

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - DECEMBER 31, 2013 AND 2012-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - DECEMBER 31, 2013 AND 2012-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - DECEMBER 31, 2013 AND 2012-UNAUDITED

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OFFICER'S CERTIFICATION

A review of the affairs and activities of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation (the Companies), during the quarters ended December 31, 2013 and 2012 has been made under my supervision, and in my opinion, the unaudited financial statements for these periods present fairly the financial conditions of the Companies as of December 31, 2013 and 2012, and the results of the operations, thereof, in accordance with generally accepted accounting principles consistently applied throughout the period. To the best of my knowledge and belief, there has been no Potential Default, Default, or Event of Default by the Companies and the Companies are in compliance with the covenants of the current debt agreements.


Secretary and Treasurer
OHIO VALLEY ELECTRIC CORPORATION and
INDIANA-KENTUCKY ELECTRIC CORPORATION

CONSOLIDATED NET WORTH

The consolidated net worth of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation for the quarter ending December 31, 2013 was \$16,475,234


Secretary and Treasurer
OHIO VALLEY ELECTRIC CORPORATION and
INDIANA-KENTUCKY ELECTRIC CORPORATION

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012-UNAUDITED

	2013				2012			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
ASSETS								
ELECTRIC PLANT:								
At original cost	\$ 2,671,807,219	\$ -	\$ 1,321,593,192	\$ 1,350,214,027	\$ 1,985,645,118	\$ -	\$ 1,276,438,565	\$ 709,206,553
Less - Accumulated provisions for depreciation	(1,182,491,224)	-	(582,453,669)	(600,037,555)	(1,115,363,691)	-	(531,480,132)	(583,883,559)
	1,489,315,995	-	739,139,523	750,176,472	870,281,427	-	744,958,433	125,322,994
Construction in progress	29,651,760	-	18,429,437	11,222,323	645,484,896	-	32,852,787	612,632,109
Total electric plant	1,518,967,755	-	757,568,960	761,398,795	1,515,766,323	-	777,811,220	737,955,103
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(101,172,665)	101,172,665	-	-	(109,403,661)	109,403,661	-
Total investments and other	-	(104,572,665)	104,572,665	-	-	(112,803,661)	112,803,661	-
CURRENT ASSETS:								
Cash and cash equivalents	70,757,710	-	70,747,210	10,500	19,924,318	-	19,901,605	22,713
Accounts receivable	32,878,948	-	32,728,736	150,212	36,952,825	-	36,380,277	572,548
Intercompany receivable	-	(637,704,992)	637,704,992	-	-	(632,985,163)	632,985,163	-
Fuel in storage-at average cost	43,020,394	-	13,876,408	29,143,986	79,550,095	-	28,067,453	51,482,642
Materials and supplies-at average cost	32,199,550	-	19,113,231	13,086,319	27,464,418	-	15,489,802	11,974,616
Property taxes applicable to future years	2,702,905	-	2,702,905	-	2,503,440	-	2,503,440	-
Emission allowances	62,428	-	62,428	-	86,649	-	86,649	-
Deferred tax assets	18,302,793	-	15,008,843	3,293,950	18,302,793	-	15,008,843	3,293,950
Income taxes receivable	3,331,094	-	3,331,094	-	15,832,666	-	15,832,666	-
Regulatory assets	371,297	-	371,297	-	8,277,357	-	5,225,467	3,051,890
Prepaid expenses and other	2,244,414	-	1,132,681	1,111,733	2,168,143	-	1,169,331	998,812
Total current assets	205,871,533	(637,704,992)	796,779,825	46,796,700	211,062,704	(632,985,163)	772,650,696	71,397,171
REGULATORY ASSETS:								
Unrecognized postemployment benefits	2,078,864	-	1,119,681	959,183	2,498,759	-	1,132,247	1,366,512
Pension benefits	8,542,293	-	4,899,859	3,642,434	30,561,325	-	17,529,976	13,031,349
Postretirement benefits	-	-	-	-	1,324,775	(14,797,778)	-	16,122,553
Income taxes billable to customers	-	(23,268,509)	23,268,509	-	-	(14,950,738)	14,950,738	-
Total regulatory assets	10,621,157	(23,268,509)	29,288,049	4,601,617	34,384,859	(29,748,516)	33,612,961	30,520,414
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	13,401,209	-	13,401,209	-	14,485,787	-	14,485,787	-
Deferred tax assets	22,265,884	(28,029,955)	-	50,295,839	22,265,884	(28,029,955)	-	50,295,839
Long-term investments	117,106,668	-	93,118,127	23,988,541	120,351,712	-	99,884,675	20,467,037
Special deposits-restricted	-	-	-	-	57,938,752	-	57,938,752	-
Other	-	-	-	-	103,107	-	103,107	-
Total deferred charges and other	152,773,761	(28,029,955)	106,519,336	74,284,380	215,145,242	(28,029,955)	172,412,321	70,762,876
TOTAL	\$ 1,888,234,206	\$ (793,576,121)	\$ 1,794,728,835	\$ 887,081,492	\$ 1,976,359,128	\$ (803,567,295)	\$ 1,869,290,859	\$ 910,635,564

