American Municipal Power, Inc.

Interim Consolidated Financial Statements
September 30, 2018

American Municipal Power, Inc.
Index
September 30, 2018 (Unaudited) and December 31, 2017

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 September 30, 2018, and the related consolidated statements of revenues and expenses, of changes in member and patron equities, and of cash flows for the nine-month periods ended September 30, 2018 and 2017.

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, 2017, 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 dated April 19, 2018, 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, 2017, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

December 10, 2018

American Municipal Power, Inc.
Consolidated Balance Sheets
September 30, 2018 (Unaudited) and December 31, 2017

	September 30, 2018	December 31, 2017
Assets		
Utility plant		
Electric plant in service	$ 4,879,368,432	$ 4,870,764,297
Accumulated depreciation	(551,579,481)	(441,404,628)
Total utility plant	4,327,788,951	4,429,359,669
Nonutility property and equipment		
Nonutility property and equipment	23,495,603	23,508,943
Accumulated depreciation	(13,356,469)	(11,551,654)
Total nonutility property and equipment	10,139,134	11,957,289
Construction work-in-progress	19,202,364	14,339,243
Plant held for future use	34,881,075	34,881,075
Coal reserves	22,121,405	22,750,012
Trustee funds and other assets		
Trustee funds	331,335,384	339,635,968
Trustee funds - restricted	166,339,028	264,492,038
Financing receivables - members	3,085,803	4,014,038
Notes receivable	2,576,473	2,672,296
Regulatory assets	528,030,012	515,101,733
Prepaid assets	56,620,295	40,369,917
Intangible and other assets, net of accumulated amortization of $5,159,774 and $4,395,329 respectively	35,954,905	36,837,341
Total trustee funds and other assets	1,123,941,900	1,203,123,331
Current assets		
Cash and cash equivalents	108,551,206	144,744,166
Cash and cash equivalents - restricted	32,093,721	15,116,816
Trustee funds	136,961,194	206,488,006
Trustee funds - restricted	101,833,335	710,339,257
Collateral postings	22,532,629	15,845,146
Accounts receivable	123,476,961	118,442,231
Interest receivable	18,380,137	39,471,820
Financing receivables - members	14,254,964	22,186,743
Inventories	14,055,595	10,855,620
Regulatory assets	18,965,791	19,819,750
Prepaid expenses and other assets	18,744,347	5,804,788
Total current assets	609,849,880	1,309,114,343
Total assets	$ 6,147,924,709	$ 7,025,524,962

American Municipal Power, Inc.
Consolidated Balance Sheets
September 30, 2018 (Unaudited) and December 31, 2017

	September 30, 2018	December 31, 2017
Equities and Liabilities		
Member and patron equities		
Contributed capital	$ 828,968	$ 828,968
Patronage capital	83,205,040	80,591,975
Total member and patron equities	84,034,008	81,420,943
Long-term debt		
Term debt	5,309,862,196	5,379,144,557
Term debt on behalf of others	19,354,165	20,208,332
Revolving credit loan	222,100,000	318,400,000
Total long-term debt	5,551,316,361	5,717,752,889
Current liabilities		
Accounts payable	112,860,750	114,499,624
Accrued interest	37,132,841	133,161,390
Term debt	159,649,412	757,014,412
Term debt on behalf of others	25,298,167	17,778,039
Regulatory liabilities	8,292,070	1,120,448
Other liabilities	26,803,409	26,262,018
Total current liabilities	370,036,649	1,049,835,931
Other noncurrent liabilities		
Deferred gain on sale of real estate	1,069,810	1,109,589
Asset retirement obligations	8,644,749	8,205,457
Regulatory liabilities	68,843,506	97,437,996
Other liabilities	63,979,626	69,762,157
Total other noncurrent liabilities	142,537,691	176,515,199
Total liabilities	6,063,890,701	6,944,104,019
Total equities and liabilities	$ 6,147,924,709	$ 7,025,524,962

