

THIS FILING IS

Item 1:  An Initial (Original) Submission OR  Resubmission No. \_\_\_\_\_

Form 1 Approved  
OMB No.1902-0021  
(Expires 12/31/2019)  
Form 1-F Approved  
OMB No.1902-0029  
(Expires 12/31/2019)  
Form 3-Q Approved  
OMB No.1902-0205  
(Expires 12/31/2019)



# FERC FINANCIAL REPORT

## FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

**Exact Legal Name of Respondent (Company)**

Indiana-Kentucky Electric Corporation

**Year/Period of Report**

End of 2016/Q4

## INSTRUCTIONS FOR FILING FERC FORM NOS. 1 and 3-Q

### GENERAL INFORMATION

#### I. Purpose

FERC Form No. 1 (FERC Form 1) is an annual regulatory requirement for Major electric utilities, licensees and others (18 C.F.R. § 141.1). FERC Form No. 3-Q (FERC Form 3-Q) is a quarterly regulatory requirement which supplements the annual financial reporting requirement (18 C.F.R. § 141.400). These reports are designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be non-confidential public use forms.

#### II. Who Must Submit

Each Major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1 (18 C.F.R. § 141.1), and FERC Form 3-Q (18 C.F.R. § 141.400).

Note: Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

- (1) one million megawatt hours of total annual sales,
- (2) 100 megawatt hours of annual sales for resale,
- (3) 500 megawatt hours of annual power exchanges delivered, or
- (4) 500 megawatt hours of annual wheeling for others (deliveries plus losses).

#### III. What and Where to Submit

(a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: <http://www.ferc.gov/docs-filing/forms/form-1/elec-subm-soft.asp>. The software is used to submit the electronic filing to the Commission via the Internet.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

(d) For the CPA Certification Statement, submit within 30 days after filing the FERC Form 1, a letter or report (not applicable to filers classified as Class C or Class D prior to January 1, 1984). The CPA Certification Statement can be either eFiled or mailed to the Secretary of the Commission at the address above.

The CPA Certification Statement should:

- a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and
- b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 41.10-41.12 for specific qualifications.)

<u>Reference Schedules</u>	<u>Pages</u>
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

- e) The following format must be used for the CPA Certification Statement unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

"In connection with our regular examination of the financial statements of \_\_\_\_\_ for the year ended on which we have reported separately under date of \_\_\_\_\_, we have also reviewed schedules \_\_\_\_\_ of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases."

The letter or report must state which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

- (f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at <http://www.ferc.gov/help/how-to.asp>.

- (g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from <http://www.ferc.gov/docs-filing/forms/form-1/form-1.pdf> and <http://www.ferc.gov/docs-filing/forms.asp#3Q-gas>.

#### **IV. When to Submit:**

FERC Forms 1 and 3-Q must be filed by the following schedule:

- a) FERC Form 1 for each year ending December 31 must be filed by April 18<sup>th</sup> of the following year (18 CFR § 141.1), and
- b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

**V. Where to Send Comments on Public Reporting Burden.**

The public reporting burden for the FERC Form 1 collection of information is estimated to average 1,144 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the FERC Form 3-Q collection of information is estimated to average 150 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

## GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA). Interpret all accounting words and phrases in accordance with the USofA.
- II. Enter in whole numbers (dollars or MWH) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.
- V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII. below).
- VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.
- VII. For any resubmissions, submit the electronic filing using the form submission software only. Please explain the reason for the resubmission in a footnote to the data field.
- VIII. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.
- IX. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

Definitions for statistical classifications used for completing schedules for transmission system reporting are as follows:

FNS - Firm Network Transmission Service for Self. "Firm" means service that can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO - Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP - for Long-Term Firm Point-to-Point Transmission Reservations. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Point-to-Point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the

termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

SFP - Short-Term Firm Point-to-Point Transmission Reservations. Use this classification for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than one-year.

NF - Non-Firm Transmission Service, where firm means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

OS - Other Transmission Service. Use this classification only for those services which can not be placed in the above-mentioned classifications, such as all other service regardless of the length of the contract and service FERC Form. Describe the type of service in a footnote for each entry.

AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment.

#### DEFINITIONS

I. Commission Authorization (Comm. Auth.) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.

II. Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

## EXCERPTS FROM THE LAW

### Federal Power Act, 16 U.S.C. § 791a-825r

Sec. 3. The words defined in this section shall have the following meanings for purposes of this Act, to with:

(3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;

(4) 'Person' means an individual or a corporation;

(5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;

(7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power; .....

(11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

"Sec. 4. The Commission is hereby authorized and empowered

(a) To make investigations and to collect and record data concerning the utilization of the water 'resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development -costs, and relation to markets of power sites; ... to the extent the Commission may deem necessary or useful for the purposes of this Act."

"Sec. 304. (a) Every Licensee and every public utility shall file with the Commission such annual and other periodic or special\* reports as the Commission may be rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the -proper administration of this Act. The Commission may prescribe the manner and FERC Form in which such reports salt be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and Liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies\*.10

"Sec. 309. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the FERC Form or FERC Forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed..."

#### **General Penalties**

The Commission may assess up to \$1 million per day per violation of its rules and regulations. *See* FPA § 316(a) (2005), 16 U.S.C. § 825o(a).





**Deloitte & Touche LLP**  
250 East 5th Street  
Suite 1900  
Cincinnati, OH 45202-5109  
USA

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Fax: +1 513 784 7204  
www.deloitte.com

## **INDEPENDENT AUDITORS' REPORT**

Indiana-Kentucky Electric Corporation  
Piketon, Ohio

We have audited the accompanying financial statements of Indiana-Kentucky Electric Corporation (the "Company"), which comprise the balance sheet — regulatory basis as of December 31, 2016, and the related statements of income — regulatory basis and cash flows — regulatory basis for the year then ended, included on pages 110 through 123 of the accompanying Federal Energy Regulatory Commission Form 1, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the regulatory-basis financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of the Company as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

**Basis of Accounting**

As discussed in Note 1 to the financial statements, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Restricted Use**

This report is intended solely for the information and use of the board of directors and management of the Company and for filing with the Federal Energy Regulatory Commission and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte + Touche LLP*

May 3, 2017

**FERC FORM NO. 1/3-Q:  
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER**


**IDENTIFICATION**

01 Exact Legal Name of Respondent Indiana-Kentucky Electric Corporation		02 Year/Period of Report End of <u>2016/Q4</u>	
03 Previous Name and Date of Change (if name changed during year)  / /			
04 Address of Principal Office at End of Period (Street, City, State, Zip Code) 3932 U.S. Route 23, Piketon, Ohio 45661			
05 Name of Contact Person John D. Brodt		06 Title of Contact Person Secretary and Treasurer	
07 Address of Contact Person (Street, City, State, Zip Code) 3932 U.S. Route 23, Piketon, Ohio 45661			
08 Telephone of Contact Person, Including Area Code (740) 289-7200	09 This Report Is (1) <input checked="" type="checkbox"/> An Original      (2) <input type="checkbox"/> A Resubmission		10 Date of Report (Mo, Da, Yr) 12/31/2016

**ANNUAL CORPORATE OFFICER CERTIFICATION**

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name John D. Brodt	03 Signature  John D. Brodt	04 Date Signed (Mo, Da, Yr) 05/03/2017
02 Title CFO, Secretary and Treasurer		

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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LIST OF SCHEDULES (Electric Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
1	General Information	101	
2	Control Over Respondent	102	
3	Corporations Controlled by Respondent	103	NONE
4	Officers	104	
5	Directors	105	
6	Information on Formula Rates	106(a)(b)	NA
7	Important Changes During the Year	108-109	
8	Comparative Balance Sheet	110-113	
9	Statement of Income for the Year	114-117	
10	Statement of Retained Earnings for the Year	118-119	NONE
11	Statement of Cash Flows	120-121	
12	Notes to Financial Statements	122-123	
13	Statement of Accum Comp Income, Comp Income, and Hedging Activities	122(a)(b)	NONE
14	Summary of Utility Plant & Accumulated Provisions for Dep, Amort & Dep	200-201	
15	Nuclear Fuel Materials	202-203	NA
16	Electric Plant in Service	204-207	
17	Electric Plant Leased to Others	213	NONE
18	Electric Plant Held for Future Use	214	NONE
19	Construction Work in Progress-Electric	216	
20	Accumulated Provision for Depreciation of Electric Utility Plant	219	
21	Investment of Subsidiary Companies	224-225	NONE
22	Materials and Supplies	227	
23	Allowances	228(ab)-229(ab)	
24	Extraordinary Property Losses	230	NONE
25	Unrecovered Plant and Regulatory Study Costs	230	NONE
26	Transmission Service and Generation Interconnection Study Costs	231	NONE
27	Other Regulatory Assets	232	
28	Miscellaneous Deferred Debits	233	
29	Accumulated Deferred Income Taxes	234	
30	Capital Stock	250-251	
31	Other Paid-in Capital	253	NONE
32	Capital Stock Expense	254	NONE
33	Long-Term Debt	256-257	NONE
34	Reconciliation of Reported Net Income with Taxable Inc for Fed Inc Tax	261	
35	Taxes Accrued, Prepaid and Charged During the Year	262-263	
36	Accumulated Deferred Investment Tax Credits	266-267	NONE

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
37	Other Deferred Credits	269	
38	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	NONE
39	Accumulated Deferred Income Taxes-Other Property	274-275	
40	Accumulated Deferred Income Taxes-Other	276-277	
41	Other Regulatory Liabilities	278	
42	Electric Operating Revenues	300-301	
43	Regional Transmission Service Revenues (Account 457.1)	302	NONE
44	Sales of Electricity by Rate Schedules	304	NONE
45	Sales for Resale	310-311	
46	Electric Operation and Maintenance Expenses	320-323	
47	Purchased Power	326-327	NONE
48	Transmission of Electricity for Others	328-330	NONE
49	Transmission of Electricity by ISO/RTOs	331	NONE
50	Transmission of Electricity by Others	332	NONE
51	Miscellaneous General Expenses-Electric	335	
52	Depreciation and Amortization of Electric Plant	336-337	
53	Regulatory Commission Expenses	350-351	NONE
54	Research, Development and Demonstration Activities	352-353	
55	Distribution of Salaries and Wages	354-355	
56	Common Utility Plant and Expenses	356	NONE
57	Amounts included in ISO/RTO Settlement Statements	397	NONE
58	Purchase and Sale of Ancillary Services	398	NONE
59	Monthly Transmission System Peak Load	400	
60	Monthly ISO/RTO Transmission System Peak Load	400a	NONE
61	Electric Energy Account	401	
62	Monthly Peaks and Output	401	
63	Steam Electric Generating Plant Statistics	402-403	
64	Hydroelectric Generating Plant Statistics	406-407	NONE
65	Pumped Storage Generating Plant Statistics	408-409	NONE
66	Generating Plant Statistics Pages	410-411	NONE

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
67	Transmission Line Statistics Pages	422-423	
68	Transmission Lines Added During the Year	424-425	NONE
69	Substations	426-427	NONE
70	Transactions with Associated (Affiliated) Companies	429	
71	Footnote Data	450	
	<p>Stockholders' Reports Check appropriate box:</p> <p><input checked="" type="checkbox"/> Two copies will be submitted</p> <p><input type="checkbox"/> No annual report to stockholders is prepared</p>		

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**GENERAL INFORMATION**

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

John D. Brodt, Secretary and Treasurer  
3932 U.S. Route 23  
P.O. Box 468  
Piketon, Ohio 45661

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Incorporated in the State of Indiana under Indiana General Corporation Act on October 1, 1952.

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Major - Electric Utility - Indiana

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

- (1)  Yes...Enter the date when such independent accountant was initially engaged:  
(2)  No

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**CONTROL OVER RESPONDENT**

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the respondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiaries for whom trust was maintained, and purpose of the trust.

All of the outstanding stock of Indiana-Kentucky Electric Corporation is owned by Ohio Valley Electric Corporation. Ohio Valley Electric Corporation, in turn, is owned by twelve entities consisting of ten investor-owned utilities or utility holding companies and two affiliates of generation and transmission rural electric cooperatives. American Electric Power Company, Inc., and its subsidiary, Columbus Southern Power Company held 43.47% of Ohio Valley Electric Corporation's capital stock at December 31, 2016.



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**OFFICERS**

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	President	Nicholas K. Akins	
2	Vice President and Chief Operating Officer	Robert A. Osborne	
3	Chief Financial Officer, Secretary and Treasurer	John D. Brodt	
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Name of Respondent Indiana-Kentucky Electric Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
FOOTNOTE DATA			

**Schedule Page: 104 Line No.: 1 Column: c**  
Salaries are none.

**Schedule Page: 104 Line No.: 2 Column: c**  
Salaries are none.

**Schedule Page: 104 Line No.: 3 Column: c**  
Salaries are none.

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**DIRECTORS**

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	Nicholas K. Akins **	1 Riverside Plaza, Columbus, OH 43215
2	Paul Chodak	110 East Wayne St., Ft. Wayne, IN 46802
3	Wayne D. Games	One Vectren Square, Evansville, IN 47708
4	Marc E. Lewis	110 East Wayne St., Ft. Wayne, IN 46802
5	David A. Lucas	110 East Wayne St., Ft. Wayne, IN 46802
6	Donald A. Moul ***	341 White Pond Drive, WAC-A3, Akron, OH 44320
7	Patrick W. O'Loughlin ***	6677 Busch Blvd., Columbus, OH 43229
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Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**IMPORTANT CHANGES DURING THE QUARTER/YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No. 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK  
SEE PAGE 109 FOR REQUIRED INFORMATION.

Name of Respondent Indiana-Kentucky Electric Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

1. Not Applicable
2. Not Applicable
3. Not Applicable
4. Not Applicable
5. Not Applicable
6. None
7. Not Applicable
8. All 2015 employees shared a \$1,545,135 bonus that was paid in 2016.
9. Not Applicable
10. Not Applicable
11. Not Applicable
12. See Notes to the Financial Statements beginning on page 122.
13. None
14. Not Applicable

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	<b>UTILITY PLANT</b>			
2	Utility Plant (101-106, 114)	200-201	1,378,074,851	1,370,706,647
3	Construction Work in Progress (107)	200-201	6,396,439	7,885,207
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		1,384,471,290	1,378,591,854
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	680,480,919	657,512,429
6	Net Utility Plant (Enter Total of line 4 less 5)		703,990,371	721,079,425
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		703,990,371	721,079,425
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	<b>OTHER PROPERTY AND INVESTMENTS</b>			
18	Nonutility Property (121)		0	0
19	(Less) Accum. Prov. for Depr. and Amort. (122)		0	0
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		0	0
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		26,917,404	24,550,317
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		26,917,404	24,550,317
33	<b>CURRENT AND ACCRUED ASSETS</b>			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		0	0
36	Special Deposits (132-134)		1,000	1,000
37	Working Fund (135)		5,200	5,200
38	Temporary Cash Investments (136)		0	0
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		0	0
41	Other Accounts Receivable (143)		27,376	70,012
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		0	0
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		0	0
45	Fuel Stock (151)	227	39,219,809	46,103,193
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	13,897,536	13,486,071
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	0	0

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**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)** (Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	0	0
55	Gas Stored Underground - Current (164.1)		0	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		956,432	1,000,978
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		0	0
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		0	0
62	Miscellaneous Current and Accrued Assets (174)		0	0
63	Derivative Instrument Assets (175)		0	0
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		54,107,353	60,666,454
68	<b>DEFERRED DEBITS</b>			
69	Unamortized Debt Expenses (181)		0	0
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	18,240,739	14,246,057
73	Prelim. Survey and Investigation Charges (Electric) (183)		2,774,983	1,034,571
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		5,997	984
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	8,679	0
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		0	0
82	Accumulated Deferred Income Taxes (190)	234	10,699,917	9,221,113
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		31,730,315	24,502,725
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		816,745,443	830,798,921

Name of Respondent Indiana-Kentucky Electric Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (mo, da, yr) 12/31/2016	Year/Period of Report end of 2016/Q4
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**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	<b>PROPRIETARY CAPITAL</b>			
2	Common Stock Issued (201)	250-251	3,400,000	3,400,000
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		0	0
7	Other Paid-In Capital (208-211)	253	0	0
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	0	0
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Required Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	0	0
16	<b>Total Proprietary Capital (lines 2 through 15)</b>		<b>3,400,000</b>	<b>3,400,000</b>
17	<b>LONG-TERM DEBT</b>			
18	Bonds (221)	256-257	0	0
19	(Less) Required Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	0	0
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	<b>Total Long-Term Debt (lines 18 through 23)</b>		<b>0</b>	<b>0</b>
25	<b>OTHER NONCURRENT LIABILITIES</b>			
26	Obligations Under Capital Leases - Noncurrent (227)		48,538	129,238
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		0	0
29	Accumulated Provision for Pensions and Benefits (228.3)		35,921,839	29,063,304
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		19,231,625	18,195,463
35	<b>Total Other Noncurrent Liabilities (lines 26 through 34)</b>		<b>55,202,002</b>	<b>47,388,005</b>
36	<b>CURRENT AND ACCRUED LIABILITIES</b>			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		17,904,169	17,209,902
39	Notes Payable to Associated Companies (233)		0	0
40	Accounts Payable to Associated Companies (234)		0	0
41	Customer Deposits (235)		1,000	1,000
42	Taxes Accrued (236)	262-263	3,457,819	3,256,405
43	Interest Accrued (237)		0	0
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0





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**STATEMENT OF INCOME**

**Quarterly**

1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
5. If additional columns are needed, place them in a footnote.