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012-UNAUDITED

	2013				2012			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
CAPITALIZATION AND LIABILITIES								
CAPITALIZATION:								
Common stock, \$100 par value- Authorized, 300,000 shares; outstanding, 100,000 shares	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
Common stock, without par value, stated at \$200 per share- Authorized, 100,000 shares; outstanding, 17,000 shares	-	(3,400,000)	-	3,400,000	-	(3,400,000)	-	3,400,000
Long-term debt	1,517,873,554	-	1,517,873,554	-	1,358,347,337	-	1,358,347,337	-
Line of credit borrowings-long term	30,000,000	-	30,000,000	-	60,000,000	-	60,000,000	-
Retained earnings	6,475,234	-	6,475,234	-	5,293,968	-	5,293,968	-
Total capitalization	1,564,348,788	(3,400,000)	1,564,348,788	3,400,000	1,433,641,305	(3,400,000)	1,433,641,305	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	40,496,381	-	40,496,381	-	238,138,903	-	238,138,903	-
Accounts payable	47,237,352	-	22,286,710	24,950,642	53,916,997	-	30,100,908	23,816,089
Intercompany payable	-	(637,704,992)	-	637,704,992	-	(632,985,163)	-	632,985,163
Deferred revenue-advances for construction	23,158,632	-	17,916,384	5,242,248	19,389,380	-	12,257,277	7,132,103
Accrued taxes	18,270,207	-	15,227,215	3,042,992	8,651,108	-	5,631,604	3,019,504
Regulatory liabilities	4,247,576	-	3,824,846	422,730	2,586,594	-	2,554,770	31,824
Accrued interest and other	28,145,464	-	22,825,004	5,320,460	25,822,574	-	20,198,054	5,624,520
Total current liabilities	161,555,612	(637,704,992)	122,576,540	676,684,064	348,505,556	(632,985,163)	308,881,516	672,609,203
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	32,619,457	-	28,204,230	4,415,227	-	(14,797,778)	14,797,778	-
Decommissioning and demolition	20,409,461	-	9,596,879	10,812,582	14,230,459	-	6,939,381	7,291,078
Investment tax credits	3,393,146	-	3,393,146	-	3,393,146	-	3,393,146	-
Net antitrust settlement	1,823,929	-	673,070	1,150,859	1,823,929	-	673,070	1,150,859
Income taxes refundable to customers	30,327,876	(23,268,509)	-	53,596,385	38,645,647	(14,950,738)	-	53,596,385
Total regulatory liabilities	88,573,869	(23,268,509)	41,867,325	69,975,053	58,093,181	(29,748,516)	25,803,375	62,038,322
OTHER LIABILITIES:								
Pension liability	8,542,293	-	4,899,859	3,642,434	30,561,325	-	17,529,976	13,031,349
Deferred income tax liability	-	(28,029,955)	28,029,955	-	-	(28,029,955)	28,029,955	-
Asset retirement obligations	20,961,379	-	7,954,543	13,006,836	20,961,379	-	7,954,543	13,006,836
Postretirement benefits obligation	42,173,401	-	23,932,144	18,241,257	82,097,623	-	46,317,942	35,779,681
Postemployment benefits obligation	2,078,864	-	1,119,681	959,183	2,498,759	-	1,132,247	1,366,512
Parent advances for construction	-	(101,172,665)	-	101,172,665	-	(109,403,661)	-	109,403,661
Total other liabilities	73,755,937	(129,202,620)	65,936,182	137,022,375	136,119,086	(137,433,616)	100,964,663	172,588,039
TOTAL	\$ 1,888,234,206	\$ (793,576,121)	\$ 1,794,728,835	\$ 887,081,492	\$ 1,976,359,128	\$ (803,567,295)	\$ 1,869,290,859	\$ 910,635,564

