FILE

88

PUCO EXHIBIT FILING

Date of Hearing: 6/3/2014

Case Nos. 13-2385-EL-SSO and 13-2386-EL-AAM

PUCO Case Captions: Volume I

In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Revised Code, in the Form of an Electric Security Plan.

In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority.

List of exhibits being filed:

IEU Exhibits 3, 4, 5 and 6

OMA Exhibits 1 and 2

Staff Exhibit 1

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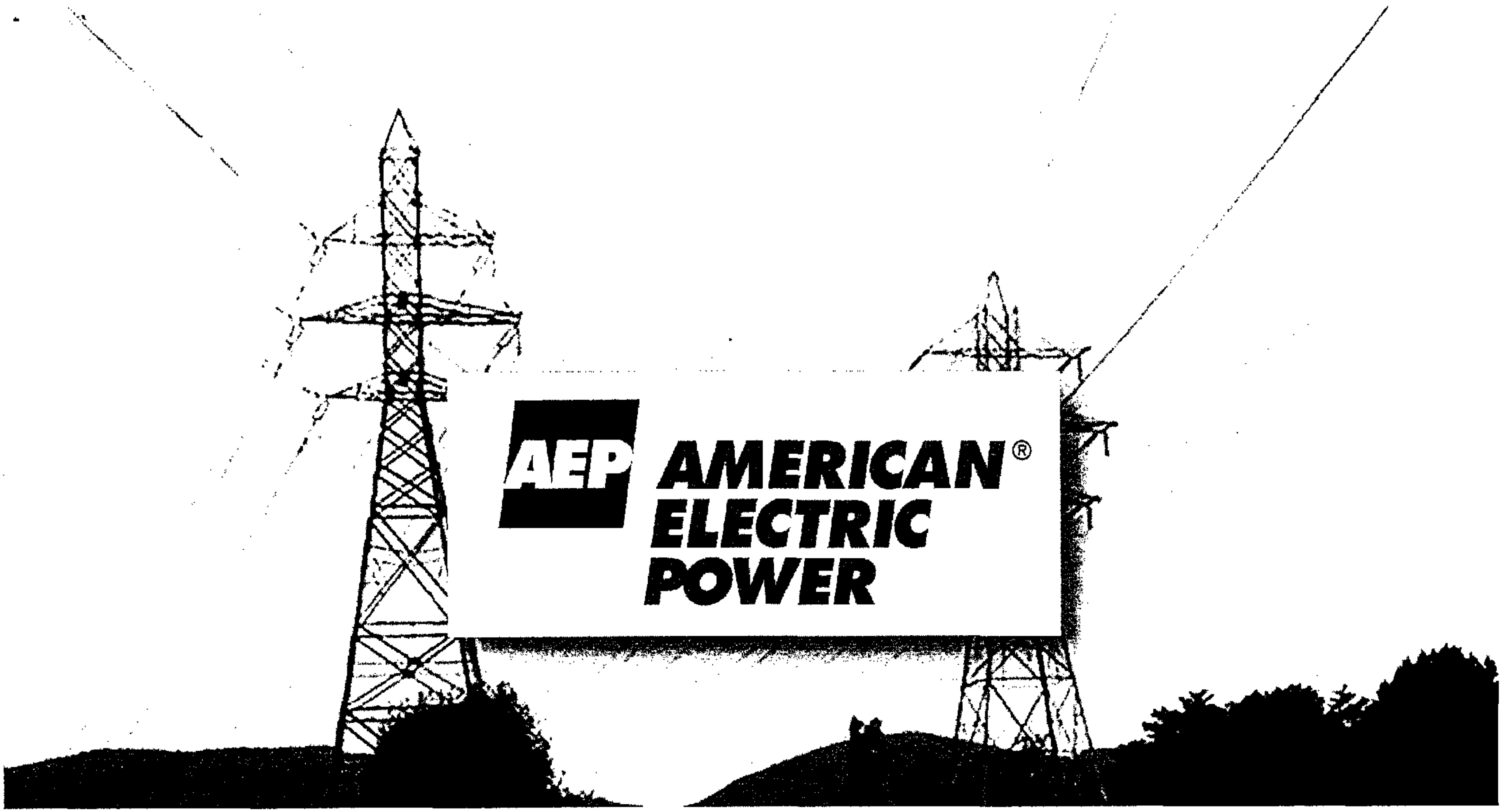
PUCO

Reporter's Signature: Maria E. Jones

Date Submitted: 6/17/14



1st Quarter 2014 Earnings Release Presentation

April 25, 2014

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: the economic climate, growth or contraction within and changes in market demand and demographic patterns in our service territory, inflationary or deflationary interest rate trends, volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impairing our ability to finance new capital projects and refinance existing debt at attractive rates, the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material, electric load, customer growth and the *impact of retail competition, particularly in Ohio, weather conditions, including storms and drought conditions, and our ability to recover significant storm restoration costs,* available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters, availability of necessary generation capacity and the performance of our generation plants, our ability to recover increases in fuel and other energy costs through regulated or competitive electric rates, our ability to build or acquire generation capacity and transmission lines and facilities (including our ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs, new legislation, litigation and government regulation including oversight of nuclear generation, energy commodity trading and new or heightened requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances or additional regulation of fly ash and similar combustion products that could impact the continued operation, cost recovery and/or profitability of our generation plants and related assets, *evolving public perception of the risks associated with fuels used before, during and after the generation of electricity, including* nuclear fuel, a reduction in the federal statutory tax rate could result in an accelerated return of deferred federal income taxes to customers, timing and resolution of pending and future rate cases, negotiations and other regulatory decisions including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance, resolution of litigation, our ability to constrain operation and maintenance costs, our ability to develop and execute a strategy based on a view regarding prices of electricity and other energy-related commodities, prices and demand for power that we generate and sell at wholesale, changes in technology, particularly with respect to new, developing, alternative or distributed sources of generation, our ability to recover through rates or market prices any remaining unrecovered investment in generation units that may be retired before the end of their previously projected useful lives, volatility and changes in markets for capacity and electricity, coal, and other *energy-related commodities, particularly changes in the price of natural gas, changes in utility regulation and the allocation of* costs within regional transmission organizations, including PJM and SPP, the transition to market for generation in Ohio, including the implementation of ESPs, our ability to successfully and profitably manage our separate competitive generation assets, changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading market, actions of rating agencies, including changes in the ratings of our debt, the impact of volatility in the capital markets on the value of the investments held by our pension, other postretirement benefit plans, captive insurance entity and nuclear decommissioning trust and the impact of such volatility on future funding requirements, accounting pronouncements periodically issued by accounting standard-setting bodies and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, cyber security threats and other catastrophic events.

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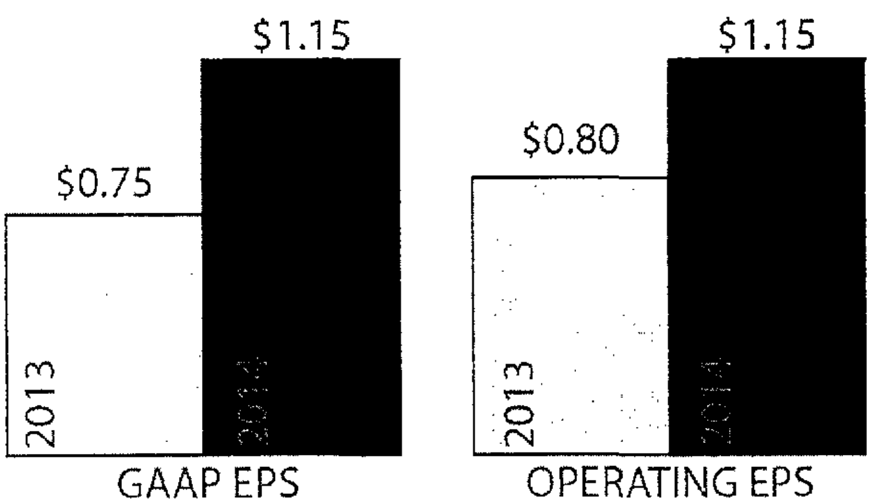
First Quarter 2014 Highlights

First Quarter



Refer to appendix for reconciliation between GAAP and Operating EPS

Company Update

Earnings Update

- ✓ Delivered GAAP and operating earnings of $1.15 per share for the first quarter 2014
- ✓ Increasing 2014 operating earnings guidance range to $3.35 - $3.55 per share

Financial Update

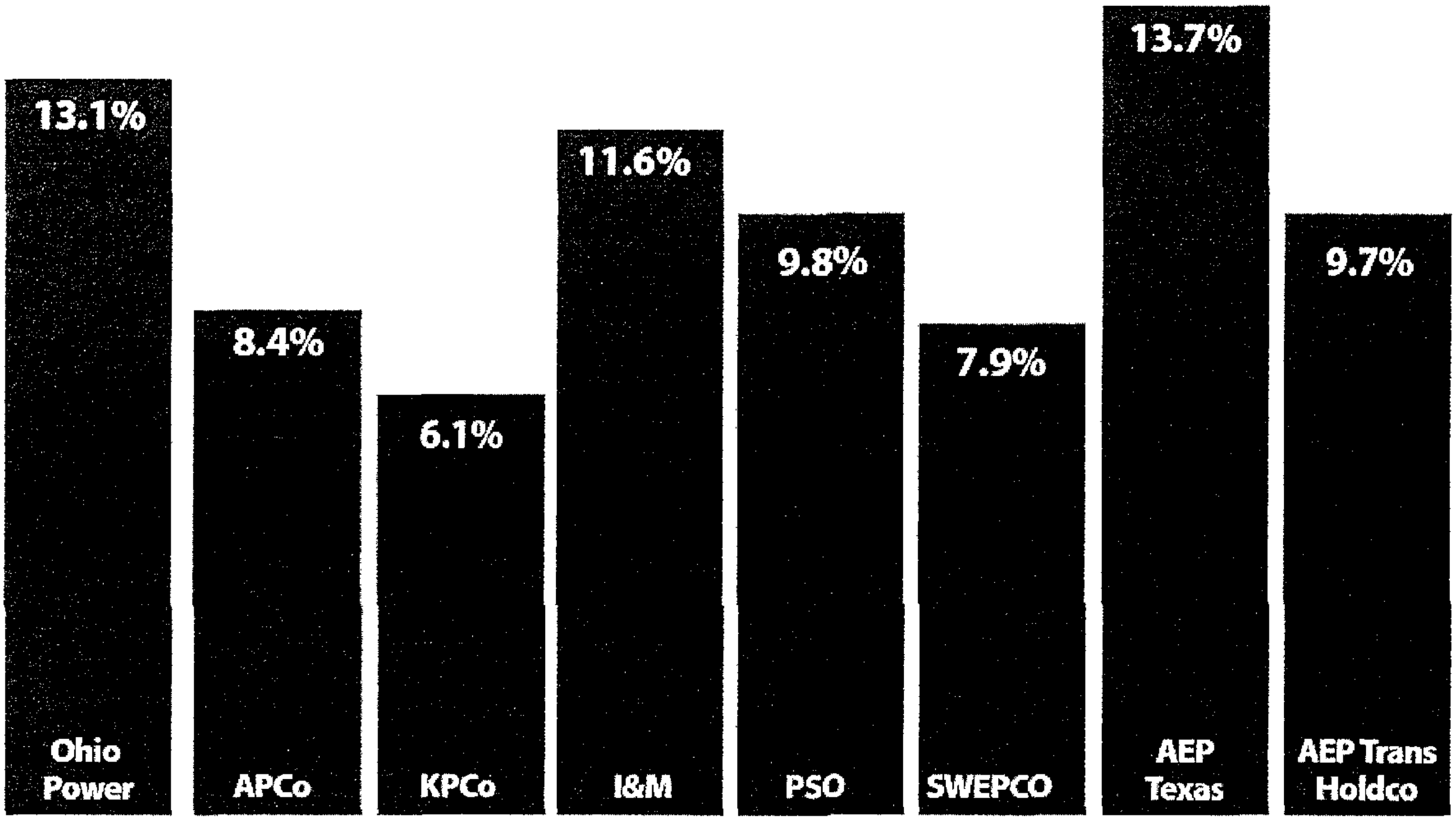
- ✓ Committed to delivering 4-6% earnings growth off of 2013 original guidance
- ✓ Continuous improvement initiatives and O&M shifting
- ✓ Increasing transmission capital investment by $200M in 2014; $140M to Transcos and $60M to Opcos

Regulatory Update

- ✓ PSO – Oklahoma Base Rate Case
- ✓ West Virginia/FERC – Request to transfer AEP Generation Resources' ownership of Mitchell Plant to Wheeling Power
- ✓ Virginia – Biennial Rate Review
- ✓ PJM Capacity Market Update

Strong Regulated Results

Twelve Months Ended 03/31/2014 Earned ROEs (Operating Earnings)



Regulated Operations ROE of 9.9%

as of March 31, 2014

** operating adjusts GAAP results by eliminating any material non operating items and is not weather normalized*

First Quarter Operating Earnings Per Share Overview

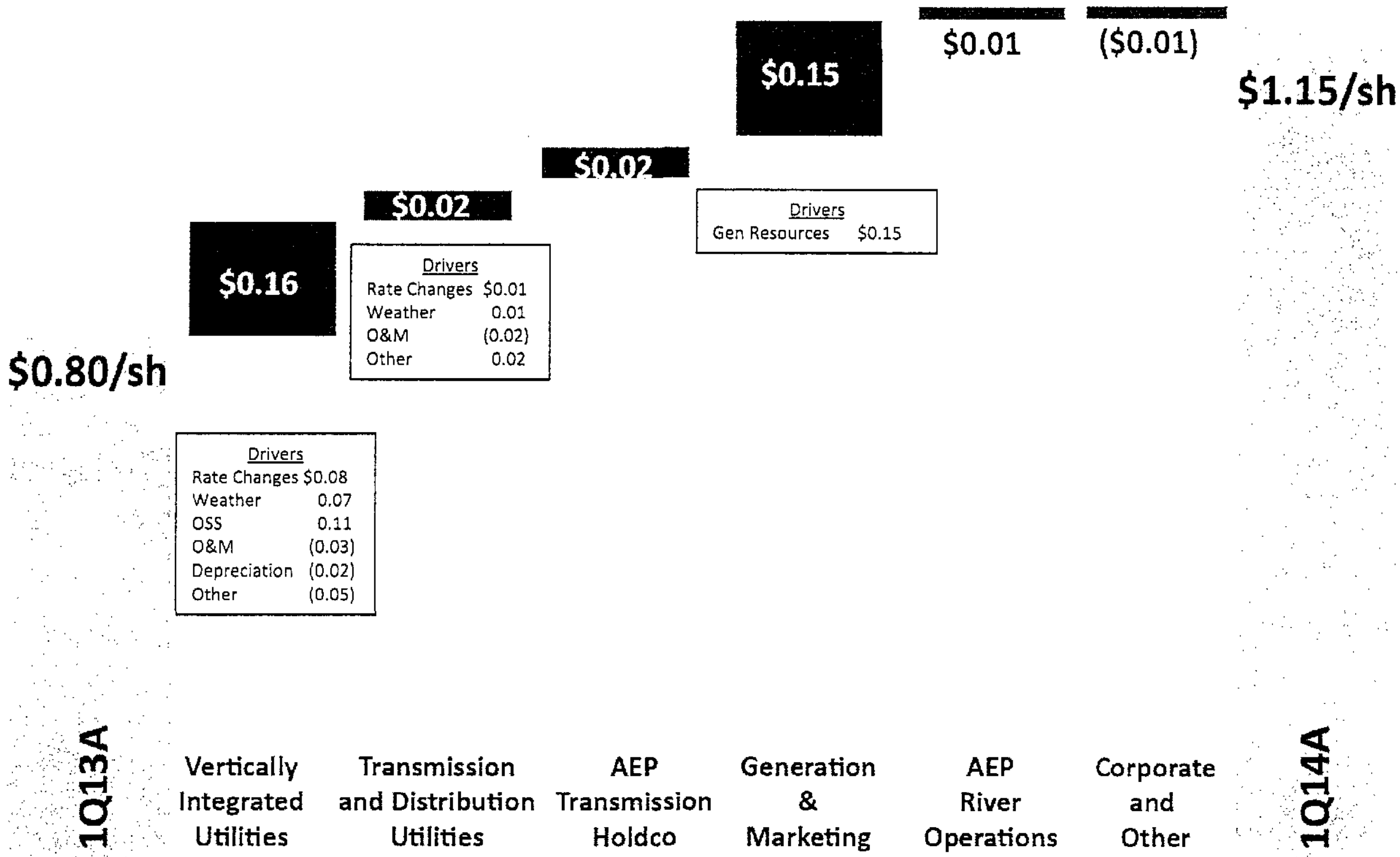
Segment	1Q13 EPS	1Q14 EPS
Vertically Integrated Utilities	$0.41	$0.57
Transmission & Distribution Utilities	0.18	0.20
AEP Transmission Holdco	0.03	0.05
Generation & Marketing	0.18	0.33
AEP River Operations	0.00	0.01
Corporate & Other	0.00	(0.01)
EPS from Operating Earnings	$0.80	$1.15

Weighted average no. of shares outstanding: 486M 1Q13; 488M 1Q14

See slide 14 for items excluded from GAAP Net Income to reconcile to Operating Earnings

Favorable 1Q14 performance driven by strong regulated and competitive business results, bolstered by cold weather

1Q14 Performance

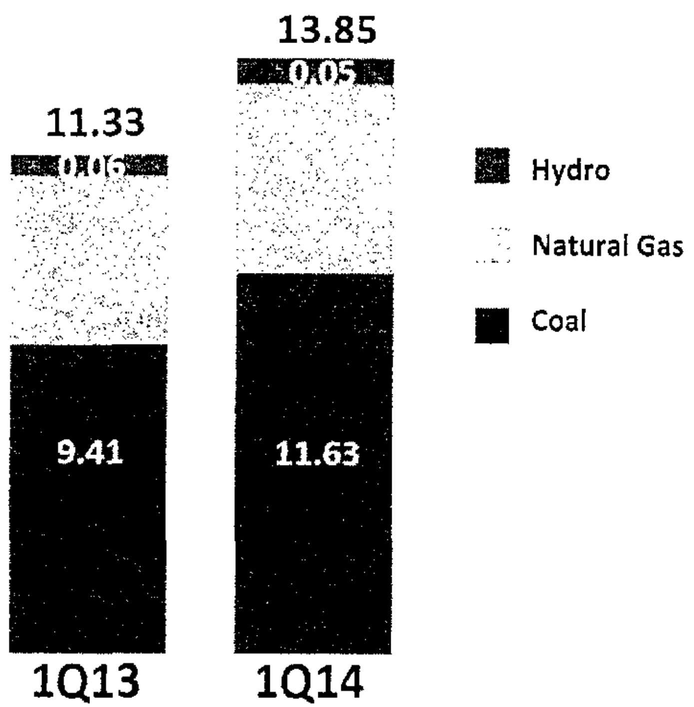


Refer to appendix for additional explanation of variances by segment

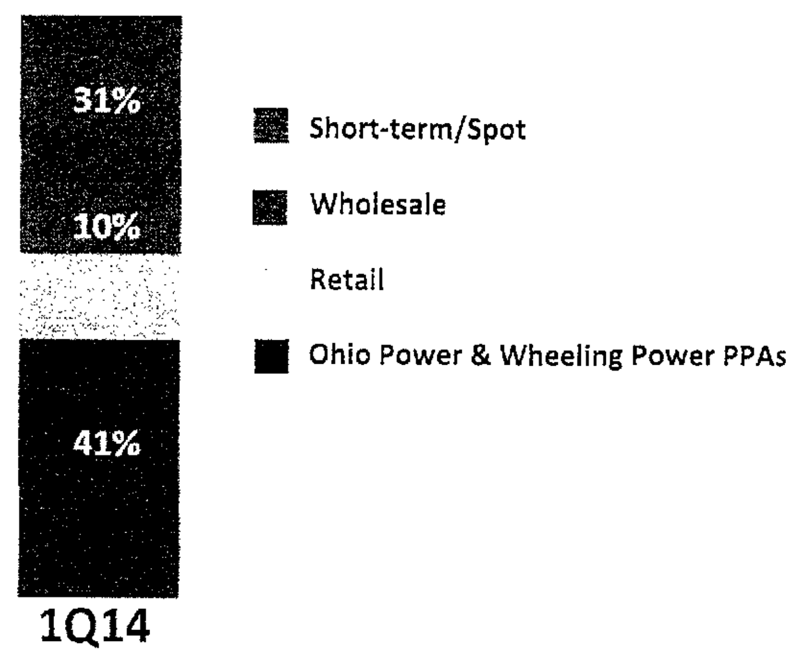
Favorable 1Q14 performance driven by strong regulated and competitive business results, bolstered by cold weather

AEP Generation Resources

Volumes Generated by Source
(in million MWh)



