# ANNUAL REPORT — 2022

# OHIO VALLEY ELECTRIC CORPORATION

and subsidiary

# INDIANA-KENTUCKY ELECTRIC CORPORATION

# Ohio Valley Electric Corporation

GENERAL OFFICES, 3932 U.S. Route 23, Piketon, Ohio 45661

Ohio Valley Electric Corporation (OVEC) and its wholly owned subsidiary, Indiana-Kentucky Electric Corporation (IKEC), collectively, the Companies, were organized on October 1, 1952. The Companies were formed by investor-owned utilities furnishing electric service in the Ohio River Valley area and their parent holding companies for the purpose of providing the large electric power requirements projected for the uranium enrichment facilities then under construction by the Atomic Energy Commission (AEC) near Portsmouth, Ohio.

OVEC, AEC and OVEC's owners or their utility-company affiliates (called Sponsoring Companies) entered into power agreements to ensure the availability of the AEC's substantial power requirements. On October 15, 1952, OVEC and AEC executed a 25-year agreement, which was later extended through December 31, 2005 under a Department of Energy (DOE) Power Agreement. On September 29, 2000, the DOE gave OVEC notice of cancellation of the DOE Power Agreement. On April 30, 2003, the DOE Power Agreement terminated in accordance with the notice of cancellation.

OVEC and the Sponsoring Companies signed an Inter-Company Power Agreement (ICPA) on July 10, 1953, to support the DOE Power Agreement and provide for excess energy sales to the Sponsoring Companies of power not utilized by the DOE or its predecessors. Since the termination of the DOE Power Agreement on April 30, 2003, OVEC's entire generating capacity has been available to the Sponsoring Companies under the terms of the ICPA. The Sponsoring Companies and OVEC entered into an Amended and Restated ICPA, effective as of August 11, 2011, which extends its term to June 30, 2040.

OVEC's Kyger Creek Plant at Cheshire, Ohio, and IKEC's Clifty Creek Plant at Madison, Indiana, have nameplate generating capacities of 1,086,300 and 1,303,560 kilowatts, respectively. These two generating stations, both of which began operation in 1955, are connected by a network of 705 circuit miles of 345,000-volt transmission lines. These lines also interconnect with the major power transmission networks of several of the utilities serving the area.

The current Shareholders and their respective percentages of equity in OVEC are:

| | |
|---|---|
| Allegheny Energy, Inc.[1] | 3.50 |
| American Electric Power Company, Inc.* | 39.17 |
| Buckeye Power Generating, LLC[2] | 18.00 |
| The Dayton Power and Light Company[3] | 4.90 |
| Duke Energy Ohio, Inc.[4] | 9.00 |
| Kentucky Utilities Company[5] | 2.50 |
| Louisville Gas and Electric Company[5] | 5.63 |
| Ohio Edison Company[1] | 0.85 |
| Ohio Power Company**[6] | 4.30 |
| Peninsula Generation Cooperative[7] | 6.65 |
| Southern Indiana Gas and Electric Company[8] | 1.50 |
| The Toledo Edison Company[1] | 4.00 |
| | 100.00 |

The Sponsoring Companies are each either a shareholder in the Company or an affiliate of a shareholder in the Company, with the exception of Energy Harbor Corp. The Sponsoring Companies currently share the OVEC power participation benefits and requirements in the following percentages:

| | |
|---|---|
| Allegheny Energy Supply Company LLC[1] | 3.01 |
| Appalachian Power Company[6] | 15.69 |
| Buckeye Power Generating, LLC[2] | 18.00 |
| The Dayton Power and Light Company[3] | 4.90 |
| Duke Energy Ohio, Inc.[4] | 9.00 |
| Energy Harbor Corp | 4.85 |
| Indiana Michigan Power Company[6] | 7.85 |
| Kentucky Utilities Company[5] | 2.50 |
| Louisville Gas and Electric Company[5] | 5.63 |
| Monongahela Power Company[1] | 0.49 |
| Ohio Power Company[6] | 19.93 |
| Peninsula Generation Cooperative[7] | 6.65 |
| Southern Indiana Gas and Electric Company[8] | 1.50 |
| | 100.00 |

Some of the Common Stock issued in the name of:

*American Gas & Electric Company
**Columbus and Southern Ohio Electric Company

Subsidiary or affiliate of:
[1]FirstEnergy Corp.
[2]Buckeye Power, Inc.
[3]The AES Corporation
[4]Duke Energy Corporation
[5]PPL Corporation
[6]American Electric Power Company, Inc.
[7]Wolverine Power Supply Cooperative, Inc.
[8]CenterPoint Energy, Inc.

# A Message from the President

Ohio Valley Electric Corporation (OVEC) and its subsidiary, Indiana-Kentucky Electric Corporation (IKEC), faced a new challenge in 2022 -- record energy demand. The rising price of natural gas and continued pressures from reduced baseload generation in the region resulted in increased demand for power and rising prices. The employees of OVEC-IKEC were up to the challenge and generated over 11 million megawatts of power. Coal supply was strained due to the increase demand for coal generation and was the primary cause of the OVEC-IKEC units not producing even more power to meet the increased demand.

For 2023, we have seen demand for power in the PJM market fall due to oversupply of natural gas and reduced prices. This oversupply was caused by milder than expected winter weather. Given the increase in demand last year and the need for critical generation to support the grid, as we saw in late December of 2022 with multiple blackouts in parts of the country, the OVEC-IKEC team has focused on preparing our units for the next market shift or future grid event. OVEC-IKEC continues to strive to bring value to our Sponsors and believes that our units will be even more critical with the continued retirement of baseload facilities across the country, which reduces the amount of reliable power available to meet load demand and to support the grid.

No matter what challenges the OVEC-IKEC team faces, we continue to work hard on creating a zero-harm culture, focusing on environmental stewardship, and improving our cost and operations with continuous improvement and LEAN tools.

## SAFETY

System Office employees, including Electrical Operations, completed eight years in April with no recordable injuries; and on May 11, they also reached a milestone of 17 years without a lost-time injury.

Through June 2023, five recordable injuries have occurred companywide, three at Clifty Creek Plant and two at Kyger Creek Plant. Four of the five recordable injuries are DART cases.

In alignment with OVEC's 2023 Strategic Plan Zero Harm and Continuous Improvement Objectives, emphasis on the objectives of Leadership in the Field and Integrating Strategic Partners into the OVEC-IKEC Safety Culture continues. Initiatives for Leaders include focusing on effective and quality coaching in the field by attending pre-job briefings and conducting team field observations.

## CULTURE

OVEC-IKEC remains on its continuous journey of culture improvement. Beginning in 2016, the Company has seen significant improvement from the initial survey and continues to make improvements every year. OVEC-IKEC believes investing in culture improvement to engage our people will be the key to our long-term success. For 2023, we will continue with another survey to allow our teams to continue to focus on opportunities and update their culture action plans to enable improvement.

## RELIABILITY

In 2022, the combined equivalent availability of the five generating units at Kyger Creek and the six units at Clifty Creek was 66.3 percent compared with 70.8 percent in 2021. The combined equivalent forced outage rate (EFOR) at both plants was 11.0 percent in 2022 compared with 6.6 percent in 2021.

Through May 2023, the combined EFOR of the eleven generating units was 8.3 percent.

## ENERGY SALES

OVEC's use factor — the ratio of power scheduled by the Sponsoring Companies to power available — for the combined on- and off-peak periods averaged 90.5 percent in 2022 compared with 76.6 percent in 2021. The on-peak use factor averaged 92.6 percent in 2022 compared with 81.8 percent in 2021. The off-peak use factor averaged 87.7 percent in 2022 and 69.9 percent in 2021.

In 2022, OVEC delivered 11.0 million megawatt hours (MWh) to the Sponsoring Companies under the terms of the Inter-Company Power Agreement compared with 10.0 million MWh delivered in 2021. The increases to both generation and utilization were due to the impact of a record high energy demand combined with high natural gas prices and reduced baseload generation in the region.

## POWER COSTS

In 2022, OVEC's average power cost to the Sponsoring Companies was $69.21 per MWh compared with $65.82 per MWh in 2021. Despite the increase in generation from 2021 to 2022, strains on coal supply increased fuel cost and led to less production than anticipated for 2022. As a result, the average power cost increased for 2022.

## 2022 ENERGY SALES OUTLOOK

Weakened demand from the oversupply of natural gas and lower prices has impacted OVEC's generation in 2023. OVEC's use factor through May was 71.2% compared to 90.6% through May 2022. OVEC's updated projection for 2023, which assumes some continued weaker than expected energy demand through the end of the year, is projected at approximately 10 million MWh of generation.

## COST CONTROL INITIATIVES

The OVEC and IKEC employees continue to strive to control costs and improve operating performance through application of its continuous improvement process (CIP). Since 2013, CIP has obtained over $26.7 million in sustainable savings through implementation of more than 9,800 process improvements. Employee-driven process improvements and a continued effort in hands-on skill development with CIP and LEAN tools throughout the Company are driving the sustainability of the continuous improvement efforts.

In 2022, OVEC-IKEC continued utilizing the LEAN tool of Open Book Leadership (OBL) as a cost-control initiative to further improve our culture and overall business success. The OBL process creates transparency in Company performance and engages employees in their ability to impact and improve key performance areas. OVEC-IKEC has also engaged third-party support to challenge the team to identify additional key areas across the Company. Business cases and metrics have been developed and cost savings and revenue opportunities are expected to be realized beginning in 2023.

## ENVIRONMENTAL COMPLIANCE

OVEC-IKEC continues to maintain a strong commitment to meeting all applicable federal, state and local environmental rules and regulations. During 2022, OVEC operated in substantial compliance with the Mercury Air Toxics Standards (MATS), the Cross-State Air Pollution Rule (CSAPR) and other applicable state and federal air, water and solid waste regulations. In addition, for the sixth consecutive year, OVEC successfully met the challenge of operating in compliance with the more stringent ozone season $NO_x$ constraints that initially went into effect with the 2017 ozone season with the adoption of EPA's CSAPR Update Rule. The Company is well positioned to continue to operate all SCR controlled units during 2023.

Clifty Creek and Kyger Creek both continue to sell the majority of the gypsum produced at each plant into the wallboard market. Clifty Creek has also been successful in marketing fly ash, and OVEC anticipates that market will continue to grow longer term. Kyger Creek is also pursuing a marketing agreement for its dry fly ash following the completion of the dry fly ash conversion project at the plant.

2022 saw heavy construction activities at both plant facilities as the Company executed its CCR Rule Part A compliance strategy. The CCR Part A Rule requires sources to stop placing ash and non-ash transport wastewaters into all clay-lined and unlined surface impoundments receiving CCR material. The Company is on track to complete these activities in the third quarter of 2023, and then initiate closure of these impoundments consistent with the CCR rule requirements.

Separately, the Company has taken steps to implement its compliance strategy to meet the requirements of the final revised steam electric effluent limitation guideline (ELG) regulations applicable to certain wastewater discharges from Clifty Creek and Kyger Creek operations. The Company expects to meet the applicability dates for each of the specific wastewaters in accordance with each plant's NPDES permits.

On June 30, 2022, the U.S. Supreme Court issued a decision reversing the D.C. Circuit Court's decision to vacate the Affordable Clean Energy (ACE) Rule. Since that time, the USEPA proposed new draft rules that would repeal the ACE rule and issue new greenhouse gas reduction requirements for any new coal or gas plants as well as for existing coal and gas plants. As drafted, the rule includes multiple dates and options for existing fossil generation to demonstrate compliance. USEPA expects to finalize this rule by mid-2024. OVEC will continue monitoring regulatory and legislative initiatives that may impact the utility sector carbon emissions as well as any other regulatory and legislative initiatives.

In the interim, the Company continues to work toward executing its compliance strategies for complying with obligations associated with the CCR rule, the 2020 ELG Rules, and the Clean Water Act Section 316(b) regulations applicable to both facilities.

