personnel experienced in planning, engineering, construction, safety training, finance, administration and other aspects of the operation and maintenance of a municipal electric system. MESA has no debt.

Combined Balance Sheets

Assets	2008	2007
Utility Plant, Net	$220,923,054	$231,781,061
Non-utility Property & Equipment, net	$11,202,437	$3,651,550
Construction Work-in-Progress	$450,070,916	$144,495,149
Coal Reserves	$26,612,000	$26,612,000
Trustee Funds & Other Assets	$784,351,506	$322,976,646
Current Assets	$517,567,769	$334,051,022
Total Assets	$2,010,727,682	$1,063,567,428

The Combined Balance Sheets reflect total assets of $2,010,727,682 at December 31, 2008, which is an increase of $947,160,254 vs. December 31, 2007. In 2008, AMP-Ohio's total assets exceeded $2 billion for the first time.

- Net utility plant decreased by $10,858,007 to $220,923,054 in 2008. This was due to an increase in utility plant of $3,359,933, primarily due to the increase in estimated asset retirement costs and the installation of a satellite metering system, offset by higher accumulated depreciation of $14,217,940. Fixed Assets for both plant and non-utility property and equipment are depreciated using the straight-line method over their estimated useful lives.
- Non-utility property and equipment increased $8,051,868 due primarily to the purchase of a new headquarters facility for approximately six million dollars, the purchases of several utility vehicles and the capitalized development costs of several IT initiatives including disaster recovery, improved IT servers and systems architecture, the development of an upgraded accounting system and VOIP system. This was offset by an increase in accumulated depreciation of $500,981 for a net increase of $7,550,887 to $11,202,437 in total non-utility property and equipment.
- Construction work-in-progress increased by $305,575,767 to $450,070,916 due primarily to the acquisition and construction of AMP-Ohio's share of the Prairie State Project and CWIP expenditures for the Cannelton, Smithland and Willow Island hydro plant projects.
- Coal Reserves of $26,612,000 represent AMP-Ohio's share of the coal reserves for the Prairie State Project as of December 31, 2008, and are unchanged vs. the prior year.
- Trustee funds and other assets increased by $461,374,860 to $784,351,506 in 2008, due primarily to increased trustee funds of $495,565,542, which were received as proceeds from debt issuance for the Prairie State and hydro projects. Regulatory assets increased $20,207,494, primarily as a result of the reclassification of $15.6 million of Gorsuch's pension fund losses from comprehensive capital to regulatory assets. Gorsuch investments increased by $4,573,013 as a result of proceeds from the 2008 Gorsuch Bonds. Intangible and other assets increased $9,629,540 due to the cost of issuance associated with the debt issued in 2008. These increases were offset by decreases in prepaid power of $57,681,076, as these resources were consumed in 2008, decreases in prepaid pension costs of $7,431,108 due to pension investment losses, increased pension costs, and decreases in long-term financing receivable from members of $3,488,545.

- Current assets increased by $183,516,747 to $517,567,769 in 2008, due primarily to an increase in restricted cash and cash equivalents, investments and trustee funds of $120,067,764, an increase in operating cash of $47,215,781, an increase in regulatory assets of $9,678,332, an increase in inventories of $81,114, an increase in accounts receivable and financing receivables – members of $8,972,015, and an increase in the inventory of emissions allowances of $5,757,162, partially offset by a decrease in prepaid power purchase assets of $158,030.

Combined Condensed Balance Sheet

Equities and Liabilities	**2008**	**2007**
Member & Patron Equities	98,439,881	84,574,296
Long Term Debt	1,584,309,459	714,716,596
Current Liabilities	258,929,444	206,666,824
Noncurrent Liabilities	69,048,898	57,609,712
Commitments & Contingencies	—	—
Total Liabilities	1,912,287,801	978,993,132
Total Liabilities & Equity	2,010,727,682	1,063,567,428

Equities

- Total member and patron equities increased by $13,865,585 to $98,439,881. This was due to AMP current period earnings of $8,112,780, an increase of $8,261,247 related to the reclassification of accumulated other comprehensive losses associated with the pension and postretirement plans to a regulatory asset, and capital contributions from new members of $29,497, offset by distributions to project participants of $376,066 and JV current period losses of $2,161, 873.

Long Term debt

- Long term debt was $1,584,309,459 on December 31, 2008, an increase of $869,592,863 over prior year periods. Term debt increased $840,850,870 to $1,323,306,466. Line of credit and commercial paper borrowings increased $32,376,993 to $205,704,993. Term debt on behalf of members decreased $3,635,000 to $55,298,000.
- Long term debt was $714,716,596 as of December 31, 2007. It was comprised of $482,455,596 in term debt, $58,933,000 of term debt on behalf of members and $173,328,000 in line of credit and commercial paper borrowings.
- Total term debt at December 31, 2008 was $1,410,336,216. $87,029,750 of this debt was classified as currently due and $1,323,306,466 was classified as long-term. Total term debt increased by $898,523,070 vs. 2007 due primarily to the issuance of $760,655,000 of the Prairie State Energy Campus Revenue Bonds, Series 2008A, the issuance of the $120,000,000 Prairie State Bond Anticipation Notes, Series 2008 and the issuance of $98,890,000 AMP-Ohio Multi-Mode Gorsuch Station Taxable Revenue bonds, Series 2008A and 2008B (the "Gorsuch Station Bonds"). This new debt was offset by the repayment of the $50,030,904 Peabody Promissory Note, scheduled principal payments of $19,790,000 for the Electricity Purchase Revenue Bonds, $2,300,000 for the Gorsuch Station Bonds, $4,375,000 for the OMEGA JV5 2004 refunding BIC and the amortization of bond issuance discounts and premiums.
- Line of credit and commercial paper loans of $205,704,993 increased $32,376,993 vs. 2007. This credit facility was used as interim funding for capital construction costs for the Hydro projects, Prairie State and AMPGS and capital expenditures and working capital requirements.
- Term debt on behalf of members of $55,298,000 as of December 31, 2008 decreased $3,635,000 vs. prior year levels.

Current Liabilities

- Current liabilities of $258,929,444 increased by $52,262,620 due primarily to an increase in term debt – current of $57,672,200 due to higher levels of current debt for the Electricity Purchase Revenue bonds of $32,350,000 and the current portion of the Gorsuch Station Taxable Revenue Bonds of $17,720,000.
- Accrued interest expense of $32,362,516 increased $22,052,169, vs. 2007 as a result of higher debt levels in 2008.
- Accounts payable of $58,043,736 increased $16,169,332 and accrued expense and other liabilities increased $7,915,907.
- These increases were offset by decreases of $38,000,000 in funds held on deposit in the mark-to-market account, which totaled $19,800,000 on December 31, 2008 and decreases of $8,720,250 and $4,826,738 in term debt on behalf of members-current and regulatory liabilities-current, respectively.

Other Non-current liabilities

- Total other noncurrent liabilities of $69,048,898 increased by $11,439,186 vs. 2007. This was the result of increased regulatory liabilities of $8,474,431 and increased asset retirement obligations of $3,024,468.

Combined Statements of Revenues and Expenses

	2008	2007
Total Revenue	615,992,099	561,340,554
Total Operating Expense	614,936,428	563,662,365
Operating Margin	1,055,671	(2,321,811)
Nonoperating Revenues & Expenses	4,895,236	2,844,032
Net Margin	5,950,907	522,221

Total revenue of $615,992,099 increased by $54,651,545 over 2007. This was primarily to increases of $53,544,856 in electric revenue as a result of increased kWh sales to members. Service fees increased $340,299. The increase in kWh sales and service fee income was a result of increased electric load and the addition of 4 new members in 2008. Program revenue increased $766,390.

Operating expenses of $614,936,428 increased $51,274,063 due to increases in purchased power expense of $35,830,071, increased fuel expenses of $6,132,305, increased interest expense of $6,744,201, property and real estate taxes of $113,546 and programs and other expenses of 3,282,552. These changes were partially offset by a decrease in production expenses of $1,196,838 and administrative and general expenses of $71,285.

The Combined Statements of Revenues and Expenses reflect an operating margin of $1,055,671 for 2008, an increase of $3,377,482 vs. 2007 levels. This is primarily due to AMP-Ohio's contribution to net margin, which increased $3,168,495 vs. 2007 principally as a result of improved debt service margins.

2008 non-operating revenues and expenses of $4,895,236 increased by $2,051,204 due primarily to a $1,406,461 increase in other income, net and an increase in interest income of $644,743 due to higher levels of cash and investment holdings.

Combined 2008 net margins of $5,950,907 increased by $5,428,686. This was primarily due to AMP-Ohio's higher operating margins and increased nonoperating margins.

Combined Statements of Cash Flows

	2008	2007
Net cash provided from operating activities	60,440,232	(255,704,075)
Net cash used in investing activities	(934,180,426)	(121,551,244)
Net cash provided by financing actvities	920,955,975	421,265,179
Net change in cash & cash equivalents	47,215,781	44,009,860
Cash and cash equivalent, beginning of year	98,320,070	54,310,210
Cash and cash equivalents, end of year	145,535,851	98,320,070

Total cash and cash equivalents increased in 2008 by $47,215,781, an increase of $3,205,921 vs. 2007.

Total cash flows used in operating activities of $60,440,232 increased by $316,144,307 due primarily to the noncash costs associated with the usage of prepaid power provided by prepaid electricity bonds, which added $346,560,546 to cash provided by operating activities vs 2007. Improved net margin and working capital added $5,428,686 and $59,955,075, respectively. This was partially offset by increased cash required for mark-to-market- (margin) deposits, which reduced cash from operations by $95,800,000.

Cash flows used in investing activities of $934,180,426 in 2008 increased by $812,629,182 due to net purchases of trustee fund investments for construction work-in-progress primarily for the Prairie State Project of $190,358,515 and net purchases of trustee funds' investments of $624,389,724.

Net cash flow provided by financing activities of $920,955,975 in 2008 increased by $499,690,796 vs. 2007 due primarily to proceeds from the issuance of term debt of $662,050,735.

Lower distributions to participants of $3,556,942 and increased capital contributions of $7,511 increased cash by $3,564,453. These increases were offset by increased principal payments on term debt of $52,932,454, increased cost of issuance of $8,207,973, and lower net proceeds and payments from the revolving credit facility of $100,636,007. This was also partially offset by cash flows related to "on-behalf of" financings, which reduced cash by $4,149,958.

Management's Responsibility for Financial Statements

The Combined Financial Statements of AMP-Ohio were prepared by management, who takes responsibility for their integrity and objectivity. The statements were prepared in conformity with accounting principles generally accepted in the United States of America and are consistent with other financial information appearing in this report.

PricewaterhouseCoopers LLP, an independent public accounting firm, has expressed an unqualified opinion on AMP-Ohio's 2008 Combined Financial Statements.

Management recognizes its responsibility for establishing and maintaining adequate internal controls over financial reporting.

Moving ahead with such a large number of capital projects — more than $7 billion in total — requires strong financial resources. In recent years, AMP has paid particular attention to relationships with the financial community and to strengthening the financial standing of member communities. The fruits of these efforts were evident several times in 2008, beginning with the bond ratings for the Prairie State offering (Rated "A1" by Moody's, "A" by Standard & Poors, and "A" by Fitch).

Prairie State Energy Campus (68 Members)

On December 20, 2007, AMP-Ohio acquired an effective 23.26% undivided ownership interest (the "*PSEC Ownership Interest*") in the Prairie State Energy Campus, a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("*AMP 368 LLC*"). AMP-Ohio is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Through February 2009, engineering efforts are 64% complete, construction activities are 12% complete and overall efforts are approximately 15% complete.

AMP-Ohio financed the acquisition of the PSEC Ownership Interest with draws on the Line of Credit and the CP. On April 2, 2008, AMP-Ohio issued $120,000,000 of its Prarie State Project Revenue Board Anticipation Notes, Series 2008 (the "*2008 Prairie State BANs*") to finance additional costs associated with the PSEC. The 2008 Prairie State BANs mature on April 1, 2009. On July 2, 2008, AMP-Ohio issued $760,655,000 Prairie State Energy Campus Revenue Bonds, Series 2008A (the "*2008A Prairie State Bonds*"). AMP-Ohio used the proceeds of the 2008A Prairie State Bonds to refund a portion of the CP allocable to PSEC expidentures, finance additional PSEC project costs, fund capitalized interest on the 2008A Prairie State Bonds for a period extending six months past the scheduled in-service dates of each unit of the PSEC and pay the costs of issuance.

AMP-Ohio will sell the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "*Prairie State Power Sales Contract*" with 68 Members (the "*Prairie State Participants*"). The Prairie State Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Projects. The 2008A Prairie State Bonds are net revenue obligations of AMP-Ohio, secured by a master trust indenture (as amended and supplemented, the "*Prairie State Indenture*"), payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract. These bonds are non-recourse to AMP-Ohio.

On March 31, 2009, AMP-Ohio issued $166,565,000 aggregate principal amount of its Prairie State Energy Campus Revenue Bonds, Series 2009A (the "*2009A Prairie State Bonds*"), the net proceeds of which, after the funding of various reserves and a deposit to a capitalized interest account to pay interest on the 2009A Prairie State Bonds, were used to refund the 2008 Prairie State BANs.

AMP-Ohio will issue additional bonds, or notes, as necessary, secured by the Prairie State Indenture to pay additional costs of the PSEC. As of April 1, 2009, AMP-Ohio estimated that the total costs of placing its PSEC Ownership Interest into operation require the issuance of approximately $1.4 billion of debt.

The organization's financial efforts took another new step in 2008, as AMP sold its first series of commercial paper under a $350 million program approved by the Board of Trustees in January 2008. AMP initiated this program to fund interim construction expenses, including those of the Prairie State, AMPGS and The Hydro projects, at a lower interest rate than would be available through its bank line of credit. The initial sale in January 2008 was for $168 million of commercial paper at 2.15 percent, compared to 5.21 percent on the bank line of credit.

In February 2009, AMP resolved to increase the authorized amount of the commercial paper program to $400 million. AMP has used, and will continue to use, the program to provide interim financing for the costs of AMPGS and the Hydro Project. As of year end 2008, the amount of commercial paper was $179,605,000 ($118,605,000 for the Hydro Project and $61,000,000 for the AMPGS project). The effective interest rate of all outstanding borrowings under the program was 1.06 percent as of December 31, 2008.

Report of Independent Auditors

To the Board of Trustees and Members of American Municipal Power Inc; and the Board of Participants and Members of Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6, and Municipal Energy Services Agency:

In our opinion, based on our audits and the report of other auditors, the accompanying combined balance sheets and the related combined statements of revenues and expenses, of changes in member and patron equities, and of cash flows present fairly, in all material respects, the financial position of American Municipal Power-Ohio, Inc. ("AMP-Ohio"), Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 ("OMEGA Joint Ventures"), and Municipal Energy Services Agency ("MESA") (collectively, the "Organization") at December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the OMEGA Joint Ventures and MESA, related parties to AMP-Ohio, at December 31, 2008 and 2007 and for the years then ended, which statements reflect total assets of $222,551,886 and $223,316,497 as of December 31, 2008 and 2007, respectively and total revenues of $39,945,801 and $38,884,472 for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the OMEGA Joint Ventures and MESA, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

April 15, 2009

COMBINED FINANCIAL STATEMENTS

Assets	2008	2007
Utility plant		
Electric plant in service	$367,197,909	$363,837,976
Accumulated depreciation	(146,274,855)	(132,056,915)
Total utility plant	220,923,054	231,781,061
Nonutility property and equipment		
Nonutility property and equipment	16,857,962	8,806,094
Accumulated depreciation	(5,655,525)	(5,154,544)
Total nonutility property and equipment	11,202,437	3,651,550
Construction work-in-progress	450,070,916	144,495,149
Coal reserves	26,612,000	26,612,000
Trustee funds and other assets		
Trustee funds	501,175,049	5,609,507
Long-term financing receivable—members	46,503,488	49,992,033
Investments	4,573,013	—
Regulatory assets	31,846,268	11,638,774
Prepaid power purchase asset	173,201,258	230,882,334
Prepaid pension costs	11,267,509	18,698,617
Intangible/other assets, net of accumulated amortization of $5,915,780 and $4,533,261, respectively	15,784,921	6,155,381
Total trustee funds and other assets	784,351,506	322,976,646
Current assets		
Cash and cash equivalents	145,535,851	98,320,070
Cash and cash equivalents - restricted	6,295,352	13,420,564
Investments	11,191,472	12,350,469
Trustee funds	166,306,463	37,954,490
Accounts receivable	62,830,386	52,898,901
Financing receivable - members	35,897,372	44,888,983
Emission allowances	12,682,811	6,925,649
Inventories	2,944,734	2,863,620
Regulatory assets - current	15,101,523	5,423,191
Prepaid power purchase asset - current	57,681,076	57,839,106
Prepaid expenses and other assets	1,100,729	1,165,979
Total current assets	517,567,769	334,051,022
Total assets	$2,010,727,682	$1,063,567,428

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

Equities and Liabilities	2008	2007
Member and patron equities		
Contributed capital	$71,312,025	$71,282,528
Patronage capital	43,111,321	34,998,541
Accumulated net deficit	(15,983,465)	(13,445,526)
Accumulated other comprehensive loss	—	(8,261,247)
Total member and patron equities	98,439,881	84,574,296
Long-term debt		
Term debt	1,323,306,466	482,455,596
Term debt on behalf of members	55,298,000	58,933,000
Line of credit and commercial paper	205,704,993	173,328,000
Total long-term debt	1,584,309,459	714,716,596
Current liabilities		
Accounts payable	58,043,736	41,874,404
Accrued salary and related benefits	2,450,564	2,239,907
Accrued pension and postretirement benefits	595,000	365,000
Accrued interest	32,362,513	10,310,344
Term debt - current	87,029,750	29,357,550
Term debt on behalf of members - current	40,131,150	48,851,400
Regulatory liability - current	2,727,388	7,554,126
Margin funds on deposit	19,800,000	57,800,000
Other liabilities	15,789,343	8,314,093
Total current liabilities	258,929,444	206,666,824
Other noncurrent liabilities		
Accrued pension and postretirement benefits	4,219,998	4,392,904
Asset retirement obligations	10,737,220	7,712,752
Other long-term liabilities	1,332,798	1,219,605
Regulatory liabilities	52,758,882	44,284,451
Total other noncurrent liabilities	69,048,898	57,609,712
Commitment and contingencies (Note 16)		
Total liabilities	1,912,287,801	978,993,132
Total equities and liabilities	$2,010,727,682	$1,063,567,428

	2008	2007
Revenues		
Electric revenue	$597,393,042	$543,848,186
Service fees	5,934,333	5,594,034
Programs and other	12,664,724	11,898,334
Total revenues	615,992,099	561,340,554
Operating Expenses		
Purchased electric power	484,296,197	448,466,126
Production	21,825,714	23,022,552
Fuel	48,340,459	42,208,154
Depreciation and amortization	14,770,966	14,331,455
Administrative and general	8,886,996	8,958,281
Interest expense	22,749,810	16,005,609
Property and real estate taxes	1,903,689	1,790,143
Programs and other	12,162,597	8,880,045
Total operating expenses	614,936,428	563,662,365
Operating margin (loss)	1,055,671	(2,321,811)
Nonoperating Revenues		
Investment income	2,692,189	2,047,446
Other, net	2,203,047	796,586
Total nonoperating revenues	4,895,236	2,844,032
Net Margin	$5,950,907	$522,221