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF DECEMBER 31, 2013 AND 2012-UNAUDITED

	2013				2012			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
OPERATING REVENUES:								
Sales of electric energy to:								
Department of Energy	\$ 9,281,567	\$ -	\$ 9,281,567	\$ -	\$ 9,097,306	\$ -	\$ 9,097,306	\$ -
Ohio Valley Electric Corp.	-	(306,299,971)	-	306,299,971	-	(293,651,420)	-	293,651,420
Sponsoring Companies	666,367,706	-	666,367,706	-	661,721,951	-	661,721,951	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	675,649,273	(306,299,971)	675,649,273	306,299,971	670,819,257	(293,651,420)	670,819,257	293,651,420
OPERATING EXPENSES:								
Fuel and emission allowances consumed in operation	311,899,995	-	130,714,171	181,185,824	302,925,697	-	118,493,384	184,432,313
Purchased power	8,763,157	(306,299,971)	315,063,128	-	8,552,565	(293,651,420)	302,203,985	-
Other operation	98,197,470	-	36,986,813	61,210,657	101,967,242	-	65,409,044	36,558,198
Maintenance	83,396,811	-	43,022,047	40,374,764	89,645,354	-	46,001,591	43,643,763
Depreciation	80,172,750	-	58,549,377	21,623,373	85,140,820	-	58,453,907	26,686,913
Taxes-other than federal income taxes	11,421,154	-	6,472,514	4,948,640	10,765,327	-	6,198,472	4,566,855
Federal income taxes	890,377	-	890,377	-	893,533	-	892,689	844
Total operating expenses	594,741,714	(306,299,971)	591,698,427	309,343,258	599,890,538	(293,651,420)	597,653,072	295,888,886
OPERATING INCOME	80,907,559	-	83,950,846	(3,043,287)	70,928,719	-	73,166,185	(2,237,466)
OTHER INCOME (EXPENSE)	527,109	-	(2,573,416)	3,100,525	10,920,111	-	8,633,739	2,286,372
INCOME BEFORE INTEREST CHARGES	81,434,668	-	81,377,430	57,238	81,848,830	-	81,799,924	48,906
INTEREST CHARGES:								
Amortization of debt expense	5,166,736	-	5,166,736	-	4,606,617	-	4,606,617	-
Interest expense	74,086,666	-	74,029,428	57,238	74,985,523	-	74,936,617	48,906
Total interest charges	79,253,402	-	79,196,164	57,238	79,592,140	-	79,543,234	48,906
NET INCOME	\$ 2,181,266	\$ -	\$ 2,181,266	\$ -	\$ 2,256,690	\$ -	\$ 2,256,690	\$ -
RETAINED EARNINGS, JAN. 1	5,293,968	-	5,293,968	-	4,037,278	-	4,037,278	-
CASH DIVIDENDS ON COMMON STOCK	(1,000,000)	-	(1,000,000)	-	(1,000,000)	-	(1,000,000)	-
RETAINED EARNINGS, DEC. 31	\$ 6,475,234	\$ -	\$ 6,475,234	\$ -	\$ 5,293,968	\$ -	\$ 5,293,968	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF DECEMBER 31, 2013 AND 2012-UNAUDITED

