

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

FINANCIAL STATEMENTS AS OF JUNE 30, 2009 AND 2008

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - JUNE 30, 2009 AND 2008

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - JUNE 30, 2009 AND 2008

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - JUNE 30, 2009 AND 2008

OFFICER'S CERTIFICATION

A review of the affairs and activities of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation (the Companies), during the quarters ended June 30, 2009 and 2008, has been made under my supervision, and in my opinion, the unaudited financial statements for these periods present fairly the financial conditions of the Companies as of June 30, 2009 and 2008, 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 JUNE 30, 2009 AND 2008-UNAUDITED

	2009				2008			
	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	\$ 1,245,724,386.24	\$ -	\$ 594,994,393.11	\$ 650,729,993.13	\$ 1,212,196,875.54	\$ -	\$ 581,116,307.15	\$ 631,080,568.39
Less - Accumulated provisions for depreciation	(924,338,462.04)	-	(400,512,646.69)	(523,825,815.35)	(874,965,417.88)	-	(377,638,496.53)	(497,326,921.35)
	321,385,924.20	-	194,481,746.42	126,904,177.78	337,231,457.66	-	203,477,810.62	133,753,647.04
Construction in progress	894,534,605.23	-	504,460,902.53	390,073,702.70	475,326,067.23	-	311,399,286.80	163,926,780.43
Total electric plant	1,215,920,529.43	-	698,942,648.95	516,977,880.48	812,557,524.89	-	514,877,097.42	297,680,427.47
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	-	(137,251,866.05)	137,251,866.05	-	-	(144,013,041.75)	144,013,041.75	-
Total investments and other	-	(140,651,866.05)	140,651,866.05	-	-	(147,413,041.75)	147,413,041.75	-
CURRENT ASSETS:								
Cash and cash equivalents	104,249,932.59	-	104,232,274.96	17,657.63	145,846,980.53	-	145,834,180.53	12,800.00
Accounts receivable	26,317,388.83	(362,319,650.41)	387,119,158.47	1,517,880.77	28,360,080.74	(130,259,202.68)	157,864,104.00	755,179.42
Fuel in storage-at average cost	65,437,765.17	-	28,169,630.52	37,268,134.65	45,383,261.20	-	18,284,122.00	27,099,139.20
Materials and supplies-at average cost	21,925,822.22	-	12,096,309.67	9,829,512.55	17,316,134.43	-	8,383,023.72	8,933,110.71
Property taxes applicable to future years	1,174,200.00	-	1,174,200.00	-	1,113,960.00	-	1,113,960.00	-
Emission allowances	7,247,711.04	-	7,247,711.04	-	6,923,706.01	-	6,923,706.01	-
Regulatory assets	1,034,148.00	-	-	1,034,148.00	-	-	-	-
Prepaid expenses and other	1,395,028.45	-	693,112.23	701,916.22	1,305,337.01	-	555,524.10	749,812.91
Total current assets	228,781,996.30	(362,319,650.41)	540,732,396.89	50,369,249.82	246,249,459.92	(130,259,202.68)	338,958,620.36	37,550,042.24
REGULATORY ASSETS:								
Unrecognized postemployment benefits	2,236,997.00	-	936,047.00	1,300,950.00	2,222,600.00	-	889,553.00	1,333,047.00
Asset retirement costs	12,943,503.84	-	1,589,478.90	11,354,024.94	14,403,194.84	-	2,148,636.90	12,254,557.94
Pension benefits	27,261,510.00	-	14,593,086.00	12,668,424.00	16,050,249.00	-	8,623,799.00	7,426,450.00
Postretirement benefits	985,463.00	-	-	985,463.00	-	-	-	-
Deferred depreciation	18,772,565.83	-	5,526,088.51	13,246,477.32	35,365,085.78	-	21,504,675.56	13,860,410.22
Total regulatory assets	62,200,039.67	-	22,644,700.41	39,555,339.26	68,041,129.62	-	33,166,664.46	34,874,465.16
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	9,333,186.82	-	9,333,186.82	-	9,155,190.41	-	9,155,190.41	-
Deferred tax assets	48,507,262.00	-	30,399,658.00	18,107,604.00	50,635,428.00	-	39,418,189.00	11,217,239.00
Other	209,022.80	-	197,769.97	11,252.83	148,940.54	-	148,287.25	653.29
Total deferred charges and other	58,049,471.62	-	39,930,614.79	18,118,856.83	59,939,558.95	-	48,721,666.66	11,217,892.29
TOTAL	\$ 1,564,952,037.02	\$ (502,971,516.46)	\$ 1,442,902,227.09	\$ 625,021,326.39	\$ 1,186,787,673.38	\$ (277,672,244.43)	\$ 1,083,137,090.65	\$ 381,322,827.16

