American Municipal Power, Inc.

Interim Consolidated Financial Statements

June 30, 2017

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Report of Independent Auditors

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

We have reviewed the accompanying consolidated interim financial information of American Municipal Power, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of June 30, 2017, and the related consolidated statements of revenues and expenses, of changes in member and patron equities, and of cash flows for the six-month periods ended June 30, 2017 and 2016.

Management's Responsibility for the Consolidated Interim Financial Information

The Company's management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. 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.

Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

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Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of American Municipal Power, Inc. and its subsidiaries as of December 31, 2016, and the related consolidated statements of revenues and expenses, of changes in member and patron equities, and of cash flows for the year then ended (not presented herein), and in our report date April 19, 2017, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2016, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

September 25, 2017

American Municipal Power, Inc.
Consolidated Balance Sheets
June 30, 2017 (Unaudited) and December 31, 2016

	June 30, 2017	December 31, 2016
Assets		
Utility plant		
Electric plant in service	$ 3,995,688,795	$ 3,976,142,251
Accumulated depreciation	(372,762,492)	(313,992,944)
Total utility plant	3,622,926,303	3,662,149,307
Nonutility property and equipment		
Nonutility property and equipment	22,760,653	21,132,273
Accumulated depreciation	(10,194,872)	(9,827,151)
Total nonutility property and equipment	12,565,781	11,305,122
Construction work-in-progress	882,365,097	848,457,212
Plant held for future use	34,881,075	34,881,075
Coal reserves	23,160,020	23,537,987
Trustee funds and other assets		
Trustee funds	331,328,986	333,791,713
Trustee funds - restricted	128,192,680	785,796,709
Financing receivables - members	4,485,065	5,049,613
Notes receivable	2,735,077	2,797,002
Regulatory assets	442,570,882	416,798,128
Prepaid assets	41,676,218	-
Intangible and other assets, net of accumulated amortization of $4,204,228 and $3,822,025, respectively	37,312,254	37,482,357
Total trustee funds and other assets	988,301,162	1,581,715,522
Current assets		
Cash and cash equivalents	113,930,315	131,846,461
Cash and cash equivalents - restricted	11,405,361	11,360,258
Trustee funds	191,669,410	243,125,116
Trustee funds - restricted	645,139,767	11,316,075
Collateral postings	21,723,071	25,216,992
Accounts receivable	101,559,123	87,363,342
Interest receivable	24,471,245	30,221,054
Financing receivables - members	23,305,106	26,337,558
Inventories	10,247,879	8,403,648
Regulatory assets	30,670,502	13,253,508
Prepaid expenses and other assets	4,565,914	7,373,279
Total current assets	1,178,687,693	595,817,291
Total assets	$ 6,742,887,131	$ 6,757,863,516

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

American Municipal Power, Inc.
Consolidated Balance Sheets
June 30, 2017 (Unaudited) and December 31, 2016

	June 30, 2017	December 31, 2016
Equities and Liabilities		
Member and patron equities		
Contributed capital	$ 828,968	$ 828,968
Patronage capital	78,102,805	77,061,450
Total member and patron equities	78,931,773	77,890,418
Long-term debt		
Term debt	5,245,348,844	5,926,965,916
Term debt on behalf of Central Virginia Electric Cooperative	20,208,332	21,062,499
Revolving credit loan	245,400,000	203,500,000
Total long-term debt	5,510,957,176	6,151,528,415
Current liabilities		
Accounts payable	140,168,603	133,941,677
Accrued interest	134,998,653	134,892,971
Term debt	691,829,412	77,042,309
Term debt on behalf of members	15,796,872	18,503,500
Term debt on behalf of Central Virginia Electric Cooperative	854,167	854,167
Regulatory liabilities	1,627,925	4,664,527
Other liabilities	17,878,373	18,404,436
Total current liabilities	1,003,154,005	388,303,587
Other noncurrent liabilities		
Deferred gain on sale of real estate	1,135,657	1,161,368
Asset retirement obligations	7,802,399	7,772,557
Regulatory liabilities	69,468,439	61,412,452
Other liabilities	71,437,682	69,794,719
Total other noncurrent liabilities	149,844,177	140,141,096
Total liabilities	6,663,955,358	6,679,973,098
Total equities and liabilities	$ 6,742,887,131	$ 6,757,863,516

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

American Municipal Power, Inc.
Consolidated Statements of Revenues and Expenses
Six Months Ended June 30, 2017 and 2016 (Unaudited)

	June 30, 2017	June 30, 2016
Revenues		
Electric revenue	$ 577,351,951	$ 577,764,551
Service fees	5,240,487	5,681,590
Programs and other	6,482,612	6,405,530
Total revenues	589,075,050	589,851,671
Operating expenses		
Purchased electric power	252,865,996	292,353,113
Production	80,947,758	92,178,132
Fuel	59,255,912	59,686,774
Depreciation and amortization	60,861,985	45,381,848
Administrative and general	8,598,861	2,519,817
Property and real estate taxes	4,503,288	3,901,614
Programs and other	8,766,236	7,912,231
Total operating expenses	475,800,036	503,933,529
Operating margin	113,275,014	85,918,142
Nonoperating revenues (expenses)		
Interest expense	(147,560,476)	(120,266,835)
Interest income, subsidy	22,831,220	25,217,778
Interest income, other	9,141,847	13,336,864
Other, net	3,353,750	2,074,703
Total nonoperating expenses	(112,233,659)	(79,637,490)
Net margin	$ 1,041,355	$ 6,280,652

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

American Municipal Power, Inc.
Consolidated Statements of Changes in Member and Patron Equities
Six Months Ended June 30, 2017 and 2016 (Unaudited)

