

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - MARCH 31, 2007 AND 2006

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - MARCH 31, 2007 AND 2006

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - MARCH 31, 2007 AND 2006

OFFICER'S CERTIFICATION

A review of the affairs and activities of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation (the Companies), during the quarters ended March 31, 2007 and 2006, has been made under my supervision, and in my opinion, the unaudited financial statements for these periods present fairly the financial conditions of the Companies as of March 31, 2007 and 2006, and the results of the operations, thereof, in accordance with generally accepted accounting principles consistently applied throughout the period. To the best of my knowledge and belief, there has been no Potential Default, Default, or Event of Default by the Companies and the Companies are in compliance with the covenants of the current debt agreements.



Secretary and Treasurer

OHIO VALLEY ELECTRIC CORPORATION and
INDIANA-KENTUCKY ELECTRIC CORPORATION

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF MARCH 31, 2007 AND 2006-UNAUDITED

| | 2007 | | | | 2006 | | | |
|--|--------------------------|----------------------------|--|---|--------------------------|----------------------------|--|---|
| | 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 | \$ 1,196,855,418.98 | \$ - | \$ 577,048,301.33 | \$ 619,807,117.65 | \$ 1,135,315,070.59 | \$ - | \$ 520,986,807.69 | \$ 614,328,262.90 |
| Less - Accumulated provisions for depreciation | (845,122,530.50) | - | (365,556,697.27) | (479,565,833.23) | (812,820,360.20) | - | (347,480,437.65) | (465,339,922.55) |
| | 351,732,888.48 | - | 211,491,604.06 | 140,241,284.42 | 322,494,710.39 | - | 173,506,370.04 | 148,988,340.35 |
| Construction in progress | 116,433,057.10 | - | 76,184,832.27 | 40,248,224.83 | 42,569,952.38 | - | 33,017,499.45 | 9,552,452.93 |
| Total electric plant | 468,165,945.58 | - | 287,676,436.33 | 180,489,509.25 | 365,064,662.77 | - | 206,523,869.49 | 158,540,793.28 |
| 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 | - | (154,154,805.30) | 154,154,805.30 | - | - | (163,620,451.28) | 163,620,451.28 | - |
| Total investments and other | - | (157,554,805.30) | 157,554,805.30 | - | - | (167,020,451.28) | 167,020,451.28 | - |
| CURRENT ASSETS: | | | | | | | | |
| Cash and cash equivalents | 71,087,370.41 | - | 71,072,457.24 | 14,913.17 | 58,634,846.02 | - | 58,624,424.02 | 10,422.00 |
| Accounts receivable | 23,379,900.17 | (27,799,016.07) | 50,762,288.53 | 416,627.71 | 27,538,927.16 | (6,841,474.39) | 26,344,068.54 | 8,036,333.01 |
| Fuel in storage-at average cost | 47,876,087.88 | - | 30,418,750.04 | 17,457,337.84 | 45,662,594.30 | - | 23,004,534.57 | 22,658,059.73 |
| Materials and supplies-at average cost | 16,216,059.05 | - | 8,261,766.19 | 7,954,292.86 | 14,130,288.59 | - | 7,036,423.01 | 7,093,865.58 |
| Property taxes applicable to future years | 1,479,600.00 | - | 1,479,600.00 | - | 1,385,100.00 | - | 1,385,100.00 | - |
| Emission allowances | 28,437,469.42 | - | 28,437,469.42 | - | 38,703,456.86 | - | 38,703,456.86 | - |
| Refundable federal income taxes | 1,087,665.47 | - | 1,087,665.47 | - | 3,900,037.98 | - | 3,900,037.98 | - |
| Refundable state income taxes | 108,601.01 | - | 108,601.01 | - | 108,601.01 | - | 108,601.01 | - |
| Prepaid expenses and other | 870,845.40 | - | 383,727.60 | 487,117.80 | 893,774.79 | - | 393,062.47 | 500,712.32 |
| Total current assets | 190,543,598.81 | (27,799,016.07) | 192,012,325.50 | 26,330,289.38 | 190,957,626.71 | (6,841,474.39) | 159,499,708.46 | 38,299,392.64 |
| REGULATORY ASSETS: | | | | | | | | |
| Unrecognized pension benefits | - | - | - | - | 3,588,442.00 | - | 1,881,715.00 | 1,706,727.00 |
| Unrecognized postemployment benefits | 3,222,815.00 | - | 1,869,278.00 | 1,353,537.00 | 3,291,903.00 | - | 1,868,626.00 | 1,423,277.00 |
| Asset retirement costs | 16,827,416.84 | - | 3,029,770.90 | 13,797,645.94 | 18,505,243.84 | - | 3,655,207.90 | 14,850,035.94 |
| Deferred depreciation | 38,654,982.74 | - | 23,949,425.57 | 14,705,557.17 | 34,252,304.74 | - | 18,870,630.01 | 15,381,674.73 |
| Total regulatory assets | 58,705,214.58 | - | 28,848,474.47 | 29,856,740.11 | 59,637,893.58 | - | 26,276,178.91 | 33,361,714.67 |
| DEFERRED CHARGES AND OTHER: | | | | | | | | |
| Unamortized debt expense | 4,389,676.31 | - | 4,389,676.31 | - | 4,718,676.95 | - | 4,718,676.95 | - |
| Deferred tax assets | 46,524,391.00 | - | 39,099,938.00 | 7,424,453.00 | 49,093,560.00 | - | 33,542,864.00 | 15,550,696.00 |
| Other | 9,704.20 | - | 2,734.21 | 6,969.99 | 722,982.45 | - | 3,166.95 | 719,815.50 |
| Total deferred charges and other | 50,923,771.51 | - | 43,492,348.52 | 7,431,422.99 | 54,535,219.40 | - | 38,264,707.90 | 16,270,511.50 |
| TOTAL | \$ 768,338,530.48 | \$ (185,353,821.37) | \$ 709,584,390.12 | \$ 244,107,961.73 | \$ 670,195,402.46 | \$ (173,861,925.67) | \$ 597,584,916.04 | \$ 246,472,412.09 |