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

	Contributed Capital	Patronage Capital	Accumulated Net Deficit	Accumulated Other Comprehensive Loss	Total
Balances, December 31, 2006	$71,260,542	$34,097,856	$(9,134,054)	$(10,199,036)	$86,025,308
Capital contributions	21,986	—	—	—	21,986
Distributions to participants	—	(1,592,792)	(2,340,216)	—	(3,933,008)
Net margin	—	2,493,477	(1,971,256)	—	522,221
Minimum pension liability adjustment	—	—	—	10,199,036	10,199,036
Comprehensive net margin	—	—	—	—	10,721,257
Adoption of SFAS 158					
Pension Plan	—	—	—	(6,445,558)	(6,445,558)
Postretirement Plan	—	—	—	(1,815,689)	(1,815,689)
Balances, December 31, 2007	71,282,528	34,998,541	(13,445,526)	(8,261,247)	84,574,296
Capital contributions	29,497	—	—	—	29,497
Distributions to participants	—	—	(376,066)	—	(376,066)
Net margin	—	8,112,780	(2,161,873)	—	5,950,907
Adjustment to recognize funded status of pension and post retirement plan obligations as a regulatory asset	—	—	—	8,261,247	8,261,247
Comprehensive net margin	—	—	—	—	14,212,154
Balances, December 31, 2008	$71,312,025	$43,111,321	$(15,983,465)	—	$98,439,881

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

	2008	2007
Cash flows from operating activities		
Net margin	$5,950,907	$522,221
Adjustments to reconcile net margin to net cash provided by (used in) operating activities		
Depreciation and amortization	14,770,966	14,331,455
Amortization of premium and discount on term debt	(1,365,429)	(97,699)
Amortization of deferred financing costs	1,382,519	1,033,281
Accretion of interest on asset retirement obligations	327,175	278,141
Unrealized loss (gain) on investments	997,094	(609,871)
Changes in assets and liabilities		
Investments	161,903	(10,526,972)
Accounts receivable	(9,931,485)	(2,598,968)
Emission allowances	(5,757,162)	2,554,043
Inventories	(81,114)	1,837,235
Prepaid expenses and other assets	65,250	1,213,775
Regulatory assets and liabilities, net	(10,832,141)	(13,271,525)
Accounts payable	14,642,122	(429,082)
Prepaid power purchase asset	57,839,106	(288,721,440)
Margin deposits	(38,000,000)	57,800,000
Accrued salary and related benefits	333,130	140,749
Accrued pension and postretirement benefits	343,457	(21,898,512)
Accrued interest	22,052,169	5,937,354
Other liabilities	7,541,765	(3,198,260)
Net cash provided by (used in) operating activities	60,440,232	(255,704,075)
Cash flows from investing activities		
Purchase of utility plant	(662,640)	(590,458)
Purchase of nonutility property and equipment	(8,103,913)	(214,551)
Purchases of trustee funds' investments	(2,019,638,240)	(131,468,744)
Proceeds from sale of trustee funds' investments	1,391,147,712	127,367,940
Purchase of construction work-in-progress	(304,048,557)	(113,690,042)
Change in restricted cash and cash equivalents	7,125,212	(2,955,389)
Net cash used in investing activities	(934,180,426)	(121,551,244)

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

	2008	2007
Cash flows from financing activities		
Proceeds from revolving credit loan and commercial paper program	$1,599,596,000	$836,107,000
Payments on revolving credit loan and commercial paper program	(1,567,219,007)	(703,094,000)
Principal payments on term debt	(81,963,454)	(29,031,000)
Proceeds from issuance of term debt	981,851,953	319,801,218
Cost of issuance of term debt	(11,012,059)	(2,806,086)
Principal payments on term debt on behalf of members	(48,851,400)	(54,528,350)
Proceeds from issuance of term debt on behalf of members	36,496,150	45,403,400
Proceeds from debt service to be refunded to members	1,517,669	1,599,345
Payment of debt service refunded to members	(1,593,464)	(1,599,086)
Proceeds from financing receivable – members	44,883,983	54,457,743
Funding of financing receivable – members	(32,403,827)	(41,133,983)
Capital contributions	29,497	21,986
Distributions to participants	(376,066)	(3,933,008)
Net cash provided by financing activities	920,955,975	421,265,179
Net change in cash and cash equivalents	47,215,781	44,009,860
Cash and cash equivalents, beginning of year	98,320,070	54,310,210
Cash and cash equivalents, end of year	145,535,851	98,320,070
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$23,538,110	$9,570,484
Noncash investing and financing activities		
Assets acquired directly with term debt	—	50,030,904
Capital expenditures included in accounts payable	2,913,344	1,386,134
Revisions to estimated cash flow for asset retirement obligations	2,697,293	995,603
Change in estimated cost of plant	—	(252,617)

1. **Description of Business**

Basis of Presentation

The combined financial statements include the accounts of American Municipal Power-Ohio and its wholly owned subsidiary AMPO, Inc. ("AMP-Ohio"), Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 ("OMEGA Joint Ventures") and Municipal Energy Services Agency ("MESA"), (collectively, the "Organization"). Transactions between the separate entities have been eliminated in the preparation of the combined financial statements.

The accounts of the Organization are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The OMEGA Joint Ventures and MESA are proprietary funds as defined in Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,* and therefore they apply all Financial Accounting Standards Board ("FASB") statements and interpretations except those that conflict with or contradict GASB pronouncements. For the purposes of the combined financial statements, OMEGA Joint Ventures' and MESA's accounts have been converted to follow only FASB statements and interpretations to be consistent with AMP-Ohio's presentation. The primary difference between GASB and FASB is the treatment of gains or losses on debt refunding in the statement of revenues and expenses and the classification of interest payments on debt in the statement of cash flows. For GASB purposes, gains and losses or debt refundings are deferred and amortized over the term of the new debt. FASB statements and interpretations require immediate recognition of debt extinguishment gains or losses. For GASB purposes, interest payments on debt are classified as cash flows from capital and related financing activities, but are classified as cash flows from operating activities for FASB purposes.

AMP-Ohio is purchasing power from two limited liability companies engaged in methane recovery to generate electricity. Their activities are primarily conducted on behalf of AMP-Ohio. AMP-Ohio was unable to obtain the necessary financial information from the limited liability companies to calculate the expected losses under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities--an interpretation of ARB No. 51* ("FIN 46(R)"). AMP-Ohio does not have an equity interest in these limited liability companies. Power purchases from these companies for the year ended December 31, 2008 and 2007 were approximately $6,454,046 and $6,979,009, respectively. Management does not believe that the amount of these purchases is material to its operations.

American Municipal Power-Ohio, Inc.

AMP-Ohio 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-Ohio is a tax-exempt organization for federal tax purposes under Section 501(c)(12) of the Internal Revenue Service Code. AMP-Ohio is a membership organization comprised of 81 municipalities throughout Ohio, two municipalities in West Virginia, 29 municipalities in Pennsylvania, seven municipalities in Michigan, four municipalities in Virginia and three municipalities in Kentucky, all of which own and operate electric systems.

AMP-Ohio purchases and generates electric capacity and energy for sale to its members. AMP-Ohio's primary base load electric generating facility, known as the Richard H. Gorsuch Generating Station ("Gorsuch Project"), is located near Marietta, Ohio. AMPO, Inc. is a for-profit subsidiary that provides electric and natural gas aggregation consulting services to both members and nonmembers in Ohio. All intercompany transactions between AMP-Ohio and AMPO, Inc. have been eliminated in preparation of the combined financial statements.

AMP-Ohio is closely aligned with two other statewide municipal power organizations. Ohio Municipal Electric Association ("OMEA") is the legislative liaison for the state's municipal electric systems. Ohio Public Power Educational Institute ("OPPEI") is a nonprofit educational foundation dedicated to informing the public about municipal electric utilities as well as member communities.

AMP-Ohio 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-Ohio has issued tax-exempt debt on their behalf. Additionally, AMP-Ohio has issued tax-exempt bonds to finance the construction of its generating projects.

On December 20, 2007, AMP acquired 100% of the membership interests in Marigold Energy, LLC, and renamed the entity AMP 368 LLC ("AMP 368"). AMP 368 is a wholly owned subsidiary of AMP-Ohio, which through AMP 368 is the owner of a 23.26% or 368MW, undivided interest in the Prairie State Energy Campus ("PSEC"). The book value of the acquired assets from the business combination represent the PSEC construction costs to date of the acquired entity. Accordingly, there were no intangible assets or goodwill recorded in conjunction with this business combination. The PSEC is a mine-mouth, pulverized coal-fired generating station under construction in southwest Illinois. The PSEC includes adjacent coal reserves and all associated mine, rail, water, coal combustion waste storage and ancillary support. The generating station will consist of two supercritical units with a nominal net output capacity of 800MW each. The plant will incorporate state-of-the-art emissions control technology consistent with other plants that have been successfully permitted. All permits required for the construction of the power plant have been issued.

AMP-Ohio has entered into a power sales contract dated November 1, 2007 with 68 of its members (the "AMP 368 Participants") for its share of the electric output of the PSEC (the "AMP-Ohio Entitlement"). The AMP 368 Participants' obligations to make payments pursuant to the power sales contract are limited obligations payable solely out of the revenues, and, with two exceptions, as an operating expense, of their respective electric systems. Each AMP 368 Participant's obligation to make payments pursuant to the power sales contract is a take-or-pay obligation. Therefore, such payments are not subject to any reduction, whether by offset, counterclaim, or otherwise; and such payments shall be made whether or not either unit of PSEC or any other power sales contract resource is completed, operable, operating and notwithstanding the suspension, interruption, interference, reduction or curtailment, in whole or in part, for any reason whatsoever, of the AMP-Ohio Entitlement or the AMP 368 Participants' power sales contract resource share, including step-up power. The power sales contract contains a step-up provision that requires, in the event of default by an AMP 368 Participant, the nondefaulting AMP 368 Participants to purchase a pro rata share, based upon each nondefaulting AMP 368 Participant's original power sales contract resources share which, together with the shares of the other nondefaulting AMP 368 Participants, is equal to the defaulting AMP 368 Participant's power sales resources share. No nondefaulting participant is obligated to accept step-up power in excess of 25% of its original power sales contract resources share.

Ohio Municipal Electric Generation Agency Joint Venture 1

Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") was organized by 21 subdivisions of the State of Ohio on April 1, 1992. Its purpose is to provide a source of supplemental capacity to members of OMEGA JV1. The members are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio.

Ohio Municipal Electric Generation Agency Joint Venture 2

Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") was organized by 36 subdivisions of the State of Ohio on November 21, 2000 and commenced operations on or about December 1, 2000. Its purpose is to provide backup and peaking capacity to the members of OMEGA JV2. OMEGA JV2 owns 138.650 MW of distributed generation which is sited near the members' municipal electric systems where it is anticipated they will serve. These generating units consist of two 32 MW used gas-fired turbines, one 11 MW used gas-fired turbine and 34 1.825 MW new and one 1.6 MW used oil-fired and diesel turbines.

Ohio Municipal Electric Generation Agency Joint Venture 4

Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") was organized by four subdivisions of the State of Ohio on December 1, 1995. Its purpose is to undertake the Williams County Transmission Project (the "Transmission Project"). The Transmission Project consists of a 69-kW three-phase transmission line located in Williams County, Ohio. OMEGA JV4 owns and operates the Transmission Project. During 2008 and 2007, OMEGA JV4 derived a majority of its revenue from a single municipal member.

Ohio Municipal Electric Generation Agency Joint Venture 5

Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") was organized by 42 subdivisions of the State of Ohio on April 20, 1993. Its purpose was to undertake the Belleville Hydroelectric Project (the "Hydroelectric Project"). OMEGA JV5 constructed and owns and operates the Hydroelectric Project. The Hydroelectric Project operations consist of:

- The Belleville hydroelectric generating plant and associated transmission facilities ("Belleville Hydroelectric Facilities");
- Backup generation facilities, including contracts for the output thereof; and
- Power purchased on behalf of OMEGA JV5 participants.

The Belleville Hydroelectric Facilities consists of a run-of-the-river hydroelectric plant designed for a capacity of 42 megawatts and approximately 26.5 miles of 138-kilovolt transmission facilities. The plant is located in West Virginia, on the Ohio River, at the Belleville Locks and Dam.

The Hydroelectric Project was constructed with proceeds from the issuance of beneficial interest certificates (the "Certificates"). The Certificates evidence the obligation of the members of OMEGA JV5 to pay for the cost of the Hydroelectric Project from revenues of their electric systems.

Ohio Municipal Electric Generation Agency Joint Venture 6

Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") was organized by ten subdivisions of the State of Ohio and commenced operations on December 15, 2003. Its purpose is to provide low-polluting capacity to the members of OMEGA JV6. OMEGA JV6 owns wind powered electric plant generating units with a total capacity of 7.2 MW.

Municipal Energy Services Agency

MESA was organized by 31 subdivisions of the State of Ohio on December 31, 1996. Its purpose is to provide access to a pool of personnel experienced in planning, engineering, construction, safety training, finance, administration and other aspects of the operation and maintenance of municipal electric and other utility systems. MESA also provides personnel and administrative services to AMP-Ohio, OMEGA JV1, OMEGA JV2, OMEGA JV4, OMEGA JV5, OMEGA JV6, OMEA and OPPEI. As of December 31, 2008, there were 48 participants in MESA.

The OMEGA Joint Ventures were organized pursuant to Joint Venture Agreements (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code ("ORC"). The members of the OMEGA Joint Ventures and MESA are members of AMP-Ohio.

2. **Summary of Significant Accounting Policies**

Utility Plant

The Organization 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 net margin in the combined statements of revenues and expenses.

Depreciation on utility plant assets is provided for using the straight-line method over the estimated useful lives of the property. Utility plant asset lives for OMEGA Joint Ventures range from 3 to 40 years. The provisions are determined primarily by the use of functional composite rates for AMP-Ohio as follows:

Production plant	5% – 10%
Transmission plant	5%
General plant	5% – 33%
Station equipment	4.4% – 20%

Depreciation expense for utility plant for the years ended December 31, 2008 and 2007 was $14,217,940 and $13,869,684, respectively.

Periodically, the Organization acquires and finances utility plants with the intent to sell the property to entities owned by its members. The cost of utility plants purchased for resale is capitalized at cost. The related financing is recorded as a liability.

Nonutility Property and Equipment

The Organization records nonutility property and equipment 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 reflected in net margin in the combined statements of revenues and expenses.

Depreciation on nonutility property and equipment is provided for using the straight-line method over the estimated useful lives of the property as follows:

Building	25 years
Furniture and equipment	5 – 10 years
Computer software	3 years
Vehicles	3 – 5 years

Depreciation expense for nonutility property and equipment, excluding computer software, for the years ended December 31, 2008 and 2007 was $553,026 and $461,771, respectively.

The Organization capitalizes costs incurred in the acquisition or development of software for internal use, including the costs of the software, materials and consultants incurred in developing internal-use computer software. Such assets were fully amortized at December 31, 2008 and 2007, thus there was no related amortization expense recorded in these periods.

Construction Work-in-Progress

AMP-Ohio records amounts expended in connection with construction work-in-progress projects at cost. Upon completion of a project, AMP-Ohio places the asset in service and the related costs are recorded as either utility plant or non-utility property and equipment. There is $3,498,616 of land included in the construction work-in-progress account at both December 31, 2008 and 2007. AMP-Ohio capitalized interest costs in the amount of $13,544,892 and $1,311,344 for the years ended December 31, 2008 and 2007, respectively.

Construction work-in-progress projects consist of the following at December 31:

	2008	2007
PSEC	$331,976,857	$125,836,764
AMP-Generating Station	19,325,386	11,933,401
Hydro Plants	98,768,673	6,724,984
	$450,070,916	$144,495,149

Coal Reserves

AMP-Ohio has purchased coal reserves in conjunction with the construction of the PSEC. The coal reserves are recorded at cost. In addition to owning the coal reserves, AMP-Ohio has a right of first refusal for additional coal reserves.

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 the fair value of the assets.

Trustee Funds

The Organization maintains trustee funds as described in the trust indentures executed by the Organization (Note 9). The trustee funds include money market funds, debt securities, commercial paper and guaranteed investment contracts ("GICs"). The debt securities are classified as held-to-maturity under Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and are recorded at amortized cost. The fair value of the trustee funds' investments, as determined using prevailing market prices, approximates the carrying amount at December 31, 2008 and 2007. The debt securities mature at various dates through March 2009. Realized gains and losses on investment transactions are determined on the basis of specific identification. Gross unrealized holding gains at December 31, 2008 and 2007 were $3,717,251 and $222,720, respectively. There were no gross unrealized holding losses at December 31, 2008 and 2007. The Organization has invested a portion of its trustee funds in GICs. The carrying value of the GICs is equal to the sum of deposits into the GICs, less any withdrawals made by the Organization from the GICs. At December 31, 2008 and 2007, the Organization has included $1,336,635 and $142,904 of accrued interest earned on GICs in accounts receivable. Each of the Organization's GICs is fully collateralized by the counterparty. The collateral is being held in trust.

Prepaid Power Purchase Asset

AMP-Ohio prepaid for a long-term power supply agreement (the "Prepaid Agreement") in August 2007. The total amount of the Prepaid Agreement was $312,900,083 and it is for a 65-month period. AMP-Ohio is amortizing the cost of the power over the life of the Prepaid Agreement. AMP-Ohio records the amount expected to be amortized over the next 12 months as a current asset in the accompanying combined balance sheets.

Investments

Investments include equity securities, debt securities and alternative investments. The equity securities and debt securities are classified as trading under SFAS No. 115. These investments are recorded at fair value, which represents quoted market prices. Realized gains and losses on investment transactions are determined on the basis of specific identification. Gross unrealized holding gains at December 31, 2008 and 2007 were $1,180,555 and $426,272, respectively. Gross unrealized holding losses at December 31, 2008 and 2007 were $1,268,831 and $142,604, respectively. Gross unrealized holding gains and losses on debt and equity securities are included in programs and other in the combined statements of revenues and expenses.

Investments in alternative investments consist of hedge funds. These investments are recorded at fair value, with changes in unrealized holding gains and losses impacting current year net margin.The total fair market value of hedge funds included in investments at December 31, 2008 and 2007 were $3,427,377 and $4,300,362, respectively. Gross unrealized holding gains (losses) at December 31, 2008 and 2007 were $(872,985) and $300,362, respectively and are included in programs and other in the combined statements of revenues and expenses.

Financing Receivable—Members

Financing receivable - members is comprised of debt service obligations of tax-exempt debt issued by the Organization on behalf of its members (Note 8).

In connection with the issuance of municipal project notes, AMP-Ohio has entered into loan agreements with individual member communities. The terms of these loan agreements provide that the member community will issue its note to AMP-Ohio in the same amount as the AMP-Ohio municipal project note. The member community note issued to AMP-Ohio will be payable solely from the net revenue of the member community's electric system. Certain of these loan agreements also provide that a portion of the proceeds from the issuance of municipal project notes shall be deposited in a project fund held for the purpose of making payments of project costs as designated by the member community. The project fund amounts are invested at the direction of the member community and are disbursed by AMP-Ohio upon submission of a payment requisition satisfactory to AMP-Ohio. Project fund deposits are restricted for the payment of designated project costs.

Intangible and Other Assets

Intangible and other assets consist of deferred financing costs, prepaid dedicated capacity and prepaid bond insurance. Deferred financing costs and prepaid bond insurance are amortized using the effective interest method. Prepaid dedicated capacity is amortized using the straight line method. Amortization expense was $1,382,519 and $1,033,281 for the years ended December 31, 2008 and 2007, respectively.

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, cash equivalents consist of highly-liquid cash and short-term investments with original maturities of three months or less. Changes to restricted cash accounts are treated as investing activities in the combined statements of cash flows. The Organization periodically maintains cash balances in excess of the federally insured limit.

Emission Allowances

Emission allowances are recorded as inventory and are valued at the lower of historical cost or net realizable value and charged to operations as used on the first-in, first-out ("FIFO") method.

