American Municipal Power, Inc.

Interim Consolidated Financial Statements
March 31, 2011

American Municipal Power, Inc.
Index
March 31, 2011 (unaudited)

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Report of Independent Accountants

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

We have reviewed the accompanying consolidated balance sheet of American Municipal Power, Inc. and its subsidiaries (the "Organization") as of March 31, 2011, and the related consolidated statements of revenues and expenses, changes in member and patron equities and cash flows for the three-month periods ended March 31, 2011 and 2010. This interim financial information is the responsibility of the Organization's management.

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

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

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Organization as of December 31, 2010, and the related consolidated statements of revenues and expenses, changes in member and patron equities, and of cash flows for the year then ended (not presented herein), and in our report dated March 31, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2010 and the consolidated statement of changes in member and patron equities for the year ended December 31, 2010, is fairly stated in all material respects in relation to the consolidated balance sheet and the consolidated statement of changes in member and patron equities from which they have been derived.

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

PricewaterhouseCoopers LLP

May 17, 2011

American Municipal Power, Inc.
Consolidated Balance Sheets
March 31, 2011 and December 31, 2010 (unaudited)

	March 31, 2011	December 31, 2010
Assets		
Utility plant		
Electric plant in service	$ 107,146,210	$ 107,114,431
Accumulated depreciation	(92,481,130)	(92,153,158)
Total utility plant	14,665,080	14,961,273
Nonutility property and equipment		
Nonutility property and equipment	18,502,299	18,466,586
Accumulated depreciation	(2,839,414)	(2,328,898)
Total nonutility property and equipment	15,662,885	16,137,688
Construction work-in-progress	1,725,686,229	1,613,182,253
Plant held for future use	35,282,213	34,881,075
Coal reserves	26,612,000	26,612,000
Trustee funds and other assets		
Trustee funds	2,183,717,496	2,397,829,939
Long-term financing receivables - members	39,710,735	37,425,836
Note receivable - long-term	3,075,000	3,075,000
Regulatory assets	141,418,658	150,346,411
Prepaid power purchase asset	43,583,115	57,975,966
Prepaid pension costs	608,659	759,263
Intangible and other assets, net of accumulated amortization of $7,835,021 and $7,023,226 respectively	48,609,413	49,817,620
Total trustee funds and other assets	2,460,723,076	2,697,230,035
Current assets		
Cash and cash equivalents	40,191,832	34,849,485
Cash and cash equivalents - restricted	33,851,400	33,952,660
Trustee funds	448,177,139	465,964,390
Investments	13,027,681	12,874,257
Collateral postings	42,571,095	44,076,604
Accounts receivable	62,126,810	69,272,866
Interest receivable	21,894,202	22,873,586
Financing receivables - members	23,567,061	27,871,103
Emission allowances	1,889,077	1,917,985
Inventories	35,197	35,833
Regulatory assets - current	20,178,716	18,683,373
Prepaid power purchase asset - current	57,839,106	57,681,076
Prepaid expenses and other assets	2,325,662	2,402,953
Total current assets	767,674,978	792,456,171
Total assets	$ 5,046,306,461	$ 5,195,460,495

American Municipal Power, Inc.
Consolidated Balance Sheets
March 31, 2011 and December 31, 2010 (unaudited)

	March 31, 2011	December 31, 2010
Equities and Liabilities		
Member and patron equities		
Contributed capital	$ 790,528	$ 790,528
Patronage capital	48,993,883	48,581,505
Total member and patron equities	49,784,411	49,372,033
Long-term debt		
Term debt	4,513,752,318	4,577,081,205
Term debt on behalf of members	15,109,000	16,298,000
Line of credit and commercial paper	206,000,000	207,500,000
Total long-term debt	4,734,861,318	4,800,879,205
Current liabilities		
Accounts payable	77,017,029	103,270,109
Accrued salaries and related benefits	354,141	478,667
Accrued pension and postretirement benefits - current	644,000	644,000
Accrued interest	35,376,722	56,878,681
Term debt - current	88,637,966	85,707,962
Term debt on behalf of members - current	23,840,000	58,447,000
Regulatory liabilities - current	497,263	1,418,469
Other liabilities	6,672,249	9,102,490
Total current liabilities	233,039,370	315,947,378
Other noncurrent liabilities		
Accrued pension and postretirement benefits	5,541,743	5,617,149
Deferred gain on sale of real estate	1,276,789	1,276,789
Asset retirement obligations	9,349,939	9,336,153
Regulatory liabilities	12,452,891	13,031,788
Total other noncurrent liabilities	28,621,362	29,261,879
Commitments and contingencies		
Total liabilities	4,996,522,050	5,146,088,462
Total equities and liabilities	$ 5,046,306,461	$ 5,195,460,495

