

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

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

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

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

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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 December 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 December 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.

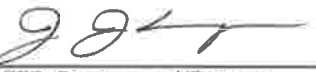


CFO, Secretary and Treasurer

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 December 31, 2018 was \$24,238,732



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 DECEMBER 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
<b>ASSETS</b>								
<b>ELECTRIC PLANT:</b>								
At original cost	\$ 2,785,266,305	\$ -	\$ 1,388,563,054	\$ 1,396,703,251	\$ 2,782,873,612	\$ -	\$ 1,386,407,023	\$ 1,396,466,589
Less - Accumulated provisions for depreciation	(1,500,183,895)	-	(752,374,469)	(747,809,426)	(1,445,352,656)	-	(722,873,892)	(722,478,764)
	1,285,082,410	-	636,188,585	648,893,825	1,337,520,956	-	663,533,131	673,987,825
Construction in progress	11,073,112	-	3,745,843	7,327,269	6,493,278	-	3,229,235	3,264,043
Total electric plant	1,296,155,522	-	639,934,428	656,221,094	1,344,014,234	-	666,762,366	677,251,868
<b>INVESTMENTS AND OTHER:</b>								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(653,180,436)	653,180,436	-	-	(666,968,344)	666,968,344	-
Total investments and other	-	(656,580,436)	656,580,436	-	-	(670,368,344)	670,368,344	-
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	51,040,749	-	51,034,549	6,200	58,978,090	-	58,971,890	6,200
Accounts receivable	59,271,580	-	58,508,231	763,349	40,734,337	-	40,368,102	366,235
Fuel in storage-at average cost	33,474,186	-	17,114,023	16,360,163	33,817,111	-	9,750,310	24,066,801
Materials and supplies-at average cost	40,634,643	-	24,411,169	16,223,474	38,445,277	-	22,307,369	16,137,908
Property taxes applicable to future years	3,062,500	-	3,062,500	-	2,912,500	-	2,912,500	-
Emission allowances	298,460	-	298,460	-	355,852	-	355,852	-
Prepaid expenses and other	2,175,905	-	1,244,892	931,013	2,051,978	-	1,110,703	941,275
Total current assets	189,958,023	-	155,673,824	34,284,199	177,295,145	-	135,776,726	41,518,419
<b>REGULATORY ASSETS:</b>								
Unrecognized post-employment benefits	4,147,956	-	2,464,412	1,683,544	3,865,985	-	2,569,375	1,296,610
Pension benefits	33,894,325	-	19,235,029	14,659,296	37,249,847	-	21,172,813	16,077,034
Asset retirement costs	2,826,805	(4,344,168)	7,170,973	-	678,154	(3,823,282)	4,501,436	-
Postretirement benefits	14,408,697	-	-	14,408,697	-	-	-	-
Other regulatory assets	1,495,594	-	1,495,594	-	-	-	-	-
Total regulatory assets	56,773,377	(4,344,168)	30,366,008	30,751,537	41,793,986	(3,823,282)	28,243,624	17,373,644
<b>DEFERRED CHARGES AND OTHER:</b>								
Unamortized debt expense	156,683	-	156,683	-	327,610	-	327,610	-
Income taxes receivable	9,294,909	-	9,294,909	-	9,294,909	-	9,294,909	-
Long-term investments	181,271,533	-	149,024,722	32,246,811	154,273,960	-	123,242,120	31,031,840
Other	1,534	-	550	984	1,534	-	550	984
Total deferred charges and other	190,724,659	-	158,476,864	32,247,795	163,898,013	-	132,865,189	31,032,824
<b>TOTAL</b>	\$ 1,733,611,581	\$ (660,924,604)	\$ 1,641,031,560	\$ 753,504,625	\$ 1,727,001,378	\$ (674,191,626)	\$ 1,634,016,249	\$ 767,176,753

**OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY**

CONSOLIDATING BALANCE SHEETS  
AS OF DECEMBER 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
<b>CAPITALIZATION AND LIABILITIES</b>								
<b>CAPITALIZATION:</b>								
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	1,210,069,775	-	1,210,069,775	-	1,261,297,697	-	1,261,297,697	-
Line of credit borrowings-long term	85,000,000	-	85,000,000	-	85,000,000	-	85,000,000	-
Retained earnings	14,238,732	-	14,238,732	-	10,342,251	-	10,342,251	-
<b>Total capitalization</b>	<b>1,319,308,507</b>	<b>(3,400,000)</b>	<b>1,319,308,507</b>	<b>3,400,000</b>	<b>1,366,639,948</b>	<b>(3,400,000)</b>	<b>1,366,639,948</b>	<b>3,400,000</b>
<b>CURRENT LIABILITIES:</b>								
Current portion of long-term debt	79,670,116	-	79,670,116	-	76,483,805	-	76,483,805	-
Accounts payable	42,177,332	-	22,621,632	19,555,700	31,331,422	-	14,539,185	16,792,237
Accrued taxes	10,715,927	-	7,167,641	3,548,286	10,799,150	-	7,240,498	3,558,652
Regulatory liabilities	7,657,896	-	3,331,549	4,326,347	1,909,470	-	1,904,265	5,205
Accrued interest and other	18,560,614	-	15,426,686	3,133,928	25,684,840	-	20,424,807	5,260,033
<b>Total current liabilities</b>	<b>158,781,885</b>	<b>-</b>	<b>128,217,624</b>	<b>30,564,261</b>	<b>146,208,687</b>	<b>-</b>	<b>120,592,560</b>	<b>25,616,127</b>
<b>COMMITMENTS AND CONTINGENCIES</b>								
<b>REGULATORY LIABILITIES:</b>								
Postretirement benefits	78,067,755	-	64,910,090	13,157,665	56,495,826	-	42,087,129	14,408,697
Decommissioning and demolition	-	(4,344,168)	-	4,344,168	-	(3,823,282)	-	3,823,282
Advance billing of debt reserve	60,000,000	-	60,000,000	-	30,000,000	-	30,000,000	-
Income taxes refundable to customers	11,571,428	-	11,571,428	-	11,571,428	-	11,571,428	-
<b>Total regulatory liabilities</b>	<b>149,639,183</b>	<b>(4,344,168)</b>	<b>136,481,518</b>	<b>17,501,833</b>	<b>98,067,254</b>	<b>(3,823,282)</b>	<b>83,658,557</b>	<b>18,231,979</b>
<b>OTHER LIABILITIES:</b>								
Pension liability	33,894,325	-	19,235,029	14,659,296	37,249,847	-	21,172,813	16,077,034
Asset retirement obligations	57,170,620	-	29,218,810	27,951,810	57,170,620	-	29,218,810	27,951,810
Postretirement benefits obligation	10,186,597	-	5,708,766	4,477,831	17,196,685	-	9,658,850	7,537,835
Postemployment benefits obligation	4,147,956	-	2,464,412	1,683,544	3,865,985	-	2,569,375	1,296,610
Parent advances for construction	-	(653,180,436)	-	653,180,436	-	(666,968,344)	-	666,968,344
Other liabilities	482,508	-	396,894	85,614	602,352	-	505,336	97,016
<b>Total other liabilities</b>	<b>105,882,006</b>	<b>(653,180,436)</b>	<b>57,023,911</b>	<b>702,038,531</b>	<b>116,085,489</b>	<b>(666,968,344)</b>	<b>63,125,184</b>	<b>719,928,649</b>
<b>TOTAL</b>	<b>\$ 1,733,611,581</b>	<b>\$ (660,924,604)</b>	<b>\$ 1,641,031,560</b>	<b>\$ 753,504,625</b>	<b>\$ 1,727,001,378</b>	<b>\$ (674,191,626)</b>	<b>\$ 1,634,016,249</b>	<b>\$ 767,176,755</b>

## OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS  
YEAR TO DATE AS OF DECEMBER 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
<b>OPERATING REVENUES:</b>								
Sales of electric energy to:								
Department of Energy	\$ 7,605,922	\$ -	\$ 7,605,922	\$ -	\$ 8,187,803	\$ -	\$ 8,187,803	\$ -
Ohio Valley Electric Corp	-	(258,785,094)	-	258,785,094	-	(273,016,055)	-	273,016,055
Sponsoring Companies	608,233,419	-	608,233,419	-	615,870,005	-	615,870,005	-
Other	-	-	-	-	-	-	-	-
<b>Total operating revenues</b>	<b>615,839,341</b>	<b>(258,785,094)</b>	<b>615,839,341</b>	<b>258,785,094</b>	<b>624,057,808</b>	<b>(273,016,055)</b>	<b>624,057,808</b>	<b>273,016,055</b>
<b>OPERATING EXPENSES:</b>								
Fuel and emission allowances consumed								
in operation	277,368,623	-	125,575,769	151,792,854	288,503,093	-	130,399,723	158,103,370
Purchased power	6,863,294	(258,785,094)	265,648,388	-	6,922,507	(273,016,055)	279,938,562	-
Other operation	86,302,869	-	56,578,440	29,724,429	85,206,695	-	53,496,374	31,710,321
Maintenance	86,305,942	-	42,971,097	43,334,845	82,862,095	-	42,309,172	40,552,923
Depreciation	54,190,596	-	27,749,138	26,441,458	84,699,703	-	42,969,917	41,729,786
Taxes-other than federal income taxes	12,164,929	-	6,900,078	5,264,851	11,975,463	-	6,962,589	5,012,874
Federal income taxes	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>523,196,253</b>	<b>(258,785,094)</b>	<b>525,422,910</b>	<b>256,558,437</b>	<b>560,169,556</b>	<b>(273,016,055)</b>	<b>556,076,337</b>	<b>277,109,274</b>
<b>OPERATING INCOME</b>	<b>92,643,088</b>	<b>-</b>	<b>90,416,431</b>	<b>2,226,657</b>	<b>63,888,252</b>	<b>-</b>	<b>67,981,471</b>	<b>(4,093,219)</b>
<b>OTHER INCOME (EXPENSE)</b>	<b>(5,921,972)</b>	<b>-</b>	<b>(3,706,740)</b>	<b>(2,215,232)</b>	<b>12,619,686</b>	<b>-</b>	<b>8,518,252</b>	<b>4,101,434</b>
<b>INCOME BEFORE INTEREST CHARGES</b>	<b>86,721,116</b>	<b>-</b>	<b>86,709,691</b>	<b>11,425</b>	<b>76,507,938</b>	<b>-</b>	<b>76,499,723</b>	<b>8,215</b>
<b>INTEREST CHARGES:</b>								
Amortization of debt expense	4,143,079	-	4,143,079	-	3,479,683	-	3,479,683	-
Interest expense	78,681,556	-	78,670,131	11,425	71,491,466	-	71,483,251	8,215
<b>Total interest charges</b>	<b>82,824,635</b>	<b>-</b>	<b>82,813,210</b>	<b>11,425</b>	<b>74,971,149</b>	<b>-</b>	<b>74,962,934</b>	<b>8,215</b>
<b>NET INCOME</b>	<b>\$ 3,896,481</b>	<b>\$ -</b>	<b>\$ 3,896,481</b>	<b>\$ -</b>	<b>\$ 1,536,789</b>	<b>\$ -</b>	<b>\$ 1,536,789</b>	<b>\$ -</b>
<b>RETAINED EARNINGS, JAN 1</b>	<b>10,342,251</b>	<b>-</b>	<b>10,342,251</b>	<b>-</b>	<b>8,805,462</b>	<b>-</b>	<b>8,805,462</b>	<b>-</b>
<b>CASH DIVIDENDS ON COMMON STOCK</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>RETAINED EARNINGS, DEC 31</b>	<b>\$ 14,238,732</b>	<b>\$ -</b>	<b>\$ 14,238,732</b>	<b>\$ -</b>	<b>\$ 10,342,251</b>	<b>\$ -</b>	<b>\$ 10,342,251</b>	<b>\$ -</b>