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF JUNE 30, 2009 AND 2008-UNAUDITED

	2009				2008			
	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%	391,508,957.00	-	391,508,957.00	-	406,049,489.00	-	406,049,489.00	-
2007 A, B, & C 5.90%	271,865,241.00	-	271,865,241.00	-	282,194,433.00	-	282,194,433.00	-
2008 A 5.92%	46,189,542.00	-	46,189,542.00	-	47,941,607.00	-	47,941,607.00	-
2008 B 6.71%	139,794,079.00	-	139,794,079.00	-	144,783,833.00	-	144,783,833.00	-
2008 C 6.71%	141,967,787.00	-	141,967,787.00	-	-	-	-	-
2009 A floating rate	100,000,000.00	-	100,000,000.00	-	-	-	-	-
Line of credit borrowings-long term	150,000,000.00	-	150,000,000.00	-	-	-	-	-
Retained earnings	5,085,629.26	-	5,085,629.26	-	4,363,254.55	-	4,363,254.55	-
Total capitalization	1,256,411,235.26	(3,400,000.00)	1,256,411,235.26	3,400,000.00	895,332,616.55	(3,400,000.00)	895,332,616.55	3,400,000.00
CURRENT LIABILITIES:								
Senior unsecured debt-short term								
2006 A 5.80%	14,540,532.00	-	14,540,532.00	-	13,732,499.00	-	13,732,499.00	-
2007 A, B, & C 5.90%	10,329,193.00	-	10,329,193.00	-	9,745,714.00	-	9,745,714.00	-
2008 A 5.92%	1,752,065.00	-	1,752,065.00	-	1,652,772.00	-	1,652,772.00	-
2008 B 6.71%	4,989,754.00	-	4,989,754.00	-	5,216,167.00	-	5,216,167.00	-
2008 C 6.71%	4,919,800.00	-	4,919,800.00	-	-	-	-	-
Accounts payable	36,623,125.14	(362,319,650.41)	18,247,332.14	380,695,443.41	31,355,066.40	(130,259,202.68)	17,677,958.44	143,936,310.64
Deferred revenue-advances for construction	31,581,617.30	-	15,120,140.44	16,461,476.86	38,950,774.39	-	18,175,842.85	20,774,931.54
Accrued taxes	19,762,129.72	-	15,262,338.98	4,499,790.74	16,833,733.79	-	12,841,401.95	3,992,331.84
Regulatory liabilities	4,285,468.52	-	3,377,612.19	907,856.33	3,847,752.98	-	2,995,844.25	851,908.73
Accrued interest and other	23,239,431.87	-	19,477,709.97	3,761,721.90	17,973,638.57	-	14,966,366.53	3,007,272.04
Total current liabilities	152,023,116.55	(362,319,650.41)	108,016,477.72	406,326,289.24	139,308,118.13	(130,259,202.68)	97,004,566.02	172,562,754.79
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	15,295,449.91	-	14,961,023.37	334,426.54	19,419,632.36	-	19,171,421.30	248,211.06
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	29,815,108.94	-	11,345,552.94	18,469,556.00	40,238,937.98	-	29,021,698.98	11,217,239.00
Total regulatory liabilities	50,327,634.21	-	30,372,792.11	19,954,842.10	64,875,645.70	-	52,259,336.08	12,616,309.62
OTHER LIABILITIES:								
Pension liability	27,261,510.00	-	14,593,086.00	12,668,424.00	16,050,249.00	-	8,623,799.00	7,426,450.00
Asset retirement obligations	34,162,393.00	-	10,379,998.00	23,782,395.00	32,223,528.00	-	9,790,888.00	22,432,640.00
Postretirement benefits obligation	42,529,151.00	-	22,192,591.00	20,336,560.00	36,774,916.00	-	19,236,332.00	17,538,584.00
Postemployment benefits obligation	2,236,997.00	-	936,047.00	1,300,950.00	2,222,600.00	-	889,553.00	1,333,047.00
Parent advances for construction	-	(137,251,866.05)	-	137,251,866.05	-	(144,013,041.75)	-	144,013,041.75
Total other liabilities	106,190,051.00	(137,251,866.05)	48,101,722.00	195,340,195.05	87,271,293.00	(144,013,041.75)	38,540,572.00	192,743,762.75
TOTAL	\$ 1,564,952,037.02	\$ (502,971,516.46)	\$ 1,442,902,227.09	\$ 625,021,326.39	\$ 1,186,787,673.38	\$ (277,672,244.43)	\$ 1,083,137,090.65	\$ 381,322,827.16

