Ohio Edison 1979 Annual Report

Ohio Edison Company, with headquarters at Akron, Ohio, provides electric service to about 828,000 customers in an area of approximately 7,500 square miles in central and northeastern Ohio. The Company's wholly-owned subsidiary, Pennsylvania Power Company, with headquarters at New Castle, Pennsylvania, provides electric service to about 122,000 customers in an area of approximately 1,500 square miles in western Pennsylvania.

Ohio Edison also provides steam heating service in the downtown areas of Akron, Youngstown, and Springfield.

People Serving People

We are companies made up of people who live in the communities where we work.

We are concerned that the rising costs of energy place a burden on many, a hardship on some. We are sensitive to the needs of the poor, of the elderly on fixed incomes, and of young people raising families. We support those programs that realistically assist the needy in coping with higher energy costs.

We are committed to providing customers with reliable electric service at a reasonable price. That price must be sufficient to meet our costs, to provide fair compensation to our employees, and to make reasonable dividend payments to our stockholders.

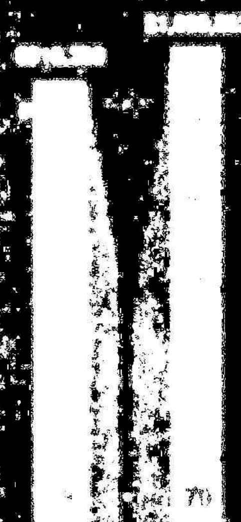
As consumers of electricity ourselves, and as neighbors and friends of other consumers, we understand that we must continue to find the most economical and efficient methods for providing electricity. We work to increase productivity, to budget wisely, and to plan responsibly for the electric needs of future generations.

By working with our employees, customers, and stockholders, we are confident that our efforts will keep electricity a good value.

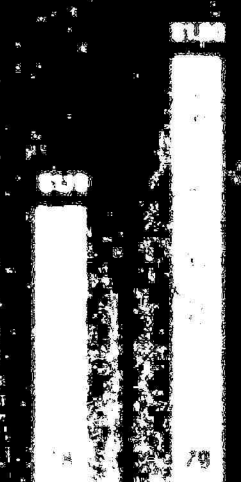
While computers, machinery, and technology are instrumental in manufacturing and delivering electricity to our customers, it is ultimately because of people serving people that we can make our product available. This year's annual report acknowledges that tradition of mutual respect and cooperation.

TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS



Total Revenues Received



Earnings Per Share of Common Stock

BRIEF SUMMARY OF OPERATIONS

Ohio Edison Company and subsidiary, Pennsylvania Power Company

For the Years Ended December 31	1979	1978
	Thousands of Dollars	
REVENUES RECEIVED:		
Operating revenues—		
From sale of electricity and steam and miscellaneous revenues	$ [illegible]	$[illegible]
Other income, net	[illegible]	47,413
Total	$1,0[illegible]	$910,3[illegible]
REVENUES PROVIDED FOR:		
Wages to employees, including costs of pensions, group life insurance, hospitalization, and other benefits	$ 108,0[illegible]	$ 96,157
Fuel expense	316,5[illegible]	276,570
Taxes—Federal, state and local	131,120	70,787
Provision for depreciation	[illegible]	77,812
Materials and supplies and other expenses	[illegible]	124,176
Electricity purchased, plus net interchange with other electric utility companies	[illegible]	91,509
Net interest charges	[illegible]	[illegible]
Capital stock issuance expense	[illegible]	1,210
Preferred and preference stock dividends	34,610	[illegible]
Common stock dividends	[illegible]	[illegible]
Retained income	[illegible]	([illegible])
Total	$1,0[illegible]	$910,3[illegible]
EARNINGS PER SHARE OF COMMON STOCK	$ 1.[illegible]	$ 1.1[illegible]

( ) Denotes negative amount.

J. T. Rogers, Jr., President

To My Fellow Stockholders:

In 1979, Ohio Edison and its subsidiary, Pennsylvania Power Company, showed improvement over 1978's disappointing financial results. Total revenues amounted to $994.6 million, up 15.3 percent over 1978. Earnings per share of common stock increased to $1.80 from $1.19 in 1978.

Some of the events that contributed to improved earnings included the $86.2 million emergency rate increase granted in May, 1979, which served as an advance against our $128.4 million permanent rate application. (On January 30, 1980, The Public Utilities Commission of Ohio granted $111.6 million of the permanent request.) Improved operating results and a 2.9 percent increase in electric sales, despite the mild weather and the general slowdown in industrial activity, also affected earnings. In addition, 1978's two-month strike on the part of Edison employees represented by the Utility Workers Union of America and the 111-day coal miners' strike—both of which depressed earnings in 1978—were not repeated in 1979.

Another area of improving performance in 1979 was our success in increasing the reliability of our large generating units at the Sammis Plant in Stratton, Ohio. We recognized, in 1977, that we wanted a comprehensive, hard-hitting assault upon the difficulties that we—and utilities across the country—faced with breakdowns in large generating units. We hired a consulting firm to work with us in creating a detailed plan of action for improving reliability at Sammis, and we have been carrying out that plan in a vigorous, aggressive manner. For example, we have intensified the training programs for plant operators, and we are working on costly and complex engineering modifications that will continue to improve the performance of these units. In addition, coal suppliers have responded to our pressure for improvement in the quality of coal. As a result of our efforts, we have secured high quality coal that has lessened, in a very measurable way, erosion on boiler tubes—historically one of the leading causes for generating unit outages. We firmly expect to maintain steady progress in improving reliability.