	Contributed Capital	Patronage Capital	Total
Balances at December 31, 2015	$ 813,018	$ 66,813,898	$ 67,626,916
Capital contributions	7,040	-	7,040
Net margin	-	6,280,652	6,280,652
Balances at June 30, 2016	$ 820,058	$ 73,094,550	$ 73,914,608
Balances at December 31, 2016	$ 828,968	$ 77,061,450	$ 77,890,418
Net margin	-	1,041,355	1,041,355
Balances at June 30, 2017	$ 828,968	$ 78,102,805	$ 78,931,773

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

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2017 and 2016 (Unaudited)

	June 30, 2017	June 30, 2016
Cash flows from operating activities		
Net margin	$ 1,041,355	$ 6,280,652
Adjustments to reconcile net margin to net cash (used in) provided by operating activities		
Depreciation and amortization	60,484,018	44,987,433
Depletion of coal reserves	377,967	394,415
Amortization of deferred financing costs	5,659,349	3,752,540
Amortization of bond premium, net of amortization of bond discount	(6,938,100)	(4,278,484)
Accretion of interest on asset retirement obligations	118,532	120,529
(Gain) loss on disposal of property and equipment	(96,073)	203,345
Unrealized gain on investments	(3,502,826)	(1,777,558)
Changes in assets and liabilities		
Collateral postings	3,493,921	(1,900,682)
Accounts receivable	(14,195,781)	533,060
Interest receivable	4,077,480	(6,211,990)
Inventories	(1,844,231)	(1,475,305)
Regulatory assets and liabilities, net	(33,188,657)	(27,707,739)
Prepaid expenses and other assets	(39,951,327)	3,309,467
Accounts payable	(4,166,419)	(6,059,625)
Accrued postretirement benefits	-	(3,415,730)
Accrued interest	163,699	49,825,911
Asset retirement obligations	(88,690)	(95,135)
Other liabilities	(434,750)	108,359
Net cash (used in) provided by operating activities	(28,990,533)	56,593,463
Cash flows from investing activities		
Purchase of utility property and equipment	(881,855)	(144,954,722)
Sale of utility property and equipment	333,408	-
Purchase of nonutility property and equipment	(13,160)	(175,143)
Proceeds due to repayments of loans made to related parties	-	49,796,786
Purchase of construction work-in-progress	(46,837,785)	(133,695,519)
Proceeds from sale of investments	274,079,706	55,792,001
Purchase of investments	(192,878,243)	(41,306,006)
Purchase of plant held for future use	-	(237,485)
Changes in restricted cash and cash equivalents	(45,103)	18,216,319
Net cash provided by (used in) investing activities	33,756,968	(196,563,769)

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

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2017 and 2016 (Unaudited)

	June 30, 2017	June 30, 2016
Cash flows from financing activities		
Proceeds from revolving credit loan	294,534,000	147,100,000
Payments on revolving credit loan	(252,634,000)	(100,400,000)
Cost of issuance of debt	(708,786)	(1,991,729)
Principal payments on term debt	(63,910,000)	(61,095,000)
Principal payments on term debt on behalf of members	(16,548,500)	(4,234,500)
Proceeds from issuance of term debt	-	147,462,548
Proceeds from issuance of term debt on behalf of members	13,841,872	16,548,500
Principal payments on term debt on behalf of Central Virginia Electric Cooperative	(854,167)	(854,167)
Proceeds from financing receivables - members	4,084,467	2,791,325
Funding of financing receivables - members	(487,467)	(9,025,631)
Capital contributions	-	7,040
Net cash (used in) provided by financing activities	(22,682,581)	136,308,386
Net change in cash and cash equivalents	(17,916,146)	(3,661,920)
Cash and cash equivalents		
Beginning of period	131,846,461	107,158,983
End of period	$ 113,930,315	$ 103,497,063
Supplemental disclosure of cash flow information		
Cash paid during the period for interest, net of amount capitalized	$ 147,396,777	$ 70,640,924
Supplemental disclosure of noncash investing and financing activities		
Capital expenditures included in accounts payable	$ 67,596,062	$ 38,412,994
Capital expenditures included in accrued interest, net of interest receivable	18,845,647	12,847,425

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

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 ("IRC"). As AMP derives its income from the exercise of an essential government function and will accrue to a state or a political subdivision there of; AMP's income is excludable from gross income under IRC Section 115. AMP is a membership organization comprised of 84 municipalities throughout Ohio, 29 municipalities in Pennsylvania, six municipalities in Michigan, six municipalities in Kentucky, five municipalities in Virginia, two municipalities in West Virginia, one municipality in Indiana, one municipality in Maryland, and one joint action agency in Delaware, all but one of which own and operate electric systems. AMP purchases and generates electric capacity and energy for sale to its members. 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 Ohio Municipal Electric Association ("OMEA"), the provider of legislative liaison services to AMP and 80 Ohio community-owned-and-operated municipal electric systems. 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 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.

AMP 368 LLC ("AMP 368"), a wholly owned and consolidated subsidiary of AMP, is the owner of a 23.26%, or 368 MW, undivided interest in the Prairie State Energy Campus ("PSEC"). PSEC, located in Washington County, Illinois, includes a coal-fired generating plant and adjacent coal mine.

Meldahl LLC, a wholly owned and consolidated subsidiary of AMP, is the owner of the 105 MW Meldahl project, a run-of-the river hydroelectric facility on the Ohio River near Maysville, Kentucky.

2. Summary of Significant Accounting Policies

Basis of Consolidation

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 June 30, 2017 should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2016. 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 six-months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year ending December 31, 2017.

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.

Utility Plant

AMP records amounts expended in connection with the purchase or construction of utility plant assets at cost. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. Operations are charged with labor, material, supervision and other costs incurred to maintain the utility plant. When utility plant assets are retired, accumulated depreciation is charged with the cost of assets, plus removal costs, less any salvage value, and any resulting gain or loss is reflected in other nonoperating revenues (expenses), net in the consolidated statements of revenues and expenses.

