

American Municipal Power, Inc.

**Interim Consolidated Financial Statements
September 30, 2009**

American Municipal Power, Inc.

Index

September 30, 2009 (unaudited)

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Report of Independent Accountants

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

We have reviewed the accompanying consolidated balance sheet of American Municipal Power, Inc. and its subsidiaries (the "Organization") as of September 30, 2009, and the related consolidated statements of revenues and expenses, changes in member and patron equities and cash flows for the nine-month period ended September 30, 2009. This interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Organization as of December 31, 2008, and the related consolidated statements of revenues and expenses, changes in member and patron equities, and of cash flows for the year then ended (not presented herein), and in our report dated April 1, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2008 and the consolidated statement of changes in member and patron equities for the year ended December 31, 2008, is fairly stated in all material respects in relation to the consolidated balance sheet and the consolidated statement of changes in member and patron equities from which they have been derived.

This report is intended solely for the information and use of management and the Board of Trustees of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

December 4, 2009

American Municipal Power, Inc.
Consolidated Balance Sheets
September 30, 2009 and December 31, 2008 (unaudited)

	September 30, 2009	December 31, 2008
Assets		
Utility plant		
Electric plant in service	\$ 107,964,367	\$ 108,512,685
Accumulated depreciation	(78,618,795)	(74,847,536)
Total utility plant	<u>29,345,572</u>	<u>33,665,149</u>
Nonutility property and equipment		
Nonutility property and equipment	18,800,628	16,340,156
Accumulated depreciation	(3,695,943)	(5,320,044)
Total nonutility property and equipment	<u>15,104,685</u>	<u>11,020,112</u>
Construction work-in-progress	830,912,498	450,070,916
Coal reserves	26,612,000	26,612,000
Trustee funds and other assets		
Trustee funds	328,738,823	501,175,049
Financing receivables - members	43,556,407	46,503,488
Investments	4,736,618	4,573,013
Note receivable	3,075,000	-
Regulatory assets	35,344,679	30,527,177
Prepaid power purchase asset	130,058,974	173,201,258
Prepaid pension costs	10,768,522	11,267,509
Intangible and other assets, net of accumulated amortization of \$3,846,475 and \$1,327,118 respectively	23,893,884	13,303,546
Total trustee funds and other assets	<u>580,172,907</u>	<u>780,551,040</u>
Current assets		
Cash and cash equivalents	53,682,617	129,997,882
Cash and cash equivalents - restricted	7,878,094	5,981,425
Trustee funds	257,921,412	155,007,208
Investments	18,481,801	11,191,472
Collateral Postings	58,379,503	-
Accounts receivable	63,180,679	60,754,461
Financing receivables - members	33,363,292	35,897,372
Emission allowances	12,639,745	12,682,111
Inventories	7,927,249	2,292,790
Regulatory assets - current	10,019,799	15,101,523
Prepaid power purchase asset - current	57,681,076	57,681,076
Prepaid expenses and other assets	2,790,273	648,861
Total current assets	<u>583,945,540</u>	<u>487,236,181</u>
Total assets	<u>\$ 2,066,093,202</u>	<u>\$ 1,789,155,398</u>

American Municipal Power, Inc.
Consolidated Balance Sheets
September 30, 2009 and December 31, 2008 (unaudited)

	September 30, 2009	December 31, 2008
Equities and Liabilities		
Member and patron equities		
Contributed capital	\$ 784,556	\$ 770,296
Patronage capital	44,927,762	43,111,321
Total member and patron equities	<u>45,712,318</u>	<u>43,881,617</u>
Long-term debt		
Term debt	1,540,227,305	1,202,197,316
Term debt on behalf of members	51,408,000	55,298,000
Line of credit and commercial paper	175,000,000	205,704,993
Total long-term debt	<u>1,766,635,305</u>	<u>1,463,200,309</u>
Current liabilities		
Accounts payable	66,797,676	56,685,762
Accrued salaries and related benefits	1,259,564	1,139,735
Accrued pension and postretirement benefits - current	595,000	595,000
Accrued interest	11,682,167	30,601,686
Term debt - current	88,014,162	82,554,750
Term debt on behalf of members - current	37,624,500	40,131,150
Regulatory liabilities - current	3,169,679	2,592,780
Margin funds on deposit	-	19,800,000
Other liabilities	8,197,623	9,692,593
Total current liabilities	<u>217,340,371</u>	<u>243,793,456</u>
Other noncurrent liabilities		
Accrued pension and postretirement benefits	4,121,772	4,219,998
Asset retirement obligations	7,059,158	6,884,801
Regulatory liabilities	23,189,860	27,175,217
Deferred gain on sale of nonutility property and equipment	2,034,418	-
Total other noncurrent liabilities	<u>36,405,208</u>	<u>38,280,016</u>
Commitments and contingencies		
Total liabilities	<u>2,020,380,884</u>	<u>1,745,273,781</u>
Total equities and liabilities	<u>\$ 2,066,093,202</u>	<u>\$ 1,789,155,398</u>

