Before
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the application of OHIO VALLEY ELECTRIC CORPORATION for authority to issue and sell secured or unsecured promissory notes, debentures or other debt securities, to borrow from or enter into other financing arrangements with, the Ohio Air Quality Development Authority, Indiana Finance Authority or other authority, to enter into one or more secured or unsecured term loan or revolving credit arrangements and to enter into interest rate management agreements	Case No. 15-1657-EL-AIS

APPLICATION AND STATEMENT

TO THE HONORABLE

THE PUBLIC UTILITIES COMMISSION OF OHIO:

Your Applicant, Ohio Valley Electric Corporation, respectfully shows:

FIRST: Applicant is an Ohio corporation, which owns and operates facilities for the generation, transmission and sale of electric power and energy in the State of Ohio and owns and operates facilities for the transmission of electric power and energy in the Commonwealth of Kentucky, Applicant being a public utility, as defined in the Ohio Revised Code ("Revised Code"). Applicant's wholly-owned subsidiary, Indiana-Kentucky Electric Corporation ("IKEC"), owns and operates facilities for the generation, transmission and sale of electric power and energy in the State of Indiana. The combined electric production capability of the generating stations owned and operated by Applicant and IKEC (which are known as the Kyger Creek and Clifty Creek Plants) is approximately 2,390 megawatts.

Applicant was organized on October 1, 1952 by the ten (now twelve) participating companies, which are the owners of all of the capital stock of Applicant, to supply, together with the Sponsoring Companies (as defined below), the entire power requirements of the gaseous diffusion plant near Portsmouth, Ohio, owned and operated initially by the United States Atomic Energy Commission until January 19, 1975, and then, from that date until September 30, 1977, by the United States Energy Research and Development Administration, which, under the Energy Reorganization Act of 1974 succeeded to certain of the functions of the Atomic Energy Commission, and thereafter by the United States Department of Energy ("DOE") which, on October 1, 1977, pursuant to the Department of Energy Organization Act, succeeded to the functions of the Energy Research and Development Administration. Effective August 31, 2001, DOE became no longer entitled to any power generated by Applicant's and IKEC's generating stations, and the Sponsoring Companies have instead purchased that power.

The twelve participating companies that own all of Applicant's common stock are currently as follows: Allegheny Energy, Inc., a subsidiary of FirstEnergy Corp.; American Electric Power Company, Inc. ("AEP"); Buckeye Power Generating, LLC, an affiliate of Buckeye Power, Inc.; Duke Energy Ohio, Inc. (formerly known as The Cincinnati Gas & Electric Company), a subsidiary of Duke Energy Corporation; The Dayton Power and Light Company, a subsidiary of the AES Corporation; Kentucky Utilities Company, a subsidiary of PPL Corporation; Louisville Gas and Electric Company, also a subsidiary of PPL Corporation; Ohio Edison Company, a subsidiary of FirstEnergy Corp.; Ohio Power Company, a subsidiary of AEP; Peninsula Generation Cooperative, a subsidiary of Wolverine Power Supply Cooperative, Inc.; Southern Indiana Gas and Electric Company, a subsidiary of Vectren Corporation; and The Toledo Edison Company, also a subsidiary of FirstEnergy Corp. All of these participating companies or their affiliates ("Sponsoring Companies") currently purchase power from Applicant according to the terms of that certain Amended and Restated Inter-Company Power Agreement dated as of September 10, 2010 (as amended, the "Inter-Company Power Agreement"). As noted in the application of Applicant filed in Case No. 11-5763-EL-AIS, in 2011, as part of an amendment and restatement, the term of the Inter-Company Power Agreement was extended from March 13, 2026 to June 30, 2040.

Applicant is a public utility, within the meaning of Section 4905.02 of the Revised Code, being engaged in the business of supplying electricity for light, heat or power purposes within the State of Ohio, and is subject to the jurisdiction of your Honorable Commission. Applicant is also engaged in the business of transmitting electricity within the Commonwealth of Kentucky, the electric power and energy so transmitted being delivered in interstate commerce.

Reference is made herein to your Honorable Commission's Finding and Order in Case No. 14-1407-EL-AIS, in which your Honorable Commission authorized Applicant, through December 31, 2015 to: (a) issue and sell secured or unsecured promissory notes, debentures or other debt securities in one or more series, (b) borrow from or enter into other financing arrangements with the Ohio Air Quality Development Authority, the Indiana Finance Authority or any statutory successor thereto, or other tax-exempt authority through the issuance of tax exempt bonds, (c) enter into one or more secured or unsecured term loan or revolving credit arrangements, (d) issue and sell any combination of notes and credit facilities to one or more commercial banks, financial institutions or other institutional investors, or to make borrowings from either the Ohio Air Quality Development Authority, Indiana Finance Authority or any statutory successor thereto or any other authorized issuer of tax-exempt bonds from time to time, in an aggregate principal amount of up to $450 million, and (e) enter into interest rate management agreements, all consistent with the parameters specified in the application made in such proceeding and its exhibits.