## BOARD OF DIRECTORS AND OFFICERS CHANGES

On December 15, 2022, Mr. Aaron D. Walker, President and Chief Operating Officer, Appalachian Power, was elected a director of the OVEC Board and appointed a member of the Human Resources Committee, effective January 1, 2023, with the resignation of Mr. Christian Beam. Mr. Beam had served on the OVEC Board since 2018.

On December 15, 2022, Mr. Phillip R. Ulrich, Executive Vice President and Chief Human Resources Officer, American Electric Power, was elected a director of the OVEC Board and appointed Chairman of the Human Resources Committee, effective January 1, 2023, with the resignation of Ms. Julie Sloat. Ms. Sloat had served on the OVEC Board since 2016.

On December 15, 2022, Mr. Steven Baker, President and Chief Operating Officer, Indiana Michigan Power, was elected a member of the IKEC Board effective January 1, 2023, with the resignation of Mr. Toby Thomas. Mr. Thomas had served on the IKEC Board since 2017.

On May 5, 2023, Mr. Wayne D. Games, CenterPoint Energy, resigned as a director of OVEC and IKEC. Mr. Games had served on the OVEC Board since 2014 and the IKEC Board since 2011.

Paul Chodak III
OVEC-IKEC President

## OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

### CONSOLIDATED BALANCE SHEETS
### AS OF DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| ELECTRIC PLANT: | | |
| At original cost | $ 2,951,082,964 | $ 2,892,814,447 |
| Less—accumulated provisions for depreciation | 1,899,379,433 | 1,766,903,520 |
| | 1,051,703,531 | 1,125,910,927 |
| Construction in progress | 99,942,979 | 56,005,177 |
| Total electric plant | 1,151,646,510 | 1,181,916,104 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 50,612,220 | 56,366,876 |
| Accounts receivable | 50,711,358 | 36,289,466 |
| Fuel in storage | 62,374,566 | 40,352,672 |
| Emission allowances | - | 81,833 |
| Materials and supplies | 46,784,231 | 43,646,500 |
| Property taxes applicable to future years | 3,162,000 | 3,116,700 |
| Other regulatory assets | 1,644,000 | - |
| Prepaid expenses and other | 6,394,911 | 4,430,506 |
| Total current assets | 221,683,286 | 184,284,553 |
| REGULATORY ASSETS: | | |
| Unrecognized postemployment benefits | 10,567,071 | 8,611,705 |
| Unrecognized pension benefits | 9,210,770 | 18,796,585 |
| Income taxes billable to customers | 12,938,237 | 13,045,853 |
| Other regulatory assets | 6,058,187 | 9,262,500 |
| Total regulatory assets | 38,774,265 | 49,716,643 |
| DEFERRED CHARGES AND OTHER: | | |
| Unamortized debt expense | 406,653 | 755,213 |
| Long-term investments | 277,080,718 | 301,302,862 |
| Postretirement benefits | 29,096,447 | 11,877,835 |
| Other | 2,866,535 | 2,866,534 |
| Total deferred charges and other | 309,450,353 | 316,802,444 |
| TOTAL | $ 1,721,554,414 | $ 1,732,719,744 |

(Continued)

# OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

## CONSOLIDATED BALANCE SHEETS
## AS OF DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|---|---|---|
| **CAPITALIZATION AND LIABILITIES** | | |
| CAPITALIZATION: | | |
| Common stock, $100 par value—authorized, 300,000 shares; outstanding, 100,000 shares in 2022 and 2021 | $ 10,000,000 | $ 10,000,000 |
| Long-term debt | 911,772,190 | 979,998,445 |
| Line of credit borrowings | 110,000,000 | 10,000,000 |
| Retained earnings | 25,501,978 | 22,800,986 |
| Total capitalization | 1,057,274,168 | 1,022,799,431 |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | 69,523,395 | 132,134,224 |
| Accounts payable | 85,520,164 | 49,515,658 |
| Accrued other taxes | 10,925,537 | 11,116,929 |
| Regulatory liabilities | 72,118,927 | 58,034,516 |
| Accrued interest and other | 21,852,765 | 22,342,003 |
| Total current liabilities | 259,940,788 | 273,143,330 |
| COMMITMENTS AND CONTINGENCIES (Notes 3, 9, 11, and 12) | | |
| REGULATORY LIABILITIES: | | |
| Postretirement benefits | 115,060,018 | 91,142,107 |
| Advance billing of debt reserve | 120,000,000 | 120,000,000 |
| Total regulatory liabilities | 235,060,018 | 211,142,107 |
| OTHER LIABILITIES: | | |
| Pension liability | 9,210,770 | 18,796,585 |
| Deferred income tax liability | 15,267,530 | 21,704,751 |
| Asset retirement obligations | 131,942,458 | 159,573,299 |
| Postretirement benefits obligation | 528,669 | 5,379,460 |
| Postemployment benefits obligation | 10,567,071 | 8,611,705 |
| Parent advances | - | - |
| Other non-current liabilities | 1,762,942 | 11,569,076 |
| Total other liabilities | 169,279,440 | 225,634,876 |
| TOTAL | $ 1,721,554,414 | $ 1,732,719,744 |

See notes to consolidated financial statements.

(Concluded)

# OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

## CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
## AS OF DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|---|---|---|
| REVENUES FROM CONTRACTS WITH CUSTOMERS—Sales of electric energy to: | | |
| Department of Energy | $ 9,068,557 | $ 5,221,889 |
| Sponsoring Companies | 752,430,431 | 616,419,611 |
| Other | - | 1,783,416 |
| Total revenues from contracts with customers | 761,498,988 | 623,424,916 |
| OPERATING EXPENSES: | | |
| Fuel and emission allowances consumed in operation | 354,335,638 | 260,173,759 |
| Purchased power | 10,853,154 | 4,963,205 |
| Other operation | 85,527,745 | 85,531,745 |
| Maintenance | 87,282,316 | 79,212,668 |
| Depreciation | 152,943,176 | 117,385,278 |
| Taxes—other than income taxes | 12,077,825 | 12,292,661 |
| Total operating expenses | 703,019,854 | 559,559,316 |
| OPERATING INCOME | 58,479,134 | 63,865,600 |
| OTHER INCOME (EXPENSE) | (28,436) | (27,487) |
| INCOME BEFORE INTEREST CHARGES | 58,450,698 | 63,838,113 |
| INTEREST CHARGES: | | |
| Amortization of debt expense | 3,704,984 | 4,439,333 |
| Interest expense | 52,044,722 | 56,702,100 |
| Total interest charges | 55,749,706 | 61,141,433 |
| NET INCOME | 2,700,992 | 2,696,680 |
| RETAINED EARNINGS—Beginning of year | 22,800,986 | 20,104,306 |
| RETAINED EARNINGS—End of year | $ 25,501,978 | $ 22,800,986 |

See notes to consolidated financial statements.

# OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## AS OF DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Net income | $ 2,700,992 | $ 2,696,680 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 152,943,176 | 117,385,278 |
| Amortization of debt expense | 3,704,984 | 4,439,333 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (14,421,892) | 8,611,082 |
| Fuel in storage | (22,021,893) | 38,975,980 |
| Materials and supplies | (3,137,732) | (3,218,237) |
| Property taxes applicable to future years | (45,300) | 138,300 |
| Emissions allowances | 81,833 | 62,072 |
| Prepaid expenses and other | (1,964,405) | (398,939) |
| Other regulatory assets | (4,837,520) | 14,209,564 |
| Other noncurrent assets | (12,937,493) | (12,390,783) |
| Accounts payable | 38,396,151 | 10,467,693 |
| Accrued taxes | (6,520,997) | (131,060) |
| Accrued interest and other | 404,812 | (3,324,951) |
| Other liabilities | (64,451,051) | (25,617,393) |
| Other regulatory liabilities | 44,820,112 | 68,751,241 |
| Net cash provided by operating activities | 112,713,777 | 220,655,860 |
| INVESTING ACTIVITIES: | | |
| Electric plant additions | (88,297,756) | (44,970,990) |
| Proceeds from sale of long-term investments | 807,332,153 | 47,043,450 |
| Purchases of long-term investments | (802,319,245) | (68,821,414) |
| Net cash (used in) provided by investing activities | (83,284,848) | (66,748,954) |
| FINANCING ACTIVITIES: | | |
| Changes in short-term intercompany borrowings | - | - |
| Debt issuance and maintenance costs | (2,103,018) | (2,511,973) |
| Repayment of Senior 2006 Notes | (26,176,986) | (24,713,983) |
| Repayment of Senior 2007 Notes | (18,650,218) | (17,590,534) |
| Repayment of Senior 2008 Notes | (20,640,593) | (19,345,070) |
| Repayment of Senior 2017A Notes | (66,666,667) | (33,333,333) |
| Proceeds from line of credit | 100,000,000 | - |
| Payments on line of credit | - | (50,000,000) |
| Principal payments under finance leases | (946,103) | (880,196) |
| Net cash (used in) provided by financing activities | (35,183,585) | (148,375,089) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (5,754,656) | 5,531,817 |
| CASH AND CASH EQUIVALENTS—Beginning of year | 56,366,876 | 50,835,059 |
| CASH AND CASH EQUIVALENTS—End of year | $ 50,612,220 | $ 56,366,876 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Interest paid | $ 51,172,106 | $ 57,401,894 |
| Income taxes (received) paid—net | $ 8,100,000 | $ - |
| Non-cash electric plant additions included in accounts payable at December 31 | $ 903,177 | $ 3,242,769 |

See notes to consolidated financial statements.

## 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**Consolidated Financial Statements**—The consolidated financial statements include the accounts of Ohio Valley Electric Corporation (OVEC) and its wholly owned subsidiary, Indiana-Kentucky Electric Corporation (IKEC), collectively, the Companies. All intercompany transactions have been eliminated in consolidation.

**Organization**—The Companies own two generating stations located in Ohio and Indiana with a combined electric production capability of approximately 2,256 megawatts. OVEC is owned by several investor-owned utilities or utility holding companies and two affiliates of generation and transmission rural electric cooperatives. These entities or their affiliates comprise the Sponsoring Companies. The Sponsoring Companies purchase power from OVEC according to the terms of the Inter-Company Power Agreement (ICPA), which has a current termination date of June 30, 2040. Approximately 23% of the Companies' employees are covered by a collective bargaining agreement that expires on August 31, 2024.

Prior to 2004, OVEC's primary commercial customer was the U.S. Department of Energy (DOE). The contract to provide OVEC-generated power to the DOE was terminated in 2003 and all obligations were settled at that time. Currently, OVEC has an agreement to arrange for the purchase of power (Arranged Power), under the direction of the DOE, for resale directly to the DOE. The current agreement with the DOE was executed on July 11, 2018, for one year, with the option for the DOE to extend the agreement at the anniversary date. The agreement was extended on July 11, 2022, for one year. OVEC anticipates that this agreement could continue to 2027. All purchase costs are billable by OVEC to the DOE.

**Rate Regulation**—The proceeds from the sale of power to the Sponsoring Companies are designed to be sufficient for OVEC to meet its operating expenses and fixed costs, as well as earn a return on equity before federal income taxes. In addition, the proceeds from power sales are designed to cover debt amortization and interest expense associated with financings. The Companies have continued and expect to continue to operate pursuant to the cost-plus rate of return recovery provisions at least to June 30, 2040, the date of termination of the ICPA.

The accounting guidance for Regulated Operations provides that rate-regulated utilities account for and report assets and liabilities consistent with the economic effect of the way in which rates are established, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. The Companies follow the accounting and reporting requirements in accordance with the guidance for Regulated Operations. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred in the accompanying consolidated balance sheets and are recognized as income as the related amounts are included in service rates and recovered from or refunded to customers.