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF MARCH 31, 2007 AND 2006-UNAUDITED

| | 2007 | | | | 2006 | | | |
|---|--------------------------|----------------------------|--|---|--------------------------|----------------------------|--|---|
| | 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 | - | - | - | - | - | - | - | - |
| Senior notes | 419,781,717.00 | - | 419,781,717.00 | - | 445,000,000.00 | - | 445,000,000.00 | - |
| Line of credit borrowings-long term | 120,000,000.00 | - | 120,000,000.00 | - | 10,000,000.00 | - | 10,000,000.00 | - |
| Retained earnings | 3,349,056.03 | - | 3,349,056.03 | - | 2,796,702.39 | - | 2,796,702.39 | - |
| Total capitalization | 553,130,773.03 | (3,400,000.00) | 553,130,773.03 | 3,400,000.00 | 467,796,702.39 | (3,400,000.00) | 467,796,702.39 | 3,400,000.00 |
| CURRENT LIABILITIES: | | | | | | | | |
| Current portion of long term debt | 12,969,638.00 | - | 12,969,638.00 | - | - | - | - | - |
| Accounts payable | 27,860,449.08 | (27,799,016.07) | 18,119,750.87 | 37,539,714.28 | 25,712,049.75 | (6,841,474.39) | 22,950,542.51 | 9,602,981.63 |
| Deferred revenue-advances for construction | 17,800,186.87 | - | 6,182,148.65 | 11,618,038.22 | 16,156,149.57 | - | 8,991,567.41 | 7,164,582.16 |
| Accrued taxes | 5,838,075.09 | - | 3,265,907.19 | 2,572,167.90 | 3,909,924.33 | - | 3,009,528.20 | 900,396.13 |
| Accrued interest and other | 10,855,283.86 | - | 7,520,642.78 | 3,334,641.08 | 11,256,940.10 | - | 7,837,159.31 | 3,419,780.79 |
| Total current liabilities | 75,323,632.90 | (27,799,016.07) | 48,058,087.49 | 55,064,561.48 | 57,035,063.75 | (6,841,474.39) | 42,788,797.43 | 21,087,740.71 |
| COMMITMENTS AND CONTINGENCIES | | | | | | | | |
| REGULATORY LIABILITIES: | | | | | | | | |
| Postretirement benefits | 15,654,611.64 | - | 33,980,557.25 | (18,325,945.61) | 17,295,336.61 | - | 17,168,354.12 | 126,982.49 |
| 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 | 45,246,677.80 | - | 37,822,224.80 | 7,424,453.00 | 47,889,722.36 | - | 32,339,026.36 | 15,550,696.00 |
| Deferred credit - EPA emission allowance auction proceeds | 65,000.00 | - | 65,000.00 | - | 3,095,394.99 | - | 2,070,043.94 | 1,025,351.05 |
| Advance collection of interest | 1,045,815.75 | - | 1,045,815.75 | - | - | - | - | - |
| Total regulatory liabilities | 67,229,180.55 | - | 76,979,813.60 | (9,750,633.05) | 73,497,529.32 | - | 55,643,640.22 | 17,853,889.10 |
| OTHER LIABILITIES: | | | | | | | | |
| Accrued pension liability | - | - | - | - | 3,588,442.00 | - | 1,881,715.00 | 1,706,727.00 |
| Estimated asset retirement obligation | 30,399,555.00 | - | 9,236,687.00 | 21,162,868.00 | 28,678,826.00 | - | 8,713,856.00 | 19,964,970.00 |
| Postretirement benefits obligation | 39,032,574.00 | - | 20,309,751.00 | 18,722,823.00 | 36,306,936.00 | - | 18,891,579.00 | 17,415,357.00 |
| Postemployment benefits obligation | 3,222,815.00 | - | 1,869,278.00 | 1,353,537.00 | 3,291,903.00 | - | 1,868,626.00 | 1,423,277.00 |
| Parent advances for construction | - | (154,154,805.30) | - | 154,154,805.30 | - | (163,620,451.28) | - | 163,620,451.28 |
| Total other liabilities | 72,654,944.00 | (154,154,805.30) | 31,415,716.00 | 195,394,033.30 | 71,866,107.00 | (163,620,451.28) | 31,355,776.00 | 204,130,782.28 |
| TOTAL | \$ 768,338,530.48 | \$ (185,353,821.37) | \$ 709,584,390.12 | \$ 244,107,961.73 | \$ 670,195,402.46 | \$ (173,861,925.67) | \$ 597,584,916.04 | \$ 246,472,412.09 |