SECOND: Attached hereto as Exhibit A are financial statements, including a balance sheet and statements of income and retained earnings of Applicant, as of June 30, 2015.

THIRD: To provide Applicant with necessary capital for the purposes set forth herein, Applicant proposes, with the consent and approval of your Honorable Commission, from January 1, 2016 through December 31, 2016, to issue and sell secured or unsecured promissory notes, debentures or other debt securities ("Notes"), in one or more series, or to borrow from, or enter into other financing arrangements with, the Ohio Air Quality Development Authority or any statutory successor thereto, the Indiana Finance Authority or any statutory successor thereto, or any other authorized issuer of tax-exempt bonds (each, an "Authority"), or to enter into one or more secured or unsecured term loan or revolving credit arrangements (which may include increasing the amount available for borrowing under Applicant's existing revolving credit arrangement) ("Credit Facilities"), or to issue and sell or enter into any combination of Notes and Credit Facilities, to or with one or more commercial banks, financial institutions or other institutional investors, or to make borrowings from, or enter into other financing arrangements with, one or more Authorities, in an aggregate principal amount outstanding at any time with respect to all Notes, Authority borrowings and other Authority financing arrangements and Credit Facilities of up to $450 million. Applicant would issue and sell the Notes, borrow from, or enter into other financing arrangements with one or more Authorities, or enter into the Credit Facilities pursuant to one or more note purchase agreements, indentures, term loan agreements, revolving credit agreements, conditional or installment sales agreements or leases, and security agreements or other ancillary agreements as applicable (each, a "Proposed Agreement"). In connection with the interest rate applicable to one or more of the Notes, Authority borrowings or Credit Facilities, Applicant may enter into interest rate management agreements ("Interest Rate Management

Agreements"). The authority requested herein is in addition to the authority granted in Case No. 14-1407-EL-AIS, which will expire on December 31, 2015.

A. *Notes*

Any Notes will mature in not less than twelve (12) months and not more than sixty (60) years after issuance. The interest rate of the Notes may be fixed or variable or some combination of fixed and variable rates. Any fixed rate Note will be sold by Applicant at a yield to maturity which shall not exceed by more than 5 % the yield to maturity on United States Treasury obligations of comparable maturity at the time of pricing. The interest rate on any variable rate Note will not exceed the London Interbank Offered Rate for U.S. dollar deposits of similar duration at the time of pricing by 400 basis points, and the initial interest rate on any variable rate Note will not exceed 9.0% per annum. Applicant will agree to specific redemption provisions, if any, including redemption premiums, at the time of the pricing. No compensating balances shall be maintained with, or fees in the form of substitute interest paid to, a lender or holder with respect to any Note provided that any such lenders or holders may receive up-front, arrangement or similar fees not to exceed in the aggregate 3.0% of the principal amount of the total borrowing. In addition, in the event a bank or financial institution arranges for a borrowing from a third party, such bank or institution may charge Applicant a placement fee, not to exceed 3.0% of the principal amount of such borrowing.

B. *Authority Financing Arrangements*

Any financing arrangement with an Authority will be entered into in connection with the issuance of revenue bonds by such Authority ("Authority Bonds"). Such a financing arrangement will be in the form of a loan agreement (including a promissory note evidencing its obligations under such loan agreement), a conditional or installment sale agreement or a lease with an option to purchase (each, an "Authority Financing

Agreement") and be for a term or terms of not more than sixty (60) years. Applicant's obligations under any Authority Financing Agreements will include the making of payments sufficient to repay all the principal of, the premium, if any, and the interest on, the Authority Bonds issued in connection with such Authority Financing Agreements. Any Authority Bonds will be special obligations payable solely out of revenues derived from the payments by Applicant under the related Authority Financing Agreements. In connection with any Authority Bonds, Applicant may enter into one or more guaranty agreements, bond insurance agreements and other similar undertakings guaranteeing repayment of all or any part of the obligations with respect to all or any part of such Authority Bonds and the related Authority Financing Agreements and may give mortgages and other liens and security to secure such obligations.

Any Authority Bonds may be issued as taxable or tax-exempt bonds or once issued may be converted from taxable to tax-exempt bonds. The interest rate of any Authority Bonds may be fixed or variable or some combination of fixed and variable rates. Any fixed rate Authority Bond will be sold at a yield to maturity which shall not exceed by more than 5.0% the yield to maturity on United States Treasury obligations of comparable maturity at the time of pricing, and the initial interest rate on any variable rate Authority Bond will not exceed 9.0% per annum. Applicant will agree to specific redemption provisions, if any, including redemption premiums, at the time of the pricing. Applicant may also agree to up-front, arrangement or similar fees not to exceed in the aggregate 3.0% of the principal amount of the total borrowing.

Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of any Authority Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by Applicant. Applicant would reserve the option to convert any variable rate

Authority Bonds at a later date to other interest rate modes, including a fixed rate of interest. Variable rate Authority Bonds also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered variable rate Authority Bonds, Applicant may enter into one or more remarketing agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered variable rate Authority Bonds to other purchasers at a price equal to the purchase price of such variable rate Authority Bonds, which will be 100% of the par amount of such variable rate Authority Bonds. It is expected that the fees of the remarketing agent would not exceed approximately 25 basis points.

Also, in the event that variable rate Authority Bonds are issued, Applicant may enter into one or more liquidity or credit facilities (each, a "Bank Liquidity Facility") with a bank or banks (each, a "Bank") to be selected by Applicant. Any Bank Liquidity Facility would be a credit agreement designed to provide Applicant with immediately available funds with which to make payments with respect to any variable rate Authority Bonds that have been tendered for purchase and are not remarketed. Pursuant to a Bank Liquidity Facility, Applicant may be required to execute and deliver to the applicable Bank a note evidencing Applicant's obligation to such Bank under such Bank Liquidity Facility.

In order to obtain terms and conditions more favorable to Applicant than those provided in a Bank Liquidity Facility or to provide for additional liquidity or credit support to enhance the marketability of variable rate Authority Bonds, Applicant may desire to be able to replace a Bank Liquidity Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instrument providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, is hereinafter referred to as a "Liquidity Facility") with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by Applicant from time to time (each such financial institution hereinafter referred to as a 'Liquidity Facility Provider"). A Liquidity Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement or other similar arrangement designed to provide liquidity or credit support, or both, for variable rate Authority Bonds. It is contemplated that, in the event variable rate Authority Bonds are converted to bear interest at a fixed rate to maturity, any Bank Liquidity Facility (if not already replaced or terminated) or, if applicable, any Liquidity Facility (unless earlier terminated) may be terminated, in whole or in part, following the date of conversion of such series of variable rate Authority Bonds. It is expected that the fees with respect to any Bank Liquidity Facility or Liquidity Facility would not exceed approximately 400 basis points.

In order to obtain terms and conditions more favorable to Applicant or to provide for additional liquidity or credit support to enhance the marketability of the Authority Bonds (including variable rate Authority Bonds), Applicant may desire to obtain bond insurance with one or more insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by Applicant from time to time. Applicant would use bond insurance only if it would be anticipated to reduce Applicant's cost of financing.

Applicant's obligations with respect to any Authority Financing Agreement or Authority Bonds (or any related Credit Enhancement (as defined below), Bank Liquidity Facility or Liquidity Facility) may be secured by a mortgage or other secured bonds or other debt issued by Applicant. Any such bonds or other debt would correspond directly with the related Authority Financing Agreement and series of Authority Bonds (including in principal amount), and any payments made with respect to the related Authority Bonds would be considered also as payments made with respect to such bonds or other debt. Accordingly, any such bonds or other debt would not themselves separately count against or otherwise reduce the financing authority available to Applicant, over and above the effect of the related Authority Bonds and Authority Financing Agreement.

It is contemplated that Authority Bonds may be issued to refund certain outstanding Authority Bonds ("Refunding Bonds"). Refunding Bonds will be sold pursuant to an arrangement with an underwriter or a group of underwriters. Applicant will not agree, without further Order of this Commission, to the issuance of Refunding Bonds if (i) the stated maturity of the Refunding Bonds shall be more than 60 years; (ii) the initial fixed rate of interest to be borne by the Refunding Bonds shall exceed 5.0% per annum or the initial rate of interest to be borne by Refunding Bonds bearing a variable rate of interest shall exceed 9.0% per annum; (iii) the discount on the proceeds of the issuance of Refunding Bonds will exceed 5.0% of the principal amount thereof; and (iv) the initial public offering price of the Refunding Bonds is less than 95.0% of the principal amount thereof.

C. *Credit Facilities*

Any Credit Facility will be for periods of not more than ten (10) years, and Applicant may in connection with any Credit Facility issue notes ("Credit Notes") that will mature not later than the maturity or termination date with respect to such Credit Facility. The commitment or facility fees on the unused portion of any line of credit in connection with any Credit Facility will not exceed 1.50% per annum. Other fees and commissions will not exceed 4.0% of such Credit Facility. The interest rate applicable to a loan under any Credit Facility (including with respect to any Credit Note) (excluding any adjustment that may be required to take into account changes in reserve or capital adequacy requirements or other requirements of law which add to a lender's cost in making or maintaining the loan or reduce its return thereon, or, in the case of foreign banks, withholding taxes) will not exceed (i) the most recently available London Interbank Offered Rate for U.S. dollar deposits of similar duration by 450 basis points; (ii) the then offered rate for certificates of deposit by a selected U.S. major money center bank plus 450 basis points; or (iii) the then prime rate of a selected U.S. major money center bank plus 350 basis points, unless a pricing option based on one or more of these benchmarks is not then available to Applicant. In that case, the interest rate applicable to a loan under any Credit Facility (including with respect to any Credit Note) will not exceed the lowest of the pricing options based on those benchmarks that are available.

