American Municipal Power, Inc.

Interim Consolidated Financial Statements
June 30, 2021

American Municipal Power, Inc.
Index
June 30, 2021 (Unaudited) and December 31, 2020

Report of Independent Auditors

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

We have reviewed the accompanying consolidated interim financial information of American Municipal Power, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of June 30, 2021, and the related consolidated statements of revenues and expenses, of changes in member and patron equities, and of cash flows for the six-month periods ended June 30, 2021 and 2020.

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.

PricewaterhouseCoopers LLP, 41 South High Street, Suite 2500, Columbus, OH 43215
T: (614) 225 8700, F: (614) 224 1044, www.pwc.com/us

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, 2020, 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 21, 2021, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2020 is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

October 20, 2021

American Municipal Power, Inc.
Consolidated Balance Sheets
June 30, 2021 (Unaudited) and December 31, 2020

	June 30, 2021	December 31, 2020
Assets		
Utility plant		
Electric plant in service	$ 4,958,059,587	$ 4,944,200,134
Accumulated depreciation	(926,745,330)	(859,362,845)
Total utility plant	4,031,314,257	4,084,837,289
Nonutility property and equipment		
Nonutility property and equipment	28,247,263	23,483,440
Accumulated depreciation	(17,677,102)	(17,133,783)
Total nonutility property and equipment	10,570,161	6,349,657
Construction work-in-progress	29,792,261	30,123,472
Plant held for future use	34,881,075	34,881,075
Coal reserves	19,876,776	20,310,413
Trustee funds and other assets		
Trustee funds	284,989,521	250,321,016
Trustee funds - restricted	-	270,502,534
Regulatory assets	547,844,965	560,458,092
Prepaid assets	78,776,417	82,216,980
Intangible and other assets	51,358,160	51,457,690
Total trustee funds and other assets	962,969,063	1,214,956,312
Current assets		
Cash and cash equivalents	127,603,362	154,539,679
Cash and cash equivalents - restricted	12,186,292	12,890,753
Trustee funds	223,928,234	295,330,288
Trustee funds - restricted	273,609,407	7,362,889
Collateral postings	26,590,432	25,289,258
Accounts receivable	117,674,757	100,485,836
Interest receivable	30,254,274	30,192,232
Financing receivables - members	31,222,597	29,444,311
Notes Receivable	6,056,526	-
Inventories	15,354,794	14,635,644
Regulatory assets - current	34,096,695	44,091,764
Prepaid expenses and other assets	10,532,090	9,305,410
Total current assets	909,109,460	723,568,064
Total assets	$ 5,998,513,053	$ 6,115,026,282

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

American Municipal Power, Inc.
Consolidated Balance Sheets
June 30, 2021 (Unaudited) and December 31, 2020

	June 30, 2021	December 31, 2020
Equities and Liabilities		
Member and patron equities		
Contributed capital	$ 828,968	$ 828,968
Patronage capital	92,807,875	91,150,987
Total member and patron equities	93,636,843	91,979,955
Long-term debt		
Term debt	4,959,547,557	5,315,165,013
Term debt on behalf of members		
Term debt on behalf of others	16,791,664	17,645,831
Revolving credit loan	-	202,300,000
Total long-term debt	4,976,339,221	5,535,110,844
Current liabilities		
Accounts payable	121,928,900	101,706,340
Accrued interest	120,907,043	120,949,775
Revolving credit loan	161,800,000	-
Term debt - current portion	348,579,412	75,894,412
Term debt on behalf of others	29,704,167	31,309,167
Regulatory liabilities	10,999,629	9,714,037
Other liabilities	25,613,298	34,465,222
Total current liabilities	819,532,449	374,038,953
Other noncurrent liabilities		
Asset retirement obligations	11,344,741	9,593,043
Regulatory liabilities	77,514,434	72,183,264
Other liabilities	20,145,365	32,120,223
Total other noncurrent liabilities	109,004,540	113,896,530
Total liabilities	5,904,876,210	6,023,046,327
Total equities and liabilities	$ 5,998,513,053	$ 6,115,026,282

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

American Municipal Power, Inc.
Consolidated Statements of Revenues and Expenses
Six Months Ended June 30, 2021 and 2020 (Unaudited)

