



THE FINE ART OF DIVERSIFIED POWER SUPPLY



AMERICAN MUNICIPAL POWER
2010 ANNUAL REPORT



Some great artists are remembered for the singularity of their vision, others for the breadth of their output.



CONTENTS

4	<i>Letter to Members</i>
10	<i>AMP Members and Geographic Footprint</i>
12	<i>Introduction</i>
14	<i>Finance</i>
17	<i>Projects</i>
22	<i>Other Power Supply Highlights</i>
27	<i>Energy Efficiency, Renewable Energy Support and Carbon Management</i>
29	<i>Member Services</i>
32	<i>AMP Board of Trustees and Staff</i>
34	<i>AMP Member Electric Systems at a Glance</i>

MEMBERS

LETTER TO MEMBERS


Some great artists are remembered for the singularity of their vision, others for the breadth of their output. Two of the most well-known pieces of art—the “Mona Lisa” and “The Last Supper”—are both by Leonardo da Vinci, but the “Mona Lisa” measures 20 inches by 30 inches and “The Last Supper,” painted on a wall, is 15 feet by 29 feet.

While the demands of modern-day power supply are more a science than an art, there are still elements that da Vinci (who was also a scientist) would recognize as artful. When it comes time to provide for the energy needs of AMP’s 128 member communities, the organization can choose from a diverse palette of existing or under-construction sources—power purchases, coal-fired, hydro, natural-gas combined cycle, landfill gas, wind and solar. There are few other organizations with such a wide range of options.





Marc S. Gerken, PE, AMP President/CEO, and Jon A. Bisher, AMP Board Chairman



While the demands of modern-day power supply are more a science than an art, there are still elements that da Vinci (who was also a scientist) would recognize as artful.

Like da Vinci, AMP has many different size canvases to work with and many components to place on them. Member communities can choose to participate in a wide spectrum of power supply options, beginning with base load power from a new coal-fired plant under construction, adding a portion from AMP's hydro projects and finishing the picture with a measure of solar-powered generation.

All of these options came more sharply into focus in 2010. At the center is AMP's 368-megawatt (MW) equity ownership share of the Prairie State Energy Campus (PSEC). This project will provide base load power for the 68 participating communities. A fixed-cost agreement reached in July between Prairie State Generating Company and the firm building the plant provides enhanced economic predictability for the participants and keeps final energy costs below the projected market rates in coming years.

With construction well along, PSEC will be the first of the new base load options available to participating AMP member communities. The first unit is scheduled for completion at the end of 2011, with the second unit coming on line in the summer of 2012.

On a larger scale, AMP broke ground on two more hydroelectric projects in 2010 and made significant progress at the location—the Cannelton Locks and Dam—already under construction. Cannelton broke ground in 2009 and completion of the cofferdam in 2010 allowed AMP to award the contract for powerhouse construction. This 84-MW plant is scheduled to be available for use in 2014.

The organization broke ground on the Meldahl hydroelectric facility—a joint project with member community Hamilton—in June, and the

Smithland Hydroelectric Plant ceremonial groundbreaking took place in September. AMP plans to break ground on the Willow Island Hydroelectric Plant in the summer of 2011, and we continue our planning and permitting efforts at the R.C. Byrd Locks and Dam site. Taken together, these five locations will make more than 350 MW of renewable energy capacity available to public power communities. Looking further ahead, member community Oberlin was granted a preliminary permit for a site at the Pike Island Locks and Dam and will work with AMP on developing that location.

Following the 2009 decision not to move forward with the coal-fired American Municipal Power Generating Station (AMPGS) project, the organization continued to study options for additional generation resources. In August, the participating communities agreed to move forward with development of a natural gas combined-cycle (NGCC) plant at the same southeastern Ohio location. Other considerations came into play late in the year, when a 707-MW NGCC plant already under construction and 95 percent complete, became available.

In early 2011, AMP entered into an asset purchase agreement with FirstEnergy Corp. for the Fremont Energy Center in Fremont, Ohio. Purchase of this plant would—as with the fixed-cost agreement for PSEC—provide greater certainty about future power costs because it would mitigate risk associated with permitting and construction. Final closing on the plant purchase is scheduled for July 2011.





*Like da Vinci, AMP
has many different size
canvases to work with
and many components
to place on them.*

While these three sources—PSEC, the hydro projects and the NGCC plant—represent the primary elements in AMP’s palette of power supply, we didn’t neglect the complementary elements in 2010. Our agreement with Standard Energy to develop up to 300 MW of solar generation reiterates the organization’s commitment to being a leader in the deployment of renewable energy technologies, as we were with the development of Ohio’s first utility-scale wind generation project seven years ago. The first phase of this project has been subscribed to member communities.


Following on that, AMP has also agreed to purchase 56 MW of landfill gas generation, beginning in January 2012, when an existing contract for landfill gas generation expires. This project has also been well received by member communities, with initial responses showing an interest in more resources than are available.

We made significant progress in 2010 on another green energy front through our efforts to reduce consumption through energy efficiency methods. AMP is partnering with Vermont Energy Investment Corporation (VEIC)—a national leader in energy efficiency projects—on a program to provide a wide array of services and products for subscribing member communities. Together, we plan to save the subscribing member utilities a cumulative total of at least 70,000 MWh over the life of our initial three-year contract with VEIC. Named Efficiency Smart, the program had 47 subscribing members by year end 2010 and is already in operation.

Reading through the rest of this report will provide a broader picture of the services AMP provides to its member communities; power supply is just one shade on the palette. But it is the central component, the one that AMP was formed 40 years ago to provide for the communities that came together with a vision of what they hoped to create. Today, guided by the Board of Trustees elected by our member communities, that creative process continues.



Marc S. Gerken, PE
AMP President/CEO



Jon A. Bisher
AMP Board Chairman

Michigan

- Marshall
- Union City
- Coldwater
- Hillsdale
- Clinton
- Wyandotte
- Painesville

- Pioneer
- Holiday City
- Montpelier
- Edgerton
- Bryan
- Napoleon
- Bowling Green
- Woodville
- Pemberville
- Clyde
- Monroeville
- Custar
- Cygnets
- Deshler
- Wharton
- Republic
- Sycamore
- Greenwich
- Plymouth
- Shiloh
- Shelby
- Lucas
- Wellington
- Oberlin
- Grafton
- Hudson
- Newton Falls
- Niles
- Cuyahoga Falls
- Hubbard
- Wadsworth
- Marshallville
- Orrville
- Columbiana
- Brewster
- Beach City

- Ohio City
- Mendon
- Celina
- St. Marys
- New Bremen
- Minster
- Versailles
- Arcanum
- Eldorado
- Hamilton
- Wapakoneta
- Waynesfield
- Lakeview
- New Knoxville
- Jackson Center
- Piqua
- Tipp City
- South Vienna
- Yellow Springs
- Blanchester
- Lebanon
- Williamstown
- Prospect
- Galion
- Westerville
- Columbus
- Greenup (Hamilton)
- Glouster
- Jackson
- Belleville Hydroelectric Plant — OMEGA JV5
- St. Clairsville
- Woodsfield
- Hannibal (New Martinsville)
- Richlands

Ohio

Kentucky




West Virginia

- Paducah
- Princeton




Pennsylvania

Virginia

-  **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**
-  **Hydroelectric Generation**
-  **AMP Member Without Generation**
-  **JV6 Wind Farm**

 **Bedford**

 **Martinsville**

 **Danville**

AMERICAN MUNICIPAL POWER

INTRODUCTION

American Municipal Power (AMP) is the Columbus-based nonprofit wholesale power supplier and services provider for 128 member municipal electric systems: 82 in Ohio, 30 in Pennsylvania, six in Michigan, five in Virginia, three in Kentucky and two in West Virginia. Owned and governed by its member communities, the organization is dedicated to providing members with assistance and a reliable, economical power supply. AMP also serves as project manager for groups of municipal electric communities sharing 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 the Ohio Municipal Electric Association (OMEA), which serves as the legislative liaison for AMP and Ohio's

municipal electric systems, as well as cooperative efforts with other state associations.