Although they did not affect earnings in 1979, decisions that the five companies in the Central Area Power Coordination Group (CAPCO) made in January, 1980, will significantly reduce our financing burden and will have a positive effect on our financial health during the next few years. CAPCO, which includes Ohio Edison and Pennsylvania Power, terminated four nuclear units and delayed, from one to three years, three CAPCO nuclear units now under construction (described in detail in the "Power Supply Planning" segment of this report). The units not to be built would have cost more than $7.3 billion, and included Units 1 and 2 at the Erie Nuclear Plant which were to be built and operated by Ohio Edison. In another CAPCO decision, Ohio Edison and Pennsylvania Power reduced by 80 megawatts their ownership in each of the two units at the Perry Nuclear Plant. Ownership by The Cleveland Electric Illuminating Company will increase by a corresponding amount.

We made these decisions despite the fact that we continue to believe in the safety and economic advantages of nuclear power. Unfortunately, the country's regulatory and emotional climate, aggravated by the accident at Three Mile Island Nuclear Plant, has made it highly advisable for us to reduce the level of our financial commitment to this energy source. The CAPCO companies are very aware that the termination of these units involves some risk because these reductions in generating capacity could affect the reliability of electric service to our customers in the 1990's. Our decision regarding nuclear expenditures is based on sound planning, and is one we have made in the interests of our customers and of our investors.

Even though earnings increased in 1979, and we obtained improvements in the reliability of our large generating units, we still face heavy financial burdens. Inflation and government regulation are realities that require huge expenditures on our part. Construction costs are skyrocketing. Over the past ten years, the cost of building a power plant has increased nearly 500 percent. We are responding to soaring operating costs with tough budget administration and thorough, cost-effective planning.

In addition to inflation, regulation has dramatically affected our finances. We respond to directives from more than 100 local, state, and federal regulatory agencies. In the 1970's we saw regulations sharply increase our workload and costs. We find these increases extremely frustrating because many regulations are overly stringent, arbitrary, and, most important from a societal standpoint, do not provide results commensurate with the enormous costs.

The federal Environmental Protection Agency (EPA) will require the electric utility industry to spend, by the EPA's own estimate, more than $103.2 billion between 1977 and 1986 to meet federal air and water pollution control regulations. At the Bruce Mansfield Plant alone, Ohio Edison and Pennsylvania Power have spent more than $213.7 million for environmental equipment. Between now and 1986, to meet air and water quality regulations at our other power plants in Ohio and Pennsylvania, the Companies will have to expend an estimated $540 million of new capital.

Finding solutions to the expensive problems of regulation and inflation creates a challenge that requires skillful management. In December, the Board of Directors further strengthened our management's structure. The board elected Senior Vice Presidents D. W. Tschappat and V. A. Owoc to be executive vice presidents. Mr. Tschappat was also elected a director and will serve as chief operating officer; Mr. Owoc will continue to serve as chief financial officer. Vice President R. J. McWhorter was elected senior vice president in charge of production and system operations. System Operations Department Manager C. W. Frederickson was elected vice president in charge of engineering and engineering planning.

On December 31, 1979, John R. White retired after 26 years with the Company. During his last five years here, he served as President. We are grateful to have had the benefit of his skillful leadership, and we wish him good health and a happy retirement.

I am very pleased to be continuing my 22 years with the Company as your new President. I am confident we will continue our successes and resolve our difficulties because I know what kind of dedication our employees possess. They have demonstrated their capabilities by meeting the challenges that faced them in the past, and I am certain they will continue and improve that effort in the future. They are quite a team, and I am proud of them.

J T Rogers Jr

Akron, Ohio
March 19, 1980

J. T. Rogers, Jr.
President
Ohio Edison Company

DEFINITIONS TO ASSIST YOU

If you are a stockholder who is new to the electric utility industry, or if you are interested in knowing more about our product, electricity, the following definitions may be useful.

Generating Unit—A unit includes the engine, turbine, or similar machine that drives a generator, which is the machine that actually produces electricity. Our system has 61 generating units—41 use coal for fuel, 19 use oil, and 1 uses uranium (nuclear energy). One or more generating units located on the same site are commonly called a power plant.

Capacity—Capacity is the amount of electricity a generating unit or power plant is capable of producing.

Kilowatt—Electric power or capacity is measured in units called watts. However, one watt is a very small amount of power; therefore, the measurement we usually use is the kilowatt, or 1,000 watts. One kilowatt is about the amount of electricity needed to operate a steam iron. If you use the steam iron for one hour, you've used one kilowatt-hour of electricity. One megawatt equals 1,000 kilowatts.

Kilowatt-hour—We measure the electric energy we sell in kilowatt-hours-use-per-customer or in total customer use of kilowatt-hours.

Transmission—Transmission is the process of transporting electric energy in bulk, over transmission lines, from the generating unit to the customer service area, or sometimes, to other utilities.

Distribution—Distribution is the process of distributing electricity to customers from substations at convenient points along the transmission line.

System—A system is the physical connection of generation, transmission, and distribution facilities that provide electricity.

Ohio Edison and Pennsylvania Power customers used approximately 23 billion kilowatt-hours of electricity in 1979, an increase of 2.9 percent over 1978. Revenues from electric sales were $968.7 million in 1979, a 16.0 percent increase over 1978.

Kilowatt-hour sales to residential customers were up 2.3 percent; sales to commercial customers increased 5.0 percent, and sales to industrial customers rose 2.4 percent.

