

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - MARCH 31, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - MARCH 31, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - MARCH 31, 2015 AND 2014-UNAUDITED

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

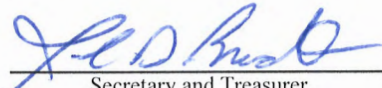
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OFFICER'S CERTIFICATION

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, 2015 and 2014 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, 2015 and 2014, 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.

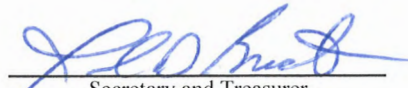


Secretary and Treasurer

OHIO VALLEY ELECTRIC CORPORATION and
INDIANA-KENTUCKY ELECTRIC CORPORATION

CONSOLIDATED NET WORTH

The consolidated net worth of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation for the quarter ending March 31, 2015 was \$17,334,080



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, 2015 AND 2014-UNAUDITED

	2015				2014			
	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	\$ 2,706,451,375	\$ -	\$ 1,339,929,856	\$ 1,366,521,519	\$ 2,671,999,594	\$ -	\$ 1,321,772,814	\$ 1,350,226,780
Less - Accumulated provisions for depreciation	(1,256,294,661)	-	(615,879,352)	(640,415,309)	(1,192,581,209)	-	(577,368,598)	(615,212,611)
	1,450,156,714	-	724,050,504	726,106,210	1,479,418,385	-	744,404,216	735,014,169
Construction in progress	18,675,114	-	10,969,195	7,705,919	33,892,712	-	20,440,175	13,452,537
Total electric plant	1,468,831,828	-	735,019,699	733,812,129	1,513,311,097	-	764,844,391	748,466,706
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(96,385,315)	96,385,315	-	-	(100,215,195)	100,215,195	-
Total investments and other	-	(99,785,315)	99,785,315	-	-	(103,615,195)	103,615,195	-
CURRENT ASSETS:								
Cash and cash equivalents	24,346,839	-	24,340,639	6,200	50,239,523	-	50,228,133	11,390
Accounts receivable	27,654,986	-	27,375,627	279,359	32,433,884	-	32,231,050	202,834
Intercompany receivable	-	(630,012,613)	630,012,613	-	-	(621,740,546)	621,740,546	-
Fuel in storage-at average cost	52,272,432	-	13,076,693	39,195,739	35,761,031	-	8,824,181	26,936,850
Materials and supplies-at average cost	34,387,387	-	21,010,155	13,377,232	32,801,547	-	19,701,644	13,099,903
Property taxes applicable to future years	2,085,000	-	2,085,000	-	2,027,179	-	2,027,179	-
Emission allowances	-	-	-	-	49,241	-	49,241	-
Deferred tax assets	3,235,692	-	2,819,693	415,999	9,980,768	-	7,392,140	2,588,628
Income taxes receivable	-	-	-	-	3,331,536	-	3,331,536	-
Prepaid expenses and other	1,191,770	-	632,131	559,639	1,294,912	-	731,385	563,527
Total current assets	145,174,106	(630,012,613)	721,352,551	53,834,168	167,919,621	(621,740,546)	746,257,035	43,403,132
REGULATORY ASSETS:								
Unrecognized postemployment benefits	1,437,151	-	383,615	1,053,536	2,078,864	-	1,119,681	959,183
Pension benefits	32,475,646	-	18,186,362	14,289,284	8,542,293	-	4,899,859	3,642,434
Income taxes billable to customers	1,036,268	-	1,036,268	-	15,828,423	-	-	15,828,423
Total regulatory assets	34,949,065	-	19,606,245	15,342,820	26,449,580	-	6,019,540	20,430,040
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	11,407,957	-	11,407,957	-	12,765,007	-	12,765,007	-
Deferred tax assets	-	-	-	-	-	(47,678,982)	47,678,982	-
Long-term investments	123,903,752	-	98,223,012	25,680,740	117,780,589	-	93,320,937	24,459,652
Other	16,334	-	16,334	-	57,822	-	57,822	-
Total deferred charges and other	135,328,043	-	109,647,303	25,680,740	130,603,418	(47,678,982)	153,822,748	24,459,652
TOTAL	\$ 1,784,283,042	\$ (729,797,928)	\$ 1,685,411,113	\$ 828,669,857	\$ 1,838,283,716	\$ (773,034,723)	\$ 1,774,558,909	\$ 836,759,530

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF MARCH 31, 2015 AND 2014-UNAUDITED