**Annual or Quarterly if applicable**

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	248,795,894	260,051,143		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	174,664,975	186,621,494		
5	Maintenance Expenses (402)	320-323	40,774,001	41,589,830		
6	Depreciation Expense (403)	336-337	30,213,120	26,132,971		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337				
8	Amort. & Depl. of Utility Plant (404-405)	336-337				
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)					
13	(Less) Regulatory Credits (407.4)					
14	Taxes Other Than Income Taxes (408.1)	262-263	5,470,647	4,922,979		
15	Income Taxes - Federal (409.1)	262-263				
16	- Other (409.1)	262-263		56,692		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277				
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277				
19	Investment Tax Credit Adj. - Net (411.4)	266				
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)					
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)					
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		251,122,743	259,323,966		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		-2,326,849	727,177		

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
- 11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	
						1
248,795,894	260,051,143					2
						3
174,664,975	186,621,494					4
40,774,001	41,589,830					5
30,213,120	26,132,971					6
						7
						8
						9
						10
						11
						12
						13
5,470,647	4,922,979					14
						15
	56,692					16
						17
						18
						19
						20
						21
						22
						23
						24
251,122,743	259,323,966					25
-2,326,849	727,177					26

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
			Current Year (c)	Previous Year (d)		
27	Net Utility Operating Income (Carried forward from page 114)		-2,326,849	727,177		
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)					
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)					
33	Revenues From Nonutility Operations (417)					
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)					
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		2,391,605	-666,020		
38	Allowance for Other Funds Used During Construction (419.1)					
39	Miscellaneous Nonoperating Income (421)		7,319	7,321		
40	Gain on Disposition of Property (421.1)					
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		2,398,924	-658,699		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)					
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		56,061	39,801		
46	Life Insurance (426.2)					
47	Penalties (426.3)			776		
48	Exp. for Certain Civic, Political & Related Activities (426.4)					
49	Other Deductions (426.5)					
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		56,061	40,577		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263				
53	Income Taxes-Federal (409.2)	262-263				
54	Income Taxes-Other (409.2)	262-263				
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277				
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277				
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)					
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		2,342,863	-699,276		
61	Interest Charges					
62	Interest on Long-Term Debt (427)					
63	Amort. of Debt Disc. and Expense (428)					
64	Amortization of Loss on Reaquired Debt (428.1)					
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)					
68	Other Interest Expense (431)		16,014	27,901		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)					
70	Net Interest Charges (Total of lines 62 thru 69)		16,014	27,901		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)					
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)					

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**STATEMENT OF CASH FLOWS**

- (1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
- (2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
- (3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
- (4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	<b>Net Cash Flow from Operating Activities:</b>		
2	Net Income (Line 78(c) on page 117)		
3	<b>Noncash Charges (Credits) to Income:</b>		
4	Depreciation and Depletion	30,213,120	26,132,971
5	Amortization of		
6	(Gain)/Loss on Marketable Securities	-1,501,794	1,425,885
7			
8	Deferred Income Taxes (Net)		
9	Investment Tax Credit Adjustment (Net)		
10	Net (Increase) Decrease in Receivables	33,957	303,085
11	Net (Increase) Decrease in Inventory	6,471,919	-11,819,169
12	Net (Increase) Decrease in Allowances Inventory		
13	Net Increase (Decrease) in Payables and Accrued Expenses	2,785,479	-11,155,793
14	Net (Increase) Decrease in Other Regulatory Assets	-3,994,682	1,096,763
15	Net Increase (Decrease) in Other Regulatory Liabilities	1,851,344	1,362,210
16	(Less) Allowance for Other Funds Used During Construction		
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Principal Payments Under Capital Lease	-237,827	-376,860
19	Prepaid Expenses and Other	39,531	84,504
20	Other Liabilities	8,051,824	-4,997,195
21			
22	<b>Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)</b>	<b>43,712,871</b>	<b>2,056,401</b>
23			
24	<b>Cash Flows from Investment Activities:</b>		
25	<b>Construction and Acquisition of Plant (including land):</b>		
26	Gross Additions to Utility Plant (less nuclear fuel)	-15,118,784	-12,206,352
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant		
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction		
31	Other (provide details in footnote):		
32			
33			
34	<b>Cash Outflows for Plant (Total of lines 26 thru 33)</b>	<b>-15,118,784</b>	<b>-12,206,352</b>
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)		
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies		
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)	-10,687,948	-3,551,596
45	Proceeds from Sales of Investment Securities (a)	9,822,656	2,809,930

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**STATEMENT OF CASH FLOWS**

- (1) Codes to be used: (a) Net Proceeds or Payments; (b) Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
- (2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
- (3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
- (4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48			
49	Net (Increase) Decrease in Receivables		
50	Net (Increase ) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):		
54			
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-15,984,076	-12,948,018
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)		
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65			
66	Net Increase in Short-Term Debt (c)		
67	Other (provide details in footnote):		
68	Advances From Parent	-27,728,795	10,891,617
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	-27,728,795	10,891,617
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):		
77			
78	Net Decrease in Short-Term Debt (c)		
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock		
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	-27,728,795	10,891,617
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)		
87			
88	Cash and Cash Equivalents at Beginning of Period	6,200	6,200
89			
90	Cash and Cash Equivalents at End of period	6,200	6,200

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report 12/31/2016	Year/Period of Report End of 2016/Q4
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**NOTES TO FINANCIAL STATEMENTS**

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK  
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Indiana-Kentucky Electric Corporation	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2016	2016/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

This FERC Form 1 represents the financial statements of Indiana-Kentucky Electric Corporation at December 31, 2016. Indiana-Kentucky Electric Corporation's financial statements have been prepared in conformity with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles. The following areas represent significant differences between the Uniform System of Accounts and generally accepted accounting principles: (1) the presentation of majority-owned subsidiaries, (2) the disclosure of certain significant non-cash transactions, (3) the presentation of current and non-current portions of long-term debt, and certain other assets and liabilities, (4) the presentation of preliminary survey and investigation charges, and (5) the gross presentation of certain regulatory assets and regulatory liabilities.

Generally accepted accounting principles require that majority-owned subsidiaries be consolidated for financial reporting purposes. FERC requires majority-owned subsidiaries be reported as set forth in the Uniform System of Accounts and published accounting releases, which require majority-owned subsidiaries to be presented on an unconsolidated basis.

Generally accepted accounting principles require that the current and non-current portions of assets and liabilities be appropriately identified and reported as such on the balance sheet. FERC requires that certain items such as long-term debt, regulatory assets, and regulatory liabilities be reported as set forth in the Uniform System of Accounts and published accounting releases, which does not recognize any segregation between the current and non-current portions of these items for reporting purposes.

Generally accepted accounting principles require that preliminary survey and investigation charges be recorded as a component of construction work in progress. FERC requires that these items be reported as set forth in the Uniform System of Accounts and published accounting releases, which require preliminary survey and investigation charges be recorded as a deferred debit.

Generally accepted accounting principles allow for net presentation of certain regulatory assets and liabilities when the legal right of offset exists. FERC requires that these items be reported as set forth in the Uniform System of Accounts and published accounting releases, which require gross presentation of certain regulatory assets and liabilities. FERC also requires certain deferred tax assets and liabilities be presented gross in the balance sheet, whereas U.S. GAAP requires netting of deferred tax assets and liabilities to the extent they arise from the same tax jurisdiction.

Ohio Valley Electric Corporation's Notes to Consolidating Financial Statements have been prepared in conformity with generally accepted accounting principles. Accordingly, certain footnotes do not tie directly to amounts in Ohio Valley Electric Corporation's Financial Statements contained herein.

Management has evaluated the impact of events occurring after December 31, 2016 up to April 12, 2017, the date that Ohio Valley Electric Corporation's U.S. GAAP financial statements were issued and has updated such evaluation for disclosure purposes through May 3, 2017. These financial statements include all necessary adjustments and disclosures resulting from these evaluations.

## OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

### NOTES TO CONSOLIDATING FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

#### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES



Name of Respondent Indiana-Kentucky Electric Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Consolidating Financial Statements**—The consolidating financial statements include the accounts of Ohio Valley Electric Corporation (OVEC) and its wholly owned subsidiary, Indiana-Kentucky Electric Corporation (IKEC), collectively, the Companies. All intercompany transactions have been eliminated in consolidation.

**Organization**—The Companies own two generating stations located in Ohio and Indiana with a combined electric production capability of approximately 2,256 megawatts. OVEC is owned by several investor-owned utilities or utility holding companies and two affiliates of generation and transmission rural electric cooperatives. These entities or their affiliates comprise the Sponsoring Companies. The Sponsoring Companies purchase power from OVEC according to the terms of the Inter-Company Power Agreement (ICPA), which has a current termination date of June 30, 2040. Approximately 26% of the Companies' employees are covered by a collective bargaining agreement that expires on August 31, 2017.

Prior to 2004, OVEC's primary commercial customer was the U.S. Department of Energy (DOE). The contract to provide OVEC-generated power to the DOE was terminated in 2003 and all obligations were settled at that time. Currently, OVEC has an agreement to arrange for the purchase of power (Arranged Power), under the direction of the DOE, for resale directly to the DOE. The agreement with the DOE expires on October 31, 2017. All purchase costs are billable by OVEC to the DOE.

**Rate Regulation**—The proceeds from the sale of power to the Sponsoring Companies are designed to be sufficient for OVEC to meet its operating expenses and fixed costs, as well as earn a return on equity before federal income taxes. In addition, the proceeds from power sales are designed to cover debt amortization and interest expense associated with financings. The Companies have continued and expect to continue to operate pursuant to the cost plus rate of return recovery provisions at least to June 30, 2040, the date of termination of the ICPA. However, during 2014, the Companies began reducing their billings under the ICPA in order to effectively forego recovery of the equity return and to pass only incurred costs on to customers through the ICPA billings. Additionally, in 2016, one of the Sponsoring Companies announced that it intended to exit its merchant business and that it may pursue restructuring or bankruptcy. This Sponsoring Company's ownership and power participating benefits and requirements are approximately 8%. However, the Companies have the ongoing ability to access the credit markets to fund ongoing liquidity needs, and the Sponsoring Companies remain obligated to fund debt service payments when due.

The accounting guidance for Regulated Operations provides that rate-regulated utilities account for and report assets and liabilities consistent with the economic effect of the way in which rates are established, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. The Companies follow the accounting and reporting requirements in accordance with the guidance for Regulated Operations. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred in the accompanying consolidating balance sheets and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers.

The Companies' regulatory assets, liabilities, and amounts authorized for recovery through Sponsor billings at December 31, 2016 and 2015, were as follows:

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NOTES TO FINANCIAL STATEMENTS (Continued)

	2016		2015	
	OVEC	IKEC	OVEC	IKEC
Regulatory assets:				
Other assets:				
Unrecognized postemployment benefits	\$ 2,502,691	\$ 1,770,691	\$ 903,443	\$ 1,623,098
Unrecognized pension benefits	20,658,104	16,470,048	15,266,921	12,622,959
Income taxes billable to customers	-	-	805,988	-
<b>Total</b>	<b>23,160,795</b>	<b>18,240,739</b>	<b>16,976,352</b>	<b>14,246,057</b>
<b>Total regulatory assets</b>	<b>\$ 23,160,795</b>	<b>\$ 18,240,739</b>	<b>\$ 16,976,352</b>	<b>\$ 14,246,057</b>
Regulatory liabilities:				
Current liabilities:				
Deferred credit—EPA emission allowance proceeds	\$ -	\$ -	\$ 70,566	\$ 32,525
Deferred revenue—advances for construction	3,094,147	6,628,825	13,019,786	2,396,646
Deferred credit—advance collection of interest	1,887,356	-	2,003,269	-
<b>Total</b>	<b>4,981,503</b>	<b>6,628,825</b>	<b>15,093,621</b>	<b>2,429,171</b>
Other liabilities:				
Postretirement benefits	27,632,746	5,353,590	35,747,594	9,032,825
Income taxes refundable to customers	5,433,716	-	-	-
Decommissioning and demolition	5,991,197	7,516,655	5,033,950	6,185,730
<b>Total</b>	<b>39,057,659</b>	<b>12,870,245</b>	<b>40,781,544</b>	<b>15,218,555</b>
<b>Total regulatory liabilities</b>	<b>\$ 44,039,162</b>	<b>\$ 19,499,070</b>	<b>\$ 55,875,165</b>	<b>\$ 17,647,726</b>

**Regulatory Assets**—Regulatory assets consist primarily of pension benefit costs, postemployment benefit costs, and income taxes billable to customers. The Companies’ current billing policy for pension and postemployment benefit costs is to bill its actual plan funding.

**Regulatory Liabilities**—The regulatory liabilities classified as current in the accompanying consolidating balance sheet as of December 31, 2016, consist primarily of interest expense collected from customers in advance of expense recognition and customer billings for construction in progress. These amounts will be credited to customer bills during 2017. Other regulatory liabilities consist primarily of postretirement benefit costs and decommissioning and demolition costs that have been billed to customers in excess of cumulative expense recognition and income taxes refundable to customers that will be credited to bills over a long-term basis.

In 2003, the DOE terminated the DOE Power Agreement with OVEC, entitling the Sponsoring Companies to 100% of OVEC’s generating capacity under the terms of the ICPA. Under the terms of the DOE Power Agreement, OVEC was entitled to receive a “termination payment” from the DOE to recover unbilled costs upon termination of the agreement. The termination payment included unbilled postretirement benefit costs. In 2003, OVEC recorded a settlement payment of \$97 million for the DOE obligation related to postretirement benefit costs. The regulatory liability for postretirement benefits recorded at December 31, 2016 and 2015, represents amounts collected in historical billings in excess of the accounting principles generally accepted in the United States of America (GAAP) net periodic benefit costs, including the DOE termination payment and incremental unfunded plan obligations recognized in the balance sheets but not yet recognizable in GAAP net periodic benefit costs. The Companies’ ratemaking policy will recover postretirement benefits in an amount equal to estimated benefit accrual cost, plus

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NOTES TO FINANCIAL STATEMENTS (Continued)			

amortization of unfunded liabilities, if any. As a result, related regulatory liabilities are being credited to customer bills on a long-term basis.

**Cash and Cash Equivalents**—Cash and cash equivalents primarily consist of cash and money market funds and their carrying value approximates fair value. For purposes of these statements, the Companies consider temporary cash investments to be cash equivalents since they are readily convertible into cash and have original maturities of less than three months.

**Electric Plant**—Property additions and replacements are charged to utility plant accounts. Depreciation expense is recorded at the time property additions and replacements are billed to customers or at the date the property is placed in service if the in-service date occurs subsequent to the customer billing. Customer billings for construction in progress are recorded as deferred revenue—advances for construction. These amounts are closed to revenue at the time the related property is placed in service. Depreciation expense and accumulated depreciation are recorded when financed property additions and replacements are recovered over a period of years through customer debt retirement billing. All depreciable property will be fully billed and depreciated prior to the expiration of the ICPA. Repairs of property are charged to maintenance expense.

**Fuel in Storage, Emission Allowances, and Materials and Supplies**—The Companies maintain coal, reagent, and oil inventories for use in the generation of electricity for regulatory compliance purposes due to the generation of electricity. These inventories are valued at average cost, less reserves for obsolescence. Materials and supplies consist primarily of replacement parts necessary to maintain the generating facilities and are valued at average cost.

**Long-Term Investments**—Long-term investments consist of marketable securities that are held for the purpose of funding postretirement benefits and decommissioning and demolition costs. These securities have been classified as trading securities in accordance with the provisions of the accounting guidance for Investments—Debt and Equity Securities. Trading securities reflected in Long-Term Investments are carried at fair value with the unrealized gain or loss, reported in Other Income (Expense). The cost of securities sold is based on the specific identification cost method. The fair value of most investment securities is determined by reference to currently available market prices. Where quoted market prices are not available, we use the market price of similar types of securities that are traded in the market to estimate fair value. See Fair Value Measurements in Note 10. Due to tax limitations, the amounts held in the postretirement benefits portfolio have not yet been transferred to the Voluntary Employee Beneficiary Association (VEBA) trusts (see Note 8). Long-term investments primarily consist of municipal bonds, money market mutual fund investments, and mutual funds. Net unrealized gains (losses) recognized during 2016 and 2015 on securities still held at the balance sheet date were \$(509,314) and \$(3,066,260), respectively.

**Fair Value Measurements of Assets and Liabilities**—The accounting guidance for Fair Value Measurements and Disclosures establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Where observable inputs are available, pricing may be completed using comparable securities, dealer values, and general market conditions to determine fair value. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and other observable inputs for the asset or liability.

**Unamortized Debt Expense**—Unamortized debt expense relates to costs incurred in connection with obtaining revolving credit agreements. These costs are being amortized over the term of the related revolving credit agreement and are recorded as an asset in the consolidating balance sheets. Costs incurred to issue debt are recorded as a

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NOTES TO FINANCIAL STATEMENTS (Continued)			

reduction to long-term debt as presented in Note 6.