	June 30, 2021	June 30, 2020
Revenues		
Electric revenue	$ 522,633,917	$ 530,259,543
Service fees	5,449,821	5,041,968
Programs and other	21,367,981	15,105,775
Total revenues	549,451,719	550,407,286
Operating expenses		
Purchased electric power	206,706,191	216,437,520
Production	61,459,694	70,673,794
Fuel	65,729,918	59,525,101
Depreciation and amortization	69,234,721	70,614,497
Administrative and general	24,140,485	8,384,253
Property and real estate taxes	4,860,049	4,076,937
Programs and other	8,214,352	10,457,822
Total operating expenses	440,345,410	440,169,924
Operating margin	109,106,309	110,237,362
Nonoperating revenues (expenses)		
Interest expense	(148,418,341)	(154,070,493)
Interest income, subsidy	33,198,875	34,438,193
Interest and other income	7,770,045	10,851,456
Total nonoperating expenses	(107,449,421)	(108,780,844)
Net margin	$ 1,656,888	$ 1,456,518

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

American Municipal Power, Inc.
Consolidated Statements of Changes in Member and Patron Equities
Six Months Ended June 30, 2021 and 2020 (Unaudited)

	Contributed Capital	Patronage Capital	Total
Balances at December 31, 2019	$ 828,968	$ 88,650,241	$ 89,479,209
Net margin	-	1,456,518	1,456,518
Balances at June 30, 2020	$ 828,968	$ 90,106,759	$ 90,935,727
Balances at December 31, 2020	$ 828,968	$ 91,150,987	$ 91,979,955
Net margin	-	1,656,888	1,656,888
Balances at June 30, 2021	$ 828,968	$ 92,807,875	$ 93,636,843

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

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2021 and 2020 (Unaudited)

	June 30, 2021	June 30, 2020
Cash flows from operating activities		
Net margin	$ 1,656,888	$ 1,456,518
Adjustments to reconcile net margin to net cash used in operating activities		
Depreciation and amortization	69,234,721	70,614,497
Amortization of bond premium, net of amortization of bond discount and amortization of deferred financing costs	(7,878,946)	(8,286,795)
Amortization of premiums and discounts on held-to-maturity debt securities	(2,332,684)	2,285,147
Accretion of interest on asset retirement obligations	433,990	127,205
Loss on disposal of utility property and equipment	-	316,000
Changes in assets and liabilities		
Collateral postings	(1,301,174)	(3,135,100)
Accounts and interest receivable	(25,288,837)	(14,359,856)
Inventories	(719,150)	(2,850,604)
Regulatory assets and liabilities, net	4,920,168	(17,108,898)
Prepaid expenses and other assets	1,140,021	(7,188,579)
Accounts payable and other liabilities	23,480,444	6,025,994
Accrued interest	(42,732)	(888,231)
Asset retirement obligations	1,317,708	876,594
Net cash used in operating activities	64,620,417	27,883,892
Cash flows from investing activities		
Purchase of property plant, equipment and construction work-in progress	(18,104,597)	(27,430,860)
Proceeds from sale of property, plant and equipment	-	218,631
Proceeds from sale of investments	275,267,595	530,980,074
Purchase of investments	(231,945,345)	(199,916,233)
Net cash provided by investing activities	$ 25,217,653	$ 303,851,612

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

American Municipal Power, Inc.
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2021 and 2020 (Unaudited)

	June 30, 2021	June 30, 2020
Cash flows from financing activities		
Proceeds from revolving credit loan	122,500,000	27,400,000
Payments on revolving credit loan	(163,000,000)	(4,900,000)
Proceeds from issuance of term debt	100,122,935	128,924,775
Principal payments on term debt	(174,095,000)	(487,830,000)
Cost of issuance of debt	(750,678)	(862,735)
Proceeds from issuance of term debt on behalf of others	20,505,000	5,110,000
Principal payments on term debt on behalf of others	(22,964,167)	(7,146,167)
Proceeds from Notes Receivable	3,243,474	-
Funding of Notes receivable	(9,300,000)	-
Proceeds from financing receivables - members	23,735,401	1,575,130
Funding of financing receivables - members	(17,475,813)	(3,863,445)
Net cash used in financing activities	(117,478,848)	(341,592,442)
Net change in cash, cash equivalents and restricted cash	(27,640,778)	(9,856,938)
Cash, cash equivalents and restricted cash		
Beginning of period	167,430,432	138,217,676
End of period	$ 139,789,654	$ 128,360,738
Supplemental disclosure of cash flow information		
Cash paid during the period for interest, net of amount capitalized	$ 156,340,019	$ 163,245,519
Supplemental disclosure of noncash investing and financing activities		
Capital expenditures included in accounts payable	$ 38,156,901	$ 38,439,287