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

American Municipal Power, Inc.
Consolidated Statement or Revenues and Expenses
Three Months Ended March 31, 2011 and March 31, 2010 (unaudited)

	March 31, 2011	March 31, 2010
Revenues		
Electric revenue	$ 181,140,203	$ 192,773,246
Service fees	1,949,317	1,524,031
Programs and other	5,153,893	2,825,357
Total revenues	188,243,413	197,122,634
Operating Expenses		
Purchased electric power	171,103,398	168,752,345
Production	7,444,391	5,052,733
Fuel	339,953	12,908,515
Depreciation	838,488	1,780,691
Administrative and general	2,538,008	1,905,029
Interest expense	2,466,023	4,140,543
Property and real estate taxes	165,163	309,167
Programs and other	3,133,754	1,175,922
Total operating expenses	188,029,178	196,024,945
Operating margin	214,235	1,097,689
Nonoperating Revenues		
Interest income	55,610	42,702
Other, net	142,533	107,464
Total nonoperating revenues	198,143	150,166
Net margin	$ 412,378	$ 1,247,855

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

American Municipal Power, Inc.
Consolidated Statements of Changes in Member and Patron Equities
Three Months Ended March 31, 2011 and Year Ended December 31, 2010 (unaudited)

	Contributed Capital	Patronage Capital	Total
Balances, December 31, 2009	$ 790,528	$ 45,217,602	$ 46,008,130
Net margin	-	3,363,903	3,363,903
Balances, December 31, 2010	790,528	48,581,505	49,372,033
Net margin	-	412,378	412,378
Balances, March 31, 2011	$ 790,528	$ 48,993,883	$ 49,784,411

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

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Three Months Ended March 31, 2011 and March 31, 2010 (unaudited)

	March 31, 2011	March 31, 2010
Cash flows from operating activities		
Net margin	$ 412,378	$ 1,247,855
Adjustments to reconcile net margin to net cash used in operating activities		
Depreciation	838,488	1,780,691
Amortization of deferred financing costs	811,795	596,384
Amortization of bond premium, net of amortization of bond discount	(373,883)	(393,880)
Accretion of interest on asset retirement obligations	13,786	64,063
Unrealized gain on investments	-	(309,465)
Changes in assets and liabilities		
Investments	(153,424)	-
Accounts receivable	7,146,056	6,988,296
Collateral deposits	1,505,509	(52,801,239)
Emission allowances	28,908	324,232
Inventories	636	3,567,357
Prepaid expenses and other assets	473,703	(286,485)
Regulatory assets and liabilities, net	5,531,169	(4,477,083)
Accounts payable	(6,979,523)	(6,139,646)
Prepaid power purchase asset	14,234,821	14,222,731
Accrued salaries and related benefits	(124,526)	131,639
Accrued pension and postretirement benefits	75,198	217,266
Accrued interest	(3,706,459)	(15,672,994)
Other liabilities	(2,430,241)	1,114,302
Net cash provided by (used in) operating activities	17,304,391	(49,825,976)
Cash flows from investing activities		
Proceeds from sale of investments, net of purchases of investments	231,899,694	233,486,434
Purchase of utility property and equipment	(31,779)	(38,131)
Purchase of nonutility property and equipment	(35,713)	(99,363)
Purchase of construction in process	(148,593,649)	(150,696,607)
Restricted cash and cash equivalents	101,260	(15,785,864)
Net cash provided by investing activities	83,339,813	66,866,469

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Three Months Ended March 31, 2011 and March 31, 2010 (unaudited)