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

American Municipal Power, Inc.
Consolidated Statements of Revenues and Expenses
Nine Months Ended September 30, 2018 and 2017 (Unaudited)

	September 30, 2018	September 30, 2017
Revenues		
Electric revenue	$ 933,974,678	$ 892,378,947
Service fees	8,899,543	8,246,388
Programs and other	10,777,903	10,673,803
Total revenues	953,652,124	911,299,138
Operating expenses		
Purchased electric power	410,207,023	392,727,540
Production	122,027,482	114,165,719
Fuel	109,201,303	90,423,964
Depreciation and amortization	113,697,284	96,054,414
Administrative and general	12,681,169	13,924,272
Property and real estate taxes	8,642,301	6,750,006
Programs and other	12,603,758	14,195,307
Total operating expenses	789,060,320	728,241,222
Operating margin	164,591,804	183,057,916
Nonoperating revenues (expenses)		
Interest expense	(242,301,338)	(225,674,973)
Interest income, subsidy	53,031,074	36,650,240
Interest and other income	27,291,525	8,088,744
Total nonoperating expenses	(161,978,739)	(180,935,989)
Net margin	$ 2,613,065	$ 2,121,927

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

American Municipal Power, Inc.
Consolidated Statements of Changes in Member and Patron Equities
Nine Months Ended September 30, 2018 and 2017 (Unaudited)

	Contributed Capital	Patronage Capital	Total
Balances at December 31, 2016	$ 828,968	$ 77,061,450	$ 77,890,418
Net margin	-	2,121,927	2,121,927
Balances at September 30, 2017	828,968	79,183,377	80,012,345
Balances at December 31, 2017	828,968	80,591,975	81,420,943
Net margin	-	2,613,065	2,613,065
Balances at September 30, 2018	$ 828,968	$ 83,205,040	$ 84,034,008

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

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2018 and 2017 (Unaudited)

	September 30, 2018	September 30, 2017
Cash flows from operating activities		
Net margin	$ 2,613,065	$ 2,121,927
Adjustments to reconcile net margin to net cash provided by (used in) operating activities		
Depreciation and amortization	113,697,284	96,054,414
Amortization of bond premium, net of amortization of bond discount and amortization of deferred financing costs	(9,685,487)	(2,772,032)
Accretion of interest on asset retirement obligations	178,287	945,055
Loss on disposal of utility property and equipment	691,641	1,181,255
Unrealized (gain) loss on investments	(1,682,576)	3,456,953
Changes in assets and liabilities		
Collateral postings	(6,687,483)	9,382,500
Accounts and interest receivable	16,056,953	3,894,370
Inventories	(3,199,975)	(2,596,293)
Regulatory assets and liabilities, net	(35,103,972)	(50,494,820)
Prepaid expenses and other assets	(18,544,183)	(39,663,279)
Accounts payable and other liabilities	(5,006,225)	12,178,147
Accrued interest	(96,028,549)	(69,537,184)
Asset retirement obligations	261,005	(900,292)
Net cash used in operating activities	(42,440,215)	(36,749,279)
Cash flows from investing activities		
Purchase of property plant, equipment and construction work-in progress	(15,711,386)	(120,343,895)
Sale of property, plant and equipment	743,339	2,171,315
Proceeds from sale of investments	1,125,152,097	453,532,621
Purchase of investments	(348,985,782)	(314,834,841)
Net cash provided by investing activities	$ 761,198,268	$ 20,525,200

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2018 and 2017 (Unaudited)