Inventories

Inventories of coal, fuel, materials and supplies are stated at the lower of cost or market using the FIFO method.

Member and Patron Equities

Contributed capital represents initial capital contributions made by participants to the OMEGA Joint Ventures and by the members of AMP-Ohio. Patronage capital represents the cumulative excess or shortage of revenues over expenses of AMP-Ohio. Accumulated net deficit represents the cumulative excess or shortage of revenues over expenses of the OMEGA Joint Ventures and MESA. Should AMP-Ohio cease business, available patronage capital of AMP-Ohio will be distributed to members and former members based on their patronage to AMP-Ohio while they were members.

The following is a summary of contributed capital, patronage capital and accumulated profit (deficit) of the Organization at December 31:

2008	Contributed Capital	Patronage Capital	Accumulated Net (Deficit)
AMP-Ohio	$770,296	$43,111,321	$ —
OMEGA JV1	582,452	—	(104,971)
OMEGA JV2	58,770,598	—	(21,868,236)
OMEGA JV4	1,882,838	—	324,561
OMEGA JV5	200,000	—	5,954,117
OMEGA JV6	9,105,841	—	(288,936)
MESA	—	—	—
	$71,312,025	$43,111,321	$(15,983,465)

2007	Contributed Capital	Patronage Capital	Accumulated Net (Deficit)
AMP-Ohio	$746,556	$34,998,541	$ —
OMEGA JV1	582,452	—	15,594
OMEGA JV2	58,770,598	—	(19,420,326)
OMEGA JV4	1,882,838	—	466,305
OMEGA JV5	200,000	—	5,774,697
OMEGA JV6	9,100,084	—	(281,796)
MESA	—	—	—
	$71,282,528	$34,998,541	$(13,445,526)

All property constituting the OMEGA Joint Ventures and MESA is owned by the members of that entity as tenants in common in undivided shares, each share being equal to that member's percentage ownership interest.

Margin Funds on Deposit

AMP-Ohio has collected collateral deposits from one of its power suppliers related to a long-term power supply agreement with the supplier. The funds collected are included in cash and cash equivalents. AMP-Ohio has recorded a corresponding liability as Margin Funds on Deposit included in current liabilities in the accompanying combined balance sheets.

Asset Retirement Obligations

The Organization records, at fair value, legal obligations associated with the retirement or removal of long-lived assets that can be reasonably estimated. The recognition of a liability is accompanied by a corresponding increase in utility plant. The liability is adjusted for any revisions to the expected value of the retirement obligation (with corresponding adjustments to utility plant) and for accretion of the liability due to the passage of time. Accretion of the liability and additional depreciation for utility plant are recognized in net margin in the combined statements of revenues and expenses (note 11).

OMEGA JV4 has determined that the asset retirement obligation associated with the transmission line has an indeterminate settlement date, and, therefore, its fair value is not reasonably estimable. As a result, OMEGA JV4 has not recorded an asset retirement obligation. An obligation will be recorded when a range of possible settlement dates and the fair value can be determined.

OMEGA JV5 has determined that the asset retirement obligation associated with the electric plant has an indeterminate settlement date, and, therefore, its fair value is not reasonably estimable. As a result, OMEGA JV5 has not recorded an asset retirement obligation. An obligation will be recorded when a range of possible settlement dates and the fair value can be determined.

Revenue Recognition and Rates

Revenues are recognized when service is delivered. AMP-Ohio's rates for capacity and energy billed to members are designed by the board of trustees to recover actual costs. The OMEGA Joint Ventures' rates for capacity and energy billed to members are designed by the board of participants to recover actual costs, except for OMEGA JV4 where rates for transmission services are set by contracts with the members. In general, costs are defined to include cost of purchased power and operations (except for depreciation and amortization) and debt service requirements. Rates charged to OMEGA JV2 and OMEGA JV6 financing members for debt service are paid to AMP-Ohio to retire the financing obligations (Note 8). Accordingly, OMEGA JV2 and OMEGA JV6 will generate negative operating margins during the operating life of the electric generators.

The rates for the Gorsuch Project are set by the board of trustees and are reviewed periodically. Operating expenses in the statements of revenues and expenses for the Gorsuch Project include interest on these bonds, depreciation of utility plant and amortization of intangible assets.

The Organization's practice is to bill participating members all costs incurred unless the expenditures were financed by long-term debt. Capital expenditures not externally financed are generally included in current rates billed to participating members. Members also pay a service fee based on kilowatt hours purchased through AMP-Ohio and retail sales of kilowatt hours in each member's electric system.

OMEGA JV6 sells energy attributes associated with electricity generated. Revenue from the sale of energy attributes is recorded as energy is generated. Rates were determined by a contract which required OMEGA JV6 to sell all energy attributes. The contract expired on December 31, 2008. During the years ended December 31, 2008 and 2007, all of OMEGA JV6's revenue was derived from the sale of energy attributes. Starting January 1, 2009, renewable energy attributes from OMEGA JV6 will be sold by AMP-Ohio on behalf of the OMEGA JV6 participants.

Programs and other revenue is recognized as services performed. The cost of programs and other revenue is charged to the members, OMEA and OPPEI at rates designed to recover the cost of salaries incurred related to work performed for each entity plus an overhead rate ranging from 35 percent to 120 percent. Other revenues consist of the reimbursement for expenses incurred from programs that AMP-Ohio offers to its members. These programs include energy control center expenses, certain feasibility studies and other services. Revenue from these programs is recorded as costs are incurred.

MESA performs short-term and long-term technical service projects for the members. Short-term service project revenues are recognized when costs are incurred. Long-term project revenues are recognized in accordance with the American Institute of Certified Public Accountants Statement of Position 81-1 ("SOP 81-1"), *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* for time and materials contracts. In accordance with SOP 81-1, revenue from time and material contracts is recognized to the extent of billable rates times hours delivered plus expenses incurred. Project expenses include direct labor, materials, and other costs related to the project's performance. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted projects are made in the period in which such losses are identified. Changes in project performance, project conditions and estimated profitability are recognized in the period in which the revisions become known. Revenues recognized for short-term and long-term projects are recorded in programs and other in the combined statements of revenues and expenses.

Accounts receivable includes $47,264,045 and $39,780,553 for capacity and energy delivered to members during the years ended December 31, 2008 and 2007, respectively, but not billed until the subsequent year.

Regulatory Assets and Liabilities

In accordance with SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, the Organization 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 associated with asset retirement costs, coal inventories and other capital expenditures not yet recovered through rates approved by the board of trustees. Regulatory liabilities include revenues collected and intended to fund future capital expenditures, emission allowances, 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).

Taxes

The IRS has ruled that AMP-Ohio is tax-exempt under Section 501(a) as an organization described in Section 501(c)(12) of the Internal Revenue Code ("IRC"), provided 85% of its total revenue consists of amounts collected from its members for the sole purpose of meeting losses and expenses. For the years ended

December 31, 2008 and 2007, AMP-Ohio complied with this requirement. Accordingly, no provision for federal or state income taxes has been made. AMP-Ohio is subject to State of Ohio personal property, real estate and sales taxes.

AMPO, Inc. is a for-profit entity subject to federal, state and local income taxes. Deferred taxes result from temporary differences between the book and tax basis of assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. AMPO, Inc. has deferred tax assets of approximately $339,000 and $462,000 at December 31, 2008 and 2007, respectively, arising primarily from operating loss carryforwards. A full valuation allowance has been established due to the uncertainty of realizing the net operating loss carryforwards at December 31, 2008 and 2007. At December 31, 2008, AMPO, Inc. had federal and state net operating loss carryforwards of approximately $758,000 that expire on various dates through 2023.

Market and Credit Risk

The Organization is potentially exposed to market risk associated with commodity prices for electricity, gas and coal. The Organization manages this risk through the use of long-term power purchase contracts and coal supply arrangements.

The Organization has credit risk associated with the ability of members to repay amounts due from power sales and other services and with counterparties to long-term power supply arrangements. The Organization regularly monitors receivables from its members. The Organization does not require collateral with its trade receivables.

The Organization has established a risk management function that regularly monitors the credit quality of counterparties to its power purchase arrangements including the Prepaid Agreement. The risk management function uses multiple sources of information in evaluating credit risk including credit reports, published credit ratings of the counterparty and its historical experience with the counterparty. Credit limits are established depending on the risk evaluation and, when warranted, the Organization requires credit protection through letters of credit or other guarantees. The inability of counterparties to deliver power under power supply arrangements could cause the cost of power to members to be in excess of prices in the power supply arrangements. Management believes recent events in the credit markets have not significantly increased credit risk relating to counterparties to power purchase arrangements, including the Prepaid Agreement at December 31, 2008.

Derivative Instruments

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, requires recognition of all qualifying derivative instruments as either assets or liabilities in the combined 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 are accounted for using mark-to-market accounting 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.

The Organization has determined that each of its power purchase and sales contracts, which meet the definition of a derivative instrument, qualify to be accounted for as normal purchases and normal sales.

AMP-Ohio holds firm transmission rights ("FTRs") with the PJM Interconnection and the Midwest ISO, regional transmission organizations, that do not qualify to be accounted for as normal purchases and normal sales and have been included in prepaid and other assets on the combined balance sheet at their estimated fair value. The fair value of FTRs was $160,445 and $202,000 at December 31, 2008 and 2007, respectively. A corresponding regulatory liability has been recorded for this unrealized gain. The impact of FTRs is included in the transmission cost of purchased power.

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

AMP-Ohio has entered into multiple interest rate swap agreements which are carried at their fair value on the combined balance sheets. The fair value of the swaps were $(5,765,503) and $(558,409) at December 31, 2008 and 2007, respectively, and is included in other liabilities. A corresponding regulatory asset has been recorded equal to the unrealized loss.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

New Accounting Standards

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*. FAS No. 141 (revised 2007) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. This standard also requires the fair value measurement of certain other assets and liabilities related to the acquisition such as contingencies. FAS No. 141 (revised 2007) applies prospectively to business combinations and is effective for fiscal years beginning on or after December 15, 2008. The Organization does not believe that the adoption of FAS No. 141 (revised 2007) will have a significant impact on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51 (SFAS 160)*. SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. SFAS 160 also requires that a retained noncontrolling interest upon the deconsolidation of a subsidiary be initially measured at its fair value. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. The Organization does not believe that the adoption of SFAS No. 160 will have a significant impact on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 amends and expands the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why the Organization uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect the Organization's financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years beginning on or after November 15, 2008 and interim periods within those fiscal years. The Organization believes that the adoption of SFAS No. 161 will impact financial statement disclosures only.

3. **Utility Plant**

Utility plant consists of the following at December 31:

2008	AMP-Ohio	OMEGA Joint Ventures	Total
Land	$1,490,582	$431,881	$1,922,463
Production plant	97,849,769	258,218,343	356,068,112
Station equipment	1,514,966	35,000	1,549,966
Transmission plant	7,124,094	—	7,124,094
General plant	533,274	—	533,274
	108,512,685	258,685,224	367,197,909
Accumulated depreciation	(74,847,536)	(71,427,319)	(146,274,855)
	$33,665,149	$187,257,905	$220,923,054

2007	AMP-Ohio	OMEGA Joint Ventures	Total
Land	$1,490,582	$431,881	$1,922,463
Production plant	95,723,704	257,250,691	352,974,395
Station equipment	1,248,750	35,000	1,283,750
Transmission plant	7,124,094	—	7,124,094
General plant	533,274	—	533,274
	106,120,404	257,717,572	363,837,976
Accumulated depreciation	(68,647,311)	(63,409,604)	(132,056,915)
	$37,473,093	$194,307,968	$231,781,061

4. **Nonutility Property and Equipment**

Nonutility property and equipment costs consist of the following at December 31:

2008	AMP-Ohio	MESA	Total
Land	$1,672,100	$—	$1 ,672,100
Building	8,422,439	—	8,422,439
Furniture/equipment	2,180,475	—	2,180,475
Computer software	2,518,840	—	2,518,840
Vehicles	1,546,302	517,806	2,064,108
	16,340,156	517,806	16,857,962
Accumulated depreciation	(5,320,044)	(335,481)	(5,655,525)
	$11,020,112	$182,325	$11,202,437

2007	AMP-Ohio	MESA	Total
Land	$685,000	$—	$685,000
Building	3,407,205	—	3,407,205
Furniture/equipment	481,921	—	481,921
Computer software	2,518,840	—	2,518,840
Vehicles	1,395,534	317,594	1,713,128
	8,488,500	317,594	8,806,094
Accumulated depreciation	(4,923,001)	(231,543)	(5,154,544)
	$3,565,499	$86,051	$3,651,550

5. **Regulatory Assets and Liabilities**

Regulatory assets and liabilities consisted of the following at December 31:

2008	AMP-Ohio	OMEGA Joint Ventures	Total
Regulatory assets			
Asset retirement cost	$3,928,391	$1,319,091	$5,247,482
Power purchases	12,253,825	—	12,253,825
Pension/post retirement plan obligations	15,601,073	—	15,601,073
Fuel costs	8,638,217	—	8,638,217
Fair value of interest rate swaps	5,207,194	—	5,207,194
Total regulatory assets	45,628,700	1,319,091	46,947,791
Current portion	(15,101,523)	—	(15,101,523)
Noncurrent portion	$30,527,177	$1,319,091	$31,846,268
Regulatory liabilities			
Amounts collected from members to fund future expenditures for:			
Capital expenditures	$15,725,191	$ —	$15,725,191
Gains on early termination of power purchase contracts	11,007,017	—	11,007,017
Operating/maintenance expenditures	355,878	313,927	669,805
Production expense	567,579	—	567,579
Fair value of derivative instruments	160,445	—	160,445
Rate stabilization funding	1,951,887	—	1,951,887
Debt service billed for certificates in excess of related expenses	—	23,679,401	23,679,401
Debt service billed for funding the Reserve & Contingency Fund	—	1,590,337	1,590,337
Inventories	—	134,608	134,608
Total regulatory liabilities	29,767,997	25,718,273	55,486,270
Current portion	(2,592,780)	(134,608)	(2,727,388)
Noncurrent portion	$27,175,217	$25,583,665	$52,758,882

2007	AMP-Ohio	OMEGA Joint Ventures	Total
Regulatory assets			
Asset retirement cost	$3 ,523,938	$1 ,078,725	$4 ,602,663
Power purchases	8,292,223	—	8,292,223
Inventories	4,167,079	—	4,167,079
Total regulatory assets	15,983,240	1,078,725	17,061,965
Current portion	(5,423,191)	—	(5,423,191)
Noncurrent portion	$10,560,049	$1,078,725	$11,638,774
Regulatory liabilities			
Amounts collected from members to fund future expenditures for:			
Capital expenditures	$17,323,895	$ —	$17,323,895
Gains on early termination of power purchase contracts	617,799	—	617,799
Operating/maintenance expenditures	2,930,156	299,282	3,229,438
Production	2,115,011	—	2,115,011
Fair value of derivative instruments	202,000	—	202,000
Rate stabilization funding	1,821,358	—	1,821,358
Debt service billed for certificates in excess of related expenses	—	24,914,458	24,914,458
Debt service billed for funding the Reserve & Contingency Fund	—	1,486,063	1,486,063
Inventories	—	122,765	122,765
Other	5,790	—	5,790
Total regulatory liabilities	25,016,009	26,822,568	51,838,577
Current portion	(7,431,361)	(122,765)	(7,554,126)
Noncurrent portion	$17,584,648	$26,699,803	$44,284,451

6. **Restricted Cash**

Restricted cash consists of the following at December 31:

	2008	2007
Cash from issuance of bond anticipation notes on behalf of members	$901,576	$4,148,835
Restricted for funds held in escrow	—	6,206,820
Contractual restrictions	5,393,776	3,064,909
	$6,295,352	$13,420,564

The restricted cash for funds held in escrow balance in 2007 consists of a deposit AMP-Ohio has made for a potential fixed asset acquisition. The potential fixed asset acquisition did not occur and the restricted funds were subsequently released. Contractual restrictions represent cash from members for rate stabilization, cash held in conjunction with reserve and contingency trustee funds, future major maintenance and an employee savings plan at the Gorsuch Project. Cash from members for rate stabilization is held in trusts for the benefit of the members.

7. **Related Parties**

AMP-Ohio has entered into agency agreements for management services ("Service Agreements") with OMEA and OPPEI. Participants in these organizations are all members of AMP-Ohio. Under these Service Agreements, AMP-Ohio serves as agent and provides services such as planning, financial management, operations, and other professional and technical services. AMP-Ohio is compensated for its services based on a reasonable allocation of direct expenses and overhead.

For each of the years ending December 31, 2008 and 2007, AMP-Ohio made contributions of $150,000 to OMEA.

In 1993, OMEGA JV5 prepaid $3,045,707 to the City of Oberlin, Ohio, for a commitment to provide 12,000 kilowatts of its generating capacity as a backup resource to OMEGA JV5. The commitment is for dedicated capacity from June 1, 1996 through May 31, 2009. This asset is being amortized ratably over the term of the commitment.

OMEGA JV5 participants with backup generating units sited in their communities provide utilities to the units. OMEGA JV5 incurred expenses of $114,565 and $98,366 for these services for the years ended December 31, 2008 and 2007, respectively.

MESA provides services to OMEA, OPPEI and certain members of the Organization. Revenues earned from these agreements for the years ended December 31 are as follows:

	2008	2007
OMEA	$337,576	$346,246
OPPEI	144,634	173,432
AMP-Ohio members	3,036,483	2,182,025
Total	$3,518,693	$2,701,703

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

Revolving Credit Loan

On September 27, 2007, AMP-Ohio entered into 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.; Wachovia Bank, N.A.; Suntrust Bank; U.S. Bank, N.A.;

Bank of America, N.A.; and Huntington National Bank, N.A. 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-Ohio's base borrowing capacity under the Facility is $450,000,000 and the maximum borrowing capacity under the Facility can be raised to $550,000,000 at any time during the term of the Facility subject to the existing lenders' agreement to increase their participation or by the participation of new lenders.

The Facility contains various restrictions including a) proceeds of loans and letters of credit will be used only i) to refinance the existing revolving credit loan, ii) for general working capital purposes and iii) for transitional financing to bond financing and bond anticipation notes; b) notice of certain ERISA events over $500,000; c) notice of events causing a material adverse effect on the business, assets or condition of AMP-Ohio or the rights or benefits of the lenders under the Facility; d) AMP-Ohio will not incur indebtedness or make guarantees of indebtedness except for indebtedness fully supported by commitments of AMP-Ohio members and except for i) indebtedness to finance any prepayment for power supply or indebtedness or capital lease obligations for acquisition, construction or improvement of assets up to $25,000,000 or ii) other unsecured indebtedness up to $20,000,000; e) AMP-Ohio will not make loans to i) AMPO, Inc. in excess of $500,000 or to ii) joint ventures in excess of $5,000,000; f) prohibits cash dividends to members; g) annual lease payments may not exceed $1,000,000 and sale of leaseback transactions are limited to $5,000,000; h) maintenance of financial covenants including i) minimum consolidated tangible net worth and ii) interest coverage ratio in excess of 2.50 to 1.00 measured on a trailing four quarter basis.

Commercial Paper

On January 22, 2008, AMP-Ohio entered into a commercial paper program (the "CP Program") with JP Morgan Chase Bank, N.A. The CP Program allows for AMP-Ohio to issue commercial paper obligations which are supported by the Facility. The Company has the ability to issue up to $350,000,000 of letters of credit against the Facility which expires in 2012. All borrowings made under the CP Program reduce the available borrowing capacity under the Facility. On December 31, 2008, the Organization had $179,605,000 of outstanding borrowings under the CP Program. The effective interest rate of all outstanding borrowings under the CP Program was 1.06% at December 31, 2008. Borrowings under the CP Program are considered tax-exempt and the funds obtained from these borrowings are required to be used on tax-exempt construction projects. On February 12, 2009, AMP-Ohio increased the authorized par amount of the CP Program to $400,000,000.

