

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - DECEMBER 31, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - DECEMBER 31, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - DECEMBER 31, 2015 AND 2014-UNAUDITED

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

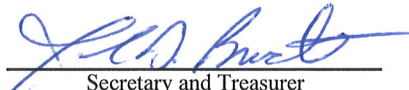
CONSOLIDATING BALANCE SHEETS - DECEMBER 31, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - DECEMBER 31, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - DECEMBER 31, 2015 AND 2014-UNAUDITED

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 December 31, 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 December 31, 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 December 31, 2015 was \$17,866,994



Secretary and Treasurer
OHIO VALLEY ELECTRIC CORPORATION and
INDIANA-KENTUCKY ELECTRIC CORPORATION

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS AS OF DECEMBER 31, 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	\$ 2,714,054,292	\$ -	\$ 1,343,347,645	\$ 1,370,706,647	\$ 2,706,385,652	\$ -	\$ 1,339,870,312	\$ 1,366,515,340
Less - Accumulated provisions for depreciation	(1,292,775,251)	-	(635,262,822)	(657,512,429)	(1,245,490,373)	-	(610,165,716)	(635,324,657)
	1,421,279,041	-	708,084,823	713,194,218	1,460,895,279	-	729,704,596	731,190,683
Construction in progress	29,503,801	-	20,608,705	8,895,096	15,329,947	-	8,202,579	7,127,368
Total electric plant	1,450,782,842	-	728,693,528	722,089,314	1,476,225,226	-	737,907,175	738,318,051
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(730,895,344)	730,895,344	-	-	(717,789,638)	717,789,638	-
Total investments and other	-	(734,295,344)	734,295,344	-	-	(721,189,638)	721,189,638	-
CURRENT ASSETS:								
Cash and cash equivalents	19,292,573	-	19,286,373	6,200	43,453,966	-	43,447,766	6,200
Accounts receivable	21,177,918	-	21,107,728	70,190	40,001,960	-	39,628,685	373,275
Fuel in storage-at average cost	81,362,765	-	35,259,572	46,103,193	44,335,429	-	10,209,309	34,126,120
Materials and supplies-at average cost	33,019,554	-	19,533,483	13,486,071	34,499,713	-	20,855,738	13,643,975
Property taxes applicable to future years	2,850,000	-	2,850,000	-	2,780,000	-	2,780,000	-
Deferred tax assets	3,235,692	-	2,819,693	415,999	4,237,801	1,002,109	2,819,693	415,999
Prepaid expenses and other	2,112,757	-	1,111,780	1,000,977	2,208,613	-	1,122,148	1,086,465
Total current assets	163,051,259	-	101,968,629	61,082,630	171,517,482	1,002,109	120,863,339	49,652,034
REGULATORY ASSETS:								
Unrecognized postemployment benefits	2,365,842	-	780,420	1,585,422	1,437,151	-	383,615	1,053,536
Pension benefits	27,889,880	-	15,266,921	12,622,959	32,475,646	-	18,186,362	14,289,284
Income taxes billable to customers	805,988	-	805,988	-	1,036,268	-	1,036,268	-
Total regulatory assets	31,061,710	-	16,853,329	14,208,381	34,949,065	-	19,606,245	15,342,820
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	11,204,694	-	11,204,694	-	12,258,005	-	12,258,005	-
Long-term investments	119,760,106	-	95,209,789	24,550,317	122,502,773	-	97,268,237	25,234,536
Other	70,658	-	69,674	984	120,877	-	120,877	-
Total deferred charges and other	131,035,458	-	106,484,157	24,551,301	134,881,655	-	109,647,119	25,234,536
TOTAL	\$ 1,775,931,269	\$ (734,295,344)	\$ 1,688,294,987	\$ 821,931,626	\$ 1,817,573,428	\$ (720,187,529)	\$ 1,709,213,516	\$ 828,547,441