Percentage Volumes Sold by Channel

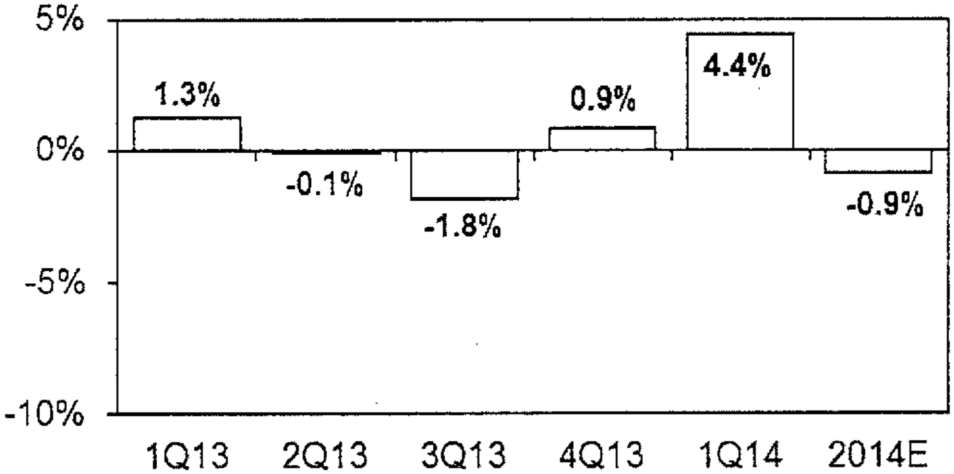


- Power prices up 100%
- Natural gas prices up 45%
- Volumes up 22%
- Capacity Factor up 10%

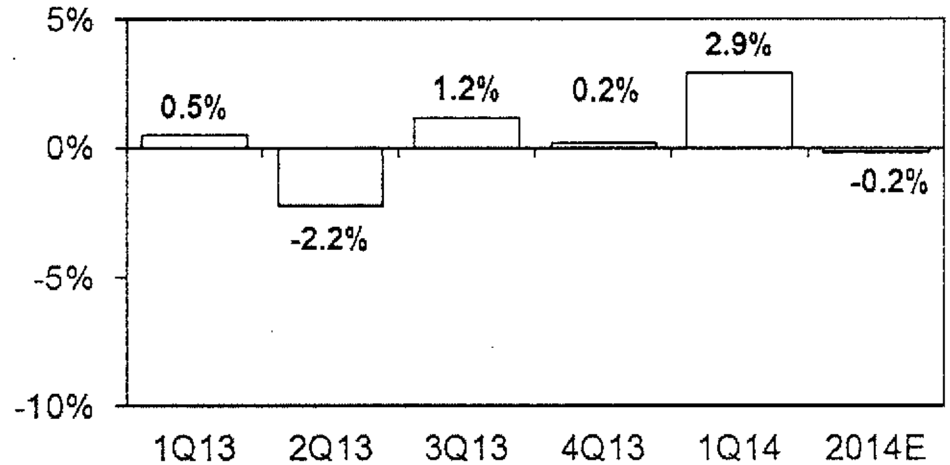
Cost-competitive fleet captured significant spot opportunities

Normalized Load Trends

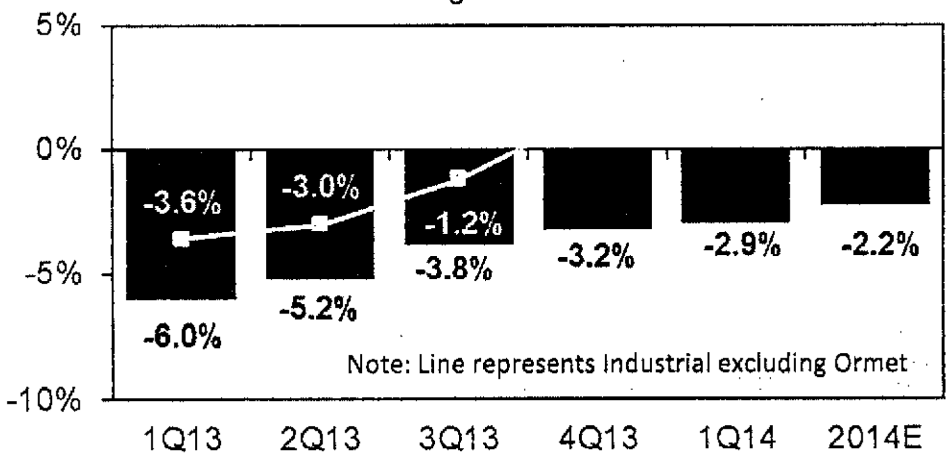
AEP Residential Normalized GWh Sales
%Change vs. Prior Year



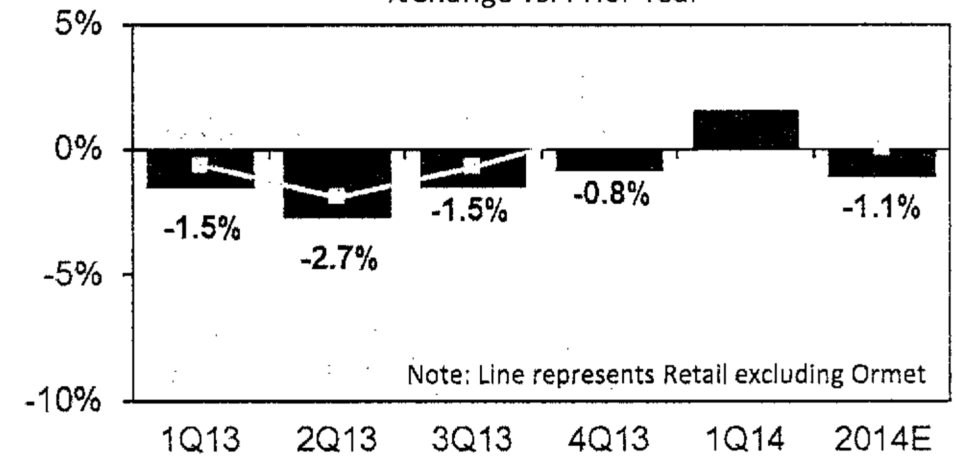
AEP Commercial Normalized GWh Sales
%Change vs. Prior Year



AEP Industrial GWh Sales
%Change vs. Prior Year



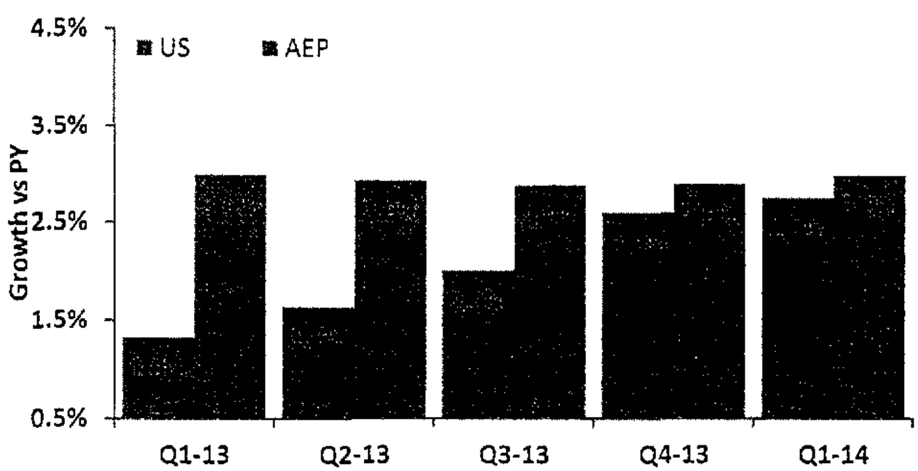
AEP Total Normalized GWh Sales
%Change vs. Prior Year



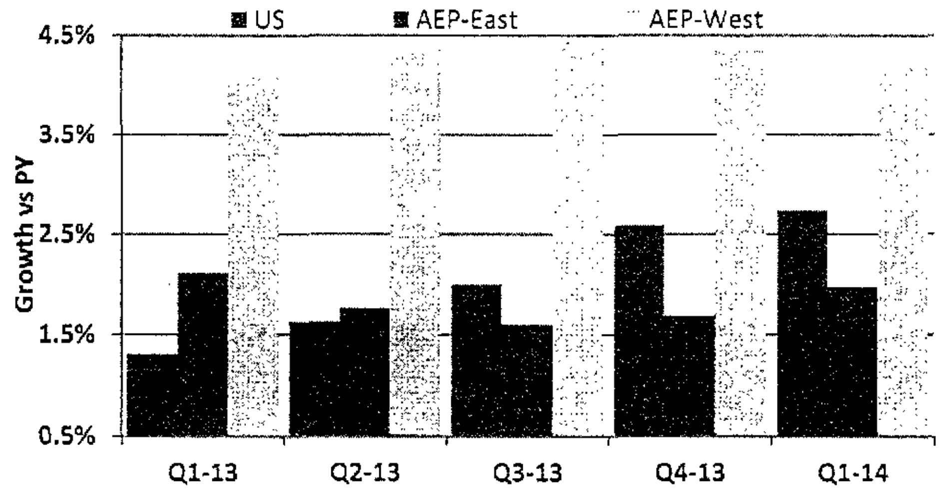
Note: Charts reflect connected load and exclude firm wholesale load & Buckeye Power backup load.

Economic Data

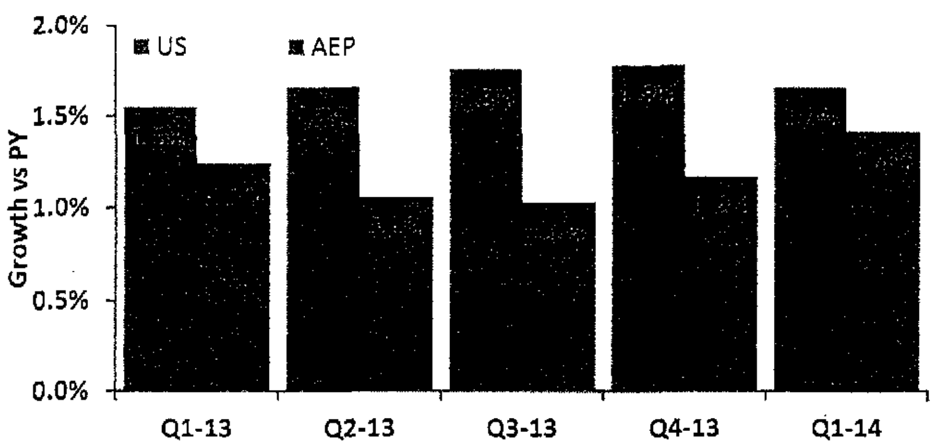
GDP Growth by Quarter



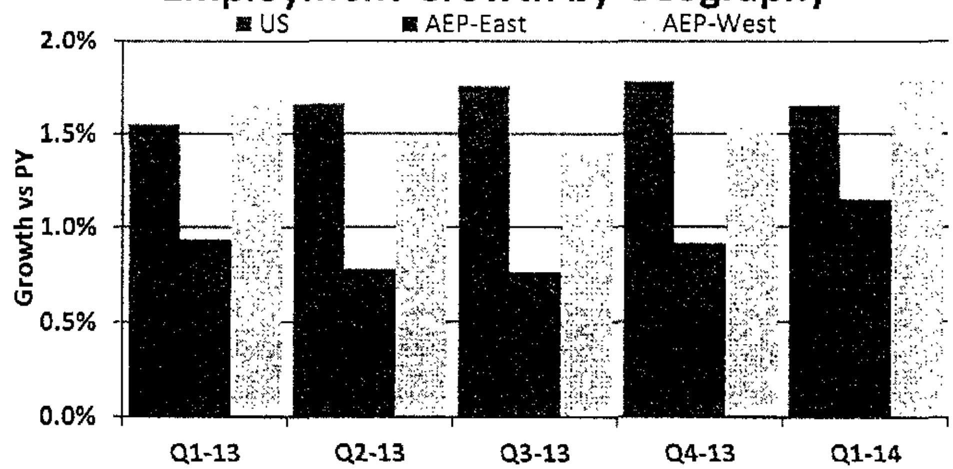
GDP Growth by Geography



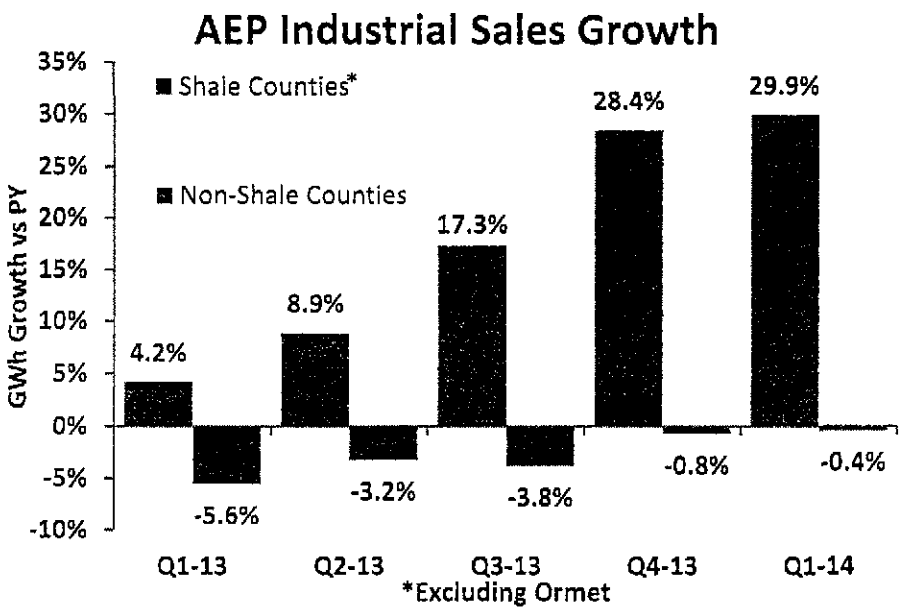
Employment Growth by Quarter

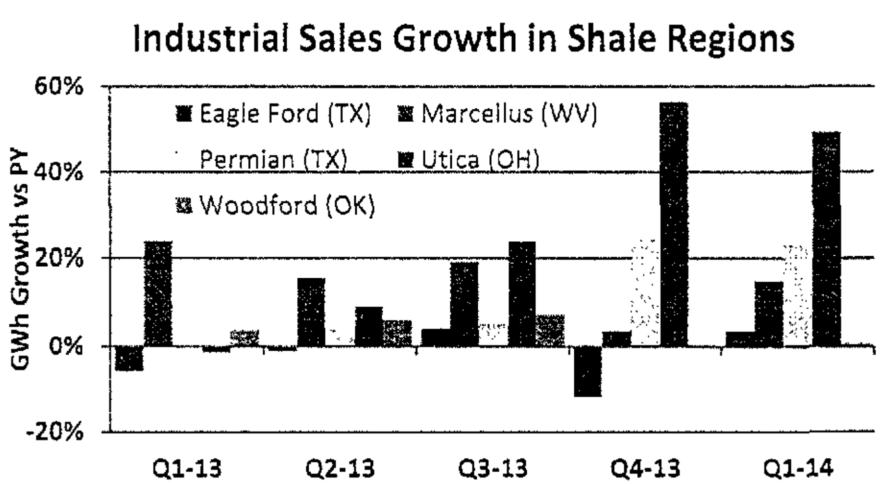


Employment Growth by Geography

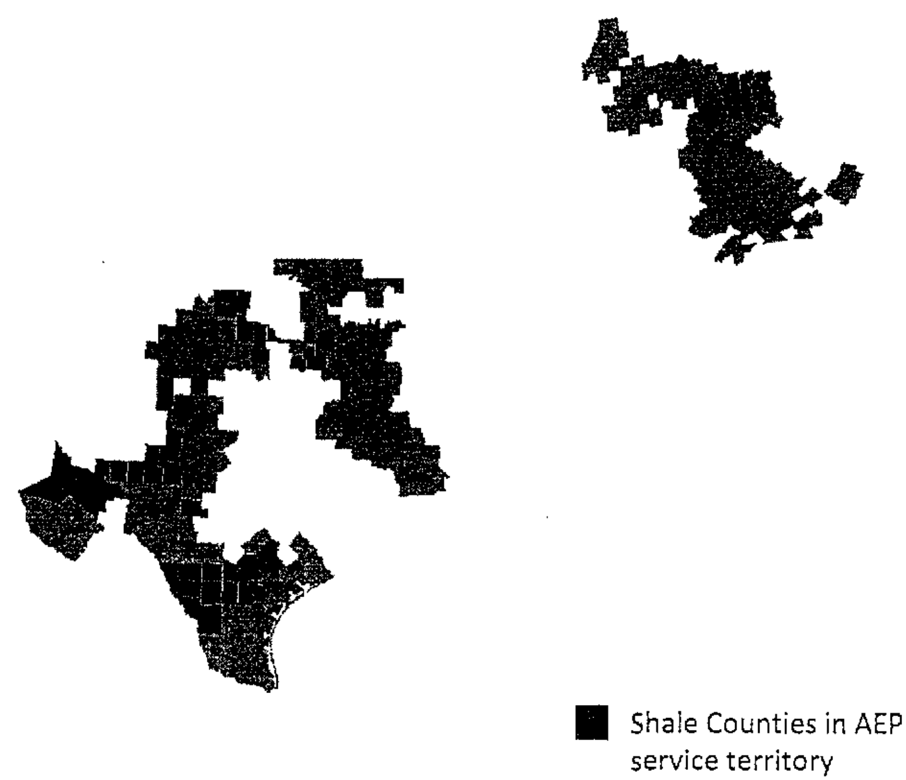


Industrial Class Data



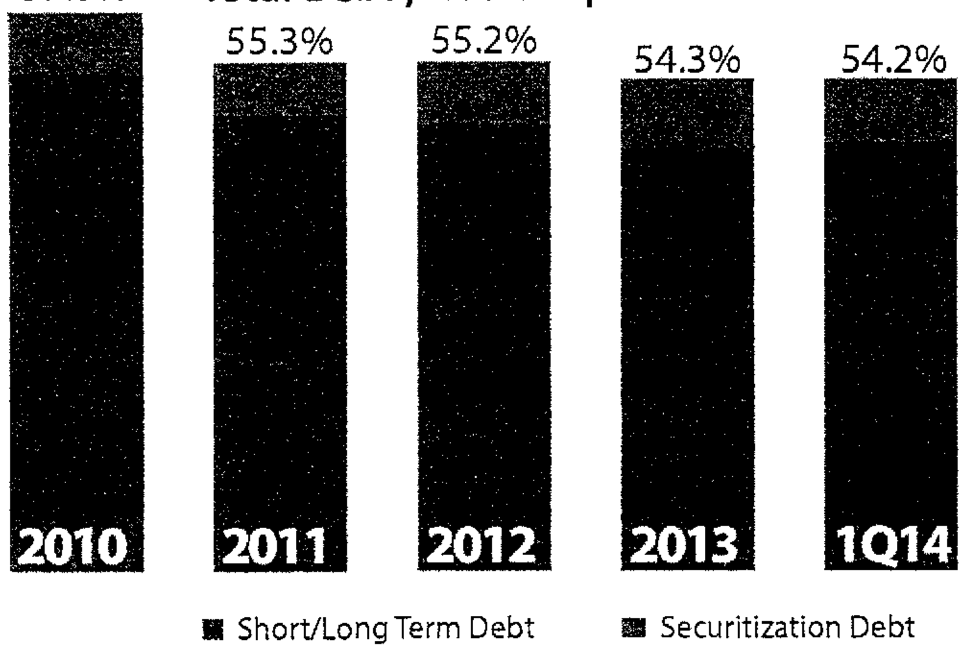


AEP Shale Gas Counties

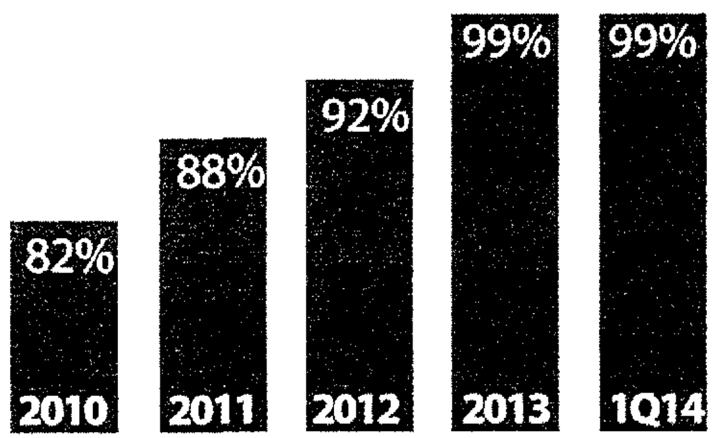


Capitalization & Liquidity

Total Debt / Total Capitalization



Qualified Pension Funding



Credit Statistics

	Actual	Target
FFO Interest Coverage	4.9	>3.6x
FFO to Total Debt	19.9%	15%-20%

Note: Credit statistics represent the trailing 12 months as of 03/31/2014

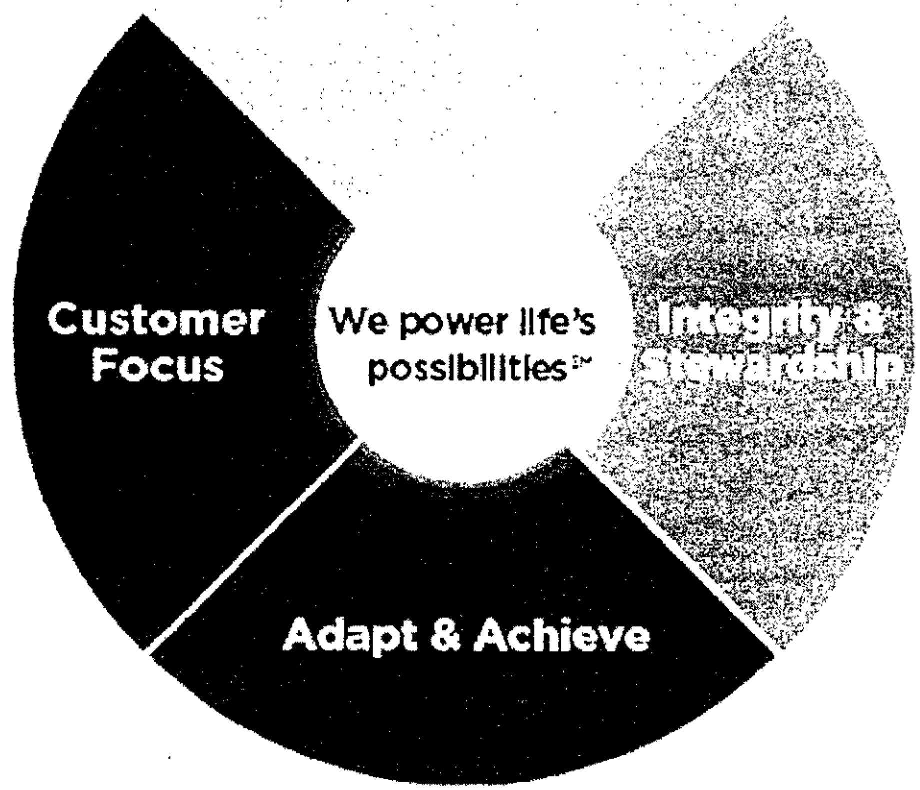
Liquidity Summary

(unaudited)	03/31/2014 Actual	
($ in millions)	Amount	Maturity
Revolving Credit Facility	$1,750	Jul-17
Revolving Credit Facility	$1,750	Jun-16
Total Credit Facilities	$3,500	
Plus		
Cash & Cash Equivalents	$292	
Less		
Commercial Paper Outstanding	(632)	
Letters of Credit Issued	(130)	
Net Available Liquidity	**$3,030**	