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF JUNE 30, 2009 AND 2008-UNAUDITED

	2009				2008			
	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	\$ 6,256,069.60	\$ -	\$ 6,256,069.60	\$ -	\$ 9,786,422.86	\$ -	\$ 9,786,422.86	\$ -
Ohio Valley Electric Corp.	-	(145,459,871.85)	-	145,459,871.85	-	(129,348,214.04)	-	129,348,214.04
Sponsoring Companies	310,440,574.96	-	310,440,574.96	-	270,234,145.86	-	270,234,145.86	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	316,696,644.56	(145,459,871.85)	316,696,644.56	145,459,871.85	280,020,568.72	(129,348,214.04)	280,020,568.72	129,348,214.04
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
in operation	161,661,400.07	-	69,320,302.56	92,341,097.51	156,499,606.62	-	72,008,716.81	84,490,889.81
Purchased power	5,866,243.92	(145,459,871.85)	151,326,115.77	-	9,501,107.46	(129,348,214.04)	138,849,321.50	-
Other operation	37,581,381.52	-	21,174,031.63	16,407,349.89	31,788,296.36	-	17,318,187.47	14,470,108.89
Maintenance	42,685,792.45	-	21,439,299.16	21,246,493.29	40,281,772.73	-	16,094,110.30	24,187,662.43
Depreciation	27,199,353.04	-	15,474,892.47	11,724,460.57	12,605,840.76	-	8,549,135.34	4,056,705.42
Taxes-other than federal income taxes	6,679,850.04	-	2,953,013.10	3,726,836.94	4,690,006.35	-	2,490,442.55	2,199,563.80
Federal income taxes	438,690.00	-	438,690.00	-	438,690.00	-	438,690.00	-
Total operating expenses	282,112,711.04	(145,459,871.85)	282,126,344.69	145,446,238.20	255,805,320.28	(129,348,214.04)	255,748,603.97	129,404,930.35
OPERATING INCOME	34,583,933.52	-	34,570,299.87	13,633.65	24,215,248.44	-	24,271,964.75	(56,716.31)
OTHER INCOME (EXPENSE)	2,571,568.74	-	2,585,200.56	(13,631.82)	1,747,418.29	-	1,690,701.98	56,716.31
INCOME BEFORE INTEREST CHARGES	37,155,502.26	-	37,155,500.43	1.83	25,962,666.73	-	25,962,666.73	-
INTEREST CHARGES:								
Amortization of debt expense	306,349.94	-	306,349.94	-	229,648.62	-	229,648.62	-
Interest expense	33,070,334.14	-	33,070,332.31	1.83	22,885,405.34	-	22,885,405.34	-
Total interest charges	33,376,684.08	-	33,376,682.25	1.83	23,115,053.96	-	23,115,053.96	-
NET INCOME	\$ 3,778,818.18	\$ -	\$ 3,778,818.18	\$ -	\$ 2,847,612.77	\$ -	\$ 2,847,612.77	\$ -
RETAINED EARNINGS, JAN. 1	2,506,811.08	-	2,506,811.08	-	2,915,641.78	-	2,915,641.78	-
CASH DIVIDENDS ON COMMON STOCK	(1,200,000.00)	-	(1,200,000.00)	-	(1,400,000.00)	-	(1,400,000.00)	-
RETAINED EARNINGS, JUN. 30	\$ 5,085,629.26	\$ -	\$ 5,085,629.26	\$ -	\$ 4,363,254.55	\$ -	\$ 4,363,254.55	\$ -

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF JUNE 30, 2009 AND 2008-UNAUDITED

