

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - JUNE 30, 2019 AND 2018-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - JUNE 30, 2019 AND 2018-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - JUNE 30, 2019 AND 2018-UNAUDITED

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

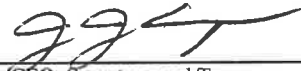
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OFFICER'S CERTIFICATION

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, 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 June 30, 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 June 30, 2019 was \$25,754,132



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 JUNE 30, 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	\$ 2,789,034,614	\$ -	\$ 1,388,930,135	\$ 1,400,104,479	\$ 2,782,826,177	\$ -	\$ 1,386,357,895	\$ 1,396,468,282
Less - Accumulated provisions for depreciation	(1,531,240,721)	-	(764,842,189)	(766,398,532)	(1,471,088,081)	-	(736,311,091)	(734,776,990)
	1,257,793,893	-	624,087,946	633,705,947	1,311,738,096	-	650,046,804	661,691,292
Construction in progress	14,555,530	-	10,059,794	4,495,736	10,374,296	-	6,200,879	4,173,417
Total electric plant	1,272,349,423	-	634,147,740	638,201,683	1,322,112,392	-	656,247,683	665,864,709
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(642,131,402)	642,131,402	-	-	(654,880,550)	654,880,550	-
Total investments and other	-	(645,531,402)	645,531,402	-	-	(658,280,550)	658,280,550	-
CURRENT ASSETS:								
Cash and cash equivalents	12,568,465	-	12,562,265	6,200	47,580,882	-	47,574,682	6,200
Accounts receivable	64,187,618	-	63,739,734	447,884	43,868,306	-	43,520,435	347,871
Fuel in storage-at average cost	61,104,291	-	27,208,728	33,895,563	29,534,096	-	13,825,158	15,708,938
Materials and supplies-at average cost	42,714,417	-	25,977,651	16,736,766	39,614,395	-	23,452,273	16,162,122
Property taxes applicable to future years	1,137,500	-	1,137,500	-	1,337,500	-	1,337,500	-
Emission allowances	296,051	-	296,051	-	331,660	-	331,660	-
Income taxes receivable	4,690,064	-	4,690,064	-	-	-	-	-
Prepaid expenses and other	1,897,458	-	1,257,567	639,891	1,855,814	-	1,017,009	838,805
Total current assets	188,595,864	-	136,869,560	51,726,304	164,122,653	-	131,058,717	33,063,936
REGULATORY ASSETS:								
Unrecognized postemployment 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	-	-	-	-	-	(3,616,398)	3,616,398	-
Total regulatory assets	38,042,281	-	21,699,441	16,342,840	41,115,832	(3,616,398)	27,358,586	17,373,644
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	71,219	-	71,219	-	242,146	-	242,146	-
Income taxes receivable	4,614,683	-	4,614,683	-	9,294,909	-	9,294,909	-
Long-term investments	214,073,624	-	177,551,385	36,522,239	171,361,743	-	138,316,115	33,045,628
Other	1,121,044	-	1,120,060	984	1,534	-	550	984
Total deferred charges and other	219,880,570	-	183,357,347	36,523,223	180,900,332	-	147,853,720	33,046,612
TOTAL	\$ 1,718,868,138	\$ (645,531,402)	\$ 1,621,605,490	\$ 742,794,050	\$ 1,708,251,209	\$ (661,896,948)	\$ 1,620,799,256	\$ 749,348,901