Strong balance sheet, solid credit metrics and adequate liquidity

Summary

- Strong start to 2014 for our customers, shareholders and employees
- Executing on our commitments
  - LEAN and other continuous improvement initiatives
  - Cost shifting
  - Accelerated transmission investment
- Increasing 2014 Operating Earnings Guidance
  - $3.35 to $3.55/share



Increasing 2014 Operating Earnings Guidance Range to $3.35 to $3.55 per share

Appendix

1st Quarter Reconciliation of GAAP to Operating Earnings

	$ millions			Earnings Per Share		
Reported (GAAP) Earnings	$363	$560	$197	$0.75	$1.15	$0.40
Non Operating Items:						
Restructuring Program	5	-	(5)	0.01	-	(0.01)
Reversal of Storm Deferral – Virginia	19	-	(19)	0.04	-	(0.04)
Mark-to-Market Impact of Economic Hedging Activities	-	-	-	-	-	-
AEP Operating Earnings	$387	$560	$173	$0.80	$1.15	$0.35

Weighted average no. of shares outstanding: 486M 1Q13; 488M 1Q14

Vertically Integrated Utilities

First Quarter EPS Summary

[illegible]	[illegible]	[illegible]
$ millions (except EPS)		
Operating Revenues	$2,515	$2,586
Operating Expenses:		
Energy Costs	(1,202)	(1,094)
Operations & Maintenance	(545)	(576)
Depreciation & Amortization	(234)	(263)
Taxes Other Than Income Taxes	(91)	(96)
Operating Income	443	557
Net Interest/AFUDC	(124)	(122)
Income Taxes	(117)	(157)
Operating Earnings	202	278
Proforma Adjustments, Net of Tax	(22)	-
GAAP Net Income	$180	$278
EPS from Operating Earnings	$0.41	$0.57

See slide 14 for items excluded from Net Income to reconcile to Operating Earnings

Key Drivers – 1Q14 vs. 1Q13

- ✓ Rate changes - $60M from various jurisdictions
- ✓ Weather - $55M favorable vs. prior year; $66M favorable vs. normal
- ✓ Off-System Sales - $85M favorable vs. prior year due to higher power prices
- ✓ O&M net of offsets - $25M unfavorable vs. prior year primarily due to a favorable agreement reached to settle an insurance claim in 1Q13
- ✓ D&A – $29M unfavorable vs. prior year primarily due to higher depreciable property balances
- ✓ Income Taxes – effective tax rate of 36.1% 1Q14 vs. 36.7% 1Q13

Transmission & Distribution Utilities

First Quarter EPS Summary

[illegible]	[illegible]	[illegible]
$ millions (except EPS)		
Operating Revenues	$1,134	$1,215
Operating Expenses:		
Energy Costs	(449)	(434)
Operations & Maintenance	(245)	(293)
Depreciation & Amortization	(133)	(161)
Taxes Other Than Income Taxes	(104)	(119)
Operating Income	203	208
Net Interest/AFUDC	(70)	(57)
Income Taxes	(47)	(54)
Operating Earnings	86	97
Proforma Adjustments, Net of Tax	1	-
GAAP Net Income	$87	$97 -$61M
EPS from Operating Earnings	$0.18	$0.20

See slide 14 for items excluded from Net Income to reconcile to Operating Earnings

Key Drivers – 1Q14 vs. 1Q13

- ✓ Rate changes - $5M from Ohio
- ✓ Weather - $9M favorable vs. prior year; $6M favorable vs. normal
- ✓ O&M net of offsets - $13M unfavorable vs. prior year primarily due to employee-related expenses and storm-related expenses in Ohio
- ✓ D&A – $28M unfavorable vs. prior year primarily due to increased amortization expense related to Texas and Ohio securitizations
- ✓ Income Taxes – effective tax rate of 35.6% 1Q14 vs. 35.5% 1Q13

AEP Transmission Holdco

First Quarter EPS Summary

$ millions (except EPS)		
Operating Revenues	$8	$28
Operating Expenses:		
Operations & Maintenance	(1)	(5)
Depreciation & Amortization	(2)	(5)
Taxes Other Than Income Taxes	(4)	(7)
Operating Income	1	11
Net Interest/AFUDC	3	5
Income Taxes	(4)	(9)
Equity Earnings	13	17
Operating & GAAP Earnings	$13	$24
EPS from Operating Earnings	$0.03	$0.05

Key Drivers – 1Q14 vs. 1Q13

- ✓ Increased revenues and expenses due to increased capital investment by the wholly-owned Transcos
- ✓ Equity earnings from Joint Ventures - $4M favorable vs. prior year; primarily related to Electric Transmission Texas

Generation & Marketing

First Quarter EPS Summary

$ millions (except EPS)		
Operating Revenues	$920	$1,251
Operating Expenses:		
Energy Costs	(568)	(804)
Operations & Maintenance	(118)	(116)
Depreciation & Amortization	(62)	(57)
Taxes Other Than Income Taxes	(16)	(13)
Operating Income	156	261
Net Interest/AFUDC	(19)	(11)
Income Taxes	(48)	(87)
Operating Earnings	89	163
Proforma Adjustments, Net of Tax	(4)	-
GAAP Net Income	$85	$163
EPS from Operating Earnings	$0.18	$0.33

See slide 14 for items excluded from Net Income to reconcile to Operating Earnings

Key Drivers – 1Q14 vs. 1Q13

- ✓ Generation increased 2,517 GWh (22%) 2014 vs. 2013
- ✓ AEP Dayton ATC liquidations up 100% - $68.08/MWh in 2014 vs. $34.06/MWh in 2013
- ✓ 2013 reflects Ohio Generation in regulated power pool vs. 2014 corporately separated
- ✓ Income Taxes – effective tax rate of 34.9% 1Q14 vs. 35.2% 1Q13

Retail Rate Performance

Vertically Integrated Utilities

	Rate Changes, net of offsets (in millions)
	1Q14 vs. 1Q13
APCo	$9
I&M	$17
KPCo	$11
PSO	$0
SWEPCO	$21
Wheeling/ Kingsport	$2
TOTAL	$60
Impact on EPS	$0.08

May not foot due to rounding

Transmission & Distribution Utilities

	Rate Changes, net of offsets (in millions)
	1Q14 vs. 1Q13
Ohio Power	$5
Texas Central	$0
Texas North	$0
TOTAL	$5
Impact on EPS	$0.01

Retail Load Performance

Vertically Integrated Utilities

	Retail Load* (weather normalized)
	1Q14 vs. 1Q13
APCo	-1.4%
I&M	0.4%
KPCo	0.8%
PSO	3.2%
SWEPCO	7.8%
Wheeling/ Kingsport	6.8%
TOTAL	1.8%
Impact on EPS	$0.00

Transmission & Distribution Utilities

	Retail Load* (weather normalized)
	1Q14 vs. 1Q13
Ohio Power	-2.6%
Texas Wires	8.3%
TOTAL	1.2%
Impact on EPS	$0.00

*Excludes Firm Wholesale Load

Weather Impact

Vertically Integrated Utilities

	Weather Impact (in millions)
	1Q14 vs. 1Q13
APCo	$27
I&M	$13
KPCo	$6
PSO	$2
SWEPCO	$7
Wheeling/ Kingsport	$0
TOTAL	$55
Impact on EPS	$0.07

Transmission & Distribution Utilities

	Weather Impact (in millions)
	1Q14 vs. 1Q13
Ohio Power	$0
Texas Central	$8
Texas North	$1
TOTAL	$9
Impact on EPS	$0.01

Vertically Integrated Utilities Off System Sales Gross Margin Detail

First Quarter

	GWh	$ in millions
Physical Off-System Sales	6,623	$168
Trading & Marketing		7
Pre-Sharing Gross Margin		175
Margin Shared with Customers		(74)
Net Off-System Sales		$101

- Physical off-system sales margins increased from prior year by $145M
- Sharing with customers increased from prior year by $57M
- AEP/Dayton Hub ATC pricing: 93% increase in liquidation prices

AEP Transmission Holdco

4 types of projects:

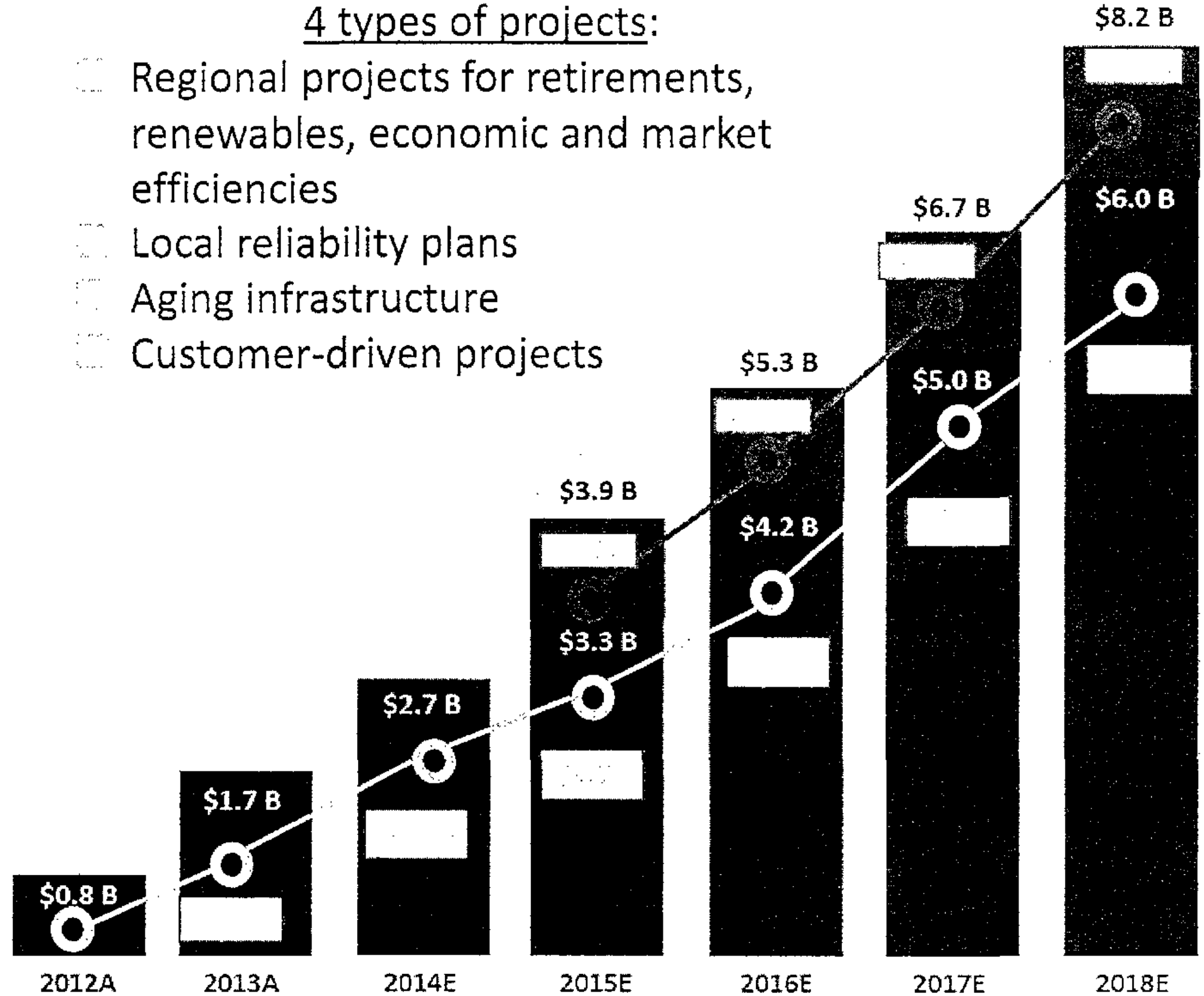
- Regional projects for retirements, renewables, economic and market efficiencies
- Local reliability plans
- Aging infrastructure
- Customer-driven projects

Cumulative Base Case Capital Investment

High Case Incremental Capital Investment

EPS Base Case Contribution $/share

EPS High Case Contribution $/share



Non-firm joint venture projects not included; high case investment is strictly related to the Transcos (no assumption for securing competitive opportunities); no projects included above subject to loss due to FERC Order 1000 right of first refusal

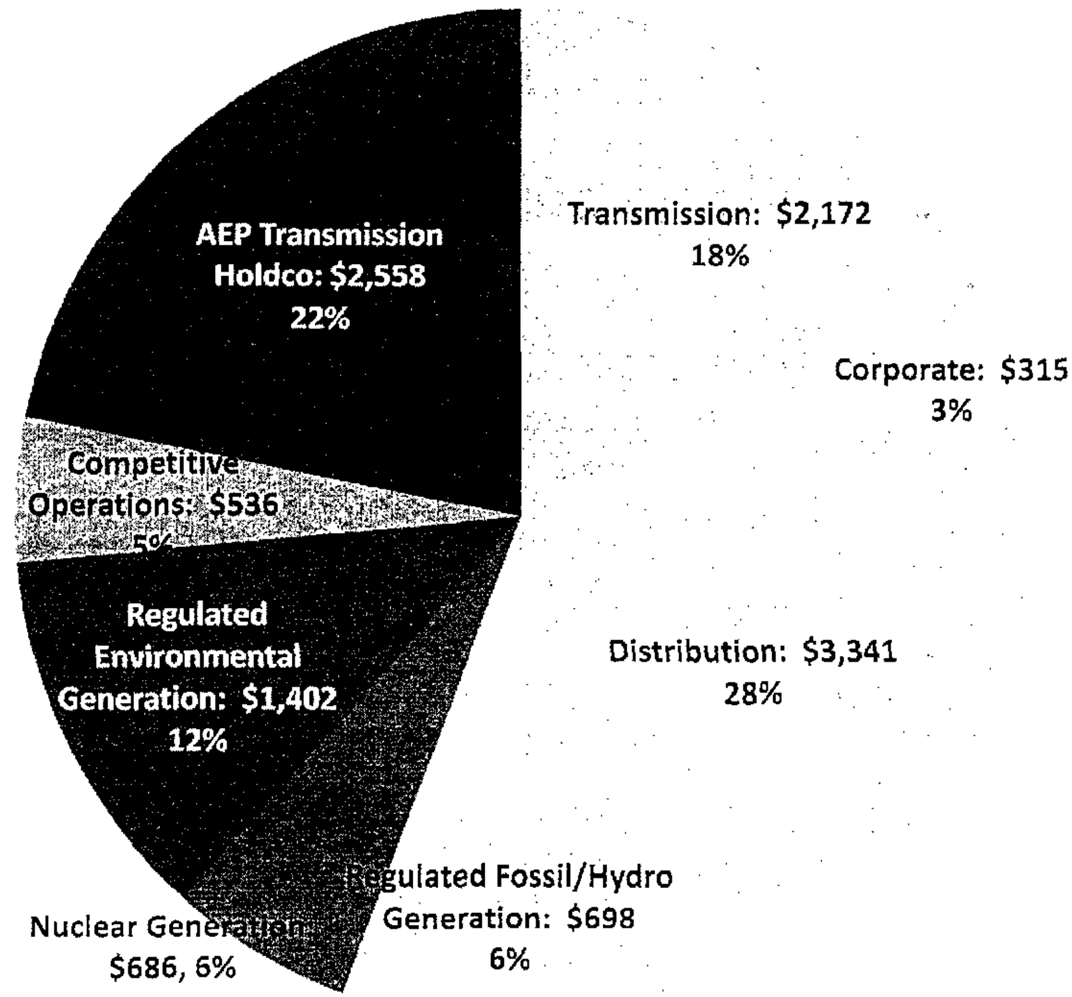
2014-2016 Capital Spending Forecast

Capital & Equity Contributions
$ in millions, excluding AFUDC
$4.1B: 2014
$3.8B: 2015 & 2016

