

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - MARCH 31, 2018 AND 2017-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - MARCH 31, 2018 AND 2017-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - MARCH 31, 2018 AND 2017-UNAUDITED

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

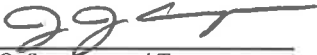
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OFFICER'S CERTIFICATION


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, 2018 and 2017 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, 2018 and 2017, 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.



CFO, 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, 2018 was \$21,272,536



CFO, 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, 2018 AND 2017-UNAUDITED

	2018				2017			
	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	\$ 2,782,788,600	\$ -	\$ 1,386,376,042	\$ 1,396,412,558	\$ 2,739,086,571	\$ -	\$ 1,361,066,131	\$ 1,378,020,440
Less - Accumulated provisions for depreciation	(1,458,095,898)	-	(729,535,405)	(728,560,493)	(1,364,934,805)	-	(678,715,019)	(686,219,786)
	1,324,692,702	-	656,840,637	667,852,065	1,374,151,766	-	682,351,112	691,800,654
Construction in progress	6,814,435	-	3,428,336	3,386,099	15,317,518	-	6,018,406	9,299,112
Total electric plant	1,331,507,137	-	660,268,973	671,238,164	1,389,469,284	-	688,369,518	701,099,766
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(655,773,262)	655,773,262	-	-	(685,922,533)	685,922,533	-
Total investments and other	-	(659,173,262)	659,173,262	-	-	(689,322,533)	689,322,533	-
CURRENT ASSETS:								
Cash and cash equivalents	76,464,003	-	76,457,803	6,200	52,752,096	-	52,745,896	6,200
Accounts receivable	31,698,488	-	31,320,599	377,889	27,312,081	-	27,231,084	80,997
Fuel in storage-at average cost	24,565,529	-	8,584,969	15,980,560	60,012,915	-	34,271,294	25,741,621
Materials and supplies-at average cost	38,823,095	-	22,634,551	16,188,544	36,214,153	-	21,671,972	14,542,181
Property taxes applicable to future years	2,125,000	-	2,125,000	-	2,057,500	-	2,057,500	-
Emission allowances	352,228	-	352,228	-	868,802	-	868,802	-
Income taxes receivable	-	-	-	-	3,118,299	-	3,118,299	-
Prepaid expenses and other	1,243,328	-	747,951	495,377	1,222,717	-	705,072	517,645
Total current assets	175,271,671	-	142,223,101	33,048,570	183,558,563	-	142,669,919	40,888,644
REGULATORY ASSETS:								
Unrecognized postemployment benefits	3,865,985	-	2,569,375	1,296,610	4,273,382	-	2,502,691	1,770,691
Pension benefits	37,249,847	-	21,172,813	16,077,034	37,128,152	-	20,658,104	16,470,048
Asset retirement costs	121,317	(4,227,344)	4,348,661	-	-	-	-	-
Income taxes billable to customers	-	-	-	-	-	-	-	-
Total regulatory assets	41,237,149	(4,227,344)	28,090,849	17,373,644	41,401,534	-	23,160,795	18,240,739
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	284,878	-	284,878	-	455,805	-	455,805	-
Deferred tax assets	9,294,909	-	9,294,909	-	2,700,000	-	2,700,000	-
Long-term investments	162,128,477	-	130,008,293	32,120,184	121,995,557	-	93,952,127	28,043,430
Other	1,534	-	550	984	1,534	-	550	984
Total deferred charges and other	171,709,798	-	139,588,630	32,121,168	125,152,896	-	97,108,482	28,044,414
TOTAL	\$ 1,719,725,755	\$ (663,400,606)	\$ 1,629,344,815	\$ 753,781,546	\$ 1,739,582,277	\$ (689,322,533)	\$ 1,640,631,247	\$ 788,273,563

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF MARCH 31, 2018 AND 2017-UNAUDITED