We had projected, at the beginning of 1979, a 3.8 percent increase in total electric sales, but such factors as mild weather and the slowdown in home construction in 1979 reduced sales.

Electric sales for Ohio Edison were also affected by industrial shutdowns, specifically steel-plant closings in the Youngstown area. Jones and Laughlin's decision in 1977 to close its Campbell Works continued to affect us in 1979. Their closing in December, 1979, of a second mill, combined with United States Steel's decision, announced in November, 1979, to close two steel mills in 1980, will result in a total loss of 5,000 steelworking jobs and an estimated $5 million reduction in annual revenues for us.

In the past, we have faced similar problems in Akron when the rubber industry announced cutbacks (30,000 lost rubber jobs during the past thirty years). In Akron, we participated with community groups to develop diversified employment opportunities, and we are working to accomplish the same in Youngstown.

Although the increase in electric sales was modest, revenues from electric sales for 1979 increased 16.0 percent over 1978, from $835.4 million in 1978 to $968.7 million in 1979. This increase occurred mainly because of the $86.2 million emergency rate increase, on an annual basis, that The Public Utilities Commission of Ohio granted, effective May 2, 1979.

Load Management

Our load management program encourages customers, through cost-saving incentives in our electric rates, to shift or spread out their daily use of electricity. This helps us reduce our daily peak-load generating requirements, which lessens the burden of financing additional generating capacity.

Our ten-year load management goal to reduce peak demand by 300,000 kilowatts from what it would otherwise be by 1988 represents more than $360 million (current dollars) in costs if we were to add generating units to meet that demand. Our reduction of 19,500 kilowatts in peak demand in 1979 is equivalent to a savings of more than $23 million (current dollars) in generating requirements.

MRS. MADGE SHY, a former beautician now confined to a wheelchair, wrote to us in 1979 explaining that her shares of Ohio Edison stock, which she inherited from her uncle, have been in her family for many years. She told us, "I was a beauty operator for 39 years, and I don't know anything about big business," but she wanted to know why her dividend has not increased.

We respond:

Ohio Edison has paid dividends every year for 49 years. While our earnings improved this year, we are not increasing the dividend amount at this time. One of the reasons we are not increasing the dividend is that it was necessary to replace some of the money we took from our retained earnings in 1978. Retained earnings are what remains from sales each year after we pay all our expenses, including dividends, interest payments, and taxes. We use these retained earnings to enhance our stockholders' equity, to protect future dividends, and to help reduce the need to issue additional securities for construction money and other expenses. The abnormal conditions that affected earnings in 1978 required us to use some of our retained earnings that year to make dividend payments. In 1979, we returned $1,501,000 to retained earnings.

ALVIN LINDSEY
has been a meter reader foreman with Ohio Edison for the past seven and one half years, and he is involved with restructuring meter readers' routes. "It's a real challenge," says Lindsey, "because of the tremendous growth we've had in the Lake Erie Division."

Outside of office hours, Lindsey is Minister of Music for the Glorious Apostolic Church in Elyria. He spends three evenings a week with the Apostolic Ensemble, and the group travels to other states on weekends giving church musical presentations. Lindsey is also Director of the National Apostolic Churches Choir.

Rate Requests

Inflation, the high cost of borrowing money, and regulatory lag (the length of time for the regulatory process), made it necessary for Ohio Edison to seek rate relief in 1979. An application for a $128.4 million permanent rate increase, on an annual basis, was filed with The Public Utilities Commission of Ohio (PUCO) on April 2, 1979. On May 2, 1979, the PUCO granted us an $86.2 million emergency rate increase, which affected all industrial, commercial, and residential customers in urban and rural areas served at retail by the Company. This emergency increase, granted on a temporary basis, represented an advance against our permanent request.

On January 30, 1980, the Commission granted us $111.6 million of our requested permanent rate increase, or 87 percent of the total amount requested. The Commission also ordered the Company to revise its rate structure to create uniform rates for residential customers in urban and rural areas.

Because inflation and increasing regulatory expenses continue to affect us, we filed a letter of intent on February 7, 1980, with the communities we serve and with the PUCO, indicating that we will file an application for a $116.0 million permanent rate increase in early May, 1980.

During 1979, the Company began negotiations with the various communities and townships that we serve for an increase of approximately 33 percent in street lighting rates—the first such general increase in street lighting rates. All but a few of the communities and townships approved the increase by contract. For those remaining, the Company applied to the PUCO to fix the rates. The rates were fixed in the order issued by the PUCO on January 30, 1980. The new street lighting rates are expected to increase the Company's annual revenues by about $2 million.

Fuel Adjustment Charge

On October 10, 1979, the PUCO announced that its in-depth review of our fuel adjustment practices revealed we followed sound fuel purchasing practices, and the application of fuel charges to customers' bills has been "fair, just and reasonable."