The Companies' regulatory assets, liabilities, and amounts authorized for recovery through Sponsor billings at December 31, 2022 and 2021, were as follows:

| | 2022 | 2021 |
|---|---|---|
| Regulatory assets: | | |
| Current regulatory assets: | | |
| Other regulatory assets | $ 1,644,000 | $ - |
| Noncurrent regulatory assets: | | |
| Unrecognized postemployment benefits | 10,567,071 | 8,611,705 |
| Unrecognized pension benefits | 9,210,770 | 18,796,585 |
| Income taxes billable to customers | 12,938,237 | 13,045,853 |
| Other regulatory assets | 6,058,187 | 9,262,500 |
| Total | 38,774,265 | 49,716,643 |
| Total regulatory assets | $ 40,418,265 | $ 49,716,643 |
| Regulatory liabilities: | | |
| Current regulatory liabilities: | | |
| Deferred revenue—advances for construction | $ 70,190,903 | $ 56,525,728 |
| Deferred credit—advance collection of interest | 1,928,024 | 1,508,788 |
| Total | 72,118,927 | 58,034,516 |
| Noncurrent regulatory liabilities: | | |
| Postretirement benefits | 115,060,018 | 91,142,107 |
| Advance billing of debt reserve | 120,000,000 | 120,000,000 |
| Total | 235,060,018 | 211,142,107 |
| Total regulatory liabilities | $ 307,178,945 | $ 269,176,623 |

**Regulatory Assets**—Regulatory assets consist primarily of pension benefit costs, postemployment benefit costs, and income taxes to be billed to the Sponsoring Companies in future years. The Companies' current billing policy for pension and postemployment benefit costs is to bill its actual plan funding.

**Regulatory Liabilities**—The regulatory liabilities classified as current in the accompanying consolidated balance sheet as of December 31, 2022, consist primarily of interest expense collected from customers in advance of expense recognition and customer billings for construction in progress. These amounts will be credited to customer bills during 2023. Other regulatory liabilities consist primarily of postretirement benefit costs and advanced billings collected from the Sponsoring Companies for debt service.

The regulatory liability for postretirement benefits recorded at December 31, 2022 and 2021, represents amounts collected in historical billings in excess of the accounting principles generally accepted in the United States of America (GAAP) net periodic benefit costs, including a termination payment from the DOE in 2003 for unbilled postretirement benefit costs, and incremental unfunded plan obligations recognized in the balance sheets but not yet recognizable in GAAP net periodic benefit costs.

Beginning January 2017 and continuing through December 31, 2020, the Companies billed the Sponsoring Companies for debt service as allowed under the ICPA. A total of $120 million was billed during this period. As the Companies have not yet incurred the related costs, a regulatory liability was recorded which will be credited to customer bills on a long-term basis.

**Cash and Cash Equivalents**—Cash and cash equivalents primarily consist of cash and money market funds and their carrying value approximates fair value. For purposes of these statements, the Companies consider temporary cash investments to be cash equivalents since they are readily convertible into cash and have original maturities of less than three months.

**Electric Plant**—Property additions and replacements are charged to utility plant accounts. Depreciation expense is recorded at the time property additions and replacements are billed to customers or at the date the property is placed in service if the in-service date occurs subsequent to the customer billing. Customer billings for construction in progress are recorded as deferred revenue—advances for construction. These amounts are closed to revenue at the time the related property is placed in service. Depreciation expense and accumulated depreciation are recorded when financed property additions and replacements are recovered over a period of years through customer debt retirement billing. All depreciable property will be fully billed and depreciated prior to the expiration of the ICPA. Repairs of property are charged to maintenance expense.

**Fuel in Storage, Emission Allowances, and Materials and Supplies**—The Companies maintain coal, reagent, and oil inventories, as well as emission allowances, for use in the generation of electricity for regulatory compliance purposes due to the generation of electricity. These inventories are valued at average cost. Materials and supplies consist primarily of replacement parts necessary to maintain the generating facilities and are valued at average cost.

**Long-Term Investments**—Long-term investments consist of marketable securities that are held for the purpose of funding decommissioning and demolition costs, debt service, potential postretirement funding, and other costs. These debt securities have been classified as trading securities in accordance with the provisions of the accounting guidance for Investments—Debt and Equity Securities. Debt and equity securities reflected in long-term investments are carried at fair value. The cost of securities sold is based on the specific identification cost method. The fair value of most investment securities is determined by reference to currently available market prices. Where quoted market prices are not available, the Companies use the market price of similar types of securities that are traded in the market to estimate fair value. See Fair Value Measurements in Note 10. Long-term investments primarily consist of municipal bonds, money market mutual fund investments, and mutual funds. Net unrealized gains (losses) recognized during 2022 and 2021 on securities still held at the balance sheet date were $(14,659,333.89) and $5,434,007, respectively.

**Fair Value Measurements of Assets and Liabilities**—The accounting guidance for Fair Value Measurements and Disclosures establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Where observable inputs are available, pricing may be completed using comparable securities, dealer values, and general market conditions to determine fair value. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and other observable inputs for the asset or liability.

**Unamortized Debt Expense**—Unamortized debt expense relates to costs incurred in connection with obtaining revolving credit agreements. These costs are being amortized over the term of the related revolving credit agreement and are recorded as an asset in the consolidated balance sheets. Costs incurred to issue debt are recorded as a reduction to long-term debt as presented in Note 6.

**Asset Retirement Obligations and Asset Retirement Costs**—The Companies recognize the fair value of legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. The initial recognition of this liability is accompanied by a corresponding increase in depreciable electric plant. Subsequent to the initial recognition, the liability is adjusted for any revisions to the expected value of the retirement obligation (with corresponding adjustments to electric plant) and for accretion of the liability due to the passage of time.

These asset retirement obligations are primarily related to obligations associated with future asbestos abatement at certain generating stations and certain plant closure costs, including the impacts of the coal combustion residuals rule.

| | |
|---|---|
| Balance—January 1, 2021 | $ 138,933,456 |
| Accretion | 6,281,878 |
| Liabilities settled | (10,026,043) |
| Revisions to cash flows | 24,384,008 |
| Balance—December 31, 2021 | 159,573,299 |
| Accretion | 10,000,677 |
| Liabilities settled | (42,163,677) |
| Revisions to cash flows | 4,532,159 |
| Balance—December 31, 2022 | $ 131,942,458 |

In response to revised regulations for coal combustion residuals and the potential for the establishment of even more reformative rules, the Companies have accelerated the timing of remediation activities related to their coal ash ponds and landfills. This resulted in liabilities settled in 2022, as disclosed in the table above. Changes in the regulations, or in the remediation technologies could potentially result in material increases in the asset retirement obligation. The Companies will revisit the studies as appropriate throughout the process of executing remediation related to the coal ash ponds and landfills to maintain an accurate estimated cost of remediation.

The revised cash flow estimates in 2022 and 2021 reflect the outcome of the decommission and demolition study resulting in an upward revision of $4.5 million and $24.4 million. This increase was primarily driven by future groundwater monitoring requirements.

The Companies do not recognize liabilities for asset retirement obligations for which the fair value cannot be reasonably estimated. The Companies have asset retirement obligations associated with transmission assets. However, the retirement date for these assets cannot be determined; therefore, the fair value of the associated liability currently cannot be estimated, and no amounts are recognized in the consolidated financial statements herein.

**Income Taxes**—The Companies use the liability method of accounting for income taxes. Under the liability method, the Companies provide deferred income taxes for all temporary differences between the book and tax basis of assets and liabilities, which will result in a future tax consequence. The Companies account for uncertain tax positions in accordance with the accounting guidance for income taxes.

**Use of Estimates**—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**—Revenue is recognized when the Companies transfer promised goods or services to customers in an amount that reflects the consideration to which the Companies expect to be entitled in exchange for those goods or services. Performance obligations related to the sale of electric energy are satisfied over time as system resources are made available to customers and as energy is delivered to customers and the Companies recognize revenue upon billing the customer.

The Companies have three contracts with customers resulting in three types of revenue. These three contracted revenue types are:

1) Sales of Electric Energy to Department of Energy
2) Sales of Electric Energy to Sponsoring Companies
3) Sales of Electric Energy to Pennsylvania, Jersey, Maryland Power Pool (PJM)

The performance obligations and recognition of revenue are similar and both individually and, in the aggregate, were not materially impacted by the implementation of Topic 606. The Companies have no contract assets or liabilities as of December 31, 2022. The following table provides information about the Companies' receivables from contracts with customers:

| | Accounts Receivable |
|---|---|
| Beginning balance—January 1, 2021 | $ 44,900,548 |
| Ending balance—December 31, 2021 | 36,289,466 |
| Increase/(decrease) | $ (8,611,082) |
| Beginning balance—January 1, 2022 | $ 36,289,466 |
| Ending balance—December 31, 2022 | 50,711,358 |
| Increase/(decrease) | $ 14,421,892 |

**Subsequent Events**—In preparing the accompanying financial statements and disclosures, the Companies reviewed subsequent events through May 16, 2023, which is the date the consolidated financial statements were issued.

## 2. RELATED-PARTY TRANSACTIONS

Transactions with the Sponsoring Companies during 2022 and 2021 included the sale of all generated power to them, the purchase of arranged power from them, and other utility systems in order to meet the DOE's power requirements, contract barging services, railcar services, and minor transactions for services and materials. The Companies have Power Agreements with Louisville Gas and Electric Company, Duke Energy Ohio, Inc., The Dayton Power and Light Company, Kentucky Utilities Company, Ohio Edison Company, and American Electric Power Service Corporation as agent for the American Electric Power System Companies; and Transmission Service Agreements with Louisville Gas and Electric Company, Duke Energy Ohio, Inc., The Dayton Power and Light Company, The Toledo Edison Company, Ohio Edison Company, Kentucky Utilities Company, and American Electric Power Service Corporation as agent for the American Electric Power System Companies.

At December 31, 2022 and 2021, balances due from the Sponsoring Companies are as follows:

| | 2022 | 2021 |
|---|---|---|
| Accounts receivable | $ 42,765,234 | $ 30,117,445 |

During 2022 and 2021, American Electric Power accounted for approximately 44% of operating revenues from Sponsoring Companies and Buckeye Power accounted for 18%. No other Sponsoring Company accounted for more than 10%.

American Electric Power Company, Inc. and subsidiary companies owned 43.47% of the common stock of OVEC as of December 31, 2022. The following is a summary of the principal services received from the American Electric Power Service Corporation as authorized by the Companies' Boards of Directors:

| | 2022 | 2021 |
|---|---|---|
| General services | $ 3,039,684 | $ 3,037,297 |
| Specific projects | 539,361 | 1,072,053 |
| Total | $ 3,579,045 | $ 4,109,350 |

General services consist of regular recurring operation and maintenance services. Specific projects primarily represent nonrecurring plant construction projects and engineering studies, which are approved by the Companies' Boards of Directors. The services are provided in accordance with the service agreement dated December 15, 1956, between the Companies and the American Electric Power Service Corporation. Charges for these services are included in the Companies' operating expense.

## 3. COAL SUPPLY

The Companies have coal supply agreements with certain nonaffiliated companies that expire at various dates from the year 2023 through 2025. Pricing for coal under these contracts is subject to contract provisions and adjustments. The Companies currently have 100% of their 2023 coal requirements under contract. These contracts are based on rates in effect at the time of contract execution. The Companies' total obligations under these agreements as of December 31, 2022, are included in the table below:

| | |
|---|---|
| 2023 | $ 363,235,494 |
| 2024 | 335,977,000 |
| 2025 | 174,879,000 |

## 4. ELECTRIC PLANT

Electric plant at December 31, 2022 and 2021, consists of the following:

| | 2022 | 2021 |
|---|---|---|
| Steam production plant | $2,855,417,793 | $2,797,653,316 |
| Transmission plant | 82,481,029 | 82,008,817 |
| General plant | 13,157,578 | 13,125,750 |
| Intangible | 26,564 | 26,564 |
| | 2,951,082,964 | 2,892,814,447 |
| Less accumulated depreciation | 1,899,379,433 | 1,766,903,520 |
| | 1,051,703,531 | 1,125,910,927 |
| Construction in progress | 99,942,979 | 56,005,177 |
| Total electric plant | $1,151,646,510 | $1,181,916,104 |

All property additions and replacements are fully depreciated on the date the property is placed in service, unless the addition or replacement relates to a financed project. As the Companies' policy is to bill in accordance with the debt service schedule under the debt agreements, all financed projects are being depreciated in amounts equal to the principal payments on outstanding debt.

