

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - SEPTEMBER 30, 2006 AND 2005

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - SEPTEMBER 30, 2006 AND 2005

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - SEPTEMBER 30, 2006 AND 2005

OFFICER'S CERTIFICATION

A review of the affairs and activities of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation (the Companies), during the quarters ended September 30, 2006 and 2005, has been made under my supervision, and in my opinion, the unaudited financial statements for these periods present fairly the financial conditions of the Companies as of September 30, 2006 and 2005, and the results of the operations, thereof, in accordance with generally accepted accounting principles consistently applied throughout the period. To the best of my knowledge and belief, there has been no Potential Default, Default, or Event of Default by the Companies and the Companies are in compliance with the covenents of the current debt agreements.


Secretary and Treasurer

OHIO VALLEY ELECTRIC CORPORATION and
INDIANA-KENTUCKY ELECTRIC CORPORATION

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

 CONSOLIDATING BALANCE SHEETS
 AS OF SEPTEMBER 30, 2006 AND 2005-UNAUDITED

	2006				2005			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
ASSETS								
ELECTRIC PLANT:								
At original cost	\$ 1,138,442,692.37	\$ -	\$ 522,417,493.65	\$ 616,025,198.72	\$ 1,131,654,569.27	\$ -	\$ 518,791,155.14	\$ 612,863,414.13
Less - Accumulated provisions for depreciation	(824,201,837.58)	-	(353,282,362.22)	(470,919,475.36)	(801,418,982.57)	-	(340,944,024.06)	(460,474,958.51)
	314,240,854.79	-	169,135,131.43	145,105,723.36	330,235,586.70	-	177,847,131.08	152,388,455.62
Construction in progress	101,033,479.18	-	83,053,844.61	17,979,634.57	15,633,448.33	-	11,585,628.87	4,047,819.46
Total electric plant	415,274,333.97	-	252,188,976.04	163,085,357.93	345,869,035.03	-	189,432,759.95	156,436,275.08
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000.00)	3,400,000.00	-	-	(3,400,000.00)	3,400,000.00	-
Advances to subsidiary-construction	-	(158,211,510.72)	158,211,510.72	-	-	(163,620,451.28)	163,620,451.28	-
Total investments and other	-	(161,611,510.72)	161,611,510.72	-	-	(167,020,451.28)	167,020,451.28	-
CURRENT ASSETS:								
Cash and cash equivalents	73,201,411.37	-	73,183,941.86	17,469.51	74,569,691.46	-	74,559,569.46	10,122.00
Accounts receivable	20,501,449.82	(893,482.74)	20,099,300.36	1,295,632.20	26,389,961.98	(10,268,834.71)	25,873,249.85	10,785,546.84
Fuel in storage-at average cost	31,735,857.41	-	11,879,967.11	19,855,890.30	25,520,330.15	-	9,401,285.73	16,119,044.42
Materials and supplies-at average cost	14,969,866.10	-	7,254,471.11	7,715,394.99	13,808,880.70	-	7,176,624.88	6,632,255.82
Property taxes applicable to future years	461,700.00	-	461,700.00	-	349,050.00	-	349,050.00	-
Emission allowances	39,563,699.36	-	39,563,699.36	-	18,800,987.22	-	18,800,987.22	-
Refundable federal income taxes	2,100,307.66	-	2,100,307.66	-	31,441,665.25	-	31,441,665.25	-
Refundable state income taxes	108,101.03	-	108,101.03	-	-	-	855,850.57	-
Prepaid expenses and other	2,054,935.78	-	839,998.09	1,214,937.69	1,171,504.42	-	-	1,171,504.42
Total current assets	184,697,328.53	(893,482.74)	155,491,486.58	30,099,324.69	192,907,921.75	(10,268,834.71)	168,458,282.96	34,718,473.50
REGULATORY ASSETS:								
Unrecognized pension benefits	3,588,442.00	-	1,881,715.00	1,706,727.00	5,094,296.00	-	2,709,147.00	2,385,149.00
Unrecognized postemployment benefits	3,291,903.00	-	1,868,626.00	1,423,277.00	3,300,985.00	-	1,608,202.00	1,692,783.00
Asset retirement costs	16,805,965.84	-	3,081,073.90	13,724,891.94	-	-	-	-
Deferred depreciation	36,215,952.92	-	21,172,336.97	15,043,615.95	28,205,774.90	-	15,190,511.67	13,015,263.23
Total regulatory assets	59,902,263.76	-	28,003,751.87	31,898,511.89	36,601,055.90	-	19,507,860.67	17,093,195.23
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	4,554,176.63	-	4,554,176.63	-	1,569,084.00	-	1,569,084.00	-
Deferred tax assets	49,093,560.00	-	33,542,864.00	15,550,696.00	46,991,566.00	-	16,149,130.00	30,842,436.00
Other	29,019.37	-	3,659.29	25,360.08	2,969,821.94	-	2,238,929.61	730,892.33
Total deferred charges and other	53,676,756.00	-	38,100,699.92	15,576,056.08	51,530,471.94	-	19,957,143.61	31,573,328.33
TOTAL	\$ 713,550,682.26	\$ (162,504,993.46)	\$ 635,396,425.13	\$ 240,659,250.59	\$ 626,908,484.62	\$ (177,289,285.99)	\$ 564,376,498.47	\$ 239,821,272.14