The accompanying notes are an integral part of these 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 ("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. Additionally, AMP has issued tax-exempt bonds to finance the construction of its generating projects.

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

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

AMP Transmission LLC, a wholly owned and consolidated subsidiary of AMP, an Ohio not-for-profit, owns and provides transmission services in Delaware, Indiana, Kentucky, Maryland, Michigan, Ohio, Pennsylvania, Virginia and West Virginia for the Members.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include all entities in which AMP has control, which are its majority-owned subsidiaries. The interim consolidated financial statements have been prepared without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The interim consolidated financial statements as of June 30, 2021 should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2020. The accompanying interim consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the six-months ended June 30, 2021 are not necessarily indicative of the results to be expected for the full year ending December 31, 2021.

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. The amounts below are inclusive of costs incurred by the developer and AMP.

	June 30, 2021	December 31, 2020
Greenup		
Utility plant in service	$ 143,383,002	$ 143,383,002
Accumulated Depreciation	(23,990,739)	(21,601,272)
Prairie State		
Utility plant in service	$ 1,402,356,680	$ 1,397,303,114
Construction work-in-progress	5,446,557	8,411,531
Accumulated Depreciation	(329,258,977)	(310,770,697)

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

Construction Work-in-Progress
AMP records amounts expended in connection with construction work-in-progress projects at cost. Upon completion of a project, AMP places the asset in service and the related costs are recorded as either utility plant or nonutility property and equipment.

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

	June 30, 2021	December 31, 2020
'Behind-the-meter' Sub-peaking facilities	$ 17,346,138	$ 13,048,228
AMP Fremont Energy Center	2,738,403	2,141,477
Prairie State Energy Campus	5,446,557	8,411,531
Other	4,261,163	6,522,236
	$ 29,792,261	$ 30,123,472

Plant Held for Future Use

In November 2009, the participants in the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a $3 billion project, but the project's targeted capital costs increased by 37% and the engineer, procure and construct contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site. AMP still intends to develop this site for the construction of a generating asset; however, at June 30, 2021, the type of future generating asset had not been determined.

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

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

The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. These stranded costs are being recovered through collections from Participants and Members over a 15 year term and from service fee and other member related revenues over the same term. At June 30, 2021, AMP has a remaining regulatory asset of $9,459,681 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 Accounting Standards Codification ("ASC") 320 *Investments – Debt and Equity Securities,* and are recorded at amortized cost. The debt securities mature at various dates through February 2050. The money market funds are valued at the net asset value of the underlying fund determined on the valuation date.

Impairment of Long-lived Assets

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

Intangible and Other Assets

Included in intangible assets are two interconnections contracts for offsite facilities which were a part of the acquisition cost for the AMP Fremont Energy Center (“AFEC”) project. These contracts were valued at $28,665,190 and were net of $7,261,848 and $6,879,645 of accumulated amortization as of June 30, 2021 and December 31, 2020, respectively. The contracts are being amortized over a 37.5 year period at a rate of $764,405 per year, which is recognized in depreciation and amortization.

Prepaid Assets

AMP prepays for 25-year power supply solar agreements (the “Prepaid Agreements”) which are included in prepaid assets in the accompanying consolidated balance sheets. The amount of the Prepaid Agreements was $83,908,707 and $86,075,774 as of June 30, 2021 and December 31, 2020, respectively. AMP is amortizing the cost of the power over the life of the Prepaid Agreements using a non-straight line method based on power used. 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 $5,586,316 and $4,635,546 as of June 30, 2021 and December 31, 2020, respectively. AMP has concluded that the Prepaid Agreements qualify for the 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 (“dekatherm” 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 $121,295,670 and $139,844,893 at June 30, 2021 and December 31, 2020, respectively.