**Asset Retirement Obligations and Asset Retirement Costs**—The Companies recognize the fair value of legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. The initial recognition of this liability is accompanied by a corresponding increase in depreciable electric plant. Subsequent to the initial recognition, the liability is adjusted for any revisions to the expected value of the retirement obligation (with corresponding adjustments to electric plant) and for accretion of the liability due to the passage of time.

These asset retirement obligations are primarily related to obligations associated with future asbestos abatement at certain generating stations and certain plant closure costs, including the impacts of the coal combustion residuals rule.

	OVEC	IKEC	Co nsolidate d
Balance—January 1, 2015	\$12,345,032	\$17,202,153	\$29,547,185
Accretion	726,635	993,310	1,719,945
Liabilities settled	(17,291)	-	(17,291)
Balance—December 31, 2015	13,054,376	18,195,463	31,249,839
Accretion	778,726	1,054,033	1,832,759
Liabilities settled	<u>(19,806)</u>	<u>(17,871)</u>	<u>(37,677)</u>
Balance—December 31, 2016	<u>\$13,813,296</u>	<u>\$19,231,625</u>	<u>\$33,044,921</u>

The Companies do not recognize liabilities for asset retirement obligations for which the fair value cannot be reasonably estimated. The Companies have asset retirement obligations associated with transmission assets at certain generating stations. However, the retirement date for these assets cannot be determined; therefore, the fair value of the associated liability currently cannot be estimated and no amounts are recognized in the consolidating financial statements herein.

**Income Taxes**—The Companies use the liability method of accounting for income taxes. Under the liability method, the Companies provide deferred income taxes for all temporary differences between the book and tax basis of assets and liabilities which will result in a future tax consequence. The Companies account for uncertain tax positions in accordance with the accounting guidance for Income Taxes.

**Use of Estimates**—The preparation of consolidating financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncements**—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue

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NOTES TO FINANCIAL STATEMENTS (Continued)			

and cash flows arising from the entity's contracts with customers. In August 2015, ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, was issued deferring the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2018. The Companies will adopt the standard and all subsequent amendments in the fiscal year ending December 31, 2019. The Companies continue to analyze the impact of the new revenue standard and related ASUs.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which represents a wholesale change to lease accounting. The standard introduces a lessee model that brings most leases into the balance sheet as well as aligns certain underlying principles of the new lessor model with those in Accounting Standards Codification (ASC) 606, *Revenue From Contracts With Customers*. The new standard is effective for entities with fiscal years beginning after December 15, 2019, and lessees and lessors are required to use a modified retrospective transition method for existing leases. The Companies are in the process of evaluating the impact of adoption of this ASU on the Companies' consolidating financial statements.

The FASB issued ASU No. 2014-15, *Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern*, in August 2014. This standard update provides guidance about the Companies' responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The standard is effective for the fiscal year ended December 31, 2016. The adoption of this pronouncement did not have an impact on the Companies' consolidating financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which changes the presentation of debt issuance costs in the financial statements. Specifically, this amendment requires that costs associated with the issuance of debt be presented in the balance sheet as a direct deduction from the related debt liability. The Companies retrospectively adopted the amended standard effective January 1, 2016. The adoption resulted in a prior-period adjustment due to a change in accounting principle. The consolidating balance sheet as of December 31, 2015, has been restated to reflect this change in accounting principle. Debt issuance costs of \$10.5 million were reclassified from "Unamortized debt expense" to "Long-term debt." On the effective date of ASU No. 2015-03, the Companies made a onetime policy election to record costs incurred in connection with obtaining revolving credit agreements as an asset and to amortize these costs ratably over the term of the agreement. This accounting treatment is consistent with how deferred financing costs were accounted for prior to adoption of ASU No. 2015-03. Note 6 has been updated to reflect the adjustment.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, which amends rules regarding the classification of current and noncurrent deferred tax liabilities and assets. Specifically, this amendment requires that, for a particular tax-paying component of an entity and within a particular tax jurisdiction, all deferred tax liabilities and assets shall be offset and presented as a single noncurrent amount. The Companies retrospectively adopted the amended standard effective December 31, 2015. Adoption of ASU No. 2015-17 did not affect operating income (loss) or retained earnings in the presented periods.

**Subsequent Events**—In preparing the accompanying financial statements and disclosures, the Companies reviewed subsequent events through April 12, 2017, which is the date the consolidating financial statements were issued.

## 2. RELATED-PARTY TRANSACTIONS

Transactions with the Sponsoring Companies during 2016 and 2015 included the sale of all generated power to them, the purchase of Arranged Power from them, and other utility systems in order to meet the DOE's power requirements, contract barging services, railcar services, and minor transactions for services and materials. The Companies have Power Agreements with Louisville Gas and Electric Company, Duke Energy Ohio, Inc., The Dayton Power and Light Company, Kentucky Utilities Company, Ohio Edison Company, and American Electric

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Power Service Corporation as agent for the American Electric Power System Companies; and Transmission Service Agreements with Louisville Gas and Electric Company, Duke Energy Ohio, Inc., The Dayton Power and Light Company, The Toledo Edison Company, Ohio Edison Company, Kentucky Utilities Company, and American Electric Power Service Corporation as agent for the American Electric Power System Companies.

At December 31, 2016 and 2015, balances due from the Sponsoring Companies are as follows:

	2016	2015
Accounts receivable	<u>\$36,035,316</u>	<u>\$19,061,773</u>

During 2016 and 2015, American Electric Power accounted for approximately 43% of operating revenues from Sponsoring Companies and Buckeye Power accounted for 18%. No other Sponsoring Company accounted for more than 10%.

American Electric Power Company, Inc. and subsidiary company owned 43.47% of the common stock of OVEC as of December 31, 2016. The following is a summary of the principal services received from the American Electric Power Service Corporation as authorized by the Companies' Boards of Directors:

	2016	2015
General services	\$3,978,358	\$3,292,439
Specific projects	<u>1,562,412</u>	<u>2,258,624</u>
Total	<u>\$5,540,770</u>	<u>\$5,551,063</u>

General services consist of regular recurring operation and maintenance services. Specific projects primarily represent nonrecurring plant construction projects and engineering studies, which are approved by the Companies' Boards of Directors. The services are provided in accordance with the service agreement dated December 15, 1956, between the Companies and the American Electric Power Service Corporation.

### 3. COAL SUPPLY

The Companies have coal supply agreements with certain nonaffiliated companies that expire at various dates from the year 2017 through 2021. Pricing for coal under these contracts is subject to contract provisions and adjustments. The Companies currently have approximately 73% of their 2017 coal requirements under contract. These contracts are based on rates in effect at the time of contract execution.

### 4. ELECTRIC PLANT

Electric plant at December 31, 2016 and 2015, consists of the following:

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	2016		2015	
	OVEC	IKEC	OVEC	IKEC
Steam production plant	\$ 1,297,000,985	\$ 1,348,646,702	\$ 1,281,591,442	\$ 1,341,411,699
Transmission plant	52,050,044	28,409,127	49,768,367	28,275,926
General plant	11,958,757	1,011,382	11,968,912	1,011,382
Intangible	18,924	7,640	18,924	7,640
	1,361,028,710	1,378,074,851	1,343,347,645	1,370,706,647
Less accumulated depreciation	672,452,518	680,480,919	635,262,822	657,512,429
	688,576,192	697,593,932	708,084,823	713,194,218
Construction in progress	5,467,210	9,171,422	20,928,877	8,919,778
Total electric plant	\$ 694,043,402	\$ 706,765,354	\$ 729,013,700	\$ 722,113,996

All property additions and replacements are fully depreciated on the date the property is placed in service, unless the addition or replacement relates to a financed project. As the Companies' policy is to bill in accordance with the debt service schedule under the debt agreements, all financed projects are being depreciated in amounts equal to the principal payments on outstanding debt.

## 5. BORROWING ARRANGEMENTS AND NOTES

OVEC has an unsecured bank revolving line of credit agreement with a borrowing limit of \$200 million as of December 31, 2016 and 2015. The \$200 million line of credit has an expiration date of November 14, 2019. At December 31, 2016 and 2015, OVEC had borrowed \$85 million and \$45 million, respectively, under this line of credit. Interest expense related to line of credit borrowings was \$1,692,301 in 2016 and \$414,105 in 2015. During 2016 and 2015, OVEC incurred annual commitment fees of \$335,376 and \$505,526, respectively, based on the borrowing limits of the line of credit.

## 6. LONG-TERM DEBT

The following amounts were outstanding at December 31, 2016 and 2015:

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	Interest Rate	2016	2015
Senior 2006 Notes:			
2006A due February 15, 2026	5.80 %	\$ 227,600,578	\$ 245,132,192
2006B due June 15, 2040	6.40 %	57,576,242	58,583,884
Senior 2007 Notes:			
2007A -A due February 15, 2026	5.90 %	102,311,927	110,522,644
2007A -B due February 15, 2026	5.90 %	25,766,254	28,055,674
2007A -C due February 15, 2026	5.90 %	25,971,422	27,834,043
2007B -A due June 15, 2040	6.50 %	28,752,657	29,262,260
2007B -B due June 15, 2040	6.50 %	7,241,073	7,369,412
2007B -C due June 15, 2040	6.50 %	7,298,730	7,428,091
Senior 2008 Notes:			
2008A due February 15, 2026	5.92 %	31,932,971	34,492,978
2008B due February 15, 2026	6.71 %	64,641,227	69,698,688
2008C due February 15, 2026	6.71 %	66,463,125	71,449,681
2008D due June 15, 2040	6.91 %	41,752,834	42,439,930
2008E due June 15, 2040	6.91 %	42,478,312	43,177,347
Series 2009 Bonds:			
2009A due February 1, 2026	0.67 %	25,000,000	25,000,000
2009B due February 1, 2026	2.29 %	25,000,000	25,000,000
2009C due February 1, 2026	2.29 %	25,000,000	25,000,000
2009D due February 1, 2026	0.67 %	25,000,000	25,000,000
2009E due October 1, 2019	5.63 %	100,000,000	100,000,000
Series 2010 Bonds:			
2010A due February 1, 2040	1.86 %	50,000,000	50,000,000
2010B due February 1, 2040	2.29 %	50,000,000	50,000,000
Series 2012 Bonds:			
2012A due June 1, 2032	5.00 %	76,800,000	76,800,000
2012A due June 1, 2039	5.00 %	123,200,000	123,200,000
2012B due June 1, 2040	0.42 %	50,000,000	50,000,000
2012C due June 1, 2040	0.42 %	50,000,000	50,000,000
Series 2013 Notes:			
2013A due February 15, 2018	2.27 %	100,000,000	100,000,000
Total debt		1,429,787,352	1,475,446,824
Total premiums and discounts (net)		(505,664)	(528,264)
Less unamortized debt expense		(10,016,236)	(10,535,231)
Total debt net of premiums, discounts, and unamortized debt expense		1,419,265,452	1,464,383,329
Current portion of long-term debt		248,483,907	295,659,471
Total long-term debt		\$ 1,170,781,545	\$ 1,168,723,858

All of the OVEC amortizing unsecured senior notes have maturities scheduled for February 15, 2026, or June 15, 2040, as noted in the previous table.

During 2009, OVEC issued a series of four \$25 million variable-rate non-amortizing tax-exempt pollution control



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bonds (2009A, B, C, and D Bonds) and \$100 million fixed-rate non-amortizing tax-exempt pollution control bonds (2009E Bonds). The variable rates listed above reflect the interest rate in effect at December 31, 2016.

The 2009 Series D Bonds are secured by irrevocable transferable direct-pay letters of credit, expiring on November 14, 2019, issued for the benefit of the owners of the bonds. The interest rate on the bonds are adjusted weekly, and bondholders may require repurchase of the bonds at the time of such interest rate adjustments. OVEC has entered into an agreement to provide for the remarketing of the bonds if such repurchase is required. The 2009D Series Bonds are current, as they are redeemable at the election of the holders at any time. The 2009 Series B and C Bonds were remarketed in August 2016 for a five-year interest period that extends to August 25, 2021. The 2009A Bonds were secured by an irrevocable transferable direct-pay letter of credit at December 31, 2016, but were repurchased by OVEC on February 6, 2017. The 2009A Bonds are classified as current at December 31, 2016.

In December 2010, OVEC established a borrowing facility under which OVEC borrowed, in 2011, \$100 million remarketable variable-rate bonds due on February 1, 2040. In June 2011, the \$100 million variable-rate bonds were issued as two \$50 million non-amortizing pollution control revenue bonds (Series 2010A and 2010B) with initial interest periods of three years and five years, respectively. The Series 2010A Bond was remarketed in June 2014 for another three-year interest period that extends to June 29, 2017. As such, the Series 2010A Bond is classified as current at December 31, 2016. The Series 2010B Bond was remarketed in August 2016 for another five-year interest period that extends to August 25, 2021.

During 2012, OVEC issued \$200 million fixed-rate tax-exempt midwestern disaster relief revenue bonds (2012A Bonds) and two series of \$50 million variable-rate tax-exempt midwestern disaster relief revenue bonds (2012B and 2012C Bonds). The 2012A, 2012B, and 2012C Bonds will begin amortizing on June 1, 2027, to their respective maturity dates. The variable rates listed above reflect the interest rate in effect at December 31, 2016.

The 2012B and 2012C Bonds are secured by irrevocable transferable direct-pay letters of credit, expiring June 28, 2017, and June 28, 2018, issued for the benefit of the owners of the bonds. The interest rates on the bonds are adjusted weekly, and bondholders may require repurchase of the bonds at the time of such interest rate adjustments. OVEC has entered into agreements to provide for the remarketing of the bonds if such repurchase is required. The 2012B and 2012C Bonds are current, as they are redeemable at the election of the holders at any time.

In 2013, OVEC issued \$100 million 2013A variable-rate non-amortizing unsecured senior notes (2013A Notes) to refinance and retire a 2009 series of notes. The 2013A Notes mature on February 15, 2018.

The annual maturities of long-term debt as of December 31, 2016, are as follows:

2017	\$ 248,483,907
2018	151,483,806
2019	154,670,115
2020	58,054,470
2021	161,649,237
2022–2042	655,445,817
Total	<u>\$ 1,429,787,352</u>

Note that the 2017 current maturities of long-term debt include \$200 million of remarketable variable-rate bonds. The Companies expect cash maturities of as little as \$48,483,907 to the extent the remarketing agents are successful in their ongoing efforts to remarket the bonds through the contractual maturity dates in February 2026 and June

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2040 and to the extent that OVEC elects not to repurchase the bonds.

## 7. INCOME TAXES

OVEC and IKEC file a consolidated federal income tax return. The effective tax rate varied from the statutory federal income tax rate due to differences between the book and tax treatment of various transactions as follows:

	2016	2015
Income tax expense at 35% statutory rate	\$ 449,361	\$ 372,943
State income taxes—net of federal benefit	-	56,692
Temporary differences flowed through to customer bills	(115,669)	(149,935)
Permanent differences and other	11,728	7,272
Income tax provision	<u>\$ 345,420</u>	<u>\$ 286,972</u>

Components of the income tax provision were as follows:

	2016	2015
Current income tax expense — federal	\$345,420	\$230,280
Current income tax (benefit)/expense — state	-	56,692
Deferred income tax expense/(benefit) — federal	-	-
Total income tax provision	<u>\$345,420</u>	<u>\$286,972</u>

OVEC and IKEC record deferred tax assets and liabilities based on differences between book and tax basis of assets and liabilities measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are adjusted for changes in tax rates.

To the extent that the Companies have not reflected credits in customer billings for deferred tax assets, they have recorded a regulatory liability representing income taxes refundable to customers under the applicable agreements among the parties. The regulatory liability was \$5,433,716 at December 31, 2016, and \$0 at December 31, 2015.

Deferred income tax assets (liabilities) at December 31, 2016 and 2015, consisted of the following:

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	2016	2015
Deferred tax assets:		
Deferred revenue—advances for construction	\$ 3,404,026	\$ 5,397,379
AMT credit carryforwards	8,837,712	12,030,465
Federal net operating loss carryforwards	104,723,266	88,071,534
Postretirement benefit obligation	13,683,150	11,285,916
Pension liability	11,721,810	8,457,343
Postemployment benefit obligation	1,535,562	884,556
Asset retirement obligations	11,569,073	10,940,744
Miscellaneous accruals	2,819,512	2,701,010
Regulatory liability—other	-	171,113
Regulatory liability—asset retirement costs	4,729,118	3,928,073
Regulatory liability—postretirement benefits	9,670,762	12,515,434
Regulatory liability—income taxes refundable to customers	15,096,997	15,393,198
Total deferred tax assets	<u>187,790,988</u>	<u>171,776,765</u>
Deferred tax liabilities:		
Prepaid expenses	(602,424)	(626,595)
Electric plant	(128,994,396)	(112,357,167)
Unrealized gain/loss on marketable securities	(3,694,091)	(4,220,517)
Regulatory asset—pension benefits	(12,998,618)	(9,764,404)
Regulatory asset—unrecognized postemployment benefits	<u>(1,535,562)</u>	<u>(884,556)</u>
Total deferred tax liabilities	(147,825,091)	(127,853,239)
Valuation allowance	<u>(37,265,897)</u>	<u>(43,923,526)</u>
Deferred income tax assets	\$ 2,700,000	\$ -

As discussed in Note 1, OVEC indefinitely changed its billing practices in 2014 to effectively suspend billings for its authorized equity return. As a result, the Companies' long-term expectation is that taxable income will be breakeven for the foreseeable future. Accordingly, the Companies have recorded a valuation allowance as of December 31, 2016 and 2015. During 2016, due to a change in federal tax law, the Companies reduced the recorded valuation allowance to reflect certain Alternative Minimum Tax (AMT) credit carryforwards that the Companies expect to claim as refundable credits in its 2016–2019 federal income tax returns. The favorable impact of releasing the valuation allowance has been recorded as a regulatory liability that will be refunded to Sponsor Companies over a long-term basis.