D. *General*

1. *Lender Assignments and Participations*

A lender under a Proposed Agreement or otherwise with respect to a Note or Credit Facility may desire to assign, or to sell participations in, all or any part of its interests under such Proposed Agreement or such Note or Credit Facility (including with respect to any Credit Note or any of the loans thereunder), to other commercial banks, financial institutions or institutional investors. Such assignee would have the same rights, benefits and obligations under such Proposed Agreement and such Note or Credit Facility (including with respect to any Credit Note) as the assigning lender.

2. *Restrictive Covenants*

In connection with the sale or entering into of any of the Notes, Authority Financing Agreements and Credit Facilities, Applicant may agree to restrictive covenants which would prohibit it from, among other things: (i) creating or permitting to exist any liens on its property, with certain stated exceptions; (ii) creating indebtedness except as specified therein; (iii) failing to maintain a specified financial condition; (iv) entering into certain mergers, consolidations and dispositions of assets; (v) permitting certain events to occur in connection with pension plans; and (vi) terminating or replacing the Inter-Company Power Agreement among Applicant and the Sponsoring Companies or amending, modifying or waiving certain provisions thereof. In addition, Applicant may be required to prepay such Notes or Authority Bonds, or amounts borrowed under the Credit Facilities, after certain specified events, including an ownership change.

3. *Credit Enhancement*

Applicant may provide certain of the Notes, Authority Financing Agreements, Authority Bonds or Credit Facilities issued or entered into by Applicant to refund or amend the same, some form of credit enhancement such as a letter of credit, bond insurance, surety bond or other insurance ("Credit Enhancement") if deemed advisable. Applicant would use Credit Enhancement only if it would be anticipated to reduce Applicant's cost of financing.

4. *Revised Code § 4905.401*

Any Note, Authority Financing Agreement, or Credit Facility (including any Credit Note), with a maturity or duration of twelve (12) months or less issued or entered into by Applicant pursuant to the authority granted to it by the Commission as requested by this Application, will not be considered to limit the authority that Applicant may have pursuant to Section 4905.401 of the Revised Code to issue, without authorization of the Commission, notes or other evidence of indebtedness payable at periods of not more than twelve (12) months.

FOURTH: Applicant proposes, with the consent and approval of your Honorable Commission, to utilize interest rate management techniques and enter into Interest Rate Management Agreements. Such authority will allow Applicant sufficient alternatives and flexibility when striving to reduce its effective interest cost and manage interest cost on financings.

A. *Interest Rate Management Agreements*

The Interest Rate Management Agreements will be products commonly used in today's capital markets, consisting of "interest rate swaps," "caps," "collars," "floors," "options," or hedging products such as "forwards" or "futures," or similar products, the purpose of which is to manage and minimize interest costs. Applicant expects to enter into these agreements with counterparties that are highly rated financial institutions. The transactions will be for a fixed period and a stated principal amount, and may be for underlying fixed or variable obligations of Applicant. Applicant will not agree to any covenant more restrictive than those contained in the underlying obligation.

B. *Pricing Parameters*

Applicant proposes that the pricing parameters for Interest Rate Management Agreements be governed by the parameters contained herein. Fees and commissions in connection with any Interest Rate Management Agreement will be in addition to the above parameters and will not exceed 2.0% of the amount of the underlying obligation involved.

C. *Accounting*

Applicant proposes to account for these transactions in accordance with generally accepted accounting principles.

D. *Commission Authorization*

Since market opportunities for these interest rate management alternatives are transitory, Applicant must be able to execute interest rate management transactions when the opportunity arises to obtain the most competitive pricing. Thus, Applicant seeks approval to enter into any or all of the described transactions within the parameters discussed above prior to the time Applicant reaches agreement with respect to the terms of such transactions.

If Applicant utilizes Interest Rate Management Agreements, Applicant's annual long- term interest charges could change. The authorization of the Interest Rate Management

Agreements consistent with the parameters herein in no way relieves Applicant of its responsibility to obtain the best terms available for the product selected and, therefore, it is appropriate and reasonable for this Commission to authorize Applicant to agree to such terms and prices consistent with said parameters.

The authorization which Applicant requests herein to enter into Interest Rate Management Agreements is consistent with the authority granted by your Honorable Commission to Applicant in Case No. 14-1407-EL-AIS.