On the short-term agreements, there was an unrealized loss of $3,997,518 and $14,860,159 at June 30, 2021 and December 31, 2020, respectively, which is included in other liabilities. On the long-term agreements, there was an unrealized loss of $14,943,652 and $28,385,801 at June 30, 2021 and December 31, 2020, respectively, which is included in other liabilities. The change in the fair market value of $24,304,790 and $7,118,813 was recognized in fuel on AMP’s consolidated statements of revenues and expenses for the six months ended June 30, 2021 and 2020, respectively. The change in fair value, which represents both unrealized gains and losses and realized gains and losses due to settlement, are offset as regulatory assets or liabilities. The losses from the natural gas contracts do not result from other-than-temporary declines in market value.

Notes Receivable

Forty-two of AMP’s members are members of OMEGA JV5, the Belleville hydroelectric project, which includes backup diesel generation. On February 15, 2021, OMEGA JV5 signed a $9,300,000 Promissory Note with AMP for the purpose of paying off Debt Certificates issued in 2016. The note requires monthly payments and is expected to be paid off in early 2022. As of June 30, 2021, the balance was $6,056,526 and is shown in current assets in the Consolidated Balance Sheet.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“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

Effective January 1, 2021, certain operating expenses that were previously recorded within Production expenses and Programs and other expenses are being recorded in Administrative and general in the consolidated statements of revenues and expenses to more closely align AMPs reporting with the Federal Energy Regulatory Commission (FERC) chart of accounts. Similar operating expenses for the six-months ended June 30, 2020 consisted of $11,887,671 recorded in Production expenses and $4,794,759 recorded in Programs and other expenses and were not reclassified to conform with current period presentation due to immateriality. This change in presentation has no impact on total Operating expenses or Operating Margin.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04 providing guidance to ease the potential burden in accounting for *Reference Rate Reform (Topic 848)* on financial reporting. The new standard is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of Reference Rate Reform. The new standard establishes a general contract modification principle that entities can apply in other areas that may be affected by Reference Rate Reform and certain elective hedge accounting expedients. Under the new standard, an entity may make a one-time election to sell or to transfer to the available-for-sale or trading classifications (or both sell and transfer), debt securities that both reference an affected rate, and were classified as held-to-maturity before January 1, 2020. This standard is effective for the Company's 2022 fiscal year. The impact of adopting this standard is not expected to have a material impact on the consolidated financial statements.

3. Revolving Credit Loan and Term Debt

Revolving Credit Loan

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 intends to renew the Facility before its expiration. AMP's base borrowing capacity under the Facility is $600,000,000, with an accordion feature to expand to $850,000,000. At June 30, 2021, AMP had $161,800,000 outstanding under the Facility and the effective interest rate was 0.929%. At December 31, 2020, AMP had $202,300,000 outstanding under the Facility and the effective interest rate was 0.973%.

Term Debt

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

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

	June 30, 2021	December 31, 2020
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009B	27,050,000	30,105,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2009C	282,515,000	282,515,000
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	243,550,000	264,855,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2017A	58,830,000	61,955,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2019A	168,455,000	168,455,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2019B	125,740,000	126,505,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2019C	87,485,000	87,485,000
AMP Prairie State Energy Campus Project Revenue Bonds, Series 2019D	145,985,000	148,380,000
AMP Prairie State Energy Campus Project Revenue Bonds, Escrow	137,820,000	137,820,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009B	364,180,000	364,180,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2009D	6,647,058	6,647,058
AMP Combined Hydroelectric Project Revenue Bonds, Series 2010A	122,325,000	130,385,000
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	197,810,000	208,695,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2018A	-	99,530,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2020A	105,310,000	105,310,000
AMP Combined Hydroelectric Project Revenue Bonds, Series 2021A	98,245,000	-
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010A	-	2,910,000
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
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2010E	297,935,000	300,000,000
AMP Meldahl Hydroelectric Project Revenue Bonds, Series 2016A	77,115,000	78,150,000
AMP Fremont Energy Center Project Revenue Bonds, Series 2012B	343,750,000	354,580,000
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	120,600,000	122,350,000
AMP Solar Electric Prepayment Project Revenue Bonds, Series 2019A	52,520,000	53,940,000
AMP Solar Electric Prepayment Project Revenue Bonds, Series 2020A	25,085,000	25,480,000
Subtotal	5,146,962,058	5,222,812,058
Less: Current portion	(348,579,412)	(75,894,412)
Plus: Unamortized premium and discount, net	192,389,264	199,540,940
Plus: Unamortized debt issuance costs, net	(31,224,353)	(31,293,573)
Long-term debt	$ 4,959,547,557	$ 5,315,165,013

