

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

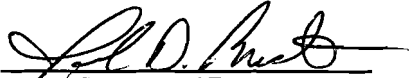
CONSOLIDATING BALANCE SHEETS - SEPTEMBER 30, 2008 AND 2007

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - SEPTEMBER 30, 2008 AND 2007

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - SEPTEMBER 30, 2008 AND 2007

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, 2008 and 2007, 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, 2008 and 2007, 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

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS

CONSOLIDATING BALANCE SHEETS

AS OF SEPTEMBER 30, 2008 AND 2007-UNAUDITED

	2008				2007			
	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	\$ 1,224,566,712.75	\$ -	\$ 586,607,420.86	\$ 637,959,291.89	\$ 1,197,515,477.25	\$ -	\$ 577,123,701.86	\$ 620,391,775.39
Less - Accumulated provisions for depreciation	(894,083,641.14)	-	(385,918,559.03)	(508,165,082.11)	(855,091,623.29)	-	(371,274,838.20)	(483,816,785.09)
	330,483,071.61	-	200,688,861.83	129,794,209.78	342,423,853.96	-	205,848,863.66	136,574,990.30
Construction in progress	572,293,409.70	-	366,016,216.91	206,277,192.79	239,501,122.67	-	158,070,854.25	81,430,268.42
Total electric plant	902,776,481.31	-	566,705,078.74	336,071,402.57	581,924,976.63	-	363,919,717.91	218,005,258.72
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	-	(141,984,689.04)	141,984,689.04	-	-	(150,098,099.88)	150,098,099.88	-
Total investments and other	-	(145,384,689.04)	145,384,689.04	-	-	(153,498,099.88)	153,498,099.88	-
CURRENT ASSETS:								
Cash and cash equivalents	202,638,363.46	-	202,621,647.96	16,715.50	104,354,291.30	-	104,334,629.93	19,661.37
Accounts receivable	27,332,903.45	(171,123,129.35)	197,336,409.61	1,119,623.19	26,921,068.20	(66,403,904.83)	92,674,331.83	650,641.20
Fuel in storage-at average cost	43,934,461.67	-	17,932,089.28	26,002,372.39	51,753,490.86	-	25,548,994.19	26,204,496.67
Materials and supplies-at average cost	18,019,936.21	-	8,656,085.00	9,363,851.21	16,193,798.65	-	8,113,142.79	8,080,655.86
Property taxes applicable to future years	556,980.00	-	556,980.00	-	493,200.00	-	493,200.00	-
Emission allowances	4,545,201.86	-	4,545,201.86	-	17,700,373.10	-	17,700,373.10	-
Refundable federal income taxes	-	-	-	-	268,303.74	-	268,303.74	-
Refundable state income taxes	-	-	-	-	108,101.03	-	108,101.03	-
Prepaid expenses and other	2,067,189.83	-	1,008,112.71	1,059,077.12	2,063,810.93	-	980,248.11	1,083,562.82
Total current assets	299,095,036.48	(171,123,129.35)	432,656,526.42	37,561,639.41	219,856,437.81	(66,403,904.83)	250,221,324.72	36,039,017.92
REGULATORY ASSETS:								
Unrecognized postemployment benefits	2,222,600.00	-	889,553.00	1,333,047.00	3,222,815.00	-	1,869,278.00	1,353,537.00
Asset retirement costs	13,553,555.84	-	1,861,569.90	11,691,985.94	15,128,138.84	-	2,455,636.90	12,672,501.94
Deferred depreciation	30,867,966.82	-	17,176,585.99	13,691,380.83	39,298,966.14	-	24,931,467.75	14,367,498.39
Total regulatory assets	46,644,122.66	-	19,927,708.89	26,716,413.77	57,649,919.98	-	29,256,382.65	28,393,537.33
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	9,072,304.13	-	9,072,304.13	-	6,607,953.64	-	6,607,953.64	-
Deferred tax assets	50,635,428.00	-	39,418,189.00	11,217,239.00	46,524,391.00	-	39,099,938.00	7,424,453.00
Pension Asset	16,050,249.00	-	8,623,799.00	7,426,450.00	-	-	-	-
Other	96,000.71	-	95,611.79	388.92	15,527.70	-	7,487.58	8,040.12
Total deferred charges and other	75,853,981.84	-	57,209,903.92	18,644,077.92	53,147,872.34	-	45,715,379.22	7,432,493.12
TOTAL	\$ 1,324,369,622.29	\$ (316,507,818.39)	\$ 1,221,883,907.01	\$ 418,993,533.67	\$ 912,579,206.76	\$ (219,902,004.71)	\$ 842,610,904.38	\$ 289,870,307.09