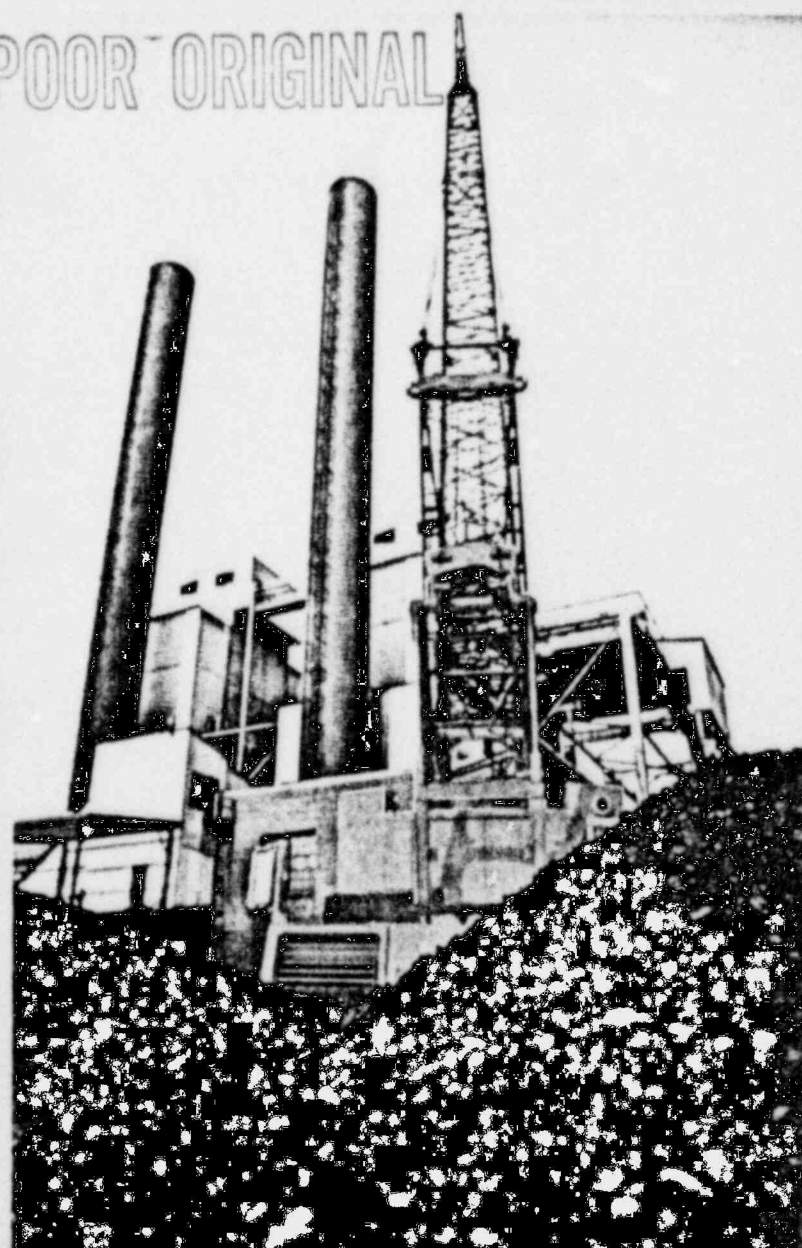
The improvement in operating revenues for the year, after deductions for expenses and other costs, resulted in a net income of $134.8 million in 1979 compared to $86.0 million in 1978. After provisions for preferred and preference stock dividends, net income for common stock for the year was $105.1 million, compared to $61.3 million in 1978. Earnings per share of common stock rose to $1.80 in 1979 from $1.19 in 1978. The average number of common stock shares outstanding increased during 1979 to 58.3 million from 51.6 million shares in 1978.

Quarterly dividends of 44 cents per share on common stock of Ohio Edison were declared by the Company's Board of Directors in each quarter of 1979.

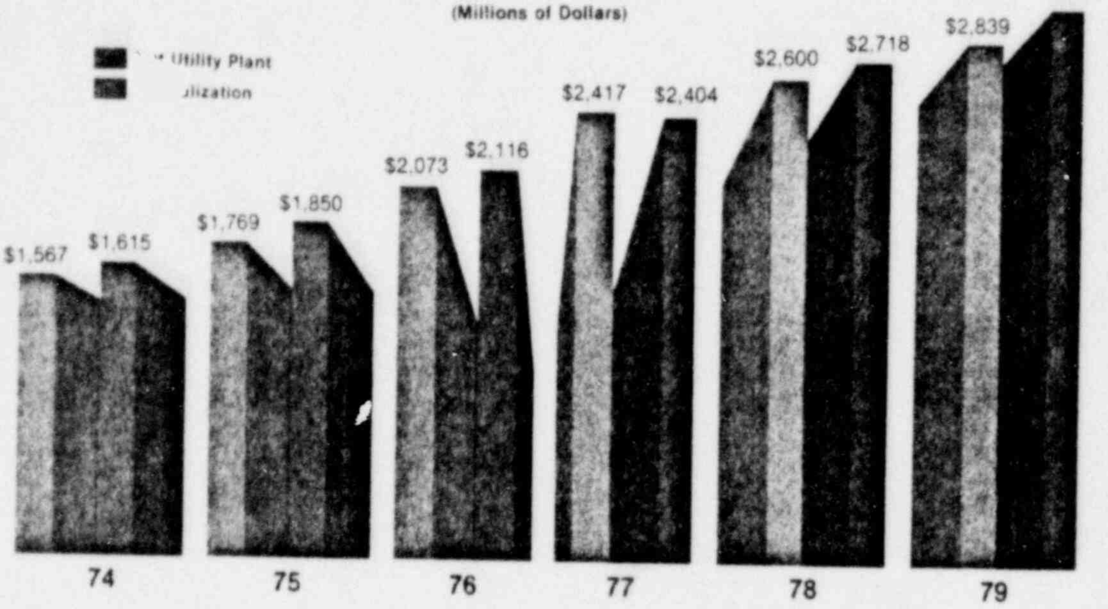
Top: A night view of the American Shipbuilding Company in Lorain, Ohio.

Bottom Left: Rolling Acres Mall is the only multi-level shopping mall in the Akron area.

Bottom Right: The crane in the Gorge Plant's coal yard was used to lift new transformers and pollution control equipment to the roof of the plant.