	September 30, 2018	September 30, 2017
Cash flows from financing activities		
Proceeds from revolving credit loan	18,500,000	374,500,000
Payments on revolving credit loan	(114,800,000)	(271,800,000)
Cost of issuance of debt	(751,469)	(708,786)
Principal payments on term debt	(755,685,000)	(63,910,000)
Principal payments on term debt on behalf of others	(15,206,039)	(19,357,667)
Proceeds from issuance of term debt	99,236,387	-
Proceeds from issuance of term debt on behalf of others	21,872,000	14,351,872
Proceeds from financing receivables - members	9,518,816	5,975,449
Funding of financing receivables - members	(658,802)	(1,436,026)
Net cash (used in) provided by financing activities	(737,974,107)	37,614,842
Net change in cash, cash equivalents and restricted cash	(19,216,055)	21,390,763
Cash, cash equivalents and restricted cash		
Beginning of period	159,860,982	143,206,719
End of period	$ 140,644,927	$ 164,597,482
Supplemental disclosure of cash flow information		
Cash paid during the period for interest, net of amount capitalized	$ 338,329,887	$ 295,212,157
Supplemental disclosure of noncash investing and financing activities		
Capital expenditures included in accounts payable	$ 38,039,858	$ 30,882,190

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 public power communities. AMP members have also formed Municipal Energy Services Agency ("MESA") whose purpose is to provide administrative, management and technical services to AMP, its members, OMEA 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. 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.

AMP Transmission LLC ("AMPT"), a wholly owned and consolidated subsidiary of AMP, created solely to provide transmission services that benefit the Members, including the purchase and ownership of transmission facilities, securing revenue requirements for existing transmission facilities purchased from Members or new transmission facilities that AMPT constructs, coordinate planning for new transmission facilities for the benefit of the Members and technical and other services to assist Members in their transmission planning.

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 September 30, 2018 should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2017. 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, 2018 are not necessarily indicative of the results to be expected for the full year ending December 31, 2018.

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.

The Company has ownership interest in two generation plants, Greenup, a hydroelectric plant with 48.60% ownership, and Prairie State with 23.26% ownership.

	September 30, 2018	December 31, 2017
Greenup		
Utility plant in service	$ 139,000,000	$ 139,000,000
Prairie State		
Utility plant in service	$ 1,161,260,937	$ 1,156,379,425
Construction work-in-progress	2,603,838	4,451,123

AMP's reserves are valued at $22,121,405 and $22,750,012 (net of depletion) as of September 30, 2018 and December 31, 2017, respectively.

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:

	September 30, 2018	December 31, 2017
Prairie State Energy Campus	$ 2,603,838	$ 4,451,123
Hydro Plants	9,594,051	4,894,210
AMP Fremont Energy Center	4,849,843	4,203,905
Other	2,154,632	790,005
	$ 19,202,364	$ 14,339,243

AMP capitalized interest costs in the amount of $47,538 and $23,680,541 for the nine-month periods ended September 30, 2018 and 2017, 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 September 30, 2018, 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 September 30, 2018, AMP has a remaining regulatory asset of $21,671,458 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) losses September 30, 2018 and 2017 were $(1,682,576) and $3,456,953, respectively. Gross unrealized holding gains and losses are included in interest and other income 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 are net of $5,159,774 and $4,586,430 of accumulated amortization as of September 30, 2018 and December 31, 2017, 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 in the accompanying consolidated statements of revenues and expenses.

Prepaid Assets
During 2017 and 2018, AMP prepaid for a long-term power supply agreement (the "Prepaid Agreement") which is included in intangible and other assets in the accompanying consolidated balance sheets. The aggregate amount of the Prepaid Agreement as of September 30, 2018 was $59,311,511 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 prepaid expenses and other assets in the accompanying consolidated balance sheets, which was $3,338,346 and $993,378 as of September 30, 2018 and December 31, 2017, respectively. 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 2027. 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 $215,107,480 and $235,547,465 at September 30, 2018 and December 31, 2017, respectively.

On the short term agreements, there was an unrealized loss of $11,794,345 and $11,205,579 at September 30, 2018 and December 31, 2017, respectively, which is included in other liabilities. On the long-term agreements, there was an unrealized loss of $54,153,130 and $56,123,897 at September 30, 2018 and December 31, 2017, respectively, which is included in other liabilities. A net (gain) loss of $(1,382,001) and $4,233,426 was recognized in fuel on AMP’s consolidated statements of revenues and expenses for the nine-month periods ending September 30, 2018 and 2017, respectively. Net margin loss or gain is deferred via regulatory liabilities or assets for recovery in future periods. The losses from the natural gas contracts do not result from other-than-temporary declines in market value.