Term Debt

AMP-Ohio and OMEGA JV5 have issued term debt in the form of notes payable and bonds for the financing of their own assets and on behalf of specific members. AMP-Ohio and OMEGA JV5 are the primary obligors on term debt issued to finance their assets.

Bonds and notes payable related to financing the Organization's assets consist of the following at December 31:

	2008	2007
AMP-Ohio project note due October 29, 2009, with interest at 3.75% at December 31, 2008 (3.50% at December 31, 2007) payable at maturity	$4,097,550	$4,567,550
AMP-Ohio Project Note due October 29, 2009, with interest at 2.25% at December 31, 2008 payable at maturity	8,000,000	—
AMP-Ohio Multi-mode Variable Rate Combustion Turbine Project Revenue Bonds, Series 2006	12,220,000	13,120,000
AMP-Ohio Electricity Purchase Revenue Bonds Prepayment Issue, Series 2007 A	287,865,000	307,655,000
Unamortized premium on Electricity Purchase Revenue Bonds	5,626,602	7,004,545
AMP-Ohio Peabody Promissory Note	—	50,030,904
AMP-Ohio Prairie State Energy Campus Project Revenue bonds, series 2008A	760,655,000	—
Unamortized discount on Prairie State Energy Campus Revenue Bonds	(10,564,286)	—
Prairie State Bond Anticipation Note, series 2008	120,000,000	—
Unamortized premium on Prairie State Bond Anticipation Note	262,200	—
AMP-Ohio Multi-Mode Gorsuch Station Taxable Revenue Bonds, Series 2008A	96,590,000	—
OMEGA JV5 2001 Beneficial Interest Certificates	20,845,158	19,738,542
OMEGA JV5 2004 Benficial Interest Refunding Certificates	104,738,992	109,696,605
	1,410,336,216	511,813,146
Current portion	(87,029,750)	(29,357,550)
Noncurrent portion	$1,323,306,466	$482,455,596

American Municipal Power-Ohio, Inc. Multi-Mode Variable Rate Combustion Turbine Project Revenue Bonds, Series 2006 (non-recourse)

The American Municipal Power-Ohio, Inc. Multi-Mode Variable Rate Combustion Turbine Project Revenue Bonds, Series 2006 (the "Combustion Turbine Bonds") were issued December 1, 2006, in the form of term bonds. The Combustion Turbine Bonds mature on March 1, 2023. Interest on the bonds is payable monthly. The interest rate is variable and resets on a weekly basis. AMP-Ohio entered into an interest rate swap on the same date as the bond issuance. Under the interest rate swap agreement, AMP-Ohio pays interest at a fixed rate of 3.89% and receives interest at a variable rate equivalent to the variable interest rate on the Combustion Turbine Bonds.

In order to secure the Combustion Turbine Bonds, AMP-Ohio obtained a letter of credit from KeyBank National Association

("KeyBank") in favor of the trustee holding the Combustion Turbine Bonds. AMP-Ohio agreed to reimburse KeyBank for any payments made pursuant to such letter of credit under a Letter of Credit Reimbursement Agreement with KeyBank (the "KeyBank Facility") in the amount of $13,217,771.

The KeyBank Facility contains various restrictions which are identical or very similar to the restrictions in the Facility described in Note 8 above.

Electricity Purchase Revenue Bonds (non-recourse)

The Electricity Purchase Revenue Bonds, Series 2007A (the "Electricity Purchase Revenue Bonds") were issued on August 1, 2007 with an aggregate par amount of $307,655,000. The Electricity Purchase Revenue Bonds were issued at a premium of $7,578,668. The premium will be amortized over the life of the bonds as a reduction to interest expense in the accompanying consolidated statements of revenues and expenses. The Electricity Purchase Revenue Bonds bear interest at a fixed rate of 5% payable semiannually. The Electricity Purchase Revenue Bonds outstanding at December 31, 2008 are as follows:

Maturity Date February 1	Principal Amount
2009	$52,140,000
2010	54,595,000
2011	57,360,000
2012	60,265,000
2013	63,505,000
	$287,865,000

The proceeds from the Electricity Purchase Revenue Bonds were used to prepay a long-term power supply agreement (the "Electricity Purchase Agreement") with J. Aron & Company. AMP-Ohio has entered into separate power schedules (the "Power Schedules") with 41 of its members (the "Participants") whereby the Participants have agreed to take and pay for the power supplied by the Electricity Purchase Agreement. The Participants are obligated to purchase and pay for electricity made available by AMP-Ohio. AMP-Ohio is obligated to pay the scheduled principal and interest on the Electricity Purchase Revenue Bonds, but solely from amounts received from the Participant's under the Power Schedules.

The Electricity Purchase Revenue Bonds are not subject to optional redemption. Upon occurrence of a cancellation event, as defined in bond agreement, the Electricity Purchase Revenue Bonds are subject to extraordinary mandatory redemption prior to the maturity date in whole at a predetermined redemption price from amounts owed by J. Aron & Company and its guarantors.

The Participants in the Electricity Purchase Agreement have covenanted to fix, charge and collect rates, fees and charges for electric power and energy at least sufficient to provide revenues to meet, or with other available funds, to provide in each year the sum of its operating and maintenance expenses, including the Participant's share or revenue requirements under the Electricity Purchase Agreement, debt service on the Participant's outstanding revenue obligations, if any, and any other amounts payable from such revenues.

AMP-Ohio Peabody Promissory Note (non-recourse)

On December 20, 2007, AMP-Ohio issued a $50,030,904 promissory note to Peabody Electricity, LLC (the "Peabody Note"). The Peabody Note matured and was repaid in full on January 25, 2008.

Prairie State Financings (non-recourse)

The Prairie State Energy Campus Project Revenue Bonds, Series 2008A (the "PSEC Bonds") were issued on July 2, 2008 with an aggregate par amount of $760,655,000. The PSEC Bonds were issued at a discount of $10,839,397. The discount will be amortized over the life of the bonds as an increase to interest expense in the accompanying consolidated statements of revenues and expenses. The PSEC Bonds mature between 2013 and 2043 and bear interest at fixed rates ranging from 4.0% to 5.25%. Interest is payable semiannually, beginning February 15, 2009. The maturities or mandatory sinking fund requirements of the Revenue Bonds at December 31, 2008 are as follows:

February 15	Principal Amount
2013	$10,360,000
2014	6,800,000
2015	5,630,000
2016	18,370,000
2017	19,340,000
2018	13,715,000
2019	11,330,000
2020	22,285,000
2021	23,385,000
2022	24,810,000
2023	24,475,000
2024	11,150,000
2025	16,500,000
2026	20,405,000
2027	29,980,000
2028	31,555,000
2029	35,460,000
2030	37,240,000
2031	39,110,000
2032	33,620,000
2033	35,380,000
2034	42,575,000
2035	44,705,000
2036	46,940,000
2037	49,285,000
2038	51,750,000
2039	9,815,000
2040	10,330,000
2041	10,870,000
2042	11,440,000
2043	12,045,000
	$760,655,000

AMP-Ohio has the option to redeem the PSEC Bonds stated to mature on or after February 15, 2019 at any time on or after February 15, 2018. The early redemption price would be equal the par value of the bonds plus any accrued interest at the early redemption date.

The Prairie State Project Revenue Bond Anticipation Notes, Series 2008 (the "Prairie State BANs") (non-recourse) were issued on April 2, 2008 with an aggregate par amount of $120,000,000. The Prairie State BANs were issued at a premium of $1,048,800, bear interest at a fixed rate of 3.50% and are due on April 1, 2009. The Prairie State BANs are not subject to redemption prior to their maturity.

The proceeds from the PSEC Bonds and the Prairie State BANs are being used to fund the cost of construction of the PSEC. AMP-Ohio has entered into a separate power sale contract (the "PSEC Sales Contract") with 68 of its members (the "PSEC Participants"). Each of the PSEC Participants is obligated to purchase and pay AMP-Ohio for the costs of the electricity made available by AMP-Ohio including its proportional share of debt service on the PSEC Bonds and the Prairie State BANs. AMP-Ohio is obligated to pay the scheduled principal and interest on the PSEC Bonds, but solely from amounts received from the PSEC Participants under the PSEC Sales Contract and the investment income on cash and securities held in trust accounts established pursuant to the PSEC Bonds.

Under the terms and conditions of the PSEC Bonds, AMP-Ohio is required to maintain a debt service coverage ratio of net PSEC revenues to debt service on the PSEC Bonds of 1.1 or greater so long as the PSEC Bonds have not been fully repaid. At December 31, 2008, the Prairie State BANs are classified in noncurrent liabilities as in April 2009, AMP-Ohio has entered into an agreement to refinance the Prairie State BANs on a long-term basis.

Multi-Mode Variable Rate Gorsuch Station Taxable Revenue Bonds (non-recourse)

On August 1, 2008, AMP-Ohio issued its Multi-Mode Variable Rate Gorsuch Station Taxable Revenue Bonds, Series 2008A and Series 2008B (collectively the "Gorsuch 2008 Bonds") with principal amounts of $91,090,000 and $7,800,000, respectively. AMP-Ohio will apply the proceeds to i) financing the participants' share of the cost of funding pension and post employment benefits, purchasing sulfur dioxide and nitrogen oxide allowances through 2012, funding asset retirement obligations, purchasing replacement power, providing working capital and/or funding maintenance and repair costs or other costs and the Richard H. Gorsuch Generating Station, ii) funding debt service reserve funds and iii) paying the costs of issuing the bonds. The interest rate on the Gorsuch 2008 Bonds is variable and resets either weekly or semi-annually, and is payable either monthly or semi-annually. AMP-Ohio entered into two interest rate swap agreements on the same date as the bond issuance, one for each series of the bond issuance. Under the interest rate swap agreements, AMP-Ohio pays interest at a fixed rate of 3.86%. AMP-Ohio receives interest at a variable rate equivalent to the variable interest rate on the Gorsuch 2008 Bonds from its swap counterparty.

The Gorsuch 2008 Bonds outstanding at December 31, 2008 are as follows:

Maturity Date December 15	Principal Amount
2009	$17,720,000
2010	21,025,000
2011	24,745,000
2012	33,100,000
	$96,590,000

In order to secure the Gorsuch 2008 Bonds, AMP-Ohio obtained a letter of credit in favor of the trustee holding the Gorsuch 2008 Bonds from KeyBank. AMP-Ohio agreed to reimburse KeyBank for any payments made pursuant to such letter of credit, under a Letter of Credit Reimbursement Agreement with KeyBank (the "Gorsuch KeyBank Facility").

OMEGA JV5 Beneficial Interest Certificates

In February 2004, OMEGA JV5 issued 2004 Beneficial Interest Refunding Certificates ("2004 Certificates") totaling $116,910,000 for the purpose of refunding the principal of the outstanding 1993 beneficial Interest Certificates ("1993 Certificates") due in the years 2005 through 2024. The 2004 Certificates were sold at a premium of $7,674,145. OMEGA JV5 paid a redemption premium of $1,313,550 to redeem the 1993 Certificates.

The 2004 Certificates outstanding at December 31, 2008 are as follows:

Maturity Date February 15	Principal Amount	Interest Rate
2009	$4 ,475,000	2.50%
2010	4,570,000	3.00%
2011	4,705,000	3.25%
2012	4,860,000	5.00%
2013	5,105,000	5.00%
2014	5,355,000	5.00%
2015	5,630,000	5.00%
2016	6,050,000	5.00%
2017	6,215,000	5.00%
2018	6,520,000	5.00%
2019	6,845,000	5.00%
2020	7,190,000	5.00%
2021	7,550,000	5.00%
2022	7,925,000	5.00%
2023	8,325,000	5.00%
2024	8,740,000	4.75%
	100,060,000	
Less: Current portion	(4,475,000)	
Plus: Unamortized premium	4,678,992	
	$100,263,992	

Interest on the 2004 Certificates is payable semiannually on February 15 and August 15 of each year, commencing August 15, 2004, to and including the date of maturity or prior redemption.

The 2004 Certificates are not subject to optional redemption before February 15, 2014. The 2004 Certificates maturing after February 15, 2014 are subject to redemption in whole or in part on any date or after February 15, 2014 at par plus accrued interest.

In accordance with the trust agreement, amended on January 1, 2004, OMEGA JV5 is required to charge the financing members additional debt service ("Refunding Debt Service") in the amount of 15% of principal and interest. On February 16 of each year from 2005 through 2024, amounts charged to the members for Refunding Debt Service for the previous 12 months shall be refunded to the members. OMEGA JV5 established a liability of $1,358,304 and $1,434,095 for amounts to be refunded to participants at December 31, 2008 and 2007, respectively.

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31,2008 are as follows:

Maturity Date February 15	Principal Amount	Interest Rate
2025	$10,915,000	5.51 %
2026	10,915,000	5.52 %
2027	10,915,000	5.53 %
2028	10,915,000	5.54 %
2029	10,465,000	5.55 %
2030	2,000,000	5.56 %
	$56,125,000	
Less: Unamortized discount	(35,279,842)	
	$20,845,158	

The principal amount at maturity of the 2001 Certificates will accrete from the date of issuance, compounded semiannually on February 15 and August 15 of each year, commencing February 2002, with the original discount amount of $42,225,017 and will be payable at maturity as a component of the maturity. The 2001 Certificates are not subject to redemption prior to maturity.

Excerpt for the limited step-up provisions in the event of default by a financing member as described in Section 18 of the OMEGA JV5 joint venture agreement, the 2004 Certificates and the 2001 Certificates are payable solely from bond debt service payments to be made by the OMEGA JV5 members pursuant to an agreement dated as of January 1, 1993. The bond debt service payments are obligations of the OMEGA JV5 members, payable from revenues of their municipal electric utility systems, subject only to the prior payment of the operation and maintenance expenses thereof.

The terms of the trust agreement related to the Certificates contain various covenants, the most restrictive of which require the timely payment of debt service and for the members of OMEGA JV5 to comply with the provisions of the Joint Venture Agreement.

Under the Joint Venture Agreement, the members must manage electric system revenues and expenditures so that, in each year, those revenues received in that year cover the greater of (i) operating and maintenance ("O&M") expenses plus 110% of Its OMEGA JV5 bond debt service payments and any other senior electric revenue debt or (ii) O&M expenses plus 100% of its OMEGA JV5 bond debt service payments and all other electric system debt whether revenue or general obligation ("debt service coverage ratio").

Based upon unaudited financial information for the year ended December 31, 2008, all participants certified compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

Term Debt on Behalf of Members

The individual municipality is the primary obligor on term debt issued on its behalf. "On behalf of" financings are non-recourse to AMP-Ohio and are presented on the combined balance sheet with a corresponding receivable from the project or member to which the on behalf of financing relates. The receivables are typically less than the on behalf of financing as principal on the on behalf of financings is collected monthly in advance of the annual due date and is held in trust by AMP-Ohio. Bonds and notes payable issued on behalf of member communities consist of the following at December 31:

	2008	**2007**
OMEGA JV2 Project Distributive Generation Bonds, Series 2001	$37,790,000	$39,810,000
AMP-Ohio City of Wadsworth Project Electric System Improvement Bonds, Series 2002	9,110,000	9,570,000
AMP-Ohio Village of Genoa Project Electric System Improvement Bonds, Series 2004	5,215,000	5,370,000
OMEGA JV6 Adjustable Rate Revenue Bonds, Series 2004	6,818,000	7,631,000
Municipal project notes due on various dates throughDecember 5, 2008 with interest from 3.45% to 4.35% at December 31, 2007 (3.6% to 4.35% at December 31, 2006) payable at maturity	36,496,150	45,403,400
	95,429,150	107,784,400
Current portion of on behalf of financings	(40,131,150)	(48,851,400)
Noncurrent portion of on behalf of financings	$55,298,000	$58,933,000

At December 31, 2008 and 2007, amounts included in accrued interest in the combined balance sheets that related to nonrecourse notes payable issued on behalf of members were $1,783,601 and $1,992,573, respectively. Interest expense related to nonrecourse term debt issued on behalf of members was $1,528,561 and $4,788,566 for the years ended December 31, 2008 and 2007, respectively.

The following is a summary of financing receivables from members related to on behalf of debt at December 31:

	2008	2007
Financing receivable - OMEGA JV2 members	$31,496,790	$33,494,402
Financing receivable - Wadsworth	7,689,112	8,139,942
Financing receivable - Genoa	4,638,533	4,790,313
Financing receivable - OMEGA JV6 members	6,441,969	7,322,376
Notes receivable - members	31,629,574	40,570,437
Interest receivable	504,882	563,546
	82,400,860	94,881,016
Current portion of on behalf of financings	(35,897,372)	(44,888,983)
Noncurrent portion of on behalf of financings	$46,503,488	$49,992,033

Interest income related to receivables from members related to on behalf of debt was $1,696,418 and $5,140,811 for the years ended December 31, 2008 and 2007, respectively. The interest income from the receivables from these municipalities and the interest expense on term debt on behalf of debt are included in other, net in nonoperating revenues and expenses.

OMEGA JV2 Project Distributive Generation Bonds

The OMEGA JV2 Project Distributive Generation Bonds, Series 2001 (the "OMEGA JV2 Bonds") outstanding at December 31, 2008, are as follows:

Maturity Date/Mandatory Sinking Fund Redemption Date January 1	Principal Amount	Interest Rate
2009	$2,120,000	5.00 %
2010	2 ,225,000	5.00 %
2011	2 ,335,000	5.25 %
2012	2,460,000	5.25 %
2013	2,590,000	5.25 %
2014	2,725,000	5.25 %
2015	2,865,000	5.25 %
2016	3,015,000	5.25 %
2017	3,175,000	5.25 %
2021	14,280,000	4.75 %
	$37,790,000	

The OMEGA JV2 Bonds were issued by AMP-Ohio on January 18, 2001, in the form of serial bonds on behalf of certain of its members which are financing participants in OMEGA JV2. The OMEGA JV2 Bonds mature in various annual installments through January 1, 2021. Interest is payable semiannually at fixed interest rates.

The OMEGA JV2 Bonds are payable solely from the municipal electric utility system revenues of OMEGA JV2 financing members. The OMEGA JV2 Bonds require compliance by the financing members with the OMEGA JV2 joint venture agreement, which requires that each financing member maintains a debt service cover ratio of 1.1 or greater. There is no recourse to AMP-Ohio, other than from such revenues. AMP-Ohio will not be obligated to pay debt service on the OMEGA JV2 Bonds, except from debt service payments received from the OMEGA JV2 financing members and other funds pledged or assigned therefore under the trust agreement.

The OMEGA JV2 Bonds are not subject to optional redemption before January 1, 2011. The OMEGA JV2 Bonds maturing after January 1, 2011 are subject to redemption in whole or in part on any date on or after January 1, 2011 at a redemption price of 100% of the outstanding principal plus accrued interest.

AMP-Ohio City of Wadsworth Project Electric System Improvement Bonds

The AMP-Ohio City of Wadsworth Project Electric System Improvement Bonds, Series 2002 (the "Wadsworth Bonds") outstanding at December 31, 2008, are as follows:

Maturity Date February 15	Principal Amount	Interest Rate
2009	$475,000	3.90%
2010	495,000	4.00%
2011	515,000	4.20%
2012	535,000	4.20%
2017	3,090,000	5.25%
2022	4,000,000	5.00%
	$9,110,000	

The Wadsworth Bonds were issued by AMP-Ohio on March 1, 2002 in the form of serial and term bonds on behalf of the City of Wadsworth which is a member of AMP-Ohio. The Wadsworth Bonds mature in various annual installments through February 15, 2022. Interest is payable semiannually at fixed interest rates.