Jointly-Owned Utility Plant

In April 2016, under an ownership agreement with the City of Hamilton, Ohio, AMP acquired a 48.6% undivided ownership in the Greenup Hydroelectric Power Plant ("Greenup"), a 70.2 MW hydroelectric plant located on the Ohio River near Franklin Furnace, Ohio. AMP's ownership interest in Greenup is recorded in accordance with Accounting Standards Codification ("ASC") 970-810-45, Undivided Interests. Each owner is obligated to pay its share of the costs of this jointly-owned facility in the same proportion as its ownership interest. Operating costs associated with Greenup are included in AMP's consolidated statements of revenues and expenses and the assets are reflected in AMP's consolidated balance sheets under total utility plant as follows:

	June 30, 2017	December 31, 2016
Greenup		
Utility plant in service	$ 139,000,000	$ 139,000,000

AMP 368 has a 23.26% undivided joint ownership interest in PSEC. Kilowatt-hour generation and variable operating expenses are divided on an owner's percentage of dispatched power and fixed operating expenses are allocated by project ownership with each owner reflecting its respective costs in its statements of revenue and expenses. AMP 368's ownership interest in PSEC includes the proportionate share of PSEC's balance sheet as provided for under ASC 970-810-45, Undivided Interests. This Accounting Standard requires the recording of undivided interests in assets and liabilities when given conditions are met.

Information relative to AMP's ownership interest in the PSEC is as follows:

	June 30, 2017	December 31, 2016
Prairie State		
Utility plant in service	$ 1,147,839,058	$ 1,145,824,162
Construction work-in-progress	11,362,915	8,145,197

AMP owns coal reserves at Lively Grove coal mine, the only source of coal for PSEC. The coal reserves are recorded at cost. AMP also has a contractual right of first refusal for additional coal reserves. AMP's reserves are valued at $23,160,020 and $23,537,987 (net of depletion) as of June 30, 2017 and December 31, 2016, respectively. Depletion occurs as the coal reserves are mined.

Nonutility Property and Equipment

Nonutility property and equipment is recorded at cost. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When nonutility property and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and the related gains or losses are reflected in other nonoperating revenues (expenses), net in the consolidated statements of revenues and expenses.

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.

Construction work-in-progress projects consist of the following:

	June 30, 2017	December 31, 2016
Prairie State Energy Campus	$ 11,362,915	$ 8,145,197
Hydro Plants	865,057,318	832,050,515
AMP Fremont Energy Center	4,912,731	3,248,631
Information Technology	66,266	3,870,150
Other	965,867	1,142,719
	$ 882,365,097	$ 848,457,212

There is $221,969 of land included in the construction work-in-progress account at both June 30, 2017 and December 31, 2016. During the year ended December 31, 2016, $1,859,482,459 of Hydro Plant assets were placed into service as there were three Hydro Plants that reached commercial operation during the period: Willow Island, Cannelton, and Meldahl.

There is $219,762,984 and $199,654,076 of capitalized interest included in the construction work-in-progress account at June 30, 2017 and December 31, 2016, respectively. AMP capitalized interest costs in the amount of $20,108,908 and $30,975,030 for the six-month periods ended June 30, 2017 and 2016, respectively.

Plant Held for Future Use

In November 2009, the participants in the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a $3 billion project, but the project's targeted capital costs increased by 37% and the engineer, procure and construct contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site. AMP still intends to develop this site for the construction of a generating asset; however, at June 30, 2017, the type of future generating asset had not been determined.

The AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay any costs incurred for the project.

As a result of the decision to terminate further development of a coal plant at AMPGS, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the consolidated balance sheets. At December 31, 2010, AMP reclassified $34,881,075 of costs to plant held for future use in the consolidated balance sheets. These costs were determined to be associated with the undeveloped Meigs County site regardless of the type of generating asset ultimately developed on the site.

The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. These stranded costs are being recovered through collections from Participants and Members over a 15 year term and from service fee and other member related revenues over the same term. At June 30, 2017, AMP has a remaining regulatory asset of $25,162,007 for the recovery of these abandoned construction costs.

Trustee Funds

AMP maintains funds on deposit with the trustees ("trustee funds") under its various trust indentures securing bonds issued for its various projects. Investments of the trustee funds include money market funds and debt securities. The debt securities are classified as held-to-maturity in accordance with ASC 320 *Investments – Debt and Equity Securities,* and are recorded at amortized cost. The debt securities mature at various dates through January 2030. The money market funds are valued at the net asset value of the underlying fund determined on the valuation date.

Realized gains and losses on investment transactions are determined on the basis of specific identification. Gross unrealized holding gains at June 30, 2017 and 2016 were $3,502,826 and $1,777,558, respectively. Gross unrealized holding gains and losses are included in other, net in the consolidated statements of revenues and expenses.

Impairment of Long-lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is the excess of the carrying value of the assets over fair value of the assets.

Intangible and Other Assets
Included in intangible assets are two interconnections contracts for offsite facilities which were a part of the acquisition cost for the AMP Fremont Energy Center ("AFEC") project. These contracts were valued at $28,665,190, and were net of $4,204,228 and $3,822,025 of accumulated amortization as of June 30, 2017 and December 31, 2016, respectively. The contracts are being amortized over a 37.5 year period at a rate of $764,405 per year, which is recognized in depreciation and amortization.

Prepaid Assets
During 2017, AMP prepaid for a long-term power supply agreement (the "Prepaid Agreement") which is included in prepaid assets in the accompanying consolidated balance sheets. The total amount of the Prepaid Agreement was $42,015,314 and is for a 25-year period. AMP is amortizing the cost of the power over the life of the Prepaid Agreement. AMP records the amount expected to be amortized over the next twelve months as a current asset in the accompanying consolidated balance sheets, which was $1,024,248 as of June 30, 2017. AMP has concluded that the Prepaid Agreement qualifies for a normal purchase sale exemption in accordance with FASB's standard on accounting for derivative instruments.