Restricted Cash

Restricted cash primarily includes cash from members for contractual restrictions on rate stabilization plans held in trust for the benefit of the members.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the total of the same amounts shown on the statements of cash flows:

	September 30, 2018	December 31, 2017
Cash and cash equivalents	$ 108,551,206	$ 144,744,166
Cash and cash equivalents - restricted	32,093,721	15,116,816
Total Cash and cash equivalents and restricted cash	$ 140,644,927	$ 159,860,982

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 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 2019 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.

Recently Adopted Accounting Standards
Effective January 1, 2018, AMP adopted ASU 2014-09, *Revenue from Contracts with Customers*, and its amendments (collectively known as ASC 606) using the modified retrospective method. This method does not require restatement of prior year reported results. As the adoption of ASC 606 did not result in any material change in how AMP recognizes revenue, no adjustment to retained earnings was required. The additional disclosures required by this ASU are contained in Note 6.

Effective January 1, 2018, AMP adopted ASU 2016-15 and ASU 2016-18, *Statement of Cash Flows (Topic 230)*. The new standards are intended to reduce diversity in practice of how certain transactions are classified in the statement of cash flows. The impact to this standard reflects the Statement of Cash Flow and an additional disclosure on Restricted Cash within Note 2.

3. Revolving Credit Loan and Term Debt

Revolving Credit Loan
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 September 30, 2018, AMP had $222,100,000 outstanding under the Facility and the effective interest rate was 3.06719%. At December 31,

2017, AMP had $318,400,000 outstanding under the Facility and the effective interest rate was 2.3782%.

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:

	September 30, 2018	December 31, 2017
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2008A	$ -	$ 3,915,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009A	11,835,000	20,290,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009B	35,585,000	38,055,000
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, Series 2017A	65,850,000	65,850,000
AMP Prairie State Energy Campus Project Revenue Bonds, Escrow	96,435,000	792,675,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009B	497,005,000	497,005,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009C	48,860,000	74,710,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009D	10,635,294	10,635,294
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010A	132,750,000	132,750,000
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 Bonds, Series 2018A	99,530,000	-
AMP Combined Hydroelectric Project Revenue Bond, Escrow	28,390,000	28,390,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010A	21,190,000	29,660,000
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	79,455,000	80,050,000
AMP Fremont Energy Center Project Revenue Bonds, Series 2012B	374,720,000	384,080,000
AMP Fremont Energy Center Project Revenue Bonds, Series 2017A	124,385,000	124,385,000
AMP Fremont Energy Center Project Revenue Bonds, Escrow	127,630,000	127,630,000
AMP Greenup Hydroelectric Project Revenue Bonds, Series 2016A	125,300,000	125,630,000
Subtotal	5,323,810,294	5,979,965,294
Less: Current portion	(159,649,412)	(757,014,412)
Plus: Unamortized premium and discount, net	179,945,799	191,259,128
Plus: Unamortized debt issuance costs, net	(34,244,485)	(35,065,453)
Long-term debt	$ 5,309,862,196	$ 5,379,144,557

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. 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 following table presents the carrying amounts and fair values of financial instruments not recognized at fair value in the consolidated balance sheets:

	September 30, 2018		December 31, 2017	
Financial Instruments	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Assets				
Debt securities held in trustee funds, restricted and non-restricted	$ 617,671,976	$ 621,089,257	$ 1,331,131,007	$ 1,351,434,625
Liabilities				
Fixed rate term debt, including current maturities, AMP	5,408,656,093	6,398,152,109	6,076,124,422	7,478,694,517
Fixed rate term debt, including current maturities, on behalf of others	44,652,332	44,652,332	37,986,371	37,986,371
Variable rate term debt, including current maturities, AMP	95,100,000	95,100,000	95,100,000	95,100,000

The carrying amounts of cash, accounts receivable, accounts payable, the AMP project note, the municipal project notes, and the revolving credit loan approximate their fair value due to their short maturities. The fair value of trustee funds is determined based on market observable inputs that include, but are not limited to, benchmark yields, reportable trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers. The fair value of debt securities included trustee funds is within Level 2 of the fair value hierarchy. The fair value of long-term debt reflects 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. The fair value of long-term debt is within Level 2 of the fair value hierarchy.