	2018				2017			
	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	1,251,333,771	-	1,251,333,771	-	1,136,092,797	-	1,136,092,797	-
Line of credit borrowings-long term	85,000,000	-	85,000,000	-	85,000,000	-	85,000,000	-
Retained earnings	11,272,536	-	11,272,536	-	9,765,978	-	9,765,978	-
Total capitalization	1,357,606,307	(3,400,000)	1,357,606,307	3,400,000	1,240,858,775	(3,400,000)	1,240,858,775	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	77,090,388	-	77,090,388	-	249,056,581	-	249,056,581	-
Accounts payable	29,994,703	-	14,433,889	15,560,814	25,489,981	-	12,051,528	13,438,453
Accrued taxes	9,954,985	-	5,628,553	4,326,432	9,176,729	-	4,875,768	4,300,961
Regulatory liabilities	2,287,386	-	2,192,472	94,914	12,983,152	-	4,897,250	8,085,902
Accrued interest and other	23,576,924	-	20,227,391	3,349,533	25,662,511	-	21,531,975	4,130,536
Total current liabilities	142,904,386	-	119,572,693	23,331,693	322,368,954	-	292,413,102	29,955,852
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	54,548,368	-	40,469,203	14,079,165	33,606,867	-	28,456,373	5,150,494
Decommissioning and demolition	-	(4,227,344)	-	4,227,344	15,450,263	-	6,807,581	8,642,682
Advance billing of debt reserve	37,000,000	-	37,000,000	-	7,500,000	-	7,500,000	-
Income taxes refundable to customers	11,571,428	-	11,571,428	-	5,433,716	-	5,433,716	-
Total regulatory liabilities	103,119,796	(4,227,344)	89,040,631	18,306,509	61,990,846	-	48,197,670	13,793,176
OTHER LIABILITIES:								
Pension liability	37,249,847	-	21,172,813	16,077,034	37,128,152	-	20,658,104	16,470,048
Asset retirement obligations	57,170,620	-	29,218,810	27,951,810	33,044,921	-	13,813,296	19,231,625
Postretirement benefits obligation	17,196,685	-	9,658,850	7,537,835	39,218,090	-	21,536,990	17,681,100
Postemployment benefits obligation	3,865,985	-	2,569,375	1,296,610	4,273,382	-	2,502,691	1,770,691
Parent advances for construction	-	(655,773,262)	-	655,773,262	-	(685,922,533)	-	685,922,533
Other liabilities	612,129	-	505,336	106,793	699,157	-	650,619	48,538
Total other liabilities	116,095,266	(655,773,262)	63,125,184	708,743,344	114,363,702	(685,922,533)	59,161,700	741,124,535
TOTAL	\$ 1,719,725,755	\$ (663,400,606)	\$ 1,629,344,815	\$ 753,781,546	\$ 1,739,582,277	\$ (689,322,533)	\$ 1,640,631,247	\$ 788,273,563

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF MARCH 31, 2018 AND 2017-UNAUDITED

	2018				2017			
	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	\$ 2,634,024	\$ -	\$ 2,634,024	\$ -	\$ 2,757,509	\$ -	\$ 2,757,509	\$ -
Ohio Valley Electric Corp.	-	(64,620,582)	-	64,620,582	-	(68,989,883)	-	68,989,883
Sponsoring Companies	148,243,898	-	148,243,898	-	149,348,561	-	149,348,561	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	150,877,922	(64,620,582)	150,877,922	64,620,582	152,106,070	(68,989,883)	152,106,070	68,989,883
OPERATING EXPENSES:								
Fuel and emission allowances consumed								
in operation	76,704,577	-	35,769,697	40,934,880	81,709,336	-	33,939,057	47,770,279
Purchased power	2,498,460	(64,620,582)	67,119,042	-	2,448,295	(68,989,883)	71,438,178	-
Other operation	15,973,192	-	9,012,937	6,960,255	19,921,535	-	12,902,167	7,019,368
Maintenance	16,112,367	-	7,503,758	8,608,609	15,229,757	-	8,128,274	7,101,483
Depreciation	13,435,237	-	6,863,763	6,571,474	14,101,903	-	7,153,264	6,948,639
Taxes-other than federal income taxes	2,886,216	-	1,628,651	1,257,565	2,869,931	-	1,604,570	1,265,361
Federal income taxes	-	-	-	-	-	-	-	-
Total operating expenses	127,610,049	(64,620,582)	127,897,848	64,332,783	136,280,757	(68,989,883)	135,165,510	70,105,130
OPERATING INCOME	23,267,873	-	22,980,074	287,799	15,825,313	-	16,940,560	(1,115,247)
OTHER INCOME (EXPENSE)	(1,894,010)	-	(1,609,024)	(284,986)	3,060,798	-	1,943,173	1,117,625
INCOME BEFORE INTEREST CHARGES	21,373,863	-	21,371,050	2,813	18,886,111	-	18,883,733	2,378
INTEREST CHARGES:								
Amortization of debt expense	1,041,759	-	1,041,759	-	745,967	-	745,967	-
Interest expense	19,401,819	-	19,399,006	2,813	17,179,628	-	17,177,250	2,378
Total interest charges	20,443,578	-	20,440,765	2,813	17,925,595	-	17,923,217	2,378
NET INCOME	\$ 930,285	\$ -	\$ 930,285	\$ -	\$ 960,516	\$ -	\$ 960,516	\$ -
RETAINED EARNINGS, JAN. 1	10,342,251	-	10,342,251	-	8,805,462	-	8,805,462	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, MAR. 31	\$ 11,272,536	\$ -	\$ 11,272,536	\$ -	\$ 9,765,978	\$ -	\$ 9,765,978	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF MARCH 31, 2018 AND 2017-UNAUDITED