	2013				2012			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana- Kentucky Electric Corporation
CASH FROM OPERATIONS								
Net income	\$ 2,181,266	\$ -	\$ 2,181,266	\$ -	\$ 2,256,690	\$ -	\$ 2,256,690	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	80,172,750	-	58,549,377	21,623,373	85,140,820	-	58,453,907	26,686,913
Amortization of debt expense and discount	5,166,736	-	5,166,736	-	4,606,617	-	4,606,617	-
Deferred taxes	(8,317,771)	-	(8,317,771)	-	2,908,239	-	2,841,185	67,054
Gain on marketable securities	(5,006,076)	-	(2,670,542)	(2,335,534)	(6,345,075)	-	(4,676,784)	(1,668,291)
Changes in assets and liabilities:								
Accounts receivable	4,073,877	-	3,651,541	422,336	3,948,625	-	4,119,114	(170,489)
Fuel in storage	36,529,701	-	14,191,045	22,338,656	(7,853,097)	-	(10,653,287)	2,800,190
Material and supplies	(4,735,132)	-	(3,623,429)	(1,111,703)	341,497	-	(1,181,480)	1,522,977
Property taxes applicable to subsequent years	(199,465)	-	(199,465)	-	18,480	-	18,480	-
Emission allowances	24,221	-	24,221	-	(58,130)	-	(58,130)	-
Refundable income taxes	12,501,572	-	12,501,572	-	(14,391,215)	-	(14,449,233)	58,018
Prepaid expenses and other	(76,271)	-	36,650	(112,921)	(260,491)	-	(190,326)	(70,165)
Other regulatory assets	7,906,060	-	4,854,170	3,051,890	11,638,471	-	5,942,308	5,696,163
Other noncurrent assets	103,107	-	103,107	-	119,375	-	119,375	-
Accounts payable	(6,679,645)	-	(7,814,198)	1,134,553	2,571,729	-	6,835,683	(4,263,954)
Deferred revenue	3,769,252	-	5,659,107	(1,889,855)	(11,694,904)	-	(6,967,844)	(4,727,060)
Accrued taxes	9,619,099	-	9,595,611	23,488	(160,864)	-	(16,994)	(143,870)
Accrued interest and other	2,322,890	-	2,626,950	(304,060)	2,912,675	-	1,297,934	1,614,741
Other liabilities	(23,801,669)	-	(22,385,798)	(1,415,871)	(13,943,822)	-	(7,004,405)	(6,939,417)
Other regulatory liabilities	25,661,663	-	17,334,026	8,327,637	5,248,035	-	3,153,047	2,094,988
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	141,216,165	-	91,464,176	49,751,989	67,003,655	-	44,445,857	22,557,798
INVESTING ACTIVITIES								
Electric plant additions	(83,374,182)	-	(38,307,117)	(45,067,065)	(203,169,352)	-	(50,505,005)	(152,664,347)
Purchase of marketable securities	66,189,872	-	67,375,842	(1,185,970)	(65,768,183)	-	(64,702,563)	(1,065,620)
Advances to subsidiary company	-	(3,511,167)	3,511,167	-	-	131,176,807	(131,176,807)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(17,184,310)	(3,511,167)	32,579,892	(46,253,035)	(268,937,535)	131,176,807	(246,384,375)	(153,729,967)
FINANCING ACTIVITIES								
Advances from parent company	-	3,511,167	-	(3,511,167)	-	(131,176,807)	-	131,176,807
Repayment of Senior 2006 Notes	(15,602,389)	-	(15,602,389)	-	(14,730,774)	-	(14,730,774)	-
Repayment of Senior 2007 Notes	(11,017,149)	-	(11,017,149)	-	(10,392,343)	-	(10,392,343)	-
Repayment of Senior 2008 Notes	(11,519,366)	-	(11,519,366)	-	(10,797,067)	-	(10,797,067)	-
Issuance of 2012 Bonds	-	-	-	-	299,403,938	-	299,403,938	-
Proceeds from line of credit	10,000,000	-	10,000,000	-	160,000,000	-	160,000,000	-
Payments on line of credit	(40,000,000)	-	(40,000,000)	-	(200,000,000)	-	(200,000,000)	-
Loan origination costs	(4,059,559)	-	(4,059,559)	-	(5,377,779)	-	(5,377,779)	-
Dividends-common stock	(1,000,000)	-	(1,000,000)	-	(1,000,000)	-	(1,000,000)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(73,198,463)	3,511,167	(73,198,463)	(3,511,167)	217,105,975	(131,176,807)	217,105,975	131,176,807
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 50,833,392	\$ -	\$ 50,845,605	\$ (12,213)	\$ 15,172,095	\$ -	\$ 15,167,457	\$ 4,638
CASH AND CASH EQUIVALENTS, JAN. 1	19,924,318	-	19,901,605	22,713	4,752,223	-	4,734,148	18,075
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,833,392	-	50,845,605	(12,213)	15,172,095	-	15,167,457	4,638
CASH AND CASH EQUIVALENTS, DEC. 31	\$ 70,757,710	\$ -	\$ 70,747,210	\$ 10,500	\$ 19,924,318	\$ -	\$ 19,901,605	\$ 22,713