

Announcement: MOODY'S AFFIRMS AMERICAN MUNICIPAL POWER INC. A1 ISSUER RATING; OUTLOOK STABLE

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AMP PROVIDES WHOLESALE SERVICE TO 129 MUNICIPAL ELECTRIC UTILITIES

New York, January 06, 2012 -- Moody's has affirmed the A1 issuer rating on American Municipal Power Inc. The rating considers the strong cost recovery framework of the municipal electric utilities that are participants; the A1 credit quality of the participants; AMP's satisfactory financial position; and fundamental strengths of AMP's diverse and competitive power supply portfolio. Moody's has also maintained the rating on AMP's project ratings on \$4.7 billion of revenue debt. See debt statement on page 3.

AMP has 129 members in seven states (Ohio, Delaware, Kentucky, Pennsylvania, Michigan, Virginia and West Virginia). During 2011, more than 70% of sales revenue came from Ohio-based municipal electric utilities. The participants have near-monopoly status in their service areas and set rates locally without external regulation. AMP was established by a state statute and operates like a joint power agency. It is governed by a 20-member Board of Trustees made up of officials from member municipalities.

Outlook

Moody's believes AMP's management and its sound resource planning will be key factors in it maintaining a stable credit position. AMP's plan to strengthen its liquidity and management of generation operating risks is an important factor in outlook.

What Could Change the Rating Down

The rating could be lowered if there is a change in the overall credit quality of the participants or if there is a deterioration of financial performance or liquidity. The rating could also come under pressure if the AMP generation projects that are under construction experience significant cost overruns and impact the agency's competitive position and pressure participant's compliance with power supply agreements or AMP is not able to manage its new generation risks.

What Could Change the Rating Up

The successful completion of the shift to more generation ownership; improvement in participant credit quality and further improvement in the AMP's competitive cost structure could factor in upward pressure on the rating.

Fundamentals

Strengths

- » Competitive position of municipal utility participants with an average 20% rate advantage and sound strategic plan to position cost structure in longer term
- » Certainty in cost recovery due to sound AMP power supply contracts with its members; the unregulated rate setting authority of AMP member municipal utilities, including AMP's statutory authority to increase its wholesale rates on a timely basis and members' ability to pass on purchased power costs to retail customers. Non-Ohio participants have sound state statutes regarding take-or-pay contracts

- » No direct retail competition for municipal electric utilities in each state served
- » Average weighted credit quality of the diverse group of AMP's member cities is in A1 range
- » Strong contract enforcement provisions including AMP's authority in the event of a contract default by a member, in addition to AMP's credit monitoring system which provides an early warning of fiscal stress
- » The level and availability of internal and external financial liquidity with bank line agreements with satisfactory terms and conditions
- » Demonstrated record of success in managing power supply for AMP's member municipal electric utilities
- » Fully funded debt service reserves for individual separately-secured generation project debt. No cross default between projects

Challenges

- » Strategic plan to shift from market to generation ownership has increased leverage but typical for JPA
- » Future borrowing for hydro and combined cycle generation projects will increase overall leverage
- » Managing power supply purchases in restructured wholesale electricity market
- » Costs associated with environmental compliance at Gorsuch Station and future greenhouse gas regulations at Prairie State
- » Some member utilities have customer dominance and above average retail rates
- » Unemployment in region AMP serves is above average

The principal methodology used in this rating was U.S. Municipal Joint Power Agencies published in September 2006. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

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