## 5. BORROWING ARRANGEMENTS AND NOTES

OVEC has a revolving credit facility of $185 million set to expire on February 26, 2024. At December 31, 2022 and 2021, OVEC had borrowed $110 million and $10 million, respectively, under the revolving credit facility. Interest expense related to lines of credit borrowings was $1,952,656 in 2022 and $481,649 in 2021. During 2022 and 2021, OVEC incurred annual commitment fees of $393,861 and $317,285, respectively, based on the borrowing limits of the line of credit.

## 6. LONG-TERM DEBT

The following amounts were outstanding at December 31, 2022 and 2021:

| | Interest Rate Type | Interest Rate | 2022 | 2021 |
|---|---|---|---|---|
| Senior 2006 Notes: | | | | |
| 2006A due February 15, 2026 | Fixed | 5.80 % | $ 98,493,793 | $ 123,200,015 |
| 2006B due June 15, 2040 | Fixed | 6.40 | 49,995,256 | 51,465,748 |
| Senior 2007 Notes: | | | | |
| 2007A-A due February 15, 2026 | Fixed | 5.90 | 41,630,472 | 53,268,981 |
| 2007A-B due February 15, 2026 | Fixed | 5.90 | 10,484,226 | 13,415,270 |
| 2007A-C due February 15, 2026 | Fixed | 5.90 | 10,567,708 | 13,522,091 |
| 2007B-A due June 15, 2040 | Fixed | 6.50 | 24,904,952 | 25,652,971 |
| 2007B-B due June 15, 2040 | Fixed | 6.50 | 6,272,067 | 6,460,448 |
| 2007B-C due June 15, 2040 | Fixed | 6.50 | 6,322,007 | 6,511,889 |
| Senior 2008 Notes: | | | | |
| 2008A due February 15, 2026 | Fixed | 5.92 | 12,999,705 | 16,632,689 |
| 2008B due February 15, 2026 | Fixed | 6.71 | 26,166,048 | 33,681,096 |
| 2008C due February 15, 2026 | Fixed | 6.71 | 28,529,215 | 35,938,542 |
| 2008D due June 15, 2040 | Fixed | 6.91 | 36,488,446 | 37,521,292 |
| 2008E due June 15, 2040 | Fixed | 6.91 | 37,122,454 | 38,173,246 |
| Series 2009 Bonds: | | | | |
| 2009A due February 1, 2026 | Fixed | 2.88 | 25,000,000 | 25,000,000 |
| 2009B due February 1, 2026 | Fixed | 1.38 | 25,000,000 | 25,000,000 |
| 2009C due February 1, 2026 | Fixed | 1.50 | 25,000,000 | 25,000,000 |
| 2009D due February 1, 2026 | Fixed | 2.88 | 25,000,000 | 25,000,000 |
| Series 2010 Bonds: | | | | |
| 2010A due November 1, 2030 | Fixed | 3.00 | 50,000,000 | 50,000,000 |
| 2010B due November 1, 2030 | Fixed | 2.50 | 50,000,000 | 50,000,000 |
| Series 2012 Bonds: | | | | |
| 2012A due June 1, 2032 | Fixed | 4.75 | 76,800,000 | 76,800,000 |
| 2012A due June 1, 2039 | Fixed | 4.75 | 123,200,000 | 123,200,000 |
| 2012B due November 1, 2030 | Fixed | 3.00 | 50,000,000 | 50,000,000 |
| 2012C due November 1, 2030 | Fixed | 3.00 | 50,000,000 | 50,000,000 |
| Series 2017 Notes— | | | | |
| 2017A due August 4, 2022 | Floating | 4.07 | - | 66,666,667 |
| Series 2019 Bonds— | | | | |
| 2019A due September 1, 2029 | Fixed | 3.25 | 100,000,000 | 100,000,000 |
| Total debt | | | 989,976,349 | 1,122,110,945 |
| Total premiums and discounts—net | | | - | (392,666) |
| Less unamortized debt expense | | | (8,680,764) | (9,585,610) |
| Total debt net of premiums, discounts, and unamortized debt expense | | | 981,295,585 | 1,112,132,669 |
| Current portion of long-term debt | | | 69,523,395 | 132,134,224 |
| Total long-term debt | | | $911,772,190 | $ 979,998,445 |

Since 2009, OVEC has entered a number of tax-exempt financing arrangements. Under these arrangements, the Ohio Air Quality Development Authority (the "OAQDA"), and the Indiana Finance Authority (the "IFA") issued tax exempt bonds, and the Companies entered back-to-back loan agreements under which the Companies are obligated to make payments equal to the principal and interest due on such bonds, among other payments.

The 2009, 2010, 2012B and 2012C Bonds were originally issued as variable-rate remarketable put bonds backed by irrevocable transferable direct-pay letters of credit. These bonds were all subsequently remarketed as fixed-rate bonds with interest periods that extend through their final maturity dates, except for the 2009B and 2009C bonds, which have interest periods that extend through October 31, 2024 and November 3, 2025, respectively, at which point such bonds are subject to mandatory tender.

The 2010, 2012B, 2012C and 2019 Bonds are all scheduled to begin amortizing in 2026. The 2012A Bonds will begin amortizing in 2027.

Pursuant to an agreement with the lender, the remaining $66,666,667 of principal owed on the 2017 note was repaid on August 4, 2022.

Certain of OVEC's bonds and its revolving credit facility require the Companies to maintain a minimum of $11 million of equity, which includes common stock and retained earnings balances. Common stock and retained earnings approximated $36 million as of December 31, 2022.

The annual maturities of long-term debt as of December 31, 2022, are as follows:

| | |
|---|---|
| 2023 | $ 69,523,395 |
| 2024 | 73,831,592 |
| 2025 | 78,243,501 |
| 2026 | 129,341,140 |
| 2027 | 6,492,120 |
| 2028–2040 | 632,544,601 |
| Total | $ 989,976,349 |

## 7. INCOME TAXES

OVEC and IKEC file a consolidated federal income tax return. The effective tax rate varied from the statutory federal income tax rate due to differences between the book and tax treatment of various transactions as follows:

| | 2022 | 2021 |
|---|---|---|
| Income tax expense at statutory rate (21%) | $ 567,208 | $ 566,303 |
| Temporary differences flowed through to customer bills | (568,333) | (579,754) |
| Permanent differences and other | 1,125 | 13,451 |
| Income tax provision | $ - | $ - |

Components of the income tax provision were as follows:

| | 2022 | 2021 |
|---|---|---|
| Current income tax expense—federal | $ 6,330,131 | $ - |
| Current income tax (benefit)/expense—state | - | - |
| Deferred income tax expense/(benefit)—federal | (6,330,131) | - |
| Total income tax provision | $ - | $ - |

OVEC and IKEC record deferred tax assets and liabilities based on differences between book and tax basis of assets and liabilities measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are adjusted for changes in tax rates.

To the extent that the Companies have not reflected charges or credits in customer billings for deferred tax assets and liabilities, they have recorded a regulatory asset or liability representing income taxes billable or refundable to customers under the applicable agreements among the parties. These temporary differences will be billed or credited to the Sponsoring Companies through future billings. The regulatory asset was $12,938,237 and $13,045,856 at December 31, 2022 and 2021, respectively.

Deferred income tax assets (liabilities) at December 31, 2022 and 2021, consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Deferred tax assets: | | |
| Deferred revenue—advances for construction | $ 14,741,991 | $ 13,194,899 |
| Federal net operating loss carryforwards | - | 5,086,419 |
| Pension liability | 905,379 | 3,129,540 |
| Postemployment benefit obligation | 2,219,371 | 1,809,185 |
| Asset retirement obligations | 27,711,492 | 33,523,862 |
| Advanced collection of interest and debt service | 23,990,521 | 25,527,102 |
| Miscellaneous accruals | 1,087,987 | 1,174,133 |
| Regulatory liability-postretirement benefits | 24,165,722 | 20,185,875 |
| Total deferred tax assets | 94,822,463 | 103,631,015 |
| Deferred tax liabilities: | | |
| Prepaid expenses | (644,205) | (590,692) |
| Electric plant | (69,476,217) | (83,922,216) |
| Unrealized gain/loss on marketable securities | (1,542,690) | (5,324,468) |
| Postretirement benefit obligation | (6,000,007) | (699,371) |
| Regulatory asset—pension benefits | (1,934,511) | (3,948,869) |
| Regulatory asset—asset retirement costs | - | (47,360) |
| Regulatory asset—unrecognized postemployment benefits | (2,219,371) | (1,809,185) |
| Regulatory asset—income taxes billable to customers | (2,711,388) | (2,732,737) |
| Total deferred tax liabilities | (84,528,389) | (99,074,898) |
| Valuation allowance | (25,561,604) | (26,260,868) |
| Deferred income tax liability | $(15,267,530) | $ (21,704,751) |

Because future taxable income may prove to be insufficient to recover the Companies' gross deferred tax assets, the Companies have recorded a valuation allowance for their deferred tax assets as of December 31, 2022 and 2021.

The accounting guidance for Income Taxes addresses the determination of whether the tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Companies may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Companies have not identified any uncertain tax positions as of December 31, 2022 and 2021, and accordingly, no liabilities for uncertain tax positions have been recognized.

The Companies file income tax returns with the Internal Revenue Service and the states of Ohio, Indiana, and the Commonwealth of Kentucky. The Companies are no longer subject to federal tax examinations for tax years 2017 and earlier. The Companies are no longer subject to State of Indiana tax examinations for tax years 2016 and earlier. The Companies are no longer subject to Ohio and the Commonwealth of Kentucky examinations for tax years 2016 and earlier.

## 8. PENSION PLAN AND OTHER POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

The Companies have a noncontributory qualified defined benefit pension plan (the Pension Plan) covering substantially all of their employees hired prior to January 1, 2015. The benefits are based on years of service and each employee's highest consecutive 36-month compensation period. Employees are vested in the Pension Plan after five years of service with the Companies.

Funding for the Pension Plan is based on actuarially determined contributions, the maximum of which is generally the amount deductible for income tax purposes and the minimum being that required by the Employee Retirement Income Security Act of 1974, as amended.

In addition to the Pension Plan, the Companies provide certain health care and life insurance benefits (Other Postretirement Benefits) for retired employees. Substantially, all of the Companies' employees hired prior to January 1, 2015, become eligible for these benefits if they reach retirement age while working for the Companies. These and similar benefits for active employees are provided through employer funding and insurance policies. In December 2004, the Companies established VEBA trusts. In January 2011, the Companies established an Internal Revenue Code Section 401(h) account under the Pension Plan.

The full cost of the pension benefits and other postretirement benefits has been allocated to OVEC and IKEC in the accompanying consolidated financial statements. The allocated amounts for pension benefits and postretirement life plan represent approximately a 54% and 46% split between OVEC and IKEC, respectively, as of December 31, 2022, and December 31, 2021. The allocated amounts for postretirement medical plan represent approximately a 52% and 48% split between OVEC and IKEC, respectively, as of December 31, 2022, and 53% and 47% split between OVEC and IKEC, respectively, as of December 31, 2021.

The Pension Plan's assets as of December 31, 2022, consist of investments in equity and debt securities. All of the trust funds' investments for the pension and postemployment benefit plans are diversified and managed in compliance with all laws and regulations. Management regularly reviews the actual asset allocation and periodically rebalances the investments to targeted allocation when appropriate. The investments are reported at fair value under the Fair Value Measurements and Disclosures accounting guidance.