Utility Plant and Capitalization
(Millions of Dollars)



Ohio Edison and Pennsylvania Power raised approximately $334 million in new capital and obtained commitments from institutional investors for the purchase of $132 million in new securities in 1979. Raising capital in this age of "expensive" money requires sound financial planning. Because we require huge, continuing investment in facilities, we are a capital-intensive industry.

The proceeds from our various sales of stocks and bonds were used, largely, to reduce short-term loans for construction, and for acquisition or betterment of facilities.

Common Stock

On February 22, Ohio Edison sold six million shares of common stock with a realization to the Company of $15.97 per share, or $95.8 million.

During the year, we also raised $21.6 million from the issuance of 1.5 million shares of common stock through our Dividend Reinvestment and Stock Purchase Plan.

On February 4, 1980, Ohio Edison offered 6.5 million shares of common stock, resulting in proceeds of approximately $84.3 million.

Pollution Control Notes

On April 10, Ohio Edison issued $27 million in 25-year pollution control notes, which corresponded to a like amount of bonds issued by Pennsylvania's Beaver County Industrial Development Authority. The proceeds were used to finance a portion of the pollution control facilities at the coal-fired Bruce Mansfield Plant and to refund a $26.5 million pollution control note previously issued for the Mansfield facilities.

In addition, Pennsylvania Power participated in this financing by issuing approximately $3 million in pollution control notes (Beaver County) for the Mansfield project and about $3 million in pollution control notes, through the Lawrence County Industrial Development Authority, for financing the pollution control facilities at Pennsylvania Power's coal-fired New Castle Plant.

Ohio Edison again issued pollution control notes in December. A $7 million issue was made through the Ohio Air Quality Development Authority for various environmental control projects in Ohio, and $19 million worth of pollution control notes were issued through the Beaver County Industrial Development Authority for the Mansfield Plant. Both are 30-year issues with an average life of 28 years.

First Mortgage Bonds

In June, Pennsylvania Power privately placed $20 million in a 10.5 percent series of first mortgage bonds, which are due in June, 1999. In December, Ohio Edison completed arrangements for private placement of $100 million of first mortgage bonds at a rate of 12.75 percent. Of the proceeds from this issue, $16 million were made available in February, 1980, and $84 million will be made available during May, 1980.

Pennsylvania Power arranged, in 1979, for $22 million of 10.90 percent First Mortgage Bonds, which will be closed in 1980.

Preference Stock

In July, Ohio Edison negotiated the private placement of $27 million in two series of preference stock. One series of the stock, totalling $9 million and 9,000 shares, has a dividend rate of 9.5 percent and an average life of eight years. The other series, of $18 million and 18,000 shares, carries a 10.25 percent dividend rate and an average life of 14.5 years.

The Company announced, on October 10, the public offering of two million shares of another series of preference stock, convertible, cumulative, and without par value, to be designated $1.80 Preference Stock. These new shares were offered to the public at $15.125 per share. The preference stock was convertible after January 1, 1980, into common stock, equal to one share of common stock for each share of $1.80 Preference Stock. The Company received a net of $28.9 million from sale of the stock.

Preferred Stock

In April, 1980, Pennsylvania Power will privately place $10 million of a 10.5 percent Preferred Stock issue.

Long-Term Loans

In May, Ohio Edison completed arrangements for $30 million in long-term loans in the form of two $15 million, three-year maturity, bank-term loans. The interest rate for these loans fluctuates with the prime lending rate of the two financial institutions. In December, we borrowed $50 million pursuant to a seven-year bank-term loan. The interest rate is fixed at 11.5 percent for the first two years of the loan and floats with the prime lending rate thereafter.

Inflation Accounting

As inflation continues to affect us, we are reporting in this year's financial section the estimated financial effects of inflation. Usual accounting methods do not reflect the fact that one dollar of past costs is not recovered by a dollar of current revenues. In traditional accounting systems, financial results and taxation are presented as though the value of today's money were the same as that of yesterday's. Inflation accounting estimates the real effects of inflation upon earnings.

ELEANOR FRANCIS, stockholder, says she wanted to own Ohio Edison stock even when she was a little girl. "I don't know why, exactly, except perhaps because it was a local company."

Mrs. Francis finally bought stock a few years ago. "The Company had performed well, I like the management, and it's a more secure stock," said Mrs. Francis, who works as an executive secretary at a mental health clinic for children. "So we bought some."

Individuals-of-record held 56.1 percent of Ohio Edison's 59.6 million shares of common stock outstanding on December 31, 1979. Women represent 38.3 percent of our individual stockholders, men, 29.4 percent, and joint ownership, 32.3 percent. According to a survey completed in 1979, 47.8 percent of our individual stockholders are retired, 51.1 percent expect the stock to provide a reliable income source, and 61.2 percent purchased their first stock in the Company since 1973.

Consolidated Capitalization

(Millions of Dollars)

POOR ORIGINAL

DR. MIRIAM BROWN is a stockholder who holds a Doctorate in International Law. She has lived for 18 years in West Berlin, Germany, as the wife of a member of the Foreign Service, Department of State.

"Energy independence affects our foreign policy," said Dr. Brown, "in terms of how competitive we can remain in a world where energy sources are becoming more and more of an issue. What is Ohio Edison doing to secure future energy sources?"

We respond:

Even though Ohio Edison's prime energy source is coal, we continue to explore alternative energy sources that we can use for producing electricity. We keep in mind, at all times, that our primary objective is to provide customers with reliable electric service at a reasonable price.

