

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - MARCH 31, 2017 AND 2016-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - MARCH 31, 2017 AND 2016-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - MARCH 31, 2017 AND 2016-UNAUDITED

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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, 2017 and 2016 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, 2017 and 2016, 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, 2017 was \$19,765,978



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, 2017 AND 2016-UNAUDITED

	2017				2016			
	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	\$ 2,739,086,571	\$ -	\$ 1,361,066,131	\$ 1,378,020,440	\$ 2,714,096,767	\$ -	\$ 1,343,306,660	\$ 1,370,790,107
Less - Accumulated provisions for depreciation	(1,364,934,805)	-	(678,715,019)	(686,219,786)	(1,304,248,170)	-	(641,285,839)	(662,962,331)
	1,374,151,766	-	682,351,112	691,800,654	1,409,848,597	-	702,020,821	707,827,776
Construction in progress	15,317,518	-	6,018,406	9,299,112	32,500,067	-	22,834,869	9,665,198
Total electric plant	1,389,469,284	-	688,369,518	701,099,766	1,442,348,664	-	724,855,690	717,492,974
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(685,922,533)	685,922,533	-	-	(733,138,648)	733,138,648	-
Total investments and other	-	(689,322,533)	689,322,533	-	-	(736,538,648)	736,538,648	-
CURRENT ASSETS:								
Cash and cash equivalents	52,752,096	-	52,745,896	6,200	17,769,227	-	17,763,027	6,200
Accounts receivable	27,312,081	-	27,231,084	80,997	21,306,427	-	21,279,985	26,442
Fuel in storage-at average cost	60,012,915	-	34,271,294	25,741,621	94,204,327	-	41,399,280	52,805,047
Materials and supplies-at average cost	36,214,153	-	21,671,972	14,542,181	35,021,062	-	20,048,570	14,972,492
Property taxes applicable to future years	2,057,500	-	2,057,500	-	2,137,500	-	2,137,500	-
Emission allowances	868,802	-	868,802	-	-	-	-	-
Income taxes receivable	3,118,299	-	3,118,299	-	-	-	-	-
Prepaid expenses and other	1,222,717	-	705,072	517,645	7,987,286	-	7,562,118	425,168
Total current assets	183,558,563	-	142,669,919	40,888,644	178,425,829	-	110,190,480	68,235,349
REGULATORY ASSETS:								
Unrecognized postemployment benefits	4,273,382	-	2,502,691	1,770,691	2,526,541	-	903,443	1,623,098
Pension benefits	37,128,152	-	20,658,104	16,470,048	27,889,880	-	15,266,921	12,622,959
Income taxes billable to customers	-	-	-	-	719,633	-	719,633	-
Total regulatory assets	41,401,534	-	23,160,795	18,240,739	31,136,054	-	16,889,997	14,246,057
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	455,805	-	455,805	-	10,656,329	-	10,656,329	-
Deferred tax assets	2,700,000	-	2,700,000	-	-	-	-	-
Long-term investments	121,995,557	-	93,952,127	28,043,430	121,596,816	-	96,723,638	24,873,178
Other	1,534	-	550	984	8,704	-	7,720	984
Total deferred charges and other	125,152,896	-	97,108,482	28,044,414	132,261,849	-	107,387,687	24,874,162
TOTAL	\$ 1,739,582,277	\$ (689,322,533)	\$ 1,640,631,247	\$ 788,273,563	\$ 1,784,172,396	\$ (736,538,648)	\$ 1,695,862,502	\$ 824,848,542

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF MARCH 31, 2017 AND 2016-UNAUDITED

