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Auditor of State

From: Auditor of State's Audit Administration  
To: All IPAs  
Subject: American Municipal Power Generating Station Project  
(AMPGS)  
Date: May 29, 2014

In April, we notified your firm that approximately 70 Ohio local governments participating in the AMPGS project must consider whether the results of a March 31 court ruling require disclosure or accrual in their 2013 financial statements. This e-mail updates that communication.

On March 31, 2014, the court found in favor of Bechtel, the contractor for the discontinued AMPGS project. We met with AMP officials and collectively agree that, based on the court ruling, these local governments now have a **probable** loss. As a result, local governments have a "**recognized**" subsequent event that requires recording **an expense (or regulatory asset) and liability** in 2013 GAAP financial statements. Additionally, the litigation result requires disclosure in 2013 notes, regardless of the accounting basis used. AOS drafted the attached sample footnote disclosures for both GAAP and OCBOA financial statements.

AMP modified these sample footnotes to include more detail regarding the lawsuit and AMP's actions. AMP's sample footnotes are attached as well (for the City of Dover). AMP already notified the participants of the court's ruling, probable liability, and distributed copies of the AMP sample footnotes to them. Participants may use either the AOS or AMP sample footnotes for their disclosure – both versions comply with the requirements of the accounting standards.

Please email [IPACorrespondence@ohioauditor.gov](mailto:IPACorrespondence@ohioauditor.gov) with any questions.

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 an xx.x 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 an April 2014 legal ruling, the AMP Board of Trustees approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share of the impaired costs is \$X,XXX,XXX. The City received a credit of \$x,xxx,xxx related to their participation in the AMP Freemont 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 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 xxxxxxx 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.

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 an xx.x 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, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of an April 2014 legal ruling, the AMP Board of Trustees approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share 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. The City will begin making payments in XXXXX. 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 payments.

The City intends to recover these costs and repay AMP over the next XX years through a power cost adjustment.

or

The City elected to finance this amount (identify payment plan).

**Note: Modifications may be needed for those participants who previously made payments to AMP.**

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 21,000 kilowatts of a total 771,281 kilowatts, giving the City a 2.72 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 \$3,638,459. The City received a credit of \$1,182,083 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$949,722 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$1,506,654. 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 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.