

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - SEPTEMBER 30, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - SEPTEMBER 30, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - SEPTEMBER 30, 2015 AND 2014-UNAUDITED

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

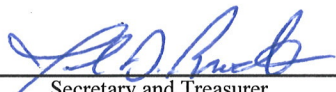
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OFFICER'S CERTIFICATION

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 September 30, 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 September 30, 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.

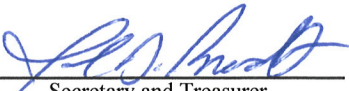


Secretary and Treasurer

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 September 30, 2015 was \$17,730,843



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, 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	\$ 2,711,658,376	\$ -	\$ 1,342,452,528	\$ 1,369,205,848	\$ 2,684,070,980	\$ -	\$ 1,330,104,631	\$ 1,353,966,349
Less - Accumulated provisions for depreciation	(1,280,076,119)	-	(628,636,622)	(651,439,497)	(1,225,192,068)	-	(596,386,053)	(628,806,015)
	1,431,582,257	-	713,815,906	717,766,351	1,458,878,912	-	733,718,578	725,160,334
Construction in progress	23,386,201	-	12,698,322	10,687,879	27,887,504	-	12,646,542	15,240,962
Total electric plant	1,454,968,458	-	726,514,228	728,454,230	1,486,766,416	-	746,365,120	740,401,296
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(94,470,375)	94,470,375	-	-	(98,300,255)	98,300,255	-
Total investments and other	-	(97,870,375)	97,870,375	-	-	(101,700,255)	101,700,255	-
CURRENT ASSETS:								
Cash and cash equivalents	12,581,181	-	12,574,981	6,200	39,465,286	-	39,458,282	7,004
Accounts receivable	31,425,218	-	30,986,264	438,954	33,417,546	-	33,232,999	184,547
Intercompany receivable	-	(628,141,403)	628,141,403	-	-	(622,869,681)	622,869,681	-
Fuel in storage-at average cost	58,635,287	-	24,416,793	34,218,494	32,956,518	-	16,505,368	16,451,150
Materials and supplies-at average cost	34,492,697	-	21,109,109	13,383,588	34,288,160	-	20,454,107	13,834,053
Property taxes applicable to future years	695,000	-	695,000	-	675,726	-	675,726	-
Emission allowances	-	-	-	-	-	-	-	-
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	2,773,464	-	1,385,647	1,387,817	2,753,786	-	1,322,188	1,431,598
Total current assets	143,838,539	(628,141,403)	722,128,890	49,851,052	156,869,326	(622,869,681)	745,242,027	34,496,980
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	892,343	-	892,343	-	15,828,423	-	-	15,828,423
Total regulatory assets	34,805,140	-	19,462,320	15,342,820	26,449,580	-	6,019,540	20,430,040
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	10,769,957	-	10,769,957	-	12,172,805	-	12,172,805	-
Deferred tax assets	-	-	-	-	-	(58,348,733)	58,348,733	-
Long-term investments	119,992,206	-	95,951,087	24,041,119	122,486,042	-	97,403,919	25,082,123
Other	68,367	-	67,383	984	64,304	-	64,304	-
Total deferred charges and other	130,830,530	-	106,788,427	24,042,103	134,723,151	(58,348,733)	167,989,761	25,082,123
TOTAL	\$ 1,764,442,667	\$ (726,011,778)	\$ 1,672,764,240	\$ 817,690,205	\$ 1,804,808,473	\$ (782,918,669)	\$ 1,767,316,703	\$ 820,410,439