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

 CONSOLIDATING BALANCE SHEETS
 AS OF SEPTEMBER 30, 2006 AND 2005-UNAUDITED

	2006				2005			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
CAPITALIZATION AND LIABILITIES								
CAPITALIZATION:								
Common stock, \$100 par value-								
Authorized, 300,000 shares;								
outstanding, 100,000 shares	\$ 10,000,000.00	\$ -	\$ 10,000,000.00	\$ -	\$ 10,000,000.00	\$ -	\$ 10,000,000.00	\$ -
Common stock, without par value,								
stated at \$200 per share-								
Authorized, 100,000 shares;								
outstanding, 17,000 shares	-	(3,400,000.00)	-	3,400,000.00	-	(3,400,000.00)	-	3,400,000.00
Unsecured term loan	-	-	-	-	60,000,000.00	-	60,000,000.00	-
Senior secured notes	426,359,355.00	-	426,359,355.00	-	305,000,000.00	-	305,000,000.00	-
Line of credit borrowings-long term	50,000,000.00	-	50,000,000.00	-	-	-	-	-
Retained earnings	6,180,650.53	-	6,180,650.53	-	3,595,014.84	-	3,595,014.84	-
Total capitalization	492,540,005.53	(3,400,000.00)	492,540,005.53	3,400,000.00	378,595,014.84	(3,400,000.00)	378,595,014.84	3,400,000.00
CURRENT LIABILITIES:								
Current portion of long term debt	12,603,856.00	-	12,603,856.00	-	-	-	-	-
Short term borrowings	-	-	-	-	50,000,000.00	-	50,000,000.00	-
Accounts payable	19,366,526.72	(893,482.74)	14,804,006.65	5,456,002.81	42,199,782.91	(10,268,834.71)	38,392,769.29	14,075,848.33
Deferred revenue-advances for construction	21,399,804.43	-	13,381,366.64	8,018,437.79	10,358,621.30	-	6,819,787.18	3,538,834.12
Accrued taxes	4,380,971.00	-	2,072,742.54	2,308,228.46	3,179,646.80	-	1,600,257.22	1,579,389.58
Accrued interest and other	12,222,595.75	-	8,462,386.79	3,760,208.96	10,262,852.08	-	6,518,899.70	3,743,952.38
Total current liabilities	69,973,753.90	(893,482.74)	51,324,358.62	19,542,878.02	116,000,903.09	(10,268,834.71)	103,331,713.39	22,938,024.41
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	17,862,383.34	-	17,442,704.69	419,678.65	20,052,999.02	-	24,686,051.23	(4,633,052.21)
Investment tax credits	3,393,145.95	-	3,393,145.95	-	3,393,145.95	-	3,393,145.95	-
Net antitrust settlement	1,823,929.41	-	673,069.85	1,150,859.56	1,823,929.41	-	673,069.85	1,150,859.56
Income taxes refundable to customers	49,475,931.90	-	33,925,235.90	15,550,696.00	50,976,348.27	-	20,133,912.27	30,842,436.00
Deferred credit - EPA emission allowance auction proceeds	6,615,425.23	-	4,742,128.59	1,873,296.64	1,820,394.99	-	795,043.94	1,025,351.05
Accrued cost of removal	-	-	-	-	10,000,000.00	-	10,000,000.00	-
Total regulatory liabilities	79,170,815.83	-	60,176,284.98	18,994,530.85	88,066,817.64	-	59,681,223.24	28,385,594.40
OTHER LIABILITIES:								
Accrued pension liability	3,588,442.00	-	1,881,715.00	1,706,727.00	5,094,296.00	-	2,709,147.00	2,385,149.00
Estimated asset retirement obligation	28,678,826.00	-	8,713,856.00	19,964,970.00	-	-	-	-
Postretirement benefits obligation	36,306,936.00	-	18,891,579.00	17,415,357.00	35,466,069.00	-	18,451,198.00	17,014,871.00
Postemployment benefits obligation	3,291,903.00	-	1,868,626.00	1,423,277.00	3,300,985.00	-	1,608,202.00	1,692,783.00
Other deferred credits	-	-	-	-	384,399.05	-	-	384,399.05
Parent advances for construction	-	(158,211,510.72)	-	158,211,510.72	-	(163,620,451.28)	-	163,620,451.28
Total other liabilities	71,866,107.00	(158,211,510.72)	31,355,776.00	198,721,841.72	44,245,749.05	(163,620,451.28)	22,768,547.00	185,097,653.33
TOTAL	\$ 713,550,682.26	\$ (162,504,993.46)	\$ 635,396,425.13	\$ 240,659,250.59	\$ 626,908,484.62	\$ (177,289,285.99)	\$ 564,376,498.47	\$ 239,821,272.14