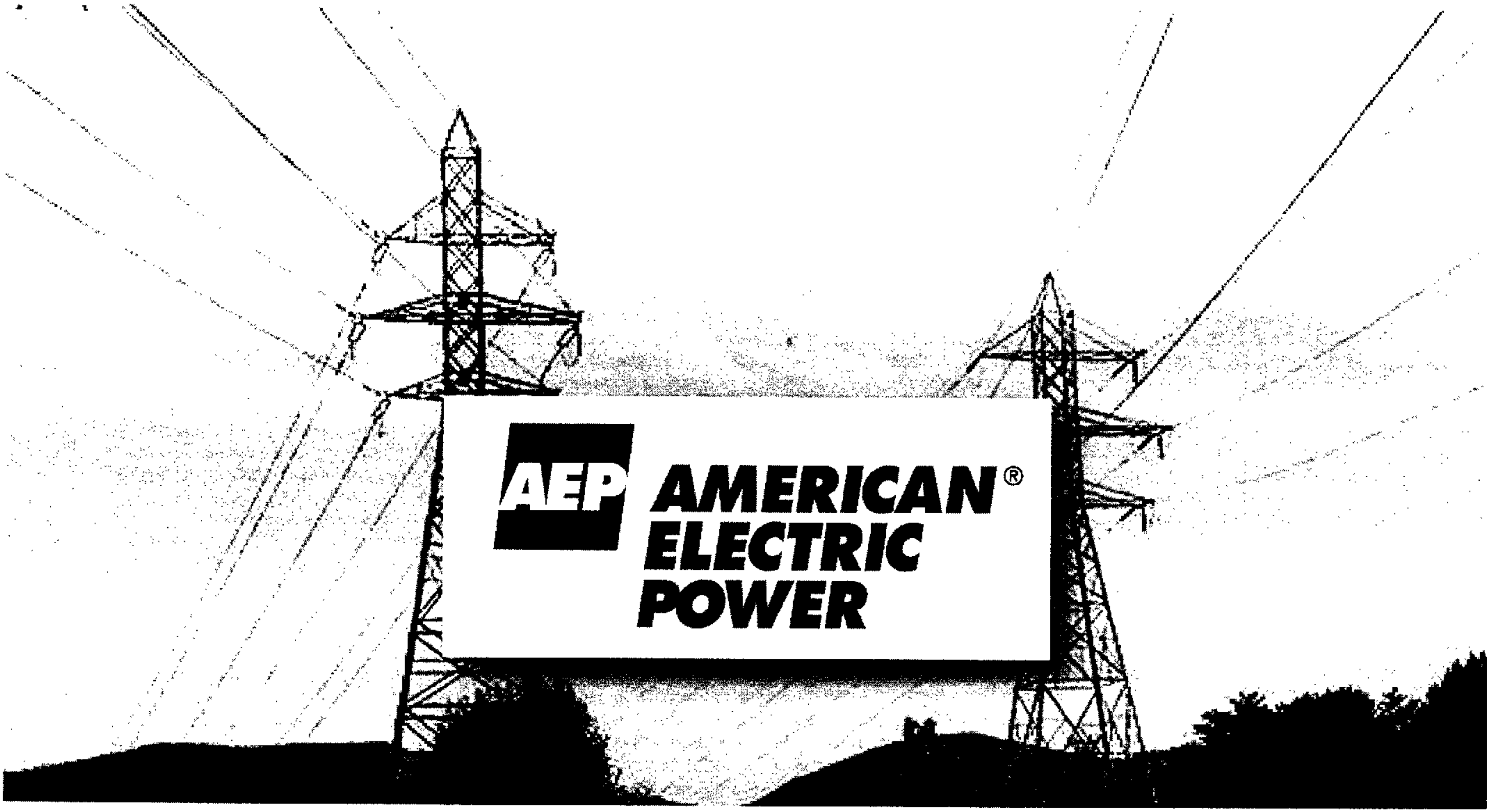
Regulated Generation Investment - $2.8B

Regulated Distribution Investment - $3.3B

Regulated Transmission Investment - $4.7B



95% of capital allocated to regulated businesses



2013 Fact Book
48th EEI Financial Conference
Orlando, Florida

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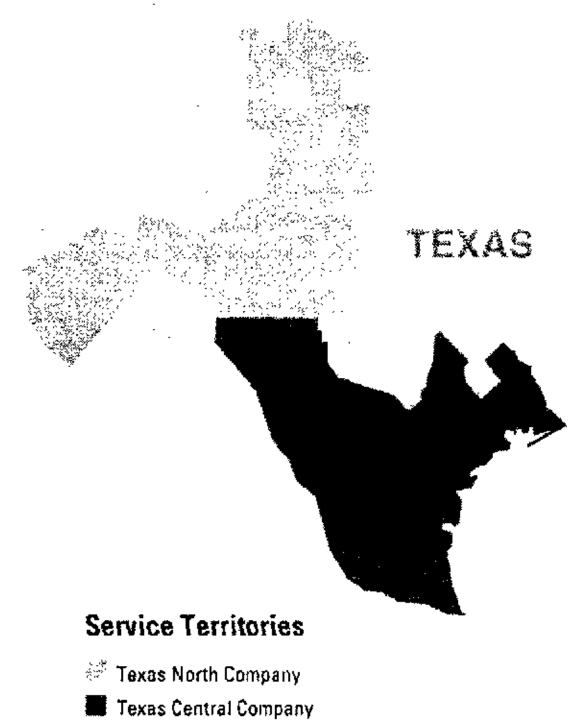
AEP Service Territory

TRANSMISSION AND DISTRIBUTION UTILITIES

- Ohio Power Company* (OPCo)
- Texas Central Company (TCC)
  Texas North Company (TNC)



* Wires only effective 01/01/2014

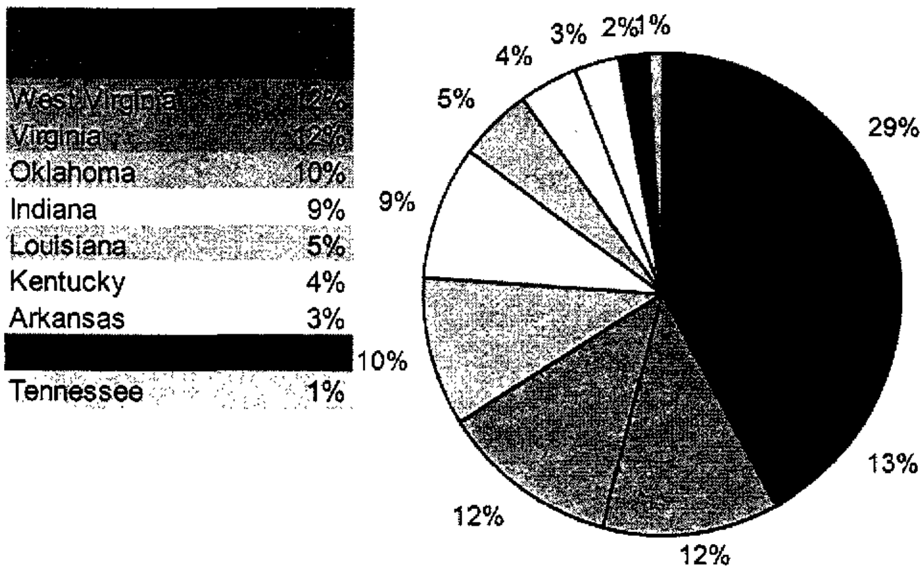
2012 Retail Revenue

CUSTOMER PROFILE

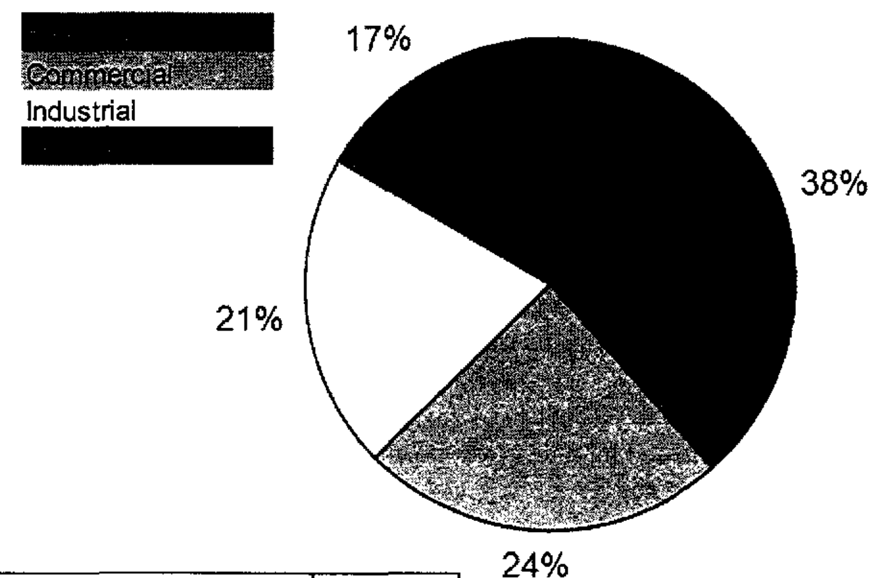
AEP'S SERVICE TERRITORY ENCOMPASSES

APPROXIMATELY 5.3 MILLION CUSTOMERS IN 11 STATES

Percentage of AEP System Retail Revenues



Revenue Composition by Customer Class*



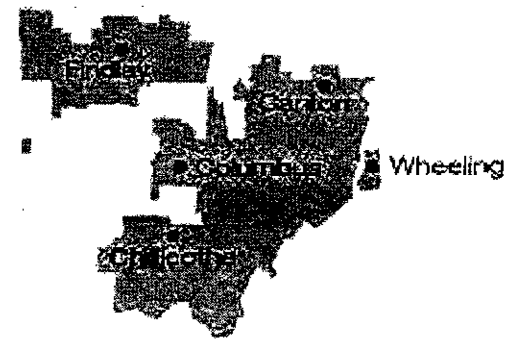
Top 10 Industrial Sectors Across the AEP System By NAICS Code	% of Total Industrial Sales
331 Primary Metal Manufacturing	20.8%
325 Chemical Manufacturing	13.1%
324 Petroleum and Coal Products Manufacturing	11.2%
212 Mining (except Oil and Gas)	7.6%
322 Paper Manufacturing	6.3%
326 Plastics and Rubber Products Manufacturing	5.5%
311 Food Manufacturing	4.4%
336 Transportation Equipment Manufacturing	4.4%
211 Oil and Gas Extraction	4.2%
486 Pipeline Transportation	3.8%

Source: 2012 10-K.
*Note: Figures do not include Other Revenues

Overview

President and Chief Operating Officer:
Pablo Vegas

Since May 2012
8 years with AEP



AEP Ohio- Ohio Power Company (OPCo)

(organized in Ohio in 1907 and re-incorporated in 1924) is engaged in the generation, transmission and distribution of electric power to approximately 1,459,000 retail customers in the northwestern, east central, eastern and southern sections of Ohio, and in supplying and marketing electric power at wholesale to other electric utility companies, municipalities and other market participants. At December 31, 2012, OPCo had 3,131 employees. Ohio is transitioning to competitive electricity markets for generation service. OPCo expects corporate separation to be completed at the end of 2013 wherein all the generation assets currently owned by OPCo will be transferred to AEP Generation Resources and legacy OPCo will become a wires only company. As of June 1, 2015 AEP Generation Resources will be fully competitive. OPCo is a member of PJM.

Total Customers at 12/31/12:	
Residential	**1,273,000**
Commercial	**173,000**
Industrial	**10,000**
Other	**3,000**
Total	**1,459,000**
Owned Generating Capacity	**11,652 MW**
Generating Capacity by Fuel Mix:	
• **Coal:**	**88.0%**
• **Natural Gas:**	**11.6%**
• **Hydro:**	**0.4%**
Transmission Miles	**8,971**
Distribution Miles	**45,583**

PRINCIPAL INDUSTRIES SERVED:
Primary Metals
Petroleum and Coal Products Manufacturing
Chemical Manufacturing
Rubber & Plastic Products
Fabricated Metal Products

Financial & Operational Data

CAPITAL STRUCTURE (in thousands)

CAPITAL STRUCTURE	2012			9/30/2013		
	Debt	Equity	Total	Debt	Equity	Total
Capitalization Per Balance Sheet	3,860,440	4,525,709	8,386,149	3,699,299	4,587,574	8,286,873
% of Capitalization Per Balance Sheet	46.0%	54.0%	100.0%	44.6%	55.4%	100.0%
FFO Interest Coverage			5.23			4.90^
FFO Total Debt			24.0%			22.9%

^ - calculated on rolling 12-month avg.

Credit Ratings/Outlook

Moody's	S&P	Fitch
Baa1/S	BBB/S	A-/N

Capital Expenditures (in millions)

Excludes AFUDC

2012A	2013E	2014E	2015E	2016E
$ 524	$ 616	$ 356	$ 315	$ 307

As of 01/01/2014 AEP Ohio is a wires only company – post 2013 capex is more indicative of run rate

2013 Asset Data * (in thousands)

	As of 9/30/13
Total Assets	$ 12,556,214
Net Plant Assets	$ 10,028,455
Cash	$ 4,341

Operating Information**

2012 retail electric sales in megawatt-hours	30,897,005
2012 firm wholesale sales in megawatt-hours	2,596,133
2012 average cost per kilowatt-hour (residential)	13.19 cents
2012 System Peak – June 29	9,670MW

Sources: * 3Q13 Form 10-Q (unaudited)
** 2012 FERC Form 1

Customer Statistics

OHIO INVESTOR OWNED UTILITIES *

Ohio	Customers
AEP Ohio	**1,435,614**
FirstEnergy **	664,111
Duke Energy Ohio	474,243
DP&L	484,278

** FirstEnergy -Toledo Edison = 106,547
CEI = 188,592
Ohio Edison = 368,972

* Customer counts are as of December 31, 2011 and were sourced from table 10 at http://www.eia.doe.gov/cneaf/electricity/esr/esr_sum.html

TYPICAL BILL COMPARISON ***

Ohio	$/month
Duke Energy Ohio	112.26
FE (Toledo Edison)	113.89
FE (CEI)	113.95
FE (Ohio Edison)	116.03
AEP (OPCo)	**129.38**
DP&L	131.66
AEP (CSPCo)	**132.68**

*** Typical bills are displayed in $/month, based on 1,000 kWh of residential usage. Billing amounts sourced from the EEI Typical Bills and Average Rates Report as of January 1, 2013. Ohio rates represent provider of last resort bundled residential rates.

MAJOR CUSTOMERS:

Lima Refining Co
Republic Engineered Products, LLC
The Timken Company
E.I. Du Pont de Nemour
Eramet Marietta, Inc.
Kraton Polymers US, LLC
Glatfelter Company
Amsted Rail Company, Inc.
Globe Metallurgical, Inc.

(Data for year ended December 2012)

Top 10 OPCo customers = 47% of industrial sales

Metropolitan areas account for 67% of ultimate sales

169 persons per square mile (U.S. = 87)

(Data for 12 months ended December 2012)

Generation

Plant Name	Units	State	Fuel Type	Net Maximum Capacity (MW)	Year Plant Commissioned
Ohio Power Company (to AEP Generation Resources effective 01/01/2014)					
Racine	2	OH	Hydro	48	1982
Darby	6	OH	Natural Gas	507	2001
Waterford	4	OH	Natural Gas	840	2003
Cardinal	1	OH	Steam - Coal	595	1967
Gavin	2	OH	Steam - Coal	2,640	1974
Muskingum River^*	5	OH	Steam - Coal	1,440	1953
Picway^*	1	OH	Steam - Coal	100	1926
Beckjord (CCD)^**	1	OH	Steam - Coal	53	1969
Conesville (Unit 4) (CCD)**	1	OH	Steam - Coal	339	1957
Stuart (CCD)**	4	OH	Steam - Coal	600	1971
Stuart (CCD)**	4	OH	Oil	3	1970
Zimmer (CCD)**	1	OH	Steam - Coal	330	1991
Amos (Unit 3)***	1	WV	Steam - Coal	867	1973
Conesville (Units 5&6)	2	OH	Steam - Coal	800	1957
Kammer^	3	WV	Steam - Coal	630	1958
Mitchell***	2	WV	Steam - Coal	1,560	1971
Sporn (Units 2&4)^*	2	WV	Steam - Coal	300	1950
				11,652	

^ Plants to be retired
* Plants on extended start-up: MR Unit 4, Picway Unit 5, Sporn Unit 4
** CCD Plants jointly owned by AEP Ohio, Duke, and DP&L
*** To be transferred to APCo (Amos 3) and KPCo (50% Mitchell)

Project Name	State	Renewable Type	Net Maximum Capacity (MW)	Contract Initiated
Fowler Ridge II	IN	Wind	100	2009
Wyandot Solar	OH	Solar	10	2010
Timber Road	OH	Wind	99	2013
			209	

Commission Overview

Ohio Public Utilities Commission

Commissioners

Number: 5	Appointed/Elected: Appointed	Term: 5 Years	Political Makeup: R: 2 D: 1 I: 2

Qualifications for Commissioners

Five members, appointed by the governor and confirmed by the state senate; five year, staggered terms, full-time positions, commissioners shall be selected from the lists of qualified persons submitted to the governor by the PUC nominating council. Not more than three of the members of the PUCO shall be members of the same political party. The governor appoints one of the five as chairman, who serves at the pleasure of the governor until a successor has been designated.

Commissioners

Todd A. Snitchler, Chairman, (Rep.) , since 2011; term expires April 2014. Before joining the commission was elected to two terms in the Ohio House of Representatives. Past chairman and secretary of the Lake Township Chamber of Commerce. Received his B.S. from Grove City College in history and secondary education/social science and his law degree from the University of Akron School of Law.

M. Beth Trombold, Commissioner, (Ind.) since 2013; term expires April 2018. Prior to joining the commission, was the assistant director of the Ohio Development Services Agency. Prior to that was on PUC staff for 16 years. Bachelor's degree in international business and marketing from Ohio University and master's in public policy from Ohio State University.

Steven D. Lesser, Commissioner, (Dem.) since 2010; term expires April 2015. Juris Doctorate from Capital University; previously served as PUCO chief of staff, assistant director of the legal department, deputy director of the transportation department and administrative law judge/attorney examiner in the legal department.

Asim Haque, Commissioner, (Ind.) since 2013; term expires April 2016. Prior to joining the commission was assistant counsel at Honda of America. Prior to that was an attorney with Ice Miller LLP. Bachelor's degrees in chemistry and political science from Case Western Reserve University and Juris Doctorate from Ohio State University.

Lynn Slaby, Commissioner, (Rep.) since 2012; term expires April 2017. Juris Doctorate and Bachelor of Science from University of Akron; previously served in Ohio House of Representatives representing 41st District. For 14 years Commissioner Slaby served as Summit County Prosecuting Attorney.

AEP Regulatory Status

The currently approved electric security plan expires in May 2015. Corporate Separation expected as of January 1, 2014 at which time OPCo will be a wires only company. Transmission rates are currently regulated by FERC as reflected in the OATT. SB221 allows that OPCo has an active fuel clause effective January 1, 2009. Ohio currently has a mandatory renewable energy standard of 25% by 2025, phased in beginning in 2009.

Debt Schedules

Ohio Power Company	Interest	Maturity	CUSIP / PPN*	Amount
Pollution Control Bond	Floating	07/01/2014	572287AT7	$50,000,000
Pollution Control Bond	Floating	05/1/2026[1]	677525MQ7	$50,000,000
Pollution Control Bond	2.875%	12/01/2027[2]	677525TX5	$39,130,000
Pollution Control Bond	Floating	06/1/2037[3]	95648VAD1	$65,000,000
Pollution Control Bond	3.875%	12/01/2038[4]	677525TL1	$60,000,000
Pollution Control Bond	5.800%	12/01/2038	677525TM9	$32,245,000
Pollution Control Bond	3.250%	06/01/2041[5]	677525TV9	$79,450,000
Pollution Control Bond	3.125%	03/01/2043[6]	95648VAR0	$86,000,000
Term Loan	Floating	05/13/2015	N/A	$200,000,000
Term Loan	Floating	05/13/2015	N/A	$400,000,000
Senior Notes	4.850%	01/15/2014	677415CG4	$225,000,000
Senior Notes	6.000%	06/01/2016	677415CL3	$350,000,000
Senior Notes	6.050%	05/01/2018	199575AW1	$350,000,000
Senior Notes	5.375%	10/01/2021	677415CP4	$500,000,000
Senior Notes	6.600%	02/15/2033	677415CF6	$250,000,000
Senior Notes	6.600%	03/01/2033	199575AT8	$250,000,000
Senior Notes	5.850%	10/01/2035	199575AV3	$250,000,000
Weighted Average or Total	5.590%			$3,236,825,000
Securitization Bond	0.958%	07/01/2017	67741Y AA6	$164,900,000
Securitization Bond	2.049%	07/01/2019	67741Y AB4	$102,508,000
Weighted Average or Total	1.376%			$267,408,000

[1] Put date 11/21/2014
[2] Put date 08/01/2014
[3] Put date 07/01/2014
[4] Put date 06/01/2014
[5] Put date 06/02/2014
[6] Put date 04/01/2015

Note: Debt schedules current as of 9/30/13. The weighted average coupon excludes all floating rate debt.

* Private Placement Number

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to_________

Commission File Number	Registrants; States of Incorporation; Address and Telephone Number	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER COMPANY, INC. (A New York Corporation)	13-4922640
1-3457	APPALACHIAN POWER COMPANY (A Virginia Corporation)	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY (An Indiana Corporation)	35-0410455
1-6543	OHIO POWER COMPANY (An Ohio Corporation)	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA (An Oklahoma Corporation)	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY (A Delaware Corporation)	72-0323455
	1 Riverside Plaza, Columbus, Ohio 43215	
	Telephone (614) 716-1000	

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Name of Each Exchange on Which Registered
American Electric Power Company, Inc.	Common Stock, $6.50 par value	New York Stock Exchange
Appalachian Power Company	None	
Indiana Michigan Power Company	None	
Ohio Power Company	None	
Public Service Company of Oklahoma	None	
Southwestern Electric Power Company	None	

Securities registered pursuant to Section 12(g) of the Act: None

temporary impairments from securities in these trust funds as adjustments to the regulatory liability account for the nuclear decommissioning trust funds and to regulatory assets or liabilities for the SNF disposal trust funds in accordance with their treatment in rates. Consequently, changes in fair value of trust assets do not affect earnings or AOCI. See the "Nuclear Contingencies" section of Note 6 for additional discussion of nuclear matters. See "Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal" section of Note 11 for disclosure of the fair value of assets within the trusts.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) has two components: net income (loss) and other comprehensive income (loss).

Stock-Based Compensation Plans

As of December 31, 2013, we had performance units and restricted stock units outstanding under the Amended and Restated American Electric Power System Long-Term Incentive Plan (LTIP). This plan was last approved by shareholders in April 2010. Upon vesting, performance units are paid in cash and restricted stock units are settled in AEP Common Shares, except for restricted stock units granted after January 1, 2013 and vesting to executive officers, which are paid in cash.

We maintain a variety of tax qualified and nonqualified deferred compensation plans for employees and non-employee directors that include, among other options, an investment in or an investment return equivalent to that of AEP common stock. This includes career share accounts maintained under the American Electric Power System Stock Ownership Requirement Plan, which facilitates executives in meeting minimum stock ownership requirements assigned to them by the Human Resources Committee of the Board of Directors. Career shares are derived from vested performance units granted to employees under the LTIP. Career shares are equal in value to shares of AEP common stock and become payable to executives in cash after their service ends. Dividends paid on career shares are reinvested as additional career shares.