The Wadsworth Bonds are payable solely from the municipal electric system revenues of the City of Wadsworth. There is no recourse to AMP-Ohio regarding the bonds, other than from such revenues. AMP-Ohio will not be obligated to pay debt service on the Wadsworth Bonds, except from debt service payments received from the City of Wadsworth and other funds pledged or assigned therefore under the trust agreement.

The Wadsworth Bonds are not subject to optional redemption prior to February 15, 2012. The Wadsworth Bonds maturing after February 15, 2012 are subject to redemption in whole or in part on any date on or after February 15, 2012 at a redemption price of 100% of the outstanding principal plus accrued interest.

The Wadsworth Bonds require that the City of Wadsworth maintain a debt service coverage ratio of 1.1 or greater.

AMP-Ohio Village of Genoa Project Electric System Improvement Bonds

The AMP-Ohio Village of Genoa Project System Improvement Bonds, Series 2004 (the "Genoa Bonds") outstanding at December 31, 2008, are as follows:

Maturity Date February 15	Principal Amount	Interest Rate
2009	$160,000	2.80%
2010	165,000	3.00%
2011	165,000	3.25%
2012	175,000	3.25%
2013	180,000	3.40%
2014	185,000	3.50%
2024	2,435,000	5.25 %
2029	1,750,000	4.63 %
	$5,215,000	

The Genoa Bonds were issued by AMP-Ohio on October 1, 2004 in the form of serial and term bonds on behalf of the Village of Genoa which is a member of AMP-Ohio. The Genoa Bonds mature in various installments through February 15, 2029. Interest is paid semiannually at fixed interest rates.

The Genoa Bonds are payable solely from the municipal electric system revenues of the Village of Genoa. There is no recourse to the Companies regarding these bonds, other than from such revenues. AMP-Ohio will not be obligated to pay debt services on the Genoa Bonds, except from debt service payments received from the Village of Genoa and other funds pledged or assigned therefore under the trust agreement.

The Genoa Bonds are not subject to optional redemption prior to February 15, 2014. Genoa Bonds maturing on or after February 15, 2015 are subject to redemption in whole or in part, on any date on or after February 15, 2014, at a redemption price of par, plus accrued interest to the date of redemption.

The Genoa Bonds require that the Village of Genoa maintain a debt service coverage ratio of net electric system revenues to debt service of 1.1 or greater.

OMEGA JV6 Adjustable Rate Revenue Bonds

The OMEGA JV6 Bonds were issued by AMP-Ohio on July 1, 2004 in the form of serial bonds on behalf of certain of its members who are financing participants in OMEGA JV6. Principal and interest on the OMEGA JV6 Bonds is payable in $500,000 semi-annual installments on February 15 and August 15, beginning February 15, 2005. The OMEGA JV6 Bonds bear interest at an adjustable rate, which shall be established by reference to the Six-Month Municipal Market Data High Grade Index Rate (the "MMD Index Rate") plus 15 basis points. The adjustable rate will automatically be reset semi-annually, based on the MMD Index Rate as of two business days prior to the beginning of the next interest period. On August 15, 2019, the balance of the principal of the OMEGA JV6 Bonds, if not theretofore paid or provided for, shall become due and payable.

OMEGA JV6 Adjustable Rate Resume Bonds, Series 2004 (the "OMEGA JV6 Bonds") outstanding as of December 31, 2008 are as follows:

Maturity Date February 15/August 15	Principal Amount	Interest Rate
2009	$880,000	0.65%
2010	935,000	0.65%
2011	945,000	0.65%
2012	957,000	0.65%
2013	967,000	0.65%
2014	979,000	0.65%
2015	989,000	0.65%
2016	166,000	0.65%
	$6,818,000	

The maturity table assumes a constant interest rate of 0.65%, which is equal to the interest rate used to calculate the August 15, 2009 and subsequent principal payments.

The OMEGA JV6 Bonds are payable solely from the basic and additional demand charges payable by the OMEGA JV6 financing members. The OMEGA JV6 Bonds require compliance by the financing members with the OMEGA JV6 joint venture agreement, which requires that each financing member maintain a debt service overage ratio of 1.1 or greater. There is no recourse to AMP-Ohio regarding these bonds, other than from such revenues. AMP-Ohio will not be obligated to pay debt service on the OMEGA JV6 Bonds, except from demand charges received from OMEGA JV6 financing participants and other funds pledged or assigned therefore under the trust agreement.

The OMEGA JV6 Bonds are subject to optional redemption at any time, at the sole discretion of participants of OMEGA JV6, at the price of par plus accrued interest.

__Municipal Project Notes__

The municipal project notes are collateralized solely by revenues received by AMP-Ohio pursuant to its agreements with municipal members for construction of various electric utility projects. There is no recourse to AMP-Ohio regarding these notes, other than such revenues.

The aggregate amounts of future maturities for revolving credit loan and term debt are as follows:

Years Ending in December 31	AMP-Ohio Debt	OMEGA JV5	On Behalf of Financings	Combined Total
2009	$202,292,550	$4,475,000	$40,135,150	$246,902,700
2010	76,220,000	4,570,000	3,785,000	84,575,000
2011	82,770,000	4,705,000	3,931,000	91,406,000
2012	299,759,993	4,860,000	4,102,000	308,721,993
2013	74,590,000	5,105,000	4,273,000	83,968,000
Thereafter	759,500,000	132,470,000	39,203,000	931,173,000
	$1,495,132,543	$1 56,185,000	$95,429,150	$1,746,746,693

9. **Trustee Funds**

Funds collected in advance of contractually scheduled principal and interest payments for certain bond offerings are held in trust. Trustee funds related to these bond offerings consist of the following at December 31:

	2008	2007
Combustion Turbine Bonds	$594,814	$581,414
Electricity Purchase Revenue Bonds	53,379,289	21,783,051
PSEC Bonds	539,589,141	—
Gorsuch 2008 Bonds	52,707,363	—
OMEGA JV2 Bonds	7,767,289	7,825,140
Wadsworth Bonds	1,586,055	1,602,991
Genoa Bonds	669,118	671,833
OMEGA JV6 Bonds	495,822	486,081
OMEGA JV5 Bonds	10,692,621	10,613,487
	667,481,512	43,563,997
Current portion	(166,306,463)	(37,954,490)
Noncurrent portion	$501,175,049	$5,609,507

Combustion Turbine Bonds

The trust agreement executed by AMP-Ohio in conjunction with the issuance of the Combustion Turbine Bonds dated December 1, 2006 contains, among others, the following provisions:

- AMP-Ohio will sell the output of the combustion turbine project to 33 of its member municipalities (the “Municipalities”).
- AMP-Ohio is obligated to fix rates and charges sufficient to pay debt service on the Combustion Turbine Bonds and the Municipalities are obligated to fix rates and charges sufficient, with other available funds, to make monthly payments to AMP-Ohio that include amounts sufficient for AMP-Ohio to pay debt service on the Combustion Turbine Bonds.
- The following funds are established: (a) Project Fund (containing amounts from bond proceeds); (b) Bond Fund (containing all debt service payments); (c) Rebate Fund (containing amounts required to be paid, if necessary, to the United States as provided by the IRC of 1986, as applicable; to be maintained in AMP-Ohio’s general accounts); (d) Overhaul Fund (containing amounts for the payment of principal and interest and for major repairs, replacements, renovations, rehabilitation and improvements to the project; and to the extent funds in the Bond Fund are not sufficient to make such payments, for reimbursements of draws under the Credit Facility, and for payments owed for the swap agreement); (e) Reserve and Contingency Fund (containing amounts for principal and interest on the Combustion Turbine Bonds to the extent funds in the Bond Fund are not sufficient to make such payments, for reimbursements of draws under the Credit Facility, for payments owed for the swap agreement and for operating and maintenance expenses of the project).

Funds held by the trustee for the Combustion Turbine Bonds at December 31 are as follows:

	2008	**2007**
Bond Fund	$594,814	$581,414
	594,814	581,414
Current portion	(594,814)	(581,414)
Noncurrent portion	$ —	$ —

Electricity Purchase Revenue Bonds

The trust agreement executed by AMP-Ohio in conjunction with the issuance of the Electricity Purchase Revenue Bonds dated August 1, 2007 contains, among others, the following provisions:

- AMP-Ohio will at all times fix, establish, maintain and collect fees and charges to the extent permitted under the provisions of the Power Schedules for the sale of electricity. These fees and charges should be equal to the amounts required to be paid during the year for debt service and other costs associated with the Electricity Purchase Revenue Bonds.
- The following subfunds are established: (a) Project Subfund (consisting of the Costs of Issuance Account and the Electricity Purchase Account; containing amounts to be paid for costs incurred by AMP-Ohio in connection with the issuance of the Electricity Purchase Revenue Bonds and the proceeds from the Electricity Purchase Revenue Bonds offering); (b) Revenue Subfund (containing the monthly payments from the Participants due under the Participants’ Power Schedules); (c) Debt Service Subfund (consisting of the Debt Service Account and the Redemption Account, containing amounts to be paid for debt service and amounts to be paid should a redemption be triggered); (d) Trust Indenture Expense Subfund (containing amounts to be paid for trust indenture expenses); (e) General

Subfund (containing amounts to be maintained in AMP-Ohio's general accounts).

- Amounts deposited into the Debt Service Account will be invested into a guaranteed investment contract (the "GIC"). The GIC is effective on August 1, 2007, and it guarantees AMP-Ohio a rate of return of 5.216% on the funds invested. The GIC expires on February 1, 2013, which coincides with the date of the final principal payment of the Revenue Bonds.

Funds held by the trustee for the AMP-Ohio Electricity Purchase Revenue Bonds at December 31 are as follows:

	2008	**2007**
Cost of Issuance Account	$ —	$12,319
Revenue Subfund	28,648	10,902,434
Debt Service Account	53,350,641	10,868,298
	53,379,289	21,783,051
Current portion	(53,379,289)	(21,783,051)
Noncurrent portion	$ —	$ —

PSEC Bonds

The trust agreement executed by AMP-Ohio in conjunction with the issuance of the PSEC Bonds dated November 1, 2007, and supplemented on May 1, 2008 contains, among others, the following provisions:

- AMP-Ohio will at all times fix, charge and collect rates and charges for the use of and for the services and facilities furnished by, the PSEC. These rates and charges should be at least 110% of the annual debt service requirements of the PSEC Bonds.

- The following subfunds are established with the trustee: (a) Acquisition and Construction Subfund (containing amounts to be paid for costs incurred by AMP-Ohio in connection with the construction of the PSEC); (b) Cost of Issuance Subfund (containing amounts to be paid for costs incurred by AMP-Ohio in connection with the issuance of the PSEC Bonds); (c) Bond Subfund (consisting of the Capitalized Interest Subaccount, the Interest Subaccount, the Principal Subaccount, the Sinking Subaccount, the Redemption Subaccount, and the Parity Common Reserve Account; containing amounts to be paid for debt service and amounts to be paid should a redemption be triggered); (d) Subordinate Obligations Subfund.

- Amounts deposited into the Acquisition and Construction Subfund will be invested in a guaranteed investment contract (the "PSEC GIC"). The PSEC GIC is effective on August 1, 2008, and it guarantees AMP-Ohio a rate of return of 3.571% on the funds invested. The PSEC GIC expires on June 1, 2010.

Funds held by the trustee for the PSEC Bonds at December 31, 2008 are as follows:

Acquisition and Construction Subfund	$347,939,698
Costs of Issuance Subfund	928,939
Capitalized Interest Subaccount	131,920,069
Debt Service payment Subaccount	58,800,435
	539,589,141
Current portion	(43,907,260)
Noncurrent portion	$495,681,881

Gorsuch 2008 Bonds

The trust agreement executed by AMP-Ohio in conjunction with the issuance of the Gorsuch 2008 Bonds dated August 1, 2008 contains, among others, the following provisions:

- AMP-Ohio will at all times establish and maintain rates and charges sufficient to pay for the Gorsuch participants' share of the Gorsuch project costs, which includes the debt service requirements of the Gorsuch 2008 Bonds.
- The following funds are established: Series A and Series B Project Funds (containing amounts from the bond proceeds); Series A and Series B Bond Funds (containing the monthly amounts received for debt service requirements); and Series A and Series B Debt Service Reserve Funds (containing minimum debt service reserve Series A and Series B requirements).
- Bond proceeds are required to be invested in an eligible investment at the direction of AMP-Ohio, except that under the terms of the Letter of Credit and Reimbursement Agreement, KeyBank holds the Series A and Series B Debt Service Reserve Funds, which are required to be invested in eligible investments. AMP-Ohio has invested the Series A and Series B Debt Service Reserve Funds, which were $4,573,013 at December 31, 2008, in certificates of deposit outside of the control of the trustee. These investments mature on August 28, 2012 and are included in noncurrent investments on the consolidated balance sheets.

Funds held by the Trustee for the Gorsuch 2008 Bonds at December 31, 2008 are as follows:

Series A Bond Fund	$590,533
Series A Project Fund	47,957,280
Series B Bond Fund	50,567
Series B Project Fund	4,108,983
	52,707,363
Current Portion	(52,707,363)
Noncurrent portion	$ —

OMEGA JV2 Project Distributive Generation Bonds

The trust agreement executed by AMP-Ohio in conjunction with the issuance of the OMEGA JV2 Bonds dated January 1, 2001 contains, among others, the following provisions:

- The OMEGA JV2 Bonds are payable solely from payments to be made by the OMEGA JV2 financing participants pursuant to a financing agreement dated January 1, 2001. The payment obligations of each financing participant are payable from the revenues of its municipal electric utility system.
- The following funds are established: (a) AMP-Ohio Proceeds Fund (containing amounts from bond proceeds); (b) Acquisition Fund (consisting of the Bond Proceeds Subfund, the Contributions Subfund and the Costs of Issuance Account; containing the amounts from bond proceeds, proceeds from contributions by nonfinancing participants and costs of bond issuance, respectively); (c) Debt Service Fund (consisting of the Bond Payment Fund and Debt Service Reserve Fund, containing the monthly payments for annual debt service requirements); (d) Reserve and Contingency Fund (containing amounts for improvements and extraordinary operation and maintenance costs

to be held by OMEGA JV2); (e) General Reserve Fund (consisting of amounts to be maintained in AMP-Ohio's general accounts).

- The trustee is to receive on or before the last business day (but not before the twenty-sixth day) of each month, the full bond debt service payments for each month during the term of the financing agreement from AMP-Ohio. In the event the amounts in the Bond Payment Fund are not sufficient to make scheduled payments, such deficiency would be drawn first from the Reserve and Contingency Fund and then the Debt Service Reserve Fund.

Funds held by the trustee for the OMEGA JV2 Bonds at December 31 are as follows:

	2008	2007
Bond Payment Fund	$3,105,395	$3,089,871
Debt Service Reserve Fund	4,129,940	4,218,353
Reserve and Contingency Fund	531,954	516,916
	7,767,289	7,825,140
Current portion	(3,637,349)	(3,606,787)
Noncurrent portion	$4,129,940	$4,218,353

The Bond Payment Fund and the Debt Service Reserve Fund are restricted for payment of principal and interest on outstanding OMEGA JV2 Bond obligations. Debt service payments are to be made by the trustee in accordance with the trust agreement.

AMP-Ohio City of Wadsworth Project Electric System Improvement Bonds

The trust agreement executed by AMP-Ohio in conjunction with the issuance of the Wadsworth Bonds dated March 1, 2002 contains, among others, the following provisions:

- The Wadsworth Bonds are payable solely from the revenues of the City of Wadsworth's municipal electric utility system, pursuant to a financing agreement dated March 1, 2002.

- The following funds are established: (a) AMP-Ohio Proceeds Fund (containing amounts from the bond proceeds); (b) Payment Fund (consisting of the Note Repayment Account, the Improvement Account and the Cost of Issuance Account, containing amounts for the repayment of principal, the costs of new improvements and the costs of bond issuance, respectively); (c) Bond Fund (containing the monthly payments for annual debt service requirements); (d) Rebate Fund (containing amounts required to be paid, if necessary, to the United States as provided by the IRC of 1986, as applicable); (e) Debt Service Reserve Fund (containing reserve amounts to the extent that the Bond Fund has deficiencies); (f) General Reserve Fund (amounts to be held and maintained in AMP-Ohio's general accounts).

- The trustee is to receive on or before the twenty-sixth day of each month, the full bond debt service payments for each month during the term of the financing agreement from AMP-Ohio. In the event the amounts in the Bond Fund are not sufficient to make scheduled payments, such deficiency would be drawn from the Debt Service Reserve Fund.

Funds held by the trustee for the Wadsworth Bonds at December 31 are as follows:

	2008	2007
Bond Fund	$635,691	$633,294
Debt Service Reserve Fund	950,364	969,697
	1,586,055	1,602,991
Current portion	(635,691)	(633,294)
	$950,364	$969,697

The Bond Fund and the Debt Service Reserve Fund are restricted for payment of principal and interest on outstanding Wadsworth Bond obligations. Debt service payments are to be made by the trustee in accordance with the trust agreement. There were no amounts held by AMP-Ohio for the General Reserve Fund at December 31, 2008 and 2007.

AMP-Ohio Village of Genoa Project Electric System Improvement Bonds

The trust agreement executed by AMP-Ohio in conjunction with the issuance of the Genoa Bonds, dated October 1, 2004 contains, among others, the following provisions:

- The Genoa Bonds are payable solely from the revenues from the Village of Genoa's municipal electric utility system, pursuant to a financing agreement date October 1, 2004.
- The following funds are established: (a) Proceeds Fund (containing amount from bond proceeds); (b) Payment Fund (consisting of the Note Repayment Account and the Cost of Issuance Account, containing amounts for the repayment of principal and the costs of bond issuance, respectively); (c) Bond Fund (containing the monthly payments for annual debt service requirements); (d) Debt Service Reserve Fund (containing reserve amounts to the extent that the Bond Fund has deficiencies); (e) General Reserve Fund (containing amounts to be held and maintained in AMP-Ohio's general accounts).
- The trustee is to receive on or before the twenty-fifth day of each month, the full bond debt service payments for each month during the term of the financing agreement from AMP-Ohio. In the event the amounts in the Bond Fund are not sufficient to make scheduled payments, such deficiency would be drawn from the Debt Service Reserve Fund.

Funds held by the trustee for the Genoa Bonds at December 31 are as follows:

	2008	**2007**
Bond Fund	$256,254	$250,376
Debt Service Reserve Fund	412,864	421,457
	669,118	671,833
Current portion	(256,254)	(250,376)
	$412,864	$421,457

The Bond Fund and the Debt Service Reserve Fund are restricted for payment of principal and interest (and redemption premium, if any) on outstanding Genoa Bond obligations. Debt service payments are to be made by the trustee in accordance with the trust agreement. There were no amounts held by AMP-Ohio for the General Reserve Fund at December 31, 2008 and 2007.

OMEGA JV6 Adjustable Rate Revenue Bonds

The trust agreement executed by AMP-Ohio in conjunction with the issuance of the OMEGA JV6 Bonds dated July 1, 2004, contains, among others, the following provisions:

- The OMEGA JV6 Bonds are payable solely from payments to be made by the OMEGA JV6 financing participants pursuant to a financing agreement dated July 1, 2004.
- The following funds are established: (a) Acquisition Fund (consisting of the Bond Proceeds Sub-Fund, the Contributions Sub-Fund and the Cost of Issuance Account; containing the amounts from bond proceeds, proceeds from contributions by nonfinancing participants, and costs of bond issuance, respectively); (b) Bond Payment Fund (containing the monthly payments for annual debt service requirements); (c) Rebate Fund (containing amounts required to be paid, if necessary, to the United States as provided by the IRC of 1986, as applicable; to be maintained in AMP-Ohio's general accounts); (d) Reserve and Contingency Fund (containing amounts for improvements and extraordinary operation and maintenance costs to be

held by OMEGA JV6); (e) General Reserve Fund (consisting of amounts to be maintained in AMP-Ohio's general accounts).