Meeting the energy needs of a dynamic membership base remained the top priority for American Municipal Power in 2010. To do so, the organization continued its development of a diverse power supply array that includes coal, natural gas, landfill gas, run-of-the-river hydro and power purchases to meet the current and projected needs of the nearly 575,000 end-use customers in its member communities.

Despite a continued economic slowdown throughout the six-state member territory, which brought diminished energy demands from many large customers, six AMP member communities set new demand records this year. This further underscores the need to provide a reliable, cost-efficient source of power to meet the demands of current and future technologies—such as all-electric vehicles—as the economy recovers and consumers find new uses for electricity.



As work continued on the hydroelectric project begun in 2009 at the Cannelton Locks and Dam, groundbreakings were held at two more sites—the Smithland and Meldahl locks and dams—as part of AMP’s ambitious plan to construct and operate five generating facilities on the Ohio River. In September, a potential sixth site was added when member community Oberlin received a preliminary Federal Energy Regulatory Commission permit for the Pike Island Locks and Dam site on the Ohio side of the Ohio River.

Hydroelectric was not the only new generation source explored in 2010. Earlier in the year, the AMP Board of Trustees and the participating communities in the American Municipal Power Generating Station project voted to pursue development of combined cycle generation.

Another major aspect of the power supply projects came into sharper focus in 2010, with a series of financings and other financial activity to provide an economical way of paying for the new generation resources.



BOWLING GREEN

FINANCE

In September, AMP sold \$300 million in Build America Bonds (BABs) as the final permanent financing for the Prairie State Energy Campus. The low-cost bonds, secured by AMP's net revenues derived from contracts with the project participants, carried an A rating from both Fitch and Standard & Poors and an A1 rating from Moody's Investors Service. The previous autumn AMP had sold \$469.58 million of taxable revenue bonds, including \$385.84 million in BABs, which was the largest BABs transaction to that date in public power. September's sale completed the financing for AMP's 23.26 percent share of Prairie State. As in previous transactions, credit analysts praised the organization's financial strength and the diversity of AMP member communities participating in the project.

AMP also completed the construction financing for the Cannelton, Smithland and Willow Island combined hydroelectric project, with the December sale of \$1.378 billion in bonds. Of these, the largest amount—nearly \$1.1 billion—came through BABs, with another \$116 million financed through Clean Renewable Energy Bonds (CREBs). The CREBs sale was the largest sale of CREBs to date in the United States.





The final major financing for the year—and the first for the Meldahl hydroelectric project—came in December. The \$685.1 million transaction included \$615 million in BABs and \$20 million in CREBs. In 2010, AMP issued \$2.4 billion in bonds, of which \$2.025 billion were BABs. Since the inception of the two federal financing programs, AMP has issued \$2.9 billion in BABs and \$158.6 million in CREBs.

Beyond helping facilitate infrastructure development and the associated jobs, these two bond programs will provide substantial savings for AMP project participants. Over the life of the project financing—Prairie State bonds mature in 2047, with the combined hydro bonds maturing in 2050—participants will save more than \$1.84 billion in interest cost. With the already completed Meldahl long-term financings added in, the savings grow to more than \$2 billion.

“We’ve been building our portfolio of renewable resources since the 1980s, when we first got an allocation of New York Power Authority hydropower. Bowling Green is also the second-largest participant in the Belleville Hydroelectric Plant, taking 6.6 MWs. Those sources, along with our participation in the OMEGA JV6 wind farm and with landfill gas-to-energy, account for 16 to 20 percent of our power supply. When the new hydro projects now under development and construction by AMP come on line, we will be pushing 40 percent. The hydro project looks like a very predictable and economically friendly source in the long run.”

Kevin Maynard—Director of Utilities

“When Senate Bill 168 became law in Pennsylvania, it offered us a chance to participate in AMP projects, which we didn’t have before. [The bill provided the needed clarification in borough code that allows Pennsylvania member communities the option to enter into take-or-pay contracts and to participate in AMP generating asset projects.] Ellwood City has been looking at participation in the landfill-gas generation project. This gives us a few more options to keep costs down for the borough’s electric customers, and provides more control over our power supply choices.”