	March 31, 2011	March 31, 2010
Cash flows from financing activities		
Proceeds from revolving credit loan	19,991,078	586,000,000
Payments on revolving credit loan	(21,491,078)	(509,000,000)
Principal payments on term debt	(60,025,000)	(136,065,001)
Proceeds from issuance of term debt	-	40,000,000
Cost of issuance of term debt	-	(300,000)
Principal payments on term debt on behalf of members	(35,796,000)	(6,922,000)
Proceeds from issuance of term debt on behalf of members	-	3,511,000
Proceeds from financing receivable - members	6,074,583	4,635,921
Funding of financing receivable - members	(4,055,440)	(3,893,042)
Net cash used in financing activities	(95,301,857)	(22,033,122)
Net change in cash and cash equivalents	5,342,347	(4,992,629)
Cash and cash equivalents, beginning of year	34,849,485	37,929,850
Cash and cash equivalents, end of period	$ 40,191,832	$ 32,937,221
Supplemental disclosure of non-cash investing and financing activities		
Capital expenditures included in accounts payable	$ 22,679,401	$ 36,780,574
Capital expenditures included in accrued interest, net of interest receivable	11,933,020	12,005,444

The accompanying notes are an integral part of these interim consolidated 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. AMP is a membership organization comprised of 82 municipalities throughout Ohio, two municipalities in West Virginia, 30 municipalities in Pennsylvania, six municipalities in Michigan, five municipalities in Virginia, and three municipalities in Kentucky, all but one of which own and operate electric systems. AMP purchases and generates electric capacity and energy for sale to its members. 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 legislative liaison for the state’s 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 (“IRS”) to issue tax-exempt securities on behalf of its members. In connection with the financing of projects undertaken by the electric systems of certain member communities, AMP has issued tax-exempt debt on their behalf. Additionally, AMP has issued tax-exempt bonds to finance the construction of its generating projects.

AMP has 100% of the membership interests in AMP 368 LLC ("AMP 368"). AMP 368 is a wholly owned and consolidated subsidiary of AMP, which through AMP 368 is the owner of a 23.26%, or 368MW, undivided interest in the Prairie State Energy Campus (“PSEC”). The PSEC is a mine-mouth, pulverized coal-fired generating station under construction in southwest Illinois.

AMP also has 100% of the membership interests in Meldahl, LLC ("Meldahl LLC"). Meldahl LLC is a wholly owned and consolidated subsidiary of AMP, which through Meldahl LLC, is the owner of the 105 MW Meldahl project under construction as a run-of-the river hydroelectric facility on the Ohio River.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include all entities in which AMP has control, which are its majority owned subsidiaries. The interim consolidated financial statements have been prepared without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2010.

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 three months ended March 31, 2011 are not necessarily indicative of the results to be expected for the full year ending December 31, 2011.

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.

Construction Work-in-Progress

AMP records amounts expended in connection with construction work-in-progress projects at cost. Upon completion of a project, AMP places the asset in service and the related costs are recorded as either utility plant or nonutility property and equipment. There is $3,593,776 of land included in the construction work-in-progress account at March 31, 2011 and December 31, 2010. AMP capitalized interest costs in the amount of $58,102,121 and $10,050,340 for the three-month period ended March 31, 2011 and 2010, respectively.

Construction work-in-progress projects consist of the following at March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
PSEC	$ 1,112,083,588	$ 1,060,768,773
Hydro Plants	606,485,307	550,885,473
Fremont Energy Center	5,385,070	-
Other	1,732,264	1,528,007
	$ 1,725,686,229	$ 1,613,182,253

On February 3, 2011 AMP entered into a non-binding memorandum of understanding (the "MOU") with FirstEnergy Corp. ("FE") regarding the Fremont Energy Center, a 707 MW natural gas fired combined cycle generation plant currently under construction by FE and located predominantly in the City of Fremont, Ohio. The Fremont Energy Center is owned by the FE subsidiary, FirstEnergy Generation Corp. Construction on the Fremont Energy Center is largely complete and the plant is expected to be commercially available by year end 2011. Under the MOU, AMP and FE have agreed to enter into exclusive negotiations toward AMP executing a definitive agreement by

March 11, 2011, to purchase the facility from FE on or about July 1, 2011. On March 11, 2011, AMP and FE executed the definitive asset purchase agreement.

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

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

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

AMP has entered into three interest rate swap agreements which are carried at their fair value on the consolidated balance sheets. The fair value of the swaps was ($3,020,208) and ($3,436,917) at March 31, 2011 and December 31, 2010, respectively, and is included in other liabilities. A corresponding regulatory asset has been recorded equal to the unrealized loss.