We are now studying the feasibility of constructing hydroelectric plants on the Ohio River. In addition, we have financially supported the Clinch River Breeder Reactor Project at Oak Ridge, Tennessee.

The electric industry, as a whole, is actively involved, through the Electric Power Research Institute, in energy projects, including wind generation, solar power, fuel cells, coal gasification, and other research.

Most important, we constantly encourage our employees, consumers, and stockholders to urge their government representatives to develop a clear energy program that will lead this country to energy independence.

Generating Unit Availability

As we reported to you in 1978, one of the Company's major objectives is to improve the performance and availability of the large generating units at the Sammis Plant in Stratton, Ohio.

In 1978, we created the executive-level Reliability Committee to direct a comprehensive program to improve the overall reliability and performance of those units. The Availability Task Force, organized at the department managers' level, works closely with plant managers to select strategies for improving reliability and then reports its conclusions to the Reliability Committee.

We are pleased that our strategies resulted in improvements in reliability in 1979. We know that to complete our reliability program, we will need to spend large sums of money and, therefore, our goal will take several years to achieve.

Phasing Out Steam Business

Facing continuing loss of customers, operating losses, and huge expenditures for clean air equipment, we petitioned the PUCO in June to grant us permission to end steam service in Springfield and Youngstown. We have been looking for buyers for our steam plants in these two cities. In December, 1979, the Company signed a letter of intent with a group of private investors interested in purchasing the Youngstown steam system. Eventually, they may replace this plant with a refuse-burning plant.

In Akron, the Company agreed in 1976 to sell its steam plant and distribution system to the city. The city has built an energy recycling plant, and following the plant's certification, the city will assume responsibility for supplying steam to Akron steam customers.

New Area Dispatching Office

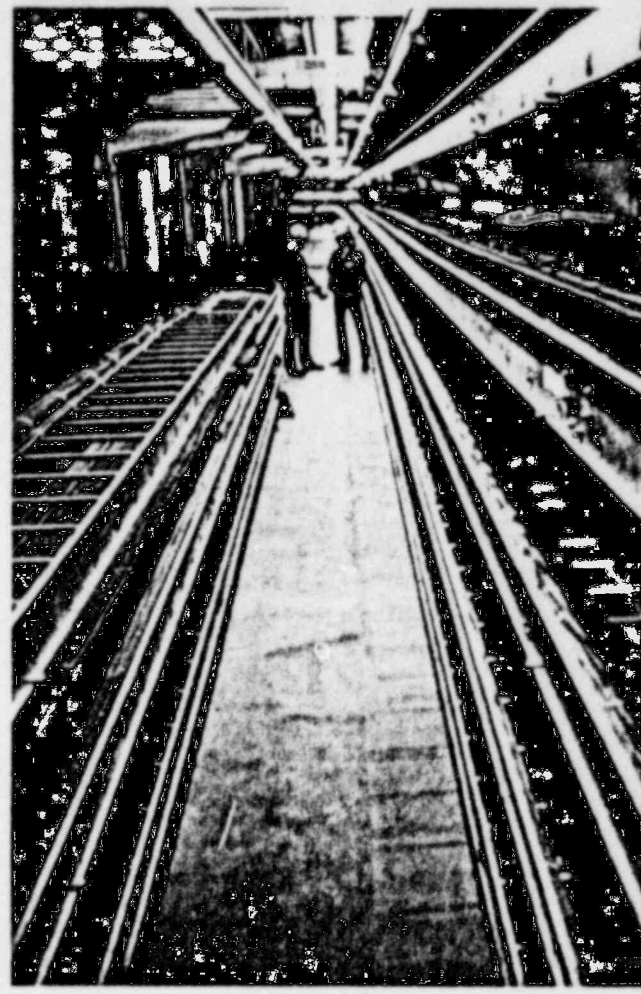
A new Akron area dispatching office was placed in service in 1979 and improved significantly the monitoring of equipment at 23 major substations in the Akron area. A computer-directed system now scans the entire transmission and distribution system every two seconds and can immediately pinpoint any circuits or substations involved in an outage.