All benefit plan assets are invested in accordance with each plan's investment policy. The investment policy outlines the investment objectives, strategies, and target asset allocations by plan. Benefit plan assets are reviewed on a formal basis each quarter by the OVEC-IKEC Qualified Plan Trust Committee.

The investment philosophies for the benefit plans support the allocation of assets to minimize risks and optimize net returns.

Investment strategies include:

- Maintaining a long-term investment horizon.
- Diversifying assets to help control volatility of returns at acceptable levels.
- Managing fees, transaction costs, and tax liabilities to maximize investment earnings.
- Using active management of investments where appropriate risk/return opportunities exist.
- Keeping portfolio structure style neutral to limit volatility compared to applicable benchmarks.

The target asset allocation for each portfolio is as follows:

| **Pension Plan Assets** | **Target** |
|---|---|
| Domestic equity | 15 % |
| International and global equity | 15 |
| Fixed income | 68 |
| Cash | 2 |
| **VEBA Plan Assets** | |
| Domestic equity | 20 % |
| International and global equity | 20 |
| Fixed income | 60 |

Each benefit plan contains various investment limitations. These limitations are described in the investment policy statement and detailed in customized investment guidelines. These investment guidelines require appropriate portfolio diversification and define security concentration limits. Each investment manager's portfolio is compared to an appropriate diversified benchmark index.

Equity investment limitations:

- No security in excess of 5% of all equities.
- Cash equivalents must be less than 10% of each investment manager's equity portfolio.
- Individual securities must be less than 15% of each manager's equity portfolio.
- No investment in excess of 5% of an outstanding class of any company.
- No securities may be bought or sold on margin or other use of leverage.

**Fixed-Income Limitations**—As of December 31, 2022, the Pension Plan fixed-income allocation consists of managed accounts composed of U.S. Government, corporate, and municipal obligations. The VEBA benefit plans' fixed-income allocation is composed of a variety of fixed-income securities and mutual funds. Investment limitations for these fixed-income funds are defined by manager prospectus.

**Cash Limitations**—Cash and cash equivalents are held in each trust to provide liquidity and meet short-term cash needs. Cash equivalent funds are used to provide diversification and preserve principal. The underlying holdings in the cash funds are investment grade money market instruments, including money market mutual funds, certificates of deposit, treasury bills, and other types of investment-grade short-term debt securities. The cash funds are valued each business day and provide daily liquidity.

Pension Plan and Other Postretirement Benefits obligations and funded status as of December 31, 2022 and 2021, are as follows:

| | Pension Plan | | Other Postretirement Benefits | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Change in benefit obligation: | | | | |
| Benefit obligation— beginning of year | $263,593,975 | $276,434,312 | $165,904,272 | $178,235,236 |
| Service cost | 6,243,823 | 7,721,082 | 3,704,556 | 4,100,166 |
| Interest cost | 8,424,852 | 7,705,582 | 4,896,183 | 4,591,069 |
| Plan participants' contributions | - | - | 1,409,028 | 1,355,555 |
| Benefits paid | (7,615,660) | (16,830,398) | (6,685,855) | (5,542,477) |
| Net actuarial loss (gain) | (73,927,665) | (11,372,798) | (54,000,158) | (16,835,277) |
| Expenses paid from assets | (65,543) | (63,805) | - | - |
| Settlements | (21,137,991) | - | - | - |
| Benefit obligation— end of year | 175,515,791 | 263,593,975 | 115,228,026 | 165,904,272 |
| Change in fair value of plan assets: | | | | |
| Fair value of plan assets—beginning of year | 244,797,390 | 241,649,624 | 172,402,647 | 166,240,130 |
| Actual return on plan assets | (55,873,175) | 9,041,969 | (23,353,088) | 10,326,206 |
| Expenses paid from assets | (65,543) | (63,805) | - | - |
| Employer contributions | 6,200,000 | 11,000,000 | 23,072 | 23,233 |
| Plan participants' contributions | - | - | 1,409,028 | 1,355,555 |
| Benefits paid | (7,615,660) | (16,830,398) | (6,685,855) | (5,542,477) |
| Settlements | (21,137,991) | - | - | - |
| Fair value of plan assets— end of year | 166,305,021 | 244,797,390 | 143,795,804 | 172,402,647 |
| (Underfunded) Overfunded status— end of year | $ (9,210,770) | $ (18,796,585) | $ 28,567,778 | $ 6,498,375 |

See Note 1 for information regarding regulatory assets related to the Pension Plan and Other Postretirement Benefits plan.

The accumulated benefit obligation for the Pension Plan was $159,689,081 and $236,107,876 at December 31, 2022 and 2021, respectively.

During 2022, the Plans paid lump sum payouts to retirees of $21.1 million that triggered settlement accounting in the third quarter. Settlement accounting resulted in the accelerated recognition of $3.0 million of net periodic pension cost in 2022.

**Components of Net Periodic Benefit Cost**—The Companies record the expected cost of Other Postretirement Benefits over the service period during which such benefits are earned.

Pension expense is recognized as amounts are contributed to the Pension Plan and billed to customers. The accumulated difference between recorded pension expense and the yearly net periodic pension expense, as calculated under generally accepted accounting principles, is billable as a cost of operations under the ICPA when contributed to the pension fund. This accumulated difference has been recorded as a regulatory asset in the accompanying consolidated balance sheets.

| | Pension Plan | | Other Postretirement Benefits | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Service cost | $ 6,243,823 | $ 7,721,082 | $ 3,704,556 | $ 4,100,166 |
| Interest cost | 8,424,852 | 7,705,582 | 4,896,183 | 4,591,069 |
| Expected return on plan assets | (12,284,250) | (12,520,433) | (7,716,682) | (7,440,275) |
| Amortization of prior service cost | (416,566) | (416,565) | (2,781,539) | (2,781,539) |
| Recognized actuarial loss (gain) | 707,787 | 1,226,576 | (2,049,032) | (1,414,607) |
| Settlement | 2,998,906 | - | - | - |
| Total benefit cost | $ 5,674,552 | $ 3,716,242 | $(3,946,514) | $(2,945,186) |
| Pension and other postretirement benefits expense recognized in the consolidating statements of income and retained earnings and billed to Sponsoring Companies under the ICPA | $ 5,200,000 | $ 6,000,000 | $ - | $ - |

The following table presents the classification of Pension Plan assets within the fair value hierarchy at December 31, 2022 and 2021:

| | Fair Value Measurements at Reporting Date Using | | | |
|---|---|---|---|---|
| **2022** | **Quoted Prices in Active Market for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| Common stock | $ 6,936,875 | $ - | $ - | $ 6,936,875 |
| Equity mutual funds | 32,726,402 | - | - | 32,726,402 |
| Index futures | - | 3,000 | - | 3,000 |
| Fixed-income securities | - | 109,969,774 | - | 109,969,774 |
| Commodities | - | 43 | - | 43 |
| Cash equivalents | 6,585,046 | - | - | 6,585,046 |
| Subtotal benefit plan assets | $ 46,248,323 | $ 109,972,817 | $ - | $ 156,221,140 |
| Investments measured at net asset value (NAV) | | | | 10,083,881 |
| Total benefit plan assets | | | | $ 166,305,021 |
| **2021** | **(Level 1)** | **(Level 2)** | **(Level 3)** | **Total** |
| Common stock | $ 10,845,681 | $ - | $ - | $ 10,845,681 |
| Equity mutual funds | 47,445,588 | - | - | 47,445,588 |
| Index futures | - | 460 | - | 460 |
| Fixed-income securities | - | 164,505,732 | - | 164,505,732 |
| Commodities | - | 43 | - | 43 |
| Cash equivalents | 6,425,767 | - | - | 6,425,767 |
| Subtotal benefit plan assets | $ 64,717,036 | $ 164,506,235 | $ - | 229,223,271 |
| Investments measured at net asset value (NAV) | | | | 15,574,119 |
| Total benefit plan assets | | | | $ 244,797,390 |

The following table presents the classification of VEBA and 401(h) account assets within the fair value hierarchy at December 31, 2022 and 2021:

| | Fair Value Measurements at Reporting Date Using | | | |
|---|---|---|---|---|
| **2022** | **Quoted Prices in Active Market for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| Equity mutual funds | $ 40,339,233 | $ - | $ - | $ 40,339,233 |
| Equity exchange traded funds | 9,611,932 | - | - | 9,611,932 |
| Fixed-income mutual funds | 72,425,790 | - | - | 72,425,790 |
| Fixed-income securities | - | 18,143,354 | - | 18,143,354 |
| Cash equivalents | 598,622 | - | - | 598,622 |
| Benefit plan assets | $ 122,975,577 | $ 18,143,354 | $ - | 141,118,931 |
| Uncleared cash disbursements from benefits paid | | | | (5,253,755) |
| Investments measured at net asset value (NAV) | | | | 7,930,628 |
| Total benefit plan assets | | | | $ 143,795,804 |
| **2021** | | | | |
| Equity mutual funds | $ 55,045,316 | $ - | $ - | $ 55,045,316 |
| Equity exchange traded funds | 4,212,480 | - | - | 4,212,480 |
| Fixed-income mutual funds | 86,580,043 | - | - | 86,580,043 |
| Fixed-income securities | - | 19,461,407 | - | 19,461,407 |
| Cash equivalents | 1,229,124 | - | - | 1,229,124 |
| Benefit plan assets | $ 147,066,963 | $ 19,461,407 | $ - | 166,528,370 |
| Uncleared cash disbursements from benefits paid | | | | (4,163,688) |
| Investments measured at net asset value (NAV) | | | | 10,037,965 |
| Total benefit plan assets | | | | $ 172,402,647 |

Investments that were measured at net asset value (NAV) per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. These investments represent holdings in a single private investment fund that are redeemable at the election of the holder upon no more than 30 days' notice. The values reported above are based on information provided by the fund manager.

**Pension Plan and Other Postretirement Benefit Assumptions**—Actuarial assumptions used to determine benefit obligations at December 31, 2022 and 2021, were as follows:

| | Pension Plan | | Other Postretirement Benefits | | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | | 2021 | |
| | | | Medical | Life | Medical | Life |
| Discount rate | 5.61 % | 3.08 % | 5.57 % | 5.57 % | 3.06 % | 3.06 % |
| Rate of compensation increase for next year | 4.50 | 3.00 | N/A | 4.50 | N/A | 3.00 |
| Rate to which compensation is assumed to decline (ultimate trend rate) | 3.00 | 3.00 | N/A | 3.00 | N/A | 3.00 |
| Year that rate reaches the ultimate trend | 2026 | 2022 | N/A | 2026 | N/A | 2022 |

Actuarial assumptions used to determine net periodic benefit cost for the years ended December 31, 2022 and 2021, were as follows:

| | Pension Plan | | |
|---|---|---|---|
| | For the Period October 1 through December 31, 2022 | For the Period January 1 through September 30, 2022 | For the Period January 1 through December 31, 2021 |
| Discount rate | 5.65 % | 3.08 % | 2.85 % |
| Expected long-term return on plan assets | 7.00 | 5.25 | 5.25 |
| Rate of compensation increase | 3.00 | 3.00 | 3.00 |

| | 2022 | 2021 |
|---|---|---|
| Rate of compensation increase for next year | 4.50 % | 3.00 % |
| Rate to which compensation is assumed to decline (ultimate trend rate) | 3.00 | 3.00 |
| Year that rate reaches the ultimate trend | 2026 | 2022 |

| | Other Postretirement Obligations | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Medical | Life | Medical | Life |
| Discount rate | 3.06 % | 3.06 % | 2.82 % | 2.82 % |
| Expected long-term return on plan assets | 4.47 | 5.00 | 4.47 | 5.00 |
| Rate of compensation increase | N/A | 3.00 | N/A | 3.00 |

In selecting the expected long-term rate of return on assets, the Companies considered the average rate of earnings expected on the funds invested to provide for plan benefits. This included considering the Pension Plan and VEBA trusts' asset allocation, and the expected returns likely to be earned over the life of the Pension Plan and the VEBAs.