FIFTH: The issuance of the Notes and the entering into of the Authority Financing Agreements and the Credit Facilities (and issuance of any Credit Notes thereunder) will be effected in compliance with all applicable indenture, charter and other standards relating to debt and equity securities and capitalization ratios of Applicant.

SIXTH: Applicant, in compliance with Section 4905.40 of the Revised Code, proposes to apply the net proceeds realized from the sale of the Notes, from Authority Financing Agreements and from borrowings under the Credit Facilities (and issuance of any Credit Notes thereunder), together with any other funds that may become available to Applicant, (i) to finance coal, reagent, environmental allowance, material and supply inventories at its Kyger Creek and Clifty Creek Plants and pay its general obligations, (ii) to repay, refinance, refund or redeem short- and long-term indebtedness, and (iii) to pay any expenditures incurred in connection with the compliance with environmental regulations of the Ohio and United States Environmental Protection Agencies. Such environmental compliance efforts include studies, analysis, preliminary engineering and design work associated with cooling water intake structures and ash ponds at its Kyger Creek and Clifty Creek Plants in connection with section 316(b) of the Clean Water Act and the proposed Coal Combustion Residual Rule.

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WHEREFORE: Applicant prays for authority from your Honorable Commission, from January 1, 2016 through December 31, 2016, (i) to enter into one or more Proposed Agreements and to issue one or more Notes in the manner set forth herein, with a maturity of not less than twelve (12) months and not more than sixty (60) years, to enter into Authority Financing Agreements in the manner set forth herein with a maturity or other term of not more than sixty (60) years, and to enter into one or more Credit Facilities (which may include increasing the amount available for borrowing under Applicant's existing revolving credit arrangement) and issue one or more Credit Notes in the manner set forth herein with a duration or maturity of up to ten (10) years, or any combination thereof, in the aggregate principal amount with respect to all Notes, Authority Financing Agreements and Credit Facilities outstanding at any time of up to $450 million, and to apply the proceeds thereof, all as proposed and described in this Application, (ii) to provide for any of the Notes, Authority Financing Agreements, Authority Bonds, Credit Facilities (including any Credit Notes), to receive some form of Credit Enhancement, if deemed advisable by Applicant, and (iii) to enter into Interest Rate Management Agreements within the parameters proposed and described in this Application.

Applicant prays for all other and further relief necessary and appropriate in the premises. Respectfully submitted this 21st day of September, 2015.

OHIO VALLEY ELECTRIC CORPORATION

By: John D. Brodt

John D. Brodt,
Chief Financial Officer, Secretary & Treasurer

STATE OF OHIO)

) SS:

COUNTY OF PIKE)

Before me, a Notary Public in and for Pike County in the State of Ohio, personally appeared John D. Brodt, CFO, Secretary, and Treasurer of Ohio Valley Electric Corporation, Applicant in the foregoing application, and being duly sworn says that the facts and allegations herein contained are true to the best of his knowledge and belief.

Sworn to and subscribed to before me this 21st day of September, 2015.

NOTARY SEAL STATE OF OHIO

GALE L. NEWMAN
Notary Public
In and for the State of Ohio
My Commission Expires
April 9, 2017

Gale L. Newman

Notary Public

Exhibit A

Please see attached.

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - JUNE 30, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE - JUNE 30, 2015 AND 2014-UNAUDITED

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE - JUNE 30, 2015 AND 2014-UNAUDITED

OHIO VALLEY ELECTRIC CORPORATION

AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS - JUNE 30, 2015 AND 2014-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 June 30, 2015 and 2014 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 June 30, 2015 and 2014, 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 covenents 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 June 30, 2015 was $17,434,485

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

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF JUNE 30, 2015 AND 2014-UNAUDITED