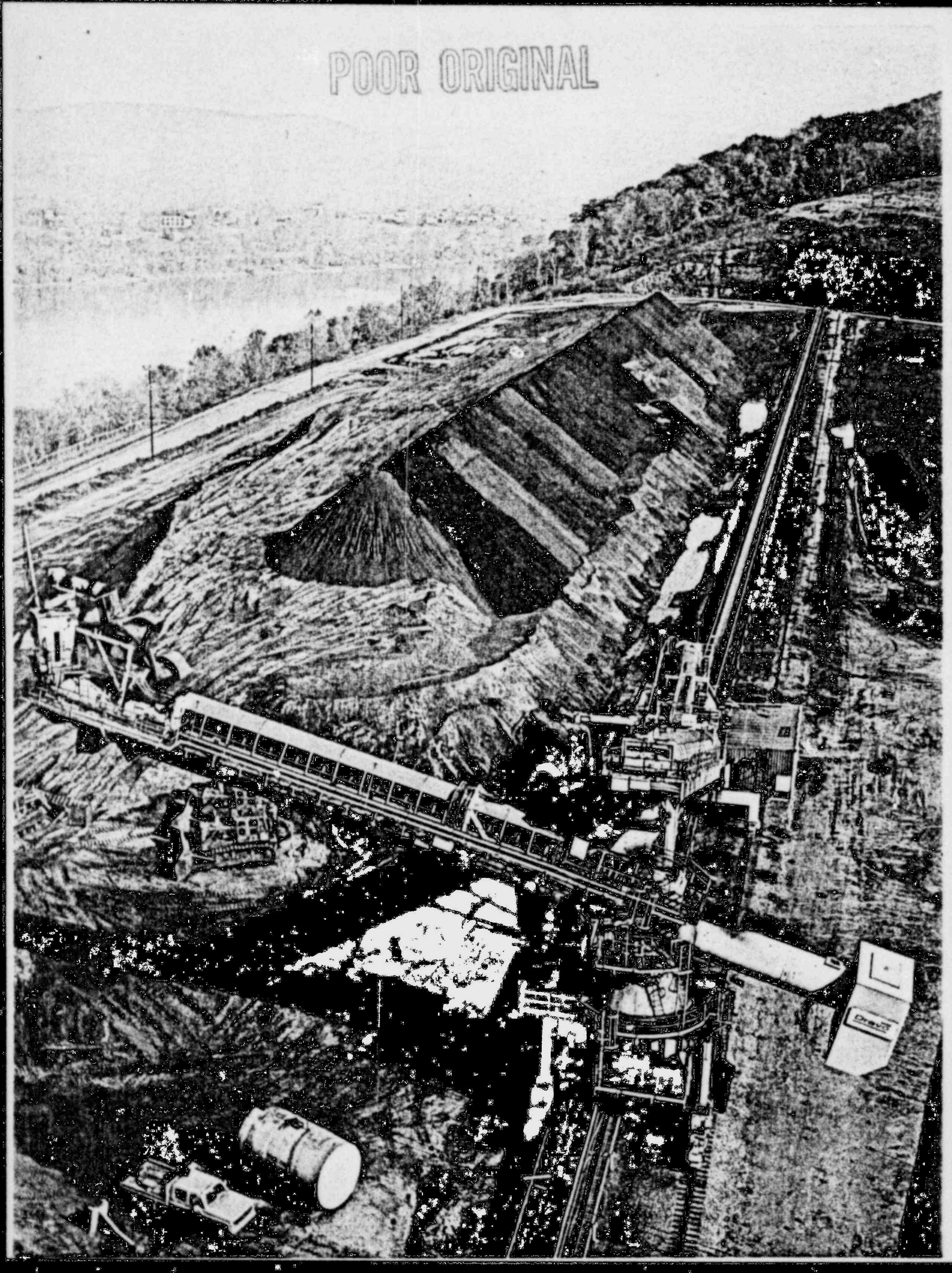
We are planning to begin construction in 1980 of a new system-wide dispatching office to increase further the efficiency of our system dispatching operation.

Top Left: An operator works in the control room at nuclear-powered Beaver Valley Unit 1.

Top Right: Approximately 1,126 miles of underground cables at Bruce Mansfield's Unit 3 furnish power to motors and transmit data to a central control room.

Bottom: Employees monitor equipment in the control room at our new Akron area dispatching office.





Coal Supplies

The Companies' coal-fired power plants burned more than 9.7 million tons of coal in 1979. The majority of Ohio Edision's coal purchases are made through long-term contracts, with those coal supplies coming from southeastern Ohio and western Pennsylvania. The remainder is purchased on the open market from the same region and from eastern Kentucky. Pennsylvania Power buys its coal from central and western Pennsylvania.

Coal Quality Improvement Program

Our aggressive program of obtaining higher quality coal from suppliers continued in 1979 and resulted in a significant improvement in the quality of coal we received at our power plants—coal that is higher in heat value and lower in ash content. That program has also enabled us to reduce substantially the amount of coal ash that must be processed through our waste disposal system. In addition, coal with a lower ash content has less of an eroding effect on boiler tubes—a primary cause of generating unit outages.

Left: The huge stacker-reclaimer at the Bruce Mansfield Plant is capable of stacking 3,300 tons of coal per hour and, when its conveyor belt is reversed, of reclaiming 2,000 tons per hour for feeding pulverized coal into bunkers.

THEODORE W. ROEHLIG II is a social worker and an income maintenance supervisor for a county welfare department's Aid to Dependent Children program. Mr. Roehlig, an Ohio Edison customer, wrote to us and asked the following:

"If Ohio coal can be burned safely with the use of scrubbers (albeit more expensively), how long can we continue to purchase western coal in view of the high cost of transporting that coal east?

"If there is a means to eliminate the fuel adjustment clause AND save Ohio jobs AND show concern for the environment, then we must pursue that course."

We appreciate Mr. Roehlig's seeking information from us, and we respond:

First, regarding your point about western coal. We have traditionally bought an important share of our coal from **nearby** states and never from western states. If EPA guidelines regarding clean air compliance will permit us to make a partial shift to low-sulfur coal (away from high-sulfur Ohio coal), then we will buy that low-sulfur coal from **nearby** states, not from the west.

Secondly, adding scrubbers to our plants would not save, in any significant number, Ohio mining jobs. According to the Ohio Electric Utility Institute, statistics provided by the Ohio Department of Energy show that Ohio's coal exports declined by 11 million tons between 1970 and 1978. Nearly six million tons of that coal would have been exported to Michigan between 1973 and 1978, but has not been because of the federal EPA's stringent air-quality standards regarding high-sulfur coal.