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

American Municipal Power, Inc.
Consolidated Statement of Revenues and Expenses
Nine Months Ended September 30, 2009 (unaudited)

	September 30, 2009
Revenues	
Electric revenue	\$ 541,839,443
Service fees	4,530,882
Programs and other	6,453,188
Total revenues	<u>552,823,513</u>
Operating Expenses	
Purchased electric power	476,713,857
Production	13,327,309
Fuel	33,130,609
Depreciation and amortization	5,143,894
Administrative and general	5,352,269
Interest expense	14,093,015
Property and real estate taxes	723,757
Programs and other	4,080,649
Total operating expenses	<u>552,565,359</u>
Operating margin	258,154
Nonoperating Revenues	
Interest income	1,329,576
Other, net	228,711
Total nonoperating revenues	<u>1,558,287</u>
Net margin	<u>\$ 1,816,441</u>

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

American Municipal Power, Inc.
Consolidated Statements of Changes in Member and Patron Equities
Nine Months Ended September 30, 2009 and Year Ended December 31, 2008 (unaudited)

	Contributed Capital	Patronage Capital	Accumulated Other Comprehensive Loss	Total
Balances, December 31, 2007	\$746,556	\$34,998,541	(\$8,261,247)	\$27,483,850
Capital contributions	23,740	-	-	23,740
Net margin	-	8,112,780	-	8,112,780
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	-	-	-	16,374,027
Balances, December 31, 2008	770,296	43,111,321	-	43,881,617
Capital contributions	14,260	-	-	14,260
Net margin	-	1,816,441	-	1,816,441
Balances, September 30, 2009	\$784,556	\$ 44,927,762	-	\$ 45,712,318

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

American Municipal Power, Inc.
Consolidated Statement of Cash Flows
Nine Months Ended September 30, 2009 (unaudited)

	September 30, 2009
Cash flows from operating activities	
Net margin	\$ 1,816,441
Adjustments to reconcile net margin to net cash used in operating activities	
Depreciation and amortization	5,143,894
Amortization of bond premium, net of amortization of bond discount	(851,417)
Amortization of deferred financing costs	2,519,357
Accretion of interest on asset retirement obligations	174,357
Gain on disposal of property and equipment	(16,540)
Unrealized gain on investments	(521,184)
Changes in assets and liabilities	
Investments	24,693
Accounts receivable	(2,426,218)
Emission allowances	42,366
Inventories	(5,634,459)
Prepaid expenses and other assets	(8,141,412)
Regulatory assets and liabilities, net	(3,144,236)
Accounts payable	10,111,914
Prepaid power purchase asset	43,142,284
Collateral postings	(58,379,503)
Margin funds on deposits	(19,800,000)
Accrued salaries and related benefits	119,829
Accrued pension and post retirement benefits	400,761
Accrued interest	(18,919,519)
Other liabilities	(1,494,970)
Net cash used in operating activities	<u>(55,833,562)</u>
Cash flows from investing activities	
Proceeds from sale of investments, net of purchases of investments	62,564,579
Proceeds from sale of property and equipment	25,000
Purchase of utility property and equipment	(178,675)
Purchase of nonutility property and equipment	(5,779,257)
Purchase of construction work-in-progress	(380,841,582)
Restricted cash and cash equivalents	(1,896,669)
Net cash used in investing activities	<u>\$ (326,106,604)</u>

American Municipal Power, Inc.
Consolidated Statement of Cash Flows
Nine Months Ended September 30, 2009 (unaudited)

