

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - SEPTEMBER 30, 2018 AND 2017-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - SEPTEMBER 30, 2018 AND 2017-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - SEPTEMBER 30, 2018 AND 2017-UNAUDITED

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

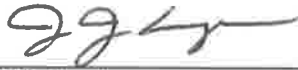
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OFFICER'S CERTIFICATION

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 September 30, 2018 and 2017 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 September 30, 2018 and 2017, 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.



CFO, 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 September 30, 2018 was \$23,267,908



CFO, Secretary and Treasurer

OHIO VALLEY ELECTRIC CORPORATION and
INDIANA-KENTUCKY ELECTRIC CORPORATION

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF SEPTEMBER 30, 2018 AND 2017-UNAUDITED

	2018			2017			
	Consolidated	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	\$ 2,782,634,271	\$ 1,386,159,516	\$ 1,396,474,755	\$ 2,744,852,019	\$ -	\$ 1,361,531,044	\$ 1,383,320,975
Less - Accumulated provisions for depreciation	(1,484,122,188)	(742,998,767)	(741,123,421)	(1,395,456,143)	-	(692,091,637)	(703,364,506)
	1,298,512,083	643,160,749	655,351,334	1,349,395,876	-	669,439,407	679,956,469
Construction in progress	12,526,088	6,602,219	5,923,869	16,525,720	-	8,691,674	7,834,046
Total electric plant	1,311,038,171	649,762,968	661,275,203	1,365,921,596	-	678,131,081	687,790,515
INVESTMENTS, AND OTHER:							
Investment in subsidiary company	-	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(641,207,770)	-	-	(678,068,725)	678,068,725	-
Total investments and other	-	(644,607,770)	-	-	(681,468,725)	681,468,725	-
CURRENT ASSETS:							
Cash and cash equivalents	60,623,145	60,616,945	6,200	43,120,391	-	43,114,191	6,200
Accounts receivable	49,658,597	49,218,444	440,153	34,538,132	-	34,497,692	40,440
Fuel in storage-at average cost	20,689,756	8,460,541	12,229,215	47,302,732	-	20,866,365	26,436,367
Materials and supplies-at average cost	39,539,057	23,597,738	15,941,319	37,460,812	-	21,810,969	15,649,843
Property taxes applicable to future years	287,500	287,500	-	327,500	-	327,500	-
Emission allowances	299,902	299,902	-	362,462	-	362,462	-
Income taxes receivable	-	-	-	3,118,299	-	3,118,299	-
Prepaid expenses and other	2,617,996	1,392,270	1,225,726	2,848,567	-	1,369,435	1,479,132
Total current assets	173,715,953	143,873,340	29,842,613	169,278,895	-	125,666,913	43,611,982
REGULATORY ASSETS:							
Unrecognized post-employment benefits	3,865,985	2,569,375	1,296,610	4,273,382	-	2,502,691	1,770,691
Pension benefits	37,249,847	21,172,813	16,077,034	37,128,152	-	20,658,104	16,470,048
Asset retirement costs	-	3,616,398	-	-	-	-	-
Income taxes billable to customers	-	-	-	-	-	-	-
Total regulator assets	41,115,832	27,358,586	17,373,644	41,401,534	-	23,160,795	18,240,739
DEFERRED CHARGES AND OTHER:							
Unamortized debt expense	199,415	199,415	-	370,341	-	370,341	-
Deferred tax asset	9,294,909	9,294,909	-	2,700,000	-	2,700,000	-
Long-term investments	181,257,382	147,186,444	34,070,938	143,113,302	-	113,264,812	29,848,490
Other	1,534	550	984	1,534	-	550	984
Total deferred charges and other	190,753,240	156,681,318	34,071,922	146,185,177	-	116,335,703	29,849,474
TOTAL	\$ 1,716,623,196	\$ 1,622,283,982	\$ 742,563,382	\$ 1,722,787,202	\$ (681,468,725)	\$ 1,624,763,217	\$ 779,692,710

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF SEPTEMBER, 2018 AND 2017-UNAUDITED