	2017				2016			
	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	1,136,092,797	-	1,136,092,797	-	1,219,587,672	-	1,219,587,672	-
Line of credit borrowings-long term	85,000,000	-	85,000,000	-	60,000,000	-	60,000,000	-
Retained earnings	9,765,978	-	9,765,978	-	8,221,218	-	8,221,218	-
Total capitalization	1,240,858,775	(3,400,000)	1,240,858,775	3,400,000	1,297,808,890	(3,400,000)	1,297,808,890	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	249,056,581	-	249,056,581	-	246,200,133	-	246,200,133	-
Accounts payable	25,489,981	-	12,051,528	13,438,453	34,046,563	-	18,711,568	15,334,995
Accrued taxes	9,176,729	-	4,875,768	4,300,961	8,862,534	-	4,875,512	3,987,022
Regulatory liabilities	12,983,152	-	4,897,250	8,085,902	19,596,355	-	16,964,631	2,631,724
Accrued interest and other	25,662,511	-	21,531,975	4,130,536	25,827,669	-	21,997,524	3,830,145
Total current liabilities	322,368,954	-	292,413,102	29,955,852	334,533,254	-	308,749,368	25,783,886
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	33,606,867	-	28,456,373	5,150,494	45,240,424	-	36,611,012	8,629,412
Decommissioning and demolition	15,450,263	-	6,807,581	8,642,682	11,776,619	-	5,268,028	6,508,591
Advance billing of debt reserve	7,500,000	-	7,500,000	-	-	-	-	-
Income taxes refundable to customers	5,433,716	-	5,433,716	-	-	-	-	-
Total regulatory liabilities	61,990,846	-	48,197,670	13,793,176	57,017,043	-	41,879,040	15,138,003
OTHER LIABILITIES:								
Pension liability	37,128,152	-	20,658,104	16,470,048	27,889,880	-	15,266,921	12,622,959
Asset retirement obligations	33,044,921	-	13,813,296	19,231,625	31,249,839	-	13,054,376	18,195,463
Postretirement benefits obligation	39,218,090	-	21,536,990	17,681,100	32,235,745	-	17,418,498	14,817,247
Postemployment benefits obligation	4,273,382	-	2,502,691	1,770,691	2,526,541	-	903,443	1,623,098
Parent advances for construction	-	(685,922,533)	-	685,922,533	-	(733,138,648)	-	733,138,648
Other liabilities	699,157	-	650,619	48,538	911,204	-	781,966	129,238
Total other liabilities	114,363,702	(685,922,533)	59,161,700	741,124,535	94,813,209	(733,138,648)	47,425,204	780,526,653
TOTAL	\$ 1,739,582,277	\$ (689,322,533)	\$ 1,640,631,247	\$ 788,273,563	\$ 1,784,172,396	\$ (736,538,648)	\$ 1,695,862,502	\$ 824,848,542

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

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YEAR TO DATE AS OF MARCH 31, 2017 AND 2016-UNAUDITED

	2017				2016			
	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	\$ 2,757,509	\$ -	\$ 2,757,509	\$ -	\$ 3,248,232	\$ -	\$ 3,248,232	\$ -
Ohio Valley Electric Corp	-	(68,989,883)	-	68,989,883	-	(49,718,149)	-	49,718,149
Sponsoring Companies	149,348,561	-	149,348,561	-	116,647,062	-	116,647,062	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	152,106,070	(68,989,883)	152,106,070	68,989,883	119,895,294	(49,718,149)	119,895,294	49,718,149
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
In operation	81,709,336	-	33,939,057	47,770,279	50,808,850	-	23,466,940	27,341,910
Purchased power	2,448,295	(68,989,883)	71,438,178	-	2,887,475	(49,718,149)	52,605,624	-
Other operation	19,921,535	-	12,902,167	7,019,368	18,957,816	-	11,886,500	7,071,316
Maintenance	15,229,757	-	8,128,274	7,101,483	15,590,134	-	6,986,894	8,603,240
Depreciation	14,101,903	-	7,153,264	6,948,639	12,093,705	-	6,314,586	5,779,119
Taxes-other than federal income taxes	2,869,931	-	1,604,570	1,265,361	2,867,110	-	1,629,232	1,237,878
Federal income taxes	-	-	-	-	86,355	-	86,355	-
Total operating expenses	136,280,757	(68,989,883)	135,165,510	70,105,130	103,291,445	(49,718,149)	102,976,131	50,033,463
OPERATING INCOME	15,825,313	-	16,940,560	(1,115,247)	16,603,849	-	16,919,163	(315,314)
OTHER INCOME (EXPENSE)	3,060,798	-	1,943,173	1,117,625	1,890,737	-	1,570,255	320,482
INCOME BEFORE INTEREST CHARGES	18,886,111	-	18,883,733	2,378	18,494,586	-	18,489,418	5,168
INTEREST CHARGES:								
Amortization of debt expense	745,967	-	745,967	-	1,119,721	-	1,119,721	-
Interest expense	17,179,628	-	17,177,250	2,378	17,020,641	-	17,015,473	5,168
Total interest charges	17,925,595	-	17,923,217	2,378	18,140,362	-	18,135,194	5,168
NET INCOME	\$ 960,516	\$ -	\$ 960,516	\$ -	\$ 354,224	\$ -	\$ 354,224	\$ -
RETAINED EARNINGS, JAN 1	8,805,462	-	8,805,462	-	7,866,994	-	7,866,994	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, MAR. 31	\$ 9,765,978	\$ -	\$ 9,765,978	\$ -	\$ 8,221,218	\$ -	\$ 8,221,218	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF MARCH 31, 2017 AND 2016-UNAUDITED