Assumed health care cost trend rates at December 31, 2022 and 2021, were as follows:

| | **2022** | **2021** |
|---|---|---|
| Health care trend rate assumed for next year—participants under 65 | 7.00 % | 6.50 % |
| Health care trend rate assumed for next year—participants over 65 | 7.00 | 7.10 |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)—participants under 65 | 5.00 | 5.00 |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)—participants over 65 | 5.00 | 5.00 |
| Year that the rate reaches the ultimate trend rate | 2029 | 2027 |

**Pension Plan and Other Postretirement Benefit Assets**—The asset allocation for the Pension Plan and VEBA trusts at December 31, 2022 and 2021, by asset category was as follows:

| | **Pension Plan** | | **VEBA Trusts** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Asset category: | | | | |
| Equity securities | 30 % | 31 % | 39 % | 40 % |
| Debt securities | 70 | 69 | 61 | 60 |

**Pension Plan and Other Postretirement Benefit Contributions**—The Companies expect to contribute $5,700,000 to their Pension Plan and $23,000 to their Other Postretirement Benefits plan in 2023.

**Estimated Future Benefit Payments**—The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| **Years Ending December 31** | **Pension Plan** | **Other Postretirement Benefits** |
|---|---|---|
| 2023 | $ 9,784,295 | $ 6,782,857 |
| 2024 | 10,521,802 | 7,433,153 |
| 2025 | 10,712,421 | 8,006,014 |
| 2026 | 11,092,162 | 8,505,315 |
| 2027 | 11,419,496 | 8,957,956 |
| Five years thereafter | 62,464,354 | 48,511,622 |

**Postemployment Benefits**—The Companies follow the accounting guidance in FASB ASC 712, *Compensation—Non-Retirement Postemployment Benefits*, and accrue the estimated cost of benefits provided to former or inactive employees after employment but before retirement. Such benefits include, but are not limited to, salary continuations, supplemental unemployment, severance, disability (including workers' compensation), job training, counseling, and continuation of benefits, such as health care and life insurance coverage. The cost of such benefits and related obligations has been allocated to OVEC and IKEC in the accompanying consolidated financial statements. The allocated amounts represent approximately a 31% and 69% split between OVEC and IKEC, respectively, as of December 31, 2022, and approximately a 43% and 57% split between OVEC and IKEC, respectively, as of December 31, 2021. The liability is offset with a corresponding regulatory asset and represents unrecognized postemployment benefits billable in the future to customers. The accrued cost of such benefits was $10,567,071 and $8,611,705 at December 31, 2022 and 2021, respectively.

**Defined Contribution Plan**—The Companies have a trustee-defined contribution supplemental pension and savings plan that includes 401(k) features and is available to employees who have met eligibility requirements. The Companies' contributions to the savings plan equal 100% of the first 1% and 50% of the next 5% of employee-participants' pay contributed. In addition, the Companies provide contributions to eligible employees, hired on or after January 1, 2015, of 3% to 5% of pay based on age and service. Benefits to participating employees are based solely upon amounts contributed to the participants' accounts and investment earnings. By its nature, the plan is fully funded at all times. The employer contributions for 2022 and 2021 were $1,948,147 and $1,914,558, respectively.

## 9. ENVIRONMENTAL MATTERS

### Air Regulations

On March 10, 2005, the United States Environmental Protection Agency (the USEPA) issued the Clean Air Interstate Rule (CAIR) that required significant reductions of $SO_2$ and $NO_x$ emissions from coal-burning power plants. On March 15, 2005, the USEPA also issued the Clean Air Mercury Rule (CAMR) that required significant mercury emission reductions for coal-burning power plants. These emission reductions were required in two phases: 2009 and 2015 for $NO_x$, 2010 and 2015 for $SO_2$ and 2010 and 2018 for mercury. Ohio and Indiana subsequently finalized their respective versions of CAIR and CAMR. In response, the Companies determined that it would be necessary to install flue gas desulfurization (FGD) systems at both plants to comply with these rules. Following completion of the necessary engineering and permitting, construction was started on the FGD systems, and the two Kyger Creek FGD systems were placed into service in 2011 and 2012, while the two Clifty Creek FGD systems were placed into service in 2013.

After the promulgation of CAIR and CAMR, a series of legal challenges to those rules resulted in their replacement with additional rules. CAMR was replaced with a rule referred to as the Mercury and Air Toxics Standards (MATS) rule. The rule became final on April 16, 2012, and the Companies had to demonstrate compliance with MATS emission limits on April 16, 2015. The MATS rule has also undergone legal challenges since it went into effect, and there are a few remaining legal issues pending. The controls the Companies have installed have proven to be adequate to meet the stringent emissions requirements outlined in the MATS rule.

After CAIR was promulgated, legal challenges resulted in that rule being remanded back to the USEPA. The USEPA subsequently promulgated a replacement rule to CAIR called the Cross-State Air Pollution Rule (CSAPR). CSAPR was issued on July 6, 2011, and it was scheduled to go into effect on January 1, 2012. However, a legal challenge of that rule resulted in a stay. The stay was lifted by the D.C. Circuit Court in 2014 and CSAPR, which requires significant $NO_x$ and $SO_2$ emissions reductions, became effective on January 1, 2015. Further legal challenges of CSAPR resulted in the U.S. Supreme Court remanding portions of the CSAPR rule back to the D.C. Circuit Court for additional review and subsequent action by the USEPA. This resulted in the USEPA issuing the CSAPR Update rule which became final on September 7, 2016, and went into effect beginning with the May 1, 2017 to September 30, 2017 ozone season. The CSAPR Update did not replace CSAPR, it only required additional reductions in $NO_x$ emissions from utilities in 22 states (including Ohio and Indiana) during the ozone season. The Companies prepared for and implemented a successful compliance strategy for the CSAPR Update rule requirements in the 2017 ozone season. That strategy was standardized to meet future ozone season compliance obligations, and its execution provided for another successful ozone season in 2019. The CSAPR Update Rule has also been subject to extensive litigation, and the D.C. Circuit Court of Appeals issued a decision on September 13, 2019, on one of those legal challenges that remanded portions of this rule back to the USEPA to address. On October 15, 2020, the USEPA issued a proposed revision to the CSAPR Update in response to the court remand; and on March 15, 2021, the USEPA Administer Regan signed a final rule revising the CSAPR Update Rule to ensure states fully comply with their "good neighbor" obligations to comply with the 2008 Ozone NAAQS standard. This revised rule went into effect on June 29, 2021, and it created a new Group 3 $NO_x$ allowance trading program that applies to 12 states, including Indiana and Ohio. The rule changes did not impact our near-term compliance strategy, nor is it expected to materially change future operations.

On February 28, 2022, the USEPA proposed federal implementation rule known as the proposed "Transport Rule." This proposed new draft rule is intended to fully resolve states obligations under the "good neighbor" provisions of the Clean Air Act for the 2015 Ozone NAAQS. The USEPA signed the final rule in March 2023, and the new rule will go into effect during the 2023 ozone season, May 1, 2023 through September 30, 2023. The final rule terms are being evaluated for longer term impacts; however, the rule is not expected to materially impact the Companies near term compliance strategy.

As a result of the installation and effective operation of the FGD systems and the SCR systems at each plant, management did not need to purchase additional annual $SO_2$ allowances, annual $NO_x$ allowances or ozone season $NO_x$ allowances as part of the ozone season CSAPR Update Rule that went into effect in 2021 to cover actual emissions. The Companies also maintain a bank of allowances for all three programs as a hedge to cover future emissions in the event of any short-term operating events or other external factors. Depending on a variety of operational and economic factors, management may elect to consume a portion of these banked allowances and/or strategically purchase additional CSAPR annual and ozone season allowances in 2023 and beyond for compliance with the CSAPR rule and the new Transport Rule implements the 2015 ozone NAAQS beginning with the 2023 ozone season.

With all FGD systems fully operational, the Companies continue to expect to have adequate $SO_2$ allowances available every year without having to rely on market purchases to comply with the CSAPR rules in their current form. Given the success of the Companies' $NO_x$ ozone season compliance strategy, the purchase of additional $NO_x$ allowances is less likely in the short term as well; however, the Companies did implement changes in unit dispatch criteria for Clifty Creek Unit 6 during the 2017 and subsequent ozone seasons and are continuing to evaluate the need for additional $NO_x$ controls or ongoing changes in dispatch criteria for that unit during the ozone season as a result of the USEPA's new ozone season Transport Rule that will go into effect during the 2023 $NO_x$ ozone season.

**CCR Rule**

In 2010, the USEPA published a proposed rule to regulate the disposal and beneficial reuse of coal combustion residuals (CCRs), including fly ash and boiler slag generated at coal-fired electric generating units as well as FGD gypsum generated at some coal-fired plants. The proposed rule contained two alternative proposals. One proposal would impose federal hazardous waste disposal and management standards on these materials, and another would allow states to retain primary authority to regulate the beneficial reuse and disposal of these materials under state solid waste management standards, including minimum federal standards for disposal and management. Both proposals would impose stringent requirements for the construction of new coal ash landfills and existing unlined surface impoundments.

Various environmental organizations and industry groups filed a petition seeking to establish deadlines for a final rule. To comply with a court-ordered deadline, the USEPA issued a prepublication copy of its final rule in December 2014. The rule was published in the Federal Register in April 2015 and became effective in October 2015.

In the final rule, the USEPA elected to regulate CCR as a nonhazardous solid waste and issued new minimum federal solid waste management standards. The rule applies to new and existing active CCR landfills and CCR surface impoundments at operating electric utility or independent power production facilities. The rule imposes new and additional construction and operating obligations, including location restrictions, liner criteria, structural integrity requirements for impoundments, operating criteria, and additional groundwater monitoring requirements. The rule is self-implementing and currently does not require state action for the states of Indiana or Ohio. As a result of this self-implementing feature, the rule contains extensive recordkeeping, notice, and Internet posting requirements.

The Companies have been systematically implementing the applicable provisions of the CCR rule. The Companies have completed all compliance obligations associated with the rule to date and are continuing to evaluate what, if any, impacts the South Fly Ash Pond and landfill at Kyger Creek and the West Boiler Slag Pond, landfill at Clifty Creek, and landfill runoff collection pond at Clifty Creek will have on local groundwater quality. To date, these four CCR units continue to meet the groundwater monitoring standards of the CCR rule. The Companies have been evaluating potential impacts to groundwater quality near the boiler slag pond at Kyger Creek and the landfill runoff collection pond at Clifty Creek as required by the CCR rule. The Companies have determined that statistically significant increases (SSIs) in certain groundwater parameters are present at the two identified locations, and additional steps as defined by the CCR rule are being taken. The evaluation of whether an SSI exists is a required component of the groundwater monitoring conditions of the CCR rule. A determination that an SSI appears to be present requires additional evaluation to be undertaken by the facility to determine if there are alternative sources that are influencing groundwater quality and to evaluate the extent of the groundwater quality impact. Concurrently, a facility must continue to evaluate groundwater quality as required by the CCR rule and determine what potential corrective actions are feasible to address the SSIs. The Companies conducted Alternative Source Demonstrations (ASD) to determine if groundwater was being influenced from sources other than the CCR unit. The ASDs were unable to definitively prove that alternative sources were directly influencing groundwater quality. As a result, the Companies worked with their Qualified Professional Engineer (QPE) to determine what corrective actions were feasible for each CCR unit, and then held a public meeting to discuss these options with the public prior to selecting a remedy. The Companies continue to work through the compliance requirements of the CCR Rule and remain in compliance.