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF JUNE 30, 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	1,082,420,641	-	1,082,420,641	-	1,236,152,723	-	1,236,152,723	-
Line of credit borrowings-long term	95,000,000	-	95,000,000	-	85,000,000	-	85,000,000	-
Retained earnings	15,754,132	-	15,754,132	-	12,169,358	-	12,169,358	-
Total capitalization	1,203,174,773	(3,400,000)	1,203,174,773	3,400,000	1,343,322,081	(3,400,000)	1,343,322,081	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	181,336,782	-	181,336,782	-	78,052,948	-	78,052,948	-
Accounts payable	28,425,419	-	13,020,560	15,404,859	25,962,375	-	14,350,779	11,611,596
Accrued taxes	7,504,857	-	4,310,314	3,194,543	8,690,132	-	5,193,231	3,496,901
Regulatory liabilities	9,322,781	-	8,373,766	949,015	5,413,837	-	4,668,795	745,042
Accrued interest and other	18,173,059	-	15,251,937	2,921,122	18,720,386	-	15,628,346	3,092,040
Total current liabilities	244,762,898	-	222,293,359	22,469,539	136,839,678	-	117,894,099	18,945,579
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	67,172,978	-	49,880,071	17,292,907	54,828,009	-	40,886,464	13,941,545
Decommissioning and demolition	7,904,766	-	810,516	7,094,250	1,536,390	(3,616,398)	-	5,152,788
Advance billing of debt reserve	75,000,000	-	75,000,000	-	44,000,000	-	44,000,000	-
Income taxes refundable to customers	11,571,428	-	11,571,428	-	11,571,428	-	11,571,428	-
Total regulatory liabilities	161,649,172	-	137,262,015	24,387,157	111,935,827	(3,616,398)	96,457,892	19,094,333
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	-	(642,131,402)	-	642,131,402	-	(654,880,550)	-	654,880,550
Other liabilities	805,735	-	697,610	108,125	670,486	-	505,336	165,150
Total other liabilities	109,281,295	(642,131,402)	58,875,343	692,537,354	116,153,623	(654,880,550)	63,125,184	707,908,989
TOTAL	\$ 1,718,868,138	\$ (645,531,402)	\$ 1,621,605,490	\$ 742,794,050	\$ 1,708,251,209	\$ (661,896,948)	\$ 1,620,799,256	\$ 749,348,901