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 purchases 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 has adopted a fuel procurement and hedging program which contemplates that AMP will, subject to market conditions, undertake to secure, at times when AMP deems such advantageous and prudent, contracts with fuel providers and financial institutions, the effect which will be to hedge, on a rolling 36-month basis, the price of up to 80% of the natural gas volume that AMP projects will be consumed by AFEC operating at its base capacity. AMP has entered into a number of International Swaps and Derivatives Association agreements that are specific to AFEC in managing its natural gas supply requirements. All of these agreements are with investment grade or higher counterparties (Baa3/BBB-). AMP utilizes fixed-for-floating swap contracts to economically hedge the total natural gas fuel expense and records them at fair value. AMP does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

The maturities of the swaps highly correlate to forecasted purchases of natural gas, during time frames through December 2026. Under such agreements, AMP pays the counterparty at a fixed rate and receives from the counterparty a floating rate per MMBtu (“decatherm” or “Dth”) of natural gas. Only the net differential is actually paid or received. The differential is calculated based on the notional amounts under the agreements. Notional amounts under contracts were $255,288,245 and $253,616,100 at June 30, 2017 and December 31, 2016, respectively.

On the short term agreements, there was an unrealized loss of $8,594,602 and $4,306,719 at June 30, 2017 and December 31, 2016, respectively, which is included in other liabilities. On the long-term agreements, there was an unrealized loss of $60,804,271 and $60,877,705 at June 30, 2017 and December 31, 2016, respectively, which is included in other liabilities. A net loss (gain) of $4,214,449 and $(17,630,932) was recognized in fuel on AMP’s consolidated statements of revenues and expenses for the six-month periods ending June 30, 2017 and 2016, respectively. The losses from the natural gas contracts do not result from other-than-temporary declines in market value. Corresponding regulatory assets have been recorded equal to the unrealized losses.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Presentation

Certain prior period balances have been reclassified to conform with the current period presentation.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), subsequently superseded by ASU 2015-14 which deferred the effective date. The objective of this revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. This standard is effective for the Company’s 2019 fiscal year however early adoption as of the Company’s 2017 fiscal year is permitted. AMP management is in the process of assessing the potential impact of this standard.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This standard is intended to improve financial reporting about leasing transactions. Amongst other changes, the standard will require both operating and capital leases to be recognized on the balance sheet and require incremental disclosures around the amount, timing and uncertainty of cash flows arising from leases. This standard is effective for the Company's 2020 fiscal year however early adoption of the standard is permitted. Based on the Company's current leases, the impact of this standard is not expected to have a significant impact on the consolidated financial statements. As events could change this impact, the Company will continue to assess the potential impact of this standard.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230). The new guidance is intended to reduce diversity in practice of how certain transactions are classified in the statement of cash flows. This standard is effective for the Company's 2019 fiscal year although early adoption is permitted, provided that all of the amendments of the standard are adopted in the same period. The impact of adopting this standard is not expected to have a material impact on the consolidated financial statements.

3. Revolving Credit Loan and Term Debt

Revolving Credit Loan

In May 2017, the Facility was extinguished and a new Facility was issued. As of June 30, 2017, AMP has a revolving credit loan facility ("Facility") with a syndicate of nine lenders. The Facility allows AMP to obtain loans with different interest rates and terms and letters of credit. The Facility expires on May 3, 2022. AMP's base borrowing capacity under the Facility is $600,000,000, with an accordion feature to expand to $850,000,000. At June 30, 2017, AMP had $245,400,000 outstanding under the Facility and the effective interest rate was 2.0511%. At December 31, 2016, AMP had $203,500,000 outstanding under the Facility and the effective interest rate was 1.6875%.

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.

Bonds and notes payable related to financing AMP assets consists of the following:

	June 30, 2017	December 31, 2016
AMP project note	$ 15,375,000	$ 15,375,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2008A	76,005,000	86,145,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009A	24,300,000	26,120,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009B	38,055,000	40,420,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009C	385,835,000	385,835,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2010	300,000,000	300,000,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2015A	507,875,000	507,875,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2015B	135,350,000	135,350,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2015C	95,100,000	95,100,000
AMP Prairie State Energy Campus Project Revenue Bonds, Escrow	716,575,000	725,775,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009B	497,005,000	497,005,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009C	74,710,000	90,475,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009D	11,964,706	11,964,706
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010A	132,750,000	140,370,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010B	1,109,995,000	1,109,995,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010C	116,000,000	116,000,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2016A	209,530,000	209,530,000
AMP Combined Hydroelectric Project Revenue Bond, Escrow	28,390,000	28,390,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010A	29,660,000	37,750,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010B	260,000,000	260,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010C	20,000,000	20,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010D	4,570,000	4,570,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010E	300,000,000	300,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2016A	80,050,000	80,050,000
AMP Fremont Energy Center Project Revenue Bonds, Series 2012B	511,710,000	520,620,000
AMP Greenup Hydroelectric Project Revenue Bonds, Series 2016A	125,630,000	125,630,000
	5,806,434,706	5,870,344,706
Current portion	(691,829,412)	(77,042,309)
Plus: Unamortized premium and discount, net	166,231,953	173,170,053
Plus: Unamortized debt issuance costs, net	(35,488,403)	(39,506,534)
Long-term debt	$ 5,245,348,844	$ 5,926,965,916

4. Fair Value of Financial Instruments

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 measurement standard are as follows:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those where transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. AMP's Level 1 assets primarily consist of money market funds which are included in 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. AMP's Level 2 assets consist primarily of debt securities which are included in trustee funds on the consolidated balance sheets. Liabilities in this category include natural gas swaps.

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 does not have any assets or liabilities that met the definition of Level 3.

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.

The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair value due to their short maturities.

The estimated fair values of the natural gas swaps were determined using New York Mercantile Exchange ("NYMEX") futures settlement prices for delivery of natural gas at Henry Hub adjusted by the price of NYMEX ClearPort basis swaps, which reflect the difference between the price of natural gas at a given delivery basin and the Henry Hub pricing points.

