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Rating Update: Moody's Investors Service maintains the A1 rating on the Ohio Municipal Electric Generation Agency's Joint Venture 5, 2001 Beneficial Interest Certificates (Belleville Hydroelectric Project); Outlook Stable

Global Credit Research - 09 Dec 2015

Strong Hydro Project Performance Important in Rating

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY-JOINT VENTURE 5 (BELLEVILLE HYDRO ELECTRIC PROJECT)

Joint Power/Action Agency (JPA)

OH

NEW YORK, December 09, 2015 --Moody's Investors Service maintains the A1 rating on the Ohio Municipal Electric Generation Agency Joint Venture 5, 2001 Beneficial Interest Certificates (Belleville Hydroelectric Project). The outlook is stable.

SUMMARY RATING RATIONALE

The A1 rating takes into consideration the consistently sound operating and financial record of the Belleville Hydro Project; the A1 average weighted credit quality of the project's participants; American Municipal Power, Inc.'s (rated A1) strong record as project manager; and the competitive price of the project's energy and capacity and the asset's long-term value.

The certificates are payable from payments made by the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) project participants (who are also participants in American Municipal Power Inc. projects) pursuant to a Joint Venture Agreement. AMP Inc. operates the project on behalf of its members; 42 of the 131 AMP members are joint venture participants.

The OMEGA JV 5 project is secured by net revenues of the 42 project participants. Satisfactory bond covenants include a 25% step-up provision and certificates payments fund held by a trustee for any deficiencies in the debt service fund. There is a non-standard debt service reserve (funds can be used for other purposes) which is a credit weakness. Each participant must meet a rate covenant calculated based on each year's audited financial statements. The average weighted credit quality of participants is A1 which is an important weight in the project rating.

The OMEGA JV 5 project consists of a 42 MW run-of-the-river hydroelectric generating facility and approximately 28 MW of backup generation.

The hydro facility is located on the Ohio River at the Belleville Locks and Dam. Energy output is largely dependent on river flow and is subject to navigational flows which has kept the river levels satisfactory for favorable capacity factors. The capacity factor of the Belleville hydro facility has averaged in the 60% range between 2002-2015. Backup generation is primarily purchased energy from regional energy market. The project benefits from the role played by American Municipal Power Inc. (issuer rating A1) which operates the facility and coordinates it with other AMP energy sources.

Financial performance has been consistently stable. FY 2014 financial results appeared weakened as a result of the pay down of a sizable amount of outstanding certificates and an accounting measure. Debt ratio was lowered while days cash on hand, excluding any provisions for access to AMP liquidity, dropped but still remained adequate. FY 2015 financial results are expected to be normalized and consistent with prior year-trends.

Outlook

The rating outlook is stable largely due to the expected consistent performance of the Belleville hydro facility and the sound record of adherence to the certificate security requirements.

What Could Change the Rating DOWN

The rating could be lowered if the hydroelectric facility poorly performs and should any participant not meet its contractual obligation and not pay its obligation. The rating could also be pressured should participant credit quality weaken.

What Could Change the Rating UP

The rating could be upgraded should participant credit quality improve or the economics of the project become more favorable.

STRENGTHS:

- * The Belleville Hydro operating record has been sound providing a stable source of low cost energy
- *Stable and predictable river flows due to regulatory requirements to keep sufficient elevations for lock and dam and the navigation purposes on Ohio River
- *AMP Inc. has had a sound management record as power supplier to the participants in the project
- *Energy and capacity from project is small part of overall power supply requirements
- *The non-carbon source of energy and capacity is expected to grow in value
- *Satisfactory project liquidity
- *Adherence to the contract terms by the 42 participants that have a weighted credit quality of A1

CHALLENGES:

- *Non-standard debt service reserve, while held with trustee, funds can be used for other purposes
- *Under the FERC license power production is subordinate to river regulation for navigation purposes by the US Army Corps of Engineers
- *Evolving energy markets in the Midwest

DETAILED RATING RATIONALE

REVENUE GENERATING BASE

The Belleville Hydro project provides resource diversity and a firm base load resource (with the back-up) for the participating municipal electric utilities; a competitive source of incremental energy (\$22/MWh in 2014) and over the long term as the capital costs are paid down, a long-term source of low-cost electrical capacity. The total all-in cost per Mwh has averaged in the \$60/Mwh range between 2002-2015.

AMP Inc. is in the construction stage of 4 new hydro-electric facilities on the Ohio River as part of its strategy to own generation. A management plan is expected to be implemented to coordinate the management of Belleville, as well as, the four units being constructed. The new units are Meldahl; Cannelton, Smithland and Willow Island. AMP Inc. is also expected to incorporate the operation of the Greenup hydro-facility now owned by Hamilton, into the coordination agreement to maximize value from the joint operation.