We compensate our non-employee directors, in part, with stock units under the American Electric Power Company, Inc. Stock Unit Accumulation Plan for Non-Employee Directors. These stock units become payable in cash to directors after their service ends.

In January 2006, we adopted accounting guidance for "Compensation - Stock Compensation" which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including stock options, based on estimated fair values.

We recognize compensation expense for all share-based awards with service only vesting conditions granted on or after January 2006 using the straight-line single-option method. Stock-based compensation expense recognized on the statements of income for the years ended December 31, 2013, 2012 and 2011 is based on awards ultimately expected to vest. Therefore, stock-based compensation expense has been reduced to reflect estimated forfeitures. Accounting guidance for "Compensation - Stock Compensation" requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For the years ended December 31, 2013, 2012 and 2011, compensation expense is included in Net Income for the performance units, career shares, restricted shares, restricted stock units and the non-employee director's stock units. See Note 15 for additional discussion.

Earnings Per Share (EPS)

Shown below are income statement amounts attributable to AEP common shareholders:

Amounts Attributable to AEP Common Shareholders	2013	2012	2011
	Years Ended December 31, (in millions)		
Income Before Extraordinary Item	$ 1,480	$ 1,259	$ 1,568
Extraordinary Item, Net of Tax	-	-	373
Earnings Attributable to AEP Common Shareholders	$ 1,480	$ 1,259	$ 1,941

Basic earnings per common share is calculated by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated by adjusting the weighted average outstanding common shares, assuming conversion of all potentially dilutive stock options and awards.

The following table presents our basic and diluted EPS calculations included on the statements of income:

	2013		2012		2011	
	Years Ended December 31, (in millions, except per share data)					
		$/share		$/share		$/share
Earnings Attributable to AEP Common Shareholders	$ 1,480		$ 1,259		$ 1,941	
Weighted Average Number of Basic Shares Outstanding	486.6	$ 3.04	484.7	$ 2.60	482.2	$ 4.02
Weighted Average Dilutive Effect of:						
Stock Options	-	-	-	-	0.1	-
Restricted Stock Units	0.4	-	0.4	-	0.2	-
Weighted Average Number of Diluted Shares Outstanding	487.0	$ 3.04	485.1	$ 2.60	482.5	$ 4.02

There were no antidilutive shares outstanding as of December 31, 2013, 2012 and 2011.

OPCo Revised Depreciation Rates

Effective December 1, 2011, we revised book depreciation rates for certain of OPCo's generation plants consistent with shortened depreciable lives for the generating units. This change in depreciable lives resulted in a $52 million increase in depreciation expense in 2012.

In the fourth quarter of 2012, we impaired certain Ohio generating units (see Note 7). As a result of this impairment of the full book value of these assets, we ceased depreciation on these generating units effective December 1, 2012.

In the second quarter of 2013, we impaired Muskingum River Plant, Unit 5 (MR5). As a result of this impairment of the full book value of this generating unit, we ceased depreciation on MR5 effective July 1, 2013.

Supplementary Related Party Information

AEP and several nonaffiliated utility companies jointly own OVEC. As of December 31, 2013, AEP's ownership and investment in OVEC were 43.47% and $4.4 million, respectively.

OVEC's owners are members to an intercompany power agreement. Participants of this agreement are entitled to receive and obligated to pay for all OVEC generating capacity, approximately 2,200 MWs, in proportion to their respective power participation ratios. The aggregate power participation ratio of certain AEP utility subsidiaries is 43.47%. The proceeds from the sale of power by OVEC are designed to be sufficient for OVEC to meet its operating expenses and fixed costs and provide a return on capital. In 2011, the intercompany power agreement was extended until June 2040.

ANNUAL REPORT — 2012

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 (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

These investor-owned utilities comprise the Sponsoring Companies and 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
FirstEnergy Generation, LLC[1]	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]Vectren Corporation

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

A Message from the President

Ohio Valley Electric Corporation and its subsidiary, Indiana-Kentucky Electric Corporation, observed their 60th anniversary as corporate entities on October 1, 2012. Over the years, the companies' long-established competitive operating efficiency and performance have proved to be valuable to our owners, the Sponsoring Companies. Going forward, we will continue to focus on our values — safety, operational excellence, cost controls and environmental compliance.

FLUE GAS DESULFURIZATION (FGD) PROJECTS

The first FGD scrubber at Kyger Creek was successfully placed into service in November 2011, and the second Kyger FGD scrubber began successful operation in February 2012. Both scrubbers continue to meet our environmental performance expectations. As designed, the Kyger Creek scrubbers achieve 98 percent sulfur dioxide (SO_2) removal efficiency.

The first Clifty Creek plant FGD system was successfully placed into service in March 2013, and the second FGD system began successful operation in May 2013. These FGDs are also designed to achieve 98 percent SO_2 removal efficiency, and initial data shows that the Clifty Creek FGD systems will perform as designed.

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 69.4 percent in 2012 compared with 89.6 percent in 2011. The on-peak use factor averaged 82.9 percent in 2012 compared with 98.9 percent in 2011. The off-peak use factor averaged 52.4 percent in 2012 and 77.5 percent in 2011.

In 2012, OVEC delivered 10.34 million MWh to the Sponsoring Companies compared with 14.20 million MWh in 2011.

POWER COSTS

In 2012, OVEC's average power cost to the Sponsoring Companies was $62.86 per MWh compared with $50.86 per MWh in 2011. The total Sponsoring Company power costs were $650 million in 2012 compared with $722 million in 2011. The lower energy sales in 2012 accounted for the majority of the increase in the cost per MWh in 2012. Mild weather, a soft energy market and low-cost natural gas generation were responsible for lower energy sales in 2012.

2013 ENERGY SALES OUTLOOK

In 2013, the demand for energy remains weak as the national economy continues to recover and natural gas generation continues to compete with coal-fired generation. OVEC projects that these factors will continue to impact the Sponsors' scheduling of OVEC's power in 2013. As a result, OVEC anticipates the combined use factor for 2013 will be approximately 75 percent.

COST CONTROL INITIATIVES

In 2012 and continuing in 2013, OVEC has been engaged in a continuous improvement initiative to control costs, improve operating performance and explore opportunities to enhance the value of the OVEC investment. This work will produce sustainable savings through OVEC's partnering with the workforce in forming change management teams.

AVAILABILITY

In 2012, the combined equivalent availability of the five generating units at Kyger Creek and the six units at Clifty Creek was 78.9 percent compared with 83.0 percent in 2011.

OVEC FERC Order 1000 Compliance

The Federal Energy Regulatory Commission (FERC) Order 1000 issued in July 2011 requires transmission providers, including OVEC, to participate in regional and interregional transmission planning. Because OVEC is not a member of a Regional Transmission Organization that provides such planning to its members, OVEC partnered with LG&E/KU to join the Southeast Regional Transmission Planning (SERTP) group. The SERTP had been formed in 2007 by a group of utilities led by Southern Company. Working with this group, OVEC was able to submit a compliance filing to the FERC for the regional planning portion of Order 1000 in February 2013. A ruling on this filing is expected from the FERC later this summer. OVEC is currently working with the SERTP on developing a filing to address the interregional portion of Order 1000. As it did for the regional filing, the FERC has granted an extension of the interregional filing date from April until July 2013.

DOE Arrangements with OVEC

In 2012, OVEC purchased 245,994 MWh of power and energy from other electricity suppliers for delivery and use by the Department of Energy (DOE) for its Portsmouth facility. At the request of the DOE, OVEC makes these limited purchases of power and energy under the terms and conditions of an Arranged Power Agreement with the DOE.

As ordered by the FERC, the North American Electric Reliability Corporation (NERC) registered OVEC as the load-serving entity for the DOE load at the Portsmouth facility. OVEC is working with Sponsor representatives to mitigate any impacts, other than additional NERC compliance obligation, that could result from this additional NERC registration. Discussions continue with the DOE on assuming responsibility for the remaining high-voltage substation at the facility.

Environmental Compliance

OVEC and IKEC have a strong commitment to maintain compliance with all applicable federal, state and local environmental rules and regulations. During 2012, the Kyger Creek and Clifty Creek plants operated in compliance with their respective air emission limits, and the Companies received no notices of violation from any of the environmental agencies responsible for overseeing the status of our environmental compliance activities.

Safety

OVEC and IKEC are committed to providing a safe and healthy place to work for all employees. In 2012, the Companies continued making progress on their transition to a culture that leads with safety. Safety training on Human Performance Improvement tools was initiated in 2012 and will continue in 2013. Strong leadership and the involvement of all employees will help ensure that we achieve and sustain the desired goal of zero harm.

Board of Directors and Officers Changes

In December 2012, James R. Haney, vice president, compliance & regulated services and chief FERC compliance officer of FirstEnergy Services Company, was elected to serve as a director of OVEC following the resignation of Stanley F. Szwed. Also in December 2012, Charles D. Lasky, vice president, fossil fleet operations of FirstEnergy Generation, LLC, was elected a director of IKEC and appointed to the Executive Committee of OVEC and IKEC, succeeding Stanley F. Szwed. Mr. Szwed had served on the OVEC and IKEC boards and as a member of the Executive Committee of both companies since 2003. Effective March 1, 2013, Lana L. Hillebrand, senior vice president and chief administrative officer of American Electric Power Company, Inc., was elected a director of OVEC and a member of the OVEC Human Resources Committee, replacing Pablo A. Vegas. Mr. Vegas had served on the OVEC board and as a member of the Human Resources Committee since 2012.

In January 2013, Julie Sloat, senior vice president and treasurer for American Electric Power Company, Inc., was elected assistant secretary and assistant treasurer of OVEC and IKEC.

Nicholas K. Akins
President

June 24, 2013

**OHIO VALLEY ELECTRIC CORPORATION
AND SUBSIDIARY COMPANY**

**CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011**

ASSETS	2012	2011
ELECTRIC PLANT:		
At original cost	$1,985,645,118	$1,782,236,938
Less — accumulated provisions for depreciation	1,115,363,691	1,041,198,318
	870,281,427	741,038,620
Construction in progress	645,484,896	684,076,875
Total electric plant	1,515,766,323	1,425,115,495
CURRENT ASSETS:		
Cash and cash equivalents	19,924,318	4,752,223
Accounts receivable	36,952,825	40,901,450
Fuel in storage	79,550,095	71,696,998
Materials and supplies	27,464,418	27,805,915
Property taxes applicable to future years	2,503,440	2,521,920
Emission allowances	86,649	28,519
Deferred tax assets	18,302,793	13,213,395
Income taxes receivable	15,832,666	1,441,451
Regulatory assets	8,277,357	-
Prepaid expenses and other	2,168,143	1,907,652
Total current assets	211,062,704	164,269,523
REGULATORY ASSETS:		
Unrecognized postemployment benefits	2,498,759	2,412,685
Pension benefits	30,561,325	50,922,795
Postretirement benefits	1,324,775	2,980,610
Total regulatory assets	34,384,859	56,316,090
DEFERRED CHARGES AND OTHER:		
Unamortized debt expense	14,485,787	13,714,625
Deferred tax assets	22,265,884	31,902,804
Long-term investments	120,351,712	106,177,206
Special deposits - restricted	57,938,752	-
Other	103,107	222,482
Total deferred charges and other	215,145,242	152,017,117
TOTAL	$1,976,359,128	$1,797,718,225

(Continued)

OHIO VALLEY ELECTRIC CORPORATION
AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011

CAPITALIZATION AND LIABILITIES	2012	2011
CAPITALIZATION:		
Common stock, $100 par value — authorized, 300,000 shares; outstanding, 100,000 shares in 2012 and 2011	$ 10,000,000	$ 10,000,000
Long-term debt	1,358,347,337	1,197,204,828
Line of credit borrowings	60,000,000	100,000,000
Retained earnings	5,293,968	4,037,278
Total capitalization	1,433,641,305	1,311,242,106
CURRENT LIABILITIES:		
Current portion of long-term debt	238,138,903	135,797,658
Accounts payable	53,916,997	78,722,972
Deferred revenue — advances for construction	19,389,380	31,084,284
Accrued other taxes	8,651,108	8,811,972
Regulatory liabilities	2,586,594	2,973,856
Accrued interest and other	25,822,574	22,909,899
Total current liabilities	348,505,556	280,300,641
COMMITMENTS AND CONTINGENCIES (Note 13)		
REGULATORY LIABILITIES:		
Decommissioning and demolition	14,230,459	10,610,565
Investment tax credits	3,393,146	3,393,146
Net antitrust settlement	1,823,929	1,823,929
Income taxes refundable to customers	38,645,647	40,284,930
Total regulatory liabilities	58,093,181	56,112,570
OTHER LIABILITIES:		
Pension liability	30,561,325	50,922,795
Asset retirement obligations	20,961,379	19,809,316
Postretirement benefits obligation	82,097,623	76,918,112
Postemployment benefits obligation	2,498,759	2,412,685
Total other liabilities	136,119,086	150,062,908
TOTAL	$1,976,359,128	$1,797,718,225

See notes to consolidated financial statements.

(Concluded)

OHIO VALLEY ELECTRIC CORPORATION
AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES — Sales of electric energy to:		
Department of Energy	$ 9,097,306	$ 11,643,355
Sponsoring Companies	661,721,951	705,294,774
Total operating revenues	670,819,257	716,938,129
OPERATING EXPENSES:		
Fuel and emission allowances consumed in operation	302,925,697	397,543,208
Purchased power	8,552,565	10,912,769
Other operation	101,967,242	95,597,681
Maintenance	89,645,354	81,451,764
Depreciation	85,140,820	56,131,434
Taxes — other than income taxes	10,765,327	11,207,820
Income taxes	893,533	851,608
Total operating expenses	599,890,538	653,696,284
OPERATING INCOME	70,928,719	63,241,845
OTHER INCOME	10,920,111	10,167,078
INCOME BEFORE INTEREST CHARGES	81,848,830	73,408,923
INTEREST CHARGES:		
Amortization of debt expense	4,606,617	1,478,943
Interest expense	74,985,523	69,259,876
Total interest charges	79,592,140	70,738,819
NET INCOME	2,256,690	2,670,104
RETAINED EARNINGS — Beginning of year	4,037,278	2,367,174
CASH DIVIDENDS ON COMMON STOCK	(1,000,000)	(1,000,000)
RETAINED EARNINGS — End of year	$ 5,293,968	$ 4,037,278

See notes to consolidated financial statements.

OHIO VALLEY ELECTRIC CORPORATION
AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING ACTIVITIES:		
Net income	$ 2,256,690	$ 2,670,104
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	85,140,820	56,131,434
Amortization of debt expense	4,606,617	1,478,943
Deferred taxes/refundable taxes	2,908,239	(1,236,767)
(Gain) on marketable securities	(6,345,075)	(5,844,074)
Changes in assets and liabilities:		
Accounts receivable	3,948,625	3,517,008
Fuel in storage	(7,853,097)	(8,859,671)
Materials and supplies	341,497	(4,853,014)
Property taxes applicable to future years	18,480	(19,920)
Emission allowances	(58,130)	612,810
Income taxes receivable	(14,391,215)	12,430,808
Prepaid expenses and other	(260,491)	496,868
Other regulatory assets	11,638,471	(43,323,464)
Other assets	-	(117,906)
Other noncurrent assets	119,375	(222,242)
Accounts payable	2,571,729	13,822,449
Deferred revenue - advances for construction	(11,694,904)	16,858,709
Accrued taxes	(160,864)	299,402
Accrued interest and other	2,912,675	235,410
Other liabilities	(13,943,822)	61,025,439
Other regulatory liabilities	5,248,035	(8,904,125)
Net cash provided by operating activities	67,003,655	96,198,201
INVESTING ACTIVITIES:		
Electric plant additions	(203,169,352)	(151,562,139)
Proceeds from sale of LT investments	20,342,154	26,095,488
Purchases of long-term investments	(86,110,337)	(38,955,548)
Net cash used in investing activities	(268,937,535)	(164,422,199)
FINANCING ACTIVITIES:		
Issuance of Senior 2012 Bonds	299,403,938	-
Issuance of Senior 2010 Bonds	-	100,000,000
Loan origination cost	(5,377,779)	(3,807,975)
Repayment of Senior 2006 Notes	(14,730,774)	(15,842,599)
Repayment of Senior 2007 Notes	(10,392,343)	(10,524,555)
Repayment of Senior 2008 Notes	(10,797,067)	(12,853,086)
Proceeds from line of credit	160,000,000	80,000,000
Payments on line of credit	(200,000,000)	(85,000,000)
Dividends on common stock	(1,000,000)	(1,000,000)
Net cash provided by financing activities	217,105,975	50,971,785
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,172,095	(17,252,213)
CASH AND CASH EQUIVALENTS — Beginning of year	4,752,223	22,004,436
CASH AND CASH EQUIVALENTS — End of year	$ 19,924,318	$ 4,752,223
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 74,160,307	$ 69,615,825
Income taxes paid (received) — net	$ 12,504,500	$ (7,486,412)
Non-cash electric plant additions included in accounts payable at December 31	$ 8,654,116	$ 36,031,820

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 27% of the Companies' employees are covered by a collective bargaining agreement that expires August 31, 2014.

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. 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 on the accompanying consolidated balance sheets and are recognized in 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, 2012 and 2011, were as follows:

	2012	2011
Regulatory assets:		
Current assets:		
Lease termination costs/liquidated damages	$ 5,225,467	$ -
Unrecognized loss on coal sales	3,051,890	-
Total	8,277,357	-
Other assets:		
Unrecognized postemployment benefits	$ 2,498,759	$ 2,412,685
Pension benefits	30,561,325	50,922,795
Postretirement benefits	1,324,775	2,980,610
Total	34,384,859	56,316,090
Total regulatory assets	$42,662,216	$56,316,090
Regulatory liabilities:		
Current liabilities:		
Deferred credit — EPA emission allowance proceeds	$ 274,687	$ 269,506
Advance collection of interest	2,311,907	2,704,350
Total	2,586,594	2,973,856
Other liabilities:		
Decommissioning and demolition	$14,230,459	$10,610,565
Investment tax credits	3,393,146	3,393,146
Net antitrust settlement	1,823,929	1,823,929
Income taxes refundable to customers	38,645,647	40,284,930
Total	58,093,181	56,112,570
Total regulatory liabilities	$60,679,775	$59,086,426

Regulatory Assets — Regulatory assets consist primarily of postretirement benefits, income taxes billable to customers, and pension benefits. Income taxes billable to customers are billed to customers in the period when the related deferred tax liabilities are realized. The fuel related costs, including railcar lease termination costs and liquidated damages, will be billed to customers in 2013. All other regulatory assets are being recovered on a long-term basis.

Regulatory Liabilities —The regulatory liabilities classified as current in the accompanying consolidated balance sheet as of December 31, 2012, consist primarily of interest expense collected from customers in advance of expense recognition. These amounts outstanding will be credited to customer bills during 2013. Other regulatory liabilities consist primarily of income taxes refundable to customers, postretirement benefits, and decommissioning and demolition costs. Income taxes refundable to customers are credited to customer bills in the period when the related deferred tax assets are realized. The Companies' current ratemaking policy recovers postretirement benefits in an amount equal to estimated benefit accrual cost plus amortization of unfunded liabilities, if any. As a result, related regulatory liabilities are being credited to customer bills on a long-term basis. The remaining regulatory liabilities are awaiting credit to customer bills in a future period that is yet to be determined.

In 2003, the DOE terminated the DOE Power Agreement with OVEC, entitling the Sponsoring Companies to 100% of OVEC's generating capacity under the terms of the ICPA. Under the terms of the DOE Power Agreement, OVEC was entitled to receive a "termination payment" from the DOE to recover unbilled costs upon termination of the agreement. The termination payment included unbilled postretirement benefit costs. In 2003, OVEC recorded a settlement payment of $97 million for the DOE obligation related to postretirement benefit costs. The regulatory liability for postretirement benefits recorded at December 31, 2012 and December 31, 2011, represents amounts collected in historical billings in excess of the Generally Accepted Accounting Principles net periodic benefit costs, including the DOE termination payment.

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 for use in the generation of electricity and emission allowance inventories for regulatory compliance purposes due to the generation of electricity. These inventories are valued at average cost, less reserves for obsolescence. 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 postretirement benefits and decommissioning and demolition costs. These securities have been classified as trading securities in accordance with the provisions of Investments — Debt and Equity Securities accounting guidance. Trading securities reflected in Long-Term Investments are carried at fair value with the unrealized gain or loss, reported in Other Income. 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, we 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. Due to tax limitations, the amounts held in the postretirement benefits portfolio have not yet been transferred to the Voluntary Employee Beneficiary Association (VEBA) trusts (see Note 8). Long-term investments primarily consist of municipal bonds, money market mutual fund investments, and mutual funds. Net unrealized gains (losses) recognized during 2012 and 2011 on securities still held at the balance sheets date were $6,250,092 and $5,844,074, respectively.