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
AS OF MARCH 31, 2007 AND 2006-UNAUDITED

| | 2007 | | | | 2006 | | | |
|---|------------------------|--------------------------|--|---|------------------------|--------------------------|--|---|
| | 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 | \$ 4,109,155.76 | \$ - | \$ 4,109,155.76 | \$ - | \$ 5,588,064.00 | \$ - | \$ 5,588,064.00 | \$ - |
| Ohio Valley Electric Corp. | - | (57,338,686.12) | - | 57,338,686.12 | - | (55,929,067.06) | - | 55,929,067.06 |
| Sponsoring Companies | 112,496,080.12 | - | 112,496,080.12 | - | 121,595,521.48 | - | 121,595,521.48 | - |
| Other | - | - | - | - | 113,342.39 | - | 100,020.00 | 13,322.39 |
| Total operating revenues | 116,605,235.88 | (57,338,686.12) | 116,605,235.88 | 57,338,686.12 | 127,296,927.87 | (55,929,067.06) | 127,283,605.48 | 55,942,389.45 |
| OPERATING EXPENSES: | | | | | | | | |
| Fuel and emission allowances consumed in operation | 73,028,227.48 | - | 32,016,683.53 | 41,011,543.95 | 84,057,122.30 | - | 41,823,628.02 | 42,233,494.28 |
| Purchased power | 3,963,195.20 | (57,338,686.12) | 61,301,881.32 | - | 5,448,720.00 | (55,929,067.06) | 61,377,787.06 | - |
| Other operation | 13,311,047.08 | - | 7,142,711.18 | 6,168,335.90 | 13,562,421.56 | - | 7,565,253.53 | 5,997,168.03 |
| Maintenance | 12,601,481.26 | - | 5,533,088.08 | 7,068,393.18 | 11,344,868.71 | - | 5,929,216.35 | 5,415,652.36 |
| Depreciation | 3,165,975.99 | - | 1,137,623.28 | 2,028,352.71 | 2,171,392.79 | - | 799,406.82 | 1,371,985.97 |
| Taxes-other than federal income taxes | 2,116,623.42 | - | 1,055,578.04 | 1,061,045.38 | 1,945,515.69 | - | 1,021,601.88 | 923,913.81 |
| Federal income taxes | 219,345.00 | - | 219,345.00 | - | 561,575.84 | - | 561,575.84 | - |
| Total operating expenses | 108,405,895.43 | (57,338,686.12) | 108,406,910.43 | 57,337,671.12 | 119,091,616.89 | (55,929,067.06) | 119,078,469.50 | 55,942,214.45 |
| OPERATING INCOME | 8,199,340.45 | - | 8,198,325.45 | 1,015.00 | 8,205,310.98 | - | 8,205,135.98 | 175.00 |
| OTHER INCOME (EXPENSE) | 1,021,479.95 | - | 1,022,494.95 | (1,015.00) | 725,116.02 | - | 725,291.02 | (175.00) |
| INCOME BEFORE INTEREST CHARGES | 9,220,820.40 | - | 9,220,820.40 | - | 8,930,427.00 | - | 8,930,427.00 | - |
| INTEREST CHARGES: | | | | | | | | |
| Amortization of debt expense | 82,250.16 | - | 82,250.16 | - | 380,271.90 | - | 380,271.90 | - |
| Interest expense | 7,563,774.73 | - | 7,563,774.73 | - | 7,401,955.59 | - | 7,401,955.59 | - |
| Total interest charges | 7,646,024.89 | - | 7,646,024.89 | - | 7,782,227.49 | - | 7,782,227.49 | - |
| NET INCOME | \$ 1,574,795.51 | \$ - | \$ 1,574,795.51 | \$ - | \$ 1,148,199.51 | \$ - | \$ 1,148,199.51 | \$ - |
| RETAINED EARNINGS, JAN. 1 | 2,274,260.52 | - | 2,274,260.52 | - | 2,048,502.88 | - | 2,048,502.88 | - |
| CASH DIVIDENDS ON COMMON STOCK | (500,000.00) | - | (500,000.00) | - | (400,000.00) | - | (400,000.00) | - |
| RETAINED EARNINGS, MARCH 31 | \$ 3,349,056.03 | \$ - | \$ 3,349,056.03 | \$ - | \$ 2,796,702.39 | \$ - | \$ 2,796,702.39 | \$ - |

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
AS OF MARCH 31, 2007 AND 2006-UNAUDITED