3. Gorsuch Project

On May 19, 2010, AMP announced plans to begin cessation of operation at the Gorsuch Project, a 1950’s vintage coal-fired plant located near Marietta, Ohio. AMP determined it to be in the best interest of the participating member communities to cease operations at the facility. The facility ceased electric generation on November 11, 2010. The decision stems from a consent decree reached between the U.S. EPA and AMP that resolves all issues related to a Notice of Violation (“NOV”) issued by the U.S. EPA. The settlement includes a binding obligation that AMP cease coal-fired generation operation at the Gorsuch Project no later than December 31, 2012 and also requires AMP to spend $15 million on an environmental mitigation project over the next several years and pay a civil penalty of $850,000. AMP established a liability of $850,000 on September 30, 2010 for the civil penalty. The $15 million required to be spent on the environmental mitigation project will be expensed as project expenditures are incurred. The environmental mitigation project is in the form of robust energy efficiency initiatives administered by a third party, The Vermont Energy Investment Corp. This project includes services for residential, commercial and industrial customers and is designed to assist participating AMP member communities with energy conservation. In the first quarter of 2011, $466,956 of the $15 million requirement has been incurred and expensed.

4. Revolving Credit Loan and Term Debt

Credit Agreement
AMP has a revolving credit loan facility ("Facility") with a syndicate of lenders led by JPMorgan Chase Bank, N.A. Other members of the syndicate include KeyBank, N.A.; Depfa Bank; Union Bank of California, N.A.; Wells Fargo, N.A.; Suntrust Bank; U.S. Bank, N.A.; Bank of America, N.A.; Huntington National Bank, N.A. and Bank of Montreal. The Facility allows for different types of loans with different interest rates and terms and includes the ability to issue letters of credit. The Facility expires on September 24, 2012. AMP's base borrowing capacity under the Facility is $750,000,000. At March 31, 2011, AMP had $206,000,000 outstanding under the Facility and the effective interest rate was 1.59%. At December 31, 2010, AMP had $207,500,000 outstanding under the Facility and the effective interest rate was 1.6125%.

Commercial Paper Program
On January 22, 2008, AMP initiated a tax-exempt commercial paper program (the “Initial CP Program”) with JP Morgan Chase Bank, N.A., with an authorized par amount of $350 million secured by a letter of credit issued under its line of credit. On February 12, 2009, AMP’s Board of Trustees resolved to increase the authorized par amount of the Initial CP Program to $400 million. AMP utilized the Initial CP Program to provide interim financing for the costs of its projects. On September 24, 2009, AMP replaced the Initial CP Program with the second tax-exempt commercial program (the "Current CP Program”), with an authorized par amount of $450 million, secured by a letter of credit secured under its line of credit. All borrowings made under the Current CP Program reduce the available borrowing capacity under the Facility. On March 31, 2011 and December 31, 2010, the Organization did not have any borrowings outstanding under the Current CP Program.

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 March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
AMP Bond Anticipation Note due October 27, 2010 with interest at 2.00% payable at maturity	$ 18,353,550	$ 18,353,550
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2008A	760,655,000	760,655,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009A	166,565,000	166,565,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009B	83,745,000	83,745,000
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
Unamortized discount of Prairie State Campus Revenue Bonds	(11,914,523)	(12,073,909)
AMP Electricity Purchase Revenue Bonds Prepayment Issue, Series 2007A	123,770,000	181,130,000
Unamortized premium on Electricity Purchase Revenue Bonds Prepayment Issue, Series 2007A	2,526,224	2,870,715
AMP Gorsuch Term Notes	30,000,000	32,000,000
AMP Multi-Mode Variable Rate Combustion Turbine Project Revenue Bonds, Series 2009A	10,620,000	11,285,000
AMP Hydro Project Revenue Bonds, Series 2009A	24,425,000	24,425,000
AMP Hydro Project Revenue Bonds, Series 2009B	497,005,000	497,005,000
AMP Hydro Project Revenue Bonds, Series 2009C	122,405,000	122,405,000
AMP Hydro Project Revenue Bonds, Series 2009D	19,941,177	19,941,177
Unamortized discount on AMP Hydro Project Revenue Bonds, Series 2009D	(2,750,649)	(2,797,403)
Unamortized premium on AMP Hydro Project Revenue Bonds, Series 2009C	7,650,584	7,890,556
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010 A	152,995,000	152,995,000
Unamortized discount on AMP combined Hydroelectric Project Revenue Bonds, Series 2010A	(788,150)	(799,099)
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010 B	1,109,995,000	1,109,995,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010 C	116,000,000	116,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010 A	45,495,000	45,495,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010 B	260,000,000	260,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010 C	20,000,000	20,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010 D	4,570,000	4,570,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010 E	355,035,000	355,035,000
Unamortized premium on Meldahl Hydroelectric Revenue Bonds, Series 2010	257,071	263,580
	4,602,390,284	4,662,789,167
Current portion	(88,637,966)	(85,707,962)
Noncurrent portion	$ 4,513,752,318	$ 4,577,081,205