Special Deposits — Special deposits consist of money market mutual funds held by trustees restricted for use in specific construction projects. The fair value of special deposits at the balance sheet date was $57,938,752.

Money market mutual funds reflected in special deposits are carried at fair value with the related investment income reported in Other Income. The cost of securities sold is based on the specific identification method. The fair value of money market mutual funds is determined by reference to currently available market prices and, as such, is considered Level 1. There were no unrealized gains or losses recognized on this portfolio during 2012.

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 loan origination costs incurred to secure financing. These costs are being amortized using the effective yield method over the life of the related loans.

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.

Balance — January 1, 2011	$ 30,999,653
Accretion	2,130,471
Liabilities settled	(338,375)
Revision in cash flow estimates	(12,982,433)
Balance — December 31, 2011	19,809,316
Accretion	1,429,394
Liabilities settled	(277,331)
Revision in cash flow estimates	-
Balance — December 31, 2012	$ 20,961,379

The revised estimated costs are recorded in the accompanying balance sheets. The asset retirement obligations originally assumed a decommissioning and demolition date consistent with the ICPA expiring in 2026. As the ICPA was extended an additional 14 years to 2040, the cash flow estimates were revised to reflect the new decommissioning and demolition date, which resulted in a decreased obligation as of December 31, 2011.

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 at certain generating stations. 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 accounting principles generally accepted in the United States of America 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.

Subsequent Events — In preparing the accompanying financial statements and disclosures, the Companies reviewed subsequent events through April 10, 2013, which is the date the consolidated financial statements were issued.

2. RELATED-PARTY TRANSACTIONS

Transactions with the Sponsoring Companies during 2012 and 2011 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 Department of Energy'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, 2012 and 2011, balances due from the Sponsoring Companies are as follows:

	2012	2011
Accounts receivable	$34,343,741	$36,650,231

American Electric Power Company, Inc. and subsidiary company owned 43.47% of the common stock of OVEC as of December 31, 2012. 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:

	2012	2011
General services	$ 3,216,482	$ 3,656,595
Specific projects	12,746,357	9,612,272
Total	$15,962,839	$13,268,867

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.

3. COAL SUPPLY

The Companies have coal supply agreements with certain nonaffiliated companies that expire at various dates from the year 2013 through 2017. Pricing for coal under these contracts is subject to contract provisions and adjustments. The Companies currently have 94% of their 2013 coal requirements under long-term agreements of one year or greater. These contracts are based on rates in effect at the time of purchase. During 2012, OVEC failed to meet the contracted obligations relating to one coal transportation contract, which resulted in liquidated damages of $2,227,781. These costs are payable to vendors and recoverable from the Sponsor Companies within the next 12 months and are recorded as current regulatory assets (see Note 1).

4. ELECTRIC PLANT

Electric plant at December 31, 2012 and 2011, consists of the following:

	2012	2011
Steam production plant	$1,898,140,562	$1,695,243,965
Transmission plant	74,777,994	74,443,405
General plant	12,699,998	12,523,004
Intangible	26,564	26,564
	1,985,645,118	1,782,236,938
Less accumulated depreciation	1,115,363,691	1,041,198,318
	870,281,427	741,038,620
Construction in progress	645,484,896	684,076,875
Total electric plant	$1,515,766,323	$1,425,115,495

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. The majority of financed projects placed in service over the past 5 years have been recorded to steam production plant with depreciable lives ranging from 32 to 45 years. However, as the Companies' policy is to bill in accordance with the principal billings of the debt agreements, all financed projects are being depreciated in line with principal payments on outstanding debt.

5. BORROWING ARRANGEMENTS AND NOTES

OVEC has an unsecured bank revolving line of credit agreement with a borrowing limit of $275 million as of December 31, 2012, and $225 million as of December 31, 2011. The $225 million line of credit was renewed in June 2010, increased to $275 million in April 2012, and has an expiration date of June 18, 2015. At December 31, 2012 and 2011, OVEC had borrowed $60 million and $100 million, respectively, under this line of credit. Interest expense related to line of credit borrowings was $3,139,158 in 2012 and $2,216,871 in 2011. During 2012 and 2011, OVEC incurred annual commitment fees of $412,458 and $573,958, respectively, based on the borrowing limits of the line of credit.

6. LONG-TERM DEBT

The following amounts were outstanding at December 31, 2012 and 2011:

	Interest Rate	2012	2011
Senior 2006 Notes:			
2006A due February 15, 2026	5.80 %	$ 292,095,074	$ 306,042,656
2006B due June 15, 2040	6.40	61,252,481	62,035,673
Senior 2007 Notes:			
2007A-A due February 15, 2026	5.90	132,475,263	138,983,105
2007A-B due February 15, 2026	5.90	33,362,594	35,001,279
2007A-C due February 15, 2026	5.90	33,628,247	35,279,980
2007B-A due June 15, 2040	6.50	30,609,314	31,003,872
2007B-B due June 15, 2040	6.50	7,708,654	7,808,021
2007B-C due June 15, 2040	6.50	7,770,034	7,870,192
Senior 2008 Notes:			
2008A due February 15, 2026	5.92	41,334,943	43,362,126
2008B due February 15, 2026	6.71	83,014,206	86,898,218
2008C due February 15, 2026	6.71	84,578,521	88,408,080
2008D due June 15, 2040	6.91	44,242,121	44,765,728
2008E due June 15, 2040	6.91	45,010,851	45,543,556
Series 2009 Notes:			
2009A due February 15, 2013	1.96	100,000,000	100,000,000
Series 2009 Bonds:			
2009A due February 1, 2026	0.11	25,000,000	25,000,000
2009B due February 1, 2026	0.11	25,000,000	25,000,000
2009C due February 1, 2026	0.12	25,000,000	25,000,000
2009D due February 1, 2026	0.12	25,000,000	25,000,000
2009E due October 1, 2019	5.63	100,000,000	100,000,000
Series 2010 Bonds:			
2010A due June 29, 2014	1.48	50,000,000	50,000,000
2010B due June 29, 2016	1.48	50,000,000	50,000,000
Series 2012 Bonds:			
2012A due June 1, 2032	4.95	77,091,234	-
2012A due June 1, 2039	5.05	122,312,703	-
2012B due June 1, 2040	0.12	50,000,000	-
2012C due June 1, 2040	0.11	50,000,000	-
Total debt		1,596,486,240	1,333,002,486
Current portion of long-term debt		238,138,903	135,797,658
Total long-term debt		$ 1,358,347,337	$ 1,197,204,828

All of the OVEC amortizing unsecured senior notes have maturities scheduled for February 15, 2026, or June 15, 2040, as noted in the previous table.

During 2009, OVEC issued $100 million variable rate non-amortizing unsecured senior notes (2009A Notes) in private placement, a series of four $25 million variable rate non-amortizing tax exempt pollution control bonds (2009A, B, C, and D Bonds), and $100 million fixed rate non-amortizing tax exempt pollution control bonds (2009E Bonds). The variable rates listed above reflect the interest rate in effect at December 31, 2012.

The 2009 Series A, B, C, and D Bonds are secured by irrevocable transferable direct-pay letters of credit, expiring August 12, 2013, and August 21, 2013, issued for the benefit of the owners of the bonds. The interest rate on the bonds are adjusted weekly, and bondholders may require repurchase of the bonds at the time of such interest rate adjustments. OVEC has entered into an agreement to provide for the remarketing of the bonds if such repurchase is required. The 2009A, B, C, and D Series Bonds are current, as they are callable at any time.

In December 2010, OVEC established a borrowing facility under which OVEC borrowed, in 2011, $100 million variable rate bonds due February 1, 2040. In June 2011, the $100 million variable rate bonds were issued as two $50 million non-amortizing pollution control revenue bonds (Series 2010A and 2010B) in a short-term bank arrangement for three years and five years, respectively.

During 2012, OVEC issued $200 million fixed rate tax-exempt midwestern disaster relief revenue bonds (2012A Bonds) and two series of $50 million variable rate tax-exempt midwestern disaster relief revenue bonds (2012B and 2012C Bonds). The 2012A, 2012B, and 2012C Bonds will begin amortizing June 1, 2027, to their respective maturity dates. The variable rates listed above reflect the interest rate in effect at December 31, 2012.

The 2012B and 2012C Bonds are secured by irrevocable transferable direct-pay letters of credit, expiring June 28, 2014, and June 28, 2015, issued for the benefit of the owners of the bonds. The interest rates on the bonds are adjusted weekly, and bondholders may require repurchase of the bonds at the time of such interest rate adjustments. OVEC has entered into agreements to provide for the remarketing of the bonds if such repurchase is required. The 2012B and 2012C Bonds are current, as they are callable at any time.

In 2013, the $100 million 2009A Notes were retired on February 15, 2013, with funding from the issuance of $100 million 2013A variable rate non-amortizing unsecured senior notes (2013A Notes). The 2013A Notes mature on February 15, 2018. As a result, the 2009A Notes are excluded from current liabilities and classified as long term at December 31, 2012.

The annual maturities of long-term debt as of December 31, 2012, are as follows:

2013	$ 38,138,903
2014	90,496,382
2015	43,000,194
2016	95,559,472
2017	48,483,907
2018–2040	1,280,807,382
Total	$1,596,486,240

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:

	2012	2011
Income tax expense at 35% statutory rate	$ 1,102,283	$ 1,232,599
State income taxes — net of federal benefit	549	(181,531)
Temporary differences flowed through to customer bills	(224,609)	(228,753)
Permanent differences and other	15,310	29,293
Income tax provision	$ 893,533	$ 851,608
Effective tax rate	28.4 %	24.2 %

Components of the income tax provision were as follows:

	2012	2011
Current income tax (benefit)/expense	$ (9,609,247)	$ 5,004,517
Deferred income tax expense/(benefit)	10,502,780	(4,152,909)
Total income tax provision	$ 893,533	$ 851,608

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. The deferred tax assets recorded in the accompanying consolidated balance sheets consist primarily of the net deferred taxes on depreciation, postretirement benefits obligation, asset retirement obligations, regulatory assets, and regulatory liabilities.

To the extent that the Companies have not reflected credits in customer billings for deferred tax assets, they have recorded a regulatory liability representing income taxes refundable to customers under the applicable agreements among the parties. The regulatory liability was $38,645,647 and $40,284,930 at December 31, 2012 and 2011, respectively.

Deferred income tax assets (liabilities) at December 31, 2012 and 2011, consisted of the following:

	2012	2011
Deferred tax assets:		
Deferred revenue — advances for construction	$ 6,789,730	$ 10,967,289
AMT credit carryforwards	2,574,572	2,574,572
Federal net operating loss	9,392,878	-
Postretirement benefit obligation	28,748,763	27,328,379
Pension liability	9,207,805	16,511,400
Postemployment benefit obligation	875,010	851,254
Asset retirement obligations	7,340,209	6,989,207
Miscellaneous accruals	2,742,592	2,833,433
Regulatory liability — investment tax credits	1,188,204	1,197,184
Regulatory liability — net antitrust settlement	638,700	643,527
Regulatory liability — asset retirement costs	4,983,191	3,743,665
Regulatory liability — income taxes refundable to customers	13,844,317	14,613,570
Total deferred tax assets	88,325,971	88,253,480
Deferred tax liabilities:		
Prepaid expenses	(622,408)	(587,327)
Electric plant	(29,477,415)	(19,226,351)
Unrealized gain/loss on marketable securities	(5,616,658)	(3,453,921)
Regulatory asset — postretirement benefits	(463,906)	(1,051,631)
Regulatory asset — pension benefits	(10,701,897)	(17,966,797)
Regulatory asset — unrecognized postemployment benefits	(875,010)	(851,254)
Total deferred tax liabilities	(47,757,294)	(43,137,281)
Deferred income tax assets	$ 40,568,677	$ 45,116,199
Current deferred income taxes	$ 18,302,793	$ 13,213,395
Non-current deferred income taxes	22,265,884	31,902,804

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 fifty percent likelihood of being realized upon ultimate settlement. The Companies have not identified any uncertain tax positions as of December 31, 2012 and 2011, and accordingly, no liabilities for uncertain tax positions have been recognized.

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (the PPAC Act). The PPAC Act is a comprehensive health care reform bill that includes revenue-raising provisions of nearly $400 billion over 10 years through tax increases on high-income individuals, excise taxes on high-cost group health plans, and new fees on selected health-care-related industries. In addition, on March 30, 2010, President Obama signed into law the reconciliation measure, which modifies certain provisions of the PPAC Act.

An employer offering retiree prescription drug coverage that is at least as valuable as Medicare Part D coverage is currently entitled to a federal retiree drug subsidy. Employers can currently claim a deduction for the entire cost of providing the prescription drug coverage even though a portion of the cost is offset by the subsidy they receive. However, the PPAC Act repealed the current rule permitting a deduction of the portion of the drug coverage expense that is offset by the Medicare Part D subsidy. This provision of the PPAC Act as modified by the reconciliation measure is effective for taxable years beginning after December 31, 2012.

During 2012, the passage of the PPAC Act resulted in a reduction of the postemployment benefits deferred tax asset of approximately $80,000 and a reduction to the related regulatory liability (income taxes refundable to customers) of approximately $80,000.

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 2007 and earlier. The Companies are currently under audit by the Internal Revenue Service for the tax years ended December 31, 2008 through December 31, 2011. The Companies are no longer subject to State of Indiana tax examinations for tax years 2007 and earlier. The Companies are no longer subject to Ohio and the Commonwealth of Kentucky examinations for tax years 2006 and earlier.

8. PENSION PLAN, OTHER POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

The Companies have a noncontributory qualified defined benefit pension plan (the Pension Plan) covering substantially all of their employees. 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 (ERISA), as amended. The full cost of the pension benefits and related obligations has been allocated to OVEC and IKEC in the accompanying consolidated financial statements. The allocated amounts represent approximately a 57% and 43% split between OVEC and IKEC, respectively, as of December 31, 2012, and approximately a 56% and 44% split for OVEC and IKEC, respectively, as of December 31, 2011. The Pension Plan's assets as of December 31, 2012 consist of investments in equity and debt securities.

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 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 Voluntary Employee Beneficiary Association (VEBA) trusts. In January 2011, the Companies established an IRC Section 401(h) account under the Pension Plan.

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	15.0 %
International and global equity	15.0
Fixed income	70.0

VEBA Plan Assets	**Target**
Domestic equity	20.0 %
International and global equity	20.0
Fixed income	57.0
Cash	3.0

Each benefit plan contains various investment limitations. These limitations are described in the investment policy statement and detailed in customized investment guidelines or documented by mutual fund prospectus. 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.
- As otherwise defined by fund prospectus.

Fixed Income Limitations — As of December 31, 2012, 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 managed accounts 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. Projected Pension Plan and Other Postretirement Benefits obligations and funded status as of December 31, 2012 and 2011, are as follows:

	Pension Plan		Other Postretirement Benefits	
	2012	2011	2012	2011
Change in projected benefit obligation:				
Projected benefit obligation — beginning of year	$ 192,294,158	$ 150,799,587	$ 171,866,123	$ 123,680,352
Service cost	7,050,298	5,235,212	6,411,493	4,318,132
Interest cost	8,383,604	7,862,149	7,442,065	6,727,007
Plan participants' contributions	-	-	908,758	846,824
Benefits paid	(3,536,952)	(3,142,434)	(4,449,852)	(4,937,587)
Net actuarial (gain)/loss	(9,114,566)	31,589,560	7,821,460	40,723,781
Medicare subsidy	-	-	323,844	507,614
Expenses paid from assets	(69,383)	(49,916)	-	-
Projected benefit obligation — end of year	195,007,159	192,294,158	190,323,891	171,866,123
Change in fair value of plan assets:				
Fair value of plan assets — beginning of year	141,371,363	127,044,744	94,948,011	92,356,147
Actual return on plan assets	21,180,806	11,418,969	10,538,257	288,095
Expenses paid from assets	(69,383)	(49,916)	-	-
Employer contributions	5,500,000	6,100,000	5,957,250	5,891,110
Plan participants' contributions	-	-	908,758	846,824
Medicare subsidy	-	-	323,844	503,422
Benefits paid	(3,536,952)	(3,142,434)	(4,449,852)	(4,937,587)
Fair value of plan assets — end of year	164,445,834	141,371,363	108,226,268	94,948,011
(Underfunded) status — end of year	$ (30,561,325)	$ (50,922,795)	$ (82,097,623)	$ (76,918,112)

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

On December 8, 2003, the President of the United States of America signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Act introduced a prescription drug benefit to retirees as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription drug benefit that is actuarially equivalent to the benefit provided by Medicare. The Companies believe that the coverage for prescription drugs is at least actuarially equivalent to the benefits provided by Medicare for most current retirees because the benefits for that group substantially exceed the benefits provided by Medicare, thereby allowing the Companies to qualify for the subsidy. The Companies' employer contributions for Other Postretirement Benefits in the above table are net of subsidies received of $323,844 and $503,422 for 2012 and 2011, respectively. The Companies have accounted for the subsidy as a reduction of the benefit obligation detailed in the above table. The benefit obligation was reduced by approximately $0 and $500,000 as of December 31, 2012 and 2011, respectively. See Note 7 for changes in the tax law surrounding the new health care bill.

The accumulated benefit obligation for the Pension Plan was $167,595,378 and $154,437,821 at December 31, 2012 and 2011, respectively.

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 the accounting guidance for Compensation — Retirement Benefits, 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	
	2012	2011	2012	2011
Service cost	$ 7,050,298	$ 5,235,212	$ 6,411,493	$ 4,318,132
Interest cost	8,383,604	7,862,149	7,442,065	6,727,007
Expected return on plan assets	(8,522,609)	(7,693,957)	(5,516,937)	(5,282,524)
Amortization of prior service cost	189,437	189,437	(379,000)	(379,000)
Recognized actuarial loss	2,086,365	-	1,577,730	(133,988)
Total benefit cost	9,187,095	5,592,841	9,535,351	5,249,627
Pension and other postretirement benefits expense recognized in the consolidated statements of income and retained earnings and billed to Sponsoring Companies under the ICPA	$ 5,500,000	$ 6,100,000	$ 5,500,000	$ 4,908,485

The following table presents the classification of Pension Plan assets within the fair value hierarchy at December 31, 2012 and 2011:

	Fair Value Measurements at Reporting Date Using		
2012	**Quoted Prices in Active Market for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Domestic equity	$23,558,247	$ -	$ -
International and global equity	17,292,251	8,550,837	-
Cash and cash equivalents	4,924,712	-	-
U.S. Treasury securities	-	6,804,928	-
Corporate securities	-	92,091,492	-
Municipal securities	-	11,223,367	-
Total fair value	$45,775,210	$118,670,624	$ -
2011			
Domestic equity	$21,716,581	$ -	$ -
International and global equity	14,047,289	6,902,062	-
Cash and cash equivalents	5,302,174	-	-
U.S. Treasury securities	-	93,403,257	-
Total fair value	$41,066,044	$100,305,319	$ -

The following table presents the classification of VEBA and 401(h) account assets within the fair value hierarchy at December 31, 2012 and 2011:

	Fair Value Measurements at Reporting Date Using		
2012	**Quoted Prices in Active Market for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Domestic equity	$21,360,870	$ -	$ -
International and global equity	22,601,305	-	-
Fixed income mutual funds	48,177,536	-	-
Fixed income securities	-	13,581,890	-
Cash and cash equivalents	2,504,667	-	-
Total fair value	$94,644,378	$13,581,890	$ -
2011			
Domestic equity	$19,752,467	$ -	$ -
International and global equity	31,865,804	-	-
Fixed income mutual funds	37,880,252	-	-
Cash and cash equivalents	5,449,488	-	-
Total fair value	$94,948,011	$ -	$ -

Pension Plan and Other Postretirement Benefit Assumptions — Actuarial assumptions used to determine benefit obligations at December 31, 2012 and 2011, were as follows:

	Pension Plan		Benefits			
	2012	2011	2012		2011	
			Medical	Life	Medical	Life
Discount rate	4.29 %	4.40 %	4.40 %	4.30 %	4.40 %	4.40 %
Rate of compensation increase	3.00	4.00	N/A	3.00	N/A	4.00

Actuarial assumptions used to determine net periodic benefit cost for the years ended December 31, 2012 and 2011, were as follows:

	Pension Plan		Other Postretirement Benefits			
	2012	2011	2012		2011	
			Medical	Life	Medical	Life
Discount rate	4.40 %	5.50 %	4.40 %	4.40 %	5.50 %	5.50 %
Expected long-term return on plan assets	6.00	6.00	5.60	6.50	5.60	5.60
Rate of compensation increase	4.00	4.00	N/A	4.00	N/A	4.00

In selecting the expected long-term rate of return on assets, the Companies considered the average rate of earnings expected on the funds invested or to be invested to provide for plan benefits. This included considering the Pension Plan and VEBA trusts' asset allocation, as well as the target asset allocations for the future, 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, 2012 and 2011, were as follows.