| | 2007 | | | | 2006 | | | |
|--|-------------------------|--------------------------|--|---|--------------------------|--------------------------|--|---|
| | Consolidated | Eliminations (Deduct) | Ohio Valley Electric Corporation | Indiana- Kentucky Electric Corporation | Consolidated | Eliminations (Deduct) | Ohio Valley Electric Corporation | Indiana- Kentucky Electric Corporation |
| CASH FROM OPERATIONS | | | | | | | | |
| Net income | \$ 1,574,795.51 | \$ - | \$ 1,574,795.51 | \$ - | \$ 1,148,199.51 | \$ - | \$ 1,148,199.51 | \$ - |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation and amortization | 3,165,975.99 | - | 1,137,623.28 | 2,028,352.71 | 2,171,392.79 | - | 799,406.82 | 1,371,985.97 |
| Amortization of debt expense and discount | 82,250.16 | - | 82,250.16 | - | 380,271.90 | - | 380,271.90 | - |
| Deferred taxes | 1,306,329.58 | - | 1,306,329.58 | - | 2,539,357.75 | - | 2,539,357.75 | - |
| Changes in assets and liabilities: | | | | | | | | |
| Accounts receivable | (57,469,234.46) | (11,909,865.51) | (29,521,088.08) | (16,038,280.87) | 4,249,693.10 | (6,932,015.17) | 3,590,563.91 | 7,591,144.36 |
| Fuel in storage | (13,210,787.29) | - | (12,860,091.98) | (350,695.31) | (5,564,653.89) | - | (4,349,154.80) | (1,215,499.09) |
| Material and supplies | (520,169.94) | - | (564,002.80) | 43,832.86 | 185,141.14 | - | 203,310.88 | (18,169.74) |
| Property taxes applicable to subsequent years | 493,200.00 | - | 493,200.00 | - | 461,700.00 | - | 461,700.00 | - |
| Emission allowances | 5,625,516.72 | - | 5,625,516.72 | - | (11,187,007.97) | - | (11,187,007.97) | - |
| Prepaid expenses and other | 782,254.01 | - | 322,970.56 | 459,283.45 | 811,201.85 | - | 360,805.79 | 450,396.06 |
| Refundable federal income taxes | (1,086,984.58) | - | (1,086,984.58) | - | 20,048,465.09 | - | 20,048,465.09 | - |
| Refundable state income taxes | (750.01) | - | (750.01) | - | (750.01) | - | (750.01) | - |
| Other regulatory assets | (665,922.39) | - | (1,397,523.78) | 731,601.39 | (1,843,551.26) | - | (1,451,397.14) | (392,154.12) |
| Other noncurrent assets | 402,281.97 | - | 254,009.56 | 148,272.41 | 163,206.72 | - | 16,577.72 | 146,629.00 |
| Accounts payable | 36,508,556.96 | 11,909,865.51 | 3,165,019.38 | 21,433,672.07 | (21,402,370.31) | 6,932,015.17 | (19,540,109.01) | (8,794,276.47) |
| Deferred revenue | 4,255,855.09 | - | 1,125,525.04 | 3,130,330.05 | 3,466,985.70 | - | 1,984,773.84 | 1,482,211.86 |