In February 2021, AMP elected to redeem the full $99,530,000 of Combined Hydroelectric Projects Revenue Bonds, Series 2018A primarily using funds borrowed from AMPs Revolving Credit Loan. These bonds had a maturity date of February 15, 2048.

Issuance of Combined Hydroelectric Projects Debt

On April 29, 2021, AMP issued $98,245,000 Hydroelectric Project Revenue Bonds, Series 2021A ("Hydro 2021A Bonds"). The Hydro 2021A Bonds were issued with a premium of $1,877,935. The Hydro 2021A Bonds were issued to refinance borrowings from the AMP credit line which were used to refund the Combined Hydroelectric Project Revenue Bonds, Series 2018A. The Hydro 2021A Bonds will be retired between February 15, 2022 and February 15, 2048 in varying amounts. The Hydro 2021A Bonds were issued at coupon rates between 1.0% and 4.0%, as follows:

Maturity Date - February 15	Principal Amount	Interest Rate
2022	$ 2,240,000	4.000 %
2023	2,360,000	4.000 %
2024	2,460,000	4.000 %
2048	91,185,000	1.000 %
	$ 98,245,000	

The Hydro 2021A bonds due on February 15, 2048 are subject to mandatory sinking fund redemption on February 15 in the following years in the following principal amounts at a redemption price equal to par, together with interest accrued to the date of redemption:

Year	Principal Amount
2025	$ 2,905,000
2026	2,970,000
2027	3,040,000
2028	3,110,000
2029	3,180,000
2030	3,250,000
2031	3,320,000
2032	3,395,000
2033	3,475,000
2034	3,550,000
2035	3,630,000
2036	3,715,000
2037	3,795,000
2038	3,880,000
2039	3,970,000
2040	4,060,000
2041	4,150,000
2042	4,245,000
2043	4,340,000
2044	4,435,000
2045	4,535,000
2046	4,640,000
2047	4,745,000
2048	4,850,000
	$ 91,185,000

4. Fair Value of Financial Instruments

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

The three levels of the fair value hierarchy defined by the fair value measurement standard are as follows:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those where transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. AMP's Level 1 assets primarily consist of money market funds which are included in trustee funds on the consolidated balance sheets. AMP does not have any liabilities that meet the definition of Level 1.

Level 2 Pricing inputs are either directly or indirectly observable in the market as of the reporting date, other than quoted prices in active markets included in Level 1. Level 2 includes those financial instruments that are valued using models or other valuation methodologies based on assumptions that are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. AMP does not have any assets that meet the definition of level 2. 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:

Financial Instruments	June 30, 2021 Carrying Value	June 30, 2021 Estimated Fair Value	December 31, 2020 Carrying Value	December 31, 2020 Estimated Fair Value
Assets				
Debt securities held in trustee funds, restricted and non-restricted	$ 534,963,463	$ 569,497,633	$ 552,725,722	$ 597,870,528
Liabilities				
Fixed rate term debt, including current maturities, AMP	5,339,351,322	7,059,346,497	5,422,352,998	7,216,224,534
Fixed rate term debt, including current maturities, on behalf of others	46,495,831	46,495,831	48,954,998	48,954,998

The carrying amounts of cash, accounts receivable, accounts payable and the municipal project notes approximate their fair value due to their short maturities. The carrying amount of the revolving credit loan approximates fair value because it carries a variable interest rate. 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 June 30, 2021 and December 31, 2020. As required by the fair value measurement standard, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. AMP's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds	$ 247,563,699	$ -	$ -	$ 247,563,699
	$ 247,563,699	$ -	$ -	$ 247,563,699
Liabilities				
Natural gas swaps	$ -	$ 18,941,170	$ -	$ 18,941,170
	$ -	$ 18,941,170	$ -	$ 18,941,170

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds	$ 270,791,005	$ -	$ -	$ 270,791,005
	$ 270,791,005	$ -	$ -	$ 270,791,005
Liabilities				
Natural gas swaps	$ -	$ 43,245,960	$ -	$ 43,245,960
	$ -	$ 43,245,960	$ -	$ 43,245,960

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 (Note 6).