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF SEPTEMBER 30, 2008 AND 2007-UNAUDITED

	2008				2007			
	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
Senior unsecured debt-long term								
2006 A 5.80%	398,883,135.00	-	398,883,135.00	-	413,013,877.34	-	413,013,877.34	-
2007 A, B, & C 5.90%	282,194,433.00	-	282,194,433.00	-	241,940,147.00	-	241,940,147.00	-
2008 A 5.92%	47,941,607.00	-	47,941,607.00	-	-	-	-	-
2008 B 6.71%	144,783,833.00	-	144,783,833.00	-	-	-	-	-
2008 C 6.71%	146,887,587.00	-	146,887,587.00	-	-	-	-	-
Line of credit borrowings-long term	-	-	-	-	-	-	-	-
Retained earnings	5,504,040.53	-	5,504,040.53	-	5,729,870.74	-	5,729,870.74	-
Total capitalization	1,036,194,635.53	(3,400,000.00)	1,036,194,635.53	3,400,000.00	670,683,895.08	(3,400,000.00)	670,683,895.08	3,400,000.00
CURRENT LIABILITIES:								
Senior unsecured debt-short term								
2006 A 5.80%	14,130,741.00	-	14,130,741.00	-	13,345,479.00	-	13,345,479.00	-
2007 A, B, & C 5.90%	9,745,714.00	-	9,745,714.00	-	8,059,853.00	-	8,059,853.00	-
2008 A 5.92%	1,652,772.00	-	1,652,772.00	-	-	-	-	-
2008 B 6.71%	5,216,167.00	-	5,216,167.00	-	-	-	-	-
2008 C 6.71%	3,112,413.00	-	3,112,413.00	-	-	-	-	-
Accounts payable	33,448,214.23	(171,123,129.35)	15,386,098.70	189,185,244.88	32,373,929.50	(66,403,904.83)	18,601,608.72	80,176,225.61
Deferred revenue-advances for construction	28,086,979.51	-	13,016,414.94	15,070,564.57	28,162,449.97	-	10,157,844.35	18,004,605.62
Accrued taxes	20,760,448.99	-	17,396,877.98	3,363,571.01	4,717,490.76	-	2,186,900.38	2,530,590.38
Accrued interest and other	20,870,253.72	-	17,229,639.09	3,640,614.63	13,924,973.01	-	10,449,096.59	3,475,876.42
Total current liabilities	137,023,703.45	(171,123,129.35)	96,886,837.71	211,259,995.09	100,584,175.24	(66,403,904.83)	62,800,782.04	104,187,298.03
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	19,708,993.80	-	19,310,872.55	398,121.25	16,095,164.26	-	34,191,607.10	(18,096,442.84)
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	34,703,099.50	-	23,485,860.50	11,217,239.00	44,866,006.07	-	37,441,553.07	7,424,453.00
Deferred credit - EPA emission allowance auction proceeds	1,577,430.55	-	725,521.82	851,908.73	893,770.49	-	426,959.03	466,811.46
Pension benefit	16,050,249.00	-	8,623,799.00	7,426,450.00	-	-	-	-
Advance collection of interest	2,673,391.10	-	2,673,391.10	-	1,584,176.26	-	1,584,176.26	-
Total regulatory liabilities	79,930,239.31	-	58,885,660.77	21,044,578.54	68,656,192.44	-	77,710,511.26	(9,054,318.82)
OTHER LIABILITIES:								
Estimated asset retirement obligation	32,223,528.00	-	9,790,888.00	22,432,640.00	30,399,555.00	-	9,236,687.00	21,162,868.00
Postretirement benefits obligation	36,774,916.00	-	19,236,332.00	17,538,584.00	39,032,574.00	-	20,309,751.00	18,722,823.00
Postemployment benefits obligation	2,222,600.00	-	889,553.00	1,333,047.00	3,222,815.00	-	1,869,278.00	1,353,537.00
Parent advances for construction	-	(141,984,689.04)	-	141,984,689.04	-	(150,098,099.88)	-	150,098,099.88
Total other liabilities	71,221,044.00	(141,984,689.04)	29,916,773.00	183,288,960.04	72,654,944.00	(150,098,099.88)	31,415,716.00	191,337,327.88
TOTAL	\$ 1,324,369,622.29	\$ (316,507,818.39)	\$ 1,221,883,907.01	\$ 418,993,533.67	\$ 912,579,206.76	\$ (219,902,004.71)	\$ 842,610,904.38	\$ 289,870,307.09

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF SEPTEMBER 30, 2008 AND 2007-UNAUDITED