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF DECEMBER 31, 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	1,229,259,189	-	1,229,259,189	-	1,274,895,961	-	1,274,895,961	-
Line of credit borrowings-long term	45,000,000	-	45,000,000	-	20,000,000	-	20,000,000	-
Retained earnings	7,866,994	-	7,866,994	-	7,031,723	-	7,031,723	-
Total capitalization	1,292,126,183	(3,400,000)	1,292,126,183	3,400,000	1,311,927,684	(3,400,000)	1,311,927,684	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	245,659,371	-	245,659,371	-	243,000,194	-	243,000,194	-
Accounts payable	35,784,574	-	18,953,401	16,831,173	54,104,896	-	23,883,284	30,221,612
Accrued taxes	9,488,949	-	6,267,591	3,221,358	9,410,141	-	6,121,352	3,288,789
Regulatory liabilities	17,522,791	-	15,093,621	2,429,170	14,065,394	-	9,073,067	4,992,327
Accrued interest and other	21,461,100	-	17,934,059	3,527,041	23,614,552	-	19,230,725	4,383,827
Total current liabilities	329,916,785	-	303,908,043	26,008,742	344,195,177	-	301,308,622	42,886,555
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	44,780,419	-	37,104,937	7,675,482	33,650,545	-	30,220,614	3,429,931
Decommissioning and demolition	12,922,334	-	5,743,294	7,179,040	14,102,619	-	6,239,361	7,863,258
Total regulatory liabilities	57,702,753	-	42,848,231	14,854,522	47,753,164	-	36,459,975	11,293,189
OTHER LIABILITIES:								
Pension liability	27,889,880	-	15,266,921	12,622,959	32,475,646	-	18,186,362	14,289,284
Deferred income tax liability	3,235,692	-	2,819,693	415,999	4,237,801	1,002,109	2,819,693	415,999
Asset retirement obligations	29,547,185	-	12,345,032	17,202,153	29,547,185	-	12,345,032	17,202,153
Postretirement benefits obligation	32,235,745	-	17,418,498	14,817,247	44,875,752	-	24,880,858	19,994,894
Postemployment benefits obligation	2,365,842	-	780,420	1,585,422	1,437,151	-	383,615	1,053,536
Parent advances for construction	-	(730,895,344)	-	730,895,344	-	(717,789,638)	-	717,789,638
Other liabilities	911,204	-	781,966	129,238	1,123,868	-	901,675	222,193
Total other liabilities	96,185,548	(730,895,344)	49,412,530	777,668,362	113,697,403	(716,787,529)	59,517,235	770,967,697
TOTAL	\$ 1,775,931,269	\$ (734,295,344)	\$ 1,688,294,987	\$ 821,931,626	\$ 1,817,573,428	\$ (720,187,529)	\$ 1,709,213,516	\$ 828,547,441