	2015				2014			
	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	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
Common stock, without par value, stated at \$200 per share- Authorized, 100,000 shares; outstanding, 17,000 shares	-	(3,400,000)	-	3,400,000	-	(3,400,000)	-	3,400,000
Long-term debt	1,265,765,205	-	1,265,765,205	-	1,259,253,238	-	1,259,253,238	-
Line of credit borrowings-long term	10,000,000	-	10,000,000	-	-	-	-	-
Retained earnings	7,334,080	-	7,334,080	-	7,273,515	-	7,273,515	-
Total capitalization	1,293,099,285	(3,400,000)	1,293,099,285	3,400,000	1,276,526,753	(3,400,000)	1,276,526,753	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	243,510,633	-	243,510,633	-	290,978,289	-	290,978,289	-
Accounts payable	35,178,270	-	14,492,312	20,685,958	46,835,120	-	18,897,184	27,937,936
Intercompany payable	-	(630,012,613)	-	630,012,613	-	(621,740,546)	-	621,740,546
Deferred revenue-advances for construction	12,801,982	-	7,821,084	4,980,898	24,240,733	-	18,192,855	6,047,878
Accrued taxes	8,854,488	-	4,706,243	4,148,245	8,372,613	-	4,615,735	3,756,878
Regulatory liabilities	2,669,482	-	2,285,527	383,955	3,981,084	-	3,558,354	422,730
Accrued interest and other	26,687,347	-	22,731,853	3,955,494	27,351,743	-	23,643,088	3,708,655
Total current liabilities	329,702,202	(630,012,613)	295,547,652	664,167,163	401,759,582	(621,740,546)	359,885,505	663,614,623
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	33,838,575	-	30,620,510	3,218,065	34,994,596	-	32,172,793	2,821,803
Decommissioning and demolition	14,872,327	-	6,562,864	8,309,463	19,984,817	-	9,542,165	10,442,652
Investment tax credits	-	-	-	-	3,393,146	-	3,393,146	-
Net antitrust settlement	-	-	-	-	1,823,930	-	673,070	1,150,860
Total regulatory liabilities	48,710,902	-	37,183,374	11,527,528	60,196,489	-	45,781,174	14,415,315
OTHER LIABILITIES:								
Pension liability	32,475,646	-	18,186,362	14,289,284	8,542,293	-	4,899,859	3,642,434
Deferred income tax liability	3,235,692	-	2,819,693	415,999	24,776,225	(47,678,982)	54,031,560	18,423,647
Asset retirement obligations	29,547,185	-	12,345,032	17,202,153	22,230,109	-	8,382,233	13,847,876
Postretirement benefits obligation	44,875,752	-	24,880,858	19,994,894	42,173,401	-	23,932,144	18,241,257
Postemployment benefits obligation	1,437,151	-	383,615	1,053,536	2,078,864	-	1,119,681	959,183
Parent advances for construction	-	(96,385,315)	-	96,385,315	-	(100,215,195)	-	100,215,195
Other liabilities	1,199,227	-	965,242	233,985	-	-	-	-
Total other liabilities	112,770,653	(96,385,315)	59,580,802	149,575,166	99,800,892	(147,894,177)	92,365,477	155,329,592
TOTAL	\$ 1,784,283,042	\$ (729,797,928)	\$ 1,685,411,113	\$ 828,669,857	\$ 1,838,283,716	\$ (773,034,723)	\$ 1,774,558,909	\$ 836,759,530

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF MARCH 31, 2015 AND 2014-UNAUDITED

	2015				2014			
	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	\$ 4,090,793	\$ -	\$ 4,090,793	\$ -	\$ 3,646,970	\$ -	\$ 3,646,970	\$ -
Ohio Valley Electric Corp.	-	(66,016,876)	-	66,016,876	-	(76,825,958)	-	76,825,958
Sponsoring Companies	141,783,800	-	141,783,800	-	164,322,115	-	164,322,115	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	<u>145,874,593</u>	<u>(66,016,876)</u>	<u>145,874,593</u>	<u>66,016,876</u>	<u>167,969,085</u>	<u>(76,825,958)</u>	<u>167,969,085</u>	<u>76,825,958</u>
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
in operation	74,214,461	-	30,334,846	43,879,615	93,568,561	-	38,268,608	55,299,953
Purchased power	3,914,815	(66,016,876)	69,931,691	-	3,459,710	(76,825,958)	80,285,668	-
Other operation	18,413,722	-	11,068,415	7,345,307	22,911,797	-	15,050,179	7,861,618
Maintenance	17,533,652	-	9,143,399	8,390,253	17,519,686	-	10,173,565	7,346,121
Depreciation	11,617,356	-	6,062,898	5,554,458	11,054,832	-	5,773,656	5,281,176
Taxes—other than federal income taxes	2,904,513	-	1,623,361	1,281,152	3,199,061	-	1,833,815	1,365,246
Federal income taxes	-	-	-	-	-	-	-	-
Total operating expenses	<u>128,598,519</u>	<u>(66,016,876)</u>	<u>128,164,610</u>	<u>66,450,785</u>	<u>151,713,647</u>	<u>(76,825,958)</u>	<u>151,385,491</u>	<u>77,154,114</u>
OPERATING INCOME	17,276,074	-	17,709,983	(433,909)	16,255,438	-	16,583,594	(328,156)
OTHER INCOME (EXPENSE)	1,572,019	-	1,129,274	442,745	3,944,433	-	3,603,099	341,334
INCOME BEFORE INTEREST CHARGES	18,848,093	-	18,839,257	8,836	20,199,871	-	20,186,693	13,178
INTEREST CHARGES:								
Amortization of debt expense	1,168,914	-	1,168,914	-	1,409,965	-	1,409,965	-
Interest expense	17,376,822	-	17,367,986	8,836	17,994,625	-	17,981,447	13,178
Total interest charges	18,545,736	-	18,536,900	8,836	19,404,590	-	19,391,412	13,178
NET INCOME	\$ 302,357	\$ -	\$ 302,357	\$ -	\$ 795,281	\$ -	\$ 795,281	\$ -
RETAINED EARNINGS, JAN. 1	7,031,723	-	7,031,723	-	6,478,234	-	6,478,234	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, MAR. 31	\$ <u>7,334,080</u>	\$ <u>-</u>	\$ <u>7,334,080</u>	\$ <u>-</u>	\$ <u>7,273,515</u>	\$ <u>-</u>	\$ <u>7,273,515</u>	\$ <u>-</u>