The accounting guidance for Income Taxes addresses the determination of whether the tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Companies may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Companies have not identified any uncertain tax positions as of December 31, 2016 and 2015, and accordingly, no liabilities for uncertain tax positions have been recognized.

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The Companies file income tax returns with the Internal Revenue Service and the states of Ohio, Indiana, and the Commonwealth of Kentucky. The Companies are no longer subject to federal tax examinations for tax years 2012 and earlier. The Companies are no longer subject to State of Indiana tax examinations for tax years 2012 and earlier. The Companies are no longer subject to Ohio and the Commonwealth of Kentucky examinations for tax years 2011 and earlier. The Companies have \$299,209,332 of Federal Net Operating Loss carryovers that begin to expire in 2031.

## 8. PENSION PLAN AND OTHER POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

The Companies have a noncontributory qualified defined benefit pension plan (the Pension Plan) covering substantially all of their employees hired prior to January 1, 2015. The benefits are based on years of service and each employee's highest consecutive 36-month compensation period. Employees are vested in the Pension Plan after five years of service with the Companies.

Funding for the Pension Plan is based on actuarially determined contributions, the maximum of which is generally the amount deductible for income tax purposes and the minimum being that required by the Employee Retirement Income Security Act of 1974, as amended.

In addition to the Pension Plan, the Companies provide certain health care and life insurance benefits (Other Postretirement Benefits) for retired employees. Substantially, all of the Companies' employees hired prior to January 1, 2015, become eligible for these benefits if they reach retirement age while working for the Companies. These and similar benefits for active employees are provided through employer funding and insurance policies. In December 2004, the Companies established VEBA trusts. In January 2011, the Companies established an Internal Revenue Code Section 401(h) account under the Pension Plan.

The full cost of the pension benefits and other postretirement benefits has been allocated to OVEC and IKEC in the accompanying consolidating financial statements. The allocated amounts represent approximately a 56% and 44% split between OVEC and IKEC, respectively, as of December 31, 2016, and approximately a 55% and 45% split between OVEC and IKEC, respectively, as of December 31, 2015.

The Pension Plan's assets as of December 31, 2016, consist of investments in equity and debt securities. All of the trust funds' investments for the pension and postemployment benefit plans are diversified and managed in compliance with all laws and regulations. Management regularly reviews the actual asset allocation and periodically rebalances the investments to targeted allocation when appropriate. The investments are reported at fair value under the Fair Value Measurements and Disclosures accounting guidance.

All benefit plan assets are invested in accordance with each plan's investment policy. The investment policy outlines the investment objectives, strategies, and target asset allocations by plan. Benefit plan assets are reviewed on a formal basis each quarter by the OVEC-IKEC Qualified Plan Trust Committee.

The investment philosophies for the benefit plans support the allocation of assets to minimize risks and optimize net returns.

Investment strategies include:

- Maintaining a long-term investment horizon.
- Diversifying assets to help control volatility of returns at acceptable levels.

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- Managing fees, transaction costs, and tax liabilities to maximize investment earnings.
- Using active management of investments where appropriate risk/return opportunities exist.
- Keeping portfolio structure style neutral to limit volatility compared to applicable benchmarks.

The target asset allocation for each portfolio is as follows:

<b>Pension Plan Assets</b>	<b>Target</b>
Domestic equity	15.0 %
International and global equity	15.0
Fixed income	70.0
<b>VEBA Plan Assets</b>	<b>Target</b>
Domestic equity	20 %
International and global equity	20
Fixed income	57
Cash	3

Each benefit plan contains various investment limitations. These limitations are described in the investment policy statement and detailed in customized investment guidelines. These investment guidelines require appropriate portfolio diversification and define security concentration limits. Each investment manager's portfolio is compared to an appropriate diversified benchmark index.

Equity investment limitations:

- No security in excess of 5% of all equities.

Cash equivalents must be less than 10% of each investment manager's equity portfolio.

Individual securities must be less than 15% of each manager's equity portfolio.

No investment in excess of 5% of an outstanding class of any company.

No securities may be bought or sold on margin or other use of leverage.

**Fixed-Income Limitations**—As of December 31, 2016, the Pension Plan fixed-income allocation consists of managed accounts composed of U.S. Government, corporate, and municipal obligations. The VEBA benefit plans' fixed-income allocation is composed of a variety of fixed-income securities and mutual funds. Investment limitations for these fixed-income funds are defined by manager prospectus.

**Cash Limitations**—Cash and cash equivalents are held in each trust to provide liquidity and meet short-term cash needs. Cash equivalent funds are used to provide diversification and preserve principal. The underlying holdings in the cash funds are investment grade money market instruments, including money market mutual funds, certificates of deposit, treasury bills, and other types of investment-grade short-term debt securities. The cash funds are valued each business day and provide daily liquidity.

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Projected Pension Plan and Other Postretirement Benefits obligations and funded status as of December 31, 2016 and 2015, are as follows:

	Pension Plan		Other Postretirement Benefits	
	2016	2015	2016	2015
Change in projected benefit obligation:				
Projected benefit obligation—beginning of year	\$ 210,230,403	\$ 222,823,889	\$ 159,175,000	\$ 171,774,437
Service cost	6,100,517	6,989,504	4,668,640	5,327,376
Interest cost	10,010,361	9,407,555	7,490,213	7,254,699
Plan participants' contributions	-	-	1,242,428	1,205,258
Benefits paid	(8,968,048)	(7,946,163)	(5,477,750)	(4,725,510)
Net actuarial losses (gain)	15,674,831	(20,959,580)	7,239,951	(21,661,260)
Expenses paid from assets	(49,905)	(84,802)	-	-
Projected benefit obligation—end of year	<u>232,998,159</u>	<u>210,230,403</u>	<u>174,338,482</u>	<u>159,175,000</u>
Change in fair value of plan assets:				
Fair value of plan assets—beginning of year	182,340,523	190,348,243	126,939,255	126,898,685
Actual return on plan assets	16,380,770	(5,110,088)	7,972,778	(1,050,162)
Expenses paid from assets	(49,905)	(84,802)	-	-
Employer contributions	6,166,667	5,133,333	4,443,681	4,610,984
Plan participants' contributions	-	-	1,242,428	1,205,258
Benefits paid	(8,968,048)	(7,946,163)	(5,477,750)	(4,725,510)
Fair value of plan assets—end of year	<u>195,870,007</u>	<u>182,340,523</u>	<u>135,120,392</u>	<u>126,939,255</u>
Underfunded status—end of year	<u>\$ (37,128,152)</u>	<u>\$ (27,889,880)</u>	<u>\$ (39,218,090)</u>	<u>\$ (32,235,745)</u>

See Note 1 for information regarding regulatory assets related to the Pension Plan and Other Postretirement Benefits plan.

The accumulated benefit obligation for the Pension Plan was \$208,284,000 and \$186,842,491 at December 31, 2016 and 2015, respectively.

**Components of Net Periodic Benefit Cost**—The Companies record the expected cost of Other Postretirement Benefits over the service period during which such benefits are earned.

Pension expense is recognized as amounts are contributed to the Pension Plan and billed to customers. The accumulated difference between recorded pension expense and the yearly net periodic pension expense, as calculated under the accounting guidance for Compensation—Retirement Benefits, is billable as a cost of operations under the ICPA when contributed to the pension fund. This accumulated difference has been recorded as a regulatory asset in the accompanying consolidating balance sheets.

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	Pension Plan		Other Postretirement Benefits	
	2016	2015	2016	2015
Service cost	\$ 6,100,517	\$ 6,989,504	\$ 4,668,640	\$ 5,327,376
Interest cost	10,010,361	9,407,555	7,490,213	7,254,699
Expected return on plan assets	(10,904,733)	(11,363,279)	(6,719,397)	(6,857,348)
Amortization of prior service cost	(416,565)	(416,565)	(1,763,901)	(1,763,901)
Recognized actuarial loss	643,503	882,076	(75,802)	(12,653)
<b>Total benefit cost</b>	<b>\$ 5,433,083</b>	<b>\$ 5,499,291</b>	<b>\$ 3,599,753</b>	<b>\$ 3,948,173</b>
Pension and other postretirement benefits expense recognized in the consolidating statements of income and retained earnings and billed to Sponsoring Companies under the ICPA	\$ 6,166,667	\$ 5,133,333	\$ -	\$ -

The following table presents the classification of Pension Plan assets within the fair value hierarchy at December 31, 2016 and 2015:

	Fair Value Measurements at Reporting Date Using			2016 Total
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>2016</b>				
Domestic equity mutual funds	\$ 16,007,602	\$ -	\$ -	\$ 16,007,602
Common stock—domestic	8,501,931	-	-	8,501,931
Common stock—foreign	554,648	-	-	554,648
International and global equity mutual funds	24,249,523	-	-	24,249,523
Cash equivalents	6,727,436	-	-	6,727,436
U.S. Treasury securities	-	8,886,917	-	8,886,917
Corporate debt securities	-	109,890,354	-	109,890,354
Municipal debt securities	-	8,933,969	-	8,933,969
<b>Subtotal Benefit Plan Assets</b>	<b>\$ 56,041,140</b>	<b>\$ 127,711,240</b>	<b>\$ -</b>	<b>183,752,380</b>
Investments measured at net asset value (NAV)				12,117,627
<b>Total Benefit Plan Assets</b>				<b>\$ 195,870,007</b>
<b>2015</b>				
Domestic equity mutual funds	\$ 14,335,609	\$ -	\$ -	\$ 14,335,609
Common stock—domestic	7,055,019	-	-	7,055,019
Common stock—foreign	-	-	-	-
International and global equity mutual funds	22,176,739	-	-	22,176,739
Cash equivalents	4,504,117	-	-	4,504,117
U.S. Treasury securities	-	6,685,068	-	6,685,068
Corporate debt securities	-	107,733,562	-	107,733,562
Municipal debt securities	-	8,607,765	-	8,607,765
<b>Subtotal Benefit Plan Assets</b>	<b>\$ 48,071,484</b>	<b>\$ 123,026,395</b>	<b>\$ -</b>	<b>171,097,879</b>
Investments measured at net asset value (NAV)				11,242,644
<b>Total Benefit Plan Assets</b>				<b>\$ 182,340,523</b>

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The following table presents the classification of VEBA and 401(h) account assets within the fair value hierarchy at December 31, 2016 and 2015:

	Fair Value Measurements at Reporting Date Using			2016 Total
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>2016</b>				
Domestic equity mutual funds	\$ 45,270,259	\$ -	\$ -	\$ 45,270,259
International and global equity mutual funds	23,375,504	-	-	23,375,504
Fixed-income mutual funds	41,750,065	-	-	41,750,065
Fixed-income securities	-	18,611,238	-	18,611,238
Cash equivalents	728,483	-	-	728,483
<b>Benefit Plan Assets</b>	<b>\$ 111,124,311</b>	<b>\$ 18,611,238</b>	<b>\$ -</b>	<b>129,735,549</b>
Uncleared cash disbursements from benefits paid				(1,601,641)
Investments measured at net asset value (NAV)				<u>6,986,484</u>
<b>Total Benefit Plan Assets</b>				<b>\$ 135,120,392</b>
<b>2015</b>				
Domestic equity mutual funds	\$ 41,553,682	\$ -	\$ -	\$ 41,553,682
International and global equity mutual funds	20,442,372	-	-	20,442,372
Fixed-income mutual funds	39,627,128	-	-	39,627,128
Fixed-income securities	-	18,407,810	-	18,407,810
Cash equivalents	<u>257,086</u>	<u>-</u>	<u>-</u>	<u>257,086</u>
<b>Benefit Plan Assets</b>	<b>\$ 101,880,268</b>	<b>\$ 18,407,810</b>	<b>\$ -</b>	<b>120,288,078</b>
Investments measured at net asset value (NAV)				<u>6,651,177</u>
<b>Total Benefit Plan Assets</b>				<b>\$ 126,939,255</b>

Investments that were measured at net asset value (NAV) per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. These investments represent holdings in a single private investment fund that are redeemable at the election of the holder upon no more than 30 days' notice. The values reported above are based on information provided by the fund manager.

**Pension Plan and Other Postretirement Benefit Assumptions**—Actuarial assumptions used to determine benefit obligations at December 31, 2016 and 2015, were as follows:

	Pension Plan		Other Postretirement Benefits			
	2016	2015	2016		2015	
			Medical	Life	Medical	Life
Discount rate	4.31 %	4.82 %	4.31 %	4.31 %	4.80 %	4.80 %
Rate of compensation increase	3.00	3.00	N/A	3.00	N/A	3.00

Actuarial assumptions used to determine net periodic benefit cost for the years ended December 31, 2016 and 2015,



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were as follows:

	Pension Plan		Other Postretirement Benefits			
	2016	2015	2016		2015	
			Medical	Life	Medical	Life
Discount rate	4.82 %	4.28 %	4.80 %	4.80 %	4.33 %	4.33 %
Expected long-term return on plan assets	6.00	6.00	5.29	6.00	5.29	6.00
Rate of compensation increase	3.00	3.00	N/A	3.00	N/A	3.00

In selecting the expected long-term rate of return on assets, the Companies considered the average rate of earnings expected on the funds invested to provide for plan benefits. This included considering the Pension Plan and VEBA trusts' asset allocation, and the expected returns likely to be earned over the life of the Pension Plan and the VEBAs.

Assumed health care cost trend rates at December 31, 2016 and 2015, were as follows:

	2016	2015
Health care trend rate assumed for next year—participants under 65	7.00 %	7.00 %
Health care trend rate assumed for next year—participants over 65	7.00	7.00
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)—participants under 65	5.00	5.00
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)—participants over 65	5.00	5.00
Year that the rate reaches the ultimate trend rate	2022	2022

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total service and interest cost	\$ 2,353,599	\$ (1,869,850)
Effect on postretirement benefit obligation	29,092,165	(2,293,751)

**Pension Plan and Other Postretirement Benefit Assets**—The asset allocation for the Pension Plan and VEBA trusts at December 31, 2016 and 2015, by asset category was as follows:

Asset category:	Pension Plan		VEBA Trusts	
	2016	2015	2016	2015
Equity securities	31 %	30 %	40 %	38 %
Debt securities	69	70	60	62

**Pension Plan and Other Postretirement Benefit Contributions**—The Companies expect to contribute \$6,000,000 to their Pension Plan and \$5,166,759 to their Other Postretirement Benefits plan in 2017.

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**Estimated Future Benefit Payments**—The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending December 31	Pension Plan	Other Postretirement Benefits
2017	\$ 7,987,611	\$ 6,730,248
2018	8,626,513	7,159,952
2019	9,532,649	7,689,832
2020	10,365,968	8,213,128
2021	11,241,424	8,668,791
Five years there after	67,777,423	51,882,547

**Postemployment Benefits**—The Companies follow the accounting guidance in FASB ASC 712, *Compensation—Non-Retirement Postemployment Benefits*, and accrue the estimated cost of benefits provided to former or inactive employees after employment but before retirement. Such benefits include, but are not limited to, salary continuations, supplemental unemployment, severance, disability (including workers' compensation), job training, counseling, and continuation of benefits, such as health care and life insurance coverage. The cost of such benefits and related obligations has been allocated to OVEC and IKEC in the accompanying consolidating financial statements. The allocated amounts represent approximately a 59% and 41% split between OVEC and IKEC, respectively, as of December 31, 2016, and approximately a 36% and 64% split between OVEC and IKEC, respectively, as of December 31, 2015. The liability is offset with a corresponding regulatory asset and represents unrecognized postemployment benefits billable in the future to customers. The accrued cost of such benefits was \$4,273,362 and \$2,526,541 at December 31, 2016 and 2015, respectively.

**Defined Contribution Plan**—The Companies have a trustee-defined contribution supplemental pension and savings plan that includes 401(k) features and is available to employees who have met eligibility requirements. The Companies' contributions to the savings plan equal 100% of the first 1% and 50% of the next 5% of employee-participants' pay contributed. In addition, the Companies provide contributions to eligible employees, hired on or after January 1, 2015, of 3% to 5% of pay based on age and service. Benefits to participating employees are based solely upon amounts contributed to the participants' accounts and investment earnings. By its nature, the plan is fully funded at all times. The employer contributions for 2016 and 2015 were \$1,985,582 and \$2,047,129, respectively.