	2015				2014			
	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	$ 2,706,507,106	$ -	$ 1,339,679,214	$ 1,366,827,892	$ 2,680,669,518	$ -	$ 1,330,724,072	$ 1,349,945,446
Less - Accumulated provisions for depreciation	(1,265,349,220)	-	(620,928,789)	(644,420,431)	(1,211,141,405)	-	(591,741,290)	(619,400,115)
	1,441,157,886	-	718,750,425	722,407,461	1,469,528,113	-	738,982,782	730,545,331
Construction in progress	24,143,788	-	12,682,002	11,461,786	28,520,877	-	10,982,962	17,537,915
Total electric plant	1,465,301,674	-	731,432,427	733,869,247	1,498,048,990	-	749,965,744	748,083,246
INVESTMENTS AND OTHER:								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary-construction	-	(95,427,845)	95,427,845	-	-	(99,257,725)	99,257,725	-
Total investments and other	-	(98,827,845)	98,827,845	-	-	(102,657,725)	102,657,725	-
CURRENT ASSETS:								
Cash and cash equivalents	18,400,059	-	18,393,859	6,200	12,322,035	-	12,315,835	6,200
Accounts receivable	27,534,991	-	27,146,816	388,175	32,462,924	-	32,257,899	205,025
Intercompany receivable	-	(628,505,061)	628,505,061	-	-	(637,892,890)	637,892,890	-
Fuel in storage-at average cost	54,541,314	-	20,115,503	34,425,811	46,355,300	-	18,542,059	27,813,241
Materials and supplies-at average cost	35,152,849	-	21,821,610	13,331,239	33,272,282	-	19,600,426	13,671,856
Property taxes applicable to future years	1,390,000	-	1,390,000	-	1,351,453	-	1,351,453	-
Emission allowances	-	-	-	-	49,241	-	49,241	-
Deferred tax assets	3,235,692	-	2,819,693	415,999	9,980,768	-	7,392,140	2,588,628
Income taxes receivable	-	-	-	-	3,331,536	-	3,331,536	-
Prepaid expenses and other	1,845,853	-	954,928	890,925	1,862,111	-	896,041	966,070
Total current assets	142,100,758	(628,505,061)	721,147,470	49,458,349	140,987,650	(637,892,890)	733,629,520	45,251,020
REGULATORY ASSETS:								
Unrecognized postemployment benefits	1,437,151	-	383,615	1,053,536	2,078,864	-	1,119,681	959,183
Pension benefits	32,475,646	-	18,186,362	14,289,284	8,542,293	-	4,899,859	3,642,434
Income taxes billable to customers	978,698	-	978,698	-	15,828,423	-	-	15,828,423
Total regulatory assets	34,891,495	-	19,548,675	15,342,820	26,449,580	-	6,019,540	20,430,040
DEFERRED CHARGES AND OTHER:								
Unamortized debt expense	11,062,470	-	11,062,470	-	12,555,851	-	12,555,851	-
Deferred tax assets	-	-	-	-	-	(56,957,797)	56,957,797	-
Long-term investments	123,219,316	-	97,400,410	25,818,906	121,837,851	-	96,353,747	25,484,104
Other	104,566	-	103,582	984	77,742	-	77,742	-
Total deferred charges and other	134,386,352	-	108,566,462	25,819,890	134,471,444	(56,957,797)	165,945,137	25,484,104
TOTAL	$ 1,776,680,279	$ (727,332,906)	$ 1,679,522,879	$ 824,490,306	$ 1,799,957,664	$ (797,508,412)	$ 1,758,217,666	$ 839,248,410

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING BALANCE SHEETS
AS OF JUNE 30, 2015 AND 2014-UNAUDITED

	2015				2014			
	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	1,252,420,023	-	1,252,420,023	-	1,296,707,230	-	1,296,707,230	-
Line of credit borrowings-long term	22,000,000	-	22,000,000	-	-	-	-	-
Retained earnings	7,434,485	-	7,434,485	-	6,781,445	-	6,781,445	-
Total capitalization	1,291,854,508	(3,400,000)	1,291,854,508	3,400,000	1,313,488,675	(3,400,000)	1,313,488,675	3,400,000
CURRENT LIABILITIES:								
Current portion of long-term debt	244,309,807	-	244,309,807	-	241,729,438	-	241,729,438	-
Accounts payable	31,434,694	-	13,588,313	17,846,381	31,008,159	-	17,940,278	13,067,881
Intercompany payable	-	(628,505,061)	-	628,505,061	-	(637,892,890)	-	637,892,890
Deferred revenue-advances for construction	14,678,734	-	8,022,855	6,655,879	16,217,829	-	8,157,406	8,060,423
Accrued taxes	7,907,857	-	4,598,439	3,309,418	7,511,377	-	4,470,931	3,040,446
Regulatory liabilities	2,299,334	-	2,266,809	32,525	3,950,912	-	3,527,821	423,091
Accrued interest and other	23,853,013	-	19,192,534	4,660,479	22,813,921	-	18,857,791	3,956,130
Total current liabilities	324,483,439	(628,505,061)	291,978,757	661,009,743	323,231,636	(637,892,890)	294,683,665	666,440,861
COMMITMENTS AND CONTINGENCIES								
REGULATORY LIABILITIES:								
Postretirement benefits	32,439,968	-	29,434,019	3,005,949	36,437,584	-	34,020,121	2,417,463
Decommissioning and demolition	15,110,667	-	6,663,037	8,447,630	21,781,800	-	10,314,696	11,467,104
Investment tax credits	-	-	-	-	3,393,146	-	3,393,146	-
Net antitrust settlement	-	-	-	-	1,823,930	-	673,070	1,150,860
Total regulatory liabilities	47,550,635	-	36,097,056	11,453,579	63,436,460	-	48,401,033	15,035,427
OTHER LIABILITIES:								
Pension liability	32,475,646	-	18,186,362	14,289,284	8,542,293	-	4,899,859	3,642,434
Deferred income tax liability	3,235,692	-	2,819,693	415,999	24,776,226	(56,957,797)	63,310,376	18,423,647
Asset retirement obligations	29,547,185	-	12,345,032	17,202,153	22,230,109	-	8,382,233	13,847,876
Postretirement benefits obligation	44,875,752	-	24,880,858	19,994,894	42,173,401	-	23,932,144	18,241,257
Postemployment benefits obligation	1,437,151	-	383,615	1,053,536	2,078,864	-	1,119,681	959,183
Parent advances for construction	-	(95,427,845)	-	95,427,845	-	(99,257,725)	-	99,257,725
Other liabilities	1,220,271	-	976,998	243,273	-	-	-	-
Total other liabilities	112,791,697	(95,427,845)	59,592,558	148,626,984	99,800,893	(156,215,522)	101,644,293	154,372,122
TOTAL	$ 1,776,680,279	$ (727,332,906)	$ 1,679,522,879	$ 824,490,306	$ 1,799,957,664	$ (797,508,412)	$ 1,758,217,666	$ 839,248,410