Regulatory assets and liabilities consist of the following:

	June 30, 2021	December 31, 2020
Regulatory assets		
Debt service costs	$ 464,054,989	$ 451,442,222
Fair value of derivative instruments	18,941,170	43,245,960
Rate stabilization programs	24,995,639	35,632,222
Projects on behalf of	16,728,785	15,689,696
Abandoned construction costs	13,327,100	14,776,277
Operating and maintenance expenditures	14,648,594	12,000,749
Closure of Gorsuch Project costs	11,648,455	11,868,237
Pension plan and postretirement healthcare plan obligations	6,418,179	7,001,650
Asset retirement costs	2,533,723	2,181,360
Other	8,645,026	10,711,483
Total regulatory assets	581,941,660	604,549,856
Current portion	(34,096,695)	(44,091,764)
Noncurrent portion	$ 547,844,965	$ 560,458,092
Regulatory liabilities		
Operating and maintenance expenditures	$ 19,936,139	$ 20,844,874
Rate stabilization programs	18,243,153	16,236,810
Working capital expenditures	14,944,588	14,944,588
Projects on behalf of	9,555,112	9,481,643
Capital improvement expenditures	2,175,582	2,058,367
Debt service costs	-	807,556
Other	23,659,489	17,523,463
Total regulatory liabilities	88,514,063	81,897,301
Current portion	(10,999,629)	(9,714,037)
Noncurrent portion	$ 77,514,434	$ 72,183,264

6. Revenue Recognition and Rates

Revenues are recognized when service is delivered. AMP's rates for capacity and energy billed to members are designed by the AMP board of trustees to recover actual costs. In general, costs are defined to include AMP's costs of purchased power and operations (except for depreciation and amortization) and debt service requirements.

Rates charged to members for non-project power are based on the actual cost of purchased power. Members also pay a service fee based on kilowatt hours purchased through AMP and retail sales of kilowatt hours in each member electric system.

Programs and other revenues consist of the reimbursement for expenses incurred from programs that AMP offers to its members. Revenue from these programs is recorded as costs are incurred.

Accounts receivable includes $100,920,777 and $89,907,444 as of June 30, 2021 and December 31, 2020, respectively, for capacity and energy delivered to members that were not billed until the subsequent period.

Project Power Sales Contracts

AMP's member power sales contracts for AMPGS, AFEC, PSEC and the hydro projects are long-term take or pay agreements, which must be paid regardless of delivery, construction completion or power availability.

7. Commitments and Contingencies

Environmental Matters

AMP is subject to regulation by federal and state authorities with respect to air pollution and water quality, and other environmental matters.

RICE NESHAP

This USEPA rule regulates emissions of hazardous air pollutants from reciprocating internal combustion engines ("RICE") by establishing emission limits and work practice standards. Some diesel engines owned or operated by AMP are affected and maintain compliance by using pollution control equipment.

Cross-State Air Pollution Rule and Acid Rain Program

USEPA requires large electric generating units to purchase allowances for air pollutant emissions of acid rain precursors and those impacting air quality in downwind states. U.S. EPA updated the Cross-State Air Pollution Rule (CSAPR) on March 15, 2021. AMP owned or operated facilities subject to these programs have been allocated sufficient allowances for continued operation. If necessary, additional allowances may be purchased as needed to comply.

Clean Water Act §401

Permits are required when performing activities that impact streams and other water bodies, such as the construction of generation or distribution assets. The jurisdictional boundary between the state and federal authority is delineated in the definition of "waters of the United States" (or WOTUS). State certifications issued pursuant to Clean Water Act §401 contain requirements to maintain compliance with water quality standards. Hydropower plants owned or operated by AMP are affected and maintain compliance with these certifications using a variety of monitoring strategies and internal controls.