- The trustee is to receive on or before the twenty-sixth day of each month, full bond debt service payments for each month during the term of the financing agreement from AMP-Ohio. In the event the amounts in the Bond Payment Fund are not sufficient to make scheduled payments, such deficiency would be drawn first from the General Reserve Fund and then the Reserve and Contingency Fund.

Funds held by the trustee for the OMEGA JV6 Bonds at December 31 are as follows:

	2008	2007
Bond Payment Fund	$421,142	$419,490
Reserve and Contingency Fund	74,680	66,591
	495,822	486,081
Current portion	(495,822)	(486,081)
Noncurrent portion	$ —	$ —

There were no amounts held by AMP-Ohio for the Rebate Fund and General Reserve Fund at December 31, 2008 and 2007.

<u>OMEGA JV5 Beneficial Interest Certificates</u>

Trustee funds include those assets comprising the Debt Service Reserve, Certificate Payment and Reserve and contingency Funds, which area established and maintained pursuant to the trust agreement for the OMEGA JV5 beneficial Interest Certificates. Substantially all assets in the Certificate Payment Fund are available only to meet principal and interest payments of the OMEGA JV5 Beneficial Interest Certificates. As part of the refunding of the 1993 Certificates in February 2004, the Debt Service Reserve Fund was liquidated. Assets in the Reserve and Contingency Fund are to be used for the following purposes (i) subject to certain conditions, to remedy deficiencies in bond debt service payments, (ii) to pay for operating expenses to the extent that other operating funds are not sufficient, (iii) to pay for major repairs and maintenance and (iv) to provide for the decommissioning of the project.

The aggregate amount of cash and investments in each of these funds at December 31 are as follows:

	2008	2007
Certificate Payment Fund	$7,416,861	$7,442,001
Reserve and Contingency Fund	3,275,760	3,171,486
	10,692,621	10,613,487
Current portion	(10,692,621)	(10,613,487)
Noncurrent portion	$ —	$ —

Investments held in the trustee funds consist of the following at December 31:

	2008	2007
Money market funds	$63,740,849	$6,325,923
Debt securities	202,501,161	20,847,470
Guaranteed investment contracts	401,239,502	16,390,604
	$667,481,512	$43,563,997

10. **Fair Value of Financial Instruments**

	December 31, 2008		December 31, 2007	
Financial Instruments	**Carry Value**	**Estimated Fair Value**	**Carry Value**	**Estimated Fair Value**
Assets				
Investments	$11,191,472	$11,191,472	$12,350,469	$12,350,469
Trustee funds	656,975,048	656,975,048	32,980,045	32,980,045
Trustee funds on behalf of members	10,506,464	10,506,464	10,583,952	10,583,952
Liabilities				
Fixed rate term debt, including current maturities	$1,301,526,216	$1,232,356,612	$498,693,146	$491,216,057
Fixed rate term debt, including current maturities , on behalf of members	88,611,150	90,156,450	100,153,400	102,451,830
Variable rate term debt, including current maturities, the Companies and on behalf of members	115,628,000	115,628,000	20,751,000	20,751,000
Interest rate swaps	5,765,603	5,765,603	558,409	558,409

The carrying amounts of cash, accounts receivable, accounts payable, the AMP-Ohio project notes, the Prairie State BAN, the municipal project notes and the revolving credit loan approximate their fair value due to their short maturities. The carrying amount of the Gorsuch 2008 Bonds, 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 the Organization.

Effective January 1, 2008, the Organization adopted SFAS 157, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP and, among other things, requires enhanced disclosures about assets and liabilities recognized at fair value. The Organization also adopted SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities* — including an Amendment of FASB Statement No. 115, on January 1, 2008, which provides the option to measure certain financial assets and financial liabilities at fair value. The Organization has analyzed its financial assets and financial liabilities within the scope of SFAS 159 and, as of December 31, 2008, has elected not to record eligible assets and liabilities at fair value.

As defined in SFAS 157, 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. SFAS 157 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 SFAS 157 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. The Organization's Level 1 assets primarily consist of equity securities, mutual funds, debt securities and money market funds that are listed on active exchanges which are included in investments and trustee funds on the consolidated balance sheets. The Organization 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. Instruments in this category include the Organization's interest rate swaps. Interest rate swaps are included in other liabilities on the Organization'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. The Organization's Level 3 assets consist of its investment in hedge funds, which are included in investments on the consolidated balance sheets.

The Organization 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. The Organization primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, the Organization maximizes the use of observable inputs and minimizes the use of unobservable inputs.

The following table sets forth the Organization's financial assets and financial liabilities that are accounted for at fair value by level within the fair value hierarchy as of December 31, 2008. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization'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.

	December 31, 2008			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Equity securities and mutual funds	$1 ,916,595	$ —	$ —	$1 ,916,595
Money market funds	63,740,849	—	—	63,740,849
Debt securities	5,847,500	—	—	5,847,500
Hedge funds	—	—	3,427,377	3,427,377
Total	$71,504,944	$ —	$3,427,377	$74,932,321
Liabilities				
Interest rate swaps	—	5,765,603	—	5,765,603
Total	$ —	$5,765,603	$ —	$ 5,765,603

The determination of the above fair value measures takes into consideration various factors required under SFAS 157. 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.

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 2008:

Balance as of January 1, 2008	$4 ,300,362
Settlements	—
Unrealized gains (losses)	(872,985)
Balance as of December 31, 2008	$3,427,377

11. **Asset Retirement Obligations**

Asset retirement obligations consist of the following:

	AMP-Ohio	OMEGA Joint Ventures	Total
Asset retirement obligation at December 31,2006	$4,249,947	$2,189,061	$6,439,008
Revisions to estimated cash flow	512,005	483,598	995,603
Accretion	170,868	107,273	278,141
Asset retirement obligation at December 31, 2007	4,932,820	2,779,932	7,712,752
Revisions to estimated cash flow	1,755,184	942,109	2,697,293
Accretion	196,797	130,378	327,175
Asset retirement obligation at December 31, 2008	$6,884,801	$3,852,419	$10,737,220

12. **Employee Benefits**

Pension Plan

AMP-Ohio 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. AMP-Ohio's funding policy is to make contributions as required by applicable government regulations. Assets held by the Pension Plan consist primarily of treasury notes, marketable securities, and alternative investments.

Postretirement Plan

AMP-Ohio 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 December 31, 2008 and 2007, $11,191,472 and $12,530,469, respectively, of investments in the accompanying combined balance sheets are designated to fund Postretirement Plan benefits.

The following table sets forth the benefit obligations, change in plan assets, funded status, amounts recognized in the combined balance sheets, components of net periodic benefit cost, and weighted average assumptions for the Pension Plan and Postretirement Plan at December 31:

	Pension Plan		Postretirement Plan	
	2008	2007	2008	2007
Change in benefit obligation				
Benefit obligation at beginning of year	$20,770,148	$24,996,000	$4,757,904	$4,934,232
Service cost	822,155	787,014	129,994	161,851
Interest cost	1,159,003	1,292,540	295,890	260,718
Actuarial (gain) loss	534,296	(1,271,310)	244,444	(194,387)
Benefits paid	(4,748,192)	(5,034,096)	(613,234)	(404,510)
Benefit obligation at end of year	18,537,410	20,770,148	4,814,998	4,757,904
Change in plan assets				
Fair value of plan assets at beginning of year	39,468,765	17,001,000	—	—
Actual return on plan assets	(4,915,654)	3,101,861	—	—
Employer contributions	—	24,400,000	613,234	404,510
Benefits paid	(4,748,192)	(5,034,096)	(613,234)	(404,510)
Fair value of plan assets at end of year	29,804,919	39,468,765	—	—
Funded status	$11,267,509	$18,698,617	$(4,814,998)	$(4,757,904)
Amounts recognized in the consolidated balance sheets				
Prepaid pension costs	$11,267,509	$18,698,617	$ —	$ —
Current liabilities	—	—	(595,000)	(365,000)
Noncurrent liabilities	—	—	(4,219,998)	(4,392,904)
Net amount recognized	$11,267,509	$18,698,617	$(4,814,998)	$(4,757,904)
Amounts recognized in accumulated other comprehensive income				
Actuarial loss	$ —	$6,445,558	$ —	$1,241,889
Transition obligation	—	—	—	573,800
Net amount recognized	$ —	$6,445,558	$ —	$1,815,689
Components of net periodic benefit cost				
Service cost	$822,155	$787,014	$129,994	$161,851
Interest cost	1,159,003	1,292,540	295,890	260,718
Expected return on plan assets	(3,153,047)	(2,278,761)	—	—
Amortization of transition obligation	—	—	78,600	78,600
Recognized actuarial loss	283,547	855,375	69,060	90,659
Settlement loss	1,076,408	1,658,002	—	—
Net periodic benefit cost	$188,066	$2,314,170	$573,544	$591,828
Weighted average assumptions				
Discount rate	6.25%	6.25%	6.25%	6.25%
Expected return on plan assets	8.00%	8.50%	N/A	N/A
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%
Health care trend rate	N/A	N/A	12.25%	8.40%

In accordance with the transition requirements of SFAS No. 158, AMP-Ohio has determined that the incremental effect of applying SFAS No. 158 at December 31, 2007, was to decrease prepaid pension costs by $6,445,558, increase accrued pension and postretirement benefits by $365,000, increase accrued pension and postretirement benefits - noncurrent by $1,450,689 and increase accumulated other comprehensive income by $8,261,247.

During 2008, AMP-Ohio determined that the unrecognized prior service costs and unrecognized actual gains and losses, which had previously been recorded as a component of accumulated other comprehensive income, were recoverable in future period in the regulatory rate setting process, as provided for under provisions of SFAS 71. This determination was made based on a new board resolution which allowed for the recoverability of such costs through rates. As a result, $8,261,247 was transferred from accumulated other comprehensive to income regulatory assets in December 2008.

Amounts included in accumulated other comprehensive income as of December 31, 2008, that are expected to be recognized as components of net periodic benefit cost during 2008, are:

	Pension Plan	**Postretirement Plan**
Actuarial loss	$1,049,352	$81,372
Transition obligation	—	78,600

The accumulated benefit obligation for the Pension Plan was $17,610,540 and $20,429,125 at December 31, 2008 and 2007, respectively. The accumulated benefit obligation for the Postretirement Plan was $4,814,998 and $4,757,904 at December 31, 2008 and 2007, respectively.

AMP-Ohio has adjusted the initial unrecognized transition obligation for the Postretirement Plan for the effect of plan amendments. The remaining net unrecognized transition obligation for the Postretirement Plan is being amortized over the remaining transition period (7 years at December 31, 2008).

AMP-Ohio's expected long-term rate of return on plan assets is based on the expected long-term performance of a portfolio with the current asset mix.

The Pension Plan's weighted-average asset allocations by asset category are as follows at December 31:

Asset Category	**2008**	**2007**
Equity securities	19%	32%
Debt securities	42%	30%
Alternative investments	36%	38%
Cash	3%	0%

AMP-Ohio does not expect to make any contributions to the Pension Plan for the year ending December 31, 2009.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Plan	**Postretirement Plan**
2009	2,343,000	595,000
2010	1,277,000	627,000
2011	1,656,000	636,000
2012	1,882,000	647,000
2013	1,662,000	695,000
2014-2018	9,426,000	3,863,000

Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement health care plans. A one-percentage point change in assumed health care cost trend rate would have the following impact on the Postretirement Plan:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$60,050	$(50,680)
Effect on postretirement benefit obligation	538,075	(528,196)

The assumed rate of increase in per capita cost of health care benefits is 12.25% in 2008. This rate is assumed to decrease gradually to 5.25% by 2015 and remain at that rate thereafter.

Ohio Public Employees Retirement System

All full-time permanent employees of MESA participate in the Ohio Public Employees Retirement System ("OPERS"), a statewide cost-sharing multiple-employer defined benefit public pension plan. The Ohio Revised Code provides the statutory authority requiring public employees to fund postretirement health care through their contributions to OPERS. OPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code ("ORC").

The ORC provides statutory authority for employee and employer contributions. The employee contribution rate effective for 2008 and 2007 was 9.0% and 9.5%, respectively. The 2008 and 2007 employer contribution rate was 14.0% and 13.85%, respectively.

The employee contributions to OPERS totaled $659,265 and $668,793, $578,480, for the years ended December 31, 2008, 2007 and 2006, respectively. Employer contributions were $1,025,524, $970,167, $875,521, for the years ended December 31, 2008, 2007, and 2006, respectively.

Post-employment Benefits

OPERS administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit ("OPEB") as described in GASB Statement No.12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The ORC provides statutory authority requiring public employers to fund health care through their contributions to OPERS. The 2008 employer contribution rate was 14.0% of covered payroll; 7.0% of the employer contribution was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. MESA's employer contributions to OPERS totaled $1,025,524 and $970,167 in 2008 and 2007, respectively. Of this amount, approximately $512,762 and $386,471 was used to fund post-employment benefits in 2008 and 2007, respectively.

The Health Care Preservation Plan ("HCPP") adopted by the OPERS Retirement Board on September 9, 2004, is effective January

1, 2007. OPERS took additional actions to improve the solvency of the Heath Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

The Traditional Pension and Combined Plans had 363,979 active contributing participants as of December 31, 2008. The number of active contributing participants for both plans used in the December 31, 2007 actuarial valuation was 374,979.

The amount of $12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2007.

Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2007 reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at $29.8 billion and $17.0 billion, respectively.

The following assumptions are applicable:

Actuarial Review - The assumptions and calculations were based on OPERS' latest actuarial review performed as of December 31, 2007.

Funding Method - The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return - The investment assumption rate for 2007 was 6.50%.

Active Employee Total Payroll - An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 4.00% for the next nine years. In subsequent years, (ten and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to:

OPERS, 277 East Town Street, Columbus, OH 43215-4642.

13. **Power Sales Contracts**

AMP-Ohio's member power sales contracts for Gorsuch Project energy are long-term take-and-pay agreements. Under these agreements, member communities must take, and pay for, contracted power and energy when made available by AMP-Ohio. Accordingly, AMP-Ohio must make available such contracted power and energy from the Gorsuch Project or replacement power over the same period.

AMP-Ohio's member power sales contracts for AMP-Generating Station, PSEC and the hydro project are long-term take or pay agreements, which must be paid regardless of delivery or availability.

14. **Distributive Generation Agreement**

In 1996, AMP-Ohio entered into a 20-year distributive generation agreement with a member. Under the agreement, AMP-Ohio agreed to install six generating units in the member's community directly connected to the member's electric utility system. The member has agreed to pay AMP-Ohio a demand charge per megawatt hour of available capacity commencing from the date the units are installed plus operating expenses. At the end of the term of the agreement, the member has the right, at its option, to acquire the units for AMP-Ohio's remaining book cost plus $1.

The generating units were initially financed by AMP-Ohio with a project note payable. In August 2003, $4,442,444 of the project note was refinanced with a municipal project note from the member. The demand charge received under the distributive generation agreement is applied to the municipal project note from the member.

15. **Emission Allowances**

The Gorsuch Project is required to comply with provisions of the Clean Air Act Amendments of 1990 (the "CAA"). The Environmental Protection Agency ("EPA"), under the CAA, has awarded the Gorsuch Project, as a Phase II plant, 19,494 sulfur dioxide emission allowances per year through 2009 and 19,530 per year for the years 2010 to 2030. The EPA's allocated sulfur dioxide allowances are recorded at zero cost. The Gorsuch Project also purchases sulfur dioxide emission allowances on the open market.

The Gorsuch Project is required to comply with provisions of CAA to reduce nitrogen-oxide emissions. AMP-Ohio was allocated 574 nitrogen-oxide emission allowances in 2005 and 562 nitrogen-oxide emission allowances in both 2006 and 2007 from the EPA. The EPA allocated nitrogen-oxide emission allowances are recorded at zero cost. The Gorsuch Project also purchases nitrogen-oxide emission allowances on the open market.

The USEPA sent a request pursuant to Clean Air Act ("CAA") Section 114 for information regarding historic operations and maintenance at the Richard H. Gorsuch Generating Station ("Gorsuch"). To the extent the USEPA finds probable violations in reviewing records obtained from utilities pursuant to Section 114, enforcement actions for alleged violations of the CAA are sometimes initiated. AMP-Ohio made its first response to the USEPA Section 114 request on July 28, 2008. AMP-Ohio subsequently submitted additional information on September 12, 2008 and a final submission on October 24, 2008. On February 9, 2009, USEPA requested additional information regarding two Gorsuch projects: 1981-1986 (Boiler Replacement Project), a period before AMP-Ohio acquired an interest in Gorsuch, and 1988-1991 (Station Improvement Uprate Program). AMP-Ohio is currently searching for responsive documents.

16. **Commitments and Contingencies**

Environmental Matters

The Organization 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.

Clean Air Act

The United States EPA ("USEPA") has determined that Ohio and several other states contribute significantly to nonattainment, or interfere with maintenance, of NAAQS for fine particulates and eight-hour ozone in downwind states, EPA promulgated the Clean Air Interstate Rule ("CAIR") to further control nitrogen oxide and sulfur dioxide emission from electric utility boilers. Phase I nitrogen oxide reductions will begin in 2009. Phase I sulfur dioxide reductions will begin in 2010. Phase II reductions for both nitrogen oxide and sulfur dioxide begin in 2015.

CAIR mandates a 50% reduction in the sulfur dioxide cap in 2010, effectively reducing the Gorsuch baseline allocation from 19,500 to 9,750. At 2015, the cap is further reduced by another 30%, leaving the Gorsuch Project with an effective baseline allocation of 6,825.

Nitrogen oxide allowances will be distributed to Ohio and allocated to existing sources based on the highest year of heat input during 1999-2002. Phase I nitrogen oxide allowances in 2009 will be calculated on a 0.15 lbs/mm Btu basis. The allocation factor is further reduced to 0.125 lbs/mm Btu in 2015.

On July 11, 2008, the D.C. Circuit Court of Appeals vacated CAIR. However, upon petition by USEPA, the Court of Appeals reversed its decision and remanded CAIR to USEPA without vactur. As such, CAIR will become effective for nitrogen oxide in 2009, as set forth in the paragraphs above. However, CAIR will only remain effective until such time that USEPA reissues a modified CAIR (or a replacement regulatory program). Thus, the lifespan of CAIR and the allowance trading program is not known at this time.

Mercury Emissions

In December 2000, the EPA issued a determination that coal and oil-fired electric generating units should be regulated for emission of mercury. The EPA issued final Clean Air Mercury Rules ("CAMR") in May 2005, establishing a cap and trade program that will take effect in 2009. The Phase I cap of 38 tons per year becomes effective in 2010, and a second phase cap of 15 tons per year is effective beginning in 2018. On February 7, 2008, a federal court vacated the CAMR. This decision has been appealed and pending in the U.S. Supreme Court.

Since litigation is on-going, the outcome is unknown to date. However, if the D.C. Circuit Court of Appeal's decision is upheld, CAMR will not be effective. Instead of CAMR, utility sources, like Gorsuch, will be subject to a CAA Section 112 Maximum Achievable Control Technology (MACT) standard for mercury and potentially other hazardous air pollutants ("HAPs"). MACT requires USEPA to set a standard to control mercury and potentially other HAPs at the level equivalent to the top twelve percent of operating sources in the utility category. If USEPA does not timely set a standard (within eighteen months of the Court's vacatur), Gorsuch will need to prepare a facility-specific case-by-case MACT that, likewise, requires an analysis of the top twelve percent of operating sources in the utility category.