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 September 30, 2018 and December 31, 2017. 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.

	September 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds	$ 118,796,965	$ -	$ -	$ 118,796,965
	$ 118,796,965	$ -	$ -	$ 118,796,965
Liabilities				
Natural gas swaps	$ -	$ 65,947,475	$ -	$ 65,947,475
	$ -	$ 65,947,475	$ -	$ 65,947,475

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds	$ 189,824,262	$ -	$ -	$ 189,824,262
	$ 189,824,262	$ -	$ -	$ 189,824,262
Liabilities				
Natural gas swaps	$ -	$ 67,329,476	$ -	$ 67,329,476
	$ -	$ 67,329,476	$ -	$ 67,329,476

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:

	September 30, 2018	December 31, 2017
Regulatory assets		
Asset retirement costs	$ 603,531	$ 4,163,788
Debt service costs	354,157,102	336,157,013
Abandoned construction costs	21,671,458	23,905,151
Projects on behalf of	2,842,080	1,986,365
Operating and maintenance expenditures	59,848,508	60,256,383
Fair value of derivative instruments	65,947,475	67,329,476
Rate stabilization programs	13,442,275	13,226,681
Pension plan and postretirement healthcare plan obligations	9,720,141	10,595,347
Closure of Gorsuch Project costs	12,857,257	13,186,930
Other	5,905,976	4,114,349
Total regulatory assets	546,995,803	534,921,483
Current portion	(18,965,791)	(19,819,750)
Noncurrent portion	$ 528,030,012	$ 515,101,733
Regulatory liabilities		
Capital improvement expenditures	$ 1,059,372	$ 932,811
Debt service costs	1,602,007	41,451,154
Projects on behalf of	1,076,826	971,972
Operating and maintenance expenditures	26,511,203	12,042,469
Working capital expenditures	14,944,588	14,944,588
Rate stabilization programs	25,895,682	23,200,997
Other	6,045,898	5,014,453
Total regulatory liabilities	77,135,576	98,558,444
Current portion	(8,292,070)	(1,120,448)
Noncurrent portion	$ 68,843,506	$ 97,437,996

6. Revenue

Revenues are recognized in an amount that reflects the consideration AMP expects to receive in exchange for goods or services, when control of the promised goods or services is transferred to AMP's customers. Our primary types of revenue streams are Electric, Service fees, and Program and other.

The nature of AMP's revenue from contracts provides an unconditional right to consideration upon service delivery; therefore, no customer contract assets or liabilities exist. The unconditional right to consideration is represented by the balance in AMP's Accounts Receivable. AMP does not typically incur costs that would be capitalized to obtain or fulfill a contract.

Electric revenue – Electricity is provided on demand throughout the month, measured by meters located at delivery points located at Member interconnections. Electric rates, which are approved by the AMP board of trustees, are designed to recover actual costs incurred, generally purchased power and operations, exclusive of depreciation and amortization, and debt service requirements. At the time of rate design, all costs to be recovered are not known and as such, the use of estimates is required. Differences between expected, estimated costs and actual costs incurred are reconciled and recovered from or returned to customers through future adjustments to rates. Electric revenues are variable based on quantities delivered, influenced by seasonal business and weather patterns.

Service fees – AMP collects service fees from its members which entitle members to various AMP-provided services not based on electric consumption. AMP also collects service fees for utilization of its Energy Control Center. Fee structure is based on membership class.

Program and other – Programs include optional service offerings to members such as line worker training.