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF MARCH 31, 2015 AND 2014-UNAUDITED

	2015				2014			
	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	\$ 302,357	\$ -	\$ 302,357	\$ -	\$ 795,281	\$ -	\$ 795,281	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	11,617,356	-	6,062,898	5,554,458	11,054,832	-	5,773,656	5,281,176
Amortization of debt expense and discount	1,168,914	-	1,168,914	-	1,409,965	-	1,409,965	-
Deferred taxes	-	-	-	-	-	-	-	-
Gain on marketable securities	(1,440,384)	-	(992,297)	(448,087)	(3,959,784)	-	(3,583,136)	(376,648)
Changes in assets and liabilities:								
Accounts receivable	12,346,974	-	12,253,058	93,916	2,898,769	-	2,951,391	(52,622)
Fuel in storage	(7,937,003)	-	(2,867,384)	(5,069,619)	7,259,364	-	5,052,228	2,207,136
Material and supplies	112,326	-	(154,417)	266,743	(237,113)	-	(443,692)	206,579
Property taxes applicable to subsequent years	695,000	-	695,000	-	675,726	-	675,726	-
Emission allowances	-	-	-	-	13,187	-	13,187	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	1,016,843	-	490,017	526,826	949,502	-	401,296	548,206
Other regulatory assets	-	-	-	-	371,297	-	371,297	-
Other noncurrent assets	104,543	-	104,543	-	430,585	-	430,585	-
Accounts payable	(18,926,626)	-	(9,390,972)	(9,535,654)	(4,638,262)	-	(5,604,255)	965,993
Deferred revenue	1,427,032	-	1,054,506	372,526	1,082,100	-	276,471	805,629
Accrued taxes	(555,653)	-	(1,415,109)	859,456	(690,201)	-	(1,404,086)	713,885
Accrued interest and other	3,072,795	-	3,501,128	(428,333)	(793,720)	-	818,084	(1,611,804)
Other regulatory liabilities	936,776	-	702,437	234,339	2,952,733	-	2,917,904	34,829
Other noncurrent liabilities	75,359	-	63,567	11,792	-	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,016,609	-	11,578,246	(7,561,637)	19,574,261	-	10,851,902	8,722,359
INVESTING ACTIVITIES								
Electric plant additions	(4,223,958)	-	(3,175,422)	(1,048,536)	(4,466,139)	-	(2,300,202)	(2,165,937)
Sale (Purchase) of marketable securities	39,405	-	37,522	1,883	3,285,863	-	3,380,326	(94,463)
Advances to subsidiary company	-	8,608,290	(8,608,290)	-	-	(6,461,069)	6,461,069	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(4,184,553)	8,608,290	(11,746,190)	(1,046,653)	(1,180,276)	(6,461,069)	7,541,193	(2,260,400)
FINANCING ACTIVITIES								
Advances from parent company	-	(8,608,290)	-	8,608,290	-	6,461,069	-	(6,461,069)
Repayment of Senior 2006 Notes	(8,625,966)	-	(8,625,966)	-	(8,144,059)	-	(8,144,059)	-
Repayment of Senior 2007 Notes	-	-	-	-	-	-	-	-
Repayment of Senior 2008 Notes	-	-	-	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	-	-	-	-
Payments on line of credit	(10,000,000)	-	(10,000,000)	-	(30,000,000)	-	(30,000,000)	-
Loan origination costs	(313,217)	-	(313,217)	-	(768,113)	-	(768,113)	-
Dividends-common stock	-	-	-	-	-	-	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(18,939,183)	(8,608,290)	(18,939,183)	8,608,290	(38,912,172)	6,461,069	(38,912,172)	(6,461,069)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (19,107,127)	\$ -	\$ (19,107,127)	\$ -	\$ (20,518,187)	\$ -	\$ (20,519,077)	\$ 890
CASH AND CASH EQUIVALENTS, JAN. 1	43,453,966	-	43,447,766	6,200	70,757,710	-	70,747,210	10,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,107,127)	-	(19,107,127)	-	(20,518,187)	-	(20,519,077)	890
CASH AND CASH EQUIVALENTS, MAR. 31	\$ 24,346,839	\$ -	\$ 24,340,639	\$ 6,200	\$ 50,239,523	\$ -	\$ 50,228,133	\$ 11,390