

FITCH AFFIRMS OHIO MUNI ELECTRIC GEN AGENCY JV5 BENEFICIAL INTEREST CTFS AT 'A'; OUTLOOK STABLE

Fitch Ratings-New York-02 November 2015: Fitch Ratings has affirmed the 'A' rating on the Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture 5's (JV5) (Belleville Hydroelectric Project) 2001 beneficial interest certificates.

The Rating Outlook is Stable.

SECURITY

The beneficial interest certificates are secured by debt service payments made by the 42 OMEGA JV5 participants pursuant to the joint venture agreement. The payments are obligations of the participants, payable from the revenues of their electric utility systems, subject to the prior payment of operating and maintenance expenses.

KEY RATING DRIVERS

SOLID PROJECT OPERATIONS: The Belleville Hydroelectric Project has historically supplied the OMEGA JV5 participants with reasonably priced wholesale power (\$63.56/MWh in 2014), much of which is emission-free and generated by the project's principal asset, the 42-MW Belleville hydroelectric generating plant.

ENTIRE OUTPUT CONTRACTED: The project's entire output is purchased pursuant to take-or-pay joint venture agreements with 42 municipally-owned electric systems that obligate the participants to pay for their respective shares of all project costs. All of the participants are also members of American Municipal Power, Inc. (AMP).

STABLE FINANCIAL PERFORMANCE: Historically the joint venture has reported stable financial performance. The refunding of the project's series 2004 debt and the related accounting weakened operating performance in 2014, but reduced overall project debt from \$105.6 million to \$86.5 million. Fitch-adjusted debt service coverage totaled 1.25x in 2014 and project cash on hand, although lower, was acceptable at 60 days at year-end 2014.

CONCENTRATION OF SOLID PURCHASERS: The participants include a geographically and economically diverse group of Ohio cities. The seven largest purchasers, which include the cities of Bowling Green and Cuyahoga Falls, together account for 68.2% of the project output and ownership. Six of the seven purchasers exhibit solid credit characteristics and utility fundamentals, despite lackluster energy sales and customer growth. However, broader fiscal concerns surround the city of Niles, the third largest purchaser, which is operating under fiscal emergency and state oversight.

STANDARD CONTRACT STEP-UP PROVISION: The joint venture agreements include standard step-up provisions that require each participant to purchase up to 125% of its original allocation of the project output in the event that another participant defaults.

RATING SENSITIVITIES

PARTICIPANT CREDIT QUALITY: Further weakening in the credit quality or financial wherewithal of the cities currently participating in the Ohio Municipal Electric Generation

Agency's Belleville hydroelectric project, as a result of economic weakness or higher power project costs, could put downward pressure on the current rating and/or Outlook.

CREDIT PROFILE

AMP is a nonprofit wholesale power supplier and services provider that was organized in 1971 for the benefit of its members. As of December 2014, AMP reported 132 members located throughout nine states (Delaware, Indiana, Kentucky, Pennsylvania, Maryland, Michigan, Virginia and West Virginia). All but one of the members owns and operates a municipal electric system. Together, the AMP members supply approximately 16 million MWhs of electricity to 637,000 retail electric customers.

AMP continues to develop a portfolio of diverse power supply resources that includes coal-fired generation, hydroelectric generation, natural gas, wind, solar and landfill gas power projects, that is designed to meet the growing energy requirements of its members and diversify away from market purchases. AMP is developing its newest resources as separate and distinct projects and, in the past, has organized a number of project-specific joint ventures, including OMEGA JV5 for the purpose of acquiring and/or developing specific resources.

SEPARATE AND DISTINCT JOINT VENTURE

OMEGA JV5 is a joint venture comprising 42 Ohio-based municipalities that own and operate their individual municipal electric systems. The JV5 was organized in 1993 specifically to develop, own and operate the Belleville hydroelectric project, a 42-MW run-of-the-river hydroelectric plant, for the benefit of its members. The project also includes approximately 40-MW of back-up diesel generation.

SOLID PROJECT OPERATING PERFORMANCE

The hydroelectric plant was completed and began producing power in June 1999. Since then, the plant has performed in line with expectations and has historically supplied more than two-thirds of the project's total power supply. The term of the project's FERC operating license expires in 2041.

The Belleville project has supplied the participants with reasonably priced wholesale power supply since its inception. Beginning in 2000, the first full year of hydroelectric operations, the cost of power has averaged \$56.00/MWh, fluctuating between \$54.00/MWh to \$68.00/MWh largely based on the level of lower-cost hydroelectric generation.

DIVERSE PROJECT PARTICIPANTS

The OMEGA JV5 participants are located primarily in the northern half of Ohio, and together have owned and operated municipal electric systems for over 65 years. Although the power supply arrangements for the participants vary, each uses its interest in the Belleville project to meet a portion of its system demand.

Ownership interests in the project among the participants range from 16.67% (Cuyahoga Falls) to 0.06% (Custar) and are generally in proportion to each participant's peak demand. Twenty-five of the participants have shares of less than 1%, while the largest seven account for 68.2% of project ownership and entitlement. In no instance does the Belleville project capacity account for more than 12% of a participant's peak demand.

The Belleville project's financial position is further supported by the creditworthiness of its participating members, which typically exhibit strong cash flow, modest leverage, and healthy cash balances. In particular, OMEGA JV5's seven largest participants reported aggregate cash

and equivalents of \$87.2 million and equity of \$194.65 million, based on the most recent year-end reports.

The city of Niles is a concern as the city was placed under fiscal emergency and state oversight in October 2014, following an assessment by the Auditor of the State of Ohio. Although the city has become increasingly reliant on the electric fund for cash flow support, the electric system was debt free and held sufficient cash reserves (\$5.4 million) at year-end 2013. The 2014 audit is not yet available.

CUSTOMER CONCENTRATION / PARTICIPANT ENERGY SALES

Energy sales among the largest participants are reasonably balanced but somewhat concentrated toward large volume customers. In particular, sales to the more volatile industrial segment approximate 44%, reflecting the broader characteristics of the northern Ohio service area. Additionally there is some customer concentration at the individual member level.

Energy demand at the member level remains uneven as downward trends have emerged at five of the seven cities and sharp increases observed at Bowling Green and Wadsworth. Customer growth also remains lackluster for the seven largest members, but positive in most cases. Residential rates also remain very competitive to the state average (12.5 cents/kWh). Commercial rates are modestly higher, while industrial rates are meaningfully higher reflecting relatively smaller industrial loads compared to the state's other energy suppliers.

Contact:

Primary Analyst
Dennis M. Pidherny
Managing Director
+1-212-908-0738
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

Secondary Analyst
Lina Santoro
Analytical Consultant
+1-212-908-0522

Committee Chairperson
Christopher Henthaler
Senior Director
+1-212-908-0773

Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email:
sandro.scenga@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria

Revenue-Supported Rating Criteria (pub. 16 Jun 2014)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750012

U.S. Public Power Rating Criteria (pub. 18 May 2015)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864007

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.