	September 30, 2009
Cash flows from financing activities	
Proceeds from revolving credit loan and commercial paper program	1,203,962,000
Payments on revolving credit loan and commercial paper program	(1,234,666,993)
Principal payments on term debt	(172,475,000)
Proceeds from issuance of term debt	516,815,818
Cost of issuance of debt	(7,109,695)
Principal payments on term debt on behalf of members	(23,438,650)
Proceeds from issuance of term debt on behalf of members	17,042,000
Proceeds from financing receivable—members	19,572,715
Funding of financing receivable—members	(14,091,554)
Capital contributions	14,260
	<u>305,624,901</u>
Net cash provided by financing activities	305,624,901
Net change in cash and cash equivalents	(76,315,265)
Cash and cash equivalents, beginning of year	<u>129,997,882</u>
Cash and cash equivalents, end of period	<u>\$ 53,682,617</u>

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

American Municipal Power, Inc.

Notes to Interim Consolidated Financial Statements

Nine Months Ended September 30, 2009 (unaudited)

1. Description of Business

American Municipal Power, Inc. ("AMP") is a not-for-profit Ohio corporation organized to provide electric capacity and energy and to furnish other services to its members on a cooperative basis. AMP is a tax-exempt organization for federal tax purposes under Section 501(c)(12) of the Internal Revenue Service Code. AMP is a membership organization comprised of 82 municipalities in Ohio, two municipalities in West Virginia, 29 municipalities in Pennsylvania, seven municipalities in Michigan, five municipalities in Virginia, and three municipalities in Kentucky, all but one of which own and operate electric systems. AMP purchases and generates electric capacity and energy for sale to its members. AMP'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.

In addition, AMP serves as a project manager for Ohio members participating in joint venture projects to share ownership of power generation and transmission facilities, known as Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 ("OMEGA" "JV1," "JV2," "JV4," "JV5," and "JV6") (collectively, the "OMEGA Joint Ventures").

AMP 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. In addition to the OMEGA Joint Ventures, Municipal Energy Services Agency ("MESA") has also been formed by the members. MESA provides management and technical services to AMP, its members, and the OMEGA Joint Ventures.

AMP has received approval pursuant to a private letter ruling from the Internal Revenue Service ("IRS") to issue tax-exempt securities on behalf of its members. In connection with the financing of projects undertaken by the electric systems of certain member communities, AMP has issued tax-exempt debt on their behalf. Additionally, AMP has issued tax-exempt bonds to finance the construction of its generating projects.

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, 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 represents 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.

American Municipal Power, Inc.

Notes to Interim Consolidated Financial Statements

Nine Months Ended September 30, 2009 (unaudited)

AMP 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 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 shall not be 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 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.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include all entities in which AMP has control, which are its majority owned subsidiaries. The interim consolidated financial statements have been prepared without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The interim consolidated financial statements as of September 30, 2009 and for the nine month period ended September 30, 2009 should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2008.

The accompanying interim consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year ending December 31, 2009.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

All intercompany transactions and balances have been eliminated.

American Municipal Power, Inc.
Notes to Interim Consolidated Financial Statements
Nine Months Ended September 30, 2009 (unaudited)

Construction Work-in-Progress

AMP records amounts expended in connection with construction work-in-progress projects at cost. Upon completion of a project, AMP places the asset in service and the related costs are recorded as either utility plant or nonutility property and equipment. There is \$3,498,616 of land included in the construction work-in-progress account at both September 30, 2009 and December 31, 2008. AMP capitalized interest costs in the amount of \$38,451,760 for the nine-month period ended September 30, 2009.

Construction work-in-progress projects consist of the following at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
PSEC	\$ 543,218,348	\$ 331,976,857
AMPGS	60,878,999	19,325,386
Hydro Plants	225,802,893	98,768,673
Other	1,012,258	-
	<u>\$ 830,912,498</u>	<u>\$ 450,070,916</u>

Derivative Instruments

AMP accounts for derivative instruments on its consolidated balance sheets at fair value unless the instruments qualify to be accounted for as normal purchase and normal sales. The fair values of derivative instruments accounted for using mark-to-market accounting are based on exchange prices and broker quotes, when available. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes and supply and demand market data and other assumptions. The fair values determined are reduced by the appropriate valuation adjustments for items such as discounting, liquidity, credit quality and modeling risk. There is inherent risk in valuation modeling given the complexity and volatility of energy markets. Therefore, it is possible that results in future periods may be materially different as contracts are ultimately settled.