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF DECEMBER 31, 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	\$ 10,249,126	\$ -	\$ 10,249,126	\$ -	\$ 11,758,386	\$ -	\$ 11,758,386	\$ -
Ohio Valley Electric Corp.	-	(260,051,143)	-	260,051,143	-	(286,755,186)	-	286,755,186
Sponsoring Companies	555,079,943	-	555,079,943	-	644,415,791	-	644,415,791	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	565,329,069	(260,051,143)	565,329,069	260,051,143	656,174,177	(286,755,186)	656,174,177	286,755,186
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
in operation	246,581,580	-	91,536,237	155,045,343	315,460,920	-	137,369,808	178,091,112
Purchased power	9,550,459	(260,051,143)	269,601,602	-	11,180,650	(286,755,186)	297,935,836	-
Other operation	78,772,695	-	47,196,544	31,576,151	92,885,913	-	57,822,672	35,063,241
Maintenance	92,750,351	-	51,160,521	41,589,830	90,766,181	-	47,928,340	42,837,841
Depreciation	53,502,810	-	27,369,839	26,132,971	65,179,764	-	39,394,849	25,784,915
Taxes-other than federal income taxes	11,415,254	-	6,435,583	4,979,671	12,094,519	-	6,676,974	5,417,545
Federal income taxes	230,280	-	230,280	-	331,834	-	21,452	310,382
Total operating expenses	492,803,429	(260,051,143)	493,530,606	259,323,966	587,899,781	(286,755,186)	587,149,931	287,505,036
OPERATING INCOME	72,525,640	-	71,798,463	727,177	68,274,396	-	69,024,246	(749,850)
OTHER INCOME (EXPENSE)	1,508,078	-	2,207,353	(699,275)	9,888,500	-	9,092,288	796,212
INCOME BEFORE INTEREST CHARGES	74,033,718	-	74,005,816	27,902	78,162,896	-	78,116,534	46,362
INTEREST CHARGES:								
Amortization of debt expense	4,434,468	-	4,434,468	-	5,075,785	-	5,075,785	-
Interest expense	68,763,979	-	68,736,077	27,902	72,533,622	-	72,487,260	46,362
Total interest charges	73,198,447	-	73,170,545	27,902	77,609,407	-	77,563,045	46,362
NET INCOME	\$ 835,271	\$ -	\$ 835,271	\$ -	\$ 553,489	\$ -	\$ 553,489	\$ -
RETAINED EARNINGS, JAN. 1	7,031,723	-	7,031,723	-	6,478,234	-	6,478,234	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, SEP. 30	\$ 7,866,994	\$ -	\$ 7,866,994	\$ -	\$ 7,031,723	\$ -	\$ 7,031,723	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF DECEMBER, 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	\$ 835,271	\$ -	\$ 835,271	\$ -	\$ 553,489	\$ -	\$ 553,489	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	53,502,810	-	27,369,839	26,132,971	65,179,764	-	39,394,849	25,784,915
Amortization of debt expense and discount	4,434,468	-	4,434,468	-	5,075,785	-	5,075,785	-
Deferred taxes	230,280	-	230,280	-	3,328,233	-	3,334,829	(6,596)
(Gain)/loss on marketable securities	(1,356,876)	-	(2,023,055)	666,179	(5,202,492)	-	(5,198,687)	(3,805)
Changes in assets and liabilities:								
Accounts receivable	18,824,042	-	18,520,957	303,085	(4,669,307)	-	(4,446,244)	(223,063)
Fuel in storage	(37,027,336)	-	(25,050,263)	(11,977,073)	(1,315,035)	-	3,667,099	(4,982,134)
Material and supplies	1,480,159	-	1,322,255	157,904	(1,935,278)	-	(1,597,786)	(337,492)
Property taxes applicable to subsequent years	(70,000)	-	(70,000)	-	(77,095)	-	(77,095)	-
Emission allowances	-	-	-	-	62,428	-	62,428	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	95,856	-	10,368	85,488	35,800	-	10,533	25,267
Other regulatory assets	-	-	-	-	(22,920,343)	-	(12,179,140)	(10,741,203)
Other noncurrent assets	50,219	-	51,203	(984)	367,530	-	367,530	-
Accounts payable	(18,320,322)	-	(4,929,883)	(13,390,439)	5,731,050	-	2,853,779	2,877,271
Deferred revenue	-	-	-	-	-	-	-	-
Accrued taxes	78,808	-	146,239	(67,431)	347,328	-	101,531	245,797
Accrued interest and other	(2,153,452)	-	(1,296,666)	(856,786)	(4,530,912)	-	(3,594,279)	(936,633)
Other regulatory liabilities	13,406,986	-	12,408,810	998,176	(2,763,137)	-	(18,804,965)	16,041,828
Other noncurrent liabilities	(12,852,671)	-	(7,582,069)	(5,270,602)	14,043,806	-	17,803,753	(3,759,947)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>21,158,242</u>	<u>-</u>	<u>24,377,754</u>	<u>(3,219,512)</u>	<u>51,311,614</u>	<u>-</u>	<u>27,327,409</u>	<u>23,984,205</u>
INVESTING ACTIVITIES								
Electric plant additions	(28,060,426)	-	(18,156,192)	(9,904,234)	(24,015,385)	-	(11,896,241)	(12,119,144)
Sale (Purchase) of marketable securities	4,099,543	-	4,081,503	18,040	(193,612)	-	1,048,577	(1,242,189)
Advances to subsidiary company	-	13,105,706	(13,105,706)	-	-	(10,627,172)	10,627,172	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(23,960,883)</u>	<u>13,105,706</u>	<u>(27,180,395)</u>	<u>(9,886,194)</u>	<u>(24,208,997)</u>	<u>(10,627,172)</u>	<u>(220,492)</u>	<u>(13,361,333)</u>
FINANCING ACTIVITIES								
Advances from parent company	-	(13,105,706)	-	13,105,706	-	10,627,172	-	(10,627,172)
Repayment of Senior 2006 Notes	(17,503,483)	-	(17,503,483)	-	(16,525,607)	-	(16,525,607)	-
Repayment of Senior 2007 Notes	(12,384,167)	-	(12,384,167)	-	(11,680,666)	-	(11,680,666)	-
Repayment of Senior 2008 Notes	(13,112,544)	-	(13,112,544)	-	(12,290,107)	-	(12,290,107)	-
Proceeds from line of credit	102,000,000	-	102,000,000	-	40,000,000	-	40,000,000	-
Payments on line of credit	(77,000,000)	-	(77,000,000)	-	(50,000,000)	-	(50,000,000)	-
Loan origination costs	(3,358,558)	-	(3,358,558)	-	(3,909,981)	-	(3,909,981)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(21,358,752)</u>	<u>(13,105,706)</u>	<u>(21,358,752)</u>	<u>13,105,706</u>	<u>(54,406,361)</u>	<u>10,627,172</u>	<u>(54,406,361)</u>	<u>(10,627,172)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (24,161,393)	\$ -	\$ (24,161,393)	\$ -	\$ (27,303,744)	\$ -	\$ (27,299,444)	\$ (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	<u>(24,161,393)</u>	<u>-</u>	<u>(24,161,393)</u>	<u>-</u>	<u>(27,303,744)</u>	<u>-</u>	<u>(27,299,444)</u>	<u>(4,300)</u>
CASH AND CASH EQUIVALENTS, DEC. 31	<u>\$ 19,292,573</u>	<u>\$ -</u>	<u>\$ 19,286,373</u>	<u>\$ 6,200</u>	<u>\$ 43,453,966</u>	<u>\$ -</u>	<u>\$ 43,447,766</u>	<u>\$ 6,200</u>