

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - JUNE 30, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - JUNE 30, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - JUNE 30, 2015 AND 2014-UNAUDITED

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

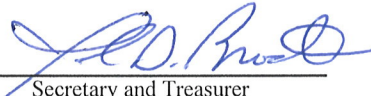
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OFFICER'S CERTIFICATION

A review of the affairs and activities of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation (the Companies), during the quarters ended June 30, 2015 and 2014 has been made under my supervision, and in my opinion, the unaudited financial statements for these periods present fairly the financial conditions of the Companies as of June 30, 2015 and 2014, and the results of the operations, thereof, in accordance with generally accepted accounting principles consistently applied throughout the period. To the best of my knowledge and belief, there has been no Potential Default, Default, or Event of Default by the Companies and the Companies are in compliance with the covenants of the current debt agreements.



Secretary and Treasurer

OHIO VALLEY ELECTRIC CORPORATION and
INDIANA-KENTUCKY ELECTRIC CORPORATION

CONSOLIDATED NET WORTH

The consolidated net worth of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation for the quarter ending June 30, 2015 was \$17,434,485



Secretary and Treasurer

OHIO VALLEY ELECTRIC CORPORATION and
INDIANA-KENTUCKY ELECTRIC CORPORATION

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF JUNE 30, 2015 AND 2014-UNAUDITED

	2015				2014			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
ASSETS								
ELECTRIC PLANT:								
At original cost	\$ 2,706,507,106	\$ -	\$ 1,339,679,214	\$ 1,366,827,892	\$ 2,680,669,518	\$ -	\$ 1,330,724,072	\$ 1,349,945,446
Less - Accumulated provisions for depreciation	(1,265,349,220)	-	(620,928,789)	(644,420,431)	(1,211,141,405)	-	(591,741,290)	(619,400,115)
	1,441,157,886	-	718,750,425	722,407,461	1,469,528,113	-	738,982,782	730,545,331
Construction in progress	24,143,788	-	12,682,002	11,461,786	28,520,877	-	10,982,962	17,537,915
Total electric plant	1,465,301,674	-	731,432,427	733,869,247	1,498,048,990	-	749,965,744	748,083,246
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(95,427,845)	95,427,845	-	-	(99,257,725)	99,257,725	-
Total investments and other	-	(98,827,845)	98,827,845	-	-	(102,657,725)	102,657,725	-
CURRENT ASSETS:								
Cash and cash equivalents	18,400,059	-	18,393,859	6,200	12,322,035	-	12,315,835	6,200
Accounts receivable	27,534,991	-	27,146,816	388,175	32,462,924	-	32,257,899	205,025
Intercompany receivable	-	(628,505,061)	628,505,061	-	-	(637,892,890)	637,892,890	-
Fuel in storage-at average cost	54,541,314	-	20,115,503	34,425,811	46,355,300	-	18,542,059	27,813,241
Materials and supplies-at average cost	35,152,849	-	21,821,610	13,331,239	33,272,282	-	19,600,426	13,671,856
Property taxes applicable to future years	1,390,000	-	1,390,000	-	1,351,453	-	1,351,453	-
Emission allowances	-	-	-	-	49,241	-	49,241	-
Deferred tax assets	3,235,692	-	2,819,693	415,999	9,980,768	-	7,392,140	2,588,628
Income taxes receivable	-	-	-	-	3,331,536	-	3,331,536	-
Prepaid expenses and other	1,845,853	-	954,928	890,925	1,862,111	-	896,041	966,070
Total current assets	142,100,758	(628,505,061)	721,147,470	49,458,349	140,987,650	(637,892,890)	733,629,520	45,251,020
REGULATORY ASSETS:								
Unrecognized postemployment benefits	1,437,151	-	383,615	1,053,536	2,078,864	-	1,119,681	959,183
Pension benefits	32,475,646	-	18,186,362	14,289,284	8,542,293	-	4,899,859	3,642,434
Income taxes billable to customers	978,698	-	978,698	-	15,828,423	-	-	15,828,423
Total regulatory assets	34,891,495	-	19,548,675	15,342,820	26,449,580	-	6,019,540	20,430,040
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	11,062,470	-	11,062,470	-	12,555,851	-	12,555,851	-
Deferred tax assets	-	-	-	-	-	(56,957,797)	56,957,797	-
Long-term investments	123,219,316	-	97,400,410	25,818,906	121,837,851	-	96,353,747	25,484,104
Other	104,566	-	103,582	984	77,742	-	77,742	-
Total deferred charges and other	134,386,352	-	108,566,462	25,819,890	134,471,444	(56,957,797)	165,945,137	25,484,104
TOTAL	\$ 1,776,680,279	\$ (727,332,906)	\$ 1,679,522,879	\$ 824,490,306	\$ 1,799,957,664	\$ (797,508,412)	\$ 1,758,217,666	\$ 839,248,410

