

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - MARCH 31, 2019 AND 2018-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - MARCH 31, 2019 AND 2018-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - MARCH 31, 2019 AND 2018-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 March 31, 2019 and 2018 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 March 31, 2019 and 2018, 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 March 31, 2019 was \$24,916,076



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 MARCH 31, 2019 AND 2018-UNAUDITED

	2019				2018			
	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	\$ 2,785,334,793	\$ -	\$ 1,388,620,296	\$ 1,396,714,497	\$ 2,782,788,600	\$ -	\$ 1,386,376,042	\$ 1,396,412,558
Less - Accumulated provisions for depreciation	(1,513,791,958)	-	(759,442,762)	(754,349,196)	(1,458,095,898)	-	(729,535,405)	(728,560,493)
	1,271,542,835	-	629,177,534	642,365,301	1,324,692,702	-	656,840,637	667,852,065
Construction in progress	14,231,418	-	6,828,047	7,403,371	6,814,435	-	3,428,336	3,386,099
Total electric plant	1,285,774,253	-	636,005,581	649,768,672	1,331,507,137	-	660,268,973	671,238,164
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(636,622,959)	636,622,959	-	-	(655,773,262)	655,773,262	-
Total investments and other	-	(640,022,959)	640,022,959	-	-	(659,173,262)	659,173,262	-
CURRENT ASSETS:								
Cash and cash equivalents	39,077,034	-	39,070,834	6,200	76,464,003	-	76,457,803	6,200
Accounts receivable	63,777,209	-	63,139,014	638,195	31,698,488	-	31,320,599	377,889
Fuel in storage-at average cost	51,084,333	-	21,669,790	29,414,543	24,565,529	-	8,584,969	15,980,560
Materials and supplies-at average cost	41,014,751	-	24,772,178	16,242,573	38,823,095	-	22,634,551	16,188,544
Property taxes applicable to future years	2,237,500	-	2,237,500	-	2,125,000	-	2,125,000	-
Emission allowances	298,117	-	298,117	-	352,228	-	352,228	-
Income taxes receivable	4,690,064	-	4,690,064	-	-	-	-	-
Prepaid expenses and other	1,300,608	-	797,630	502,978	1,243,328	-	747,951	495,377
Total current assets	203,479,616	-	156,675,127	46,804,489	175,271,671	-	142,223,101	33,048,570
REGULATORY ASSETS:								
Unrecognized post-employment benefits	4,147,956	-	2,464,412	1,683,544	3,865,985	-	2,569,375	1,296,610
Pension benefits	33,894,325	-	19,235,029	14,659,296	37,249,847	-	21,172,813	16,077,034
Decommissioning and demolition	-	(2,261,446)	2,261,446	-	121,317	(4,227,344)	4,348,661	-
Total regulatory assets	38,042,281	(2,261,446)	23,960,887	16,342,840	41,237,149	(4,227,344)	28,090,849	17,373,644
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	113,951	-	113,951	-	284,878	-	284,878	-
Income taxes receivable	4,614,683	-	4,614,683	-	9,294,909	-	9,294,909	-
Long-term investments	200,364,256	-	165,288,059	35,076,197	162,128,477	-	130,008,293	32,120,184
Other	945,812	-	944,828	984	1,534	-	550	984
Total deferred charges and other	206,038,702	-	170,961,521	35,077,181	171,709,798	-	139,588,630	32,121,168
TOTAL	\$ 1,733,334,852	\$ (642,284,405)	\$ 1,627,626,075	\$ 747,993,182	\$ 1,719,725,755	\$ (663,400,606)	\$ 1,629,344,815	\$ 753,781,546

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF MARCH 31, 2019 AND 2018—UNAUDITED