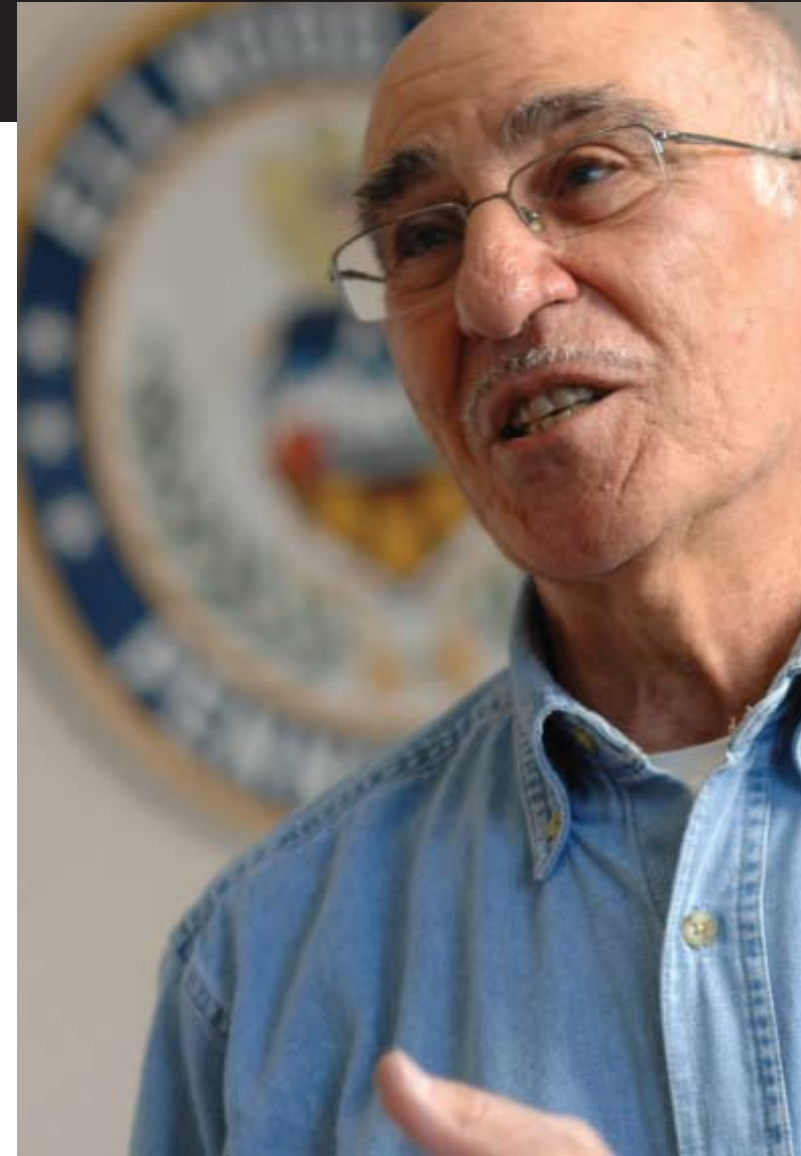
Dom Viccari—Borough Manager

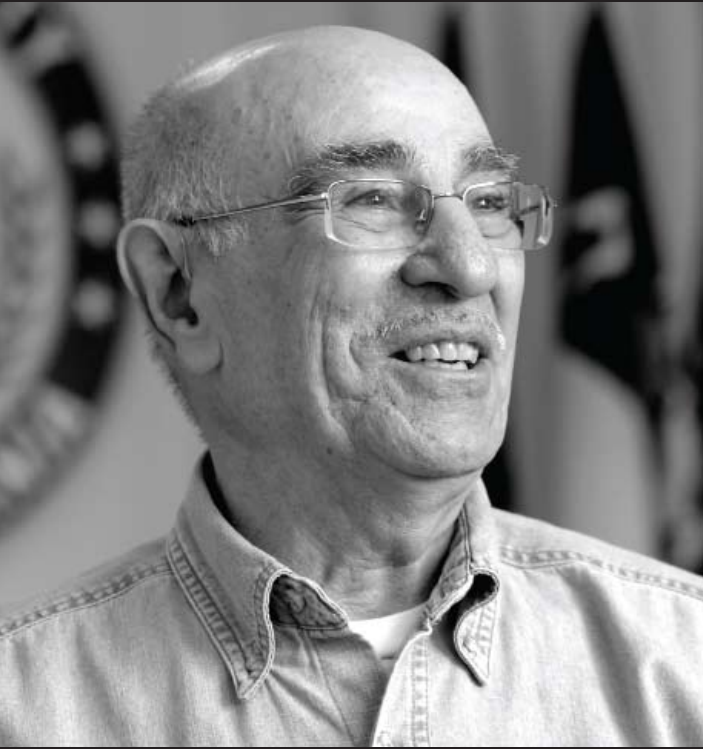
Aiding in financing these projects were the favorable ratings achieved by the organization and the generation projects during the year. In April, Moody’s Investors Service gave AMP an A rating as an entity, maintaining AMP’s rating for the fourth straight year. This rating, on AMP as an entity rather than on a specific bond issue, is relied on by power supply providers, banks and other financial institutions.

Because AMP’s creditworthiness is directly impacted by that of its member communities, the organization implemented and continues to vigorously practice a credit scoring program for those communities. AMP staff members follow each community, examine financial audits as they become available, and work with communities faced by challenges. Using the community information, staff members compile a preliminary credit score, which is then shared with the community and the AMP Board of Trustees. Communities with the highest credit score and most improved score are recognized each year at AMP’s annual conference.

Throughout the year, AMP executives met often with the financial community. These meetings provided the opportunity for updates on the various generation projects contributing greatly to maintaining A ratings for both new bonds as well as those issued prior to 2010.

During 2010, AMP’s risk management committee began developing a comprehensive enterprise risk policy to be implemented across the organization. The policy would be responsible for the direction, structure, conduct and control of AMP’s energy exposure management activities, both in the physical and financial derivative markets, along with a variety of risks that can influence its operating margins, cash flows, and ability to provide value to its member communities.





ELLWOOD CITY

PROJECTS

Prairie State Energy Campus

AMP has a 368-megawatt (MW) equity ownership position—the largest single ownership share—in the 1,600-MW Prairie State coal-fired plant in southern Illinois, which is the largest coal-fired generating plant under construction in the United States.

Foremost among developments in 2010 was a fixed-cost engineering, procurement and construction agreement reached in July between Prairie State Generating Company and Bechtel Power Corporation. The agreement locked in a total cost for the project, which had seen the same cost escalations on materials and labor faced by all major construction projects. The agreement provided greater price stability and economic predictability for the project, while keeping final energy costs lower than projected market rates.

During the third quarter of the year, construction passed the 50 percent completion mark, with as many as 3,500 workers involved in the project. Work focused on the main power-block-area boilers, turbine generators and air-quality control equipment, including the dry electrostatic precipitators (ESP), sulfur dioxide absorber and wet ESP. Development work also continued at the Lively Grove Mine adjacent to the site, which will provide a dedicated source of fuel to Prairie State for 30 years. Upgrades to the regional transmission system—needed to get power from the plant to AMP member communities and other participants—neared completion at the end of 2010.



“Hamilton has worked to create a diversified and environmentally friendly power supply for the city. We currently get more than 40 percent of our power from hydroelectric and that will increase to approximately 65 percent when the Meldahl project is completed. In addition to Greenup and Meldahl we have a small hydro unit right in the city, which we acquired in the 1960s, so hydro is very important to the community. While proud of this renewable investment, Hamilton remains committed to fossil fuel-fired generation with two coal-fired boilers, two gas-fired boilers and a gas-fired combustion turbine totaling 130 MWs of capacity at our power plant. We’re also significantly involved with OMEGA JV2, a mixture of gas- and diesel-fired units, and the Prairie State Energy Campus project, with 67 MW of capacity between the two projects.”

Charles Young—Deputy City Manager



In December, the plant reached another construction milestone with the successful completion of the Unit 1 boiler hydrostatic testing. Taken as a whole, the work completed in 2010 keeps Prairie State on schedule for Unit 1 completion in December 2011 and Unit 2 completion the following summer.

Hydroelectric Projects

AMP moved forward in its efforts to make more than 350 MW of additional hydroelectric capacity available to member communities, breaking ground and beginning construction at two more sites on the Ohio River, while work that began in August 2009 continued at the Cannelton Locks and Dam.

Preliminary work at both the Smithland Locks and Dam and the Meldahl Locks and Dam began before official groundbreaking ceremonies, with AMP giving CJ Mahan Construction notice to proceed at Smithland in March. Actual construction began in April, after the normal period for high water

and flooding had passed. By June, contractor Angelo Iafrate Co. had begun clearing the ground at the Meldahl site, and soon after that work began on the cofferdam construction.

Kiewit-Traylor Constructors completed its work on the excavation and cofferdam at the Cannelton site on time and within budget, allowing AMP in September to award a contract for the general construction of the powerhouse and appurtenances. Construction of the 84-MW plant, which will have three 28-MW bulb turbines, will employ 200-400 workers. Major components for the plant will be supplied by Voith Hydro (turbine equipment), Oregon Iron Works (gates and trash rack equipment), Iljin/PanAmerica Supply (main power transformers) and Morgan Engineering (crane equipment). Once on line in the spring of 2014, the plant will require a staff of seven to 12 operators.