AMP has determined each of its power purchase and power sales contracts which meet the definition of a derivative instrument qualifies to be accounted for as normal purchases and normal sales.

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

AMP has entered into multiple interest rate swap agreements which are carried at their fair value on the consolidated balance sheets. The fair value of the swaps was \$(4,639,369) and \$(5,765,503) at September 30, 2009 and December 31, 2008, respectively, and is included in other liabilities. A corresponding regulatory asset has been recorded equal to the unrealized loss.

American Municipal Power, Inc.

Notes to Interim Consolidated Financial Statements

Nine Months Ended September 30, 2009 (unaudited)

New Accounting Standards

In December 2007, the FASB issued a standard on business combinations which 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. The standard applies prospectively to business combinations and is effective for fiscal years beginning on or after December 15, 2008. AMP has concluded that the adoption of this standard did not have a significant impact on the interim consolidated financial statements.

In December 2007, the FASB amended the consolidation guidance for noncontrolling interests. The standard establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. The standard also requires that a retained noncontrolling interest upon the deconsolidation of a subsidiary be initially measured at its fair value. The standard is effective for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. AMP has concluded that the adoption of this standard did not have a significant impact on the interim consolidated financial statements.

In March 2008, the FASB amended the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why AMP uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect AMP's financial position, financial performance and cash flows. The standard is effective for fiscal years beginning on or after November 15, 2008 and interim periods within those fiscal years. AMP has concluded that the adoption of this standard did not have a significant impact on the interim consolidated financial statements.

In May 2009, the FASB issued a standard on subsequent events which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The standard is effective for fiscal years ending after June 15, 2009. The adoption of this standard did not have a material impact on AMP's interim consolidated financial statements.

In June 2009, the FASB amended the consolidation guidance applied to variable interest entities. This standard replaces the quantitative approach previously required to determine which entity has a controlling financial interest in a variable interest entity with a qualitative approach. Under the new approach, the primary beneficiary of a variable interest entity is the entity that has both (a) the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity, or the right to receive benefits from the entity, that could be significant to the variable interest entity. This standard also requires ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity and enhanced disclosures about an entity's involvement in variable interest entities. This standard is effective for fiscal years beginning after November 15, 2009. AMP is currently evaluating the impact of adopting this standard on its financial statements.

American Municipal Power, Inc.

Notes to Interim Consolidated Financial Statements

Nine Months Ended September 30, 2009 (unaudited)

In June 2009, the FASB issued the codification standard which establishes the FASB Accounting Standards Codification™ as the source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities. Following this standard, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or EITF Abstracts. Instead, it will issue Accounting Standards Updates to update the Codification. This standard is effective for interim or annual financial periods ending after September 15, 2009. AMP adopted this standard during the quarter ended September 30, 2009 and the adoption did not have a significant impact on the interim consolidated financial statements.

3. Revolving Credit Loan and Term Debt

Credit Agreement

AMP entered into a Credit Agreement dated as of September 24, 2007, as amended, with a syndicate of commercial banks led by JP Morgan Chase Bank, NA, with a total available line of credit of \$550 million. AMP may borrow directly on the line of credit or request the issuance of letters of credit against the line of credit in support of its interim financing arrangements.

Commercial Paper Program

On January 22, 2008, AMP initiated a tax-exempt commercial paper program (the "Initial CP Program"), with an authorized par amount of \$350 million secured by a letter of credit issued under its line of credit. On February 12, 2009, AMP's Board of Trustees resolved to increase the authorized par amount of the Initial CP Program to \$400 million. AMP utilized the Initial CP Program to provide interim financing for the costs of its projects. On September 24, 2009, AMP replaced the Initial CP Program with the second tax-exempt commercial program (the "Current CP Program"), with an authorized par amount of \$450 million, secured by a letter of credit secured under its line of credit.