	2017				2016			
	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	\$ 960,516	\$ -	\$ 960,516	\$ -	\$ 354,224	\$ -	\$ 354,224	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	14,101,903	-	7,153,264	6,948,639	12,093,705	-	6,314,586	5,779,119
Amortization of debt expense and discount	745,967	-	745,967	-	1,119,721	-	1,119,721	-
Deferred taxes	-	-	-	-	-	-	-	-
(Gain)/loss on marketable securities	(3,038,021)	-	(1,907,221)	(1,130,800)	(1,892,580)	-	(1,562,773)	(329,807)
Changes in assets and liabilities:								
Accounts receivable	10,131,433	-	10,176,197	(44,764)	2,885,723	-	2,841,975	43,748
Fuel in storage	16,374,939	-	2,896,751	13,478,188	(12,841,562)	-	(6,139,708)	(6,701,854)
Material and supplies	(1,357,011)	-	(712,366)	(644,645)	(1,960,921)	-	(474,500)	(1,486,421)
Property taxes applicable to subsequent years	765,000	-	765,000	-	712,500	-	712,500	-
Emission allowances	4,118	-	4,118	-	-	-	-	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	775,655	-	331,854	443,801	(5,874,529)	-	(6,450,338)	575,809
Other regulatory assets	-	-	-	-	86,355	-	86,355	-
Other noncurrent assets	77,103	-	77,103	-	61,954	-	61,954	-
Accounts payable	(8,152,471)	-	(3,595,115)	(4,557,356)	(4,568,081)	-	(2,549,264)	(2,018,817)
Accrued taxes	(682,198)	-	(1,525,340)	843,142	(702,222)	-	(1,432,839)	730,617
Accrued interest and other	272,639	-	1,680,647	(1,408,008)	3,872,774	-	3,893,411	(20,637)
Other regulatory liabilities	11,435,766	-	9,055,758	2,380,008	3,090,507	-	2,968,506	122,001
Other noncurrent liabilities	62,931	-	62,931	-	-	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	42,478,269	-	26,170,064	16,308,205	(3,562,432)	-	(256,190)	(3,306,242)
INVESTING ACTIVITIES								
Electric plant additions	(2,762,431)	-	(1,479,380)	(1,283,051)	(3,314,673)	-	(2,156,576)	(1,158,097)
Sale (Purchase) of marketable securities	44,840	-	40,067	4,773	55,870	-	48,924	6,946
Advances to subsidiary company	-	(15,029,927)	15,029,927	-	-	4,457,393	(4,457,393)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,717,591)	(15,029,927)	13,590,614	(1,278,278)	(3,258,803)	4,457,393	(6,565,045)	(1,151,151)
FINANCING ACTIVITIES								
Advances from parent company	-	15,029,927	-	(15,029,927)	-	(4,457,393)	-	4,457,393
Repayment of Senior 2006 Notes	(9,677,067)	-	(9,677,067)	-	(9,136,406)	-	(9,136,406)	-
Repayment of Senior 2007 Notes	-	-	-	-	-	-	-	-
Repayment of Senior 2008 Notes	-	-	-	-	-	-	-	-
Redemption of 2009 Bonds	(25,000,000)	-	(25,000,000)	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	44,000,000	-	44,000,000	-
Payments on line of credit	-	-	-	-	(29,000,000)	-	(29,000,000)	-
Loan maintenance costs	(142,243)	-	(142,243)	-	(565,705)	-	(565,705)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(34,819,310)	15,029,927	(34,819,310)	(15,029,927)	5,297,889	(4,457,393)	5,297,889	4,457,393
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 4,941,368	\$ -	\$ 4,941,368	\$ -	\$ (1,523,346)	\$ -	\$ (1,523,346)	\$ -
CASH AND CASH EQUIVALENTS, JAN. 1	47,810,728	-	47,804,528	6,200	19,292,573	-	19,286,373	6,200
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,941,368	-	4,941,368	-	(1,523,346)	-	(1,523,346)	-
CASH AND CASH EQUIVALENTS, MAR. 31	\$ 52,752,096	\$ -	\$ 52,745,896	\$ 6,200	\$ 17,769,227	\$ -	\$ 17,763,027	\$ 6,200