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR TO DATE AS OF JUNE 30, 2015 AND 2014-UNAUDITED

	2015				2014			
	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	$ 6,028,466	$ -	$ 6,028,466	$ -	$ 6,247,291	$ -	$ 6,247,291	$ -
Ohio Valley Electric Corp.	-	(132,478,756)	-	132,478,756	-	(137,665,130)	-	137,665,130
Sponsoring Companies	279,717,076	-	279,717,076	-	321,371,971	-	321,371,971	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	285,745,542	(132,478,756)	285,745,542	132,478,756	327,619,262	(137,665,130)	327,619,262	137,665,130
OPERATING EXPENSES:								
Fuel and emission allowances consumed in operation	134,754,657	-	50,278,012	84,476,645	160,065,461	-	68,770,500	91,294,961
Purchased power	5,751,792	(132,478,756)	138,230,548	-	5,936,301	(137,665,130)	143,601,431	-
Other operation	37,305,515	-	22,189,459	15,116,056	46,146,817	-	30,331,411	15,815,406
Maintenance	42,373,800	-	22,639,512	19,734,288	44,624,400	-	26,978,935	17,645,465
Depreciation	23,310,413	-	12,209,217	11,101,196	33,752,059	-	22,293,191	11,458,868
Taxes-other than federal income taxes	5,972,339	-	3,371,781	2,600,558	6,261,440	-	3,574,426	2,687,014
Federal income taxes	57,570	-	57,570	-	-	-	-	-
Total operating expenses	249,526,086	(132,478,756)	248,976,099	133,028,743	296,786,478	(137,665,130)	295,549,894	138,901,714
OPERATING INCOME	36,219,456	-	36,769,443	(549,987)	30,832,784	-	32,069,368	(1,236,584)
OTHER INCOME (EXPENSE)	938,424	-	372,046	566,378	7,869,692	-	6,607,589	1,262,103
INCOME BEFORE INTEREST CHARGES	37,157,880	-	37,141,489	16,391	38,702,476	-	38,676,957	25,519
INTEREST CHARGES:								
Amortization of debt expense	2,145,921	-	2,145,921	-	2,644,812	-	2,644,812	-
Interest expense	34,609,197	-	34,592,806	16,391	35,754,453	-	35,728,934	25,519
Total interest charges	36,755,118	-	36,738,727	16,391	38,399,265	-	38,373,746	25,519
NET INCOME	$ 402,762	$ -	$ 402,762	$ -	$ 303,211	$ -	$ 303,211	$ -
RETAINED EARNINGS, JAN. 1	7,031,723	-	7,031,723	-	6,478,234	-	6,478,234	-
CASH DIVIDENDS ON COMMON STOCK	-	-	-	-	-	-	-	-
RETAINED EARNINGS, JUN. 30	$ 7,434,485	$ -	$ 7,434,485	$ -	$ 6,781,445	$ -	$ 6,781,445	$ -

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR TO DATE AS OF JUNE 30, 2015 AND 2014-UNAUDITED