AMPGS State Loan

On September 2, 2009, AMP and the Ohio Coal Development Office (the "OCDO") acting on behalf of the State of Ohio closed on a \$30 million, interest-free, loan (the "AMPGS State Loan"). To evidence its obligations to repay the AMPGS State Loan, AMP issued the OCDO a promissory note, which is secured solely by the power sales contract relating to AMPGS. The proceeds of the AMPGS State Loan will be used by AMP to fund certain expenditures relating to the pollution control equipment to be installed for AMPGS. As of September 30, 2009, no funds have been disbursed under this loan agreement.

Term Debt

AMP has issued term debt in the form of notes payable and bonds for the financing of its own assets and on behalf of specific members. AMP is the primary obligor on term debt issued to finance its assets.

American Municipal Power, Inc.
Notes to Interim Consolidated Financial Statements
Nine Months Ended September 30, 2009 (unaudited)

Bonds and notes payable related to financing AMP assets consists of the following at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
AMP-Ohio project note due October 29, 2009, with interest at 3.75% at June 30, 2009 and December 31, 2008 payable at maturity	\$ 4,097,550	\$ 4,097,550
AMP-Ohio Project Note due October 29, 2009, interest at 2.25% at September 30, 2009 and December 31, 2008 payable at maturity	8,000,000	8,000,000
AMP-Ohio Multi-mode Variable Rate Combustion Turbine Project Revenue Bonds, Series 2006	11,885,000	12,220,000
AMP-Ohio Electricity Purchase Revenue Bonds Prepayment Issue, Series 2007 A	235,725,000	287,865,000
Unamortized premium on Electricity Purchase Revenue Bonds	4,593,144	5,626,602
AMP-Ohio Prairie State Energy Campus Project Revenue Bonds, Series 2008A	760,655,000	760,655,000
Unamortized discount on Prairie State Energy Campus Revenue Bonds	(10,193,244)	(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	96,590,000
AMP-Ohio Project Note due October 29, 2009 with interest at 2.00% (including unamortized premium of \$1,612)	3,001,612	-
AMP-Ohio Prairie State Energy Campus Project Revenue Bonds, series 2009A	166,565,000	-
Unamortized discount on Prairie State Energy Campus Revenue Bonds Series 2009A	(2,677,595)	-
Hydroelectric Bond Anticipation Note, Series 2009	350,000,000	-
	<u>1,628,241,467</u>	<u>1,284,752,066</u>
Current portion	<u>(88,014,162)</u>	<u>(82,554,750)</u>
Noncurrent portion	<u>\$ 1,540,227,305</u>	<u>\$ 1,202,197,316</u>

American Municipal Power, Inc.
Notes to Interim Consolidated Financial Statements
Nine Months Ended September 30, 2009 (unaudited)

Prairie State Financings

The Prairie State Energy Campus project Revenue Bonds, Series 2009A (the "PSEC 2009A Bonds") were issued on March 31, 2009 in the form of serial and term bonds with an aggregate par amount of \$166,565,000. The PSEC 2009A bonds were issued with an aggregate discount of \$2,750,794. The discount will be amortized over the life of the bonds as an increase to interest expense. The PSEC 2009A bonds will mature between 2017 and 2039 and bear interest at fixed rates between 4.00% and 5.75%. Interest is payable semiannually, beginning August 15, 2009.

The PSEC 2009A Bonds outstanding at September 30, 2009 are as follows:

Maturity Date	Principal Amount	Interest Rate
February 15		
2017	\$ 1,820,000	4.000 %
2018	8,455,000	4.125 %
2019	11,835,000	4.250 %
2020	1,950,000	4.375 %
2021	2,060,000	4.600 %
2022	1,955,000	4.750 %
2023	3,685,000	5.000 %
2024	18,435,000	5.000 %
2025	14,590,000	5.125 %
2026	12,300,000	5.250 %
2027	4,440,000	5.375 %
2028	4,680,000	5.375 %
2029	2,670,000	5.500 %
2036	48,020,000	5.625 %
2039	<u>29,670,000</u>	5.750 %
	\$166,565,000	

AMP may redeem the PSEC 2009A bonds in whole or in part for any maturity after February 15, 2019 at par plus accrued interest, except for the PSEC 2009A bonds that mature February 15, 2036. AMP has the right to redeem the PSEC 2009A bonds that mature of February 15, 2036 on any date beginning February 15, 2014 at par plus accrued interest.

The PSEC 2009A bonds due February 15, 2036 are term bonds subject to the following mandatory sinking fund redemption schedule. The bonds will be redeemed at par plus accrued interest.

