

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - JUNE 30, 2017 AND 2016-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - JUNE, 2017 AND 2016-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - JUNE 30, 2017 AND 2016-UNAUDITED

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OFFICER'S CERTIFICATION

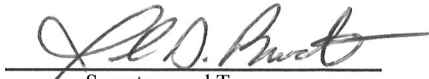
A review of the affairs and activities of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation (the Companies), during the quarters ended June 30, 2017 and 2016 has been made under my supervision, and in my opinion, the unaudited financial statements for these periods present fairly the financial conditions of the Companies as of June 30, 2017 and 2016, 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, 2017 was \$19,256,486



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, 2017 AND 2016-UNAUDITED

	2017				2016			
	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	\$ 2,743,107,837	\$ -	\$ 1,361,062,407	\$ 1,382,045,430	\$ 2,724,900,502	\$ -	\$ 1,351,899,336	\$ 1,373,001,166
Less - Accumulated provisions for depreciation	(1,381,268,638)	-	(685,120,453)	(696,148,185)	(1,319,994,342)	-	(657,384,548)	(662,609,794)
	1,361,839,199	-	675,941,954	685,897,245	1,404,906,160	-	694,514,788	710,391,372
Construction in progress	13,680,732	-	6,683,868	6,996,864	22,294,823	-	13,054,521	9,240,302
Total electric plant	1,375,519,931	-	682,625,822	692,894,109	1,427,200,983	-	707,569,309	719,631,674
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(677,912,881)	677,912,881	-	-	(733,575,151)	733,575,151	-
Total investments and other	-	(681,312,881)	681,312,881	-	-	(736,975,151)	736,975,151	-
CURRENT ASSETS:								
Cash and cash equivalents	60,713,057	-	60,706,857	6,200	23,381,934	-	23,375,734	6,200
Accounts receivable	25,069,058	-	25,040,235	28,823	31,347,455	-	31,319,742	27,713
Fuel in storage-at average cost	56,844,363	-	32,182,285	24,662,078	90,202,704	-	38,247,421	51,955,283
Materials and supplies-at average cost	37,076,532	-	22,087,599	14,988,933	34,058,279	-	20,126,071	13,932,208
Property taxes applicable to future years	1,292,500	-	1,292,500	-	1,425,000	-	1,425,000	-
Emission allowances	698,763	-	698,763	-	-	-	-	-
Income taxes receivable	3,118,299	-	3,118,299	-	-	-	-	-
Prepaid expenses and other	2,007,441	-	976,318	1,031,123	8,677,829	-	7,852,096	825,733
Total current assets	186,820,013	-	146,102,856	40,717,157	189,093,201	-	122,346,064	66,747,137
REGULATORY ASSETS:								
Unrecognized postemployment benefits	4,273,382	-	2,502,691	1,770,691	2,526,541	-	903,443	1,623,098
Pension benefits	37,128,152	-	20,658,104	16,470,048	27,889,880	-	15,266,921	12,622,959
Income taxes billable to customers	-	-	-	-	558,248	-	558,248	-
Total regulatory assets	41,401,534	-	23,160,795	18,240,739	30,974,669	-	16,728,612	14,246,057
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	413,073	-	413,073	-	10,297,946	-	10,297,946	-
Deferred tax assets	2,700,000	-	2,700,000	-	-	-	-	-
Long-term investments	124,891,093	-	96,155,285	28,735,808	124,448,865	-	99,101,743	25,347,122
Other	1,534	-	550	984	21,872	-	20,888	984
Total deferred charges and other	128,005,700	-	99,268,908	28,736,792	134,768,683	-	109,420,577	25,348,106
TOTAL	\$ 1,731,747,178	\$ (681,312,881)	\$ 1,632,471,262	\$ 780,588,797	\$ 1,782,037,536	\$ (736,975,151)	\$ 1,693,039,713	\$ 825,972,974

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF JUNE 30, 2017 AND 2016-UNAUDITED