AMP has determined that, as it relates to its contracts with customers, its obligation to deliver electricity, services, and programs are satisfied over time as the customer simultaneously receives and consumes benefits as AMP performs. Billings typically occur monthly with related payments due within 30 days, depending on contract requirements. In no event does the timing between payment and delivery of the goods and services exceed one year. In general, revenue recognized from contracts with customers is equivalent to the value of the electricity, services, and programs supplied and billed each period and an estimate for delivery completed during the period but not yet billed to customers. Therefore, AMP recognizes revenue in an amount equal to what AMP has the right to bill customers.

AMP has revenue contract performance obligations with the same or similar characteristics, and management reasonably expects that the financial statement impact of applying the new revenue ASU guidance to a portfolio of contracts would not differ materially from applying this guidance to the individual contracts or performance obligations within the portfolio. Therefore, AMP has elected the portfolio approach in applying the new revenue guidance.

7. 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, former President Obama's Climate Action Plan consisted 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") on January 8, 2014. While AMP has no units that would be impacted by the "new" unit NSPS for GHGs, the Agency's decision was expected to have possible implications for the agency's existing source rule (see below), so AMP filed comments on May 9, 2014. The agency also proposed a NSPS to reduce CO2 emissions from modified and reconstructed fossil-fueled power plants on June 18, 2014, to which AMP submitted comments 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.

USEPA also published the Clean Power Plan (CPP) on October 23, 2015, which was designed to limit CO2 emissions from existing fossil fuel units pursuant to NSPS Section 111(d) authority. 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 was expected in spring of 2017 followed by an expected appeal to the U.S. Supreme Court.

While the Plan would have created compliance obligations for PSGC and AFEC, AMP's renewable resources and energy efficiency programs were 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 clarified the eligibility of AMP's new hydroelectric projects to be used for compliance credit.

The election of President Donald Trump heralded 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 has stated that the CPP is beyond the legal authority Congress granted to the USEPA through the Clean Air Act.

On October 16, 2017, the proposed CPP repeal was published in the Federal Register, with a comment deadline of December 15, which was extended until April 16, 2018. This proposal establishes the legal reasoning for repeal. Published on December 28, 2017, a CPP replacement action, the Advanced Notice of Proposed Rulemaking (ANPRM) requested comments on the regulatory framework and design of a CPP replacement rule. AMP submitted comments on February 26, 2018.
On Aug. 31, the proposed Affordable Clean Energy (ACE) rule was published in the Federal Register. USEPA intends for the ACE rule to replace the Clean Power Plan (CPP). The ACE rule targets inside-the-fenceline emissions reductions via heat rate improvements (HRI), state plan implementation flexibility and changes to the New Source Review (NSR) permitting program. AMP submitted comments on Oct. 30 that were generally supportive of the proposal.

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 and maintained compliance either by 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 RICE may operate 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 supported 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 fine particulate matter ("PM2.5") 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, 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, and effective as of December 28, 2015. After reexamining the justification used to establish the 2015 standard, on August 1, 2018, acting EPA Administrator Andrew Wheeler wrote in a court filing that the Agency would not cease reevaluation of the 2015 standard. Many states now face an increase in areas designated non-attainment.

USEPA also proposed new NAAQS for fine particulate matter ("PM2.5") in June 2012 and finalized that 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.

Both the revised ozone and PM2.5 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 be designated nonattainment areas under the new ozone and PM2.5 standard. This designation could require states to implement additional air pollution rules to effect 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. This 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 proposed rule.

On September 7, 2016, USEPA released its final CSAPR rule for the 2008 ozone standard. The revised allowance budgets outlined in the final rule are effective for the 2017 ozone season which began on May 1, 2017. AMP-managed facilities received an appropriate amount of allowances. PSEC was largely successful in highlighting the technical errors and deficiencies in USEPA's draft rule. As a result, PSEC was allocated more allowances than it would have received under the proposed rule, resulting in a reduced possibility that PSGC will have to purchase allowances. PSGC also continues to request that USEPA allocate additional allowances to the facility, potentially further lowering the need for to purchase market-based allowances.

