

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - SEPTEMBER 30, 2019 AND 2018-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - SEPTEMBER 30, 2019 AND 2018-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - SEPTEMBER 30, 2019 AND 2018-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 September 30, 2019 and 2018 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 September 30, 2019 and 2018, and the results of the operations, thereof, in accordance with generally accepted accounting principles consistently applied throughout the period. To the best of my knowledge and belief, there has been no Potential Default, Default, or Event of Default by the Companies and the Companies are in compliance with the covenants of the current debt agreements.



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

CONSOLIDATED NET WORTH

The consolidated net worth of Ohio Valley Electric Corporation and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation for the quarter ending September 30, 2019 was \$26,606,594



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

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF SEPTEMBER 30, 2019 AND 2018-UNAUDITED

	2019				2018			
	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	\$ 2,789,032,630	\$ -	\$ 1,388,907,219	\$ 1,400,125,411	\$ 2,782,634,271	\$ -	\$ 1,386,159,516	\$ 1,396,474,755
Less - Accumulated provisions for depreciation	(1,545,556,773)	-	(771,533,428)	(774,023,345)	(1,484,122,188)	-	(742,998,767)	(741,123,421)
	1,243,475,857	-	617,373,791	626,102,066	1,298,512,083	-	643,160,749	655,351,334
Construction in progress	17,070,781	-	10,577,598	6,493,183	12,526,088	-	6,602,219	5,923,869
Total electric plant	1,260,546,638	-	627,951,389	632,595,249	1,311,038,171	-	649,762,968	661,275,203
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(631,956,470)	631,956,470	-	-	(641,207,770)	641,207,770	-
Total investments and other	-	(635,356,470)	635,356,470	-	-	(644,607,770)	644,607,770	-
CURRENT ASSETS:								
Cash and cash equivalents	32,654,669	-	32,648,469	6,200	60,623,145	-	60,616,945	6,200
Accounts receivable	67,608,022	-	67,028,311	579,711	49,658,597	-	49,218,444	440,153
Fuel in storage-at average cost	54,649,199	-	23,093,592	31,555,607	20,689,756	-	8,460,541	12,229,215
Materials and supplies-at average cost	42,864,259	-	26,156,939	16,707,320	39,539,057	-	23,597,738	15,941,319
Property taxes applicable to future years	37,500	-	37,500	-	287,500	-	287,500	-
Emission allowances	292,123	-	292,123	-	299,902	-	299,902	-
Income taxes receivable	4,690,064	-	4,690,064	-	-	-	-	-
Prepaid expenses and other	3,097,876	-	1,818,694	1,279,182	2,617,996	-	1,392,270	1,225,726
Total current assets	205,893,712	-	155,765,692	50,128,020	173,715,953	-	143,873,340	29,842,613
REGULATORY ASSETS:								
Unrecognized postemployment benefits	4,147,956	-	2,464,412	1,683,544	3,865,985	-	2,569,375	1,296,610
Pension benefits	33,894,325	-	19,235,029	14,659,296	37,249,847	-	21,172,813	16,077,034
Decommissioning and demolition	-	-	-	-	-	(3,616,398)	3,616,398	-
Total regulatory assets	38,042,281	-	21,699,441	16,342,840	41,115,832	(3,616,398)	27,358,586	17,373,644
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	28,488	-	28,488	-	199,415	-	199,415	-
Income taxes receivable	4,614,683	-	4,614,683	-	9,294,909	-	9,294,909	-
Long-term investments	223,265,758	-	186,302,290	36,963,468	181,257,382	-	147,186,444	34,070,938
Other	1,773,155	-	1,772,171	984	1,534	-	550	984
Total deferred charges and other	229,682,084	-	192,717,632	36,964,452	190,753,240	-	156,681,318	34,071,922
TOTAL	\$ 1,734,164,715	\$ (635,356,470)	\$ 1,633,490,624	\$ 736,030,561	\$ 1,716,623,196	\$ (648,224,168)	\$ 1,622,283,982	\$ 742,563,382

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF SEPTEMBER 30, 2019 AND 2018-UNAUDITED