Clean Water Act

Under court order pursuant to Section 316(b) of the Clean Water Act, the EPA issued regulations for cooling water intake structures applicable to the Gorsuch Project. The EPA's implementation schedule calls for imposing the Section 316(b) Best Available Technology ("BAT") requirements at the time of National Pollutant Discharge Elimination System ("NPDES") permit renewal. Gorsuch Project's NPDES permit does not expire until 2008. The Gorsuch Project performed ecosystem studies to determine its impact on aquatic wildlife. If new BAT requirements are implemented, it is possible that the cooling water intake structure may require an upgrade; the cost of which is unknown at this time.

Fly Ash Disposal

Gorsuch Station does not use fly ash disposal methods similar to the TVA Kinston Plant. However, the accident at Kingston has prompted increased regulatory scrutiny of fly ash disposal operations at all utility plants. AMP-Ohio believes it is compliant with all fly ash handling and disposal regulations. However increased scrutiny could result in additional regulatory requirements that are not possible to quantify at this time.

Other Regulatory Matters

Most metropolitan and industrialized counties in Ohio are non-attainment areas under the new ozone and fine particulate matter ambient air quality standards. This will require substantial local reduction of nitrogen oxides, volatile organic compounds, sulfur dioxide and particulate matter. In addition to emissions reductions required to achieve compliance in down-wind neighboring states, the site of the Gorsuch Project is a non-attainment area for ozone and fine particulate matter. The impact on the Gorsuch Project is uncertain at this time.

Washington County (Marietta - Parkersburg) may also become a non-attainment area under recently revised ambient air quality standards for lead. Ohio EPA, in a letter dated January 2009, notified AMP-Ohio of its concern about lead emissions from its Gorsuch Station. AMP-Ohio has responded to this letter and believed the concern is unfounded.

Pursuant to Section 114 (a) of the CAA, AMP-Ohio received a request from the USEPA to provide certain emissions information and emissions dispersion characteristics associated with the Gorsuch Project. Based on our discussions with USEPA staff, the Agency is attempting to determine the source(s) of higher than normal toxic metal deposition in the Marietta area. AMP-Ohio is cooperating fully with the USEPA's investigation.

AMPGS

AMP-Ohio is currently developing a twin unit, supercritical boiler, coal-fired, steam and electric generating facility having an aggregate net rated electric generating capacity of approximately 960 MW, to be known as the American Municipal Power Generating Station ("AMPGS") in Meigs County, in southeastern Ohio on the Ohio River. AMP-Ohio has options on the proposed site for AMPGS. AMP-Ohio issued a limited notice to proceed in January 2009 to Bechtel Power Corporation, which was selected as the engineer, procure, construct contractor for the AMPGS. AMP-Ohio Members have subscribed for more than 750 MW of capacity from AMPGS, sufficient for the power sales contract relating to AMPGS to become effective.

AMP-Ohio has received an air permit from the Ohio Environmental Protection Agency for AMPGS. That permit was appealed to the Ohio Environmental Review Appeals Commission in two separate appeals. One appeal was dismissed. The other, brought by a coalition of environmental groups, is scheduled for a hearing in August 2009. The permit is now considered final, but remains subject to appeal through the Ohio appeals process. In addition, the Ohio Power Sitting Board has issued, respectively, Certificates of Generation and Transmission and of Environmental Compatibility and Public Need for AMPGS. The appeal period has expired and such certificates are now final.

Other Purchase Commitments

AMP-Ohio'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 SFAS 133. All such purchases are "covered" by corresponding power sales arrangements either with individual members or one of AMP-Ohio's power pools.

Energy purchase commitments at December 31, 2008, are as follows:

2009	$479,723,610
2010	467,936,902
2011	389,167,228
2012	266,259,499
2013	252,017,200
2014-2018	154,572,198
	$2 ,009,676,637

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

AMP-Ohio has entered into multiple agreements with coal suppliers to meet the coal requirements of the Gorsuch Project. The terms of these contracts extend through December 31, 2008. Under the terms of these contracts, AMP-Ohio has a commitment to purchase a set amount of coal at a fixed price. If AMP-Ohio or the supplier is unable to take or deliver the coal, adjustments are to be made in the fixed price to pay the other party the difference between market price and the fixed purchase price. AMP-Ohio has committed to purchase $38,008,500 of coal through the year ended December 31, 2009.

Other Commitments

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

On November 14, 2002, AMP-Ohio entered into a 20 year lease for the land where the OMEGA JV6 Wind Turbine Project is located. The term of the lease allows for annual renewals if the project is commercially operable. The lease requires annual payments of $1,000 per wind turbine unit. AMP-Ohio has assigned this lease to OMEGA JV6.

Transmission revenue of OMEGA JV4 in 2008 and 2007 was derived primarily from sales to two municipalities; 67% and 69%, respectively, from a nonparticipant and 32% and 30%, respectively, from a Participant. The contract with the participant can be cancelled on October 31, 2007 upon written notice six months prior to cancellation. As of December 31, 2008, no notice of cancellation had been received. A decision by the nonparticipant to purchase transmission service from a different provider would cause a significant decline in OMEGA JV4's transmission revenue and possibly impair the carrying value of the transmission line if replacement sales could not be found.

OMEGA JV5 has agreed to make certain payments in lieu of taxes to Wood County, West Virginia. The payments in lieu of taxes will be approximately $840,000 annually until the later of September 1, 2028 or until such time as the Project ceases commercial operations.

17. **Subsequent Events**

On March 31, 2009, AMP-Ohio issued $166,565,000 of Prairie State Energy Campus Project Revenue Bonds, Series 2009A. The bonds were issued to pay the principal and interest on AMP-Ohio's Prairie State Bond Anticipation Notes, Series 2008, fund the capitalized interest and pay the cost of issuance for the Series 2009A bonds, and fund a deposit to the Parity Common Reserve Account. The bonds were issues with interest rates varying 4.00% to 5.75% and with maturities of February 15, 2017 through February 15, 2039.

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

Report of Independent Auditors on Accompanying Information

To the Board of Trustees and Members of American Municipal Power-Ohio, Inc.; and the Board of Participants and Members of Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6, and Municipal Energy Services Agency:

The report on our audits of the combined financial statements of American Municipal Power-Ohio, Inc., Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6, and Municipal Energy Services Agency (collectively, the "Organization") at December 31, 2008 and 2007 and for the years then ended appears on page one of this document. Those audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information is presented for the purposes of additional analysis of the combined financial statements rather than to present the financial position, results operations and cash flows of the individual entities. We did not audit the financial statements of the OMEGA Joint Ventures and MESA, related parties to American Municipal Power-Ohio, Inc., at December 31, 2008 and 2007 for the years then ended, which statements reflect total assets of $222,551,886 and $223,316,497 as of December 31, 2008 and 2007, respectively and total revenues of $39,945,801 and $38,884,472 for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the OMEGA Joint Ventures and MESA, is based solely on the report of the other auditors. However, the combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects, in relation to the combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

April 15, 2009

		Ohio Municipal Electric Generation Agency							
Assets	AMP-Ohio	JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Utility plant									
Electric plant in service	$108,512,685	$586,663	$58,723,083	$2,640,938	$186,720,695	$10,013,845	$ —	$ —	$367,197,909
Accumulated depreciation	(74,847,536)	(269,027)	(23,369,588)	(972,965)	(45,363,139)	(1,452,600)	—	—	(146,274,855)
Total utility plant	33,665,149	317,636	35,353,495	1,667,973	141,357,556	8,561,245	—	—	220,923,054
Nonutility property and equipment									
Nonutility property and equipment	16,340,156	—	—	—	—	—	517,806	—	16,857,962
Accumulated depreciation	(5,320,044)	—	—	—	—	—	(335,481)	—	(5,655,525)
Total nonutility plant	11,020,112	—	—	—	—	—	182,325	—	11,202,437
Construction work-in-progress	450,070,916	—	—	—	—	—	—	—	450,070,916
Coal reserves	26,612,000	—	—	—	—	—	—	—	26,612,000
Trustee funds and other assets									
Trustee funds	501,175,049	—	—	—	—	—	—	—	501,175,049
Long-term financing receivable members	46,503,488	—	—	—	—	—	—	—	46,503,488
Investments	4,573,013	—	—	—	—	—	—	—	4,573,013
Regulatory assets	30,527,177	58,300	1,052,685	—	—	208,106	—	—	31,846,268
Prepaid power purchase asset	173,201,258	—	—	—	—	—	—	—	173,201,258
Prepaid pension costs	11,267,509	—	—	—	—	—	—	—	11,267,509
Intangible and other assets	13,303,546	—	—	—	2,481,375	—	—	—	15,784,921
Total trustee funds and other assets	780,551,040	58,300	1,052,685	—	2,481,375	208,106	—	—	784,351,506
Current assets									
Cash and cash equivalents	129,997,882	160,806	2,088,007	527,304	5,693,461	931,365	6,137,026	—	145,535,851
Cash and cash equivalents - restricted	5,981,425	—	313,927	—	—	—	—	—	6,295,352
Investments	11,191,472	—	—	—	—	—	—	—	11,191,472
Trustee funds	155,007,208	—	531,954	—	10,692,621	74,680	—	—	166,306,463
Accounts receivable	60,526,419	8,465	163,459	22,500	1,204,210	200,580	660,691	—	62,786,324
Amount due from (to) AMP-Ohio, Inc.	—	(100)	(4,134)	(1)	(6,764)	96	767,053	(756,150)	—
Amount due from (to) MESA	(767,053)	(4,047)	(43,468)	(2,372)	(100,266)	(12,218)	—	929,424	—
Amount due from (to) OMEGA JV1	100	—	—	—	—	—	4,047	(4,147)	—
Amount due from (to) OMEGA JV2	4,134	—	—	—	—	—	43,468	(47,602)	—
Amount due from (to) OMEGA JV4	1	—	—	—	—	—	2,372	(2,373)	—
Amount due from (to) OMEGA JV5	6,764	—	—	—	—	—	100,266	(107,030)	—
Amount due from (to) OMEGA JV6	(96)	—	—	—	—	—	12,218	(12,122)	—
Amount due from (to) OMEA	(9,192)	—	—	—	—	—	28,487	—	19,295
Amount due from (to) OPPEI	13,782	—	—	—	—	—	10,985	—	24,767
Financing receivable - members	35,897,372	—	—	—	—	—	—	—	35,897,372
Other receivables	—	—	—	—	—	—	—	—	—
Emission allowances	12,682,111	—	700	—	—	—	—	—	12,682,811
Inventories	2,292,790	43,541	473,795	—	134,608	—	—	—	2,944,734
Regulatory assets - current	15,101,523	—	—	—	—	—	—	—	15,101,523
Prepaid power purchase asset - current	57,681,076	—	—	—	—	—	—	—	57,681,076
Prepaid expenses and other assets	648,861	5,000	91,065	2,925	209,758	18,092	125,028	—	1,100,729
Total current assets	486,256,579	213,665	3,615,305	550,356	17,827,628	1,212,595	7,891,641	—	517,567,769
Total assets	$1,788,175,796	$589,601	$40,021,485	$2,218,329	$161,666,559	$9,981,946	$8,073,966	$ —	$2,010,727,682

Equities and Liabilities	AMP-Ohio	Ohio Municipal Electric Generation Agency JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Member and patron equities									
Contributed capital	$770,296	$582,452	$58,770,598	$1,882,838	$200,000	$9,105,841	$ —	$ —	$71,312,025
Patronage capital	43,111,321	—	—	—	—	—	—	—	43,111,321
Accumulated net margin	—	(104,971)	(21,868,236)	324,561	5,954,117	(288,936)	—	—	(15,983,465)
Total member and patron equities	43,881,617	477,481	36,902,362	2,207,399	6,154,117	8,816,905	—	—	98,439,881
Long-term debt									
Term debt	1,202,197,316	—	—	—	121,109,150	—	—	—	1,323,306,466
Term debt on behalf of members	55,298,000	—	—	—	—	—	—	—	55,298,000
Line of credit and commercial paper	205,704,993	—	—	—	—	—	—	—	205,704,993
Total long-term debt	1,463,200,309	—	—	—	121,109,150	—	—	—	1,584,309,459
Current liabilities									
Accounts payable	55,706,160	961	159,662	—	814,473	909	1,361,571	—	58,043,736
Accrued salary and related benefits	1,139,735	—	—	—	—	—	1,310,829	—	2,450,564
Accrued pension and postretirement benefits	595,000	—	—	—	—	—	—	—	595,000
Accrued interest	30,601,686	—	—	—	1,760,827	—	—	—	32,362,513
Term debt - current	82,554,750	—	—	—	4,475,000	—	—	—	87,029,750
Term debt on behalf of members - current	40,131,150	—	—	—	—	—	—	—	40,131,150
Regulatory liability - current	2,592,780	—	—	—	134,608	—	—	—	2,727,388
Margin funds on deposit	19,800,000	—	—	—	—	—	—	—	19,800,000
Other liabilities	9,692,593	7,622	48,751	10,930	1,881,141	12,033	4,136,273	—	15,789,343
Total current liabilities	242,813,854	8,583	208,413	10,930	9,066,049	12,942	6,808,673	—	258,929,444
Other noncurrent liabilities									
Accrued pension and postretirement benefits	4,219,998	—	—	—	—	—	—	—	4,219,998
Asset retirement obligations	6,884,801	103,537	2,596,783	—	—	1,152,099	—	—	10,737,220
Other long-term liabilities	—	—	—	—	67,505	—	1,265,293	—	1,332,798
Regulatory liability	27,175,217	—	313,927	—	25,269,738	—	—	—	52,758,882
Total other noncurrent liabilities	38,280,016	103,537	2,910,710	—	25,337,243	1,152,099	1,265,293	—	69,048,898
Commitments and contingencies									
Total liabilities	1,744,294,179	112,120	3,119,123	10,930	155,512,442	1,165,041	8,073,966	—	1,912,287,801
Total equities and liabilities	$1,788,175,796	$589,601	$40,021,485	$2,218,329	$161,666,559	$9,981,946	$8,073,966	$ —	$2,010,727,682

Assets	AMP-Ohio	Ohio Municipal Electric Generation Agency JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Utility plant									
Electric plant in service	$106,120,404	$579,707	$58,194,419	$2,640,938	$186,720,695	$9,581,813	$ —	$ —	$363,837,976
Accumulated depreciation	(68,647,311)	(246,395)	(20,455,586)	(874,690)	(40,700,520)	(1,132,413)	—	—	(132,056,915)
Total utility plant	37,473,093	333,312	37,738,833	1,766,248	146,020,175	8,449,400	—	—	231,781,061
Nonutility property and equipment									
Nonutility property and equipment	8,488,500	—	—	—	—	—	317,594	—	8,806,094
Accumulated depreciation	(4,923,001)	—	—	—	—	—	(231,543)	—	(5,154,544)
Total nonutility plant	3,565,499	—	—	—	—	—	86,051	—	3,651,550
Construction work-in-progress	144,495,149								144,495,149
Coal reserves	26,612,000								26,612,000
Trustee funds and other assets									
Trustee funds	5,609,507	—	—	—	—	—	—	—	5,609,507
Long-term financing receivable—members	49,992,033	—	—	—	—	—	—	—	49,992,033
Regulatory assets	10,560,049	53,268	872,199	—	—	153,258	—	—	11,638,774
Prepaid power purchase asset	230,882,334	—	—	—	—	—	—	—	230,882,334
Prepaid pension costs	18,698,617	—	—	—	—	—	—	—	18,698,617
Intangible and other assets	3,192,844	—	—	—	2,962,537	—	—	—	6,155,381
Total trustee funds and other assets	318,935,384	53,268	872,199	—	2,962,537	153,258	—	—	322,976,646
Current assets									
Cash and cash equivalents	88,646,642	261,116	1,743,310	570,823	5,629,578	713,713	754,888	—	98,320,070
Cash and cash equivalents—restricted	13,121,282	—	299,282	—	—	—	—	—	13,420,564
Investments	12,350,469	—	—	—	—	—	—	—	12,350,469
Trustee funds	26,757,496	—	516,916	—	10,613,487	66,591	—	—	37,954,490
Accounts receivable	50,710,299	17,158	182,740	22,500	1,020,073	116,640	805,025	—	52,874,435
Amount due from (to) AMP-Ohio, Inc.	—	(143)	(12,065)	(90)	(26,169)	—	638,504	(600,037)	—
Amount due from (to) MESA	(638,504)	(2,680)	(27,795)	(1,759)	(65,014)	(4,054)	—	739,806	—
Amount due from (to) OMEGA JV1	143	—	—	—	—	—	2,680	(2,823)	—
Amount due from (to) OMEGA JV2	12,065	—	—	—	—	—	27,795	(39,860)	—
Amount due from (to) OMEGA JV4	90	—	—	—	—	—	1,759	(1,849)	—
Amount due from (to) OMEGA JV5	26,169	—	—	—	—	—	65,014	(91,183)	—
Amount due from (to) OMEGA JV6	—	—	—	—	—	—	4,054	(4,054)	—
Amount due from (to) OMEA	(7,558)	—	—	—	—	—	25,659	—	18,101
Amount due from (to) OPPEI	1,103	—	—	—	—	—	5,262	—	6,365
Financing receivable—members	44,888,983	—	—	—	—	—	—	—	44,888,983
Emission allowances	6,924,949	—	700	—	—	—	—	—	6,925,649
Inventories	2,380,718	32,643	327,494	—	122,765	—	—	—	2,863,620
Regulatory assets - current	5,423,191	—	—	—	—	—	—	—	5,423,191
Prepaid power purchase asset - current	57,839,106	—	—	—	—	—	—	—	57,839,106
Prepaid expenses and other assets	733,163	5,582	93,318	2,492	219,175	20,283	91,966	—	1,165,979
Total current assets	309,169,806	313,676	3,123,900	593,966	17,513,895	913,173	2,422,606	—	334,051,022
Total assets	$840,250,931	$700,256	$41,734,932	$2,360,214	$166,496,607	$9,515,831	$2,508,657	$ —	$1,063,567,428

		Ohio Municipal Electric Generation Agency							
Equities and Liabilities	AMP-Ohio	JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Member and patron equities									
Contributed capital	$746,556	$582,452	$58,770,598	$1,882,838	$200,000	$9,100,084	$ —	$ —	$ 71,282,528
Patronage capital	34,998,541	—	—	—	—	—	—	—	34,998,541
Accumulated net (deficit) margin	—	15,594	(19,420,326)	466,305	5,774,697	(281,796)	—	—	(13,445,526)
Accumulated other comprehensive loss	(8,261,247)	—	—	—	—	—	—	—	(8,261,247)
Total member and patron equities	27,483,850	598,046	39,350,272	2,349,143	5,974,697	8,818,288	—	—	84,574,296
Long-term debt									
Term debt	357,395,449	—	—	—	125,060,147	—	—	—	482,455,596
Term debt on behalf of members	58,933,000	—	—	—	—	—	—	—	58,933,000
Revolving credit loan	173,328,000	—	—	—	—	—	—	—	173,328,000
Total long-term debt	589,656,449	—	—	—	125,060,147	—	—	—	714,716,596
Current liabilities									
Accounts payable	40,876,277	509	38,183	176	733,276	—	225,983	—	41,874,404
Accrued salary and related benefits	1,110,778	—	—	—	—	—	1,129,129	—	2,239,907
Accrued pension and postretirement benefits	365,000	—	—	—	—	—	—	—	365,000
Accrued interest	8,512,603	—	—	—	1,797,741	—	—	—	10,310,344
Term debt—current	24,982,550	—	—	—	4,375,000	—	—	—	29,357,550
Term debt on behalf of members—current	48,851,400	—	—	—	—	—	—	—	48,851,400
Regulatory liability—current	7,431,361	—	—	—	122,765	—	—	—	7,554,126
Margin funds on deposit	57,800,000	—	—	—	—	—	—	—	57,800,000
Other liabilities	6,270,291	7,391	47,271	10,895	1,955,675	11,845	10,725	—	8,314,093
Total current liabilities	196,200,260	7,900	85,454	11,071	8,984,457	11,845	1,365,837	—	206,666,824
Other noncurrent liabilities									
Accrued pension and postretirement benefits	4,392,904	—	—	—	—	—	—	—	4,392,904
Asset retirement obligations	4,932,820	94,310	1,999,924	—	—	685,698	—	—	7,712,752
Other long-term liabilities	—	—	—	—	76,785	—	1,142,820	—	1,219,605
Regulatory liability	17,584,648	—	299,282	—	26,400,521	—	—	—	44,284,451
Total other noncurrent liabilities	26,910,372	94,310	2,299,206	—	26,477,306	685,698	1,142,820	—	57,609,712
Commitments and contingencies (Note 16)									
Total liabilities	812,767,081	102,210	2,384,660	11,071	160,521,910	697,543	2,508,657	—	978,993,132
Total equities and liabilities	$840,250,931	$700,256	$41,734,932	$2,360,214	$166,496,607	$9,515,831	$2,508,657	$ —	$1,063,567,428