In late June, AMP broke ground for the Meldahl plant at a ceremony that included Kentucky Gov. Steve Beshear and Col. Robert Peterson, commander of the Huntington District, Army Corps of Engineers. Meldahl is a joint project with member community Hamilton, which holds the Federal Energy Regulatory Commission (FERC) license for the site jointly with AMP, and is entitled to 51.4 percent of the plant's output. AMP retains 48.6 percent on behalf of the other member communities participating in the hydro project. When completed, Meldahl—at 105 MW—will be the largest hydroelectric plant on the Ohio River.

As at Cannelton, the Meldahl project will employ 200-400 construction workers over the next three years and will provide seven to nine permanent operating positions when it begins generating power.

Groundbreaking for the Smithland Hydroelectric Plant took place Sept. 1, with Gov. Beshear again on hand as the keynote speaker. Also attending was U.S. Rep. Ed Whitfield, who represents western Kentucky and serves in leadership on the House Energy and Commerce Committee. The 72-MW Smithland project will have the same economic impact on the area as the projects under way at Cannelton and Meldahl.

AMP hydroelectric projects are already having a positive economic effect in southeastern Ohio, where Voith Hydro opened a plant in an existing building in Hannibal to manufacture stators for AMP's Cannelton, Meldahl, Smithland and Willow Island plants. AMP had encouraged and worked with Voith Hydro, Ohio Gov. Ted Strickland, U.S. Senator Sherrod Brown and other state officials to find a suitable manufacturing site in Ohio for this work, which will be part of the 11 horizontal bulb generator units needed for the four projects.

The company needed a facility with ready access to the Ohio River and the location chosen has on-site barge landing that will facilitate moving the stators—30 feet in outside diameter, 10 feet in height and weighing 128 tons each—to the AMP sites.

While the projects now under construction are all on the Kentucky side of the Ohio River, two other projects moving forward—Willow Island (44 MW) and R.C. Byrd (48 MW)—are on the West Virginia and Ohio sides,

respectively, of the river. Willow Island is scheduled to break ground in the summer of 2011. Another project began in September, when member community Oberlin was granted a preliminary permit for a site on the Ohio side of the river at the Pike Island Locks and Dam, six miles north of Wheeling, West Virginia.

Richard H. Gorsuch Generating Station

In May, AMP made the decision to retire the 213-MW Richard H. Gorsuch Generating Station. The decision by the AMP Board of Trustees stemmed from a consent decree reached between the organization and the Environmental Protection Agency that resolved issues related to an EPA notice of violation related to work done at Gorsuch Station both before and after AMP took an ownership position in the plant. The EPA notice, similar to notices issued to almost all regional coal-fired utilities, alleged that work done to the plant should have triggered a new source review.

MARSHALL

“The City of Marshall has had its own hydroelectric plant for more than 100 years, so we were way ahead of a lot of people. Under Michigan law, we must have 10 percent of our power supply coming from renewable resources by 2015. There are only two areas where we come under the control of the Michigan Public Service Commission, and this is one of them. We were able to get the AMP hydro projects written into Michigan law, even through they’re not in the state, so that they could be counted as a renewable resource.”

Tom Tarkiewicz—City Manager

Given current market and regulatory conditions, retiring the plant was the only reasonable business decision that would both meet the conditions determined by the EPA and mitigate the risk to member communities participating in the Gorsuch project. Under the consent decree, AMP agreed to spend \$15 million on a robust environmental mitigation project known as Efficiency \$mart, detailed later in this report in the **Energy Efficiency, Renewable Energy Support and Carbon Management** section.

Under the consent decree, AMP was required to cease operation of the plant by the end of 2012. Given the economics of operating the plant, AMP instead initially chose to officially end operations by Dec. 15, 2010. Plans were made to operate all four units at the plant though the peak summer usage months, reduce operations to two units in September and cease operations in December. However, following several equipment failures that shut down operations in November, AMP decided not to make repairs at that late date and instead to move forward with closure. All electric generation operations at the plant ceased on Nov. 11.

**Keith Zienert, Power House Superintendent,
City of Marshall**



ORRVILLE

Other Power Supply Highlights

Several additional sources of power came under consideration during the year, as AMP pursued plans for potential natural gas, combined-cycle (NGCC) generation, entered an agreement opening the way for solar development, and began marketing an expanded source of landfill gas generation.

Participants in the American Municipal Power Generating Station project had decided in 2009, based on significantly increased construction cost estimates and related economic concerns, to halt efforts to build a coal-fired generating plant in Meigs County, Ohio. Alternative plans were evaluated and in August, the participating communities voted to pursue development of a 600-MW NGCC plant, developed under a turnkey fixed-price contract. The following month, AMP selected Ramco/Burns & McDonnell as the engineering, procurement and construction firm for the plant. AMP continued to perform due diligence on the project as the engineering process continued. Early in 2011, development of the project was suspended as AMP entered into an asset purchase agreement with Akron, Ohio-based FirstEnergy Corp. for the Fremont Energy Center. The Fremont Energy Center is a 707 MW NGCC facility under construction in Fremont, Ohio, with construction nearly completed.





In June, AMP reached an agreement with Standard Energy, an affiliate of Standard Solar, for the development of up to 300 MW of new solar generation capacity. The 30-year agreement calls for AMP to offer power from Standard Energy to all member communities, and for Standard to install solar facilities in or near participating AMP communities so they are close to the load served by the utilities. Phase One of the project, approximately 60 MW, has been subscribed by member communities and installation will take place in 2011. Phase Two subscription efforts have begun.

Late in the year, AMP and Energy Developments Inc. (EDI) reached an agreement for the purchase of 56 MW from the company's existing landfill generation projects in Ohio and their expansion. The purchase will begin on Jan. 1, 2012, to coincide with the expiration of an existing contract with EDI. The new agreement is for a 10-year term.

“Gorsuch Station, for the member communities, was a very good project over the years. It was a huge milestone for this organization when we purchased what would become the Richard H. Gorsuch Generating Station back in 1988. It opened the door to doing all the other great things we’re doing today, because it showed that a group of municipal electric systems could come together to own a source of generation. We blazed a lot of new trails with that project and the lessons we learned from Gorsuch Station formed a cornerstone for how we approach most of the projects today.”

Jeff Brediger—Director of Utilities

“New Bremen, like most AMP member communities, has depended on wholesale power contracts for decades. But with deregulation, there’s less and less excess generation available to provide that wholesale power. We needed to gain some ownership over part of our power supply and the Prairie State Energy Campus looked like a good fit. We signed up for six megawatts, nearly half of our peak load, and it should be a very reliable, cost-effective power source for decades to come. I’ve been to Prairie State two times and everything I’ve seen upholds our original vision of what this would be.”

Wayne York—Village Administrator

In 2009, AMP signed a contract with The Energy Authority (TEA), a national leader in public power energy trading, to provide services for several merchant services. Phase 1 included short-term trading services, with Phase 2 including further risk-control and consolidated counterparty credit reporting, which was accomplished early in 2010. The third phase, begun in May, covered regional transmission organization related services for the PJM Interconnection and Midwest Independent Transmission System Operator.

During 2010, staff participated in Midwest Independent Transmission System Operator (MISO) and PJM Interconnection stakeholder meetings on the performance of the energy markets and potential changes to the markets as proposed by MISO, PJM and other stakeholders. As is evidenced over the past decade, the energy markets are constantly evolving and the rules can have a significant impact on the rates the members pay for electricity.