The Belleville Hydro Plant located in West Virginia on the Ohio River at the Belleville Locks and Dam, has had an established sound operating record. The project license extends to 2041. There remains regulatory risk as river flow is controlled by the U.S. Army Corps of Engineer (Corps). The Corps controls water releases through its system of locks and dams. The potential variability of water flow could be a vulnerability but the importance of river flow for navigation as well as hydro generation purposes remain critical. Under the FERC license power production is subordinate to river regulation by the Corps. The long-term value of the project, the importance of the project in diversification of the AMP Inc. members' resources, and the low marginal costs of energy remain positive factors. In addition, the backup generating capacity remains available should capacity levels fall.

FINANCIAL OPERATIONS AND POSITION

Financial operations are consistently stable but FY 2014 financial results appeared weakened as a result of the pay down of a sizable amount of outstanding certificates and an accounting measure. On a cash basis, OMEGA Belleville Project debt service displayed 1.11 times coverage in 2014 and is expected in same range in 2015.

Liquidity

OMEGA FY 2012-2014 adjusted days liquidity was 150 days. FY 2014 adjusted days liquidity fell largely due to payment from cash of certificate redemption. FY 2015 adjusted days liquidity is expected to improve and move closer to historical average.

DEBT AND OTHER LIABILITIES

On February 14, 2014 all of the 2004 Certificates were redeemed from funds on hand and a note (unrated by Moody's) that was issued to AMP by OMEGA JV5. AMP continues to collect debt service from OMEGA JV5 participants until the note is paid in full.

The 2001 beneficial Certificates remain outstanding with a principal amount of \$56.125 million. The 2001 Certificates are not subject to redemption prior to maturity.

PENSIONS AND OPEB

The financial impact of unfunded and OPEB obligations of this issuer are minor and thus not currently a major factor in our assessment of its credit profile.

MANAGEMENT AND GOVERNANCE

Ohio Municipal Electric Generating Agency Joint Venture 5 was organized by the 42 municipalities in Ohio in 1993 under Ohio Constitution and Section 715.02 of the Ohio Revised Code. American Municipal Power operates the facility and the OMEGA participants are AMP members.

METHODOLOGY SCORECARD FACTORS

Joint Action Agency-Take-or-pay Methodology Scorecard Factors: OMEGA

The final scorecard indicated rating is same as Ohio Municipal Electric Generating Agency's (OMEGA) current rating of A1 (senior) scorecard. The grid is a reference tool that can be used to approximate credit profiles for the joint action agencies in the public power sector. However, the grid is a summary that does not include every rating consideration. Please see US Joint Action Agencies Methodology published in October 2012 for more information about the limitations inherent to grids.

Factor 1-Participant Credit Quality and Cost Recovery Framework: (45%) A

Factor 2-Asset Quality: (15.0%) A

Factor 3-Cost competitiveness: (15%): Baa

Factor 4 (a) Three Year Average Days liquidity on hand: (10%): A

Factor 4 (b) Three Year Average Debt Ratio (5%): Baa

Factor 4 (c) Three Year Average Fixed Charge coverage ratio (10.0%): Baa

Grid Indicated Rating: A2

Notching - 0.5 positive notch up for participant diversity and 0.5 positive notch for the important role AMP Inc. plays for OMEGA; also considered is a negative 0.5 notch for the weak debt service reserve

Final Scorecard Indicated Rating: A1

OBLIGOR PROFILE

The Ohio Municipal Electric Generating Agency Joint Venture 5 was organized by the 42 municipalities in Ohio in 1993 under Ohio Constitution and Section 715.02 of the Ohio Revised Code. OMEGA is a subsidiary of AMP Inc. The 42 MW Belleville Hydro Plant is located in West Virginia on the Ohio River at the Belleville Locks and Dam.

LEGAL SECURITY

The OMEGA JV5 project certificates are secured by JV5 participants' pledge to pay debt service. The JV5 participants have assigned to the trustee the right to receive such payments for the benefit of the owners of the

certificates. The joint venture agreement extends to final maturity of the certificates in 2030. The OMEGA JV5 project joint venture agreement has been approved by 42 Ohio municipalities with no one participant having more than a 16.7% ownership interest and the top 12 participants representing 80% of the project. The agreement requires the owner participants to make debt service payments according to their project share subject to the prior payment of O&M expenses. The payments are required to be made monthly. Each participant must meet a rate covenant based on each year's audited financial statements of the individual participant's electric fund. A restricted Certificates payment fund and Reserve and Contingency fund held by a trustee is available to remedy deficiencies of bond debt service payments; pay operating expenses; repairs and for the decommissioning of the project. There is a step-up provision, which requires each non-defaulting participant to purchase a pro-rata share of the defaulted participant's project share subject to maximum kilowatts equal to 25% of such non-defaulting members project share.

Use Of Proceeds:

Not applicable

ISSUER CONTRACT:

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RATING METHODOLOGY

The principal methodology used in this rating was US Municipal Joint Action Agencies published in October 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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