		Ohio Municipal Electric Generation Agency							
	AMP-Ohio	JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Revenues									
Electric revenue	$581,377,237	$142,657	$1,996,709	$270,000	$22,726,568	$492,032	$ —	$(9,612,161)	$597,393,042
Service fees	5,934,333	—	—	—	—	—	—	—	5,934,333
Programs and other	9,146,035	—	—	—	—	—	14,317,835	(10,799,146)	12,664,724
Total revenues	596,457,605	142,657	1,996,709	270,000	22,726,568	492,032	14,317,835	(20,411,307)	615,992,099
Operating Expenses									
Purchased electric power	484,944,197	—	—	—	8,911,020	—	—	(9,559,020)	484,296,197
Production	20,188,885	42,132	635,353	13,276	858,342	87,726	—	—	21,825,714
Fuel	48,079,377	2,257	258,825	—	53,141	—	—	(53,141)	48,340,459
Depreciation and amortization	6,649,312	22,632	2,914,003	98,275	4,662,619	320,186	103,939	—	14,770,966
Administrative and general	6,429,708	81,501	749,299	39,479	1,350,784	112,021	10,923,350	(10,799,146)	8,886,996
Interest expense	16,906,420	2,271	93,737	—	5,713,012	34,370	—	—	22,749,810
Property and real estate taxes	1,063,714	—	—	—	839,975	—	—	—	1,903,689
Programs and other	8,596,145	(1,280)	(143,839)	14,399	423,683	(35,371)	3,308,860	—	12,162,597
Total operating expenses	592,857,758	149,513	4,507,378	165,429	22,812,576	518,932	14,336,149	(20,411,307)	614,936,428
Operating margin (loss)	3,599,847	(6,856)	(2,510,669)	104,571	(86,008)	(26,900)	(18,314)	—	1,055,671
Nonoperating Revenues and Expenses									
Interest income	2,309,886	3,841	62,759	12,201	265,428	19,760	18,314	—	2,692,189
Other, net	2,203,047	—	—	—	—	—	—	—	2,203,047
Total nonoperating revenues and expenses	4,512,933	3,841	62,759	12,201	265,428	19,760	18,314	—	4,895,236
Net margin (loss)	$8,112,780	$(3,015)	$(2,447,910)	$116,772	$179,420	$(7,140)	$ —	$ —	$5,950,907

		Ohio Municipal Electric Generation Agency							
	AMP-Ohio	JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Revenues									
Electric revenue	$527,620,743	$165,849	$2,169,304	$270,000	$23,405,171	$472,458	$ —	$(10,255,339)	$543,848,186
Service fees	5,594,034	—	—	—	—	—	—	—	5,594,034
Programs and other	8,253,207	—	—	—	—	—	12,401,690	(8,756,563)	11,898,334
Total revenues	541,467,984	165,849	2,169,304	270,000	23,405,171	472,458	12,401,690	(19,011,902)	561,340,554
Operating Expenses									
Purchased electric power	449,114,126	—	—	—	9,479,955	—	—	(10,127,955)	448,466,126
Production	21,246,663	20,787	707,179	19,951	957,083	70,889	—	—	23,022,552
Fuel	41,751,285	25,449	431,420	—	127,384	—	—	(127,384)	42,208,154
Depreciation and amortization	6,301,072	18,368	2,879,762	98,426	4,662,619	316,159	55,049	—	14,331,455
Administrative and general	5,224,342	102,413	767,814	47,576	1,361,100	99,674	10,111,925	(8,756,563)	8,958,281
Interest expense	10,115,661	3,219	75,462	—	5,782,675	28,592	—	—	16,005,609
Property and real estate taxes	950,168	—	—	—	839,975	—	—	—	1,790,143
Programs and other	6,333,315	(2,569)	(49,407)	18,898	343,634	(33,239)	2,269,413	—	8,880,045
Total operating expenses	541,036,632	167,667	4,812,230	184,851	23,554,425	482,075	12,436,387	(19,011,902)	563,662,365
Operating margin (loss)	431,352	(1,818)	(2,642,926)	85,149	(149,254)	(9,617)	(34,697)	—	(2,321,811)
Nonoperating Revenues and Expenses									
Interest income	1,303,878	13,045	97,394	28,581	539,807	30,044	34,697	—	2,047,446
Other, net	758,247	—	—	—	38,339	—	—	—	796,586
Total nonoperating revenues and expenses	2,062,125	13,045	97,394	28,581	578,146	30,044	34,697	—	2,844,032
Net margin (loss)	$2,493,477	$11,227	$(2,545,532)	$113,730	$428,892	$20,427	$ —	$ —	$522,221

		Ohio Municipal Electric Generation Agency							
	AMP-Ohio	JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Cash flows from operating activities									
Net margin(loss)	$8,112,780	$(3,015)	$(2,447,910)	$116,772	$179,420	$(7,140)	$ —	$ —	$5,950,907
Adjustments to reconcile net margin(loss) to net cash provided by operating activities									
Depreciation and amortization	6,649,312	22,632	2,914,003	98,275	4,662,619	320,186	103,939	—	14,770,966
Amortization of deferred financing costs	901,357	—	—	—	481,162	—	—	—	1,382,519
Amortization of premium and discount on term debt	(1,889,432)	—	—	—	524,003	—	—	—	(1,365,429)
Accretion of interest on asset retirement obligations	196,797	2,271	93,737	—	—	34,370	—	—	327,175
Unrealized loss on investments	997,094	—	—	—	—	—	—	—	997,094
Changes in assets and liabilities									
Investments	161,903	—	—	—	—	—	—	—	161,903
Accounts receivable	(9,816,120)	8,693	19,281	—	(184,137)	(83,940)	144,334	—	(9,911,889)
Amount due to/from AMP-Ohio, Inc.	—	(43)	(7,931)	(89)	(19,405)	(96)	(128,549)	156,113	—
Amount due to/from MESA	128,549	1,367	15,673	613	35,252	8,164	—	(189,618)	—
Amount due to/from OMEGA JV1	43	—	—	—	—	—	(1,367)	1,324	—
Amount due to/from OMEGA JV2	7,931	—	—	—	—	—	(15,673)	7,742	—
Amount due to/from OMEGA JV4	89	—	—	—	—	—	(613)	524	—
Amount due to/from OMEGA JV5	19,405	—	—	—	—	—	(35,252)	15,847	—
Amount due to/from OMEGA JV6	96	—	—	—	—	—	(8,164)	8,068	—
Amount due to/from OMEA	1,634	—	—	—	—	—	(2,828)	—	(1,194)
Amount due to/from OPPEI	(12,679)	—	—	—	—	—	(5,723)	—	(18,402)
Other receivables	—	—	—	—	—	—	—	—	—
Emission allowances	(5,757,162)	—	—	—	—	—	—	—	(5,757,162)
Inventories	87,928	(10,898)	(146,301)	—	(11,843)	—	—	—	(81,114)
Prepaid expenses and other assets	84,302	582	2,253	(433)	9,417	2,191	(33,062)	—	65,250
Regulatory assets and liabilities, net	(9,487,480)	(5,032)	(165,841)	—	(1,118,940)	(54,848)	—	—	(10,832,141)
Accounts payable	13,302,673	452	121,479	(176)	81,197	909	1,135,588	—	14,642,122
Prepaid power purchase asset	57,839,106	—	—	—	—	—	—	—	57,839,106
Margin deposits	(38,000,000)	—	—	—	—	—	—	—	(38,000,000)
Accrued salary and related benefits	28,957	—	—	—	—	—	304,173	—	333,130
Accrued pension and postretirement benefits	343,457	—	—	—	—	—	—	—	343,457
Accrued interest	22,089,083	—	—	—	(36,914)	—	—	—	22,052,169
Other liabilities	3,422,302	231	1,480	35	(8,019)	188	4,125,548	—	7,541,765
Net cash provided by operating activities	49,411,925	17,240	399,923	214,997	4,593,812	219,984	5,582,351	—	60,440,232

	AMP-Ohio	Ohio Municipal Electric Generation Agency JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Cash flows from investing activities									
Purchase of utility plant	(637,097)	—	(25,543)	—	—	—	—	—	(662,640)
Purchase of nonutility property & equipment	(7,903,700)	—	—	—	—	—	(200,213)	—	(8,103,913)
Purchases of trustee funds' investments	(2,008,001,931)	—	(860,919)	—	(10,692,621)	(82,769)	—	—	(2,019,638,240)
Proceeds from sale of trustee funds' investments	1,379,613,664	—	845,881	—	10,613,487	74,680	—	—	1,391,147,712
Purchase of construction work-in-progress	(304,048,557)	—	—	—	—	—	—	—	(304,048,557)
Change in restricted cash and cash equivalents	7,139,857	—	(14,645)	—	—	—	—	—	7,125,212
Net cash used in investing activities	(933,837,764)	—	(55,226)	—	(79,134)	(8,089)	(200,213)	—	(934,180,426)
Cash flows from financing activities									
Proceeds from revolving credit loan and commercial paper program	1,599,596,000	—	—	—	—	—	—	—	1,599,596,000
Payments on revolving credit loan and commercial paper program	(1,567,219,007)	—	—	—	—	—	—	—	(1,567,219,007)
Principal payments on term debt	(77,588,454)	—	—	—	(4,375,000)	—	—	—	(81,963,454)
Proceeds from issuance of term debt	981,851,953	—	—	—	—	—	—	—	981,851,953
Cost of issuance from term debt	(11,012,059)	—	—	—	—	—	—	—	(11,012,059)
Principal payments on term debt on behalf of members	(48,851,400)	—	—	—	—	—	—	—	(48,851,400)
Proceeds from issuance of term debt on behalf of members	36,496,150	—	—	—	—	—	—	—	36,496,150
Proceeds from financing receivable - members	44,883,983	—	—	—	—	—	—	—	44,883,983
Funding of financing receivable - members	(32,403,827)	—	—	—	—	—	—	—	(32,403,827)
Proceeds from debt service to be refunded to members	—	—	—	—	1,517,669	—	—	—	1,517,669
Payment of debt service refunded to members	—	—	—	—	(1,593,464)	—	—	—	(1,593,464)
Capital contributions	23,740	—	—	—	—	5,757	—	—	29,497
Payments of disbursements to participants	—	(117,550)	—	(258,516)	—	—	—	—	(376,066)
Net cash provided by (used in) financing activities	925,777,079	(117,550)	—	(258,516)	(4,450,795)	5,757	—	—	920,955,975
Net change in cash and cash equivalents	41,351,240	(100,310)	344,697	(43,519)	63,883	217,652	5,382,138	—	47,215,781
Cash and cash equivalents, beginning of year	88,646,642	261,116	1,743,310	570,823	5,629,578	713,713	754,888	—	98,320,070
Cash and cash equivalents, end of year	$129,997,882	$160,806	$2,088,007	$527,304	$5,693,461	$931,365	$6,137,026	$ —	$145,535,851
Supplemental disclosure of cash information									
Cash paid during the year for interest, net of amount capitalized	$17,686,736	$ —	$ —	$ —	$5,851,374	$ —	$ —	$ —	$23,538,110
Noncash investing and financing activities									
Revisions to estimated cash flow for asset retirement obligations	1,755,184	6,956	503,122	—	—	432,031	—	—	2,697,293
Capital expenditures included in accounts payable	2,913,344	—	—	—	—	—	—	—	2,913,344

	AMP-Ohio	Ohio Municipal Electric Generation Agency JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Cash flows from operating activities									
Net margin(loss)	$2,493,477	$11,227	$(2,545,532)	$113,730	$428,892	$20,427	$ —	$ —	$522,221
Adjustments to reconcile net margin to net cash provided by operating activities									
Depreciation and amortization	6,301,072	18,368	2,879,762	98,426	4,662,619	316,159	55,049	—	14,331,455
Amortization of premium and discount on term debt	(574,123)	—	—	—	476,424	—	—	—	(97,699)
Amortization of deferred financing costs	531,717	—	—	—	501,564	—	—	—	1,033,281
Accretion of interest on asset retirement obligations	170,868	3,219	75,462	—	—	28,592	—	—	278,141
Unrealized gain on investments	(584,030)	—	—	—	(25,841)	—	—	—	(609,871)
Changes in assets and liabilities									
Investments	(10,526,972)	—	—	—	—	—	—	—	(10,526,972)
Accounts receivable	(2,665,046)	(9,278)	118,639	—	(138,934)	97,606	6,983	—	(2,590,030)
Amount due to/from AMP-Ohio, Inc.	—	11,753	89,947	(1)	205,219	—	(121,486)	(185,432)	—
Amount due to/from MESA	640,486	(3,215)	(8,192)	(235)	(2,166)	(362)	—	(626,316)	—
Amount due to/from OMEGA JV1	(11,753)	—	—	—	—	—	3,215	8,538	—
Amount due to/from OMEGA JV2	(89,947)	—	—	—	—	—	8,192	81,755	—
Amount due to/from OMEGA JV4	1	—	—	—	—	—	235	(236)	—
Amount due to/from OMEGA JV5	(205,219)	—	—	—	—	—	2,166	203,053	—
Amount due to/from OMEGA JV6	—	—	—	—	—	—	362	(362)	—
Amount due to/from OMEA	7,558	—	—	—	—	—	(10,131)	—	(2,573)
Amount due to/from OPPEI	(1,103)	—	—	—	—	—	(5,262)	—	(6,365)
Other receivables	—	—	—	—	—	—	—	—	—
Emission allowances	2,554,043	—	—	—	—	—	—	—	2,554,043
Inventories	1,803,712	2,645	32,217	—	(1,339)	—	—	—	1,837,235
Prepaid expenses and other assets	1,301,565	(190)	(1,135)	—	(2,586)	87	(83,966)	—	1,213,775
Regulatory assets and liabilities, net	(11,937,596)	(4,351)	(111,254)	—	(1,173,282)	(45,042)	—	—	(13,271,525)
Accounts payable	(478,660)	(2,325)	(4,100)	(34,339)	91,800	—	(1,458)	—	(429,082)
Prepaid power purchase asset	(288,721,440)	—	—	—	—	—	—	—	(288,721,440)
Margin deposits	57,800,000	—	—	—	—	—	—	—	57,800,000
Accrued salary and related benefits	87,129	—	—	—	—	—	53,620	—	140,749
Accrued pension and postretirement benefits	(21,898,512)	—	—	—	—	—	—	—	(21,898,512)
Accrued interest	5,969,491	—	—	—	(32,137)	—	—	—	5,937,354
Other liabilities	(3,231,994)	(483)	(47)	(585)	(131,976)	(437)	167,262	—	(3,198,260)
Net cash (used in) provided by operating activities	(261,265,276)	27,370	525,767	176,996	4,858,257	417,030	74,781	(519,000)	(255,704,075)

	AMP-Ohio	Ohio Municipal Electric Generation Agency JV1	JV2	JV4	JV5	JV6	Municipal Energy Services Agency	Eliminating Entries	Total
Cash flows from investing activities									
Purchase of utility plant	(529,891)	(60,567)	—	—	—	—	—	—	(590,458)
Purchase of non utility property and equipment	(144,722)	—	—	—	—	—	(69,829)	—	(214,551)
Purchases of trustee funds' investments	(98,320,872)	—	(1,016,639)	—	(31,892,677)	(238,556)	—	—	(131,468,744)
Proceeds from sale of trustee funds' investments	94,428,510	—	1,003,396	—	31 ,708 ,669	227,365	—	—	127,367,940
Purchase of construction work-in-progress	(113,690,042)	—	—	—	—	—	—	—	(113,690,042)
Change in restricted cash and cash equivalents	(2,932,287)	—	(23,102)	—	—	—	—	—	(2,955,389)
Net cash used in investing activities	(121,189,304)	(60,567)	(36,345)	—	(184,008)	(11,191)	(69,829)	—	(121,551,244)
Cash flows from financing activities									
Proceeds from revolving credit loan	836,107,000	—	—	—	—	—	—	—	836,107,000
Payments on revolving credit loan	(703,094,000)	—	—	—	—	—	—	—	(703,094,000)
Principal payments on term debt	(24,746,000)	—	—	—	(4,285,000)	—	—	—	(29,031,000)
Proceeds from issuance of term debt	319,801,218	—	—	—	—	—	—	—	319,801,218
Cost of issuance from term debt	(2,806,086)	—	—	—	—	—	—	—	(2,806,086)
Proceeds from notes payable to related party	—	—	—	—	—	—	(519,000)	519,000	—
Principal payments on term debt on behalf of members	(54, 528,350)	—	—	—	—	—	—	—	(54,528,350)
Proceeds from issuance of term debt on behalf of members	45,403,400	—	—	—	—	—	—	—	45,403,400
Proceeds from debt service to be refunded to members	—	—	—	—	1 ,599,345	—	—	—	1,599,345
Payment of debt service refunded to members	—	—	—	—	(1,599,086)	—	—	—	(1,599,086)
Proceeds from financing receivable—members	54,457,743	—	—	—	—	—	—	—	54,457,743
Funding of financing receivable—members	(41,133,983)	—	—	—	—	—	—	—	(41,133,983)
Capital contributions	13,950	—	—	—	—	8,036	—	—	21,986
Payments of disbursements to participants	(1,592,792)	—	—	(258,516)	(2,081,700)	—	—	—	(3,933,008)
Net cash provided by (used in) financing activities	427,882,100	—	—	(258,516)	(6,366,441)	8,036	(519,000)	519,000	421,265,179
Net change in cash and cash equivalents	45,427,520	(33,197)	489,422	(81,520)	(1,692,192)	413 ,875	(514,048)	—	44,009,860
Cash and cash equivalents, beginning of year	43,219,122	294,313	1,253,888	652,343	7,321,770	299,838	1,268,936	—	54,310,210
Cash and cash equivalents, end of year	$88,646,642	$261,116	$1,743,310	$570,823	$5,629,578	$713,713	$754,888	$ —	$98,320,070
Supplemental disclosure of cash information									
Cash paid during the year for interest, net of amount capitalized	$3,685,762	$ —	$ —	$ —	$5,884,722	$ —	$ —	$ —	$9,570,484
Noncash investing and financing activities									
Assets acquired directly with term debt	50,030,904	—	—	—	—	—	—	—	50,030,904
Capital expenditures included in accounts payable	1,386,134	—	—	—	—	—	—	—	1,386,134
Revisions to estimated cash flow for asset retirementob ligations	512,005	24,445	362,101	—	—	97,052	—	—	995,603
Change in estimated cost of plant	—	—	(252,617)	—	—	—	—	—	(252,617)

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