	2019				2018			
	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	1,099,660,850	-	1,099,660,850	-	1,251,333,771	-	1,251,333,771	-
Line of credit borrowings—long term	85,000,000	-	85,000,000	-	85,000,000	-	85,000,000	-
Retained earnings	14,916,076	-	14,916,076	-	11,272,536	-	11,272,536	-
Total capitalization	<u>1,209,576,926</u>	<u>(3,400,000)</u>	<u>1,209,576,926</u>	<u>3,400,000</u>	<u>1,357,606,307</u>	<u>(3,400,000)</u>	<u>1,357,606,307</u>	<u>3,400,000</u>
CURRENT LIABILITIES:								
Current portion of long-term debt	180,310,616	-	180,310,616	-	77,090,388	-	77,090,388	-
Accounts payable	41,780,874	-	19,797,194	21,983,680	29,994,703	-	14,433,889	15,560,814
Accrued taxes	10,091,581	-	5,675,995	4,415,586	9,954,985	-	5,628,553	4,326,432
Regulatory liabilities	10,672,065	-	6,317,838	4,354,227	2,287,386	-	2,192,472	94,914
Accrued interest and other	23,724,338	-	19,955,395	3,768,943	23,576,924	-	20,227,391	3,349,533
Total current liabilities	<u>266,579,474</u>	<u>-</u>	<u>232,057,038</u>	<u>34,522,436</u>	<u>142,904,386</u>	<u>-</u>	<u>119,572,693</u>	<u>23,331,693</u>
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	65,698,950	-	48,299,725	17,399,225	54,548,368	-	40,469,203	14,079,165
Decommissioning and demolition	3,386,761	(2,261,446)	-	5,648,207	-	(4,227,344)	-	4,227,344
Advance billing of debt reserve	67,500,000	-	67,500,000	-	37,000,000	-	37,000,000	-
Income taxes refundable to customers	11,571,428	-	11,571,428	-	11,571,428	-	11,571,428	-
Total regulatory liabilities	<u>148,157,139</u>	<u>(2,261,446)</u>	<u>127,371,153</u>	<u>23,047,432</u>	<u>103,119,796</u>	<u>(4,227,344)</u>	<u>89,040,631</u>	<u>18,306,509</u>
OTHER LIABILITIES:								
Pension liability	33,894,325	-	19,235,029	14,659,296	37,249,847	-	21,172,813	16,077,034
Asset retirement obligations	60,246,682	-	30,769,526	29,477,156	57,170,620	-	29,218,810	27,951,810
Postretirement benefits obligation	10,186,597	-	5,708,766	4,477,831	17,196,685	-	9,658,850	7,537,835
Postemployment benefits obligation	4,147,956	-	2,464,412	1,683,544	3,865,985	-	2,569,375	1,296,610
Parent advances for construction	-	(636,622,959)	-	636,622,959	-	(655,773,262)	-	655,773,262
Other liabilities	545,753	-	443,225	102,528	612,129	-	505,336	106,793
Total other liabilities	<u>109,021,313</u>	<u>(636,622,959)</u>	<u>58,620,958</u>	<u>687,023,314</u>	<u>116,095,266</u>	<u>(655,773,262)</u>	<u>63,125,184</u>	<u>708,743,344</u>
TOTAL	<u>\$ 1,733,334,852</u>	<u>\$ (642,284,405)</u>	<u>\$ 1,627,626,075</u>	<u>\$ 747,993,182</u>	<u>\$ 1,719,725,755</u>	<u>\$ (663,400,606)</u>	<u>\$ 1,629,344,815</u>	<u>\$ 753,781,546</u>

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

REVISED 7/31/19

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF MARCH 31, 2019 AND 2018-UNAUDITED

	2019				2018			
	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	\$ 1,467,317	\$ -	\$ 1,467,317	\$ -	\$ 2,634,024	\$ -	\$ 2,634,024	\$ -
Ohio Valley Electric Corp	-	(63,715,045)	-	63,715,045	-	(64,620,582)	-	64,620,582
Sponsoring Companies	150,162,330	-	150,162,330	-	148,243,898	-	148,243,898	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	<u>151,629,647</u>	<u>(63,715,045)</u>	<u>151,629,647</u>	<u>63,715,045</u>	<u>150,877,922</u>	<u>(64,620,582)</u>	<u>150,877,922</u>	<u>64,620,582</u>
OPERATING EXPENSES:								
Fuel and emission allowances consumed in operation	73,979,592	-	34,510,424	39,469,168	76,704,577	-	35,769,697	40,934,880
Purchased power	1,388,787	(63,715,045)	65,103,832	-	2,498,460	(64,620,582)	67,119,042	-
Other operation	20,164,808	-	13,347,265	6,817,543	15,973,192	-	9,012,937	6,960,255
Maintenance	19,428,563	-	10,505,708	8,922,855	16,112,367	-	7,503,758	8,608,609
Depreciation	22,939,409	-	13,565,750	9,373,659	13,435,237	-	6,863,763	6,571,474
Taxes-other than federal income taxes	2,918,815	-	1,644,922	1,273,893	2,886,216	-	1,628,651	1,257,565
Federal income taxes	-	-	-	-	-	-	-	-
Total operating expenses	<u>140,819,974</u>	<u>(63,715,045)</u>	<u>138,677,901</u>	<u>65,857,118</u>	<u>127,610,049</u>	<u>(64,620,582)</u>	<u>127,897,848</u>	<u>64,332,783</u>
OPERATING INCOME	10,809,673	-	12,951,746	(2,142,073)	23,267,873	-	22,980,074	287,799
OTHER INCOME (EXPENSE)	10,310,932	-	8,166,308	2,144,624	(1,894,010)	-	(1,609,024)	(284,986)
INCOME BEFORE INTEREST CHARGES	21,120,605	-	21,118,054	2,551	21,373,863	-	21,371,050	2,813
INTEREST CHARGES:								
Amortization of debt expense	1,130,631	-	1,130,631	-	1,041,759	-	1,041,759	-
Interest expense	19,312,630	-	19,310,079	2,551	19,401,819	-	19,399,006	2,813
Total interest charges	20,443,261	-	20,440,710	2,551	20,443,578	-	20,440,765	2,813
NET INCOME	\$ 677,344	\$ -	\$ 677,344	\$ -	\$ 930,285	\$ -	\$ 930,285	\$ -
RETAINED EARNINGS, JAN 1	14,238,732	-	14,238,732	-	10,342,251	-	10,342,251	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, MAR 31	\$ 14,916,076	\$ -	\$ 14,916,076	\$ -	\$ 11,272,536	\$ -	\$ 11,272,536	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF MARCH 31, 2019 AND 2018-UNAUDITED