Since the initial publication of the CCR rules in 2015, several legal, legislative and regulatory events impacting the scope, applicability and future CCR compliance obligations and timelines have also taken place. Final actions include: 1.) federal legislation (i.e., the WIIN Act) that provides a pathway for states to seek approval for administering and enforcing the federal CCR program; 2.) The USEPA's issuance of a Phase I, Part I revision to the CCR rules on March 1, 2018; 3.) the D.C. Circuit Court's August 21, 2018, ruling vacating and remanding portions of the CCR rule; 4.) The USEPA's issuance of a final CCR Rule, Part A, which was published in the *Federal Register* on August 28, 2020. This final rule introduced a significant revision to the 2015 CCR rule requiring all impoundments that do not meet the liner requirements outlined in the rule to cease receiving CCR material and initiate closure by April 11, 2021, regardless of their overall compliance status. If that date is not technically feasible, an alternate date to cease receiving CCR material and initiate closure can be secured from the USEPA through a proposed extension request process, which was required by the USEPA no later than November 30, 2020. The surface impoundments at Kyger Creek and Clifty Creek were not constructed in a manner that meets the definition of a liner under the 2015 CCR rule. As a result, the Companies completed an engineering evaluation to develop preliminary closure designs for the impoundments and to determine a technically feasible timeline for discontinuing placement of CCR and non-CCR waste streams in these impoundments and to initiate closure of the CCR impoundments consistent with the requirements of the rule. The Companies submitted technical justification documents to the USEPA in compliance with the November 30, 2020, deadline that demonstrated why additional time is needed to cease placement of CCR and non-CCR waste streams in the surface impoundments and initiate closure. Separately, the proposed Part B revisions to the 2015 CCR rule outline the development of a federal permitting program to regulate and enforce the CCR rule at all applicable facilities consistent with the Congressional mandate outlined in the WIIN Act. This federal permit program would replace the current enforcement mechanism of a self-implementing rule enforced through citizen suits and place it back with the USEPA or any state regulator that receives primacy to implement the CCR permitting within their respective state. The Companies are actively monitoring these developments and adapting their CCR compliance program to ensure compliance obligations and timelines are adjusted accordingly.

The Companies secured various environmental permits in support of the CCR compliance strategy developed to comply with the CCR Rule, Part A and initiated work in 2021. On January 11, 2022, the IKEC Clifty Creek Station received a preliminary determination from USEPA proposing to deny the alternative closure deadlines IKEC requested for its two surface impoundments in the demonstration application filed by IKEC on November 30, 2020. The USEPA's determination is preliminary and is not a final action. The preliminary determination was also subject to a public notice and comment, that ended March 25, 2022. Upon conclusion of the public notice and comment period, and subsequent review of comments filed, the USEPA had the option to take a final agency action to either approve or deny IKEC's alternative closure dates. However, the USEPA has taken no final action on the proposed denial of the Clifty Creek

Station's application. The Kyger Creek Station filed a similar demonstration application in November of 2020, but has yet to receive any determination from the USEPA. The Companies have continued to execute their CCR Rule Part A compliance strategy throughout 2022. Completion of that work is anticipated to be completed in mid-2023. At that time, the Companies anticipate withdrawing their applications to the USEPA.

Changes in regulations or in the Companies' strategies for mitigating the impact of coal combustion residuals could potentially result in material increases to the asset retirement obligations. The Companies will revisit the demolition and decommissioning studies as appropriate throughout the process of executing closure of the CCR surface impoundments to maintain an appropriate estimated cost of ultimate facility closure and decommissioning.

In February 2014, the USEPA completed a risk evaluation of the beneficial uses of coal fly ash in concrete and FGD gypsum in wallboard and concluded that the USEPA supports these beneficial uses. Currently, approximately 65 percent of the coal ash and other residual products from the Companies' generating facilities are reused in the production of cement and wallboard, as soil amendments, as abrasives or road treatment materials, and for other beneficial uses.

**NAAQS Compliance for $SO_2$**

On June 22, 2010, the USEPA revised the Clean Air Act by developing and publishing a new one-hour $SO_2$ NAAQS of 75 parts per billion, which replaced the previously existing 24-hour and annual standards and became effective on August 23, 2010. States with areas failing to meet the standard were required to develop state implemented plans to expeditiously attain and maintain the standard.

On August 15, 2013, the USEPA published its initial non-attainment area designations for the new one-hour $SO_2$, which did not include the areas around Kyger Creek or Clifty Creek. However, the amended rule does establish that at a minimum, sources that emit 2,000 tons SO2 or more per year be characterized by their respective states using either modeling of actual source emissions or through appropriately sited ambient air quality monitors.

In addition, the USEPA entered into a settle agreement with Sierra Club/NRDC in the U.S. District Court for the Northern District of California requiring the USEPA to take certain actions, including completing area designation by July 2, 2016, for areas with either monitored violations based on 2013-15 air quality monitoring or sources not announced for retirement that emitted more than 16,000 tons $SO_2$ or more than 2,600 tons with a 0.45 $SO_2$/mmBtu emission rate in 2012.

Both Kyger Creek and Clifty Creek directly or indirectly triggered one of the criteria and have been evaluated by the respective state regulatory agencies through modeling. The modeling results showed Clifty Creek could meet the new one-hour $SO_2$ limit using their current scrubber systems without any additional investment or modifications. Kyger Creek's modeling data was rejected by USEPA as inconclusive in 2016. As a result, the USEPA required Kyger Creek install an $SO_2$ monitoring network around the plant and monitor ambient air quality beginning on January 1, 2017. Based on the first three years of data from that network, Ohio EPA prepared an updated petition to the USEPA in early 2020 requesting that the area in the county surrounding the plant be re-designated to attainment/unclassifiable with the one-hour $SO_2$

standard. The USEPA subsequently acted on this request and published a notice in the *Federal Register* proposing to make this re-designation. A final rulemaking approving the re-designation was expected in 2021; however, the USEPA failed to act on the re-designation. The Companies are still optimistic the USEPA will eventually do so as there are now five years of data supporting a re-designation determination. On February 26, 2019, the USEPA issued a final decision that it is retaining the existing primary $SO_2$ NAAQS at 75 parts per billion for the next five-year NAAQS review cycle. Given this decision, combined with current scrubber performance, the Companies expect to avoid more restrictive permit limits relative to its $SO_2$ emissions or the need for additional capital investment in major scrubber upgrades or modifications.

**NAAQS compliance for Particulate Matter (PM).**

In 2021, the current administration signaled via executive order that it intends to revisit the 2020 PM NAAQS standard and lower it. On January 6, 2023, USEPA announced its proposed decision to revise the primary (health-based) annual $PM_{2.5}$ standard from its current level of 12.0 $\mu g/m^3$ to within the range of 9.0 to 10.0 $\mu g/m^3$. The Companies will continue to monitor that rulemaking effort to determine what impact a revision to this NAAQS standard could have on unit operations. A final determination of revising this NAAQS standard is not expected before 2024.

**Steam Electric ELGs**

On September 30, 2015, the USEPA signed a new final rule governing Effluent Limitations Guidelines (ELGs) for the wastewater discharges from steam electric power generating plants. The rule, which was formally published in the Federal Register on November 3, 2015, impacted future wastewater discharges from both the Kyger Creek and Clifty Creek stations.

The rule was intended to require the Companies to modify the way they handle a number of wastewater processes at both power plants. Specifically, the new ELG standards were going to affect the following wastewater processes in three ways listed below; however, in April 2017, the USEPA issued an administrative stay on the ELG rule; and then in June 2017, the USEPA issued a separate rulemaking staying the compliance deadlines for portions of the ELG rule applicable to bottom ash sluice water and to FGD wastewater discharges. The USEPA revised the rule redefining what constitutes "best available technology" for these two wastewater discharges and issued an updated final rule in the Federal Register on October 13, 2020. Based on the original rule and revisions captured in the 2020 update, the following impacts to each wastewater discharge are expected:

1. Kyger Creek was required to convert to dry fly ash handling by no later than December 31, 2023. The USEPA stay on portions of the ELG rule does not impact the need to convert Kyger Creek station to dry fly ash handling or the associated timeline. The Clifty Creek station already has a dry fly ash handling system in place, so this provision of the rule will not impact Clifty Creek's operations. Construction activities associated with dry fly ash conversion at Kyger Creek were completed in late 2022.

2. The new ELG rules originally prohibited the discharge of bottom ash sluice water from boiler slag/bottom ash wastewater treatment systems. For Clifty Creek and Kyger Creek, this will result in the conversion of each plant's boiler slag pond to a closed-loop sluicing system for

boiler slag, with up to a ten percent purge based on the volume of each facilities' total wetted volume. The Companies conducted a Phase I engineering study in 2016 to determine options and costs associated with retrofitting the plants' boiler slag treatment systems but postponed the study until more information was available from the USEPA on the technologies being considered in the revised rule. After reviewing the new rule in draft, the Companies resumed the engineering study needed to formulate an overall compliance strategy based on this updated information. This study includes a further evaluation of technologies or retrofits capable of complying with the requirements of the revised rule, which included preliminary engineering, design, and schedule development that were initiated late in 2019. The Companies have completed the required evaluation associated with each facilities' boiler slag/bottom ash transport wastewater treatment in 2020. This feed information was used to develop design and to initiate the bid process to conduct the work. Both the Kyger Creek and Clifty Creek Stations have secured various environmental permits necessary to commence construction on the boiler slag/bottom ash handling systems. Work associated with the Companies' CCR and ELG compliance strategies commenced in 2021. Kyger Creek's system was placed into service in early 2023 and Clifty Creek's system is expected to be placed into service in the second quarter of 2023.

3. The new ELG rules originally established new internal limitations for the FGD system wastewater discharges. Specifically, there were to be new internal limits for arsenic, mercury, selenium, and nitrate/nitrite nitrogen from the FGD chlorides purge stream wastewater treatment plant at each plant. After reviewing the requirements of the 2015 edition of the rule, the Companies expected both Clifty Creek and Kyger Creek Stations to be able to meet the mercury and arsenic limitations with the current wastewater treatment technology; however, the Companies anticipated the potential need to add some form of biological (or equivalent nonbiological) treatment system downstream of each station's existing FGD waste water treatment plant to meet the new nitrate/nitrite nitrogen and selenium limitations. Installation of new controls to meet the final effluent limitations contained in the revised rule were placed on hold while the USEPA reconsidered the 2015 ELG rule to ensure that the compliance strategy ultimately selected would be able to meet any revised requirements in the updated ELG rule. With the finalization of the October 13, 2020, ELG Revision, the Companies resumed evaluation of the appropriate technology, design, and schedule to achieve compliance with the new requirements, which included a change in the final effluent limitations for arsenic, nitrate/nitrite, mercury and selenium. The most significant change to the rule is associated with the final effluent limitation for mercury, which was ultimately lower than the final limit in the 2015 version of the rule, resulting in the Companies needing to re-evaluate and pilot technologies to determine what technology is capable of achieving this reduced mercury limit on the FGD discharges from each station. The Companies have been working with outside engineering resources, developed preliminary design reports, and a pilot test was conducted at the Kyger Creek station in 2021. Further, the Companies worked with state agencies to request the revised ELG applicability date for FGD wastewater of no later than December 31, 2025. This compliance date is now incorporated into both plant's NPDES permits.

In March 2023, the USEPA issued a new draft ELG rule that proposes additional constraints on wastewater discharges at power plants. The draft rule will undergo public notes and comment, and the USEPA has signaled that a final rule will be issued in 2024. The Companies will continue to monitor USEPA regulatory actions on this proposed rule and will respond as necessary.

**316(b) Compliance**

The 316(b) rule was published as a final rule in the Federal Register on August 15, 2014, and impacts facilities that use cooling water intake structures designed to withdraw at least 2 million gallons per day from waters of the U.S., and those facilities who also have an NPDES permit. The rule requires such facilities to choose one of seven options specified by the rule to reduce impingement to fish and other aquatic organisms. Additionally, facilities that withdraw 125 million gallons or more per day must conduct entrainment studies to assist state permitting authorities in determining what site-specific controls are required to reduce the number of aquatic organisms entrained by each respective cooling water system.