	2018				2017			
	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	\$ 6,092,975	\$ -	\$ 6,092,975	\$ -	\$ 6,073,992	\$ -	\$ 6,073,992	\$ -
Ohio Valley Electric Corp	450,946,911	(191,638,224)	450,946,911	191,638,224	445,296,407	(197,311,876)	445,296,407	197,311,876
Sponsoring Companies	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	<u>457,039,886</u>	<u>(191,638,224)</u>	<u>457,039,886</u>	<u>191,638,224</u>	<u>451,370,399</u>	<u>(197,311,876)</u>	<u>451,370,399</u>	<u>197,311,876</u>
OPERATING EXPENSES:								
Fuel and emission allowances consumed	211,159,226	-	96,786,236	114,372,990	211,634,453	-	96,528,850	115,105,603
Purchased power in operation	5,480,079	-	197,118,303	-	5,195,529	-	202,507,405	-
Other operation	61,250,436	-	38,866,242	22,384,194	63,524,675	-	41,257,096	22,267,579
Maintenance	61,689,965	-	31,540,967	30,148,998	65,902,315	-	34,092,238	31,810,077
Depreciation	44,451,036	-	23,288,354	21,162,682	49,558,773	-	22,386,850	27,171,923
Taxes-other than federal income taxes	9,171,290	-	5,321,254	3,850,036	8,821,637	-	4,952,311	3,869,326
Federal income taxes	-	-	-	-	-	-	-	-
Total operating expenses	<u>393,202,032</u>	<u>(191,638,224)</u>	<u>392,921,356</u>	<u>191,918,900</u>	<u>404,637,382</u>	<u>(197,311,876)</u>	<u>401,724,750</u>	<u>200,224,508</u>
OPERATING INCOME	<u>63,837,854</u>	<u>-</u>	<u>64,118,530</u>	<u>(280,676)</u>	<u>46,733,017</u>	<u>-</u>	<u>49,645,649</u>	<u>(2,912,632)</u>
OTHER INCOME (EXPENSE)	<u>781,006</u>	<u>-</u>	<u>491,645</u>	<u>289,361</u>	<u>8,812,275</u>	<u>-</u>	<u>5,894,068</u>	<u>2,918,207</u>
INCOME BEFORE INTEREST CHARGES	<u>64,618,860</u>	<u>-</u>	<u>64,610,175</u>	<u>8,685</u>	<u>55,545,292</u>	<u>-</u>	<u>55,539,717</u>	<u>5,575</u>
INTEREST CHARGES:								
Amortization of debt expense	3,109,830	-	3,109,830	-	2,450,470	-	2,450,470	-
Interest expense	58,583,373	-	58,574,688	8,685	52,036,539	-	52,030,964	5,575
Total interest charges	<u>61,693,203</u>	<u>-</u>	<u>61,684,518</u>	<u>8,685</u>	<u>54,487,009</u>	<u>-</u>	<u>54,481,434</u>	<u>5,575</u>
NET INCOME	<u>\$ 2,925,657</u>	<u>\$ -</u>	<u>\$ 2,925,657</u>	<u>\$ -</u>	<u>\$ 1,058,283</u>	<u>\$ -</u>	<u>\$ 1,058,283</u>	<u>\$ -</u>
RETAINED EARNINGS, JAN 1	10,342,251	-	10,342,251	-	8,805,462	-	8,805,462	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, SEP 30	<u>\$ 13,267,908</u>	<u>\$ -</u>	<u>\$ 13,267,908</u>	<u>\$ -</u>	<u>\$ 9,863,745</u>	<u>\$ -</u>	<u>\$ 9,863,745</u>	<u>\$ -</u>

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE, AS OF SEPTEMBER 30, 2011 AND 2010, UNAUDITED