American Municipal Power, Inc.
Notes to Interim Consolidated Financial Statements
Nine Months Ended September 30, 2009 (unaudited)

Mandatory Sinking Fund Redemption Schedule
Series 2009A Term Bonds Maturing on February 15, 2036

Year	Principal Amount	Coupon Rate
2030	\$ 2,810,000	5.625 %
2031	2,960,000	5.625 %
2032	10,575,000	5.625 %
2033	11,175,000	5.625 %
2034	6,465,000	5.625 %
2035	6,825,000	5.625 %
2036	7,721,000	5.625 %

The PSEC 2009A Bonds due February 15, 2039 are Term bonds subject to the following mandatory sinking fund redemption schedule. The bonds will be redeemed at par plus accrued interest.

Mandatory Sinking Fund Redemption Schedule
Series 2009A Term Bonds Maturing on February 15, 2039

Year	Principal Amount	Coupon Rate
2037	\$ 7,615,000	5.750 %
2038	8,055,000	5.750 %
2039	14,000,000	5.750 %

American Municipal Power, Inc. Hydroelectric Projects Revenue Bond Anticipation Notes Series 2009A

The Hydroelectric Bond Anticipation Notes, Series 2009A (the "Hydro BANs") were issued on April 16, 2009 with the aggregate par amount of \$350,000,000. The Hydro BANs bear interest at a fixed rate of 1.00% and are due on April 1, 2010. In November 2009, the Hydro BANs were refinanced on a long-term basis. Accordingly, the Hydro BANs are presented as long-term debt on the interim consolidated balance sheets.

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4. Fair Value of Financial Instruments

Financial Instruments	September 30, 2009		December 31, 2008	
	Carry Value	Estimated Fair Value	Carry Value	Estimated Fair Value
Assets				
Investments	\$ 23,218,419	\$ 23,218,419	\$ 15,764,485	\$ 15,764,485
Trustee funds, AMP	577,681,534	577,681,534	645,675,793	645,675,793
Trustee funds on behalf of members	8,978,701	8,978,701	10,506,464	10,506,464
Liabilities				
Fixed rate term debt, including current maturities, AMP	1,519,766,467	1,590,511,743	1,175,942,066	1,119,277,022
Fixed rate term debt, including current maturities, on behalf of members	83,133,500	85,625,863	88,611,150	90,156,450
Variable rate term debt, including current maturities, AMP and on behalf of members	114,853,000	114,853,000	115,628,000	115,628,000
Interest rate swaps	4,639,369	4,639,369	5,765,603	5,765,603

The carrying amounts of cash, accounts receivable, accounts payable, the AMP project notes, the Hydro BANs, the Prairie State BANs, 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 AMP.

Effective January 1, 2008, AMP adopted the FASB's standard for 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. AMP also adopted the FASB's standard for the fair value option, on January 1, 2008, which provides the option to measure certain financial assets and financial liabilities at fair value. AMP has analyzed its financial assets and financial liabilities within the scope of this standard and, as of September 30, 2009, has elected not to record eligible assets and liabilities at fair value.

As defined in the fair value measurements standard, fair value is the price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants on the measurement date. This standard establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by the fair value measurements standard are as follows:

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- Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those where transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. AMP's Level 1 assets primarily consist of 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. AMP does not have any liabilities that meet the definition of Level 1.
- Level 2 Pricing inputs are either directly or indirectly observable in the market as of the reporting date, other than quoted prices in active markets included in Level 1. Level 2 includes those financial instruments that are valued using models or other valuation methodologies based on assumptions that are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Instruments in this category include AMP's interest rate swaps. Interest rate swaps are included in other liabilities on AMP'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. AMP's Level 3 assets consist of its investment in hedge funds, which are included in investments on the consolidated balance sheets.

AMP utilizes market data and assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. AMP primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, AMP maximizes the use of observable inputs and minimizes the use of unobservable inputs.