The following tables set forth AMP's financial assets and financial liabilities that are accounted for on a recurring basis at fair value by level within the fair value hierarchy as of June 30, 2017 and December 31, 2016. 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.

	June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds	$ 172,219,691	$ -	$ -	$ 172,219,691
	$ 172,219,691	$ -	$ -	$ 172,219,691
Liabilities				
Natural gas swaps	$ -	$ 69,398,873	$ -	$ 69,398,873
	$ -	$ 69,398,873	$ -	$ 69,398,873

	December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds	$ 226,532,344	$ -	$ -	$ 226,532,344
	$ 226,532,344	$ -	$ -	$ 226,532,344
Liabilities				
Natural gas swaps	$ -	$ 65,184,424	$ -	$ 65,184,424
	$ -	$ 65,184,424	$ -	$ 65,184,424

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, line of credit and priority interests). The impact of nonperformance risk was immaterial in the fair value measurements.

5. Regulatory Assets and Liabilities

In accordance with the FASB standard for accounting for regulated entities, AMP records regulatory assets (capitalized expenses to be recovered in rates in future periods) and regulatory liabilities (deferred revenues for rates collected for expenses not yet incurred). Regulatory assets include the deferral of depreciation expense, the costs associated with the abandoned AMPGS Project, funds for member rate stabilization plans, unrecognized actuarial losses associated with the pension plan, and other capital expenditures not yet recovered through rates approved by the AMP board of trustees. Regulatory liabilities include revenues collected and intended to fund future capital expenditures, funds for member rate stabilization plans, and other differences between the rates collected from members and expense recognition. As the capital expenditures are depreciated and inventories are used, regulatory assets and liabilities are amortized to match revenues with the related expenditures. Regulatory liabilities or regulatory assets are also recognized for unrealized mark-to-market gains and losses on derivative instruments that are subject to the ratemaking process when realized.

Regulatory assets and liabilities consist of the following:

	June 30, 2017	December 31, 2016
Regulatory assets		
Asset retirement costs	$ 3,811,663	$ 3,242,977
Debt service costs	274,636,463	248,483,624
Abandoned construction cost	25,162,007	33,698,059
Projects on behalf of	14,637,986	8,575,875
Operating and maintenance expenditures	46,306,308	37,008,022
Fair value of derivative instruments	69,398,873	65,184,424
Rate stabilization programs	12,356,613	8,708,599
Pension plan and postretirement healthcare plan obligations	11,085,946	11,669,416
Closure of Gorsuch Project costs	13,480,640	13,480,640
Other	2,364,885	-
Total regulatory assets	473,241,384	430,051,636
Current portion	(30,670,502)	(13,253,508)
Noncurrent portion	$ 442,570,882	$ 416,798,128
Regulatory liabilities		
Capital improvement expenditures	$ 958,876	$ 984,623
Debt service costs	31,162,051	19,360,438
Operating and maintenance expenditures	5,347,834	3,745,609
Working capital expenditures	14,944,588	14,944,588
Rate stabilization programs	13,573,822	19,205,119
Gains on early termination of power purchase contracts	474,500	756,236
Other	4,634,693	7,080,366
Total regulatory liabilities	71,096,364	66,076,979
Current portion	(1,627,925)	(4,664,527)
Noncurrent portion	$ 69,468,439	$ 61,412,452

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. All referenced legislative and regulatory comment filings can be found on AMP's website. AMP is considering, or has considered, compliance with the following environmental laws:

Former President Obama's Climate Action Plan

Announced on June 25, 2013, the President's Climate Action Plan consists of a timetable and several components governing the United States Environmental Protection Agency's ("USEPA's") efforts to reduce carbon dioxide ("CO2") and other greenhouse gases ("GHGs").

USEPA first proposed Carbon Pollution Standards for fossil-fueled power plants through the New Source Performance Standards ("NSPS") in Section 111(b) of the Clean Air Act ("CAA"). The agency proposed NSPS for new fossil-fueled power plants on September 20, 2013, which were published in the Federal Register on January 8, 2014. While AMP has no units that will be impacted by the "new" unit NSPS for GHGs, the agency's decision is expected to influence future decisions about generation additions, as well as have possible implications for the agency's existing source rule (see below). Thus, AMP filed comments on May 9, 2014. Separately, the agency proposed NSPS to reduce CO2 emissions from modified and reconstructed fossil-fueled power plants on June 18, 2014. AMP has reviewed potential compliance obligations as a result of the proposed rule, and submitted comments to USEPA on December 1, 2014. Rules finalizing the NSPS for both types of fossil-fueled power plants under Section 111(b) NSPS authority were published in the Federal Register on October 23, 2015. A group of 24 states petitioned for review of the NSPS rules in a pending case before the D.C. Circuit Court of Appeals.

USEPA has also proposed its Clean Power Plan, which would limit CO2 emissions from existing fossil fuel units pursuant to NSPS Section 111(d) authority. Under the Plan, states must develop implementation plans by September 2016, with the potential for extensions until September 2018. USEPA formally published the plan on October 23, 2015. However, on February 9, 2016, the U.S. Supreme Court stayed implementation of the Plan pending judicial review by the D.C. Circuit Court of Appeals and potential appeal to the U.S. Supreme Court. On September 27, 2016, the D.C. Circuit Court of Appeals heard oral arguments en banc and a decision is expected in spring of 2017 followed by an expected appeal to the U.S. Supreme Court.

While they may create compliance obligations for PSGC and AFEC, AMP's renewable resources and energy efficiency program are expected to provide beneficial credits for project participants. In 2014, 2015 and 2016 AMP officials met with USEPA and state agency officials to discuss AMP's key areas of interest impacted by the rule. The final rule included language supported by AMP that clarifies the eligibility of AMP's new hydroelectric projects to be used for compliance credit.