	2011			2010		
	Consolidated	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation	Consolidated	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation
CASH FROM OPERATIONS						
Net income	\$ 1,058,283	\$ 1,058,283	\$ -	\$ 2,925,657	\$ 2,925,657	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	49,558,773	29,085,122	21,162,682	23,288,354	8,850,342	13,127,555
Amortization of debt expense and discount	2,450,470	(2,603,670)	196,589	3,109,830	(1,093,780)	(2,912,701)
Deferred tax:						
(Gain)/loss on marketable securities	(8,641,433)	2,295,000	(319,999)	(40,984)	55,950	(566,018)
Changes in assets and liabilities:						
Accounts receivable	2,905,382	510,458	-	(8,924,260)	885,038	(4,968,500)
Fuel in storage	29,085,122	(850,195)	(284,451)	1,289,769	(281,567)	(2,912,701)
Material and supplies	16,301,680	77,103	-	1,289,769	885,038	(4,968,500)
Property tax: applicable to subsequent years	(851,363)	(850,195)	-	(1,290,369)	(3,225,573)	(2,912,701)
Emission allowances	2,295,000	2,295,000	-	2,625,000	(3,627,032)	(1,822,635)
Refundable income taxes	510,458	510,458	-	55,950	48,462	(1,822,635)
Prepaid expenses and other	(332,509)	(332,509)	-	(281,567)	25,385,336	29,364,146
Other regulatory assets	77,103	77,103	-	885,038	68,134	68,134
Other noncurrent assets	(4,338,155)	(4,338,155)	-	(3,225,573)	-	-
Accounts payable	(3,045,043)	(3,045,043)	-	(3,627,032)	(4,431,722)	(7,905,116)
Accrued tax	649,545	649,545	-	48,462	-	-
Deferred utility net asset value	29,079,513	29,079,513	-	25,385,336	42,297,529	33,665,690
Decommissioning and demolition	70,965	70,965	-	68,134	-	-
Other regulatory liabilities	31,062,904	31,062,904	-	75,963,219	42,297,529	33,665,690
Other noncurrent liabilities	(8,171)	(8,171)	-	68,134	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 94,592,859	\$ 63,529,955	\$ 31,062,904	\$ 114,719,099	\$ 62,200,752	\$ 25,760,574
INVESTING ACTIVITIES						
Electric plant additions	(14,671,613)	(14,671,613)	(5,186,017)	(6,288,956)	(20,798,412)	(20,798,412)
Sale (Purchase) of marketable securities	(15,469,493)	(15,469,493)	(2,719,099)	(23,903,340)	(23,903,340)	(7,271,806)
Advances to subsidiary company	-	-	-	25,760,574	(7,834,123)	(7,834,123)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ (30,141,106)	\$ (30,141,106)	\$ (7,905,116)	\$ (8,097,412)	\$ (25,760,574)	\$ (25,760,574)
FINANCING ACTIVITIES						
Advances from parent company	-	-	-	-	-	-
Repayment of Senior 2006 Notes	(19,636,354)	(19,636,354)	(25,760,574)	(20,798,412)	(20,798,412)	(7,271,806)
Repayment of Senior 2007 Notes	(6,858,685)	(6,858,685)	-	(7,271,806)	(7,834,123)	(7,834,123)
Repayment of Senior 2008 Notes	(7,342,560)	(7,342,560)	-	(7,834,123)	-	-
Redemption of 2009 Bonds	(25,000,000)	(25,000,000)	-	-	-	-
Proceeds from line of credit	50,000,000	50,000,000	-	-	-	-
Payments on line of credit	(30,000,000)	(30,000,000)	-	-	-	-
Loan maintenance costs	(10,304,491)	(10,304,491)	-	(316,411)	(316,411)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (69,142,090)	\$ (69,142,090)	\$ (25,760,574)	\$ (36,220,752)	\$ (36,220,752)	\$ (25,760,574)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (4,690,337)	\$ (4,690,337)	\$ -	\$ 1,645,055	\$ 1,645,055	\$ -
CASH AND CASH EQUIVALENTS, JAN 1	47,804,528	47,804,528	6,200	58,971,890	58,971,890	6,200
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,690,337)	(4,690,337)	-	1,645,055	1,645,055	-
CASH AND CASH EQUIVALENTS, SEP 30	\$ 43,114,191	\$ 43,114,191	\$ 6,200	\$ 60,616,945	\$ 60,616,945	\$ 6,200