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF JUNE 30, 2015 AND 2014-UNAUDITED

	2015				2014			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
CAPITALIZATION AND LIABILITIES								
CAPITALIZATION:								
Common stock, \$100 par value- Authorized, 300,000 shares; outstanding, 100,000 shares	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
Common stock, without par value, stated at \$200 per share- Authorized, 100,000 shares; outstanding, 17,000 shares	-	(3,400,000)	-	3,400,000	-	(3,400,000)	-	3,400,000
Long-term debt	1,252,420,023	-	1,252,420,023	-	1,296,707,230	-	1,296,707,230	-
Line of credit borrowings-long term	22,000,000	-	22,000,000	-	-	-	-	-
Retained earnings	7,434,485	-	7,434,485	-	6,781,445	-	6,781,445	-
Total capitalization	1,291,854,508	(3,400,000)	1,291,854,508	3,400,000	1,313,488,675	(3,400,000)	1,313,488,675	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	244,309,807	-	244,309,807	-	241,729,438	-	241,729,438	-
Accounts payable	31,434,694	-	13,588,313	17,846,381	31,008,159	-	17,940,278	13,067,881
Intercompany payable	-	(628,505,061)	-	628,505,061	-	(637,892,890)	-	637,892,890
Deferred revenue-advances for construction	14,678,734	-	8,022,855	6,655,879	16,217,829	-	8,157,406	8,060,423
Accrued taxes	7,907,857	-	4,598,439	3,309,418	7,511,377	-	4,470,931	3,040,446
Regulatory liabilities	2,299,334	-	2,266,809	32,525	3,950,912	-	3,527,821	423,091
Accrued interest and other	23,853,013	-	19,192,534	4,660,479	22,813,921	-	18,857,791	3,956,130
Total current liabilities	324,483,439	(628,505,061)	291,978,757	661,009,743	323,231,636	(637,892,890)	294,683,665	666,440,861
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	32,439,968	-	29,434,019	3,005,949	36,437,584	-	34,020,121	2,417,463
Decommissioning and demolition	15,110,667	-	6,663,037	8,447,630	21,781,800	-	10,314,696	11,467,104
Investment tax credits	-	-	-	-	3,393,146	-	3,393,146	-
Net antitrust settlement	-	-	-	-	1,823,930	-	673,070	1,150,860
Total regulatory liabilities	47,550,635	-	36,097,056	11,453,579	63,436,460	-	48,401,033	15,035,427
OTHER LIABILITIES:								
Pension liability	32,475,646	-	18,186,362	14,289,284	8,542,293	-	4,899,859	3,642,434
Deferred income tax liability	3,235,692	-	2,819,693	415,999	24,776,226	(56,957,797)	63,310,376	18,423,647
Asset retirement obligations	29,547,185	-	12,345,032	17,202,153	22,230,109	-	8,382,233	13,847,876
Postretirement benefits obligation	44,875,752	-	24,880,858	19,994,894	42,173,401	-	23,932,144	18,241,257
Postemployment benefits obligation	1,437,151	-	383,615	1,053,536	2,078,864	-	1,119,681	959,183
Parent advances for construction	-	(95,427,845)	-	95,427,845	-	(99,257,725)	-	99,257,725
Other liabilities	1,220,271	-	976,998	243,273	-	-	-	-
Total other liabilities	112,791,697	(95,427,845)	59,592,558	148,626,984	99,800,893	(156,215,522)	101,644,293	154,372,122
TOTAL	\$ 1,776,680,279	\$ (727,332,906)	\$ 1,679,522,879	\$ 824,490,306	\$ 1,799,957,664	\$ (797,508,412)	\$ 1,758,217,666	\$ 839,248,410