## 9. ENVIRONMENTAL MATTERS

Title IV of the 1990 Clean Air Act Amendments (CAAA) required the Companies to reduce sulfur dioxide (SO<sub>2</sub>) emissions in two phases: Phase I in 1995 and Phase II in 2000. The Companies selected a fuel switching strategy to comply with the emission reduction requirements. The Companies also purchased additional SO<sub>2</sub> allowances. Historically, the cost of these purchased allowances has been inventoried and included on an average cost basis in the cost of fuel consumed when used.

Title IV of the 1990 CAAAs also required the Companies to comply with a nitrogen oxides (NO<sub>x</sub>) emission rate limit of 0.84 lb/mmBtu in 2000. The Companies installed overfire air systems on all 11 units at the plants to comply with this limit. The total capital cost of the 11 overfire air systems was approximately \$8.2 million.

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During 2002 and 2003, Ohio and Indiana finalized respective NO<sub>x</sub> State Implementation Plan (SIP) Call regulations that required further significant NO<sub>x</sub> emission reductions for coal-burning power plants during the ozone control period. The Companies installed selective catalytic reduction (SCR) systems on 10 of their 11 units to comply with these rules. The total capital cost of the 10 SCR systems was approximately \$355 million.

On March 10, 2005, the United States Environmental Protection Agency (the U.S. EPA) issued the Clean Air Interstate Rule (CAIR) that required further significant reductions of SO<sub>2</sub> and NO<sub>x</sub> emissions from coal-burning power plants. On March 15, 2005, the U.S. EPA also issued the Clean Air Mercury Rule (CAMR) that required significant mercury emission reductions for coal-burning power plants. These emission reductions were required in two phases: 2009 and 2015 for NO<sub>x</sub>; 2010 and 2015 for SO<sub>2</sub>; and 2010 and 2018 for mercury. Ohio and Indiana subsequently finalized their respective versions of CAIR and CAMR. In response, the Companies determined that it would be necessary to install flue gas desulfurization (FGD) systems at both plants to comply with these new rules. Following completion of the necessary engineering and permitting, construction was started on the new FGD systems.

In February 2008, the D.C. Circuit Court of Appeals issued a decision which vacated the federal CAMR and remanded the rule to the U.S. EPA with a determination that the rule be rewritten under the maximum achievable control technologies (MACT) provision of Section 112(d) of the Clean Air Act. A group of electric utilities and the U.S. EPA requested a rehearing of the decision, which was denied by the Court. Following those denials, both the group of electric utilities and the U.S. EPA requested that the U.S. Supreme Court hear the case. However, in February 2009, the U.S. EPA withdrew its request and the group of utilities' request was denied. These actions left the original court decision in place, which vacated the federal CAMR and remanded the rule to the U.S. EPA with a determination that the rule be rewritten under the MACT provision of Section 112(d) of the Clean Air Act. The U.S. EPA has subsequently written a replacement rule for the regulation of coal-fired utility emissions of mercury and other hazardous air pollutants. This replacement rule was published in the Federal Register on February 16, 2012, and it is referred to as the Mercury and Air Toxics Standards (MATS) rule. The rule became final on April 16, 2012, and OVEC-IKEC had to demonstrate compliance with MATS emission limits on April 16, 2015. In June 2015, the U.S. Supreme Court issued a ruling on outstanding MATS litigation that the U.S. EPA had failed to take costs into consideration when they made a determination that it was appropriate and necessary to regulate mercury emissions from steam electric utilities; however, the rule remains in effect and it was remanded back to the D.C. Circuit Court for further action. That Court sent the rule back to the U.S. EPA to remedy the flaws identified in the Supreme Court decision. A final determination on whether the U.S. EPA has adequately considered costs as part of the rulemaking process is still pending. Regardless of that outcome, MATS is now in effect, and the controls OVEC-IKEC has installed have proven to be adequate to meet the emissions requirements outlined in the MATS rule.

In July 2008, the D.C. Circuit Court of Appeals issued a decision that vacated the federal CAIR and remanded the rule to the U.S. EPA. In September 2008, the U.S. EPA, a group of electric utilities and other parties filed petitions for rehearing. In December 2008, the D.C. Circuit Court of Appeals granted the U.S. EPA's petition and remanded the rule to the U.S. EPA without vacatur, allowing the federal CAIR to remain in effect while a new rule was developed and promulgated. Following the remand, the U.S. EPA promulgated a replacement rule to CAIR. This new rule is called the Cross-State Air Pollution Rule (CSAPR) and it was issued on July 6, 2011, and it was scheduled to go into effect on January 1, 2012. However, on December 30, 2011, the D.C. Circuit Court issued an indefinite stay of the CSAPR rule until the Court considered the numerous state, trade association, and industry petitions filed to have the rule either stayed or reviewed. The Court also instructed the U.S. EPA to keep CAIR in place while they considered the numerous petitions. On August 21, 2012, in a 2-1 decision, the D.C. Circuit Court vacated the CSAPR rule and ordered the U.S. EPA to keep CAIR in effect until a CSAPR replacement rule is promulgated. The U.S. EPA and other parties filed a petition seeking rehearing before the entire D.C. Circuit Court

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on October 5, 2012. That petition was denied by the D.C. Circuit Court on January 24, 2013; however, the U.S. Solicitor General petitioned the U.S. Supreme Court to review the D.C. Circuit Court's decision on CSAPR in March 2013, and the Supreme Court granted that petition in June 2013. Oral arguments were presented before the Supreme Court in December 2013. On April 29, 2014, the U.S. Supreme Court issued a decision reversing the D.C. Circuit Court's 2013 CSAPR vacatur and remanded the CSAPR rule back to that Court for further deliberation. On October 23, 2014, the D.C. Circuit Court issued a motion lifting the stay on the CSAPR rules and then U.S. EPA issued a ministerial rule on November 21, 2014, that allowed CSAPR to become effective on January 1, 2015. On July 28, 2015, the U.S. Supreme Court remanded portions of the CSAPR rule back to the D.C. Circuit Court for additional review and subsequent action by the U.S. EPA. The remaining issues included overstated ozone season budgets for nine states, including Ohio. As a result, on November 16, 2015, the U.S. EPA proposed a CSAPR update rule that incorporated the 2008 ozone National Ambient Air Quality Standards (NAAQS) to update these states' allocation budgets to address interstate transport, as well as addressing some of the other remaining issues from the original CSAPR. This proposed CSAPR Update rule became final on September 7, 2016, and is scheduled to go into effect beginning with the May 2017 Ozone Season. OVEC-IKEC is evaluating the final rule and is preparing our compliance strategy for meeting this rule beginning on May 1, 2017.

With the Kyger Creek FGD and the Clifty Creek FGD systems now fully operational, and with the 10 SCR systems operational at both plants, management did not need to purchase additional SO<sub>2</sub> allowances in 2016 to cover actual emissions; however, there was a need to purchase a limited quantity of NO<sub>x</sub> Ozone Season allowances in 2016. Depending on a variety of operational and economic factors, management may also elect to strategically purchase CSAPR Annual and Ozone Season NO<sub>x</sub> allowances in 2017 and beyond.

Now that all FGD systems are fully operational, OVEC-IKEC continues to expect to have adequate SO<sub>2</sub> allowances available without having to rely on market purchases to comply with the CSAPR rules in their current form; however, the purchase of additional NO<sub>x</sub> allowances and the improvement and optimization of current NO<sub>x</sub> control systems are being conducted. In addition, we are evaluating the need for additional NO<sub>x</sub> controls and/or changes in unit dispatch criteria for Clifty Creek Unit 6 as well as other OVEC-IKEC units under the current CSAPR regulations as well as any future NO<sub>x</sub> regulations.

On November 6, 2009, the Companies received a Section 114 Information Request from the U.S. EPA. The stated purpose of the information request was for the U.S. EPA to obtain the necessary information to determine if the Kyger Creek and Clifty Creek plants have been operating in compliance with the Federal Clean Air Act. Attorneys for the Companies subsequently contacted the U.S. EPA and established a schedule for submission of the requested information. Based on this schedule, all requested information was submitted to the U.S. EPA by March 8, 2010.

In late December 2011, OVEC-IKEC received a letter dated December 21, 2011, from the U.S. EPA requesting follow-up information. Specifically, the U.S. EPA asked for an update on the status of the FGD scrubber projects at both plants as well as additional information on any other new emissions controls that either have been installed or are planned for installation since the last submittal we filed on March 8, 2012. This information was prepared and filed with the U.S. EPA in late January 2012. In the fall of 2012, following an on-site visit, the U.S. EPA made an informal request that OVEC-IKEC provide the agency with a monthly email progress report on the Clifty Creek FGD project until both FGD systems were operational. As of this date, the only communication OVEC-IKEC has had with the U.S. EPA related to either the original Section 114 data submittal or the supplemental data filing made in 2011 are the monthly email progress reports. Those monthly email progress reports were discontinued once the second of the two FGD scrubbers at Clifty Creek was placed into service in May 2013.

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### CCR Rule

In 2010, the U.S. EPA published a proposed rule to regulate the disposal and beneficial reuse of coal combustion residuals (CCRs), including fly ash and boiler slag generated at coal-fired electric generating units as well as FGD gypsum generated at some coal-fired plants. The proposed rule contained two alternative proposals. One proposal would impose federal hazardous waste disposal and management standards on these materials and another would allow states to retain primary authority to regulate the beneficial reuse and disposal of these materials under state solid waste management standards, including minimum federal standards for disposal and management. Both proposals would impose stringent requirements for the construction of new coal ash landfills and existing unlined surface impoundments.

Various environmental organizations and industry groups filed a petition seeking to establish deadlines for a final rule. To comply with a court-ordered deadline, the U.S. EPA issued a prepublication copy of its final rule in December 2014. The rule was published in the Federal Register in April 2015 and became effective in October 2015.

In the final rule, the U.S. EPA elected to regulate CCR as a non-hazardous solid waste and issued new minimum federal solid waste management standards. The rule applies to new and existing active CCR landfills and CCR surface impoundments at operating electric utility or independent power production facilities. The rule imposes new and additional construction and operating obligations, including location restrictions, liner criteria, structural integrity requirements for impoundments, operating criteria, and additional groundwater monitoring requirements. The rule is self-implementing and currently does not require state action. As a result of this self-implementing feature, the rule contains extensive recordkeeping, notice, and Internet posting requirements. OVEC-IKEC has been systematically implementing applicable provisions of the CCR rule. OVEC-IKEC has completed all compliance obligations associated with the rule to date and has begun evaluating what, if any, impacts groundwater quality will have on its CCR units. Preliminary background results indicate that there is a potential for groundwater quality issues with the boiler slag ponds at each plant and both landfills. This information is still being collected and evaluated, so no final determination has been made to date. Alternative Source Demonstrations (ASD) are being completed in parallel to the background data collection. OVEC-IKEC is confident in being able to demonstrate that an ASD is the cause of the preliminary groundwater quality issues being observed in the Kyger Creek landfill and boiler slag ponds. Additional information will be available in early 2018.

In February 2014, the U.S. EPA completed a risk evaluation of the beneficial uses of coal fly ash in concrete and FGD gypsum in wallboard and concluded that the U.S. EPA supports these beneficial uses. Currently, approximately 5% of the coal ash and other residual products from our generating facilities are reused in the production of cement and wallboard, as structural fill or soil amendments, as abrasives or road treatment materials, and for other beneficial uses.

### NAAQS Compliance for SO<sub>2</sub>

On June 22, 2010, the U.S. EPA revised the Clean Air Act by developing and publishing a new one-hour SO<sub>2</sub> NAAQS of 75 parts per billion, which replaced the previously existing 24-hour and annual standards, and became effective on August 23, 2010. States with areas failing to meet the new standard are required to develop SIPs to expeditiously attain and maintain the standard.

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On August 15, 2013, the U.S. EPA published its initial non-attainment area designations for the new one-hour SO<sub>2</sub>, which did not include the areas around Kyger Creek or Clifty Creek. However, the amended rule does establish that at a minimum sources that emit 2,000 tons SO<sub>2</sub> or more per year be characterized by their respective states using either modeling of actual source emissions or through appropriately sited ambient air quality monitors.

In addition, U.S. EPA entered into a settle agreement with Sierra Club/NRDC in the U.S. District Court for the Northern District of California requiring U.S. EPA to take certain actions, including completing area designation by July 2, 2016, for areas with either monitored violations based on 2013-15 air quality monitoring or sources not announced for retirement that emitted more than 16,000 tons SO<sub>2</sub> or more than 2,600 tons with a 0.45 SO<sub>2</sub>/mmBtu emission rate in 2012.

Both Kyger Creek and Clifty Creek either directly or indirectly triggered one of these criteria and have been evaluated by our respective state regulatory agencies through modeling. The modeling results showed Clifty Creek could meet the new one-hour SO<sub>2</sub> limit using their current scrubber systems without any additional investment or modifications. Kyger Creek's modeling data was rejected by U.S. EPA as inconclusive. As a result, Kyger Creek installed a SO<sub>2</sub> monitoring network around the plant and will be required to monitor ambient air quality for at least the next three years, beginning on January 1, 2017. U.S. EPA will then use the results of the monitoring network data to make a determination of our compliance status with the SO<sub>2</sub> NAAQS by no later than December 31, 2020. Based on initial data from that network, OVEC expects to show compliance with the new one-hour standard, and we expect to avoid additional scrubber investments or modifications.

### Steam Electric ELGs

On September 30, 2015, the U.S. EPA signed a new final rule governing Effluent Limitations Guidelines (ELGs) for the wastewater discharges from steam electric power generating plants. The rule, which was formally published in the Federal Register on November 3, 2015, will affect future wastewater discharges from both the Kyger Creek and Clifty Creek Stations.

The rule will require OVEC-IKEC to modify the way it handles a number of wastewater processes at both power plants. Specifically, the new ELG standards will affect the following wastewater processes in three ways:

1. Kyger Creek will need to convert to dry fly ash handling by no later than December 31, 2023. The Clifty Creek Station already has a dry fly ash handling system in place, so this provision of the rule will not impact Clifty Creek's operations.

The new ELGs will prohibit the discharge of bottom ash sluice water from boiler slag/bottom ash wastewater treatment systems. For Clifty Creek and Kyger Creek, this will most likely mean conversion of each plant's boiler slag ponds to either a closed-loop sluicing system or a dry handling system for boiler slag. OVEC-IKEC conducted a Phase I engineering study in 2016 to determine options and costs associated with retrofitting the plants' boiler slag treatment systems. The study results are being refined and we expect to make a final selection of proposed control technologies in 2017. Engineering, design, construction, installation, and successful operation of all controls will also need to be completed by no later than December 31, 2023.

The new ELG rules also establish new internal limitations for the FGD system wastewater discharges. Specifically, there will be new internal limits for arsenic, mercury, selenium, and nitrate/nitrite nitrogen from the FGD chlorides purge stream wastewater treatment plant at each plant. For both Clifty Creek and Kyger Creek Stations, we are expecting to be able to meet the mercury and arsenic limitations with the current

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wastewater treatment technology; however, we are expecting to add some form of biological (or equivalent non-biological) treatment system on the back end of each Station's existing FGD wastewater treatment plant to meet the new nitrate/nitrite nitrogen and selenium limitations.

U.S. EPA is requiring compliance with these new limits "as soon as possible" after November 1, 2018, but no later than December 31, 2023. The new limits will be implemented through each Station's wastewater discharge permit which is typically renewed on a five-year basis. The final compliance dates will be facility-specific and negotiated with our state permit agencies based on the time needed to plan, secure funding, design, procure, and install necessary control technologies. OVEC-IKEC has initiated the process of investigating various technologies to meet the compliance requirements of the ELG rule, and we have preliminary technologies and associate cost estimates developed. The cost estimates and technology evaluations will be refined over the coming year.

### 316(b) Compliance

The 316(b) rule was published as a final rule in the Federal Register on August 15, 2014, and impacts facilities that use cooling water intakes structures designed to withdraw at least 2 million gallons per day from waters of the U.S. and who also have an NPDES permit. The rule requires such facilities to choose one of seven options specified by the rule to reduce impingement to fish and other aquatic organisms. Additionally, facilities that withdraw 125 million gallons or more per day must conduct entrainment studies to assist state permitting authorities in determining what site-specific controls are required to reduce the number of aquatic organisms entrained by each respective cooling water system.

OVEC-IKEC has completed the required two-year fish entrainment studies. Additional analysis is being performed in compliance with the rule, and comprehensive reports are being developed for submittal to each plant's respective state agency for review.

Currently, OVEC-IKEC expects to provide the results of the comprehensive 316(b) studies and our control technology recommendations to our state regulatory agencies in 2018. The timeline for when we will be required to retrofit the cooling water systems at Clifty Creek and Kyger Creek, as well as the type of retrofit required, will then be negotiated with each state regulatory agency.

## 1. FAIR VALUE MEASUREMENTS

The accounting guidance for Financial Instruments requires disclosure of the fair value of certain financial instruments. The estimates of fair value under this guidance require the application of broad assumptions and estimates. Accordingly, any actual exchange of such financial instruments could occur at values significantly different from the amounts disclosed.