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The following tables set forth AMP's financial assets and financial liabilities that are accounted for at fair value by level within the fair value hierarchy as of September 30, 2009 and December 31, 2008. As required by the fair value measurement standard, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. AMP's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures	September 30, 2009			Total
	Level 1	Level 2	Level 3	
Assets				
Equity securities and mutual funds	\$ 647,600	\$ -	\$ -	\$ 647,600
Money market funds	1,403,797	-	-	1,403,797
Certificates of deposit	11,694,061	-	-	11,694,061
Debt securities	5,562,190	-	-	5,562,190
Hedge funds	-	-	3,910,771	3,910,771
Total	\$ 19,307,648	\$ -	\$ 3,910,771	\$ 23,218,419
Liabilities				
Interest rate swaps	-	4,639,369	-	4,639,369
Total	\$ -	\$ 4,639,369	\$ -	\$ 4,639,369

Recurring Fair Value Measures	December 31, 2008			Total
	Level 1	Level 2	Level 3	
Assets				
Equity securities and mutual funds	\$ 1,916,595	\$ -	\$ -	\$ 1,916,595
Money market funds	54,278,539	-	-	54,278,539
Certificates of deposit	4,573,013	-	-	4,573,013
Debt securities	5,847,500	-	-	5,847,500
Hedge funds	-	-	3,427,377	3,427,377
Total	\$ 66,615,647	\$ -	\$ 3,427,377	\$ 70,043,024
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 the fair value measurement standard. 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.

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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 2009 and 2008:

Balance as of January 1, 2008	\$ 4,300,362
Settlements	-
Unrealized gains (losses)	<u>(872,985)</u>
Balance as of December 31, 2008	\$ 3,427,377
Settlements	-
Unrealized gains (losses)	<u>\$ 483,394</u>
Balance as of September 30, 2009	\$ 3,910,771

5. Employee Benefits

Pension Plan

AMP 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. Assets held by the Pension Plan consist primarily of treasury notes, marketable securities, and alternative investments.

Postretirement Plan

AMP 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 September 30, 2009 and December 31, 2008, \$11,524,358 and \$11,191,472, respectively, of investments in the accompanying consolidated balance sheets are designated to fund Postretirement Plan benefits.

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The following table sets forth the components of net periodic benefit cost, for the Pension Plan and Postretirement Plan at September 30, 2009 and December 31, 2008:

	Pension Plan	
	September 30, 2009	December 31, 2008
Components of net periodic benefit costs		
Service cost	\$ 600,000	\$ 822,155
Interest cost	814,027	1,159,003
Expected return on plan assets	(1,718,148)	(3,153,047)
Recognized actuarial loss	803,108	283,547
Settlement loss	-	1,076,408
Net periodic benefit cost	<u>\$ 498,987</u>	<u>\$ 188,066</u>

	Postretirement Plan	
	September 30, 2009	December 31, 2008
Components of net periodic benefit costs		
Service cost	\$ 93,750	\$ 129,994
Interest cost	211,758	295,890
Amortization of transition obligation	-	78,600
Recognized actuarial loss	61,029	69,060
Net periodic benefit cost	<u>\$ 366,537</u>	<u>\$ 573,544</u>

6. Commitments and Contingencies

Environmental Matters

AMP 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.

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 the CAA to reduce nitrogen-oxide emissions. AMP 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

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initiated. AMP made its first response to the USEPA Section 114 request on July 28, 2008. AMP 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 acquired an interest in Gorsuch, and 1988-1991 (Station Improvement Uprate Program). AMP tendered responsive documents.

On April 1, 2009, AMP received a Notice and Finding of Violation from the U.S. EPA ("NOV"). The NOV was addressed to both AMP and Elkem Metals, Inc. ("Elkem"), the previous owner of the generating station. The NOV alleges that activities undertaken from 1981 – 1986 prior to AMP's ownership, and from 1988 – 1991, during AMP'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 and Elkem. AMP has reviewed the NOV and has met with the EPA to discuss its involvement in this matter in further detail. At this time, AMP cannot predict the outcome of these discussions, whether litigation will follow, or what potential outcomes may be.

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 and has 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 began 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/mmBtu basis. The allocation factor is further reduced to 0.125 lbs/mmBtu 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 vacatur. As such, CAIR became 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.

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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 was set to 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, and all litigation has been exhausted. Thus, CAMR is not effective at September 30, 2009.

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 likely other HAPs at the level equivalent to the top twelve percent of operating sources in the utility category. USEPA has not yet proposed a MACT for utility sources.