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF JUNE 30, 2015 AND 2014-UNAUDITED

	2015				2014			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
OPERATING REVENUES:								
Sales of electric energy to:								
Department of Energy	\$ 6,028,466	\$ -	\$ 6,028,466	\$ -	\$ 6,247,291	\$ -	\$ 6,247,291	\$ -
Ohio Valley Electric Corp.	-	(132,478,756)	-	132,478,756	-	(137,665,130)	-	137,665,130
Sponsoring Companies	279,717,076	-	279,717,076	-	321,371,971	-	321,371,971	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	285,745,542	(132,478,756)	285,745,542	132,478,756	327,619,262	(137,665,130)	327,619,262	137,665,130
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
in operation	134,754,657	-	50,278,012	84,476,645	160,065,461	-	68,770,500	91,294,961
Purchased power	5,751,792	(132,478,756)	138,230,548	-	5,936,301	(137,665,130)	143,601,431	-
Other operation	37,305,515	-	22,189,459	15,116,056	46,146,817	-	30,331,411	15,815,406
Maintenance	42,373,800	-	22,639,512	19,734,288	44,624,400	-	26,978,935	17,645,465
Depreciation	23,310,413	-	12,209,217	11,101,196	33,752,059	-	22,293,191	11,458,868
Taxes-other than federal income taxes	5,972,339	-	3,371,781	2,600,558	6,261,440	-	3,574,426	2,687,014
Federal income taxes	57,570	-	57,570	-	-	-	-	-
Total operating expenses	249,526,086	(132,478,756)	248,976,099	133,028,743	296,786,478	(137,665,130)	295,549,894	138,901,714
OPERATING INCOME	36,219,456	-	36,769,443	(549,987)	30,832,784	-	32,069,368	(1,236,584)
OTHER INCOME (EXPENSE)	938,424	-	372,046	566,378	7,869,692	-	6,607,589	1,262,103
INCOME BEFORE INTEREST CHARGES	37,157,880	-	37,141,489	16,391	38,702,476	-	38,676,957	25,519
INTEREST CHARGES:								
Amortization of debt expense	2,145,921	-	2,145,921	-	2,644,812	-	2,644,812	-
Interest expense	34,609,197	-	34,592,806	16,391	35,754,453	-	35,728,934	25,519
Total interest charges	36,755,118	-	36,738,727	16,391	38,399,265	-	38,373,746	25,519
NET INCOME	\$ 402,762	\$ -	\$ 402,762	\$ -	\$ 303,211	\$ -	\$ 303,211	\$ -
RETAINED EARNINGS, JAN. 1	7,031,723	-	7,031,723	-	6,478,234	-	6,478,234	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, JUN. 30	\$ 7,434,485	\$ -	\$ 7,434,485	\$ -	\$ 6,781,445	\$ -	\$ 6,781,445	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF JUNE 30, 2015 AND 2014-UNAUDITED