OVEC utilizes its trustee's external pricing service in its estimate of the fair value of the underlying investments held in the benefit plan trusts and investment portfolios. The Companies' management reviews and validates the prices utilized by the trustee to determine fair value. Equities and fixed-income securities are classified as Level 1 holdings if they are actively traded on exchanges. In addition, mutual funds are classified as Level 1 holdings because they are actively traded at quoted market prices. Certain fixed-income securities do not trade on an exchange and do not have an official closing price. Pricing vendors calculate bond valuations using financial models and matrices. Fixed-income securities are typically classified as Level 2 holdings because their valuation inputs are based on observable market data. Observable inputs used for valuing fixed-income securities are benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, and economic events. Other securities with model-derived valuation inputs that are observable are also classified as Level 2 investments. Investments with

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unobservable valuation inputs are classified as Level 3 investments.

As of December 31, 2016 and 2015, the Companies held certain assets that are required to be measured at fair value on a recurring basis. These consist of investments recorded within long-term investments. The investments consist of money market mutual funds, equity mutual funds, and fixed-income municipal securities. Changes in the observed trading prices and liquidity of money market funds are monitored as additional support for determining fair value, and unrealized gains and losses are recorded in earnings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Companies believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As cash and cash equivalents, current receivables, current payables, and line of credit borrowings are all short-term in nature, their carrying amounts approximate fair value.

**Long-Term Investments**—Assets measured at fair value on a recurring basis at December 31, 2016 and 2015, were as follows:

	Fair Value Measurements at		
	Reporting Date Using		
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2016</b>			
Equity mutual funds	\$ 28,106,968	\$ -	\$ -
Fixed-income municipal securities	-	87,163,674	-
Cash equivalents	3,731,735	-	-
Total fair value	<u>\$ 31,838,703</u>	<u>\$ 87,163,674</u>	<u>\$ -</u>
<b>2015</b>			
Equity mutual funds	\$ 23,811,678	\$ -	\$ -
Fixed-income municipal securities	-	90,587,635	-
Cash equivalents	<u>5,360,793</u>	<u>-</u>	<u>-</u>
Total fair value	<u>\$ 29,172,471</u>	<u>\$ 90,587,635</u>	<u>\$ -</u>

**Long-Term Debt**—The fair values of the senior notes and fixed-rate bonds were estimated using discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements. These fair values are not reflected in the balance sheets.

The fair values and recorded values of the senior notes and fixed- and variable-rate bonds as of December 31, 2016 and 2015, are as follows:



Name of Respondent Indiana-Kentucky Electric Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

	2016		2015	
	Fair Value	Recorded Value	Fair Value	Recorded Value
Total	\$ 1,548,416,122	\$ 1,429,281,688	\$ 1,626,945,340	\$ 1,474,918,560

## 2. LEASES

OVEC has various operating leases for the use of other property and equipment.

The amount in property under capital leases is \$1,866,796 and \$2,084,462 with accumulated depreciation of \$949,520 and \$812,724 as of December 31, 2016 and 2015, respectively.

Future minimum lease payments for capital and operating leases at December 31, 2016, are as follows:

Years Ending December 31	Operating	Capital
2017	\$ 31,531	\$ 353,342
2018	19,123	217,340
2019	-	114,294
2020	-	78,293
2021	-	23,625
Thereafter	-	278,722
Total future minimum lease payments	\$ 50,654	1,065,616
Less estimated interest element		279,202
Estimated present value of future minimum lease payments		\$ 786,414

The annual operating lease cost incurred was \$41,198 and \$834,815 for 2016 and 2015, respectively.

## 3. COMMITMENTS AND CONTINGENCIES

The Companies are party to or may be affected by various matters under litigation. Management believes that the ultimate outcome of these matters will not have a significant adverse effect on either the Companies' future results of operation or financial position.

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Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION. AMORTIZATION AND DEPLETION**

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function.

Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	1,377,600,139	1,377,600,139
4	Property Under Capital Leases	474,712	474,712
5	Plant Purchased or Sold		
6	Completed Construction not Classified		
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	1,378,074,851	1,378,074,851
9	Leased to Others		
10	Held for Future Use		
11	Construction Work in Progress	6,396,439	6,396,439
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	1,384,471,290	1,384,471,290
14	Accum Prov for Depr, Amort, & Depl	680,480,919	680,480,919
15	Net Utility Plant (13 less 14)	703,990,371	703,990,371
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	680,480,919	680,480,919
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant		
22	Total In Service (18 thru 21)	680,480,919	680,480,919
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	680,480,919	680,480,919

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
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Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106)**

- Report below the original cost of electric plant in service according to the prescribed accounts.
- In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.
- Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
- For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.
- Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
- Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	(301) Organization	7,640	
3	(302) Franchises and Consents		
4	(303) Miscellaneous Intangible Plant		
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	7,640	
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights	1,345,194	
9	(311) Structures and Improvements	394,519,219	2,882,907
10	(312) Boiler Plant Equipment	808,948,104	8,745,775
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units	64,499,763	
13	(315) Accessory Electric Equipment	43,977,975	76,903
14	(316) Misc. Power Plant Equipment	28,121,445	339,288
15	(317) Asset Retirement Costs for Steam Production		
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)	1,341,411,700	12,044,873
17	B. Nuclear Production Plant		
18	(320) Land and Land Rights		
19	(321) Structures and Improvements		
20	(322) Reactor Plant Equipment		
21	(323) Turbogenerator Units		
22	(324) Accessory Electric Equipment		
23	(325) Misc. Power Plant Equipment		
24	(326) Asset Retirement Costs for Nuclear Production		
25	TOTAL Nuclear Production Plant (Enter Total of lines 18 thru 24)		
26	C. Hydraulic Production Plant		
27	(330) Land and Land Rights		
28	(331) Structures and Improvements		
29	(332) Reservoirs, Dams, and Waterways		
30	(333) Water Wheels, Turbines, and Generators		
31	(334) Accessory Electric Equipment		
32	(335) Misc. Power PLant Equipment		
33	(336) Roads, Railroads, and Bridges		
34	(337) Asset Retirement Costs for Hydraulic Production		
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)		
36	D. Other Production Plant		
37	(340) Land and Land Rights		
38	(341) Structures and Improvements		
39	(342) Fuel Holders, Products, and Accessories		
40	(343) Prime Movers		
41	(344) Generators		
42	(345) Accessory Electric Equipment		
43	(346) Misc. Power Plant Equipment		
44	(347) Asset Retirement Costs for Other Production		
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)		
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)	1,341,411,700	12,044,873

**ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)**

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.

9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					1
			7,640		2
					3
					4
			7,640		5
					6
					7
			1,345,194		8
1,281,022			396,121,104		9
2,728,631		-368,758	814,596,490		10
					11
			64,499,763		12
108,344			43,946,534		13
323,115			28,137,618		14
					15
4,441,112		-368,758	1,348,646,703		16
					17
					18
					19
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4,441,112		-368,758	1,348,646,703		46

Name of Respondent		This Report Is:		Date of Report	Year/Period of Report
Indiana-Kentucky Electric Corporation		(1) <input checked="" type="checkbox"/> An Original	(2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2016	End of <u>2016/Q4</u>
ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)					
Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)		
47	3. TRANSMISSION PLANT				
48	(350) Land and Land Rights	176,939			
49	(352) Structures and Improvements	1,969,812			
50	(353) Station Equipment	21,325,383			171,542
51	(354) Towers and Fixtures	2,483,460			
52	(355) Poles and Fixtures				
53	(356) Overhead Conductors and Devices	2,320,331			
54	(357) Underground Conduit				
55	(358) Underground Conductors and Devices				
56	(359) Roads and Trails				
57	(359.1) Asset Retirement Costs for Transmission Plant				
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	28,275,925			171,542
59	4. DISTRIBUTION PLANT				
60	(360) Land and Land Rights				
61	(361) Structures and Improvements				
62	(362) Station Equipment				
63	(363) Storage Battery Equipment				
64	(364) Poles, Towers, and Fixtures				
65	(365) Overhead Conductors and Devices				
66	(366) Underground Conduit				
67	(367) Underground Conductors and Devices				
68	(368) Line Transformers				
69	(369) Services				
70	(370) Meters				
71	(371) Installations on Customer Premises				
72	(372) Leased Property on Customer Premises				
73	(373) Street Lighting and Signal Systems				
74	(374) Asset Retirement Costs for Distribution Plant				
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)				
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT				
77	(380) Land and Land Rights				
78	(381) Structures and Improvements				
79	(382) Computer Hardware				
80	(383) Computer Software				
81	(384) Communication Equipment				
82	(385) Miscellaneous Regional Transmission and Market Operation Plant				
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper				
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)				
85	6. GENERAL PLANT				
86	(389) Land and Land Rights	4,946			
87	(390) Structures and Improvements	14,633			
88	(391) Office Furniture and Equipment	22,380			
89	(392) Transportation Equipment				
90	(393) Stores Equipment	396			
91	(394) Tools, Shop and Garage Equipment				
92	(395) Laboratory Equipment	910			
93	(396) Power Operated Equipment	629			
94	(397) Communication Equipment	967,488			
95	(398) Miscellaneous Equipment				
96	SUBTOTAL (Enter Total of lines 86 thru 95)	1,011,382			
97	(399) Other Tangible Property				
98	(399.1) Asset Retirement Costs for General Plant				
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	1,011,382			
100	TOTAL (Accounts 101 and 106)	1,370,706,647			12,216,415
101	(102) Electric Plant Purchased (See Instr. 8)				
102	(Less) (102) Electric Plant Sold (See Instr. 8)				
103	(103) Experimental Plant Unclassified				
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	1,370,706,647			12,216,415

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Line No.
				47
			176,939	48
			1,969,812	49
38,341			21,458,584	50
			2,483,460	51
				52
			2,320,331	53
				54
				55
				56
				57
38,341			28,409,126	58
				59
				60
				61
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				85
			4,946	86
			14,633	87
			22,380	88
				89
			396	90
				91
			910	92
			629	93
			967,488	94
				95
			1,011,382	96
				97
				98
			1,011,382	99
4,479,453		-368,758	1,378,074,851	100
				101
				102
				103
4,479,453		-368,758	1,378,074,851	104

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**CONSTRUCTION WORK IN PROGRESS -- ELECTRIC (Account 107)**

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or \$1,000,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	U#1 BAFFLE WALL TUBES	3,156,953
2	U#15 ID & FD VDS CELL REBUILD	1,520,396
3	ACOUSTIC LEAK DETECTION U1-6	753,325
4	AIR BLAST REPLACEMENT PROJECT	507,948
5	U#1 PRIMARY FURNACE FLOOR	373,950
6		
7	Projects Less Than \$100,000	83,867
8		
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43	TOTAL	6,396,439



Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)**

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

**Section A. Balances and Changes During Year**

Line No.	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	657,512,429	657,512,429		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	30,213,121	30,213,121		
4	(403.1) Depreciation Expense for Asset Retirement Costs	10,638	10,638		
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing				
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):				
9					
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	30,223,759	30,223,759		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	4,752,301	4,752,301		
13	Cost of Removal	121,261	121,261		
14	Salvage (Credit)	4,992	4,992		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	4,868,570	4,868,570		
16	Other Debit or Cr. Items (Describe, details in footnote):				
17	Changes in RWIP, Deferred Depreciation	-2,386,699	-2,386,699		
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	680,480,919	680,480,919		

**Section B. Balances at End of Year According to Functional Classification**

20	Steam Production	651,242,296	651,242,296		
21	Nuclear Production				
22	Hydraulic Production-Conventional				
23	Hydraulic Production-Pumped Storage				
24	Other Production				
25	Transmission	28,232,187	28,232,187		
26	Distribution				
27	Regional Transmission and Market Operation				
28	General	1,006,436	1,006,436		
29	TOTAL (Enter Total of lines 20 thru 28)	680,480,919	680,480,919		

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**MATERIALS AND SUPPLIES**

1. For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material.

2. Give an explanation of important inventory adjustments during the year (in a footnote) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc.) affected debited or credited. Show separately debit or credits to stores expense clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments which Use Material (d)
1	Fuel Stock (Account 151)	46,103,193	39,219,809	Electric
2	Fuel Stock Expenses Undistributed (Account 152)			
3	Residuals and Extracted Products (Account 153)			
4	Plant Materials and Operating Supplies (Account 154)			
5	Assigned to - Construction (Estimated)			
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)	13,074,560	13,483,573	Electric
8	Transmission Plant (Estimated)	411,511	413,963	Electric
9	Distribution Plant (Estimated)			
10	Regional Transmission and Market Operation Plant (Estimated)			
11	Assigned to - Other (provide details in footnote)			
12	TOTAL Account 154 (Enter Total of lines 5 thru 11)	13,486,071	13,897,536	
13	Merchandise (Account 155)			
14	Other Materials and Supplies (Account 156)			
15	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)			
16	Stores Expense Undistributed (Account 163)			Electric
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	59,589,264	53,117,345	

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Allowances (Accounts 158.1 and 158.2)

1. Report below the particulars (details) called for concerning allowances.
2. Report all acquisitions of allowances at cost.
3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
4. Report the allowances transactions by the period they are first eligible for use: the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions Lines 36-40.

Line No.	SO2 Allowances Inventory (Account 158.1) (a)	Current Year		2017	
		No. (b)	Amt. (c)	No. (d)	Amt. (e)
1	Balance-Beginning of Year	51,376.00			
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)	50,576.00		50,576.00	
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:				
9	Adjustment	55,937.00			
10					
11					
12					
13					
14					
15	Total	55,937.00			
16					
17	Relinquished During Year:				
18	Charges to Account 509	4,561.00			
19	Other:				
20					
21	Cost of Sales/Transfers:				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year	153,328.00		50,576.00	
30					
31	Sales:				
32	Net Sales Proceeds(Assoc. Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158.2)				
36	Balance-Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance-End of Year				
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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Allowances (Accounts 158.1 and 158.2) (Continued)

6. Report on Lines 5 allowances returned by the EPA. Report on Line 39 the EPA's sales of the withheld allowances. Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances.
7. Report on Lines 8-14 the names of vendors/transfersors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts).
8. Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales.

2018		2019		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
						51,376.00		1
								2
								3
50,576.00		50,576.00		50,576.00		252,880.00		4
								5
								6
								7
						55,937.00		8
								9
								10
								11
								12
								13
						55,937.00		14
								15
								16
								17
						4,561.00		18
								19
								20
								21
								22
								23
								24
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								28
50,576.00		50,576.00		50,576.00		355,632.00		29
								30
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Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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Allowances (Accounts 158.1 and 158.2)

1. Report below the particulars (details) called for concerning allowances.
2. Report all acquisitions of allowances at cost.
3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
4. Report the allowances transactions by the period they are first eligible for use: the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions Lines 36-40.

Line No.	NOx Allowances Inventory (Account 158.1) (a)	Current Year		2017	
		No. (b)	Amt. (c)	No. (d)	Amt. (e)
1	Balance-Beginning of Year	713.00			
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)	9,648.00		8,481.00	
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:				
9	Prior Period Adjustment	550.00			
10	Transfer from Kyger:				
11	Annual NOx	2,609.00	16,479		
12	Ozone NOx	2,761.00	321,939		
13					
14					
15	Total	5,920.00	338,418		
16					
17	Relinquished During Year:				
18	Charges to Account 509	14,118.00	338,418		
19	Other:				
20					
21	Cost of Sales/Transfers:				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year	2,163.00		8,481.00	
30					
31	Sales:				
32	Net Sales Proceeds(Assoc. Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158.2)				
36	Balance-Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance-End of Year				
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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Allowances (Accounts 158.1 and 158.2) (Continued)

6. Report on Lines 5 allowances returned by the EPA. Report on Line 39 the EPA's sales of the withheld allowances. Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances.
7. Report on Lines 8-14 the names of vendors/transfersors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts).
8. Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales.

