



News from AMP-Ohio

*AMERICAN MUNICIPAL POWER-OHIO IS DEDICATED TO PROVIDING SUPPORT SERVICES
AND LOW-COST POWER SUPPLIES TO MEMBER MUNICIPAL ELECTRIC COMMUNITIES*

For Immediate Release

November 3, 2008

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AMPGS PARTICIPANTS VOTE TO TAKE NEXT STEP ON GENERATION PROJECT

(Columbus) Participating communities in the American Municipal Power Generating Station (AMPGS) project have approved giving Limited-Notice-To-Proceed (LNTP) to the EPC contractor on the project. Notice was provided following a full participants meeting held in Columbus.

American Municipal Power-Ohio (AMP-Ohio) is developing the project on behalf of 81 of its participating member communities, along with development partners the Michigan South Central Power Agency and the Blue Ridge Power Agency, located in Virginia. The AMPGS project is a proposed 1,000 MW generation facility, which will utilize the latest in proven clean coal technology. The proposed site of the project is in Meigs County, Ohio adjacent to the Ohio River.

Giving LNTP does not mean that construction on the facility will start, that is still contingent upon receipt of all necessary permits and successful negotiations on state and local incentives. The notification means the EPC contractor can start preliminary engineering and procurement of equipment related to the project. The EPC contractor can get started on preliminary work and keep the project moving forward. Permitting is proceeding along anticipated timelines. Giving LNTP further allows the organization to lock in stabilized costs.

“This is a major step forward on the AMPGS project,” said AMP-Ohio President/CEO Marc Gerken. “The decision by the participants followed a lengthy presentation by AMP-Ohio staff and consultants, and a recommendation from the 16 member Participants Committee.

Participants received an update to the project feasibility study from R.W. Beck, the owners engineering firm. Additionally, the Participants Committee retained the services of a second engineering firm, Burns & Roe, to perform an independent review of the evaluation from R. W. Beck. Both firms recommended moving forward with limited-notice-to-proceed.”

Participants also authorized AMP-Ohio staff to finalize the contract with the preferred EPC contractor. An engineer, procure and construct contractor will be responsible for designing and building the plant and securing equipment.

In the update to the feasibility study, R.W. Beck provided revised project costs and construction schedule information. The updated schedule reflects current realities in the industry. “There is a tremendous world market impact on steam turbine manufacturers who are currently overwhelmed by power plant development in other countries,” Gerken said. “This has led to a six month extension on the project schedule, meaning both units are scheduled to begin operation in 2014. This is a conservative schedule, which we believe is realistic on a going forward basis.”

Cost estimates for the AMPGS project were also updated based on the most recent information from the preferred EPC contractor. Estimates are based on actual quotes for major equipment, and escalation and contingency costs were updated to reflect current commodity markets. The updated total capital cost for the project is \$3.258 billion.

One of the principal factors in the updated capital cost is increased costs of the steam turbines and boilers. Another factor is the difference in financing assumptions. \$80 million was also added to the escalation projections. This provides protection to participants when dealing with the commodity markets impacting construction and procurement. The increased capital costs are financed over a 40-year time frame and only increase the cost of power by approximately \$4.50 per MWh.

The analysis includes a comparison of AMPGS power cost to the market using both a base case and a scenario taking into account future CO₂ regulations. The market forecast reflects updated capital and O&M costs and updated coal and natural gas forecasts. The CO₂ sensitivity case reflects allowance prices based on the proposed legislation sponsored by Senators Joe Lieberman and John Warner that has been the subject of consideration. Under the base case (without factoring in the cost of CO₂), AMPGS power is lower than the market by 21 percent or in today’s dollars, a savings of \$1.54 billion over a 20 year period. In the CO₂

sensitivity case, AMPGS is lower than market by 23 percent or a savings of \$2.05 billion over a 20 year period in 2014 dollars.

“The due diligence that has gone into the AMPGS project thus far clearly shows it is a prudent investment for participating communities,” Gerken said. “They will own an asset that will provide below market cost power for many years, stabilizing wholesale power costs for their customers. When taking into account all of the generation assets the organization has under development, it is a much more diversified mix with a responsible combination of fossil fuel and renewable generation. In fact, by 2015 we estimate that AMPGS participating communities will have an average of 21 percent renewables in their portfolio. We are very proud of this.”

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About AMP-Ohio – AMP-Ohio is the Columbus, Ohio-based nonprofit wholesale power supplier and services provider for 123 member municipal electric systems in Ohio, Pennsylvania, Michigan, Virginia, West Virginia and Kentucky. The organization provides a diverse mix in its wholesale generation resources, which in addition to fossil fuel, includes wind, hydroelectric, landfill gas and distributed generation. www.amp-ohio.org