	2015				2014			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
CASH FROM OPERATIONS								
Net income	\$ 402,762	\$ -	\$ 402,762	\$ -	\$ 303,211	\$ -	\$ 303,211	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	23,310,412	-	16,184,445	7,125,967	33,752,059	-	22,293,191	11,458,868
Amortization of debt expense and discount	2,145,921	-	2,145,921	-	2,644,812	-	2,644,812	-
Deferred taxes	57,570	-	57,570	-	-	-	-	-
Gain on marketable securities	(716,543)	-	(132,173)	(584,370)	(7,869,402)	-	(6,562,040)	(1,307,362)
Changes in assets and liabilities:								
Accounts receivable	12,466,969	-	12,481,869	(14,900)	2,869,729	-	2,924,542	(54,813)
Fuel in storage	(10,205,885)	-	(9,906,194)	(299,691)	(3,334,906)	-	(4,665,651)	1,330,745
Material and supplies	(653,136)	-	(965,872)	312,736	(707,848)	-	(342,475)	(365,373)
Property taxes applicable to subsequent years	1,390,000	-	1,390,000	-	1,351,453	-	1,351,453	-
Emission allowances	-	-	-	-	13,187	-	13,187	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	362,760	-	167,220	195,540	382,303	-	236,640	145,663
Other regulatory assets	-	-	-	-	371,297	-	371,297	-
Other noncurrent assets	16,311	-	17,295	(984)	410,665	-	410,665	-
Accounts payable	(22,670,202)	-	(10,294,971)	(12,375,231)	(20,465,224)	-	(6,561,161)	(13,904,063)
Deferred revenue	3,303,784	-	1,256,277	2,047,507	(6,940,803)	-	(9,758,978)	2,818,175
Accrued taxes	(1,502,284)	-	(1,522,913)	20,629	(1,551,437)	-	(1,548,891)	(2,546)
Accrued interest and other	238,461	-	(38,191)	276,652	(5,331,544)	-	(3,967,214)	(1,364,330)
Other regulatory liabilities	(593,639)	-	(402,599)	(191,040)	655,302	-	-	655,302
Other noncurrent liabilities	96,403	-	75,323	21,080	5,507,232	-	5,507,232	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,449,664	-	10,915,769	(3,466,105)	2,060,086	-	2,649,820	(589,734)
INVESTING ACTIVITIES								
Electric plant additions	(12,386,860)	-	(9,709,697)	(2,677,163)	(11,901,259)	-	(3,941,090)	(7,960,169)
Sale (Purchase) of marketable securities	-	-	-	-	3,138,218	-	3,326,420	(188,202)
Advances to subsidiary company	-	6,143,268	(6,143,268)	-	-	8,733,805	(8,733,805)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(12,386,860)	6,143,268	(15,852,965)	(2,677,163)	(8,763,041)	8,733,805	(9,348,475)	(8,148,371)
FINANCING ACTIVITIES								
Advances from parent company	-	(6,143,268)	-	6,143,268	-	(8,733,805)	-	8,733,805
Repayment of Senior 2006 Notes	(8,625,966)	-	(8,625,966)	-	(8,144,059)	-	(8,144,059)	-
Repayment of Senior 2007 Notes	(6,101,554)	-	(6,101,554)	-	(5,754,949)	-	(5,754,949)	-
Repayment of Senior 2008 Notes	(6,450,104)	-	(6,450,104)	-	(6,045,559)	-	(6,045,559)	-
Proceeds from line of credit	22,000,000	-	22,000,000	-	-	-	-	-
Payments on line of credit	(20,000,000)	-	(20,000,000)	-	-	-	-	-
Loan origination costs	(939,087)	-	(939,087)	-	(30,000,000)	-	(30,000,000)	-
Dividends-common stock	-	-	-	-	(1,788,153)	-	(1,788,153)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(20,116,711)	(6,143,268)	(20,116,711)	6,143,268	(51,732,720)	(8,733,805)	(51,732,720)	8,733,805
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (25,053,907)	\$ -	\$ (25,053,907)	\$ -	\$ (58,435,675)	\$ -	\$ (58,431,375)	\$ (4,300)
CASH AND CASH EQUIVALENTS, JAN. 1	43,453,966	-	43,447,766	6,200	70,757,710	-	70,747,210	10,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,053,907)	-	(25,053,907)	-	(58,435,675)	-	(58,431,375)	(4,300)
CASH AND CASH EQUIVALENTS, JUN. 30	\$ 18,400,059	\$ -	\$ 18,393,859	\$ 6,200	\$ 12,322,035	\$ -	\$ 12,315,835	\$ 6,200