The AMP staff intervened directly in numerous MISO and PJM filings during the year to change market rules. Through the Transmission Access Policy Study group, an association of transmission dependent utilities, AMP participated in the development of comments on several rules proposed by FERC.

AMP also managed to reach a settlement with FirstEnergy over a long-running dispute of FERC’s Seams Elimination Cost Adjustment charges. The settlement resulted in substantial refunds of more than \$18 million to member communities for overcharges assessed during 2005 and 2006. AMP also actively participated in FERC dockets for the FirstEnergy and Duke Energy proposals to move their transmission systems from MISO to PJM. Because these market changes could have a significant impact on our member communities,





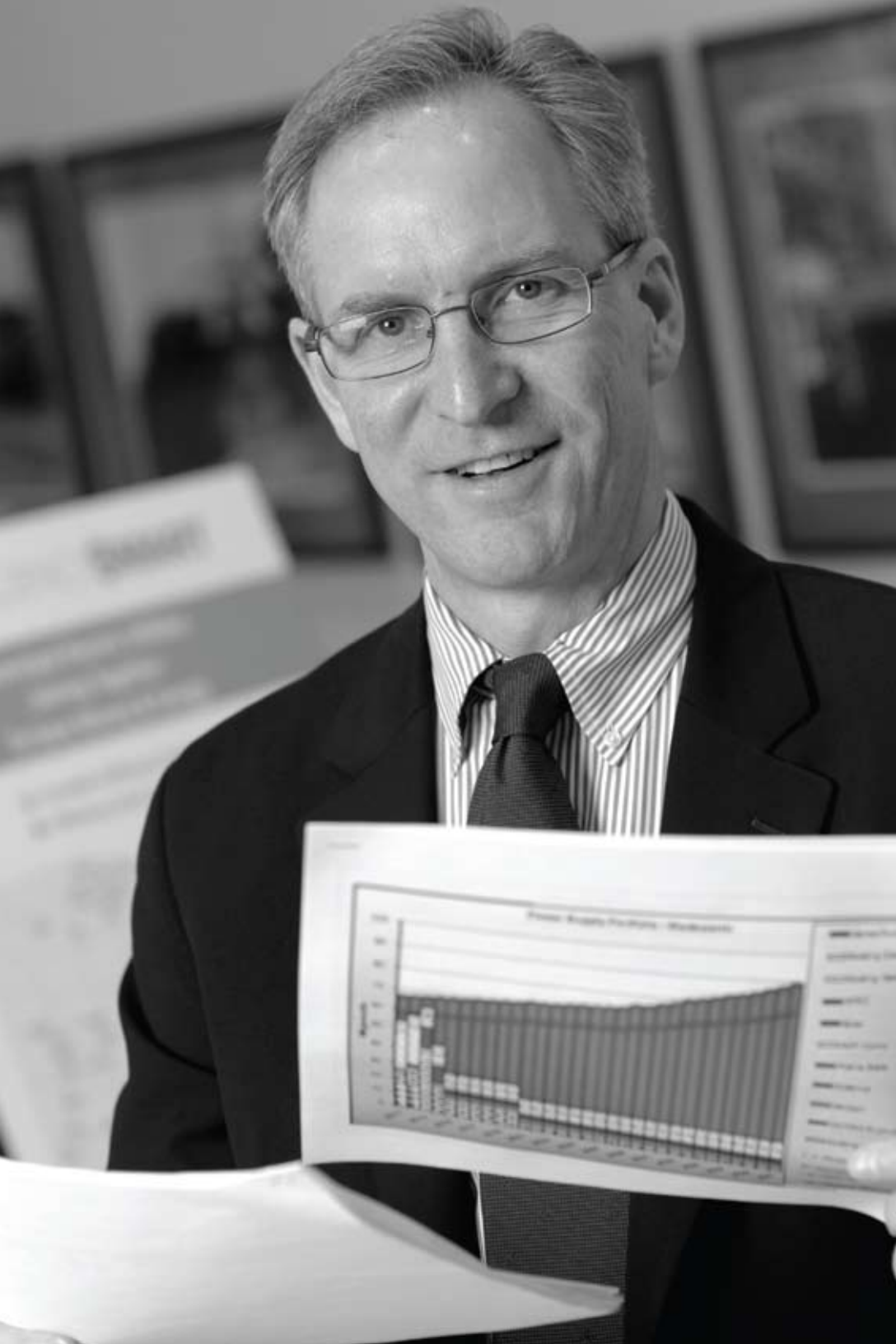
NEW BREMEN

AMP has taken an active role in defending the continuance of their existing interconnection, transmission, and resource rights through 2012.

During the year, AMP continued to develop existing partnerships and promote collaboration with regulatory stakeholders and actively participated in FERC proceedings, had staff representation on the Retail Gas & Electric Quadrants Executive Committee of the North American Energy Standards Board, and had staff nominated for and elected to the planning committee of the North American Electric Reliability Corporation (NERC).

AMP also has continued partnerships with TAPS, the APPA, the North American Generator Forum and many other reliability working groups in the SERC Reliability Corporation and ReliabilityFirst regions. The relationships between AMP, FERC and NERC have minimized associated regulatory burdens for AMP member communities and have allowed AMP to make strides in support of prudent transmission expansion, grid reliability, and new generation resources.

AMP completed a NERC audit in 2010 and focused on helping member communities prepare for their audits. AMP performed maintenance and testing at generation sites to increase reliability and to comply with NERC requirements. Additionally, AMP rolled out more training for generation plant operators and energy control dispatch personnel.



“Wadsworth joined the Efficiency Smart program to help our electric customers—both residential and commercial—reduce their power costs by becoming more energy efficient. We know this is an important service we can provide to help keep the city’s businesses competitive and improve their bottom line. It also benefits the city by helping us better manage the cost of power, as well as serving to aid business retention. Over the next three years, Wadsworth hopes to save more than 4 million kilowatt hours of electricity, which equals about 1.4 percent of our load.”

Christopher Easton—Director of Public Service

WADS



Energy Efficiency, Renewable Energy Support and Carbon Management

After several years spent laying the groundwork, AMP began actively promoting its Efficiency \$mart program late in the year. In June, the organization signed a contract with Vermont Energy Investment Corporation (VEIC) to provide a wide range of energy efficiency and implementation services for subscribing member communities. The initial three-year contract, valued at approximately \$21 million, has the potential to cumulatively save 70,000 MWh of participating member utilities' energy needs by the end of the contract. Headquartered in Burlington, Vt., VEIC is a nonprofit organization that operates Efficiency Vermont—the nation's first statewide energy efficiency utility—along with other implementation programs and consulting services.

VEIC moved quickly to begin implementing the program, signing a lease for space in AMP's headquarters building in Columbus and initiating staffing efforts. Internally, AMP also made changes to provide better oversight of the

project. Randy Corbin was named as assistant vice president of energy policy & sustainability and Bob DeWitt became the director of energy efficiency.

While the Efficiency \$mart program officially began in January 2011, VEIC was busy throughout the second half of 2010 preparing the needed services and structures as AMP subscribed the program to interested member electric systems. An Efficiency \$mart website launched in October. AMP and VEIC staff members began planning for the public information program that would be directed at customers of participating communities. The core management team was hired and in place by year end and 47 member communities had executed contracts to receive services with a number of additional communities actively considering.