| Accrued taxes | (339,456.98) | - | (1,021,345.00) | 681,888.02 | (507,236.13) | - | (969,172.45) | 461,936.32 |
| Accrued interest and other | (5,484,692.05) | - | (5,990,195.85) | 505,503.80 | (3,458,593.14) | - | (3,420,184.40) | (38,408.74) |
| Postretirement benefit liabilities | 375,437.22 | - | 182,029.21 | 193,408.01 | 244,116.18 | - | 117,133.15 | 126,983.03 |
| Other regulatory liabilities | 49,988.09 | - | 49,988.09 | - | - | - | - | - |
| Other deferred credits | - | - | - | - | - | - | - | - |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (24,155,556.40) | - | (37,122,724.99) | 12,967,168.59 | (8,094,430.98) | - | (9,267,209.42) | 1,172,778.44 |
| INVESTING ACTIVITIES | | | | | | | | |
| Net electric plant additions | (26,683,372.15) | - | (15,746,308.76) | (10,937,063.39) | (7,688,213.49) | - | (6,514,635.05) | (1,173,578.44) |
| Advances to subsidiary company | - | (2,028,352.71) | 2,028,352.71 | - | - | - | - | - |
| Advances from parent company | - | 2,028,352.71 | - | (2,028,352.71) | - | - | - | - |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (26,683,372.15) | - | (13,717,956.05) | (12,965,416.10) | (7,688,213.49) | - | (6,514,635.05) | (1,173,578.44) |
| FINANCING ACTIVITIES | | | | | | | | |
| Long term borrowings | 63,788,144.00 | - | 63,788,144.00 | - | 10,000,000.00 | - | 10,000,000.00 | - |
| Short term borrowings | - | - | - | - | - | - | - | - |
| Unamortized debt expense | - | - | - | - | (1,191,443.94) | - | (1,191,443.94) | - |
| Dividends-common stock | (500,000.00) | - | (500,000.00) | - | (400,000.00) | - | (400,000.00) | - |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 63,288,144.00 | - | 63,288,144.00 | - | 8,408,556.06 | - | 8,408,556.06 | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ 12,449,215.45 | \$ - | \$ 12,447,462.96 | \$ 1,752.49 | \$ (7,374,088.41) | \$ - | \$ (7,373,288.41) | \$ (800.00) |
| CASH AND CASH EQUIVALENTS, JAN. 1 | 58,638,154.96 | - | 58,624,994.28 | 13,160.68 | 66,008,934.43 | - | 65,997,712.43 | 11,222.00 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 12,449,215.45 | - | 12,447,462.96 | 1,752.49 | (7,374,088.41) | - | (7,373,288.41) | (800.00) |
| CASH AND CASH EQUIVALENTS, MAR. 31 | \$ 71,087,370.41 | \$ - | \$ 71,072,457.24 | \$ 14,913.17 | \$ 58,634,846.02 | \$ - | \$ 58,624,424.02 | \$ 10,422.00 |