	2019				2018			
	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	\$ 677,344	\$ -	\$ 677,344	\$ -	\$ 930,285	\$ -	\$ 930,285	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	22,939,409	-	13,565,750	9,373,659	13,435,237	-	6,863,763	6,571,474
Amortization of debt expense and discount	1,133,392	-	1,133,392	-	1,041,759	-	1,041,759	-
Deferred taxes	-	-	-	-	-	-	-	-
(Gain)/loss on marketable securities	(9,093,677)	-	(7,199,184)	(1,894,493)	(1,706,129)	-	(788,680)	(917,449)
Changes in assets and liabilities:								
Accounts receivable	501,687	-	376,533	125,154	9,035,849	-	9,047,503	(11,654)
Fuel in storage	(17,610,147)	-	(4,555,767)	(13,054,380)	9,251,582	-	1,165,341	8,086,241
Material and supplies	(380,108)	-	(361,009)	(19,099)	(377,818)	-	(327,182)	(50,636)
Property taxes applicable to subsequent years	825,000	-	825,000	-	787,500	-	787,500	-
Emission allowances	238	-	238	-	3,624	-	3,624	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	875,297	-	447,262	428,035	808,650	-	362,752	445,898
Other regulatory assets	6,460,243	-	6,460,243	-	152,775	-	152,775	-
Other noncurrent assets	299,825	-	299,825	-	-	-	-	-
Accounts payable	467,487	-	(2,297,060)	2,764,547	(1,336,719)	-	(105,296)	(1,231,423)
Accrued taxes	(634,184)	-	(1,501,484)	867,300	(844,165)	-	(1,611,945)	767,780
Accrued interest and other	3,061,147	-	3,925,162	(864,015)	(2,107,916)	-	(197,416)	(1,910,500)
Decommissioning and demolition	2,829,385	-	-	2,829,385	-	-	-	-
Other regulatory liabilities	12,554,166	-	12,634,869	(80,703)	5,834,520	-	5,670,281	164,239
Other noncurrent liabilities	63,245	-	46,331	16,914	9,777	-	-	9,777
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	24,969,749	-	24,477,445	492,304	34,918,811	-	22,995,064	11,923,747
INVESTING ACTIVITIES								
Electric plant additions	(12,558,140)	-	(9,636,903)	(2,921,237)	(928,140)	-	(370,370)	(557,770)
Proceeds from sale of long-term investments	8,911,354	-	7,721,655	1,189,699	11,399,043	-	10,707,746	691,297
Purchase of long-term investments	(18,910,400)	-	(16,785,808)	(2,124,592)	-	-	(16,685,239)	(862,192)
Changes in short-term intercompany lendings	-	3,363,826	(3,363,826)	-	-	(11,195,082)	11,195,082	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(22,557,186)	3,363,826	(22,064,882)	(3,856,130)	10,470,903	(11,195,082)	4,847,219	(728,665)
FINANCING ACTIVITIES								
Changes in short-term intercompany borrowings	-	(3,363,826)	-	3,363,826	-	11,195,082	-	(11,195,082)
Repayment of Senior 2006 Notes	(10,856,324)	-	(10,856,324)	-	(10,249,741)	-	(10,249,741)	-
Repayment of Senior 2007 Notes	-	-	-	-	-	-	-	-
Repayment of Senior 2008 Notes	-	-	-	-	-	-	-	-
Redemption of 2009 Bonds	-	-	-	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	-	-	-	-
Payments on line of credit	-	-	-	-	-	-	-	-
Loan maintenance costs	(2,761)	-	(2,761)	-	(106,629)	-	(106,629)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(10,859,085)	(3,363,826)	(10,859,085)	3,363,826	(10,356,370)	11,195,082	(10,356,370)	(11,195,082)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (8,446,522)	\$ -	\$ (8,446,522)	\$ -	\$ 35,033,344	\$ -	\$ 17,485,913	\$ -
CASH AND CASH EQUIVALENTS, JAN 1	47,523,556	-	47,517,356	6,200	58,978,090	-	58,971,890	6,200
CASH AND CASH EQUIVALENTS, MAR 31	\$ 39,077,034	\$ -	\$ 39,070,834	\$ 6,200	\$ 94,011,434	\$ -	\$ 76,457,803	\$ 6,200