	2008				2007			
	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	\$ 14,934,400.88	\$ -	\$ 14,934,400.88	\$ -	\$ 11,082,897.09	\$ -	\$ 11,082,897.09	\$ -
Ohio Valley Electric Corp.	-	(214,750,137.33)	-	214,750,137.33	-	(180,988,675.60)	-	180,988,675.60
Sponsoring Companies	441,053,673.79	-	441,053,673.79	-	370,598,429.73	-	370,598,429.73	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	455,988,074.67	(214,750,137.33)	455,988,074.67	214,750,137.33	381,681,326.82	(180,988,675.60)	381,681,326.82	180,988,675.60
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
in operation	251,336,342.69	-	110,785,262.99	140,551,079.70	223,724,765.62	-	102,101,879.40	121,622,886.22
Purchased power	14,531,635.14	(214,750,137.33)	229,281,772.47	-	10,711,741.65	(180,988,675.60)	191,700,417.25	-
Other operation	48,995,459.06	-	27,281,951.71	21,713,507.35	48,122,954.59	-	26,400,599.62	21,722,354.97
Maintenance	54,815,624.89	-	21,811,984.29	33,003,640.60	50,931,021.98	-	23,548,392.81	27,382,629.17
Depreciation	38,356,522.93	-	22,075,312.94	16,281,209.99	12,968,202.80	-	5,938,226.99	7,029,975.81
Taxes-other than federal income taxes	6,991,267.68	-	3,733,431.68	3,257,836.00	6,407,205.98	-	3,187,692.14	3,219,513.84
Federal income taxes	658,035.00	-	658,035.00	-	658,035.00	-	658,035.00	-
Total operating expenses	415,684,887.39	(214,750,137.33)	415,627,751.08	214,807,273.64	353,523,927.62	(180,988,675.60)	353,535,243.21	180,977,360.01
OPERATING INCOME	40,303,187.28	-	40,360,323.59	(57,136.31)	28,157,399.20	-	28,146,083.61	11,315.59
OTHER INCOME (EXPENSE)	2,849,398.93	-	2,792,262.62	57,136.31	3,362,389.78	-	3,373,686.38	(11,296.60)
INCOME BEFORE INTEREST CHARGES	43,152,586.21	-	43,152,586.21	-	31,519,788.98	-	31,519,769.99	18.99
INTEREST CHARGES:								
Amortization of debt expense	344,472.93	-	344,472.93	-	289,426.86	-	289,426.86	-
Interest expense	38,119,714.53	-	38,119,714.53	-	26,274,751.90	-	26,274,732.91	18.99
Total interest charges	38,464,187.46	-	38,464,187.46	-	26,564,178.76	-	26,564,159.77	18.99
NET INCOME	\$ 4,688,398.75	\$ -	\$ 4,688,398.75	\$ -	\$ 4,955,610.22	\$ -	\$ 4,955,610.22	\$ -
RETAINED EARNINGS, JAN. 1	2,915,641.78	-	2,915,641.78	-	2,274,260.52	-	2,274,260.52	-
CASH DIVIDENDS ON COMMON STOCK	(2,100,000.00)	-	(2,100,000.00)	-	(1,500,000.00)	-	(1,500,000.00)	-
RETAINED EARNINGS, SEP. 30	\$ 5,504,040.53	\$ -	\$ 5,504,040.53	\$ -	\$ 5,729,870.74	\$ -	\$ 5,729,870.74	\$ -

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF SEPTEMBER 30, 2008 AND 2007-UNAUDITED