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 to USEPA without vacating it, so it remains in effect while 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 2017, 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 were scheduled for May 18, 2017. The USEPA said it intends to "closely review" the Obama administration's finding that regulation of the power sector was warranted.

USEPA now plans to revisit the MATS rule to determine whether the standards remain "necessary and appropriate". The key issue is how to account for benefits from controlling pollutants that are not the subject of a proposed rule (a.k.a. co-benefits). A draft version of this new rule was sent to OMB and is expected shortly.

The PSEC has demonstrated compliance with this rule, however AMP continues to monitor changes to the valuation of co-benefits.

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. That order was appealed to the US Supreme Court (SCOTUS) who, on January 28, 2018 ruled that WOTUS litigation should first be directed through district courts which effectively invalidates the national stay previously issued by the Sixth Circuit decision.

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, 2017, USEPA and the U.S. Army Corps of Engineers issued a proposed rule to rescind, the 2015 definition of WOTUS rule. The proposal would maintain the status quo, since the prior regulatory language is currently in place. On February 1, 2018, USEPA and the Army Corps of Engineers (USACE) finalized a rule that delays the effective date of the 2015 WOTUS rule by two years. This action provides the agency with additional time to continue reconsideration of the rule.

FWS and NMFS Proposed Rules/Policy on Critical Habitat

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" by seeking input from entities significantly affected by Federal regulations, on what regulations may be appropriate for repeal, replacement, or modification. AMP filed comments in response to this request and continues to monitor DOI activity.

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 USEPA 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.

AMP and member assets are currently unaffected by the rule and associated legal challenges.

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

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. After taking an agreed extension, Voith filed its Answer and Counterclaim on October 16, 2017. Voith's Answer denied AMP's claims, and Voith's Counterclaim for breach of contract and unjust enrichment made the following allegations against AMP:

(a) that a series of material interferences, hindrances, delays and defective performance by AMP, MWH and other Installation Contractors adversely impacted Voith, absolve Voith from liability to AMP, and make AMP liable to Voith;

(b) that AMP materially breached its contract with Voith by inappropriately modifying and increasing Voith's scope of work and refusing to pay Voith for the added scope and legitimate requests for additional payments;
(c) that AMP has failed and refused to pay the balance of the contract price and other amounts owed to Voith under the contract; and
(d) that Voith has been damaged in an amount in excess of $40M, plus interest and attorney fees.

On December 1, 2017, AMP filed its Answer and denied liability to Voith. Additionally, AMP filed a motion to strike some of Voith's affirmative defenses, which was resolved by Voith amending its Answer to include additional details related to its affirmative defenses. On December 5, 2017, the Court held a preliminary pretrial conference. At this conference AMP and Voith discussed their differing views on certain discovery issues and the case schedule. For instance, Voith has asked the Court to extend the limit on the number of depositions a party can take from 10 to 80, while AMP was willing to extend the limit from 10 to 25. The Court deferred ruling at this time on these discovery issues and set a status conference for April 19, 2018 to allow time for the parties to begin exchanging written discovery and electronically stored information.

On January 30, 2018, the parties exchanged initial disclosures that listed potential witnesses and provided preliminary damage calculations. Voith listed over 100 potential witnesses, and Voith identified over $65 Million in damages based upon claims for outstanding Change Requests and Work Change Directives on the hydro projects. (Cannelton: $19.5M; Smithland: $20.5M; Willow Island: $10.7M; Meldahl: $14.6M). AMP listed over 70 potential witnesses, and AMP identified over $90M in gross damages, without including any contractual limitations or caps on damages. (Cannelton: approx. $32M; Smithland: approx. $25M; Willow Island: approx. $25M; Meldahl: approx. $22M). Both sides are claiming pre-judgment and post-judgment interest and other damages and all damage calculations will be the subject of expert witness reports. AMP is currently working with its damages experts on these calculations.