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

 CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
 AS OF SEPTEMBER 30, 2006 AND 2005-UNAUDITED

	2006				2005			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
OPERATING REVENUES:								
Sales of electric energy to:								
Department of Energy	\$ 12,163,417.10	\$ -	\$ 12,163,417.10	\$ -	\$ 10,257,572.00	\$ -	\$ 10,257,572.00	\$ -
Ohio Valley Electric Corp.	-	(179,449,392.27)	-	179,449,392.27	-	(155,396,244.83)	-	155,396,244.83
Sponsoring Companies	373,097,873.85	-	373,097,873.85	-	323,253,971.72	-	323,253,971.72	-
Other	313,382.39	-	300,060.00	13,322.39	415,743.70	-	365,514.70	50,229.00
Total operating revenues	385,574,673.34	(179,449,392.27)	385,561,350.95	179,462,714.66	333,927,287.42	(155,396,244.83)	333,877,058.42	155,446,473.83
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
in operation	240,148,886.00	-	114,876,996.02	125,271,889.98	202,587,869.72	-	101,081,465.92	101,506,403.80
Purchased power	11,804,580.10	(179,449,392.27)	191,253,972.37	-	10,321,325.87	(155,396,244.83)	165,717,570.70	-
Other operation	47,237,473.42	-	26,053,812.77	21,183,660.65	44,862,378.36	-	24,393,198.77	20,469,179.59
Maintenance	41,963,270.37	-	19,369,445.30	22,593,825.07	36,934,090.61	-	16,028,087.39	20,906,003.22
Depreciation	12,178,646.99	-	4,569,606.26	7,609,040.73	12,924,121.07	-	2,945,391.60	9,978,729.47
Taxes-other than federal income taxes	5,768,894.75	-	2,989,517.20	2,779,377.55	4,826,993.88	-	2,243,144.28	2,583,849.60
Federal income taxes	2,025,957.70	-	2,025,957.70	-	1,395,473.18	-	1,395,473.18	-
Total operating expenses	361,127,709.33	(179,449,392.27)	361,139,307.62	179,437,793.98	313,852,252.69	(155,396,244.83)	313,804,331.84	155,444,165.68
OPERATING INCOME	24,446,964.01	-	24,422,043.33	24,920.68	20,075,034.73	-	20,072,726.58	2,308.15
OTHER INCOME (EXPENSE)	3,236,131.16	-	3,262,295.95	(26,164.79)	1,594,767.18	-	1,596,557.32	(1,790.14)
INCOME BEFORE INTEREST CHARGES	27,683,095.17	-	27,684,339.28	(1,244.11)	21,669,801.91	-	21,669,283.90	518.01
INTEREST CHARGES:								
Amortization of debt expense	544,772.22	-	544,772.22	-	2,102,483.96	-	2,102,483.96	-
Interest expense	21,806,175.30	-	21,807,419.41	(1,244.11)	16,856,719.17	-	16,856,201.16	518.01
Total interest charges	22,350,947.52	-	22,352,191.63	(1,244.11)	18,959,203.13	-	18,958,685.12	518.01
NET INCOME	\$ 5,332,147.65	\$ -	\$ 5,332,147.65	\$ -	\$ 2,710,598.78	\$ -	\$ 2,710,598.78	\$ -
RETAINED EARNINGS, JAN. 1	2,048,502.88	-	2,048,502.88	-	2,084,416.06	-	2,084,416.06	-
CASH DIVIDENDS ON COMMON STOCK	(1,200,000.00)	-	(1,200,000.00)	-	(1,200,000.00)	-	(1,200,000.00)	-
RETAINED EARNINGS, SEP. 30	\$ 6,180,650.53	\$ -	\$ 6,180,650.53	\$ -	\$ 3,595,014.84	\$ -	\$ 3,595,014.84	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
AS OF SEPTEMBER 30, 2006 AND 2005-UNAUDITED