AMP moved forward with its carbon offset program in 2010, working with the Ohio Department of Natural Resources to reforest approximately 25 acres in southern Ohio's Shawnee State Forest. AMP purchased approximately 17,500 seedlings, which were planted in designated areas that had been destroyed in a fire. The growth and survival of the seedlings will be tracked and verified so that AMP can obtain carbon offsets for the project. The plantings were done in March and a sign recognizing the efforts was unveiled in time for Earth Day 2010.

AMP continued to offer its EcoSmart Choice program and maintained its membership in the Chicago Climate Exchange (CCX) for 2010. EcoSmart Choice provides customers of participating member communities the opportunity to support renewable energy development, allowing residential and commercial customers to offset all, or a portion of, their electric usage with renewable energy at a small increase in their rate per kilowatt hour.

The CCX is North America's only voluntary, rules-based greenhouse gas emission and reduction trading system. In June, AMP President/CEO Marc Gerken spoke at the 7th Annual Member Meeting of the CCX, providing insight on the organization's focus on carbon management as part of a balanced strategy that includes current and planned generation assets, energy efficiency and market purchases.

AMP's commitment to the CCX was through the end of December 2010. AMP will report its 2010 carbon dioxide emissions to the CCX, which will verify the reductions in accordance with AMP's participation agreement. The CCX is in the process of transitioning its program to one focused more on carbon offsets. This is the result of the CCX's acquisition by the Intercontinental Exchange in July 2010.

AMP environmental and regulatory personnel continued their focus on both national and state laws and regulations that impact broad energy policy direction as well as AMP's specific energy portfolio decisions. The Environmental Protection Agency initiative to pursue regulation of carbon dioxide (CO₂) and other greenhouse gases under the Clean Air Act and other federal statutes was a key focus, with AMP filing comments on several important related rulemakings. AMP also tracked other EPA rules, including those related to utility plant emissions of criteria pollutants and hazardous air pollutants (HAPs), emissions of HAPs from industrial boilers and small electric utility generating units,

and emissions from certain reciprocating internal combustion engines. While debate in Washington is ongoing toward a more comprehensive, all-inclusive energy policy, AMP has made a commitment to the future with the planning and introduction of new generation energy resources like natural gas generation, hydroelectric, wind, and solar to meet the growing needs of its members and, at the same time, undertake a more environmentally friendly focus.

Illustrating AMP's leading role in development of renewable energy resources, the organization sold more than 400,000 MWh of renewable energy credits (RECs) in 2010. The bulk of these, more than 385,000 MWh, came from the Belleville Hydroelectric Plant and from landfill gas projects. Money generated by the sale of hydroelectric and landfill gas RECs went to the 79 participant communities involved. AMP acted as the agent for the participants, finding purchasers for the RECs at the best price, developing contracts, tracking the markets and disbursing the funds to participants.

NAPOLEON

“As you look at the green generation assets—hydro, wind, landfill gas, solar—they all have their place. There are some, such as our hydro plant or landfill gas, where the capacity factors approach a base load resource. That's not the case with wind or solar. We know that wind turbines in Ohio are most productive in the winter and spring, but I think solar makes a great peaking asset. Solar production kicks in when the days are longest and hottest, and this is exactly the time of day and time of year when both the demand for electricity and the peak price is the highest. Solar matches up very well with AMP member communities' peak loads.”

Jon Bisher—City Manager

Member Services

In 2010, AMP further expanded its member meetings and educational opportunities across its six-state footprint. Other member services and activities focused both on new technologies and resources and on ways to gain further advantage from existing ones.

Major events during the year included the Technical Services Conference in April; a summer Member Event to provide updates on projects and power supply; October's Annual Conference, which drew a record attendance of more than 450 people; and a series of seven AMP finance & accounting subcommittee meetings, open to any elected official or employee of the member communities, held in Ohio, Michigan, Pennsylvania and Virginia.

The one-day finance and accounting subcommittee meetings, expanded to include power supply and project updates, are scheduled for 10 locations in 2011, including three in Pennsylvania, one each in Michigan and Virginia, and for the first time, one in Kentucky.



In July, the AMP Board of Trustees held its regular monthly meeting in member community Ephrata, using the Pennsylvania trip to also tour the nearby Voith Hydro plant in York, where parts of the turbines for the hydro projects are being built. Member community Perkasio hosted an event in May, where employees from nine eastern Pennsylvania member communities came to hear a detailed overview of AMP's power supply strategies, plans and practices.

Two other meetings in the Keystone State focused on safe work practices. AMP's annual Pennsylvania Safety Conference continues to grow, drawing more than 50 public power employees and setting a new attendance record. In the fall, AMP personnel helped several member communities refresh their pole top and bucket rescue safety skills in sessions held at member communities Kutztown and Middletown.

Safe work practices are an important component of the criteria used by the American Public Power Association for awarding its Reliable Public Power Provider (RP3) recognition to municipal electric systems. In March, 15 AMP member communities were named, joining the four that received that designation in 2009. Besides safety, the APPA based its awards on reliability, workforce development and system betterment.

During the past decade, municipal electric systems have demonstrated their reliability under the most demanding conditions. They are usually the first to get customers back on line following outages caused by severe weather, in part because they can depend on the help of other public power communities.

Two storms in 2010 gave proof to the effectiveness of AMP's mutual aid program. In June, high winds estimated at up to 100 miles per hour in

some locations, struck communities in both northwest and northeast Ohio. Power was restored to all affected customers by the next day as crews were pulled in from around the state. Two months later, another storm took out power to all customers in member community St. Clairsville, Ohio. With the aid of crews from nine other AMP member communities and several AMP forestry crews, all customers were again being served the following day.

Mutual aid has always been a staple in the AMP array of services, but several newer offerings gained wider attention in 2010. In its second year, the organization's joint purchasing program began to show significant savings for participating member communities. Combining member quantities and purchasing as one entity, the program offers savings on an array of commonly used electric utility items. For example, one community saved nearly \$5,000 on a purchase of utility poles through the program, when compared to purchasing the poles on its own.

AMP also offered an expanded range of training opportunities in 2010, with two classes on utility metering available at two locations, Columbus and Dover. The Dover classes each drew more than 35 attendees, while the Columbus classes had more than 50 people at each.

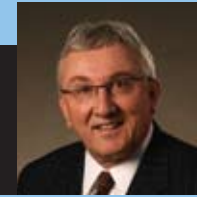
Recognizing the need to track the newest technology, AMP collaborated with Carnegie Mellon University's Software Engineering Institute on a Smart Grid Maturity Model pilot program. Funding for the project came through the APPA's Demonstration of Energy-Efficient Developments program. Twenty-four member communities signed on to the program, answered questions about their organizations and then met at AMP Headquarters for a workshop facilitated by Carnegie Mellon personnel.



During the year, AMP's information technology department completed several technical upgrades to better serve AMP member communities and improve employee efficiency. The department completed internal control audits and build-outs of both production and disaster recovery data centers. Multiple improvements were made to Oracle financial systems, including improved reporting and system stability and reliability along with a completed assessment and a developed plan to migrate from legacy platforms to industry leading technology. Additional technical expertise assisted in a reorganization of the supervisory control and data acquisition support function and a refocus on technical support for end users.