Also on January 30, 2018, the parties exchanged lists of custodians and search terms that will be used with respect to discovery and the collection and production of documents and electronically stored information. The parties have met and conferred on these lists and terms to address their disputes, and a few remaining disputes were submitted to the Magistrate Judge for resolution and the Magistrate Judge denied each side's request at this time to expand the other side's search terms.

On April 23, 2018, the Court entered a Scheduling Order, which was amended on September 14, 2018. The current case schedule establishes the following deadlines:

November 15	Completion of ESI/Document Production
June 3, 2019	Affirmative Expert Reports
August 5, 2019	Defensive Expert Reports
September 6, 2019	Fact Discovery Completed
November 4, 2019	Rebuttal Expert Reports
January 15, 2020	Expert Discovery Completed
March 16, 2020	Dispositive Motion Deadline

The Magistrate Judge will be monitoring the discovery in this case closely, and the Scheduling Order established a standing conference the last Tuesday of every month during the discovery phase of the case.

Both sides have responded to initial written discovery on October 5, 2018. It is expected that fact depositions will begin toward the end of 2018 and continue through the summer of 2019.

AMP will vigorously pursue its claims and defend against Voith's Counterclaim. All costs associated with these claims are project costs recoverable from the project participants under their power sales agreement with AMP.

Elliott Land & Cattle Co., LLC

On August 2, 2016, Plaintiffs Elliott Land & Cattle Co., LLC, William Woodburn, and Janet Woodburn filed a complaint in Pleasants County Circuit Court, West Virginia against AMP alleging claims for breach of contract and fraudulent inducement related to Excavated Materials Placement Agreements ("Agreements") that AMP entered into with the Plaintiffs in connection with Willow Island. In the complaint, Plaintiffs alleged that AMP breached the Agreements by failing to stockpile the Willow Island cofferdam cell fill material on Plaintiffs' property after the cofferdams were deconstructed. Alternatively, Plaintiffs' alleged that AMP fraudulently induced Plaintiffs into signing the Agreements by telling Plaintiffs they could have the cofferdam cell fill materials.

AMP denied the allegations and defended itself on the basis that the Agreements did not require AMP to stockpile the cofferdam cell fill material on the Plaintiffs' properties.

After discovery concluded, AMP (on December 8, 2017) and Plaintiffs (on January 8, 2018) filed motions for summary judgment seeking to have their respective interpretations of the Agreement adopted by the Court. On June 22nd, the Court entered Plaintiffs' proposed order, granting Plaintiffs' motion for summary judgment on liability on the breach of contract claim and setting the case for a jury trial on Plaintiffs' fraudulent inducement claim and a determination of damages on Plaintiffs' breach of contract claim.

After receiving this decision on Plaintiffs' motion for summary judgment, AMP negotiated an agreement with Plaintiffs' counsel in which Plaintiffs agreed to dismiss their fraudulent inducement claim against AMP (which would have exposed AMP to the potential for punitive damages and an award of Plaintiffs' attorneys' fees) and the parties would proceed to a bench trial before the Court on damages for breach of contract only. The agreement permits AMP to appeal the Court's determinations of both liability for breach of contract and damages for breach of contract. The agreement permits the revival of Plaintiffs' fraudulent inducement claim only in the event the Court's determination of liability for breach of contract is reversed.

On June 25, 2018, the damages trial occurred. At trial and in its post-trial filings, AMP argued that Plaintiffs failed to satisfy their burden of proving damages and were entitled to only nominal damages. In the alternative, AMP argued the proper measure of damages under the applicable Ohio law was Plaintiffs' lost profit on the sale of the cofferdam fill material. Based on the evidence presented at trial, AMP argued that the maximum profit that Plaintiffs could have achieved was approximately $600,000.

At the conclusion of trial, the Court asked each side to present proposed findings of fact and conclusions of law. On August 14, 2018, the Court signed the entry proposed by the Plaintiffs and entered judgment against AMP for $3,751,918.29 (which included pre-judgment interest) plus post-judgment interest.

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.

8. Subsequent Events

The Company has evaluated subsequent events through December 10, 2018 as this was the date the interim consolidated financial statements were available to be issued.