	2012	2011
Health care trend rate assumed for next year — participants under 65	8.00 %	8.50 %
Health care trend rate assumed for next year — participants over 65	8.00	8.50
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	2019	2019

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total service and interest cost	$ 3,134,278	$ (2,355,685)
Effect on postretirement benefit obligation	36,349,761	(28,085,825)

Pension Plan and Other Postretirement Benefit Assets — The asset allocation for the Pension Plan and VEBA trusts at December 31, 2012 and 2011, by asset category was as follows:

	Pension Plan		VEBA Trusts	
	2012	2011	2012	2011
Asset category:				
Equity securities	30 %	30 %	41 %	41 %
Debt securities	70	70	59	59

Pension Plan and Other Postretirement Benefit Contributions — The Companies expect to contribute \$6,400,000 to their Pension Plan and \$7,661,448 to their Other Postretirement Benefits plan in 2013.

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
2013	\$ 4,175,740	\$ 5,651,448
2014	4,804,038	5,992,604
2015	5,537,299	6,385,523
2016	6,393,997	6,983,700
2017	7,237,682	7,567,996
Five years thereafter	50,302,520	45,794,286

Postemployment Benefits — The Companies follow the accounting guidance in 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 45% and 55% split between OVEC and IKEC, respectively, as of December 31, 2012, and approximately a 46% and 54% split between OVEC and IKEC, respectively, as of December 31, 2011. 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 \$2,498,759 and \$2,412,685 at December 31, 2012 and 2011, 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' contributions. 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 2012 and 2011 were \$1,942,045 and \$1,804,270, respectively.

9. ENVIRONMENTAL MATTERS

Title IV of the 1990 Clean Air Act Amendments (CAAAs) required the Companies to reduce sulfur dioxide (SO_2) emissions in two phases: Phase I in 1995 and Phase II in 2000. The Companies selected a fuel switching strategy to comply with the emission reduction requirements. The Companies also purchased additional SO_2 allowances. The cost of these purchased allowances has been inventoried and included on an average cost basis in the cost of fuel consumed when used. The cost of unused allowances at December 31, 2012 and 2011, was $86,649 and $28,519, respectively.

Title IV of the 1990 CAAAs also required the Companies to comply with a nitrogen oxides (NO_x) emission rate limit of 0.84 lb/mmBtu in 2000. The Companies installed overfire air systems on all eleven units at the plants to comply with this limit. The total capital cost of the eleven overfire air systems was approximately $8.2 million.

During 2002 and 2003, Ohio and Indiana finalized respective NO_x State Implementation Plan (SIP) Call regulations that required further significant NO_x emission reductions for coal-burning power plants during the ozone control period. The Companies installed selective catalytic reduction (SCR) systems on ten of their eleven units to comply with these rules. The total capital cost of the ten SCR systems was approximately $355 million.

On March 10, 2005, the United States Environmental Protection Agency (the U.S. EPA) issued the Clean Air Interstate Rule (CAIR) that required further significant reductions of SO_2 and NO_x emissions from coal-burning power plants. On March 15, 2005, the U.S. EPA 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 new rules. Following completion of the necessary engineering and permitting, construction was started on the new FGD systems.

In February 2008, the D.C. Circuit Court of Appeals issued a decision which vacated the federal CAMR and remanded the rule to the U.S. EPA with a determination that the rule be rewritten under the maximum achievable control technologies (MACT) provision of Section 112(d) of the Clean Air Act. A group of electric utilities and the U.S. EPA requested a rehearing of the decision, which was denied by the Court. Following those denials, both the group of electric utilities and the U.S. EPA requested that the U.S. Supreme Court hear the case. However, in February 2009, the U.S. EPA withdrew its request and the group of utilities' request was denied. These actions left the original court decision in place, which vacated the federal CAMR and remanded the rule to the U.S. EPA with a determination that the rule be rewritten under the MACT provision of Section 112(d) of the Clean Air Act. The U.S. EPA has subsequently written a replacement rule for the regulation of coal-fired utility emissions of mercury and other hazardous air pollutants. This replacement rule was published in the Federal Register on February 16, 2012, and it is referred to as the Mercury and Air Toxics Standards (or MATS) rule. The rule became final on April 16, 2012, and OVEC-IKEC must be in compliance by April 15, 2015 (absent qualifying for and securing a one-year extension from the state regulatory agencies).

In July 2008, the D.C. Circuit Court of Appeals issued a decision that vacated the federal CAIR and remanded the rule to the U.S. EPA. In September 2008, the U.S. EPA, a group of electric utilities and other parties filed petitions for rehearing. In December 2008, the D.C. Circuit Court of Appeals granted the U.S. EPA's petition and remanded the rule to the U.S. EPA without vacatur, allowing the federal CAIR to remain in effect while a new rule was developed and promulgated. Following the remand, the U.S. EPA promulgated a replacement rule to CAIR. This new rule is called the Cross-State Air Pollution Rule (CSAPR) and it was issued on July 6, 2011, and it was scheduled to go into effect on January 1,

2012. However, on December 30, 2011, the D.C. Circuit Court issued an indefinite "stay" of the CSAPR rule until the Court considers the numerous state, trade association, and industry petitions filed to have the rule either stayed or reviewed. The Court also instructed the U.S. EPA to keep CAIR in place while they consider the numerous petitions. On August 21, 2012, in a 2-1 decision, the D.C. Circuit Court vacated the CSAPR rule and ordered the U.S. EPA to keep CAIR in effect until a CSAPR replacement rule is promulgated. The U.S. EPA and other parties filed a petition seeking rehearing before the entire D.C. Circuit Court on October 5, 2012, and on January 24, 2013, the Court denied all petitions for rehearing. The U.S. EPA and other parties may now petition the U.S. Supreme Court to review the D.C. Circuit Court's decision on CSAPR. In the interim, CAIR will remain in effect.

In December 2008, the Boards of Directors of the Companies authorized a delay in construction of the FGD at the Clifty Creek plant of at least 18 months due to economic uncertainty in the capital markets.

In March 2009, the Boards of Directors also authorized a delay in the tie-in of the FGD systems of all five generating units at the Kyger Creek plant pending an investigation into the structural integrity of the internal components of two newly constructed jet bubbling reactors (JBRs), which are major components of the FGD system. Extensive studies were conducted relating to this design issue, which affected the FGD construction projects at both the Kyger Creek and Clifty Creek plants, and as a result, the Boards of Directors authorized a complete redesign and replacement of the JBR internal components to resolve this structural integrity issue.

In December 2010, the Boards of Directors authorized the completion of the FGD construction projects at the Kyger Creek and Clifty Creek plants with the redesign and replacement of the JBR internal components. The Kyger Creek plant FGD system became fully operational during the second quarter of 2012 and the Clifty Creek plant FGD system is expected to be fully operational by the end of the second quarter of 2013. One of the two FGD systems at Kyger Creek began successful operations in November 2011. The second FGD at Kyger Creek began operating in the first quarter of 2012.

Additional SO_2 and NO_x allowances were purchased to operate the Clifty Creek generating units to comply with the reinstated CAIR environmental emission rules during the 2012 compliance period. With the Kyger Creek FGD system now fully operational and with the Clifty Creek FGD systems scheduled to become operational in 2013, and with the 10 SCR systems operational at both plants, management does not currently anticipate the need to purchase additional SO_2 allowances in 2013; however, there may be a need to purchase limited NO_x allowances in 2013 and beyond.

Clifty Creek's two FGD scrubbers are scheduled to come online in March and May of 2013. As a result, OVEC is positioned to meet the anticipated reductions in SO_2 and NO_x emissions that are required under the CSAPR rule if the U.S. EPA ultimately prevails on its petition before the Supreme Court and CSAPR is reinstated. Alternatively, OVEC is also positioned to meet comparable emissions reductions that may be required by an equivalent replacement rule should the D.C. Circuit Court decision ultimately stand.

Once all FGD systems are fully operational, OVEC expects to have adequate SO_2 allowances available without having to rely on market purchases if the CSAPR rules are upheld in their current form; however, additional NO_x allowances or additional NO_x controls may be necessary for Clifty Creek Unit 6.

Management expects that, with the SCRs and FGD systems fully functional, OVEC will be able to meet the emissions requirements outlined in the Mercury and Air Toxics Standards (MATS) rule by the April 15, 2015, compliance deadline.

The total cost to complete the new Kyger Creek and Clifty Creek FGD systems and the associated landfills is currently estimated not to exceed $1.35 billion, including the amounts expended to date and included in construction in progress in the accompanying balance sheets.

On November 6, 2009, the Companies received a Section 114 Information Request from the U.S. EPA. The stated purpose of the information request was for the U.S. EPA to obtain the necessary information to determine if the Kyger Creek and Clifty Creek plants have been operating in compliance with the Federal Clean Air Act. Attorneys for the Companies subsequently contacted the U.S. EPA and established a schedule for submission of the requested information. Based on this schedule, all requested information was submitted to the U.S. EPA by March 8, 2010.

In late December 2011, OVEC-IKEC received a letter dated December 21, 2011, from the U.S. EPA requesting follow-up information. Specifically, the U.S. EPA asked for an update on the status of the FGD scrubber projects at both plants as well as additional information on any other new emissions controls that either have been installed or are planned for installation since the last submittal we filed on March 8, 2012. This information was prepared and filed with the U.S. EPA in late January 2012. In the fall of 2012, following an on-site visit, the U.S. EPA made an informal request that OVEC provide the agency with a monthly email progress report on the Clifty Creek FGD project until both FGD systems are operational in 2013. As of this date, the only communication OVEC has had with the U.S. EPA related to either the original Section 114 data submittal or the supplemental data filing made in 2011 are the monthly email progress reports.

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. 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.

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. 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, 2012 and 2011, the Companies held certain assets that are required to be measured at fair value on a recurring basis. These consist of investments recorded within special deposits and long-term investments. The special deposits consist of money market mutual funds restricted for use on certain projects. 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.

Long-Term Investments — Assets measured at fair value on a recurring basis at December 31, 2012 and 2011, were as follows:

	Fair Value Measurements at Reporting Date Using		
2012	**Quoted Prices in Active Market for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equity mutual funds	$21,192,480	$ -	$ -
Fixed income municipal securities	-	96,088,024	-
Cash and cash equivalents	61,009,960	-	-
Total fair value	$82,202,440	$96,088,024	$ -
2011			
Equity mutual funds	$17,515,143	$ -	$ -
Fixed income municipal securities	-	86,556,577	-
Cash and cash equivalents	2,105,486	-	-
Total fair value	$19,620,629	$86,556,577	$ -

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, 2012 and 2011, are as follows:

	2012		2011	
	Fair Value	Recorded Value	Fair Value	Recorded Value
Senior 2006 Notes	$ 351,945,355	$ 292,095,074	$ 346,562,704	$ 306,042,656
2006 Notes Extended	80,253,001	61,252,481	71,775,275	62,035,673
Senior 2007 Notes	241,074,733	199,466,104	238,414,890	209,264,364
2007 Notes Extended	60,951,383	46,088,002	54,417,306	46,682,085
Senior 2008 Notes	262,552,244	208,927,670	259,006,749	218,668,424
2008 Notes Extended	122,856,716	89,252,972	109,748,707	90,309,284
Senior 2009A Notes	100,000,000	100,000,000	98,520,000	100,000,000
2009A Bonds	25,000,000	25,000,000	25,000,000	25,000,000
2009B Bonds	25,000,000	25,000,000	25,000,000	25,000,000
2009C Bonds	25,000,000	25,000,000	25,000,000	25,000,000
2009D Bonds	25,000,000	25,000,000	25,000,000	25,000,000
2009E Bonds	115,638,000	100,000,000	110,750,000	100,000,000
2010A&B Bonds	100,000,000	100,000,000	100,000,000	100,000,000
2012A Bonds	82,713,600	77,091,234	-	-
2012A Bonds	130,217,472	122,312,703	-	-
2012B&C Bonds	100,000,000	100,000,000	-	-
Total	$ 1,848,202,504	$ 1,596,486,240	$ 1,489,195,631	$ 1,333,002,486

11. LEASES

OVEC has entered into operating leases to secure railcars for the transportation of coal in connection with the fuel switching modifications at the OVEC and the IKEC generating stations. OVEC has railcar lease agreements that extend to as long as December 31, 2025, with options to exit the leases under certain conditions. The amount in property under capital leases is $2,277,088 with accumulated depreciation of $460,693 and $141,434 as of December 31, 2012 and 2011, respectively. OVEC also has various other operating leases with other property and equipment. During 2012, OVEC terminated certain railcar lease agreements, which resulted in lease termination costs of $3,497,300. As of December 31, 2012, OVEC had billed Sponsor Companies $499,614 resulting in a balance of $2,997,686 that will be recovered from the Sponsor Companies within the next 12 months. This amount is to be recorded in current regulatory assets (see Note 1) and is not included in the lease payments below.

Future minimum lease payments for capital and operating leases at December 31, 2012, are as follows:

Years Ending December 31	Operating	Capital
2013	$ 1,834,312	$ 535,492
2014	1,050,918	527,119
2015	850,338	351,787
2016	4,504	139,313
2017	-	119,119
Thereafter	-	573,220
Total future minimum lease payments	$ 3,740,072	2,246,050
Less estimated interest element		590,372
Estimated present value of future minimum lease payments		$ 1,655,678

The annual operating lease cost incurred was $3,310,227 and $3,435,766 for 2012 and 2011, respectively, and the annual capital lease cost incurred was $437,084 and $138,376 for 2012 and 2011, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Companies are party to or may be affected by various matters under litigation. 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.

* * * * * *

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ohio Valley Electric Corporation:

We have audited the accompanying 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, 2012 and 2011, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Companies' preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Companies as of December 31, 2012 and 2011, 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.

DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

April 10, 2013

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

OVEC PERFORMANCE—A 5-YEAR COMPARISON

	2012	2011	2010	2009	2008
Net Generation (MWh)	**10,514,762**	14,468,168	14,634,079	15,260,922	15,260,029
Energy Delivered (MWh) to:					
DOE	**207,692**	253,157	249,139	264,664	270,369
Sponsors	**10,340,568**	14,199,025	14,421,180	15,069,699	15,026,497
Maximum Scheduled (MW) by:					
DOE	**36**	39	39	39	45
Sponsors	**2,165**	2,247	2,223	2,212	2,216
Power Costs to:					
DOE	**$9,097,000**	$11,643,000	$11,207,000	$11,451,000	$18,539,000
Sponsors	**$650,027,000**	$722,153,000	$671,671,000	$632,506,000	$605,355,000
Average Price (MWh):					
DOE	**$43.802**	$45.993	$44.984	$43.266	$68.570
Sponsors	**$62.862**	$50.859	$46.575	$41.972	$40.286
Operating Revenues	**$670,819,000**	$716,938,000	$690,687,000	$648,593,000	$621,813,000
Operating Expenses	**$599,891,000**	$653,696,000	$618,790,000	$584,881,000	$566,798,000
Cost of Fuel Consumed	**$302,926,000**	$397,543,000	$358,507,000	$329,448,000	$340,213,000
Taxes (federal, state, and local)	**$11,659,000**	$12,059,000	$11,208,000	$12,298,000	$10,808,000
Payroll	**$61,907,000**	$57,141,000	$55,609,000	$56,589,000	$53,694,000
Fuel Burned (tons)	**5,290,009**	7,310,107	7,506,530	7,900,894	7,891,440
Heat Rate (Btu per kWh, net generation)	**10,581**	10,467	10,310	10,299	10,236
Unit Cost of Fuel Burned (per mmBtu)	**$2.72**	$2.63	$2.38	$2.10	$2.18
Equivalent Availability (percent)	**78.9**	83.0	81.0	81.6	80.5
Power Use Factor (percent)	**69.40**	89.61	92.82	96.29	96.39
Employees (year-end)	**828**	810	783	809	817

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

DIRECTORS

Ohio Valley Electric Corporation

[1, 2] **ANTHONY J. AHERN**, Columbus, Ohio
President and Chief Executive Officer
Buckeye Power Generating, LLC

[1] **NICHOLAS K. AKINS**, Columbus, Ohio
President and Chief Executive Officer
American Electric Power Company, Inc.

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

WILLIAM S. DOTY, Evansville, Indiana
Executive Vice President – Utility Operations
Vectren Corporation

JAMES R. HANEY, Akron, Ohio
Vice President, Compliance & Regulated Services and Chief FERC Compliance Officer
FirstEnergy Services Company

[2] **LANA L. HILLEBRAND**, Columbus, Ohio
Senior Vice President and Chief Administrative Officer
American Electric Power Company, Inc.

DENNIS A. LANTZY, Dayton, Ohio
Senior Vice President - Generation
DPL Inc.

[1] **CHARLES D. LASKY**, Akron, Ohio
Vice President, Fossil Fleet Operations
FirstEnergy Generation, LLC

[2] **MARK C. McCULLOUGH**, 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

PATRICK W. O'LOUGHLIN, Columbus, Ohio
Vice President and Chief Operating Officer
Buckeye Power Generating, LLC

ROBERT P. POWERS, Columbus, Ohio
Executive Vice President and Chief Operating Officer
American Electric Power Company, Inc.

[2] **PAUL W. THOMPSON**, Louisville, Kentucky
Chief Operating Officer
LG&E and KU Energy LLC

[1] **JOHN N. VOYLES**, Louisville, Kentucky
Vice President, Transmission and Generation Services
LG&E and KU Energy LLC

[1] **CHARLES WHITLOCK**, Cincinnati, Ohio
President, Midwest Commercial Generation
Duke Energy Corporation

Indiana-Kentucky Electric Corporation

[1] **ANTHONY J. AHERN**, Columbus, Ohio
President and Chief Executive Officer
Buckeye Power Generating, LLC

[1] **NICHOLAS K. AKINS**, Columbus, Ohio
President and Chief Executive Officer
American Electric Power Company, Inc.

PAUL CHODAK, Fort Wayne, Indiana
President and Chief Operating Officer
Indiana Michigan Power

WILLIAM S. DOTY, Evansville, Indiana
Executive Vice President – Utility Operations
Vectren Corporation

WAYNE D. GAMES, Evansville, Indiana
Vice President – Power Supply
Vectren Corporation

[1] **CHARLES D. LASKY**, Akron, Ohio
Vice President, Fossil Fleet Operations
FirstEnergy Generation, LLC

MARC E. LEWIS, Fort Wayne, Indiana
Vice President – External Relations
Indiana Michigan Power

OFFICERS—OVEC AND IKEC

NICHOLAS K. AKINS
President

MARK A. PEIFER
Vice President and Chief Operating Officer

DAVID E. JONES
Vice President-Operations

JOHN D. BRODT
Chief Financial Officer, Secretary and Treasurer

RONALD D. COOK
Assistant Secretary, Assistant Treasurer and Supply Chain Director

JULIE SLOAT
Assistant Secretary and Assistant Treasurer

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

OHIO POWER COMPANY'S RESPONSE
TO INDUSTRIAL ENERGY USERS-OHIO'S
DISCOVERY REQUEST
PUCO CASE NO. 13-2385-EL-SSO et al.
FOURTH SET

INTERROGATORY

INT-4-001 In the Direct Testimony of Pablo A. Vegas in support of AEP-Ohio's Electric Security Plan at page 13, lines 8-9, he states with regard to the Power Purchase Agreement Rider, "This rider allows the Company to continue providing $100 million of economic benefit to Ohio annually, including $40 million in a rural six county area of Southern Ohio provided by OVEC." The following interrogatories concern the quoted statement.

a. What is the basis for the statement that rider allows the Company to continue providing $100 million of economic benefit to Ohio annually?

b. What are the "economic benefits" referred to by Mr. Vegas?

c. Based on the response to b, what were the "economic benefits" for the years 2009 to 2013?

d. Identify all documents that support the statement that the rider allows the Company to continue providing $100 million of economic benefit to Ohio annually.

RESPONSE

See the Company's response to IEU INT-4-008.

Prepared by: Pablo A. Vegas

OMA EX. __

Economic Benefits of OVEC

Executive Summary

Ohio Valley Electric Corporation (OVEC) served its mission of supplying the electricity needs of the uranium enrichment plant in Piketon, Ohio. With the enrichment plant's electric requirements greatly reduced, the generation output reverts to sponsoring investor owned utilities. The presence of OVEC provides economic benefits to a region in southern Ohio and the state as whole. OVEC has 467 employees in Ohio. These jobs have a total impact on the study area of 682 jobs and 1,280 jobs in Ohio. OVEC employment creates $35 million of direct income. The total income effect on the region and the State is $43 million and $70 million, respectively. In addition, coal purchases by OVEC create approximately 290 coal mining jobs, which have a total impact of 795 jobs for the state. The direct coal mining jobs associated with OVEC purchases create $18 million income and total income impact on the state of $36. Through its operations and purchases of Ohio coal, OVEC has impact to Ohio of over 2,000 jobs and over $100 million income. The output of electricity generated in Ohio is valued at approximately $285 million. Coal purchases by OVEC are estimated to be valued at approximately $143 million. Not only does OVEC provides many benefits to the state, it directly or indirectly has a positive economic impact on regions of the state that have higher unemployment and lower average income than the Ohio in aggregate, i.e., the region of southern Ohio where OVEC facilities are located and the coalfields.