	2019				2018			
	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	1,043,939,372	-	1,043,939,372	-	1,225,865,153	-	1,225,865,153	-
Line of credit borrowings-long term	80,000,000	-	80,000,000	-	85,000,000	-	85,000,000	-
Retained earnings	16,606,594	-	16,606,594	-	13,267,908	-	13,267,908	-
Total capitalization	1,150,545,966	(3,400,000)	1,150,545,966	3,400,000	1,334,133,061	(3,400,000)	1,334,133,061	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	231,998,032	-	231,998,032	-	78,677,232	-	78,677,232	-
Accounts payable	29,499,066	-	13,793,223	15,705,843	26,362,872	-	11,313,612	15,049,260
Accrued taxes	8,357,499	-	4,287,613	4,069,886	7,886,449	-	3,613,466	4,272,983
Regulatory liabilities	11,064,248	-	8,303,946	2,760,302	7,503,199	-	5,021,273	2,481,926
Accrued interest and other	23,475,547	-	20,119,590	3,355,957	23,862,205	-	20,473,269	3,388,936
Total current liabilities	304,394,392	-	278,502,404	25,891,988	144,291,957	-	119,098,852	25,193,105
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	67,530,024	-	50,706,147	16,823,877	53,957,573	-	40,401,603	13,555,970
Decommissioning and demolition	8,324,815	-	789,336	7,535,479	4,515,556	(3,616,398)	1,953,856	6,178,098
Advance billing of debt reserve	82,500,000	-	82,500,000	-	51,999,998	-	51,999,998	-
Income taxes refundable to customers	11,571,428	-	11,571,428	-	11,571,428	-	11,571,428	-
Total regulatory liabilities	169,926,267	-	145,566,911	24,359,356	122,044,555	(3,616,398)	105,926,885	19,734,068
OTHER LIABILITIES:								
Pension liability	33,894,325	-	19,235,029	14,659,296	37,249,847	-	21,172,813	16,077,034
Asset retirement obligations	60,246,682	-	30,769,526	29,477,156	57,170,620	-	29,218,810	27,951,810
Postretirement benefits obligation	10,186,597	-	5,708,766	4,477,831	17,196,685	-	9,658,850	7,537,835
Postemployment benefits obligation	4,147,956	-	2,464,412	1,683,544	3,865,985	-	2,569,375	1,296,610
Parent advances for construction	-	(631,956,470)	-	631,956,470	-	(641,207,770)	-	641,207,770
Other liabilities	822,530	-	697,610	124,920	670,486	-	505,336	165,150
Total other liabilities	109,298,090	(631,956,470)	58,875,343	682,379,217	116,153,623	(641,207,770)	63,125,184	694,236,209
TOTAL	\$ 1,734,164,715	\$ (635,356,470)	\$ 1,633,490,624	\$ 736,030,561	\$ 1,716,623,196	\$ (648,224,168)	\$ 1,622,283,982	\$ 742,563,382

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YEAR TO DATE AS OF SEPTEMBER 30, 2019 AND 2018-UNAUDITED

	2019				2018			
	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	\$ 3,648,005	\$ -	\$ 3,648,005	\$ -	\$ 6,092,975	\$ -	\$ 6,092,975	\$ -
Ohio Valley Electric Corp.	-	(194,418,005)	-	194,418,005	-	(191,638,224)	-	191,638,224
Sponsoring Companies	450,556,097	-	450,556,097	-	450,946,911	-	450,946,911	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	454,204,102	(194,418,005)	454,204,102	194,418,005	457,039,886	(191,638,224)	457,039,886	191,638,224
OPERATING EXPENSES:								
Fuel and emission allowances consumed in operation	200,830,997	-	94,289,824	106,541,173	211,159,226	-	96,786,236	114,372,990
Purchased power	3,380,392	(194,418,005)	197,798,397	-	5,480,079	(191,638,224)	197,118,303	-
Other operation	66,502,800	-	44,686,311	21,816,489	61,250,436	-	38,866,242	22,384,194
Maintenance	66,666,757	-	32,916,084	33,750,673	61,689,965	-	31,540,967	30,148,998
Depreciation	59,704,623	-	28,325,404	31,379,219	44,451,036	-	23,288,354	21,162,682
Taxes-other than federal income taxes	9,217,705	-	5,630,555	3,587,150	9,171,290	-	5,321,254	3,850,036
Federal income taxes	-	-	-	-	-	-	-	-
Total operating expenses	406,303,274	(194,418,005)	403,646,575	197,074,704	393,202,052	(191,638,224)	392,921,356	191,918,900
OPERATING INCOME	47,900,828	-	50,557,527	(2,656,699)	63,837,854	-	64,118,530	(280,676)
OTHER INCOME (EXPENSE)	15,739,290	-	13,074,857	2,664,433	781,006	-	491,645	289,361
INCOME BEFORE INTEREST CHARGES	63,640,118	-	63,632,384	7,734	64,618,860	-	64,610,175	8,685
INTEREST CHARGES:								
Amortization of debt expense	3,004,529	-	3,004,529	-	3,109,830	-	3,109,830	-
Interest expense	58,267,727	-	58,259,993	7,734	58,583,373	-	58,574,688	8,685
Total interest charges	61,272,256	-	61,264,522	7,734	61,693,203	-	61,684,518	8,685
NET INCOME	\$ 2,367,862	\$ -	\$ 2,367,862	\$ -	\$ 2,925,657	\$ -	\$ 2,925,657	\$ -
RETAINED EARNINGS, JAN. 1	14,238,732	-	14,238,732	-	10,342,251	-	10,342,251	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, SEP. 30	\$ 16,606,594	\$ -	\$ 16,606,594	\$ -	\$ 13,267,908	\$ -	\$ 13,267,908	\$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF SEPTEMBER 30, 2019 AND 2018-UNAUDITED