Federal Power Act and National Environmental Policy Act

Under the Federal Power Act, FERC issues and enforces licenses to construct and operate hydropower projects. The licensing process requires a review of environmental impacts under NEPA, and requirements from consulting agencies be included as license provisions. The Council on Environmental Quality (CEQ) issued updated rules for NEPA reviews on July 12, 2020. Hydropower plants owned or operated by AMP are affected and maintain compliance with these Acts using a variety of monitoring strategies and internal controls.

Recent Developments

Illinois Legislation

On September 15, 2021, the Illinois Legislature passed and Governor J.B. Pritzker signed into law comprehensive energy legislation in the form of SB 2408, the Climate and Equitable Jobs Act (the "CEJA"). Among other things, CEJA includes nearly $700 million in subsidies for three nuclear plants, requires sweeping reductions in power plant emissions, and provides support in numerous ways for the State's solar industry. Regarding the PSEC, the CEJA requires a 45% reduction in existing emissions, by no later than January 1, 2035. If the reduction in existing emissions cannot be achieved by December 31, 2035, the CEJA would require action or actions, including the possible retirement of one or more generating units, to achieve the 45% reduction in existing emissions by June 30, 2038. In addition, all coal-fired generating units, including the PSEC, must permanently reduce carbon dioxide emissions to zero by no later than December 31, 2045.

Prior to the passage of the CEJA, AMP and the other PSEC Owners engaged consultants to develop various contingency plans to manage the impacts of comprehensive energy legislation that had previously been introduced in Illinois, and that planning continues. Further, AMP and the other PSEC Owners will continue to advocate for favorable treatment of the PSEC that recognizes its value to the PSEC Owners and their ratepayers and the impact its closure would have on the community. The PSEC Owners are also evaluating additional mitigation measures, including certain potential mitigation measures included in the CEJA. Nevertheless, the ultimate impact on the PSEC, AMP and the Participants may be material, particularly after 2035. Such potential impacts cannot be gauged with certainty at this time, as any evaluation would be based on a number of variables, including, but not limited to, the availability and cost of control technologies, such as carbon capture and sequestration, Participant load requirements and cost of power, including replacement power. Closure of the PSEC would not terminate the Power Sales Contract, dated November 1, 2007 (the "Power Sales Contract") by and between AMP and 68 of its members (the "Participants") or relieve the Participants from their payment obligations thereunder.

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. 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.

Affirmative expert reports were exchanged on December 6, 2019. After several case schedule extensions, on February 27, 2020, the Court again extended the case schedule in this matter at Voith's request. On October 6, 2020, a COVID-19-related case schedule was entered by agreement. On April 4, 2021, the District Judge that will decide the case issued a firm trial date of October 31, 2022. Subsequently, on May 4, 2021, the current case schedule was entered and establishes the following deadlines:

August 16, 2021	Fact Discovery Completed
October 15, 2021	Rebuttal Expert Reports
February 28, 2022	Expert Discovery Completed
April 4, 2022	Dispositive Motion Deadline
October 31, 2022	Trial

The Magistrate Judge has been monitoring the discovery in this case closely. The Parties have had, and will continue to have, status conferences with the Magistrate Judge roughly every month during the discovery phase of the case. The Magistrate Judge has ruled on various discovery disputes throughout the pendency of this case and the parties have supplemented their discovery responses accordingly.

Both sides responded to initial written discovery on October 5, 2018 and produced ESI discovery in mid-December and thereafter. Fact depositions are ongoing and are expected to continue through the end of fact discovery in August 2021.

At the request of the Magistrate Judge during the May 2019 status conference, the Parties began the process of selecting a mediator to serve in this case. A mediation occurred on December 11 and 12, 2019 in Baltimore, which was unsuccessful. Since the mediation, the parties have continued with depositions and discovery.

As disclosed in expert reports to date, AMP is claiming damages totaling approximately $119M and Voith is claiming damages totaling approximately $70M. These damage figures continue to be refined by the parties as discovery and expert review proceed forward.

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.

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

Retirement of Prairie State Project Debt

On September 9, 2021, AMP borrowed funds from its Revolving Credit Loan to redeem the $168,455,000 balance of the Prairie State Energy Campus Project Revenue Bonds, Series 2019A.

The Company has evaluated subsequent events through October 20, 2021 as this was the date the consolidated financial statements were available to be issued.