	2006				2005			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
CASH FROM OPERATIONS								
Net income	\$ 5,332,147.65	\$ -	\$ 5,332,147.65	\$ -	\$ 2,710,598.78	\$ -	\$ 2,710,598.78	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	12,178,646.99	-	4,569,606.26	7,609,040.73	12,924,121.07	-	2,945,391.60	9,978,729.47
Amortization of debt expense and discount	544,772.22	-	544,772.22	-	2,102,483.96	-	2,102,483.96	-
Deferred taxes	4,125,567.29	-	4,125,567.29	-	8,999,059.53	-	8,999,059.53	-
Changes in assets and liabilities:								
Accounts receivable	14,729,470.94	(9,437,706.32)	9,835,332.09	14,331,845.17	1,473,893.96	436,933.36	1,757,333.33	(720,372.73)
Fuel in storage	8,362,083.00	-	6,775,412.66	1,586,670.34	(10,936,032.02)	-	(4,943,657.94)	(5,992,374.08)
Material and supplies	(654,436.37)	-	(14,737.22)	(639,699.15)	866,168.65	-	216,285.91	649,882.74
Property taxes applicable to subsequent years	1,385,100.00	-	1,385,100.00	-	930,800.00	-	930,800.00	-
Emission allowances	(8,527,220.23)	-	(9,375,165.82)	847,945.59	(17,066,141.13)	-	(17,798,117.45)	731,976.32
Prepaid expenses and other	(349,959.14)	-	(86,129.83)	(263,829.31)	(318,399.78)	-	(92,383.24)	(226,016.54)
Refundable federal income taxes	21,848,195.41	-	21,848,195.41	-	(7,622,875.76)	-	(7,622,875.76)	-
Refundable state income taxes	(250.03)	-	(250.03)	-	-	-	-	-
Other regulatory assets	(2,107,921.44)	-	(3,178,970.10)	1,071,048.66	(12,088,189.26)	-	(6,510,219.30)	(5,577,969.96)
Other noncurrent assets	857,169.80	-	16,085.38	841,084.42	(1,927,144.20)	-	(1,919,913.38)	(7,230.82)
Accounts payable	(31,190,193.84)	9,437,706.32	(27,686,644.87)	(12,941,255.29)	24,835,236.74	(436,933.36)	20,120,902.71	5,151,267.39
Deferred revenue	8,710,640.56	-	6,374,573.07	2,336,067.49	2,455,641.40	-	3,692,535.17	(1,236,893.77)
Accrued taxes	(36,189.46)	-	(1,905,958.11)	1,869,768.65	(1,323,190.83)	-	(1,401,011.46)	77,820.63
Accrued interest and other	(2,492,937.49)	-	(2,794,956.92)	302,019.43	(4,962,503.59)	-	(5,309,995.86)	347,492.27
Postretirement benefit liabilities	811,162.91	-	391,483.72	419,679.19	(135,098.57)	-	(8,255.34)	(126,843.23)
Other deferred credits	-	-	-	-	384,399.05	-	-	384,399.05
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	33,525,848.77	-	16,155,462.85	17,370,385.92	1,302,828.00	-	(2,131,038.74)	3,433,866.74
INVESTING ACTIVITIES								
Net electric plant additions	(67,905,138.89)	-	(55,949,941.04)	(11,955,197.85)	(8,397,053.74)	-	(4,962,059.00)	(3,434,994.74)
Advances to subsidiary company	-	(5,408,940.56)	5,408,940.56	-	-	-	-	-
Advances from parent company	-	5,408,940.56	-	(5,408,940.56)	-	-	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(67,905,138.89)	-	(50,541,000.48)	(17,364,138.41)	(8,397,053.74)	-	(4,962,059.00)	(3,434,994.74)
FINANCING ACTIVITIES								
Long term borrowings	43,963,211.00	-	43,963,211.00	-	-	-	-	-
Short term borrowings	-	-	-	-	20,000,000.00	-	20,000,000.00	-
Unamortized debt expense	(1,191,443.94)	-	(1,191,443.94)	-	(582,736.70)	-	(582,736.70)	-
Dividends-common stock	(1,200,000.00)	-	(1,200,000.00)	-	(1,200,000.00)	-	(1,200,000.00)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	41,571,767.06	-	41,571,767.06	-	18,217,263.30	-	18,217,263.30	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 7,192,476.94	\$ -	\$ 7,186,229.43	\$ 6,247.51	\$ 11,123,037.56	\$ -	\$ 11,124,165.56	\$ (1,128.00)
CASH AND CASH EQUIVALENTS, JAN. 1	66,008,934.43	-	65,997,712.43	11,222.00	63,446,653.90	-	63,435,403.90	11,250.00
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,192,476.94	-	7,186,229.43	6,247.51	11,123,037.56	-	11,124,165.56	(1,128.00)
CASH AND CASH EQUIVALENTS, SEP. 30	\$ 73,201,411.37	\$ -	\$ 73,183,941.86	\$ 17,469.51	\$ 74,569,691.46	\$ -	\$ 74,559,569.46	\$ 10,122.00