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Auditor of State

From: Auditor of State's Center for Audit Excellence  
To: All IPA Firms  
Subject: AMPGS Note Disclosure  
Date: June 10, 2015

We have received inquiries regarding AMP Ohio and whether footnote disclosure for the participants in the failed AMPGS project was required. The attached file provides a generic example disclosure for participants in the failed AMPGS project. AMP Ohio is providing information to the participants regarding the participant's specific obligations, etc. related to this project. A copy of this footnote is included on the Auditor of State website within the reference materials at the following link. <https://ohioauditor.gov/references/shells/footnotes.html>

Additionally, this example includes disclosures related to reporting liabilities and opinion units which are not reported in the AOS Regulatory Basis. The Village Report Shell will be updated to reflect the appropriate revisions and made available on the website soon.

If you have any questions, please contact Eric Kline in the Center for Audit Excellence.

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was XX,XXX kilowatts of a total XXX,XXX kilowatts, giving the City a XX.XX percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is \$X,XXX,XXX. The City received a credit of \$X,XXX,XXX related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$XXX,XXX related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$X,XXX,XXX. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. . The City made payments in 2014 totaling \$XX,XXX leaving a net impaired cost estimate of \$X,XXX,XXX at December 31, 2014.

The City intends to recover these costs and repay AMP over the next XX years through a power cost adjustment, thus this incurred cost has been capitalized and reported as a regulated asset, as allowed by GASB Codification Re10.

or

The impaired costs have been included in the business-type activities and the electric enterprise fund as a 2013 xxxxxx expense. The City elected to finance this amount (identify payment plan).

Note: Each participant may need to modify this note based on its rationale for not reporting the liability in prior years. Also, modifications may be needed for those participants who recorded a liability in prior years or made payments to AMP.