Background

Ohio Valley Electric Corporation (OVEC) was organized in 1952. In addition to OVEC, its wholly owned subsidiary Indiana-Kentucky Electric Corporation (IKEC) was also established in 1952. OVEC and IKEC were formed by regional investor owned utilities and their parent holding companies. This consortium was established to provide power to the Atomic Energy Commission's (AEC) uranium enrichment facility that was being built in Piketon, Ohio.

OVEC provided the bulk of its generation to AEC until the power agreement between OVEC and DOE was terminated on April 20, 2003. Since the termination of the agreement, the OVEC generating capacity has been available to the sponsoring companies. Also, energy requirements for the Piketon uranium enrichment facility have been greatly reduced and was the primary reason for AEC terminating the purchase agreement.

OVEC owns Kyger Creek Plant in Cheshire, Ohio, which has a name plate capacity of 1,086 MW. OVEC's subsidiary IKEC owns the Clifty Creek Plant in Madison, Indiana and it has a nameplate capacity of 1,304 MW.

OMA EX. 2

OVEC's Ohio Operations

OVEC had 467 of its 828 employees working at facilities in Ohio. There were 137 employees at the Company's headquarters in Piketon, Ohio. OVEC employed 330 workers at the Kyger Creek Plant. The average payroll for OVEC's employees in 2012 was approximately $75.000.

Kyger Creek Plant

The Kyger Creek Plant had a net generation of 4,573,755 MWh in 2012. It is estimated that this generation resulted in power costs to the DOE and sponsoring companies of approximately $285,000,000. Kyger Creek Plant purchased 2.5 million tons of Ohio coal, which reflects approximately 9% of the state's coal production in 2012. The value of this coal is approximately $143,000.000. It is estimated that approximately 290 miners are employed in the production of the Ohio coal used at the Kyger Plant.

OVEC Economic Region

In Ohio, OVEC has a physical presence in two counties. The corporate offices are in Pike County and the Kyger Creek plant is in Gallia County. For purposes of this study, surrounding counties of Jackson, Meigs, Scioto, and Vinton will be included. See Exhibit 1 for a map of the study area. These counties are close in proximity and have similar economic underpinnings.

The region had a population of approximately 209,000 in 2011. Population in the region grew at an average annual rate of 0.1% from the 2000 Census of the Population. Meanwhile, State of Ohio's population grew at an average annual rate 0.1%. The unemployment rate for the region was approximately 10.6% in 2012. By comparison, the unemployment rate for the State of Ohio was 7.2%. Exhibit 2 provides a comparison of unemployment rates for 2000 through 2012.

In 2011, the personal income for the region was $6.0 billion. The annual income per capita for the region was $28,612. In comparison, the State of Ohio and the United States had real incomes per capita of $37,836 and $41,560, respectively. Exhibits 3 and 4 provide population and income data for the study area counties, Ohio and the U.S.

Wage and salary employment for 2011 in the region was 63,938 workers. Total wage and salaries for these workers were $2.3 billion, which yields an average annual wage and salary of $35,490. In comparison, the average wage and salary for the State of Ohio and the United States were $43,455 and $48,301, respectively. Exhibits 5 and 6 present employment and earnings for workers in the study area, Ohio and the U.S.

Economic Impact Methodology

Economic base theory was used to develop impact multipliers in this study. This theory divides the local economy into two sectors. The basic sector drives growth in the local economy and is dependent upon external factors and exports goods and services from the region. The non-basic sector is driven by local business activity and primarily serves customers in the region. Location quotients are one method to determine basic and non-basic sectors. The location quotient measures the relative intensity of a sector in a region or a state versus the nation. Those sectors with location quotients greater than one were included in the basic sector. See Exhibit 7 for a discussion and citations related to economic base multipliers and location quotients. The direct impact of the converted plant is measured as the employment or output of the facility. The total impact is the direct impact multiplied by the economic base multiplier. The economic impacts have been estimated for both short and long term impacts to the region and state.

Economic Impacts of OVEC

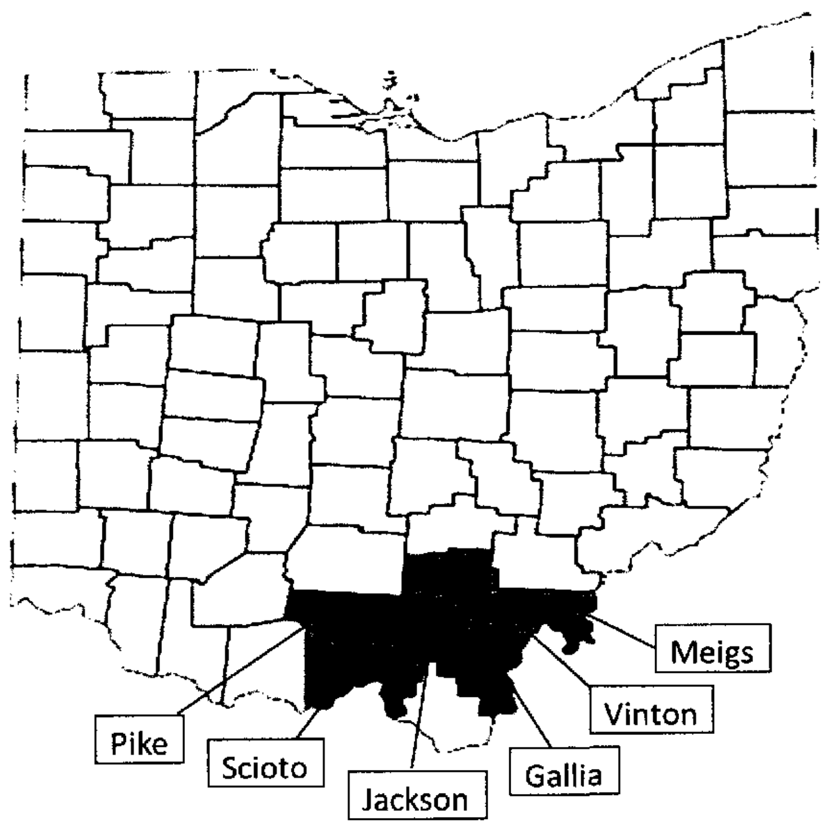
In 2012, OVEC had 467 employees in Ohio. This level of employment has a total impact on the region and state of 682 and 1,280 workers, respectively. It is estimated that OVEC employees had an aggregate income of $35,025,000. The total effect on income is estimated to be $42,649,000 and $70,336,000 for the region and the State of Ohio, respectively. The impact analysis is provided on Exhibit 8. The income generated by OVEC's presence in the region. has positive influence for local businesses.

The region most directly affected by OVEC lags the state in many economic categories. Without the presence of OVEC, the region would lag state even further.

OVEC and the Ohio Coal Industry

OVEC consumes 2.5 million tons of Ohio coal annually. This reflects 9% of the state's 2011 output. It is estimated that this coal is valued at $143 million. It is estimated that 290 workers are employed in the mining of the coal used by OVEC. This number of coal related workers has a total impact on the state of 795 employees. The coal miners are estimated to have a total income of $18.2 million and total income effect on the state is estimated to be $36.1 million. The impact analysis is provided on Exhibit 9. Coal mining is concentrated in Belmont, Harrison, Jackson, Jefferson, Meigs, Monroe, Perry, Tuscarawas, and Vinton counties. Over 93% of the Ohio coal production occurs in those counties. Exhibit 10 provides Ohio coal production by county through 2011. The presence of the coal industry in those counties is important. In 2012, these counties had a combined unemployment rate of 8.6%, which lags the State's 7.2%. Area unemployment rates are provided on Exhibit 11. As with the OVEC area, the coal producing region's income per capita of $29,527 lags the state as a whole. Income and population for the coal producing region are provided on Exhibit 12. Without the coal purchases by OVEC, the unemployment rate for these counties would higher and economic well-being for these counties would be diminished.

OVEC Economic Region



OVEC Economic Area and Ohio
Unemployment Rates

	Economic Area Counties							
Year	**Gallia**	**Jackson**	**Meigs**	**Pike**	**Scioto**	**Vinton**	**Area**	**Ohio**
2000	6.9%	5.8%	7.2%	6.9%	7.3%	6.9%	6.9%	4.0%
2001	6.3%	6.6%	6.9%	7.5%	6.8%	7.5%	6.8%	4.4%
2002	7.2%	7.7%	8.9%	9.3%	8.1%	8.5%	8.2%	5.7%
2003	8.3%	8.3%	11.2%	10.2%	8.7%	9.2%	9.1%	6.2%
2004	8.0%	8.4%	10.7%	10.2%	8.9%	8.6%	9.0%	6.1%
2005	7.1%	7.3%	9.7%	10.0%	8.5%	8.1%	8.3%	5.9%
2006	6.0%	7.3%	8.2%	8.7%	7.5%	7.8%	7.4%	5.4%
2007	6.2%	7.9%	8.9%	9.4%	7.4%	7.8%	7.7%	5.6%
2008	6.5%	8.5%	10.0%	10.1%	8.3%	9.2%	8.5%	6.6%
2009	9.3%	11.1%	14.6%	15.0%	12.2%	12.9%	12.2%	10.2%
2010	10.8%	11.4%	14.9%	15.1%	13.0%	13.2%	12.8%	10.0%
2011	10.4%	10.7%	13.4%	15.2%	12.0%	11.6%	12.0%	8.6%
2012	8.9%	9.2%	11.8%	12.9%	10.7%	10.6%	10.6%	7.2%

Source: Bureau of Labor Statistics

Personal Income (Thousands of $), Population (Persons) and Per Capita Personal Income ($)
Counties in Affected Region

Year	Gallia		Jackson		Meigs		Pike		Scioto		Vinton		Region Total		
	Personal Income	Population	Personal Income	Population	Personal Income	Population	Personal Income	Population	Personal Income	Population	Personal Income	Population	Personal Income	Population	Per Capita Personal Income
2000	699,437	31,072	642,310	32,633	456,206	23,028	555,235	27,688	1,587,135	79,168	224,744	12,825	4,165,067	206,414	20,178
2001	757,407	31,017	663,818	32,670	463,147	23,119	586,463	27,807	1,648,304	78,784	243,466	12,966	4,362,605	206,363	21,140
2002	761,582	31,083	684,353	32,846	450,819	23,305	597,099	28,072	1,686,137	78,652	248,568	13,076	4,428,558	207,034	21,390
2003	788,939	31,095	713,645	32,880	444,371	23,441	610,709	28,258	1,752,062	78,278	249,929	13,260	4,559,655	207,212	22,005
2004	830,258	31,029	745,795	33,025	456,052	23,506	625,224	28,427	1,808,866	77,788	256,842	13,308	4,723,037	207,083	22,807
2005	834,288	30,993	774,073	33,242	474,511	23,588	641,606	28,299	1,830,679	77,926	265,244	13,370	4,820,401	207,418	23,240
2006	890,572	30,927	794,633	33,135	498,098	23,586	662,662	28,590	1,889,942	78,285	269,644	13,516	5,005,551	208,039	24,061
2007	917,449	30,977	833,294	33,144	513,506	23,612	705,710	28,645	2,034,615	78,775	286,881	13,566	5,291,455	208,719	25,352
2008	954,738	30,997	871,724	33,164	546,094	23,534	754,857	28,763	2,159,653	79,133	296,796	13,452	5,583,862	209,043	26,712
2009	953,584	30,857	882,657	33,115	566,926	23,770	769,048	28,679	2,154,275	79,241	301,179	13,474	5,627,669	209,136	26,909
2010	952,654	30,968	902,732	33,270	577,572	23,744	801,745	28,710	2,214,594	79,517	314,117	13,425	5,763,414	209,634	27,493
2011	981,132	30,970	936,239	33,186	601,569	23,680	839,425	28,628	2,290,160	79,277	334,559	13,367	5,983,084	209,108	28,612
Average Annual Growth Rate (%)															
	3.1	0.0	3.5	0.2	2.5	0.3	3.8	0.3	3.4	0.0	3.7	0.4	3.3	0.1	3.2

Source: U.S. Bureau of Economic Analysis (CA 1-3 Personal Income Summary)

Personal Income (Thousands of $), Population (Persons) and Per Capita Personal Income ($)
United States and State of Ohio

	United States			State of Ohio		
Year	Personal Income	Population	Per Capita Personal Income	Personal Income	Population	Per Capita Personal Income
2000	8,554,866,000	282,162,411	30,319	326,074,771	11,363,543	28,695
2001	8,878,830,000	284,968,955	31,157	333,368,612	11,387,404	29,275
2002	9,054,702,000	287,625,193	31,481	340,514,125	11,407,889	29,849
2003	9,369,072,000	290,107,933	32,295	350,723,100	11,434,788	30,672
2004	9,928,790,000	292,805,298	33,909	361,666,420	11,452,251	31,580
2005	10,476,669,000	295,516,599	35,452	371,930,848	11,463,320	32,445
2006	11,256,516,000	298,379,912	37,725	390,456,866	11,481,213	34,008
2007	11,900,562,000	301,231,207	39,506	404,622,561	11,500,468	35,183
2008	12,451,660,000	304,093,966	40,947	419,173,302	11,515,391	36,401
2009	11,852,715,000	306,771,529	38,637	403,526,926	11,528,896	35,001
2010	12,308,496,000	309,330,219	39,791	414,567,053	11,537,968	35,931
2011	12,949,905,000	311,591,917	41,560	436,817,655	11,544,951	37,836
Average Annual Growth Rate (%)						
	3.8	0.9	2.9	2.7	0.1	2.5

Source: U.S. Bureau of Economic Analysis (CA 1-3 Personal Income Summary)

Wage and Salary Disbursements ($ Thousand), Wage and Salary Employment (Jobs) and Average Wage per Job ($)
Counties in Affected Region

	Gallia		Jackson		Meigs		Pike		Scioto		Vinton		Region Total		
Year	Wage & Salary Disbursements	Wage & Salary Employment	Wage & Salary Disbursements	Wage & Salary Employment	Wage & Salary Disbursements	Wage & Salary Employment	Wage & Salary Disbursements	Wage & Salary Employment	Wage & Salary Disbursements	Wage & Salary Employment	Wage & Salary Disbursements	Wage & Salary Employment	Wage & Salary Disbursements	Wage & Salary Employment	Average Wage Per Job
2000	348,064	12,821	277,304	11,686	143,852	5,473	338,507	12,037	650,753	27,200	58,116	2,572	1,816,596	71,789	25,305
2001	367,430	12,740	280,811	11,519	149,496	5,326	360,279	12,065	677,060	27,396	60,622	2,568	1,895,698	71,614	26,471
2002	382,966	13,153	294,698	11,819	108,896	4,763	340,253	11,453	702,660	27,773	74,399	2,779	1,903,872	71,740	26,539
2003	391,807	13,059	312,458	11,896	95,826	4,272	346,364	11,188	726,623	27,298	70,831	2,573	1,943,909	70,286	27,657
2004	418,022	13,252	328,857	12,059	92,360	4,085	357,202	10,668	748,532	27,236	66,869	2,420	2,011,842	69,720	28,856
2005	427,148	13,077	345,905	12,690	94,863	4,048	351,466	10,195	745,183	26,371	70,537	2,536	2,035,102	68,917	29,530
2006	467,783	13,083	344,085	12,558	99,819	4,126	362,577	10,182	767,650	25,960	73,668	2,598	2,115,582	68,507	30,881
2007	462,042	12,857	357,719	12,301	102,224	4,042	384,724	10,229	835,511	26,655	85,742	2,688	2,227,962	68,772	32,396
2008	467,911	12,729	359,973	11,749	104,904	3,925	402,283	10,245	878,221	26,721	78,575	2,536	2,291,867	67,905	33,751
2009	455,240	12,418	346,020	11,437	110,667	3,891	401,529	9,837	846,071	25,646	74,595	2,384	2,234,122	65,613	34,050
2010	434,200	12,000	354,564	11,141	115,936	3,912	419,190	9,840	869,460	25,700	76,855	2,381	2,270,205	64,974	34,940
2011	424,705	11,666	355,960	10,964	119,152	3,987	404,842	9,196	880,362	25,685	84,128	2,440	2,269,149	63,938	35,490
Average Annual Growth Rate (%)															
	1.8	-0.9	2.3	-0.6	-1.7	-2.8	1.6	-2.4	2.8	-0.5	3.4	-0.5	2.0	-1.0	3.1

Source: U.S. Bureau of Economic Analysis (CA34 Wage and Salary)

Wage and Salary Disbursements ($ Thousand), Wage and Salary Employment (Jobs) and Average Wage per Job ($)
United States and State of Ohio

	United States			State of Ohio		
Year	Wage & Salary Disbursements	Wage & Salary Employment	Average Wage Per Job	Wage & Salary Disbursements	Wage & Salary Employment	Average Wage Per Job
2000	4,823,727,000	137,610,000	35,054	187,385,514	5,781,879	32,409
2001	4,948,357,000	137,322,000	36,035	189,979,477	5,708,999	33,277
2002	4,993,197,000	136,269,000	36,642	192,279,374	5,618,684	34,221
2003	5,133,724,000	136,065,000	37,730	197,086,301	5,573,441	35,362
2004	5,419,559,000	137,591,000	39,389	205,101,469	5,583,201	36,735
2005	5,694,792,000	139,554,000	40,807	210,625,921	5,588,468	37,689
2006	6,060,261,000	141,916,000	42,703	218,309,857	5,600,646	38,979
2007	6,414,505,000	143,526,000	44,692	225,659,636	5,598,268	40,309
2008	6,546,600,000	143,009,000	45,778	227,388,394	5,526,611	41,144
2009	6,261,910,000	136,821,000	45,767	216,118,380	5,234,992	41,283
2010	6,394,612,000	136,108,000	46,982	219,614,133	5,201,963	42,218
2011	6,651,787,000	137,715,000	48,301	228,662,269	5,262,063	43,455
Average Annual Growth Rate (%)	3.0	0.0	3.0	1.8	-0.9	2.7

Source: U.S. Bureau of Economic Analysis (CA34 Wage and Salary)

Economic Base Multiplier

T=Total Employment

B=Base Employment

N=Non-Base Employment

The simplified economic base multiplier is T divided by B

Sectors considered in base employment are those with a location quotient of greater than 1.

All other sectors are in non-base employment.

See http://faculty.washington.edu/krumme/systems/multiplier.html for a description of multiplier derivation. See http://www.rri.wvu.edu/WebBook/Schaffer/index.html for a discussion regional economic base theory.

Location Quotient

e(i) = regional employment in sector i

e = total regional employment

E(i) = national employment in sector i

E = total national employment

LQ(i) = regional location quotient for sector i

LQ(i) =(e(i)/e)/(E(i)/E)

See http://www.rri.wvu.edu/WebBook/Schaffer/chap02.html#Heading14 for discussion of location quotients.

Employment and Earnings Impact of OVEC on the Region and Ohio

(1) Direct Employment	467
(2) Area Employment Multiplier	1.46
(3) Total Area Employment Impact (1)*(2)	682
(4) State Emploment Multiplier	2.74
(5) Total State Employment (1)*(4)	1,280
(6) OVEC Average Wages	75,000
(7) Region Average Wages	35,490
(8) OVEC Earnings (1)*(6)	35,025,000
(9) Other Earnings ((3)-(1))*(7)	7,623,962
(10) Total Area Earning Impact (8)+(9)	42,648,962
(11) State Average Earnings	43,455
(12) OVEC Earnings (1)*(6)	35,025,000
(13) Other Earnings ((5)-(1))*(11)	35,310,664
(14) Total State Earnings Impact (12)+(13)	70,335,664

Staff Ex. No. 1

OHIO POWER COMPANY'S RESPONSE
TO THE PUBLIC UTILITIES COMMISSION OF OHIO'S
DATA REQUEST
PUCO CASE NO. 13-2385-EL-SSO et al.
PUCO-STAFF SCHAEFER SET (23)

DATA REQUEST

DR-23-001 Based on the Company's conversation with staff on May 14, 2014, clarifying the Company's testimony and previous data request (INT-13-001), please confirm that the company will be providing generation-related backup and planned maintenance services through the applicable SSO rates.

RESPONSE

Confirmed. The Company will procure generation supply through the auctions. The auction winners will provide generation service. The Company's proposed tariffs no longer make a distinction between standard service, supplemental service or backup and maintenance service. As such a non-shopping customer will take service under the appropriate standard tariff and will pay the applicable SSO rates, Riders GENE, GENC and the ACCR, for each kWh of usage, whether used for backup, maintenance or supplemental service.

Prepared by: Andrea E. Moore / David M. Roush