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS  
YEAR TO DATE AS OF DECEMBER 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
<b>CASH FROM OPERATIONS</b>								
Net income	\$ 3,896,481	\$ -	\$ 3,896,481	\$ -	\$ 1,536,789	\$ -	\$ 1,536,789	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	54,190,596	-	27,749,138	26,441,458	84,699,703	-	42,969,917	41,729,786
Amortization of debt expense and discount	4,143,079	-	4,143,079	-	3,479,683	-	3,479,683	-
Deferred taxes	-	-	-	-	-	-	-	-
(Gain)/loss on marketable securities	6,642,393	-	4,454,853	2,187,540	(6,998,135)	-	(3,917,550)	(3,080,585)
Changes in assets and liabilities:								
Accounts receivable	(18,537,243)	-	(18,140,129)	(397,114)	(3,290,823)	-	(2,960,821)	(330,002)
Fuel in storage	342,925	-	(7,363,713)	7,706,638	42,570,743	-	27,417,735	15,153,008
Material and supplies	(2,189,366)	-	(2,103,800)	(85,566)	(3,588,135)	-	(1,347,763)	(2,240,372)
Property taxes applicable to subsequent years	(150,000)	-	(150,000)	-	(90,000)	-	(90,000)	-
Emission allowances	57,392	-	57,392	-	517,068	-	517,068	-
Refundable income taxes	-	-	-	-	(3,476,610)	-	(3,476,610)	-
Prepaid expenses and other	(123,927)	-	(134,189)	10,262	(53,606)	-	(73,777)	20,171
Other regulatory assets	(18,573,828)	-	(4,165,131)	(14,408,697)	(4,215,734)	-	(5,082,829)	867,095
Other noncurrent assets	-	-	-	-	77,103	-	77,103	-
Accounts payable	10,845,910	-	8,082,447	2,763,463	(2,788,404)	-	(1,502,129)	(1,286,275)
Accrued taxes	(83,223)	-	(72,857)	(10,366)	940,223	-	839,390	100,833
Accrued interest and other	(7,124,226)	-	(4,998,121)	(2,126,105)	294,968	-	573,479	(278,511)
Decommissioning and demolition	-	-	-	-	-	-	-	-
Other regulatory liabilities	57,841,241	-	54,250,245	3,590,996	52,091,672	-	51,029,772	1,061,900
Other noncurrent liabilities	(7,129,932)	-	(4,058,526)	(3,071,406)	(20,444,880)	-	(10,576,173)	(9,868,707)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>84,048,272</b>	<b>-</b>	<b>61,447,169</b>	<b>22,601,103</b>	<b>141,261,625</b>	<b>-</b>	<b>99,413,284</b>	<b>41,848,341</b>
<b>INVESTING ACTIVITIES</b>								
Electric plant additions	(6,331,884)	-	(921,200)	(5,410,684)	(17,028,105)	-	(10,197,733)	(6,830,372)
Sale (Purchase) of marketable securities	(33,639,966)	-	(30,237,455)	(3,402,511)	(28,273,451)	-	(27,239,598)	(1,033,853)
Advances to subsidiary company	-	(13,787,908)	13,787,908	-	-	(33,984,116)	33,984,116	-
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(39,971,850)</b>	<b>(13,787,908)</b>	<b>(17,370,747)</b>	<b>(8,113,195)</b>	<b>(45,301,556)</b>	<b>(33,984,116)</b>	<b>(3,453,215)</b>	<b>(7,864,225)</b>
<b>FINANCING ACTIVITIES</b>								
Advances from parent company	-	13,787,908	-	(13,787,908)	-	33,984,116	-	(33,984,116)
Repayment of Senior 2006 Notes	(20,798,412)	-	(20,798,412)	-	(19,636,354)	-	(19,636,354)	-
Repayment of Senior 2007 Notes	(14,759,418)	-	(14,759,418)	-	(13,920,909)	-	(13,920,909)	-
Repayment of Senior 2008 Notes	(15,926,263)	-	(15,926,263)	-	(14,926,913)	-	(14,926,913)	-
Redemption of 2009 Bonds	-	-	-	-	(25,000,000)	-	(25,000,000)	-
Proceeds from line of credit	-	-	-	-	50,000,000	-	50,000,000	-
Payments on line of credit	-	-	-	-	(50,000,000)	-	(50,000,000)	-
Loan maintenance costs	(529,670)	-	(529,670)	-	(11,308,531)	-	(11,308,531)	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(52,013,763)</b>	<b>13,787,908</b>	<b>(52,013,763)</b>	<b>(13,787,908)</b>	<b>(84,792,707)</b>	<b>33,984,116</b>	<b>(84,792,707)</b>	<b>(33,984,116)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (7,937,341)</b>	<b>\$ -</b>	<b>\$ (7,937,341)</b>	<b>\$ -</b>	<b>\$ 11,167,362</b>	<b>\$ -</b>	<b>\$ 11,167,362</b>	<b>\$ -</b>
CASH AND CASH EQUIVALENTS, JAN 1	58,978,090	-	58,971,890	6,200	47,810,728	-	47,804,528	6,200
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(7,937,341)</b>	<b>-</b>	<b>(7,937,341)</b>	<b>-</b>	<b>11,167,362</b>	<b>-</b>	<b>11,167,362</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, DEC 31</b>	<b>\$ 51,040,749</b>	<b>\$ -</b>	<b>\$ 51,034,549</b>	<b>\$ 6,200</b>	<b>\$ 58,978,090</b>	<b>\$ -</b>	<b>\$ 58,971,890</b>	<b>\$ 6,200</b>