	2008				2007			
	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	\$ 4,688,398.75	\$ -	\$ 4,688,398.75	\$ -	\$ 4,955,610.22	\$ -	\$ 4,955,610.22	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	38,356,522.93	-	22,075,312.94	16,281,209.99	12,968,202.80	-	5,938,226.99	7,029,975.81
Amortization of debt expense and discount	344,472.93	-	344,472.93	-	289,426.86	-	289,426.86	-
Deferred taxes	(14,131,434.52)	-	(14,131,434.52)	-	925,657.85	-	925,657.85	-
Changes in assets and liabilities:								
Accounts receivable	1,646,134.92	99,700,459.46	(101,350,268.97)	3,295,944.43	(40,215,153.23)	47,490,272.51	(71,433,131.38)	(16,272,294.36)
Fuel in storage	19,978,868.70	-	12,219,009.34	7,759,859.36	(17,088,190.27)	-	(7,990,336.13)	(9,097,854.14)
Material and supplies	(1,156,608.96)	-	(356,956.82)	(799,652.14)	(497,909.54)	-	(415,379.40)	(82,530.14)
Property taxes applicable to subsequent years	1,670,940.00	-	1,670,940.00	-	1,479,600.00	-	1,479,600.00	-
Emission allowances	7,242,762.54	-	7,242,762.54	-	16,362,613.04	-	16,362,613.04	-
Prepaid expenses and other	(363,951.25)	-	(180,496.00)	(183,455.25)	(410,711.52)	-	(273,549.95)	(137,161.57)
Refundable federal income taxes	-	-	-	-	(267,622.85)	-	(267,622.85)	-
Refundable state income taxes	-	-	-	-	(250.03)	-	(250.03)	-
Other regulatory assets	10,324,378.54	-	8,129,574.37	2,194,804.17	389,372.21	-	(1,805,431.96)	2,194,804.17
Other noncurrent assets	(84,503.39)	-	(84,249.76)	(253.63)	396,458.47	-	249,256.19	147,202.28
Accounts payable	(43,582,800.06)	(99,700,459.46)	(32,205,464.90)	88,323,124.30	20,226,788.12	(47,490,272.51)	3,646,877.23	64,070,183.40
Deferred revenue	3,497,956.88	-	1,867,703.63	1,630,253.25	14,618,118.19	-	5,101,220.74	9,516,897.45
Accrued taxes	13,929,934.07	-	12,446,697.88	1,483,236.19	(1,460,041.31)	-	(2,100,351.81)	640,310.50
Accrued interest and other	4,087,005.64	-	3,409,091.62	677,914.02	(2,415,002.90)	-	(3,061,742.04)	646,739.14
Postretirement benefit liabilities	761,365.72	-	363,244.47	398,121.25	815,989.84	-	393,079.06	422,910.78
Other regulatory liabilities	(863,511.34)	-	1,087,051.89	(1,950,563.23)	1,417,119.09	-	950,307.63	466,811.46
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>46,345,932.10</u>	<u>-</u>	<u>(72,764,610.61)</u>	<u>119,110,542.71</u>	<u>12,490,075.04</u>	<u>-</u>	<u>(47,055,919.74)</u>	<u>59,545,994.78</u>
INVESTING ACTIVITIES								
Net electric plant additions	(278,303,367.19)	-	(165,284,390.96)	(113,018,976.23)	(150,244,630.01)	-	(96,790,194.05)	(53,454,435.96)
Advances to subsidiary company	-	(6,085,058.13)	6,085,058.13	-	-	(6,085,058.13)	6,085,058.13	-
Advances from parent company	-	6,085,058.13	-	(6,085,058.13)	-	6,085,058.13	-	(6,085,058.13)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(278,303,367.19)</u>	<u>-</u>	<u>(159,199,332.83)</u>	<u>(119,104,034.36)</u>	<u>(150,244,630.01)</u>	<u>-</u>	<u>(90,705,135.92)</u>	<u>(59,539,494.09)</u>
FINANCING ACTIVITIES								
Long term borrowings	320,538,600.00	-	320,538,600.00	-	178,189,048.34	-	178,189,048.34	-
Current portion of long term debt	11,048,399.00	-	11,048,399.00	-	9,207,097.00	-	9,207,097.00	-
Unamortized debt expense	(2,585,696.05)	-	(2,585,696.05)	-	(2,425,454.03)	-	(2,425,454.03)	-
Dividends-common stock	(2,100,000.00)	-	(2,100,000.00)	-	(1,500,000.00)	-	(1,500,000.00)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>326,901,302.95</u>	<u>-</u>	<u>326,901,302.95</u>	<u>-</u>	<u>183,470,691.31</u>	<u>-</u>	<u>183,470,691.31</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 94,943,867.86</u>	<u>\$ -</u>	<u>\$ 94,937,359.51</u>	<u>\$ 6,508.35</u>	<u>\$ 45,716,136.34</u>	<u>\$ -</u>	<u>\$ 45,709,635.65</u>	<u>\$ 6,500.69</u>
CASH AND CASH EQUIVALENTS, JAN. 1	107,694,495.60	-	107,684,288.45	10,207.15	58,638,154.96	-	58,624,994.28	13,160.68
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>94,943,867.86</u>	<u>-</u>	<u>94,937,359.51</u>	<u>6,508.35</u>	<u>45,716,136.34</u>	<u>-</u>	<u>45,709,635.65</u>	<u>6,500.69</u>
CASH AND CASH EQUIVALENTS, SEP. 30	<u>\$ 202,638,363.46</u>	<u>\$ -</u>	<u>\$ 202,621,647.96</u>	<u>\$ 16,715.50</u>	<u>\$ 104,354,291.30</u>	<u>\$ -</u>	<u>\$ 104,334,629.93</u>	<u>\$ 19,661.37</u>