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS

AS OF SEPTEMBER 30, 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	1,243,022,824	-	1,243,022,824	-	1,287,835,364	-	1,287,835,364	-
Line of credit borrowings-long term	20,000,000	-	20,000,000	-	20,000,000	-	20,000,000	-
Retained earnings	7,730,843	-	7,730,843	-	6,894,773	-	6,894,773	-
Total capitalization	1,280,753,667	(3,400,000)	1,280,753,667	3,400,000	1,324,730,137	(3,400,000)	1,324,730,137	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	244,835,140	-	244,835,140	-	242,225,406	-	242,225,406	-
Accounts payable	34,013,553	-	17,548,576	16,464,977	26,966,427	-	11,841,795	15,124,632
Intercompany payable	-	(628,141,403)	-	628,141,403	-	(622,869,681)	-	622,869,681
Deferred revenue-advances for construction	11,463,186	-	7,201,417	4,261,769	11,272,554	-	7,769,928	3,502,626
Accrued taxes	7,405,902	-	3,369,299	4,036,603	7,061,515	-	3,205,653	3,855,862
Regulatory liabilities	2,263,775	-	2,231,250	32,525	3,881,302	-	3,458,212	423,090
Accrued interest and other	27,513,715	-	23,023,112	4,490,603	27,049,554	-	23,695,428	3,354,126
Total current liabilities	327,495,271	(628,141,403)	298,208,794	657,427,880	318,456,758	(622,869,681)	292,196,422	649,130,017
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	31,318,571	-	28,809,097	2,509,474	37,386,151	-	35,136,364	2,249,787
Decommissioning and demolition	12,043,960	-	5,374,118	6,669,842	21,123,103	-	10,057,980	11,065,123
Investment tax credits	-	-	-	-	3,393,146	-	3,393,146	-
Net antitrust settlement	-	-	-	-	1,823,930	-	673,070	1,150,860
Total regulatory liabilities	43,362,531	-	34,183,215	9,179,316	63,726,330	-	49,260,560	14,465,770
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	22,870,581	(58,348,733)	62,795,667	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	-	(94,470,375)	-	94,470,375	-	(98,300,255)	-	98,300,255
Other liabilities	1,259,772	-	1,003,004	256,768	-	-	-	-
Total other liabilities	112,831,198	(94,470,375)	59,618,564	147,683,009	97,895,248	(156,648,988)	101,129,584	153,414,652
TOTAL	\$ 1,764,442,667	\$ (726,011,778)	\$ 1,672,764,240	\$ 817,690,205	\$ 1,804,808,473	\$ (782,918,669)	\$ 1,767,316,703	\$ 820,410,439