President Donald Trump communicated his administration would pursue a different regulatory approach to GHG emissions. One of President Trump's first Executive Orders abandoned the former administration's Climate Action Plan. New USEPA Administrator Scott Pruitt feels that the Clean Power Plan is beyond the legal authority Congress granted to the USEPA through the Clean Air Act.

On Apr. 3, 2017, the USEPA announced the withdrawal of the proposed CPP rules setting federal plan requirements, creating model trading rules, and adding design details to the Clean Energy Incentive Program. On June 8, 2017, the Office of Management and Budget received USEPA's proposed rule to review the CPP. AMP is participating in various stakeholder processes and will continue to work with key states and USEPA as climate related policies are developed and regulations are developed to limit or manage carbon emissions.

RICE NESHAP

USEPA originally proposed National Emission Standards for Hazardous Air Pollutants ("NESHAP") for certain reciprocating internal combustion engines ("RICE") units in February 2010. While the rule was finalized by the agency in August 2010, the rule was under reconsideration, settlement discussions, and proposal after January 2011. On January 30, 2013, the final reconsidered rule was published in the Federal Register. The RICE NESHAP Rule establishes emission limits and work practice standards for compression-ignited diesel engines and spark-ignited engines at area and major sources nationwide. The diesel engines owned by AMP are affected by this rule and have achieved compliance either through installing control equipment allowing them to operate for demand response and peak shaving purposes or adopting operational limitations which limit them to emergency use.

On May 1, 2015, the D.C. Circuit Court of Appeals vacated USEPA's regulations providing that stationary emergency Reciprocating Internal Combustion Engines may operate for up to 100 hours per calendar year for purposes of emergency demand response. USEPA moved for a stay of the issuance of the court's mandate until May 1, 2016, to allow USEPA time to promulgate a replacement rule. The court granted USEPA's motion, staying the issuance of its mandate until May 1, 2016. AMP is supporting the American Public Power Association's ("APPA's") effort on behalf of its members to oppose the challenges to the rule.

On May 4, 2016 USEPA issued a mandate preventing emergency engines from operating for emergency demand response and deviations in voltage or frequency.

New National Ambient Air Quality Standards

Every five years, the CAA requires USEPA to revise the National Ambient Air Quality Standards ("NAAQS") for criteria pollutants. Recent NAAQS revisions for ozone and particulate matter ("PM") have implications for AMP.

USEPA had revised the primary and secondary ozone NAAQS in 2008. On July 23, 2013, the D.C. Circuit Court of Appeals upheld the 2008 NAAQS revision of 0.075 parts per million ("ppm") as a primary standard but remanded it as a secondary standard. By this time, however, USEPA had begun revising the ozone standard under its 2010 deadline. On December 17, 2014 the USEPA proposed new primary and secondary NAAQS for ozone at 70 ppm, and on October 26, 2015, the final ozone NAAQS was published in the Federal Register, effective December 28, 2015. Many states will face an increase in areas designated nonattainment. Industrial and utility sectors may see ozone precursors such as nitrogen oxides ("NOx") and volatile organic compounds become targets for increased reductions in order to meet the new standard. As a result, the new ozone NAAQS is currently being challenged in multiple petitions by environmental and industry groups in the D.C. Circuit Court of Appeals.

USEPA also proposed new NAAQS for fine particulate matter ("PM2.5") in June 2012 and finalized the NAAQS on December 14, 2012. This action lowered the primary annual PM2.5 NAAQS from 15 micrograms per cubic meter ("μg/m3") to 12 μg/m3. The D.C. Circuit Court of Appeals upheld this revision on May 9, 2014.

On June 6, 2017, U.S. USEPA Administrator Scott Pruitt sent a letter to Governors informing them that USEPA has extended the deadline for promulgating initial area designations, for the NAAQS 2015 ground-level ozone standard, until October 2018. The Administrator's letter states that the Agency will take additional time to consider all designation recommendations and to rely fully on the most recent air quality data.

Both the ozone and PM2.5 revised NAAQS may have an impact on general economic development throughout AMP's footprint states, based on the final standards. For example, metropolitan or industrialized counties could become nonattainment areas under the new ozone and PM standard. This could require local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, and particulate matter.

Cross-State Air Pollution Rule
On April 29, 2014, the U.S. Supreme Court upheld the Cross-State Air Pollution Rule ("CSAPR"), which requires eastern states to reduce sulfur dioxide and nitrogen oxides from coal-fired power plants. In addition to requiring emissions reductions to achieve local compliance, CSAPR imposes additional reductions to achieve compliance in down-wind neighboring states. AMP-managed facilities received an appropriate amount of emission allowances based upon 2014 operations.

In late 2015, USEPA proposed an update to CSAPR to account for additional regional downwind impacts as a result of the revised 2008 ozone NAAQS. The update proposed to substantially reduce the annual and seasonal NOx emission allocations from several Midwestern states, including Ohio. The proposal also requested comment on additional controls on those few days per year when ozone impacts are severe. AMP filed comments on this proposal and met with legislative and state agency officials to discuss AMP's key areas of interest impacted by the draft rule.

On September 7, 2016, USEPA released its final CSAPR Update rule for the 2008 ozone NAAQS. Prior to finalization, USEPA made key refinements to allocation methodologies which resulted in positive changes to state budgets for both Ohio and Illinois.

On Nov. 23, 2016, five states (including Ohio) filed a petition for review with the U.S. Court of Appeals for the District of Columbia Circuit, claiming that the rule is in excess of the agency's statutory authority and not in accordance with law.

New Source Performance Standards for Stationary Gas Combustion Turbines
USEPA published proposed revisions to the NSPS for combustion turbines on August 29, 2012. The agency took comments on the proposal until December 28, 2012. The proposed revised NSPS would cover combustion turbines located at power plants, pipeline compressor stations, chemical and manufacturing plants, oil fields, landfills, and institutional facilities. AMP filed comments noting that the proposed revisions could limit unit operation and add compliance costs. The timing of USEPA finalizing the NSPS revisions is unknown at this time.