	2015			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation
CASH FROM OPERATIONS				
Net income	$ 402,762	$ -	$ 402,762	$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	23,310,412	-	16,184,445	7,125,967
Amortization of debt expense and discount	2,145,921	-	2,145,921	-
Deferred taxes	57,570	-	57,570	-
Gain on marketable securities	(716,543)	-	(132,173)	(584,370)
Changes in assets and liabilities:				
Accounts receivable	12,466,969	-	12,481,869	(14,900)
Fuel in storage	(10,205,885)	-	(9,906,194)	(299,691)
Material and supplies	(653,136)	-	(965,872)	312,736
Property taxes applicable to subsequent years	1,390,000	-	1,390,000	-
Emission allowances	-	-	-	-
Refundable income taxes	-	-	-	-
Prepaid expenses and other	362,760	-	167,220	195,540
Other regulatory assets	-	-	-	-
Other noncurrent assets	16,311	-	17,295	(984)
Accounts payable	(22,670,202)	-	(10,294,971)	(12,375,231)
Deferred revenue	3,303,784	-	1,256,277	2,047,507
Accrued taxes	(1,502,284)	-	(1,522,913)	20,629
Accrued interest and other	238,461	-	(38,191)	276,652
Other regulatory liabilities	(593,639)	-	(402,599)	(191,040)
Other noncurrent liabilities	96,403	-	75,323	21,080
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,449,664	-	10,915,769	(3,466,105)
INVESTING ACTIVITIES				
Electric plant additions	(12,386,860)	-	(9,709,697)	(2,677,163)
Sale (Purchase) of marketable securities		-	-	-
Advances to subsidiary company	-	6,143,268	(6,143,268)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(12,386,860)	6,143,268	(15,852,965)	(2,677,163)
FINANCING ACTIVITIES				
Advances from parent company	-	(6,143,268)	-	6,143,268
Repayment of Senior 2006 Notes	(8,625,966)	-	(8,625,966)	-
Repayment of Senior 2007 Notes	(6,101,554)	-	(6,101,554)	-
Repayment of Senior 2008 Notes	(6,450,104)	-	(6,450,104)	-
Proceeds from line of credit	22,000,000	-	22,000,000	-
Payments on line of credit	(20,000,000)	-	(20,000,000)	-
Loan origination costs	(939,087)	-	(939,087)	-
Dividends-common stock		-	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(20,116,711)	(6,143,268)	(20,116,711)	6,143,268
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (25,053,907)	$ -	$ (25,053,907)	$ -
CASH AND CASH EQUIVALENTS, JAN. 1	43,453,966	-	43,447,766	6,200
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,053,907)	-	(25,053,907)	-
CASH AND CASH EQUIVALENTS, JUN. 30	$ 18,400,059	$ -	$ 18,393,859	$ 6,200

	2014			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation
CASH FROM OPERATIONS				
Net income	$ 303,211	$ -	$ 303,211	$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	33,752,059	-	22,293,191	11,458,868
Amortization of debt expense and discount	2,644,812	-	2,644,812	-
Deferred taxes	-	-	-	-
Gain on marketable securities	(7,869,402)	-	(6,562,040)	(1,307,362)
Changes in assets and liabilities:				
Accounts receivable	2,869,729	-	2,924,542	(54,813)
Fuel in storage	(3,334,906)	-	(4,665,651)	1,330,745
Material and supplies	(707,848)	-	(342,475)	(365,373)
Property taxes applicable to subsequent years	1,351,453	-	1,351,453	-
Emission allowances	13,187	-	13,187	-
Refundable income taxes	-	-	-	-
Prepaid expenses and other	382,303	-	236,640	145,663
Other regulatory assets	371,297	-	371,297	-
Other noncurrent assets	410,665	-	410,665	-
Accounts payable	(20,465,224)	-	(6,561,161)	(13,904,063)
Deferred revenue	(6,940,803)	-	(9,758,978)	2,818,175
Accrued taxes	(1,551,437)	-	(1,548,891)	(2,546)
Accrued interest and other	(5,331,544)	-	(3,967,214)	(1,364,330)
Other regulatory liabilities	655,302		-	655,302
Other noncurrent liabilities	5,507,232	-	5,507,232	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,060,086	-	2,649,820	(589,734)
INVESTING ACTIVITIES				
Electric plant additions	(11,901,259)	-	(3,941,090)	(7,960,169)
Sale (Purchase) of marketable securities	3,138,218	-	3,326,420	(188,202)
Advances to subsidiary company	-	8,733,805	(8,733,805)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(8,763,041)	8,733,805	(9,348,475)	(8,148,371)
FINANCING ACTIVITIES				
Advances from parent company	-	(8,733,805)	-	8,733,805
Repayment of Senior 2006 Notes	(8,144,059)	-	(8,144,059)	-
Repayment of Senior 2007 Notes	(5,754,949)	-	(5,754,949)	-
Repayment of Senior 2008 Notes	(6,045,559)	-	(6,045,559)	-
Proceeds from line of credit	-	-	-	-
Payments on line of credit	-	-	-	-
Loan origination costs	(30,000,000)	-	(30,000,000)	-
Dividends-common stock	(1,788,153)	-	(1,788,153)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(51,732,720)	(8,733,805)	(51,732,720)	8,733,805
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (58,435,675)	$ -	$ (58,431,375)	$ (4,300)
CASH AND CASH EQUIVALENTS, JAN. 1	70,757,710	-	70,747,210	10,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(58,435,675)	-	(58,431,375)	(4,300)
CASH AND CASH EQUIVALENTS, JUN. 30	$ 12,322,035	$ -	$ 12,315,835	$ 6,200