2018		2019		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
						713.00		1
								2
								3
8,481.00						26,610.00		4
								5
								6
								7
						550.00		8
								9
						2,609.00	16,479	10
						2,761.00	321,939	11
								12
								13
								14
						5,920.00	338,418	15
								16
								17
						14,118.00	338,418	18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
8,481.00						19,125.00		29
								30
								31
								32
								33
								34
								35
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Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**OTHER REGULATORY ASSETS (Account 182.3)**

- Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
- Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than \$100,000 which ever is less), may be grouped by classes.
- For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS		Balance at end of Current Quarter/Year (f)
				Written off During the Quarter /Year Account Charged (d)	Written off During the Period Amount (e)	
1	Unrecognized Pension Expense	12,622,959	3,847,089			16,470,048
2	per SFAS 87					
3						
4	Unrecognized Postemployment Benefit Exp	1,623,098	147,593			1,770,691
5	per SFAS 112					
6						
7						
8						
9						
10						
11						
12						
13						
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43						
<b>44</b>	<b>TOTAL :</b>	14,246,057	3,994,682		0	18,240,739

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**MISCELLANEOUS DEFFERED DEBITS (Account 186)**

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than \$100,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	Required billing of maintenance		8,679			8,679
2	due to incompleion of work by					
3	contractor					
4						
5						
6						
7						
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45						
46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	<b>TOTAL</b>					<b>8,679</b>



Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**ACCUMULATED DEFERRED INCOME TAXES (Account 190)**

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Description and Location (a)	Balance of Beginning of Year (b)	Balance at End of Year (c)
1	Electric		
2	Future FIT Benefits, per SFAS 109	16,079,582	20,722,015
3	Tax on Deferred Billings		
4	Valuation Allowance	-6,858,469	-10,022,098
5			
6			
7	Other		
8	TOTAL Electric (Enter Total of lines 2 thru 7)	9,221,113	10,699,917
9	Gas		
10			
11			
12			
13			
14			
15	Other		
16	TOTAL Gas (Enter Total of lines 10 thru 15)		
17	Other (Specify)		
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	9,221,113	10,699,917

Notes

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**CAPITAL STOCKS (Account 201 and 204)**

- Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
- Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	Common	100,000	200.00	
2				
3				
4				
5	Preferred-None authorized, issued or			
6	outstanding			
7				
8				
9				
10				
11				
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Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.  
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No.
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
17,000	3,400,000					1
						2
						3
						4
						5
						6
						7
						8
						9
						10
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						41
						42

Name of Respondent Indiana-Kentucky Electric Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	
2		
3		
4	Taxable Income Not Reported on Books	
5		
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10		
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15		
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20		
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	
28	Show Computation of Tax:	
29		
30		
31		
32		
33	A consolidated federal income tax return is filed with the parent	
34	company, Ohio Valley Electric Corporation.	
35		
36		
37		
38		
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43		
44		

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR**

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR		Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)
		Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)			
1	FEDERAL:					
2	FICA	260,433		2,079,905	2,152,976	
3	Unemployment	11,285		14,307	14,360	
4	SUBTOTAL	271,718		2,094,212	2,167,336	
5						
6	INDIANA:					
7	Unemployment	9,687		16,104	16,466	
8	SUBTOTAL	9,687		16,104	16,466	
9						
10	Property Tax					
11	2015	2,975,000		283,364	3,258,364	
12	2016			3,250,000		
13	SUBTOTAL	2,975,000		3,533,364	3,258,364	
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
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27						
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31						
32						
33						
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37						
38						
39						
40						
41	TOTAL	3,256,405		5,643,680	5,442,166	

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)**

5. If any tax (exclude Federal and State income taxes)- covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
187,362		1,909,873			170,032	2
11,132		12,872			1,435	3
198,494		1,922,745			171,467	4
						5
						6
9,325		14,538			1,566	7
9,325		14,538			1,566	8
						9
						10
		283,364				11
3,250,000		3,250,000				12
3,250,000		3,533,364				13
						14
						15
						16
						17
						18
						19
						20
						21
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						38
						39
						40
3,457,819		5,470,647			173,033	41

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**OTHER DEFERRED CREDITS (Account 253)**

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than \$100,000, whichever is greater) may be grouped by classes.

Line No.	Description and Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)
			Contra Account (c)	Amount (d)		
1	Deferred Credit - Cash Receipts	-178				-178
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
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46						
47	TOTAL	-178				-178

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282)**

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization
2. For other (Specify), include deferrals relating to other income and deductions.

Line No.	Account  (a)	Balance at Beginning of Year  (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1  (c)	Amounts Credited to Account 411.1  (d)
1	Account 282			
2	Electric			
3	Gas			
4				
5	TOTAL (Enter Total of lines 2 thru 4)			
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru 8)			
10	Classification of TOTAL			
11	Federal Income Tax			
12	State Income Tax			
13	Local Income Tax			

NOTES



Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)		
							1
				190-30	2,048,234	2,048,234	2
							3
							4
					2,048,234	2,048,234	5
							6
							7
							8
					2,048,234	2,048,234	9
							10
							11
							12
							13

NOTES (Continued)

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283)**

- Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
- For other (Specify), include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3	Accumulated Deferred FIT-Pensi	709,062		
4	Accumulated Deferred FIT-Other	8,512,051		
5				
6				
7				
8				
9	TOTAL Electric (Total of lines 3 thru 8)	9,221,113		
10	Gas			
11				
12				
13				
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)			
18				
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	9,221,113		
20	Classification of TOTAL			
21	Federal Income Tax			
22	State Income Tax			
23	Local Income Tax			

NOTES

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)**

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.  
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)		
							1
							2
		190-40	709,062				3
				190-30	139,632	8,651,683	4
							5
							6
							7
							8
			709,062		139,632	8,651,683	9
							10
							11
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			709,062		139,632	8,651,683	19
							20
							21
							22
							23

NOTES (Continued)

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**OTHER REGULATORY LIABILITIES (Account 254)**

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than \$100,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities  (a)	Balance at Beginning of Current Quarter/Year  (b)	DEBITS		Credits  (e)	Balance at End of Current Quarter/Year  (f)
			Account Credited  (c)	Amount  (d)		
1	Def Credit - Other - Postretirement Int.					
2						
3	Def Credit - SO2 Allowance	32,525	158	32,525		
4						
5	Def Credit - Other Postretirement Benefits	9,032,825	926	3,679,234		5,353,591
6						
7	Demolition & Decommission	6,185,730	230	1,811,863	3,142,788	7,516,655
8						
9						
10						
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15						
16						
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34						
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36						
37						
38						
39						
40						
41	<b>TOTAL</b>	15,251,080		5,523,622	3,142,788	12,870,246

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**ELECTRIC OPERATING REVENUES (Account 400)**

- The following instructions generally apply to the annual version of these pages. Do not report quarterly data in columns (c), (e), (f), and (g). Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages.
- Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
- Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The -average number of customers means the average of twelve figures at the close of each month.
- If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.
- Disclose amounts of \$250,000 or greater in a footnote for accounts 451, 456, and 457.2.

Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales		
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)		
5	Large (or Ind.) (See Instr. 4)		
6	(444) Public Street and Highway Lighting		
7	(445) Other Sales to Public Authorities		
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers		
11	(447) Sales for Resale	248,795,894	260,051,143
12	TOTAL Sales of Electricity	248,795,894	260,051,143
13	(Less) (449.1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov. for Refunds	248,795,894	260,051,143
15	Other Operating Revenues		
16	(450) Forfeited Discounts		
17	(451) Miscellaneous Service Revenues		
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property		
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues		
22	(456.1) Revenues from Transmission of Electricity of Others		
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues		
27	TOTAL Electric Operating Revenues	248,795,894	260,051,143

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**ELECTRIC OPERATING REVENUES (Account 400)**

6. Commercial and industrial Sales, Account 442, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand. (See Account 442 of the Uniform System of Accounts. Explain basis of classification in a footnote.)
7. See pages 108-109, Important Changes During Period, for important new territory added and important rate increase or decreases.
8. For Lines 2,4,5,and 6, see Page 304 for amounts relating to unbilled revenue by accounts.
9. Include unmetered sales. Provide details of such Sales in a footnote.

MEGAWATT HOURS SOLD		AVG.NO. CUSTOMERS PER MONTH		Line No.
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
				2
				3
				4
				5
				6
				7
				8
				9
				10
4,985,411	5,186,234	1	1	11
4,985,411	5,186,234	1	1	12
				13
4,985,411	5,186,234	1	1	14

Line 12, column (b) includes \$ 0 of unbilled revenues.  
Line 12, column (d) includes 0 MWH relating to unbilled revenues



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**SALES FOR RESALE (Account 447) (Continued)**

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.

AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)

5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.

6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)

demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.

7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.

8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.

9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401, line 24.

10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE			Total (\$) (h+i+j) (k)	Line No.
	Demand Charges (\$) (h)	Energy Charges (\$) (i)	Other Charges (\$) (j)		
					1
					2
					3
4,985,411	106,102,196	142,693,698		248,795,894	4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
0	0	0	0	0	
4,985,411	106,102,196	142,693,698	0	248,795,894	
<b>4,985,411</b>	<b>106,102,196</b>	<b>142,693,698</b>	<b>0</b>	<b>248,795,894</b>	



Name of Respondent Indiana-Kentucky Electric Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
FOOTNOTE DATA			

**Schedule Page: 310 Line No.: 4 Column: a**

All power generated by Indiana-Kentucky Electric Corporation is purchased by Ohio Valley Electric Corporation, the Parent Company, under the Power Agreement between the two companies dated July 10, 1953.

**Schedule Page: 310 Line No.: 4 Column: b**

Power sold pursuant to a Power Agreement between Ohio Valley Electric Corporation (OVEC) and Indiana-Kentucky Electric Corporation (IKEC), which provides that all power generated by IKEC, and energy associated therewith, less transmission losses, shall be delivered to OVEC.

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**ELECTRIC OPERATION AND MAINTENANCE EXPENSES**

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. POWER PRODUCTION EXPENSES		
2	A. Steam Power Generation		
3	Operation		
4	(500) Operation Supervision and Engineering	4,660,683	4,667,869
5	(501) Fuel	136,996,434	147,484,998
6	(502) Steam Expenses	5,072,445	5,115,611
7	(503) Steam from Other Sources		
8	(Less) (504) Steam Transferred-Cr.		
9	(505) Electric Expenses	4,158,892	4,004,617
10	(506) Miscellaneous Steam Power Expenses	9,292,078	11,910,340
11	(507) Rents		
12	(509) Allowances	338,418	
13	TOTAL Operation (Enter Total of Lines 4 thru 12)	160,518,950	173,183,435
14	Maintenance		
15	(510) Maintenance Supervision and Engineering	4,407,079	4,738,933
16	(511) Maintenance of Structures	3,876,956	2,439,697
17	(512) Maintenance of Boiler Plant	25,311,098	25,843,836
18	(513) Maintenance of Electric Plant	5,479,043	7,275,909
19	(514) Maintenance of Miscellaneous Steam Plant	1,328,312	1,016,697
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)	40,402,488	41,315,072
21	TOTAL Power Production Expenses-Steam Power (Entr Tot lines 13 & 20)	200,921,438	214,498,507
22	B. Nuclear Power Generation		
23	Operation		
24	(517) Operation Supervision and Engineering		
25	(518) Fuel		
26	(519) Coolants and Water		
27	(520) Steam Expenses		
28	(521) Steam from Other Sources		
29	(Less) (522) Steam Transferred-Cr.		
30	(523) Electric Expenses		
31	(524) Miscellaneous Nuclear Power Expenses		
32	(525) Rents		
33	TOTAL Operation (Enter Total of lines 24 thru 32)		
34	Maintenance		
35	(528) Maintenance Supervision and Engineering		
36	(529) Maintenance of Structures		
37	(530) Maintenance of Reactor Plant Equipment		
38	(531) Maintenance of Electric Plant		
39	(532) Maintenance of Miscellaneous Nuclear Plant		
40	TOTAL Maintenance (Enter Total of lines 35 thru 39)		
41	TOTAL Power Production Expenses-Nuc. Power (Entr tot lines 33 & 40)		
42	C. Hydraulic Power Generation		
43	Operation		
44	(535) Operation Supervision and Engineering		
45	(536) Water for Power		
46	(537) Hydraulic Expenses		
47	(538) Electric Expenses		
48	(539) Miscellaneous Hydraulic Power Generation Expenses		
49	(540) Rents		
50	TOTAL Operation (Enter Total of Lines 44 thru 49)		
51	C. Hydraulic Power Generation (Continued)		
52	Maintenance		
53	(541) Maintenance Supervision and Engineering		
54	(542) Maintenance of Structures		
55	(543) Maintenance of Reservoirs, Dams, and Waterways		
56	(544) Maintenance of Electric Plant		
57	(545) Maintenance of Miscellaneous Hydraulic Plant		
58	TOTAL Maintenance (Enter Total of lines 53 thru 57)		
59	TOTAL Power Production Expenses-Hydraulic Power (tot of lines 50 & 58)		



**ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)**

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
113	<b>3. REGIONAL MARKET EXPENSES</b>		
114	Operation		
115	(575.1) Operation Supervision		
116	(575.2) Day-Ahead and Real-Time Market Facilitation		
117	(575.3) Transmission Rights Market Facilitation		
118	(575.4) Capacity Market Facilitation		
119	(575.5) Ancillary Services Market Facilitation		
120	(575.6) Market Monitoring and Compliance		
121	(575.7) Market Facilitation, Monitoring and Compliance Services		
122	(575.8) Rents		
123	Total Operation (Lines 115 thru 122)		
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements		
126	(576.2) Maintenance of Computer Hardware		
127	(576.3) Maintenance of Computer Software		
128	(576.4) Maintenance of Communication Equipment		
129	(576.5) Maintenance of Miscellaneous Market Operation Plant		
130	Total Maintenance (Lines 125 thru 129)		
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)		
132	<b>4. DISTRIBUTION EXPENSES</b>		
133	Operation		
134	(580) Operation Supervision and Engineering		
135	(581) Load Dispatching		
136	(582) Station Expenses		
137	(583) Overhead Line Expenses		
138	(584) Underground Line Expenses		
139	(585) Street Lighting and Signal System Expenses		
140	(586) Meter Expenses		
141	(587) Customer Installations Expenses		
142	(588) Miscellaneous Expenses		
143	(589) Rents		
144	TOTAL Operation (Enter Total of lines 134 thru 143)		
145	Maintenance		
146	(590) Maintenance Supervision and Engineering		
147	(591) Maintenance of Structures		
148	(592) Maintenance of Station Equipment		
149	(593) Maintenance of Overhead Lines		
150	(594) Maintenance of Underground Lines		
151	(595) Maintenance of Line Transformers		
152	(596) Maintenance of Street Lighting and Signal Systems		
153	(597) Maintenance of Meters		
154	(598) Maintenance of Miscellaneous Distribution Plant		
155	TOTAL Maintenance (Total of lines 146 thru 154)		
156	TOTAL Distribution Expenses (Total of lines 144 and 155)		
157	<b>5. CUSTOMER ACCOUNTS EXPENSES</b>		
158	Operation		
159	(901) Supervision		
160	(902) Meter Reading Expenses		
161	(903) Customer Records and Collection Expenses		
162	(904) Uncollectible Accounts		
163	(905) Miscellaneous Customer Accounts Expenses		
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)		

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**ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)**

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
165	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
166	Operation		
167	(907) Supervision		
168	(908) Customer Assistance Expenses		
169	(909) Informational and Instructional Expenses		
170	(910) Miscellaneous Customer Service and Informational Expenses		
171	TOTAL Customer Service and Information Expenses (Total 167 thru 170)		
172	7. SALES EXPENSES		
173	Operation		
174	(911) Supervision		
175	(912) Demonstrating and Selling Expenses		
176	(913) Advertising Expenses		
177	(916) Miscellaneous Sales Expenses		
178	TOTAL Sales Expenses (Enter Total of lines 174 thru 177)		
179	8. ADMINISTRATIVE AND GENERAL EXPENSES		
180	Operation		
181	(920) Administrative and General Salaries	429,525	405,649
182	(921) Office Supplies and Expenses	43,026	52,626
183	(Less) (922) Administrative Expenses Transferred-Credit		
184	(923) Outside Services Employed	707,938	1,139,236
185	(924) Property Insurance	1,027,583	1,091,445
186	(925) Injuries and Damages	593,463	632,001
187	(926) Employee Pensions and Benefits	11,071,216	9,812,050
188	(927) Franchise Requirements		
189	(928) Regulatory Commission Expenses		
190	(929) (Less) Duplicate Charges-Cr.		-3
191	(930.1) General Advertising Expenses		
192	(930.2) Miscellaneous General Expenses	60,501	74,376
193	(931) Rents		
194	TOTAL Operation (Enter Total of lines 181 thru 193)	13,933,252	13,207,386
195	Maintenance		
196	(935) Maintenance of General Plant		
197	TOTAL Administrative & General Expenses (Total of lines 194 and 196)	13,933,252	13,207,386
198	TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197)	215,438,976	228,211,324

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	
2	Nuclear Power Research Expenses	
3	Other Experimental and General Research Expenses	
4	Pub & Dist Info to Stkhldrs...expn servicing outstanding Securities	
5	Oth Expn >=5,000 show purpose, recipient, amount. Group if < \$5,000	2,839
6	Indiana Energy Association	8,585
7	Metronet	41,700
8	Time Warner Midwest LLC	7,377
9		
10		
11		
12		
13		
14		
15		
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44		
45		
46	TOTAL	60,501

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Account 403, 404, 405)**  
(Except amortization of acquisition adjustments)

- Report in section A for the year the amounts for : (b) Depreciation Expense (Account 403); (c) Depreciation Expense for Asset Retirement Costs (Account 403.1); (d) Amortization of Limited-Term Electric Plant (Account 404); and (e) Amortization of Other Electric Plant (Account 405).
- Report in Section 8 the rates used to compute amortization charges for electric plant (Accounts 404 and 405). State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year.
- Report all available information called for in Section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year.  
Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied. Identify at the bottom of Section C the type of plant included in any sub-account used.  
In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional Classifications and showing composite total. Indicate at the bottom of section C the manner in which column balances are obtained. If average balances, state the method of averaging used.  
For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification Listed in column (a). If plant mortality studies are prepared to assist in estimating average service Lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average remaining life of surviving plant. If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis.
- If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related.