	2009				2008			
	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	\$ 3,778,818.18	\$ -	\$ 3,778,818.18	\$ -	\$ 2,847,612.77	\$ -	\$ 2,847,612.77	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	27,199,353.04	-	15,474,892.47	11,724,460.57	12,605,840.76	-	8,549,135.34	4,056,705.42
Amortization of debt expense and discount	306,349.94	-	306,349.94	-	229,648.62	-	229,648.62	-
Deferred taxes	(17,255,768.31)	-	(17,255,768.31)	-	(8,595,596.04)	-	(8,595,596.04)	-
Changes in assets and liabilities:								
Accounts receivable	9,269,595.36	111,052,373.56	(104,002,753.21)	2,219,975.01	618,957.65	58,836,532.81	(61,877,963.36)	3,660,388.20
Fuel in storage	(13,217,150.85)	-	(6,936,257.48)	(6,280,893.37)	18,530,069.17	-	11,866,976.62	6,663,092.55
Material and supplies	(2,702,612.65)	-	(2,498,229.93)	(204,382.72)	(452,807.18)	-	(83,895.54)	(368,911.64)
Property taxes applicable to subsequent years	1,174,200.00	-	1,174,200.00	-	1,113,960.00	-	1,113,960.00	-
Emission allowances	(5,003,584.81)	-	(5,003,584.81)	-	4,864,258.39	-	4,864,258.39	-
Prepaid expenses and other	542,113.59	-	366,243.58	175,870.01	397,901.57	-	272,092.61	125,808.96
Other regulatory assets	9,974,588.00	-	8,573,569.88	1,401,018.12	4,977,620.58	-	3,514,417.80	1,463,202.78
Other noncurrent assets	(67,932.81)	-	(60,754.66)	(7,178.15)	(137,443.22)	-	(136,925.22)	(518.00)
Accounts payable	(62,782,126.12)	(111,052,373.56)	(18,531,437.41)	66,801,684.85	(45,675,947.91)	(58,836,532.81)	(29,913,605.16)	43,074,190.06
Deferred revenue	4,911,613.94	-	4,823,482.23	88,131.71	14,361,751.76	-	7,027,131.54	7,334,620.22
Accrued taxes	9,939,344.06	-	9,093,884.37	845,459.69	10,003,218.87	-	7,891,221.85	2,111,997.02
Accrued interest and other	2,401,948.04	-	2,114,587.38	287,360.66	1,190,390.49	-	1,145,819.06	44,571.43
Postretirement benefit liabilities	639,924.55	-	305,498.01	334,426.54	-	-	-	-
Other regulatory liabilities	55,069.05	-	(878.55)	55,947.60	(794,575.73)	-	907,776.44	(1,702,352.17)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(30,836,257.80)	-	(108,278,138.32)	77,441,880.52	16,084,860.55	-	(50,377,934.28)	66,462,794.83
INVESTING ACTIVITIES								
Net electric plant additions	(144,948,639.86)	-	(70,193,034.55)	(74,755,605.31)	(162,333,728.60)	-	(99,930,232.04)	(62,403,496.56)
Advances to subsidiary company	-	(2,704,470.28)	2,704,470.28	-	-	(4,056,705.42)	4,056,705.42	-
Advances from parent company	-	2,704,470.28	-	(2,704,470.28)	-	4,056,705.42	-	(4,056,705.42)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(144,948,639.86)	-	(67,488,564.27)	(77,460,075.59)	(162,333,728.60)	-	(95,873,526.62)	(66,460,201.98)
FINANCING ACTIVITIES								
Long term borrowings	181,460,825.00	-	181,460,825.00	-	180,817,367.00	-	180,817,367.00	-
Current portion of long term debt	1,077,816.00	-	1,077,816.00	-	7,537,744.00	-	7,537,744.00	-
Unamortized debt expense	(89,621.27)	-	(89,621.27)	-	(2,553,758.02)	-	(2,553,758.02)	-
Dividends-common stock	(1,200,000.00)	-	(1,200,000.00)	-	(1,400,000.00)	-	(1,400,000.00)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	181,249,019.73	-	181,249,019.73	-	184,401,352.98	-	184,401,352.98	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 5,464,122.07	\$ -	\$ 5,482,317.14	\$ (18,195.07)	\$ 38,152,484.93	\$ -	\$ 38,149,892.08	\$ 2,592.85
CASH AND CASH EQUIVALENTS, JAN. 1	98,785,810.52	-	98,749,957.82	35,852.70	107,694,495.60	-	107,684,288.45	10,207.15
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,464,122.07	-	5,482,317.14	(18,195.07)	38,152,484.93	-	38,149,892.08	2,592.85
CASH AND CASH EQUIVALENTS, JUN. 30	\$ 104,249,932.59	\$ -	\$ 104,232,274.96	\$ 17,657.63	\$ 145,846,980.53	\$ -	\$ 145,834,180.53	\$ 12,800.00