The Companies have completed the required two-year fish entrainment studies and filed the reports with the respective state regulatory agencies consistent with regulatory requirements under 40 CFR Section 122.21(r).

The timeline for determining if retrofits may be required to the cooling water systems at either Clifty Creek or Kyger Creek, as well as the type of retrofit required, have been negotiated as a part of each plant’s NPDES Permit renewals consistent with state regulatory obligations under 40 CFR Section 125.98(f). The terms and timelines associated with those retrofits are included in NPDES permit renewals.

The environmental rules and regulations discussed throughout the Environmental Matters footnote could require additional capital expenditures or maintenance expenses in future periods.

## 10. FAIR VALUE MEASUREMENTS

The accounting guidance for financial instruments requires disclosure of the fair value of certain financial instruments. The estimates of fair value under this guidance require the application of broad assumptions and estimates. Accordingly, any actual exchange of such financial instruments could occur at values significantly different from the amounts disclosed.

OVEC utilizes its trustee’s external pricing service in its estimate of the fair value of the underlying investments held in the benefit plan trusts and investment portfolios. The Companies’ management reviews and validates the prices utilized by the trustee to determine fair value. Equities and fixed-income securities are classified as Level 1 holdings if they are actively traded on exchanges. In addition, mutual funds are classified as Level 1 holdings because they are actively traded at quoted market prices. Certain fixed-income securities do not trade on an exchange and do not have an official closing price. Pricing vendors calculate bond valuations using financial models and matrices. Fixed-income securities are typically classified as Level 2 holdings because their valuation inputs are based on observable market data. Observable inputs used for valuing fixed-income securities are benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, and economic events. Other securities with model-derived valuation inputs that are observable are also classified as Level 2 investments. Investments with unobservable valuation inputs are classified as Level 3 investments.

As of December 31, 2022 and 2021, the Companies held certain assets that are required to be measured at fair value on a recurring basis. These consist of investments recorded within long-term investments. The investments consist of money market mutual funds, equity mutual funds, and fixed-income municipal securities. Changes in the observed trading prices and liquidity of money market funds are monitored as additional support for determining fair value, and unrealized gains and losses are recorded in earnings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Companies believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As cash and cash equivalents, current receivables, current payables, and line of credit borrowings are all short-term in nature, their carrying amounts approximate fair value.

**Long-Term Investments**— Assets measured at fair value on a recurring basis at December 31, 2022 and 2021, were as follows:

| | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|
| **2022** | **Quoted Prices in Active Market for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Equity mutual funds | $ 18,669,435 | $ - | $ - |
| Equity exchange traded funds | 40,207,434 | - | - |
| Fixed-income securities | - | 209,345,661 | - |
| Cash equivalents | 8,858,188 | - | - |
| Total fair value | $ 67,735,057 | $ 209,345,661 | $ - |
| **2021** | **(Level 1)** | **(Level 2)** | **(Level 3)** |
| Equity mutual funds | $ 44,885,981 | $ - | $ - |
| Equity exchange traded funds | 22,078,933 | - | - |
| Fixed-income municipal securities | - | 107,781,573 | - |
| Cash equivalents | 126,581,690 | - | - |
| Total fair value | $ 193,546,604 | $ 107,781,573 | $ - |

**Long-Term Debt**—The fair values of the senior notes and fixed-rate bonds were estimated using discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements. These fair values are not reflected in the balance sheets.

The fair values and recorded values of the senior notes and fixed- and variable-rate bonds as of December 31, 2022 and 2021, are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Fair Value** | **Recorded Value** | **Fair Value** | **Recorded Value** |
| Total | $953,838,516 | $989,976,349 | $1,230,028,697 | $1,122,110,945 |

## 11. LEASES

On January 1, 2019, the Companies adopted ASC 842, "Leases" which, among other changes, requires the Companies to record liabilities classified as operating leases on the balance sheet along with a corresponding right-of-use asset. The Companies elected the package of practical expedients available for expired or existing contracts, which allowed them to carryforward their historical assessments of whether contracts are or contain leases, lease classification tests and treatment of initial direct costs. Further, the Companies elected to not separate lease components from non-lease components for all fixed payments and excluded variable lease payments in the measurement of right-of-use assets and lease obligations.

The Companies determine whether an arrangement is, or includes, a lease at contract inception. Leases with an initial term of 12 months or less are not recognized on the balance sheet. The Companies recognize lease expense for these leases on a straight-line basis over the lease term.

Operating lease right-of-use assets and liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. Operating leases are immaterial as of December 31, 2022.

The leases typically do not provide an implicit rate; therefore, the Companies use the estimated incremental borrowing rate at the time of lease commencement to discount the present value of lease payments. In order to apply the incremental borrowing rate, a portfolio approach with a collateralized rate is utilized. Assets were grouped based on similar lease terms and economic environments in a manner whereby the Companies reasonably expect that the application is not expected to differ materially from a lease-by-lease approach.

The Companies have finance leases for the use of vehicles, property, and equipment. The leases have remaining terms of 0 year to 4 years.

Supplemental cash flow information related to leases was as follows:

| | |
|---|---|
| Financing cash flows from finance leases | $946,103 |
| Weighted average remaining lease term: | |
| Finance leases | 3 |
| Weighted average discount rate: | |
| Finance leases | 4.73% |

The amount in property under finance leases is $4,395,554 and $4,424,518 with accumulated depreciation of $1,796,855 and $1,293,804 as of December 31, 2022 and 2021, respectively.

Future maturities of finance lease liabilities are as follows:

| **Years Ending December 31** | **Finance** |
|---|---|
| 2023 | $ 894,452 |
| 2024 | 847,412 |
| 2025 | 725,049 |
| 2026 | 148,436 |
| Thereafter | - |
| Total future minimum lease payments | 2,615,349 |
| Less estimated interest element | 183,915 |
| Estimated present value of future minimum lease payments | $ 2,431,434 |

## 12. COMMITMENTS AND CONTINGENCIES

The Companies are party to or may be affected by litigation, claims and uncertainties that arise in the ordinary course of business. The Companies regularly analyze current information and, as necessary provide accruals for probable and reasonably estimable liabilities on the eventual disposition of these matters. Management believes that the ultimate outcome of these matters will not have a significant adverse effect on either the Companies' future results of operation or financial position.

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ohio Valley Electric Corporation:

## Opinion

We have audited the consolidated financial statements of Ohio Valley Electric Corporation and its subsidiary company, Indiana-Kentucky Electric Corporation (the "Companies"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Companies as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Companies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Companies' ability to continue as a going concern for one year after the date that the financial statements are issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Companies' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

May 16, 2023

## OHIO VALLEY ELECTRIC CORPORATION
## AND SUBSIDIARY COMPANY

### OVEC PERFORMANCE – A 5-YEAR COMPARISON

| | **2022** | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Net Generation (MWh) | **11,014,053** | 10,071,966 | 9,025,018 | 11,238,298 | 12,146,856 |
| Energy Delivered (MWh) to Sponsors | **11,047,708** | 10,063,687 | 9,033,056 | 11,234,353 | 11,863,505 |
| Maximum Scheduled (MW) by Sponsors | **2,161** | 2,227 | 2,215 | 2,209 | 2,173 |
| Power Costs to Sponsors | **$764,592,000** | $662,365,000 | $605,270,000 | $640,801,000 | $644,114,000 |
| Average Price (MWh) Sponsors | **$69.208** | $65.819 | $67.006 | $57.040 | $54.294 |
| Operating Revenues | **$761,499,000** | $623,425,000 | $551,718,000 | $614,667,000 | $615,839,000 |
| Operating Expenses | **$703,020,000** | $559,559,000 | $480,383,000 | $554,642,000 | $523,196,000 |
| Cost of Fuel Consumed | **$354,336,000** | $260,174,000 | $231,316,000 | $274,843,000 | $277,369,000 |
| Taxes (federal, state, and local) | **$12,078,000** | $12,293,000 | $12,203,000 | $8,418,000 | $12,165,000 |
| Payroll | **$53,135,000** | $53,052,000 | $53,461,000 | $55,491,000 | $57,569,000 |
| Fuel Burned (tons) | **5,004,318** | 4,527,068 | 4,148,459 | 5,111,144 | 5,428,783 |
| Heat Rate (Btu per kWh, net generation) | **10,626** | 10,733 | 11,036 | 10,714 | 10,540 |
| Unit Cost of Fuel Burned (per mmBtu) | **$3.05** | $2.41 | $2.04 | $2.28 | $2.17 |
| Equivalent Availability (percent) | **66.30** | 70.8 | 78.9 | 78.2 | 76.6 |
| Power Use Factor (percent) | **90.51** | 76.56 | 60.80 | 76.23 | 84.19 |
| Employees (year-end) | **507** | 548 | 563 | 591 | 640 |

## OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

### DIRECTORS

## Ohio Valley Electric Corporation

[1] **THOMAS ALBAN**, Columbus, Ohio
*Vice President, Power Generation*
*Buckeye Power, Inc.*

**ERIC D. BAKER**, Cadillac, Michigan
*President and Chief Executive Officer*
*Wolverine Power Supply Cooperative, Inc.*

[1,2] **LONNIE E. BELLAR,** Louisville, Kentucky
*Chief Operating Officer*
*LG&E and KU Energy LLC*

[2] **PAUL CHODAK III**, Columbus, Ohio
*Executive Vice President - Generation*
*American Electric Power Company, Inc.*

**STEVEN K. NELSON**, Coshocton, Ohio
*Chairman, Buckeye Power Board of Trustees*
*The Frontier Power Company*

[2] **PATRICK W. O'LOUGHLIN**, Columbus, Ohio
*President and Chief Executive Officer*
*Buckeye Power, Inc.*

**AHMED B. PASHA,** Arlington, Virginia
*CFO, US Utilities & Conventional Generation*
*AES Corporation*

[2] **DAVID W. PINTER**, Akron, Ohio
*Executive Director, Business Development*
*FirstEnergy Corp.*

[2] **MARC REITTER**, Gahanna, Ohio
*President and Chief Operating Officer, AEP Ohio*
*American Electric Power Company, Inc.*

[1] **PHILLIP R. ULRICH**, Columbus, Ohio
*Executive Vice President, Chief Human Resources Officer*
*American Electric Power Company, Inc.*

[2] **JOHN A. VERDERAME**, Charlotte, North Carolina
*Vice President, Fuels & Systems Optimization*
*Duke Energy Corporation*

[1] **AARON D. WALKER**, Charleston, West Virginia
*President and Chief Operating Officer*
*Appalachian Power*

## Indiana-Kentucky Electric Corporation

**STEVEN F. BAKER**, Fort Wayne, Indiana
*President and Chief Operating Officer*
*Indiana Michigan Power*

[2] **PAUL CHODAK III**, Columbus, Ohio
*Executive Vice President - Generation*
*American Electric Power Company, Inc.*

**KATHERINE K. DAVIS**, Fort Wayne, Indiana
*Vice President, External Affairs*
*Indiana Michigan Power*

**DAVID S. ISAACSON**, Fort Wayne, Indiana
*Vice President –Distribution Region Ops*
*Indiana Michigan Power*

[2] **PATRICK W. O'LOUGHLIN**, Columbus, Ohio
*President and Chief Executive Officer*
*Buckeye Power, Inc.*

[2] **DAVID W. PINTER**, Akron, Ohio
*Executive Director, Business Development*
*FirstEnergy Corp.*

### OFFICERS—OVEC AND IKEC

**PAUL CHODAK III**
*President*

**JUSTIN J. COOPER**
*Vice President,*
*Chief Operating Officer and*
*Chief Financial Officer*

**KASSANDRA K. MARTIN**
*Secretary and Treasurer*

**JULIE A. SHERWOOD**
*Assistant Secretary and*
*Assistant Treasurer*

[1]Member of Human Resources Committee.
[2]Member of Executive Committee.