AMP and member communities also benefited from the increased availability and participation of online webinars on various topics that impacted their communities. Participating utilities had the chance to define their path for grid modernization, learning from the experiences of other participants and establishing a baseline for measuring their progress.

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 and 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 is the immediate past chairman of the American Public Power Association Board of Directors, having served on the 10-member Executive Committee since 2004, and as chairman from June 2009 to June 2010. He received the APPA Harold Kramer-John Preston Personal Service Award in 2005, and was recognized as a finalist for the Platt's Global Energy CEO of the Year Award in December 2010. He also serves on the National Hydropower Association Board of Directors. 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.



John W. Bentine, Esq., 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.



Pamala M. Sullivan came to AMP in 2003, and was named senior vice president of marketing and operations in 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.



Jolene M. Thompson was named senior vice president of member services and external affairs in 2008. She has been with AMP since 1990. 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 active nationally, serving in various leadership roles at the American Public Power Association and on the boards of the Consumers Federation of America and the Transmission Access Policy Study Group. She holds a Bachelor of Arts degree in journalism from Otterbein College.



Robert W. Trippe was named senior vice president of finance in 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.



AMP BOARD OF TRUSTEES



Jon Bisher
Chairman
City Manager
City of Napoleon
(at large)



Steve Dupee
Vice Chairman
Director
Oberlin Municipal
Light & Power System



Pam Lucas
Secretary
Village Manager
Village of Montpelier
(at large)



Tracy Reimbold
Treasurer
Finance Director
City of Newton Falls
(at large)



Kevin Maynard
Director of Utilities
City of Bowling Green
(NWSAG)



Steve Casebere
Director of Utilities
City of Bryan
(at large)



Roy Johnson
Village Administrator
Village of Carey
(NCASG)



Kent Bryan, PE
Planning & Community
Development Director
City of Celina
(at large)



Ivan Henderson
Commissioner
Cleveland Public Power
(NASG)



Paul Beckhusen
Director
Coldwater Board
of Public Utilities
(MASG)



Jeff McHugh
Assistant Superintendent
Cuyahoga Falls Electric
Department
(at large)



Joe Waltz
Director of Energy
Resource Management
Town of Front Royal
Electric Department
(VASG)



Charles Young
Deputy City Manager
City of Hamilton
(SWASG)



Jeff Brediger
Director of Utilities
City of Orrville
(at large)



Ed Krieger
Director
Piqua Municipal
Power System
(WASG)



John Humphries, PE
General Manager
Princeton Electric
Power Board
(OASG)



Chris Easton
Director of Public
Service
City of Wadsworth
(NEASG)



Andrew Boatright, PE
Manager
Westerville Electric
Division
(CASG)



Marc S. Gerken, PE
President/CEO
American Municipal
Power
(ex officio)



John W. Bentine, Esq.
AMP General Counsel
Chester, Willcox
& Saxbe LLP
(ex officio)

Representative to
be determined
Borough of Ephrata
(PASG)

AMP MEMBER ELECTRIC SYSTEMS AT A GLANCE

<i>Community</i>	<i>Number of Meters</i>	<i>2010 System Peak (kW)</i>	<i>Installed Generation (kW) (as of 12/31/10)</i>
Central AMP Service Group (CASG)			
Columbus	12,545	151,700	5,000
Glouster	986	2,660	
Jackson	4,157	36,749	3,600 ₃
Westerville	16,272	107,380	
CASG subtotal	33,960	298,489	8,600
Northern AMP Service Group (NASG)			
Cleveland	74,025	309,400	59,950 ₅
Painesville	12,041	54,000	35,400
NASG subtotal	86,066	363,400	95,350
North Central AMP Service Group (NCASG)			
Arcadia	305	1,117	
Bloomdale	310	1,562	
Bryan	5,828	49,950	54,450 ₆
Carey	1,873	14,102	
Clyde	2,966	39,489	
Cygnets	268	815	
Deshler	1,046	3,944	
Dover	6,752	45,850	51,850 ₆
Greenwich	758	3,447	
Marshallville	490	1,653	
New Knoxville	455	2,457	
Ohio City	464 *	1,405	
Orrville	7,081	55,600	70,475 ₅
Plymouth	839	2,758	
Republic	315	737	
St. Clairsville	2,932	12,571	
St. Marys	4,124	37,938	11,000 ₂
Shelby	5,144	22,510	34,325 ₆
Shiloh	315	1,202	
Sycamore	507	1,630	
Wapakoneta	5,348	33,151	
Wharton	183	721	
Woodsfield	1,545	5,981	8,000
NCASG subtotal	49,848	336,590	231,000

<i>Community</i>	<i>Number of Meters</i>	<i>2010 System Peak (kW)</i>	<i>Installed Generation (kW) (as of 12/31/10)</i>
Northeast AMP Service Group (NEASG)			
Amherst	5,782	29,918	
Beach City	876	3,495	
Brewster	965	8,633	
Columbiana	3,581	17,164	
Cuyahoga Falls	24,917	103,950	9,000 ₁
Galion	6,150	24,304	53,305 _{2,4,6}
Grafton	1,208	6,669	
Hubbard	3,835	14,750	5,400
Hudson	6,449	44,605	
Huron	5	284	
Lodi	1,772	8,692	1,800
Lucas	350	813	
Milan	720	2,829	
Monroeville	901	9,546	
Newton Falls	2,575	10,668	
Niles	11,134	61,948	5,400 ₃
Oberlin	3,127	23,658	20,656
Prospect	732	2,219	1,800
Seville	1,786	15,248	5,475 ₂
South Vienna	235	956	
Wadsworth	12,726	62,454	5,400 ₃
Wellington	2,590	13,859	1,000
NEASG subtotal	92,416	465,662	109,236

<i>Community</i>	<i>Number of Meters</i>	<i>2010 System Peak (kW)</i>	<i>Installed Generation (kW) (as of 12/31/10)</i>
Northwest AMP Service Group (NWASG)			
Bowling Green	14,680	93,501	91,530 _{2, 3,4,7}
Bradner	602	1,579	
Custar	120	664	
Edgerton	1,123	5,803	3,650 ₂
Elmore	934	3,596	
Genoa	1,142	4,233	5,400
Haskins	521	1,727	
Holiday City	39	17,326	
Montpelier	2,294	14,700	10,950 ₂
Napoleon	6,015	32,500	58,055 _{2,3,4}
Oak Harbor	1,793	6,087	
Pemberville	702	3,436	
Pioneer	824	8,255	
Toledo	—	—	
Woodville	1,002	3,592	
NWASG subtotal	31,791	196,999	169,585
Southwest AMP Service Group (SWASG)			
Blanchester	2,175	14,495	
Hamilton	29,130	158,800	230,500 ₆
Lebanon	9,047	65,885	33,800
SWASG subtotal	40,352	239,180	264,300
Western AMP Service Group (WASG)			
Arcanum	2,009	5,315	2,725 ₅
Celina	7,649	43,279	
Eldorado	277	984	
Jackson Center	768	4,411	1,825 ₂
Lakeview	937	2,689	
Mendon	404	1,137	
Minster	1,417	21,204	
New Bremen	1,579	12,744	
Piqua	10,581	63,000	36,000
Tipp City	4,847	30,154	
Versailles	1,813	13,894	5,475 ₂
Waynesfield	453	1,976	
Yellow Springs	2,082	7,638	
WASG subtotal	34,816	208,425	46,025