5. Fair Value of Financial Instruments

	March 31, 2011		December 31, 2010	
Financial Instruments	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Assets				
Investments	$ 13,027,681	$ 13,027,681	$ 12,874,257	$ 12,874,257
Trustee funds, AMP	2,630,188,391	2,630,180,090	2,826,875,139	2,838,336,789
Trustee funds on behalf of members	1,706,244	1,706,244	36,919,190	36,919,190
Liabilities				
Fixed rate term debt, including current maturities, AMP	4,561,770,284	4,656,192,009	4,612,781,617	4,713,803,646
Fixed rate term debt, including current maturities, on behalf of members	34,512,000	34,537,330	76,541,550	76,607,948
Variable rate term debt, including current maturities, AMP and on behalf of members	45,057,000	45,057,000	48,211,000	48,211,000
Interest rate swaps	3,020,208	3,020,208	3,436,917	3,436,917

The carrying amounts of cash, accounts receivable, accounts payable, the AMP project notes, the municipal project notes and the revolving credit loan approximate their fair value due to their short maturities. The carrying amount of the Gorsuch Term Notes, the Combustion Turbine Bonds and the OMEGA JV6 Bonds approximate their fair value due to their variable rates of interest. The fair value of long-term debt reflect the present value of cash outflows relating to those obligations based on the current call price or the yield to maturity as deemed appropriate at the end of each respective year. The yields assumed were based on municipal bond ratings offered by organizations similar to AMP.

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 equity securities, mutual funds and money market funds that are listed on active exchanges which are included in investments and trustee funds on the consolidated balance sheets. AMP does not have any liabilities that meet the definition of Level 1.

Level 2 Pricing inputs are either directly or indirectly observable in the market as of the reporting date, other than quoted prices in active markets included in Level 1. Level 2 includes those financial instruments that are valued using models or other valuation methodologies based on assumptions that are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. AMP's level 2 assets primarily of debt securities and guaranteed investment contracts. Liabilities in this category include AMP's interest rate swaps. Interest rate swaps are included in other liabilities on AMP's consolidated balance sheets.

Level 3 Pricing inputs include inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. AMP's Level 3 assets consist of its investment in hedge funds, which are included in investments on the consolidated balance sheets.

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

The following tables set forth AMP's financial assets and financial liabilities that are accounted for at fair value by level within the fair value hierarchy as of March 31, 2011 and December 31, 2010. 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.

	March 31, 2011			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Equity securities and mutual funds	$ 2,228,685	$ -	$ -	$ 2,228,685
Money market funds	368,487,946	-	-	368,487,946
Guaranteed investment contract	-	5,522,921	-	5,522,921
Debt securities	-	2,268,402,931	-	2,268,402,931
Hedge funds	-	-	271,532	271,532
	$ 370,716,631	$ 2,273,925,852	$ 271,532	$ 2,644,914,015
Liabilities				
Interest rate swaps	$ -	$ 3,020,208	$ -	$ 3,020,208
	$ -	$ 3,020,208	$ -	$ 3,020,208

	December 31, 2010			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Equity securities and mutual funds	$ 2,135,876	$ -	$ -	$ 2,135,876
Money market funds	848,558,769	-	-	848,558,769
Certificate of deposit	-	-	-	-
Guaranteed investment contract	-	55,963,686	-	55,963,686
Debt securities	-	1,979,114,072	-	1,979,114,072
Hedge funds	-	-	2,357,833	2,357,833
	$ 850,694,645	$ 2,035,077,758	$ 2,357,833	$ 2,888,130,236
Liabilities				
Interest rate swaps	-	3,436,917	-	3,436,917
	$ -	$ 3,436,917	$ -	$ 3,436,917

The determination of the above fair value measures takes into consideration various factors required under the fair value measurement standard. These factors include nonperformance risk, including counterparty credit risk and the impact of credit enhancements (such as cash deposits, LOCs and priority interests). The impact of nonperformance risk was immaterial in the fair value measurements.