**A. Summary of Depreciation and Amortization Charges**

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization of Limited Term Electric Plant (Account 404) (d)	Amortization of Other Electric Plant (Acc 405) (e)	Total (f)
1	Intangible Plant					
2	Steam Production Plant					
3	Nuclear Production Plant					
4	Hydraulic Production Plant-Conventional					
5	Hydraulic Production Plant-Pumped Storage					
6	Other Production Plant					
7	Transmission Plant					
8	Distribution Plant					
9	Regional Transmission and Market Operation					
10	General Plant					
11	Common Plant-Electric	30,213,120				30,213,120
12	TOTAL	30,213,120				30,213,120

**B. Basis for Amortization Charges**

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)**

**C. Factors Used in Estimating Depreciation Charges**

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12							
13							
14							
15							
16							
17							
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Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES**

1. Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) project initiated, continued or concluded during the year. Report also support given to others during the year for jointly-sponsored projects. (Identify recipient regardless of affiliation.) For any R, D & D work carried with others, show separately the respondent's cost for the year and cost chargeable to others (See definition of research, development, and demonstration in Uniform System of Accounts).

2. Indicate in column (a) the applicable classification, as shown below:

**Classifications:**

**A. Electric R, D & D Performed Internally:**

- (1) Generation
  - a. hydroelectric
    - i. Recreation fish and wildlife
    - ii Other hydroelectric
  - b. Fossil-fuel steam
  - c. Internal combustion or gas turbine
  - d. Nuclear
  - e. Unconventional generation
  - f. Siting and heat rejection
- (2) Transmission

- a. Overhead
- b. Underground
- (3) Distribution
- (4) Regional Transmission and Market Operation
- (5) Environment (other than equipment)
- (6) Other (Classify and include items in excess of \$50,000.)
- (7) Total Cost Incurred

**B. Electric, R, D & D Performed Externally:**

- (1) Research Support to the electrical Research Council or the Electric Power Research Institute

Line No.	Classification (a)	Description (b)
1	A - (5)	Ohio River Ecological Research Program
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Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)**

- (2) Research Support to Edison Electric Institute
- (3) Research Support to Nuclear Power Groups
- (4) Research Support to Others (Classify)
- (5) Total Cost Incurred

3. Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside the company costing \$50,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc.). Group items under \$50,000 by classifications and indicate the number of items grouped. Under Other, (A (6) and B (4)) classify items by type of R, D & D activity.

4. Show in column (e) the account number charged with expenses during the year or the account to which amounts were capitalized during the year, listing Account 107, Construction Work in Progress, first. Show in column (f) the amounts related to the account charged in column (e)

5. Show in column (g) the total unamortized accumulating of costs of projects. This total must equal the balance in Account 188, Research, Development, and Demonstration Expenditures, Outstanding at the end of the year.

6. If costs have not been segregated for R, D & D activities or projects, submit estimates for columns (c), (d), and (f) with such amounts identified by "Est."

7. Report separately research and related testing facilities operated by the respondent.

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR		Unamortized Accumulation (g)	Line No.
		Account (e)	Amount (f)		
	173,000	926	173,000		1
					2
					3
					4
					5
					6
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					36

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**DISTRIBUTION OF SALARIES AND WAGES**

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	16,444,227		
4	Transmission	144,265		
5	Regional Market			
6	Distribution			
7	Customer Accounts			
8	Customer Service and Informational			
9	Sales			
10	Administrative and General	429,525		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	17,018,017		
12	Maintenance			
13	Production	11,520,872		
14	Transmission	299,952		
15	Regional Market			
16	Distribution			
17	Administrative and General			
18	TOTAL Maintenance (Total of lines 13 thru 17)	11,820,824		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	27,965,099		
21	Transmission (Enter Total of lines 4 and 14)	444,217		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)			
24	Customer Accounts (Transcribe from line 7)			
25	Customer Service and Informational (Transcribe from line 8)			
26	Sales (Transcribe from line 9)			
27	Administrative and General (Enter Total of lines 10 and 17)	429,525		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	28,838,841		28,838,841
29	Gas			
30	Operation			
31	Production-Manufactured Gas			
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply			
34	Storage, LNG Terminaling and Processing			
35	Transmission			
36	Distribution			
37	Customer Accounts			
38	Customer Service and Informational			
39	Sales			
40	Administrative and General			
41	TOTAL Operation (Enter Total of lines 31 thru 40)			
42	Maintenance			
43	Production-Manufactured Gas			
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminaling and Processing			
47	Transmission			

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution			
49	Administrative and General			
50	TOTAL Maint. (Enter Total of lines 43 thru 49)			
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)			
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,			
54	Other Gas Supply (Enter Total of lines 33 and 45)			
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru			
56	Transmission (Lines 35 and 47)			
57	Distribution (Lines 36 and 48)			
58	Customer Accounts (Line 37)			
59	Customer Service and Informational (Line 38)			
60	Sales (Line 39)			
61	Administrative and General (Lines 40 and 49)			
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)			
63	Other Utility Departments			
64	Operation and Maintenance			
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	28,838,841		28,838,841
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	23,289		23,289
69	Gas Plant			
70	Other (provide details in footnote):			
71	TOTAL Construction (Total of lines 68 thru 70)	23,289		23,289
72	Plant Removal (By Utility Departments)			
73	Electric Plant			
74	Gas Plant			
75	Other (provide details in footnote):	3,334		3,334
76	TOTAL Plant Removal (Total of lines 73 thru 75)	3,334		3,334
77	Other Accounts (Specify, provide details in footnote):			
78				
79				
80				
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts			
96	TOTAL SALARIES AND WAGES	28,865,464		28,865,464

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**MONTHLY TRANSMISSION SYSTEM PEAK LOAD**

(1) Report the monthly peak load on the respondent's transmission system. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system.  
(2) Report on Column (b) by month the transmission system's peak load.  
(3) Report on Columns (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b).  
(4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications. See General Instruction for the definition of each statistical classification.

**NAME OF SYSTEM:**

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Firm Network Service for Self (e)	Firm Network Service for Others (f)	Long-Term Firm Point-to-point Reservations (g)	Other Long-Term Firm Service (h)	Short-Term Firm Point-to-point Reservation (i)	Other Service (j)
1	January	98	20	1100			2,256			
2	February	98	14	1900			2,256			
3	March	78	3	1400			2,256			
4	Total for Quarter 1						6,768			
5	April	80	26	2200			2,256			
6	May	78	29	800			2,256			
7	June	86	23	1800			2,256			
8	Total for Quarter 2						6,768			
9	July	90	26	1600			2,256			
10	August	80	16	1500			2,256			
11	September	88	7				2,256			
12	Total for Quarter 3						6,768			
13	October	69	20	1400			2,256			
14	November	75	28	1700			2,256			
15	December	97	6	1900			2,256			
16	Total for Quarter 4						6,768			
17	Total Year to Date/Year						27,072			

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FOOTNOTE DATA			

**Schedule Page: 400 Line No.: 1 Column: b**

Transmission data includes both Ohio Valley Electric Corporation and its wholly owned subsidiary, Indiana-Kentucky Electric Corporation. This information is not tracked on an individual company basis.

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**ELECTRIC ENERGY ACCOUNT**

Report below the information called for concerning the disposition of electric energy generated, purchased, exchanged and wheeled during the year.

Line No.	Item (a)	MegaWatt Hours (b)	Line No.	Item (a)	MegaWatt Hours (b)
1	SOURCES OF ENERGY		21	DISPOSITION OF ENERGY	
2	Generation (Excluding Station Use):		22	Sales to Ultimate Consumers (Including Interdepartmental Sales)	
3	Steam	5,012,711	23	Requirements Sales for Resale (See instruction 4, page 311.)	
4	Nuclear		24	Non-Requirements Sales for Resale (See instruction 4, page 311.)	4,985,411
5	Hydro-Conventional		25	Energy Furnished Without Charge	
6	Hydro-Pumped Storage		26	Energy Used by the Company (Electric Dept Only, Excluding Station Use)	
7	Other		27	Total Energy Losses	27,300
8	Less Energy for Pumping		28	TOTAL (Enter Total of Lines 22 Through 27) (MUST EQUAL LINE 20)	5,012,711
9	Net Generation (Enter Total of lines 3 through 8)	5,012,711			
10	Purchases				
11	Power Exchanges:				
12	Received				
13	Delivered				
14	Net Exchanges (Line 12 minus line 13)				
15	Transmission For Other (Wheeling)				
16	Received				
17	Delivered				
18	Net Transmission for Other (Line 16 minus line 17)				
19	Transmission By Others Losses				
20	TOTAL (Enter Total of lines 9, 10, 14, 18 and 19)	5,012,711			

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**MONTHLY PEAKS AND OUTPUT**

1. Report the monthly peak load and energy output. If the respondent has two or more power which are not physically integrated, furnish the required information for each non- integrated system.
2. Report in column (b) by month the system's output in Megawatt hours for each month.
3. Report in column (c) by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales.
4. Report in column (d) by month the system's monthly maximum megawatt load (60 minute integration) associated with the system.
5. Report in column (e) and (f) the specified information for each monthly peak load reported in column (d).

**NAME OF SYSTEM:**

Line No.	Month (a)	Total Monthly Energy (b)	Monthly Non-Requirements Sales for Resale & Associated Losses (c)	MONTHLY PEAK		
				Megawatts (See Instr. 4) (d)	Day of Month (e)	Hour (f)
29	January	450,029	447,629	1,182	19	800
30	February	305,520	303,820	1,207	13	2200
31	March	143,266	142,466	646	16	2000
32	April	260,740	259,340	996	26	1800
33	May	388,537	386,437	991	12	1700
34	June	507,467	504,667	1,186	30	1700
35	July	563,679	560,579	1,170	10	1700
36	August	583,445	580,245	1,155	9	1900
37	September	549,480	546,480	1,146	8	1200
38	October	338,258	336,458	985	4	2000
39	November	276,355	274,855	1,000	23	900
40	December	645,935	642,435	1,224	15	1900
41	TOTAL	5,012,711	4,985,411			



Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)**

1. Report data for plant in Service only. 2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants. 3. Indicate by a footnote any plant leased or operated as a joint facility. 4. If net peak demand for 60 minutes is not available, give data which is available, specifying period. 5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant. 6. If gas is used and purchased on a term basis report the Btu content or the gas and the quantity of fuel burned converted to Mct. 7. Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20. 8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.

Line No.	Item (a)	Plant Name: <i>CLIFTY CREEK</i> (b)	Plant Name: (c)				
1	Kind of Plant (Internal Comb, Gas Turb, Nuclear)	STEAM					
2	Type of Constr (Conventional, Outdoor, Boiler, etc)	CONVENTIONAL					
3	Year Originally Constructed	1955					
4	Year Last Unit was Installed	1955					
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)	1303.56	0.00				
6	Net Peak Demand on Plant - MW (60 minutes)	1224	0				
7	Plant Hours Connected to Load	8667	0				
8	Net Continuous Plant Capability (Megawatts)	1284	0				
9	When Not Limited by Condenser Water	0	0				
10	When Limited by Condenser Water	1284	0				
11	Average Number of Employees	326	0				
12	Net Generation, Exclusive of Plant Use - KWh	5012711000	0				
13	Cost of Plant: Land and Land Rights	1345194	0				
14	Structures and Improvements	396121104	0				
15	Equipment Costs	951180405	0				
16	Asset Retirement Costs	0	0				
17	Total Cost	1348646703	0				
18	Cost per KW of Installed Capacity (line 17/5) Including	1034.5874	0				
19	Production Expenses: Oper, Supv, & Engr	4660684	0				
20	Fuel	136996434	0				
21	Coolants and Water (Nuclear Plants Only)	0	0				
22	Steam Expenses	5072445	0				
23	Steam From Other Sources	0	0				
24	Steam Transferred (Cr)	0	0				
25	Electric Expenses	4158892	0				
26	Misc Steam (or Nuclear) Power Expenses	9292078	0				
27	Rents	0	0				
28	Allowances	338418	0				
29	Maintenance Supervision and Engineering	4407079	0				
30	Maintenance of Structures	3876956	0				
31	Maintenance of Boiler (or reactor) Plant	25311098	0				
32	Maintenance of Electric Plant	5479043	0				
33	Maintenance of Misc Steam (or Nuclear) Plant	1328312	0				
34	Total Production Expenses	200921439	0				
35	Expenses per Net KWh	0.0401	0.0000				
36	Fuel: Kind (Coal, Gas, Oil, or Nuclear)	COAL	OIL				
37	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)	TONS	GALLONS				
38	Quantity (Units) of Fuel Burned	2423738	627353	0	0	0	0
39	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	11348	136000	0	0	0	0
40	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	49.129	1.492	0.000	0.000	0.000	0.000
41	Average Cost of Fuel per Unit Burned	50.707	1.480	0.000	0.000	0.000	0.000
42	Average Cost of Fuel Burned per Million BTU	234.803	1089.019	0.000	0.000	0.000	0.000
43	Average Cost of Fuel Burned per KWh Net Gen	0.027	0.000	0.000	0.000	0.000	0.000
44	Average BTU per KWh Net Generation	10991.000	0.000	0.000	0.000	0.000	0.000

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STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)(Continued)

9. Items under Cost of Plant are based on U. S. of A. Accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses. 10. For IC and GT plants, report Operating Expenses, Account Nos. 547 and 549 on Line 25 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 32, "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants. 11. For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant. 12. If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development; (b) types of cost units used for the various components of fuel cost; and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant.

Plant Name: (d)	Plant Name: (e)	Plant Name: (f)	Line No.
			1
			2
			3
			4
0.00	0.00	0.00	5
0	0	0	6
0	0	0	7
0	0	0	8
0	0	0	9
0	0	0	10
0	0	0	11
0	0	0	12
0	0	0	13
0	0	0	14
0	0	0	15
0	0	0	16
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0	0	0	19
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0	0	0	22
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0	0	0	25
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0	0	0	28
0	0	0	29
0	0	0	30
0	0	0	31
0	0	0	32
0	0	0	33
0	0	0	34
0.0000	0.0000	0.0000	35
			36
			37
0	0	0	38
0	0	0	39
0.000	0.000	0.000	40
0.000	0.000	0.000	41
0.000	0.000	0.000	42
0.000	0.000	0.000	43
0.000	0.000	0.000	44

Name of Respondent Indiana-Kentucky Electric Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
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**Schedule Page: 402 Line No.: 43 Column: b1**

Includes both coal and oil.

**Schedule Page: 402 Line No.: 44 Column: b1**

Includes both coal and oil.

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**TRANSMISSION LINE STATISTICS**

- Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
- Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
- Report data by individual lines for all voltages if so required by a State commission.
- Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
- Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction. If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
- Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION		VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase)		Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles)		Number Of Circuits (h)
	From (a)	To (b)	Operating (c)	Designed (d)		On Structure of Line Designated (f)	On Structures of Another Line (g)	
1	Clifty Creek	Dearborn	345.00	330.00	Steel Tower	42.20		2
2								
3								
4	Clifty Creek	Ind.-Ky State Line						
5		(Pierce)	345.00	330.00	Steel Tower	0.20		2
6								
7								
8	Dearborn	Ind.-Ky State Line						
9		(Pierce)	345.00	330.00	Steel Tower	0.50		1
10								
11								
12	Clifty Creek	Junction Miami Ft.-						
13		Louisville Line	138.00	132.00	Steel Tower	0.30		2
14								
15								
16	Clifty Creek	Ind.-Ky State Line						
17		(Carrollton)	138.00	132.00	Steel Tower	1.50		1
18								
19								
20	Dearborn	Ind.-Ky State Line						
21		(Buffington-CG&E)	345.00	330.00	Steel Tower		0.50	1
22								
23								
24	Expenses Applicable							
25	To all Lines							
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36					TOTAL	44.70	0.50	9

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**TRANSMISSION LINE STATISTICS (Continued)**

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
	Land (j)	Construction and Other Costs (k)	Total Cost (l)	Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	
1.75 in.	167,186	4,570,385	4,737,571					1
ACSR								2
								3
								4
1.75 in.		65,275	65,275					5
aluminum								6
								7
								8
1.75 in.		151,149	151,149					9
aluminum								10
								11
								12
795,000 cm		16,982	16,982					13
ACSR								14
								15
								16
556,000 cm								17
ACSR								18
								19
								20
1.75 in.								21
aluminum								22
								23
								24
				584,286			584,286	25
								26
								27
								28
								29
								30
								31
								32
								33
								34
								35
	167,186	4,803,791	4,970,977	584,286			584,286	36

Name of Respondent Indiana-Kentucky Electric Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
FOOTNOTE DATA			

**Schedule Page: 422 Line No.: 20 Column: a**

The pole miles and cost of the transmission line are included in the Dearborn to Indiana-Kentucky State Line (Pierce) information. One circuit of this double circuit transmission line is interconnected in Kentucky at the Buffington Substation owned by Cincinnati Gas & Electric Company.

Name of Respondent Indiana-Kentucky Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**TRANSACTIONS WITH ASSOCIATED (AFFILIATED) COMPANIES**

1. Report below the information called for concerning all non-power goods or services received from or provided to associated (affiliated) companies.
2. The reporting threshold for reporting purposes is \$250,000. The threshold applies to the annual amount billed to the respondent or billed to an associated/affiliated company for non-power goods and services. The good or service must be specific in nature. Respondents should not attempt to include or aggregate amounts in a nonspecific category such as "general".
3. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote.

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
1	<b>Non-power Goods or Services Provided by Affiliated</b>			
2	Operation, Maint., and Engineering	American Electric Power	107, 401-10, 401-20	2,197,217
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20	<b>Non-power Goods or Services Provided for Affiliate</b>			
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
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