	2018				2017			
	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	\$ 930,285	\$ -	\$ 930,285	\$ -	\$ 960,516	\$ -	\$ 960,516	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	13,435,237	-	6,863,763	6,571,474	14,101,903	-	7,153,264	6,948,639
Amortization of debt expense and discount	1,041,759	-	1,041,759	-	745,967	-	745,967	-
Deferred taxes	-	-	-	-	-	-	-	-
(Gain)/loss on marketable securities	2,058,212	-	1,784,901	273,311	(3,038,021)	-	(1,907,221)	(1,130,800)
Changes in assets and liabilities:								
Accounts receivable	9,035,849	-	9,047,503	(11,654)	10,131,433	-	10,176,197	(44,764)
Fuel in storage	9,251,582	-	1,165,341	8,086,241	16,374,939	-	2,896,751	13,478,188
Material and supplies	(377,818)	-	(327,182)	(50,636)	(1,357,011)	-	(712,366)	(644,645)
Property taxes applicable to subsequent years	787,500	-	787,500	-	765,000	-	765,000	-
Emission allowances	3,624	-	3,624	-	4,118	-	4,118	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	808,650	-	362,752	445,898	775,655	-	331,854	443,801
Other regulatory assets	152,775	-	152,775	-	-	-	-	-
Other noncurrent assets	-	-	-	-	77,103	-	77,103	-
Accounts payable	(1,336,719)	-	(105,296)	(1,231,423)	(8,152,471)	-	(3,595,115)	(4,557,356)
Accrued taxes	(844,165)	-	(1,611,945)	767,780	(682,198)	-	(1,525,340)	843,142
Accrued interest and other	(2,107,916)	-	(197,416)	(1,910,500)	272,639	-	1,680,647	(1,408,008)
Decommissioning and demolition	-	-	-	-	-	-	-	-
Other regulatory liabilities	5,834,520	-	5,670,281	164,239	11,435,766	-	9,055,758	2,380,008
Other noncurrent liabilities	9,777	-	-	9,777	62,931	-	62,931	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	38,683,152	-	25,568,645	13,114,507	42,478,269	-	26,170,064	16,308,205
INVESTING ACTIVITIES								
Electric plant additions	(928,140)	-	(370,370)	(557,770)	(2,762,431)	-	(1,479,380)	(1,283,051)
Sale (Purchase) of marketable securities	(9,912,729)	-	(8,551,074)	(1,361,655)	44,840	-	40,067	4,773
Advances to subsidiary company	-	(11,195,082)	11,195,082	-	-	(15,029,927)	15,029,927	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(10,840,869)	(11,195,082)	2,273,638	(1,919,425)	(2,717,591)	(15,029,927)	13,590,614	(1,278,278)
FINANCING ACTIVITIES								
Advances from parent company	-	11,195,082	-	(11,195,082)	-	15,029,927	-	(15,029,927)
Repayment of Senior 2006 Notes	(10,249,741)	-	(10,249,741)	-	(9,677,067)	-	(9,677,067)	-
Repayment of Senior 2007 Notes	-	-	-	-	-	-	-	-
Repayment of Senior 2008 Notes	-	-	-	-	-	-	-	-
Redemption of 2009 Bonds	-	-	-	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	(25,000,000)	-	(25,000,000)	-
Payments on line of credit	-	-	-	-	-	-	-	-
Loan maintenance costs	(106,629)	-	(106,629)	-	(142,243)	-	(142,243)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(10,356,370)	11,195,082	(10,356,370)	(11,195,082)	(34,819,310)	15,029,927	(34,819,310)	(15,029,927)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 17,485,913	\$ -	\$ 17,485,913	\$ -	\$ 4,941,368	\$ -	\$ 4,941,368	\$ -
CASH AND CASH EQUIVALENTS, JAN. 1	58,978,090	-	58,971,890	6,200	47,810,728	-	47,804,528	6,200
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,485,913	-	17,485,913	-	4,941,368	-	4,941,368	-
CASH AND CASH EQUIVALENTS, MAR. 31	\$ 76,464,003	\$ -	\$ 76,457,803	\$ 6,200	\$ 52,752,096	\$ -	\$ 52,745,896	\$ 6,200