	2017				2016			
	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	1,120,738,375	-	1,120,738,375	-	1,205,392,207	-	1,205,392,207	-
Line of credit borrowings-long term	85,000,000	-	85,000,000	-	85,000,000	-	85,000,000	-
Retained earnings	9,256,486	-	9,256,486	-	8,313,283	-	8,313,283	-
Total capitalization	1,224,994,861	(3,400,000)	1,224,994,861	3,400,000	1,308,705,490	(3,400,000)	1,308,705,490	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	249,961,254	-	249,961,254	-	247,050,415	-	247,050,415	-
Accounts payable	29,996,483	-	12,988,620	17,007,863	26,552,943	-	12,938,854	13,614,089
Accrued taxes	8,327,554	-	4,736,577	3,590,977	7,971,206	-	4,848,505	3,122,701
Regulatory liabilities	11,449,631	-	6,054,310	5,395,321	15,182,641	-	9,934,355	5,248,286
Accrued interest and other	20,425,567	-	16,766,587	3,658,980	22,487,381	-	18,184,014	4,303,367
Total current liabilities	320,160,489	-	290,507,348	29,653,141	319,244,586	-	292,956,143	26,288,443
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	35,149,788	-	30,064,074	5,085,714	46,680,071	-	38,341,232	8,338,839
Decommissioning and demolition	16,644,622	-	7,309,563	9,335,059	12,594,180	-	5,611,644	6,982,536
Advance billing of debt reserve	15,000,000	-	15,000,000	-	-	-	-	-
Income taxes refundable to customers	5,433,716	-	5,433,716	-	-	-	-	-
Total regulatory liabilities	72,228,126	-	57,807,353	14,420,773	59,274,251	-	43,952,876	15,321,375
OTHER LIABILITIES:								
Pension liability	37,128,152	-	20,658,104	16,470,048	27,889,880	-	15,266,921	12,622,959
Asset retirement obligations	33,044,921	-	13,813,296	19,231,625	31,249,839	-	13,054,376	18,195,463
Postretirement benefits obligation	39,218,090	-	21,536,990	17,681,100	32,235,745	-	17,418,498	14,817,247
Postemployment benefits obligation	4,273,382	-	2,502,691	1,770,691	2,526,541	-	903,443	1,623,098
Parent advances for construction	-	(677,912,881)	-	677,912,881	-	(733,575,151)	-	733,575,151
Other liabilities	699,157	-	650,619	48,538	911,204	-	781,966	129,238
Total other liabilities	114,363,702	(677,912,881)	59,161,700	733,114,883	94,813,209	(733,575,151)	47,425,204	780,963,156
TOTAL	\$ 1,731,747,178	\$ (681,312,881)	\$ 1,632,471,262	\$ 780,588,797	\$ 1,782,037,536	\$ (736,975,151)	\$ 1,693,039,713	\$ 825,972,974

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF JUNE 30, 2017 AND 2016-UNAUDITED

	2017				2016			
	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	\$ 4,158,024	\$ -	\$ 4,158,024	\$ -	\$ 4,747,096	\$ -	\$ 4,747,096	\$ -
Ohio Valley Electric Corp.	-	(135,035,677)	-	135,035,677	-	(104,508,683)	-	104,508,683
Sponsoring Companies	296,644,320	-	296,644,320	-	260,555,621	-	260,555,621	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	300,802,344	(135,035,677)	300,802,344	135,035,677	265,302,717	(104,508,683)	265,302,717	104,508,683
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
in operation	142,629,134	-	60,936,559	81,692,575	109,070,586	-	48,584,519	60,486,067
Purchased power	3,764,583	(135,035,677)	138,800,260	-	4,289,129	(104,508,683)	108,797,812	-
Other operation	43,257,305	-	27,968,671	15,288,634	41,553,439	-	26,443,493	15,109,946
Maintenance	42,661,539	-	23,297,725	19,363,814	36,455,813	-	18,376,910	18,078,903
Depreciation	32,165,812	-	14,300,698	17,865,114	35,680,627	-	26,592,000	9,088,627
Taxes-other than federal income taxes	5,995,499	-	3,373,134	2,622,365	5,854,138	-	3,334,473	2,519,665
Federal income taxes	-	-	-	-	172,710	-	172,710	-
Total operating expenses	270,473,872	(135,035,677)	268,677,047	136,832,502	233,076,442	(104,508,683)	232,301,917	105,283,208
OPERATING INCOME	30,328,472	-	32,125,297	(1,796,825)	32,226,275	-	33,000,800	(774,525)
OTHER INCOME (EXPENSE)	6,037,067	-	4,235,949	1,801,118	4,796,303	-	4,012,251	784,052
INCOME BEFORE INTEREST CHARGES	36,365,539	-	36,361,246	4,293	37,022,578	-	37,013,051	9,527
INTEREST CHARGES:								
Amortization of debt expense	1,564,905	-	1,564,905	-	2,264,720	-	2,264,720	-
Interest expense	34,349,610	-	34,345,317	4,293	34,311,569	-	34,302,042	9,527
Total interest charges	35,914,515	-	35,910,222	4,293	36,576,289	-	36,566,762	9,527
NET INCOME	\$ 451,024	\$ -	\$ 451,024	\$ -	\$ 446,289	\$ -	\$ 446,289	\$ -
RETAINED EARNINGS, JAN. 1	8,805,462	-	8,805,462	-	7,866,994	-	7,866,994	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, JUN. 30	\$ 9,256,486	\$ -	\$ 9,256,486	\$ -	\$ 8,313,283	\$ -	\$ 8,313,283	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF JUNE 30, 2017 AND 2016-UNAUDITED