<i>Community</i>	<i>Number of Meters</i>	<i>2010 System Peak (kW)</i>	<i>Installed Generation (kW) (as of 12/31/10)</i>
Belleville Hydroelectric Plant			42,000
AMP Wind Farm			7,200 _s
Ohio Total	369,249	2,108,425	972,396
New Martinsville	1,796	7,800	37,400
Philippi	1,631	7,692	
West Virginia Total	3,427	15,492	37,400
Berlin	1,138	4,615	
Blakely	3,525	9,000	
Catawissa	997	2,341	
Duncannon	913	2,405	
East Conemaugh	744	1,278	
Ellwood City	4,151	14,367	
Ephrata	6,574	27,918	
Girard	1,549	6,684	
Goldsboro	382	1,361	
Grove City	2,947	12,135	
Hatfield	1,513	4,997	
Hooversville	381	960	
Kutztown	2,465	14,370	
Lansdale	8,114	30,228	
Lehighton	2,983	9,460	
Lewisberry	172	598	
Middletown	3,863	15,689	
Mifflinburg	1,848	9,681	
New Wilmington	732	4,478	
Perkasie	3,883	13,954	
Quakertown	5,676	20,401	
Royalton	554	1,378	
Saint Clair	1,957	5,616	
Schuylkill Haven	2,973	8,720	
Smethport	1,059	3,043	
Summerhill	302	819	
Wampum	388	1,048	
Watsonstown	1,180	3,110	
Weatherly	1,021	5,039	
Zelienople	2,255	7,605	
Pennsylvania Total	66,239	234,298	

<i>Community</i>	<i>Number of Meters</i>	<i>2010 System Peak (kW)</i>	<i>Installed Generation (kW) (as of 12/31/10)</i>
Clinton	1,370	5,628	17,250
Coldwater	6,800	56,580	12,000
Hillsdale	5,535	27,360	23,600
Marshall	4,567	23,557	11,800
Union City	1,423	4,070	375
Wyandotte	12,408	61,726	72,500
Michigan Total	33,103	179,191	137,795
Bedford	6,495	53,289	5,000
Danville	42,267	230,696	11,100
Front Royal	7,257	41,154	
Martinsville	7,846	39,100	1,300
Richlands	2,586	21,272	1,200
Virginia Total	66,451	385,511	18,600
Paducah	22,454	163,000	124,000
Princeton	3,926	27,482	
Williamstown	1,732	10,406	
Kentucky Total	28,112	200,888	124,000
AMP Total	565,581	3,133,125	1,290,191

* 2009 total; 2010 not available

¹ Owned by OMEGA JV1

² Owned by OMEGA JV2

³ Owned by OMEGA JV5

⁴ AMP distributed generation

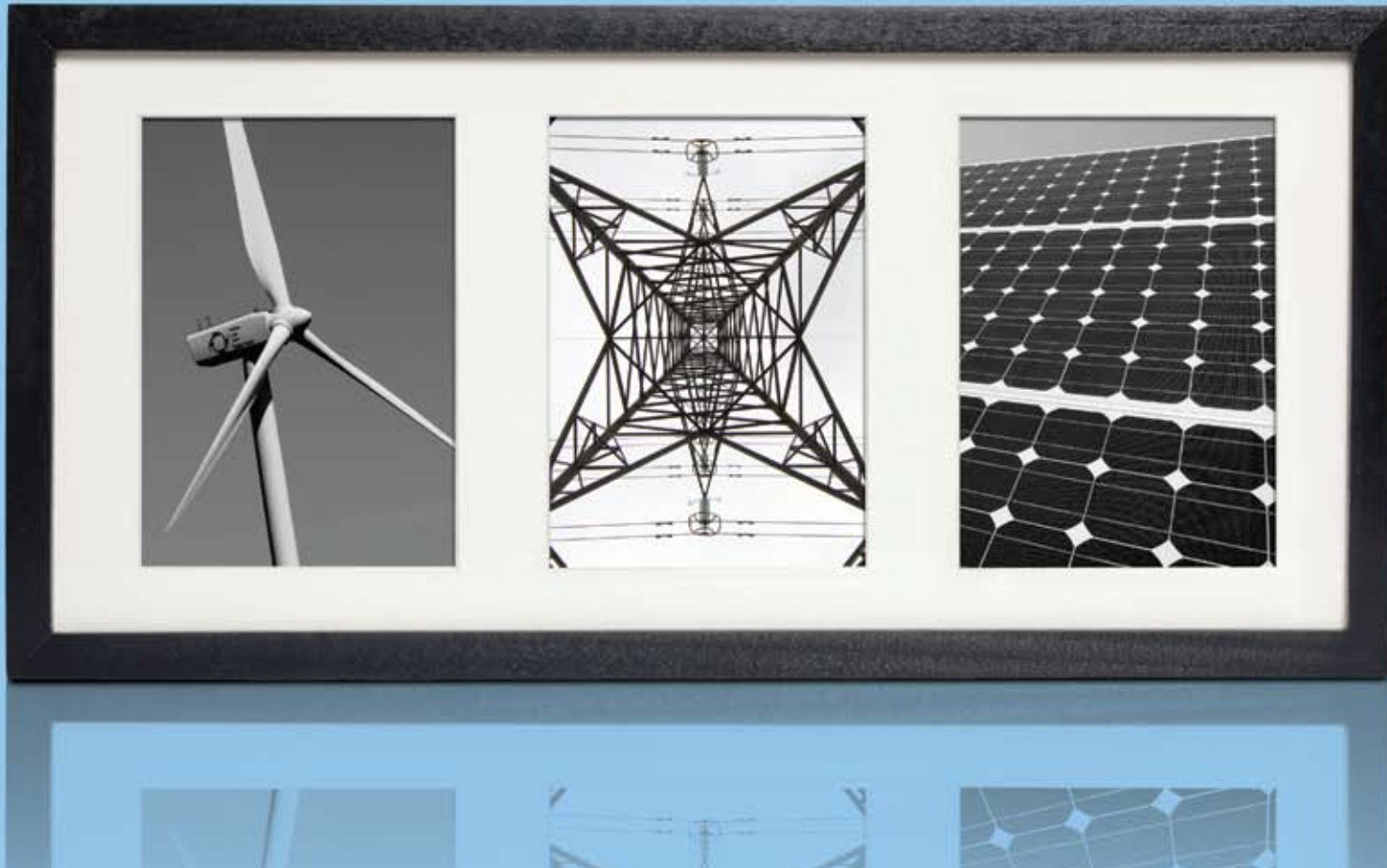
⁵ Member and distributed generation

⁶ Member and OMEGA JV2

⁷ Owned by OMEGA JV6

⁸ AMP Wind Farm is also included in Bowling Green generation total; is only counted once in Ohio total





1111 Schrock Road, Suite 100
Columbus, OH 43229

Phone: 614.540.1111
24-hour Emergency/Energy
Control Center: 614.540.1020

www.amppartners.org

For more information contact:
Kent Carson, Senior Director of Media Relations
and Communications Programs
kcarson@amppartners.org

AMP
PUBLIC POWER PARTNERS