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 2013. The Gorsuch Project participated in an ecosystem study to determine the impact of electric utility cooling water intake structures 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 Kingston Plant. However, the accident at Kingston has prompted increased regulatory scrutiny of fly ash disposal operations at all utility plants. AMP 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 nonattainment 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 nonattainment 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 of its concern about lead emissions from its Gorsuch Station. AMP has responded to this letter and believes the concern is unfounded.

Pursuant to Section 114 (a) of the CAA, AMP 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 is cooperating fully with the USEPA's investigation.

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Power Purchase Commitments

AMP'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's power pools.

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

Other Commitments

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

7. Subsequent Events

On October 15, 2009 AMP issued \$469,580,000 of Prairie State Energy Campus Project Revenue Bonds consisting of \$83,745,000 Series 2009B bonds (the "PSEC 2009B Bonds") which are federally taxable and \$385,835,000 Series 2009C bonds (the "PSEC 2009C Bonds") which are federally taxable and federally subsidized as Build America Bonds. The PSEC 2009B Bonds and PSEC 2009C Bonds (collectively the "PSEC Series 2009 Bonds") were issued to 1) make deposits to the Acquisition and Construction accounts under the indentures to finance AMP's capital expenditures, costs and expenses associated with AMP's ownership interest in the Prairie State Energy Campus, 2) repay draws on a line of credit made to finance certain capital costs associated with the PSEC, 3) fund capitalized interest, 4) fund deposits to the Parity Common Reserve Account, and 5) pay the costs of issuance of the PSEC Series 2009 Bonds. The PSEC Series 2009 Bonds are special and limited obligations of AMP payable from and solely secured by the trust estate pledged under the indenture, which includes payments to be made to AMP by the participants pursuant to the power sales contract. These bonds are non-recourse to AMP.

On October 7, 2009, the board of trustees of AMP approved a budget revision for Gorsuch Project members whereby billings will be reduced by approximately \$2.9 million related to emissions costs incurred by AMP through September 30, 2009. Approximately \$2 million of these emissions costs were incurred during the year ended December 31, 2008 and approximately \$900,000 of these emissions costs were incurred during the nine-month period ended September 30, 2009. AMP has recorded the total charge of approximately \$2.9 million as a reduction of revenue in its consolidated statement of revenues and expenses for the nine-month period ended September 30, 2009

On December 9, 2009, AMP issued \$643,835,000 of Combined Hydroelectric Projects Revenue Bonds consisting of \$24,425,000 Series 2009A bonds (the "Hydro 2009A Bonds") which are federally taxable, \$497,005,000 Series 2009B bonds (the "Hydro 2009B Bonds") which are federally taxable and federally subsidized as Build America Bonds and \$122,405,000 Series 2009C bonds (the "Hydro 2009C Bonds") which are tax-exempt. The Hydro 2009A Bonds, Hydro 2009B Bonds and Hydro 2009C Bonds (collectively the "Hydro 2009 Bonds") were issued to 1) refund the Hydro BANs, 2) to make deposits to the Construction accounts under the indenture to finance AMP's capital expenditures, costs and expenses associated with the hydro projects, 3) to fund capitalized interest, 4) to fund deposits to the Parity Common Reserve Account and 5) to pay the costs of issuance of the Hydro 2009 bonds. The Hydro 2009 Bonds are special and limited obligations of AMP payable from and secured solely by the trust estate pledged under the indenture, which includes payments to AMP by the hydro project participants pursuant to the power

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sales contract. The payment of the Series 2009 Bonds is not guaranteed by AMP, the members of AMP or the hydro project participants. These bonds are nonrecourse to AMP.

On November 25, 2009, AMP announced plans for the likely conversion of the AMPGS project currently under development. AMP will explore developing the project as a natural gas combined cycle facility supplemented with market purchases and pursue future enhancements for the project, such as biomass or other advanced energy technology. AMP has given termination notice to the engineer-procure-construct contractor, emission control and other equipment vendors on pulverized coal construction and equipment. The costs already incurred for the AMPGS project and the costs of the AMPGS project conversion will be recovered in full from the AMPGS project participants in accordance with their power sales contracts with AMP. AMP intends to terminate the AMPGS state loan and no funds have been or will be drawn down there under.

AMP has considered subsequent events through December 15, 2009, the date the interim consolidated financial statements were available to be issued.