	2019				2018			
	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	\$ 2,367,862	\$ -	\$ 2,367,862	\$ -	\$ 2,925,657	\$ -	\$ 2,925,657	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	59,704,623	-	28,325,404	31,379,219	44,451,036	-	23,288,354	21,162,682
Amortization of debt expense and discount	3,004,529	-	3,004,529	-	3,109,830	-	3,109,830	-
Deferred taxes	-	-	-	-	-	-	-	-
(Gain)/loss on marketable securities	(15,460,801)	-	(12,773,024)	(2,687,777)	(360,983)	-	(40,984)	(319,999)
Changes in assets and liabilities:								
Accounts receivable	(3,329,126)	-	(3,512,764)	183,638	(8,924,260)	-	(8,850,342)	(73,918)
Fuel in storage	(21,175,013)	-	(5,979,569)	(15,195,444)	13,127,355	-	1,289,769	11,837,586
Material and supplies	(2,229,616)	-	(1,745,770)	(483,846)	(1,093,780)	-	(1,290,369)	196,589
Property taxes applicable to subsequent years	3,025,000	-	3,025,000	-	2,625,000	-	2,625,000	-
Emission allowances	6,232	-	6,232	-	55,950	-	55,950	-
Refundable income taxes	-	-	-	-	-	-	-	-
Prepaid expenses and other	(921,971)	-	(573,802)	(348,169)	(566,018)	-	(281,567)	(284,451)
Other regulatory assets	8,721,689	-	8,721,689	-	885,038	-	885,038	-
Other noncurrent assets	(527,518)	-	(527,518)	-	-	-	-	-
Accounts payable	(11,814,321)	-	(8,301,031)	(3,513,290)	(4,968,550)	-	(3,225,573)	(1,742,977)
Accrued taxes	(2,368,266)	-	(2,889,866)	521,600	(2,912,701)	-	(3,627,032)	714,331
Accrued interest and other	2,812,355	-	4,089,356	(1,277,001)	(1,822,635)	-	48,462	(1,871,097)
Decommissioning and demolition	5,505,993	-	789,336	4,716,657	-	-	-	-
Other regulatory liabilities	29,777,423	-	32,027,399	(2,249,976)	29,364,146	-	25,385,336	3,978,810
Other noncurrent liabilities	340,022	-	300,716	39,306	68,134	-	-	68,134
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>57,439,096</u>	<u>-</u>	<u>46,354,179</u>	<u>11,084,917</u>	<u>75,963,219</u>	<u>-</u>	<u>42,297,529</u>	<u>33,665,690</u>
INVESTING ACTIVITIES								
Electric plant additions	(24,095,739)	-	(16,342,365)	(7,753,374)	(11,474,973)	-	(6,288,956)	(5,186,017)
Sale (Purchase) of marketable securities	(26,533,424)	-	(24,504,544)	(2,028,880)	(26,622,439)	-	(23,903,340)	(2,719,099)
Advances to subsidiary company	-	(1,302,663)	1,302,663	-	-	(25,760,574)	25,760,574	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(50,629,163)</u>	<u>(1,302,663)</u>	<u>(39,544,246)</u>	<u>(9,782,254)</u>	<u>(38,097,412)</u>	<u>(25,760,574)</u>	<u>(4,431,722)</u>	<u>(7,905,116)</u>
FINANCING ACTIVITIES								
Advances from parent company	-	1,302,663	-	(1,302,663)	-	25,760,574	-	(25,760,574)
Repayment of Senior 2006 Notes	(22,029,278)	-	(22,029,278)	-	(20,798,412)	-	(20,798,412)	-
Repayment of Senior 2007 Notes	(7,709,825)	-	(7,709,825)	-	(7,271,806)	-	(7,271,806)	-
Repayment of Senior 2008 Notes	(8,358,674)	-	(8,358,674)	-	(7,834,123)	-	(7,834,123)	-
Reissuance of 2009 Bonds	25,000,000	-	25,000,000	-	-	-	-	-
Proceeds from line of credit	10,000,000	-	10,000,000	-	-	-	-	-
Payments on line of credit	(15,000,000)	-	(15,000,000)	-	-	-	-	-
Loan maintenance costs	(3,581,043)	-	(3,581,043)	-	(316,411)	-	(316,411)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(21,678,820)</u>	<u>1,302,663</u>	<u>(21,678,820)</u>	<u>(1,302,663)</u>	<u>(36,220,752)</u>	<u>25,760,574</u>	<u>(36,220,752)</u>	<u>(25,760,574)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (14,868,887)	\$ -	\$ (14,868,887)	\$ -	\$ 1,645,055	\$ -	\$ 1,645,055	\$ -
CASH AND CASH EQUIVALENTS, JAN. 1	<u>47,523,556</u>	<u>-</u>	<u>47,517,356</u>	<u>6,200</u>	<u>47,523,556</u>	<u>-</u>	<u>47,517,356</u>	<u>6,200</u>
CASH AND CASH EQUIVALENTS, SEP. 30	<u>\$ 32,654,669</u>	<u>\$ -</u>	<u>\$ 32,648,469</u>	<u>\$ 6,200</u>	<u>\$ 49,168,611</u>	<u>\$ -</u>	<u>\$ 49,162,411</u>	<u>\$ 6,200</u>