	2017				2016			
	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	\$ 451,024	\$ -	\$ 451,024	\$ -	\$ 446,289	\$ -	\$ 446,289	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	32,165,812	-	14,300,698	17,865,114	35,680,627	-	26,592,000	9,088,627
Amortization of debt expense and discount	1,564,905	-	1,564,905	-	2,264,720	-	2,264,720	-
Deferred taxes	-	-	-	-	-	-	-	-
(Gain)/loss on marketable securities	(5,984,034)	-	(4,154,371)	(1,829,663)	(4,798,608)	-	(3,989,061)	(809,547)
Changes in assets and liabilities:								
Accounts receivable	12,374,456	-	12,367,046	7,410	(7,155,305)	-	(7,197,782)	42,477
Fuel in storage	19,543,491	-	4,985,760	14,557,731	(8,839,939)	-	(2,987,849)	(5,852,090)
Material and supplies	(2,219,390)	-	(1,127,993)	(1,091,397)	(998,138)	-	(552,001)	(446,137)
Property taxes applicable to subsequent years	1,530,000	-	1,530,000	-	1,425,000	-	1,425,000	-
Emission allowances	174,157	-	174,157	-	-	-	-	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	(9,069)	-	60,608	(69,677)	(6,565,072)	-	(6,740,316)	175,244
Other regulatory assets	-	-	-	-	247,740	-	247,740	-
Other noncurrent assets	77,103	-	77,103	-	48,786	-	48,786	-
Accounts payable	(3,645,969)	-	(2,658,023)	(987,946)	(12,061,701)	-	(8,321,978)	(3,739,723)
Accrued taxes	(1,531,373)	-	(1,664,531)	133,158	(1,593,550)	-	(1,459,846)	(133,704)
Accrued interest and other	(4,964,305)	-	(3,084,741)	(1,879,564)	532,486	-	79,901	452,585
Other regulatory liabilities	20,139,525	-	19,822,501	317,024	934,001	-	(1,987,934)	2,921,935
Other noncurrent liabilities	62,931	-	62,931	-	-	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>69,729,264</u>	<u>-</u>	<u>42,707,074</u>	<u>27,022,190</u>	<u>(432,664)</u>	<u>-</u>	<u>(2,132,331)</u>	<u>1,699,667</u>
INVESTING ACTIVITIES								
Electric plant additions	(6,876,987)	-	(2,883,118)	(3,993,869)	(11,753,914)	-	(5,147,609)	(6,606,305)
Sale (Purchase) of marketable securities	95,317	-	84,059	11,258	109,849	-	97,107	12,742
Advances to subsidiary company	-	(23,039,579)	23,039,579	-	-	4,893,896	(4,893,896)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(6,781,670)</u>	<u>(23,039,579)</u>	<u>20,240,520</u>	<u>(3,982,611)</u>	<u>(11,644,065)</u>	<u>4,893,896</u>	<u>(9,944,398)</u>	<u>(6,593,563)</u>
FINANCING ACTIVITIES								
Advances from parent company	-	23,039,579	-	(23,039,579)	-	(4,893,896)	-	4,893,896
Repayment of Senior 2006 Notes	(9,677,067)	-	(9,677,067)	-	(9,136,406)	-	(9,136,406)	-
Repayment of Senior 2007 Notes	(6,858,685)	-	(6,858,685)	-	(6,469,047)	-	(6,469,047)	-
Repayment of Senior 2008 Notes	(7,342,561)	-	(7,342,561)	-	(6,881,786)	-	(6,881,786)	-
Redemption of 2009 Bonds	(25,000,000)	-	(25,000,000)	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	69,000,000	-	69,000,000	-
Payments on line of credit	-	-	-	-	(29,000,000)	-	(29,000,000)	-
Loan maintenance costs	(1,166,952)	-	(1,166,952)	-	(1,346,671)	-	(1,346,671)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(50,045,265)</u>	<u>23,039,579</u>	<u>(50,045,265)</u>	<u>(23,039,579)</u>	<u>16,166,090</u>	<u>(4,893,896)</u>	<u>16,166,090</u>	<u>4,893,896</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 12,902,329	\$ -	\$ 12,902,329	\$ -	\$ 4,089,361	\$ -	\$ 4,089,361	\$ -
CASH AND CASH EQUIVALENTS, JAN. 1	47,810,728	-	47,804,528	6,200	19,292,573	-	19,286,373	6,200
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>12,902,329</u>	<u>-</u>	<u>12,902,329</u>	<u>-</u>	<u>4,089,361</u>	<u>-</u>	<u>4,089,361</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, JUN. 30	<u>\$ 60,713,057</u>	<u>\$ -</u>	<u>\$ 60,706,857</u>	<u>\$ 6,200</u>	<u>\$ 23,381,934</u>	<u>\$ -</u>	<u>\$ 23,375,734</u>	<u>\$ 6,200</u>