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF SEPTEMBER 30, 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	\$ 8,061,121	\$ -	\$ 8,061,121	\$ -	\$ 8,909,403	\$ -	\$ 8,909,403	\$ -
Ohio Valley Electric Corp.	-	(199,139,323)	-	199,139,323	-	(214,559,201)	-	214,559,201
Sponsoring Companies	428,494,695	-	428,494,695	-	482,666,941	-	482,666,941	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	436,555,816	(199,139,323)	436,555,816	199,139,323	491,576,344	(214,559,201)	491,576,344	214,559,201
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
in operation	203,999,672	-	79,400,709	124,598,963	245,466,662	-	103,401,144	142,065,518
Purchased power	7,498,329	(199,139,323)	206,637,652	-	8,482,360	(214,559,201)	223,041,561	-
Other operation	59,246,806	-	36,648,402	22,598,404	68,739,051	-	45,305,537	23,433,514
Maintenance	63,164,665	-	33,819,270	29,345,395	59,970,432	-	34,863,200	25,107,232
Depreciation	37,424,150	-	19,883,749	17,540,401	48,920,605	-	28,174,264	20,746,341
Taxes-other than federal income taxes	8,747,349	-	4,923,842	3,823,507	9,063,059	-	5,132,481	3,930,578
Federal income taxes	143,925	-	143,925	-	2,966	-	2,966	-
Total operating expenses	380,224,896	(199,139,323)	381,457,549	197,906,670	440,645,135	(214,559,201)	439,921,153	215,283,183
OPERATING INCOME	56,330,920	-	55,098,267	1,232,653	50,931,209	-	51,655,191	(723,982)
OTHER INCOME (EXPENSE)	(471,331)	-	738,848	(1,210,179)	8,365,733	-	7,605,249	760,484
INCOME BEFORE INTEREST CHARGES	55,859,589	-	55,837,115	22,474	59,296,942	-	59,260,440	36,502
INTEREST CHARGES:								
Amortization of debt expense	3,438,234	-	3,438,234	-	3,898,182	-	3,898,182	-
Interest expense	51,722,235	-	51,699,761	22,474	54,982,221	-	54,945,719	36,502
Total interest charges	55,160,469	-	55,137,995	22,474	58,880,403	-	58,843,901	36,502
NET INCOME	\$ 699,120	\$ -	\$ 699,120	\$ -	\$ 416,539	\$ -	\$ 416,539	\$ -
RETAINED EARNINGS, JAN. 1	7,031,723	-	7,031,723	-	6,478,234	-	6,478,234	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, SEP. 30	\$ 7,730,843	\$ -	\$ 7,730,843	\$ -	\$ 6,894,773	\$ -	\$ 6,894,773	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF SEPTEMBER 30, 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	\$ 699,120	\$ -	\$ 699,120	\$ -	\$ 416,539	\$ -	\$ 416,539	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	37,424,150	-	19,883,749	17,540,401	48,920,605	-	28,174,264	20,746,341
Amortization of debt expense and discount	3,438,234	-	3,438,234	-	3,898,182	-	3,898,182	-
Deferred taxes	143,925	-	143,925	-	(1,905,645)	-	(1,905,645)	-
Gain on marketable securities	618,450	-	(564,782)	1,183,232	(8,365,439)	-	(7,556,127)	(809,312)
Changes in assets and liabilities:								
Accounts receivable	8,576,742	-	8,642,421	(65,679)	1,915,109	-	1,949,443	(34,334)
Fuel in storage	(14,299,858)	-	(14,207,484)	(92,374)	10,063,877	-	(2,628,960)	12,692,837
Material and supplies	7,016	-	(253,371)	260,387	(1,723,725)	-	(1,196,155)	(527,570)
Property taxes applicable to subsequent years	2,085,000	-	2,085,000	-	2,027,179	-	2,027,179	-
Emission allowances	-	-	-	-	62,428	-	62,428	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	(564,851)	-	(263,499)	(301,352)	(509,372)	-	(189,507)	(319,865)
Other regulatory assets	-	-	-	-	371,297	-	371,297	-
Other noncurrent assets	52,510	-	53,494	(984)	424,103	-	424,103	-
Accounts payable	(20,091,343)	-	(6,334,708)	(13,756,635)	(24,506,956)	-	(12,659,644)	(11,847,312)
Deferred revenue	88,236	-	434,839	(346,603)	(11,886,078)	-	(10,146,456)	(1,739,622)
Accrued taxes	(2,004,239)	-	(2,752,053)	747,814	(2,001,299)	-	(2,814,168)	812,869
Accrued interest and other	3,899,163	-	3,792,387	106,776	(1,095,911)	-	870,424	(1,966,335)
Other regulatory liabilities	(4,817,302)	-	(2,351,999)	(2,465,303)	6,382,794	-	6,297,149	85,645
Other noncurrent liabilities	135,904	-	101,329	34,575	-	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	15,390,857	-	12,546,602	2,844,255	22,487,688	-	5,394,346	17,093,342
INVESTING ACTIVITIES								
Electric plant additions	(16,167,382)	-	(8,490,802)	(7,676,580)	(15,787,233)	-	(6,221,540)	(9,565,693)
Sale (Purchase) of marketable securities	1,892,117	-	1,881,932	10,185	2,986,063	-	3,270,334	(284,271)
Advances to subsidiary company	-	4,822,140	(4,822,140)	-	-	(7,246,874)	7,246,874	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(14,275,265)	4,822,140	(11,431,010)	(7,666,395)	(12,801,170)	(7,246,874)	4,295,668	(9,849,964)
FINANCING ACTIVITIES								
Advances from parent company	-	(4,822,140)	-	4,822,140	-	7,246,874	-	(7,246,874)
Repayment of Senior 2006 Notes	(17,503,483)	-	(17,503,483)	-	(16,525,607)	-	(16,525,607)	-
Repayment of Senior 2007 Notes	(6,101,554)	-	(6,101,554)	-	(5,754,949)	-	(5,754,949)	-
Repayment of Senior 2008 Notes	(6,450,104)	-	(6,450,104)	-	(6,045,559)	-	(6,045,559)	-
Proceeds from line of credit	52,000,000	-	52,000,000	-	20,000,000	-	20,000,000	-
Payments on line of credit	(52,000,000)	-	(52,000,000)	-	(30,000,000)	-	(30,000,000)	-
Loan origination costs	(1,933,236)	-	(1,933,236)	-	(2,652,827)	-	(2,652,827)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(31,988,377)	(4,822,140)	(31,988,377)	4,822,140	(40,978,942)	7,246,874	(40,978,942)	(7,246,874)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (30,872,785)	\$ -	\$ (30,872,785)	\$ -	\$ (31,292,424)	\$ -	\$ (31,288,928)	\$ (3,496)
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	(30,872,785)	-	(30,872,785)	-	(31,292,424)	-	(31,288,928)	(3,496)
CASH AND CASH EQUIVALENTS, SEP. 30	\$ 12,581,181	\$ -	\$ 12,574,981	\$ 6,200	\$ 39,465,286	\$ -	\$ 39,458,282	\$ 7,004