Mercury and Air Toxics Standards Rule
On December 21, 2011, USEPA finalized the Mercury and Air Toxics Standards ("MATS") rule, which seeks to reduce mercury emissions from power plants through the NESHAP. On June 29, 2015, the U.S. Supreme Court ruled that USEPA interpreted the CAA unreasonably in assessing its legal authority under the statute. The D.C. Circuit Court of Appeals on December 15, 2015, remanded the rule back to USEPA without vacating it, so it remains in effect while it is undergoing revision. On April 14, 2016 USEPA issued a final finding that it is appropriate and necessary to set standards for emissions of air toxics from coal- and oil-fired power plants. This finding responds to a decision by the U.S. Supreme Court that the USEPA must consider cost in the appropriate and necessary finding supporting the Mercury and Air Toxics Standards. On April 18, the USEPA asked the U.S. Court of Appeals for the District of Columbia Circuit to postpone arguments over the Mercury and Air Toxics Standards, which are scheduled for May 18. The USEPA said it intends to "closely review" the Obama administration's finding that regulation of the power sector was warranted. The PSEC has demonstrated compliance with this rule.

Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category
On June 6, 2013, USEPA proposed a rule under the Clean Water Act ("CWA") that would limit effluent discharges from steam electric generating units (including combined cycle natural gas). AMP filed comments on the proposed rule on September 19, 2013. USEPA agreed to take final action on the rulemaking by September 30, 2015 (per a consent decree), and ultimately issued the final Steam Electric Effluent Limitations Guidelines rule on that date. Impacts to AMP facilities are expected to be limited.

Clean Water Rule
In April 2014, USEPA and the U.S. Army Corps of Engineers jointly proposed the Clean Water Rule to redefine and "clarify" certain definitions and applicability of definitions to various "waters of the United States," (WOTUS) a term used in the CWA. The rule would greatly expand the scope of the CWA to impact a variety of development and construction activities, including electric system transmission and distribution lines. Comments on the proposed rule were due on November 14, 2014; AMP worked with the APPA to provide comment.

The final Clean Water Rule was published in the Federal Register on June 29, 2015, and was set to become effective August 28, 2015. However, on August 27, a North Dakota federal judge temporarily blocked the rule's implementation, ruling that the states would likely suffer if it took effect and that they are likely to succeed when their underlying lawsuit against the rule is decided. USEPA interpreted the decision to only apply to the 13 states that requested the injunction (none of which are in AMP's footprint), and started to move forward with enforcement of the rule in remaining states. However, on October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit issued a nationwide stay on the Clean Water Rule pending judicial review of the rule. On April 21, 2016, The U.S. Court of Appeals for the Sixth Circuit issued an order that challenges to the water rule belong with it, rather than to first be heard in district courts.

On November 1, 2016, opening briefs were due to the U.S. Court of Appeals for the Sixth Circuit.

President Donald Trump and new USEPA Administrator Scott Pruitt have communicated their opinion that the Clean Water Rule, WOTUS, is beyond the legal authority Congress granted to the USEPA. On February 28, 2017, President Trump signed an executive order criticizing the Clean Water Rule as a federal overreach and instructing a review of the rule.

On June 27, USEPA and the U.S. Army Corps of Engineers issued a proposed rule to rescind, the 2015 definition of "waters of the United States" (WOTUS) rule. The proposal would maintain the status quo, since the prior regulatory language is currently in place.

FWS and NMFS Proposed Rules/Policy on Critical Habitat

Two proposed rules and a draft policy related to designations of critical habitat under the Endangered Species Act ("ESA") were issued on May 12, 2014, jointly by the U.S. Fish and Wildlife Service ("FWS") and the National Marine Fisheries Service ("NMFS").

Together, the three proposals could expand the discretion of the FWS and NMFS to designate areas as "critical habitat" under the Endangered Species Act, including actions that could change designations after certain development. AMP is monitoring the proposed changes for any potential impacts on projects and development.

On June 21, 2017, the Department of Interior (DOI), announced implementation of the vision set out by President Trump in Executive Order (E.O.) 13777, "Enforcing the Regulatory Reform Agenda." Interior is seeking input from entities significantly affected by Federal regulations, on what regulations may be appropriate for repeal, replacement, or modification.

Coal Combustion Residuals or Coal Combustion Waste Disposal Rule

On December 19, 2014, USEPA issued a final rule under Subtitle D of the Resource Conservation and Recovery Act that would regulate Coal Combustion Residuals ("CCR"), which includes fly ash, bottom ash, boiler slag, and flue gas desulfurization materials, as nonhazardous. On October 19, 2015, the rule became effective, six months after publication.

On July 26, 2016, the EPA Administrator signed a direct final rule and a companion proposal to extend for certain inactive CCR surface impoundments the compliance deadlines established by the regulations for the disposal of CCR under subtitle D of the Resource Conservation and Recovery Act (RCRA). The rule became effective on October 4, 2016.

The final rule impacts coal-fired power plants with ash storage ponds or landfills due to heightened design criteria. Surface impoundments and landfills containing CCR face enhanced monitoring and assessments. Impacts to AMP assets are expected to be limited.