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF JUNE 30, 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	\$ 2,408,837	\$ -	\$ 2,408,837	\$ -	\$ 4,087,834	\$ -	\$ 4,087,834	\$ -
Ohio Valley Electric Corp.	-	(132,023,125)	-	132,023,125	-	(129,283,491)	-	129,283,491
Sponsoring Companies	299,060,815	-	299,060,815	-	299,717,307	-	299,717,307	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	301,469,652	(132,023,125)	301,469,652	132,023,125	303,805,141	(129,283,491)	303,805,141	129,283,491
OPERATING EXPENSES:								
Fuel and emission allowances consumed in operation	128,944,407	-	58,647,792	70,296,615	137,827,299	-	61,733,533	76,093,766
Purchased power	2,330,308	(132,023,125)	134,353,433	-	3,869,723	(129,283,491)	133,153,214	-
Other operation	44,590,350	-	29,594,940	14,995,410	40,276,840	-	24,823,115	15,453,725
Maintenance	47,365,128	-	23,400,575	23,964,553	43,862,627	-	22,567,470	21,295,157
Depreciation	45,210,810	-	21,877,945	23,332,865	28,177,103	-	14,418,286	13,758,817
Taxes-other than federal income taxes	6,073,938	-	3,740,748	2,333,190	6,080,480	-	3,457,581	2,622,899
Federal income taxes	-	-	-	-	-	-	-	-
Total operating expenses	274,514,941	(132,023,125)	271,615,433	134,922,633	260,094,072	(129,283,491)	260,153,199	129,224,364
OPERATING INCOME	26,954,711	-	29,854,219	(2,899,508)	43,711,069	-	43,651,942	59,127
OTHER INCOME (EXPENSE)	15,324,566	-	12,419,894	2,904,672	(832,795)	-	(779,110)	(53,685)
INCOME BEFORE INTEREST CHARGES	42,279,277	-	42,274,113	5,164	42,878,274	-	42,872,832	5,442
INTEREST CHARGES:								
Amortization of debt expense	2,050,321	-	2,050,321	-	2,076,244	-	2,076,244	-
Interest expense	38,713,556	-	38,708,392	5,164	38,974,923	-	38,969,481	5,442
Total interest charges	40,763,877	-	40,758,713	5,164	41,051,167	-	41,045,725	5,442
NET INCOME	\$ 1,515,400	\$ -	\$ 1,515,400	\$ -	\$ 1,827,107	\$ -	\$ 1,827,107	\$ -
RETAINED EARNINGS, JAN 1	14,238,732	-	14,238,732	-	10,342,251	-	10,342,251	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, JUN 30	\$ 15,754,132	\$ -	\$ 15,754,132	\$ -	\$ 12,169,358	\$ -	\$ 12,169,358	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF JUNE 30, 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	\$ 1,515,400	\$ -	\$ 1,515,400	\$ -	\$ 1,827,107	\$ -	\$ 1,827,107	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	45,210,810	-	21,877,945	23,332,865	28,177,103	-	14,418,286	13,758,817
Amortization of debt expense and discount	2,050,321	-	2,050,321	-	2,076,244	-	2,076,244	-
Deferred taxes	-	-	-	-	-	-	-	-
(Gain)/loss on marketable securities	(15,112,197)	-	(12,189,480)	(2,922,717)	1,424,514	-	1,153,546	270,968
Changes in assets and liabilities:								
Accounts receivable	91,278	-	(224,187)	315,465	(3,133,969)	-	(3,152,333)	18,364
Fuel in storage	(27,630,105)	-	(10,094,705)	(17,535,400)	4,283,015	-	(4,074,848)	8,357,863
Material and supplies	(2,079,774)	-	(1,566,482)	(513,292)	(1,169,118)	-	(1,144,904)	(24,214)
Property taxes applicable to subsequent years	1,925,000	-	1,925,000	-	1,575,000	-	1,575,000	-
Emission allowances	2,304	-	2,304	-	24,192	-	24,192	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	278,447	-	(12,675)	291,122	196,164	-	93,694	102,470
Other regulatory assets	8,721,689	-	8,721,689	-	885,038	-	885,038	-
Other noncurrent assets	124,593	-	124,593	-	-	-	-	-
Accounts payable	(12,887,968)	-	(9,073,694)	(3,814,274)	(5,369,047)	-	(188,406)	(5,180,641)
Accrued taxes	(3,220,908)	-	(2,867,165)	(353,743)	(2,109,018)	-	(2,047,267)	(61,751)
Accrued interest and other	(2,490,132)	-	(778,296)	(1,711,836)	(6,964,454)	-	(4,796,461)	(2,167,993)
Decommissioning and demolition	5,085,944	-	810,516	4,275,428	1,329,506	-	-	1,329,506
Other regulatory liabilities	20,178,910	-	23,771,143	(3,592,233)	15,836,550	-	15,563,865	272,685
Other noncurrent liabilities	323,227	-	300,716	22,511	68,134	-	-	68,134
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	22,086,839	-	24,292,943	(2,206,104)	38,956,961	-	22,212,753	16,744,208
INVESTING ACTIVITIES								
Electric plant additions	(21,404,711)	-	(16,091,257)	(5,313,454)	(6,275,261)	-	(3,903,603)	(2,371,658)
Sale (Purchase) of marketable securities	(17,689,894)	-	(16,337,183)	(1,352,711)	(18,512,297)	-	(16,227,541)	(2,284,756)
Advances to subsidiary company	-	8,872,269	(8,872,269)	-	-	(12,087,794)	12,087,794	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(39,094,605)	8,872,269	(41,300,709)	(6,666,165)	(24,787,558)	(12,087,794)	(8,043,350)	(4,656,414)
FINANCING ACTIVITIES								
Advances from parent company	-	(8,872,269)	-	8,872,269	-	12,087,794	-	(12,087,794)
Repayment of Senior 2006 Notes	(10,856,324)	-	(10,856,324)	-	(10,249,741)	-	(10,249,741)	-
Repayment of Senior 2007 Notes	(7,709,825)	-	(7,709,825)	-	(7,271,806)	-	(7,271,806)	-
Repayment of Senior 2008 Notes	(8,358,674)	-	(8,358,674)	-	(7,834,123)	-	(7,834,123)	-
Redemption of 2009 Bonds	-	-	-	-	-	-	-	-
Proceeds from line of credit	10,000,000	-	10,000,000	-	-	-	-	-
Payments on line of credit	-	-	-	-	-	-	-	-
Loan maintenance costs	(1,022,502)	-	(1,022,502)	-	(210,941)	-	(210,941)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(17,947,325)	(8,872,269)	(17,947,325)	8,872,269	(25,566,611)	12,087,794	(25,566,611)	(12,087,794)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (34,955,091)	\$ -	\$ (34,955,091)	\$ 6,200	\$ (11,397,208)	\$ -	\$ (11,397,208)	\$ -
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, JUN. 30	\$ 12,568,465	\$ -	\$ 12,562,265	\$ 6,200	\$ 47,580,882	\$ -	\$ 47,574,682	\$ 6,200