The following table provides a reconciliation of changes in the fair value of hedge fund investments classified as Level 3 in the fair value hierarchy during the three months ended March 31, 2011 and the year ended December 31, 2010:

Balance as of January 1, 2010	$ 4,181,826
Settlements	(2,118,709)
Unrealized gains (losses)	294,716
Balance as of December 31, 2010	2,357,833
Settlements	(2,153,200)
Unrealized gains (losses)	66,899
Balance as of March 31, 2011	$ 271,532

6. Employee Benefits

Pension Plan

AMP has a defined benefit pension plan (the “Pension Plan”) covering substantially all hourly employees at the Gorsuch Project. Benefits for eligible employees at retirement are based primarily on years of service and compensation rates. Assets held by the Pension Plan consist primarily of treasury notes, marketable securities, and alternative investments.

Postretirement Plan

AMP sponsors a postretirement benefit plan (the “Postretirement Plan”) covering salaried and hourly employees at the Gorsuch Project who were hired before November 1, 2003. The Postretirement Plan provides prescription drug and medical, dental, and life insurance benefits. Benefits are available to employees who retire under provisions of the Postretirement Plan. The eligible employees’ share of the medical insurance premiums in the postretirement period is increased on the basis of the provisions of the Postretirement Plan. At March 31, 2011 and

December 31, 2010, $13,027,681 and $12,874,257 respectively, of investments in the accompanying consolidated balance sheets are designated to fund Postretirement Plan benefits.

The following table sets forth the components of net periodic benefit cost, for the Pension Plan and Postretirement Plan at March 31, 2011 and 2010:

	Pension Plan	
Components of net periodic benefit costs	**March 31, 2011**	**March 31, 2010**
Service cost	$ 15,000	$ 225,000
Interest cost	214,382	262,500
Expected return on plan assets	(443,950)	(567,500)
Recognized actuarial loss	372,441	257,353
Settlement loss	4,540,819	-
Net periodic benefit cost	$ 4,698,692	$ 177,353

	Postretirement Plan	
Components of net periodic benefit costs	**March 31, 2011**	**March 31, 2010**
Service cost	$ 5,000	$ 32,500
Interest cost	69,594	80,000
Amortization of transition obligation	19,650	19,650
Recognized actuarial loss	72,500	47,391
Net periodic benefit cost	$ 166,744	$ 179,541

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.

On February 17, 2010, USEPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for combustion ignited diesel engines at area sources. The AMP engines are affected by this rule and compliance must be demonstrated by May 2013. AMP is evaluating its compliance options and assessing the impacts on this project.

Many metropolitan and industrialized counties in Ohio have become nonattainment areas under the new ozone and fine particulate matter ambient air quality standards. This may require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, and particulate matter. In addition to emission reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind neighboring states. Cuyahoga Country is a nonattainment area for fine particulate matter' therefore, the Ohio Environmental Protection Agency may restrict the hours of operations or require additional pollution control equipment for this project.

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

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

8. Subsequent Events

On February 11, 2011, AMP filed a complaint against Bechtel Power Corporation ("Bechtel") which stems from cancellation of the proposed AMPGS Project. On April 12, 2011, Bechtel filed a motion to dismiss the complaint. Bechtel also filed an answer denying any liability and a counterclaim seeking $383,566 from AMP related to a termination payment that Bechtel alleges it is entitled to as a result of AMP terminating its contract and cancellation of the AMPGS Project. AMP has not recorded a liability for this counterclaim at March 31, 2011 as it does not believe payment to be probable.

On May 3, 2011, AMP was ordered by the Army Corps of Engineers to flood the cofferdam at the Smithland Hydroelectric Plant which is currently under development. AMP is monitoring the site closely and is working with its insurance provider to determine the extent of damage caused by the flooding, which, at this time, cannot be determined.

AMP has considered subsequent events through May 17, 2011, the date the quarterly financial statements were available to be issued.