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 the FASB's guidance on derivative instruments. 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

IHP/CJMahan Litigation
On October 20, 2015 IHP Industrial, Inc. (“IHP”) filed a complaint against C.J. Mahan Construction Company, LLC (“CJMahan”) and AMP in connection with AMP’s Smithland Hydroelectric Project (“Smithland”). The complaint was filed in U.S. District Court, Southern District of Ohio, Eastern Division. On October 29, 2015, CJMahan filed its answer and a cross claim against AMP relating to additional construction activities and potential latent defects by CJMahan on Smithland. AMP has filed its answer to IHP’s claims denying liability to IHP. AMP has also denied liability with respect to CJMahan’s cross claims and has filed its own cross claims against CJMahan related to potential latent defects by CJMahan and CJMahan’s claims against AMP. AMP has filed a motion to dismiss all of CJMahan’s cross claims except for those related to the potential latent defects by CJMahan at Smithland; on December 9, 2016, the Court granted in part and denied in part AMP’s motion to dismiss. AMP filed a motion for summary judgment on the IHP-related claims on February 28, 2017. Dispositive motions on the remaining crossclaims between AMP and CJ Mahan were filed on July 31, 2017. Trial has been set for November 2017. On June 23, 2017, AMP and CJMahan entered into a settlement agreement that settled all claims between CJMahan and AMP and, among other things, required CJMahan to make a payment to AMP and indemnify AMP for any judgment that IHP may obtain against AMP in the lawsuit. A corresponding dismissal entry was filed on June 26, 2017 in which AMP and CJMahan dismissed all claims against the other.

Aldridge Litigation
On September 16, 2016, Plaintiff Aldridge Electric, Inc. filed a state mechanic’s lien and public improvement mechanic’s lien in Livingston County, Kentucky. On September 21, 2016, Aldridge initiated a lawsuit against AMP by filing a complaint in Kentucky state court in Livingston, Kentucky. AMP promptly removed Aldridge’s state court action to the U.S. District Court for the Western District of Kentucky.

Aldridge alleges the following causes of action against AMP: (1) declaratory judgment that AMP’s issuance of default and termination were unjustified, that any waivers were null and void, and that AMP owes Aldridge for work performed on the Project; (2) foreclosure of a mechanic’s lien on AMP’s interest in and improvements to the Project property; (3) in the alternative, foreclosure of a public improvement mechanic’s lien; (4) breach of contract with respect to the amounts allegedly owed Aldridge for work performed on the Project; and (5) in the alternative, unjust enrichment.

On November 7, 2016, AMP filed a motion to transfer the case to the U.S. District Court for the Southern District of Ohio pursuant to the Ohio forum-selection clause in Aldridge’s contract.

On January 24, 2017, Aldridge filed an amended mechanic’s lien and public improvement mechanic’s lien in Livingston County for the principal amount of $5,025,656 plus interest and attorney’s fees. The same day, Aldridge filed a motion for leave to file an amended complaint. The amended complaint asserts the same claims as Aldridge’s original complaint and seeks the amount expressed in the amended mechanic’s liens plus additional money for work allegedly performed by Aldridge for a total of $7,083,968.

AMP has vigorously defended itself against Aldridge’s claims. Serious settlement discussions have occurred, with a settlement in principle being reached, and a draft settlement agreement was exchanged on July 27, 2017. AMP expects the settlement to be finalized in the near future, and for all claims to be dismissed shortly thereafter.

All costs associated with the settlement are project costs recoverable from the project participants under their power sales agreement with AMP.

Walsh Mechanic's Lien
On January 31, 2017, Walsh Construction Company recorded in the Hancock County, Kentucky clerk's office its Statement and Notice of Mechanic's Lien in regard to the Cannelton Hydroelectric Project, in the amount of $20,105,357, plus interest, costs and attorneys' fees. No enforcement action has been taken by Walsh with respect to this mechanic's lien. On July 11, 2017, AMP and Walsh settled these claims and a final change order was executed that contains a final reconciliation and mutual releases. A release of the Mechanics' Lien was recorded on July 25, 2017.

All costs associated with this resolution are project costs recoverable from the project participants under their power sales agreement with AMP.

Voith
On August 14, 2017, after the expiration of a tolling agreement and exhaustion of informal resolution efforts, AMP filed a complaint against Voith Hydro, Inc. (Voith) in federal court in Columbus, Ohio alleging breach of contract and breach of express warranty claims against Voith for each of the four hydro projects. AMP's breach of contract claim states that Voith materially breached the contracts on the projects as follows:

(a) delivering drawings and equipment late and out of sequence;

(b) delivering defective, incomplete and uncoordinated drawings and defective installation instructions;

(c) delivering defectively manufactured guide bearings and discharge rings;

(d) defectively designing and/or manufacturing equipment and equipment components;

(e) delivering equipment that was not completely and/or properly manufactured and required significant additional field work to install;

(f) failing to deliver "Category C" parts necessary for Voith Equipment assembly;

(g) failing to timely and completely address installation issues with the Voith Equipment, including but not limited to, failing to timely and completely address turbine alignment issues;

(h) failing to provide check sheets consistent with the Contracts' specifications;

(i) refusing to promptly and accurately address problems with the Voith Equipment; and

(j) failing to maintain a consistent executive and project management team and site representatives who were informed and prepared to address ongoing issues; and causing substantial delay and damage to the Hydro Projects, all in material breach of the Contracts.

The Complaint alleges that Voith's material breaches caused extensive damages to AMP. The Complaint notes that the contracts entitled AMP to withhold payment from Voith, and AMP withheld approximately $40 million in payments from Voith to offset the damages and costs incurred by AMP and its general contractors due to Voith's material breaches of the Contracts. The Complaint alleges that AMP's damages are at least $40 million. The Complaint and Summons was served by a process server on August 16, 2017 and Voith has not yet responded to the Complaint.

Other

AMP is also 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 effect on AMP's financial position or results of operations.

7. Subsequent Events

Combined Hydroelectric Projects

As of July 19 and 28, 2017, units 1 and 2 of the Smithland Hydroelectric Project ("Smithland") began commercial operations. The final unit of Smithland, which is also the final unit of the Combined Hydro Projects, was provisionally accepted on August 31, 2017, with scheduled power beginning September 1, 2017. Smithland is located on the Kentucky shore of the Smithland Locks and Dam on the Ohio River and has a total rated capacity at 76 MW.

The Company has evaluated subsequent events through September 25, 2017 as this was the date the consolidated financial statements were available to be issued.