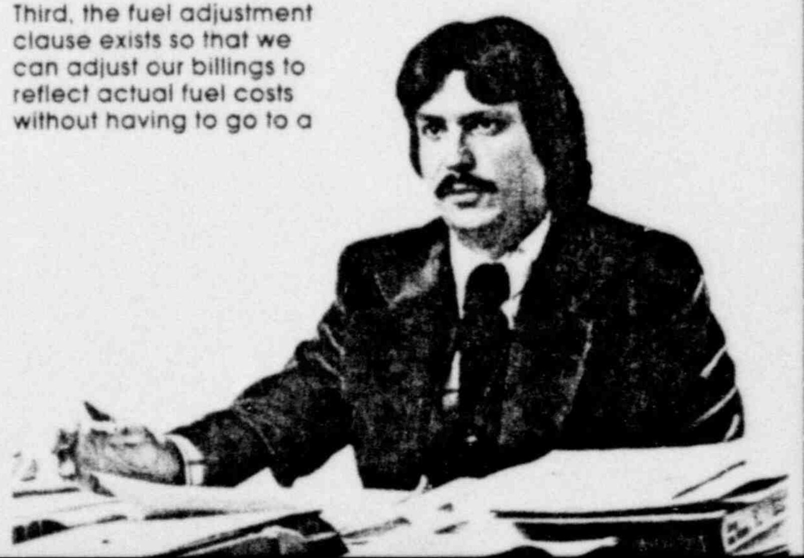
With the imposition of stringent air-quality standards, Ohio's high-sulfur coal has become most unattractive. This is hardly the doing of Ohio's utilities.

Ohio's electric utilities continue to provide a good market for Ohio coal, despite the many cost and environmental obstacles.

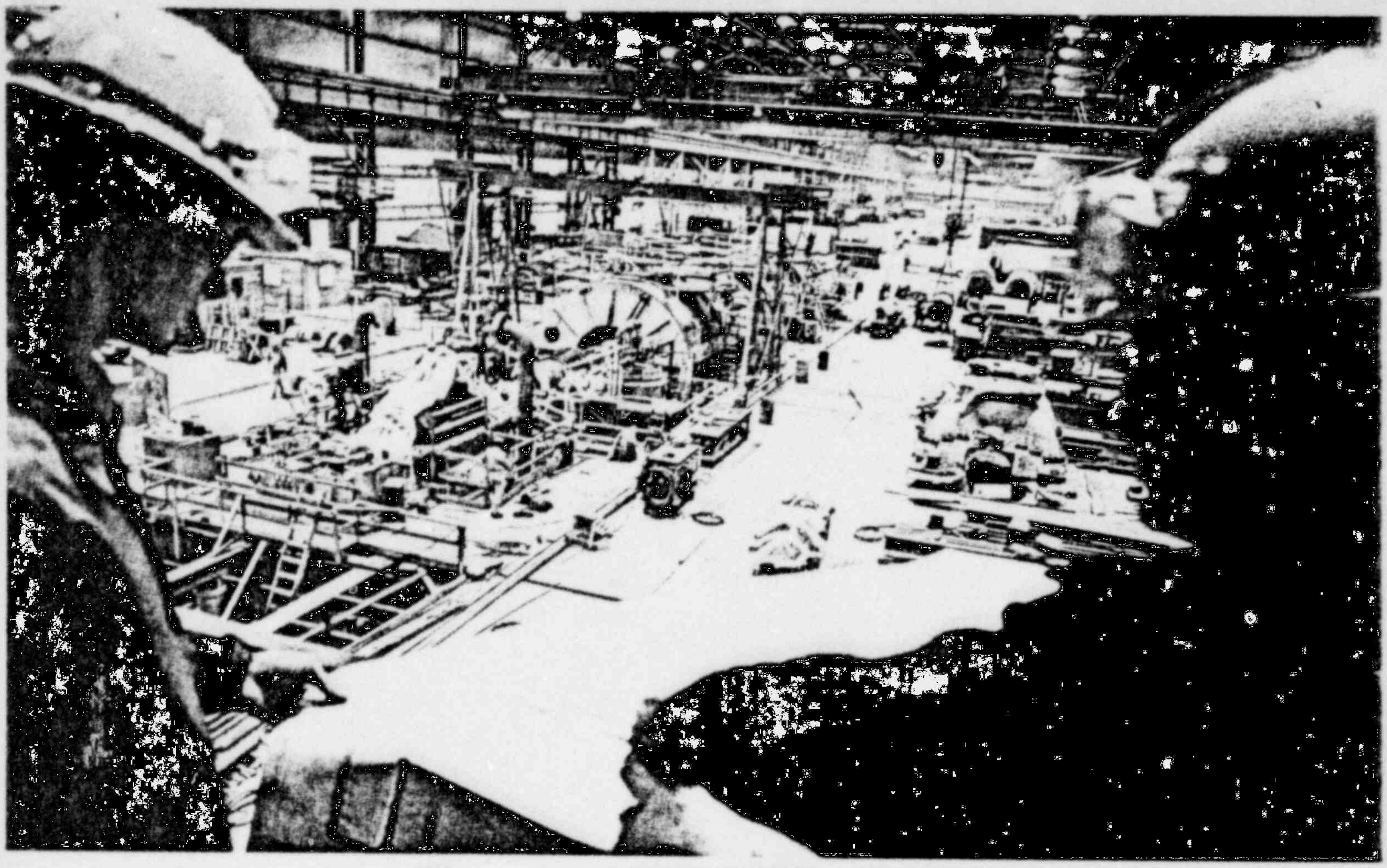
Third, the fuel adjustment clause exists so that we can adjust our billings to reflect actual fuel costs without having to go to a full-scale, lengthy, and costly rate hearing each time the cost of fuel changes. (Fuel costs now represent our largest operating expense, and, in 1979, amounted to more than $316 million.)

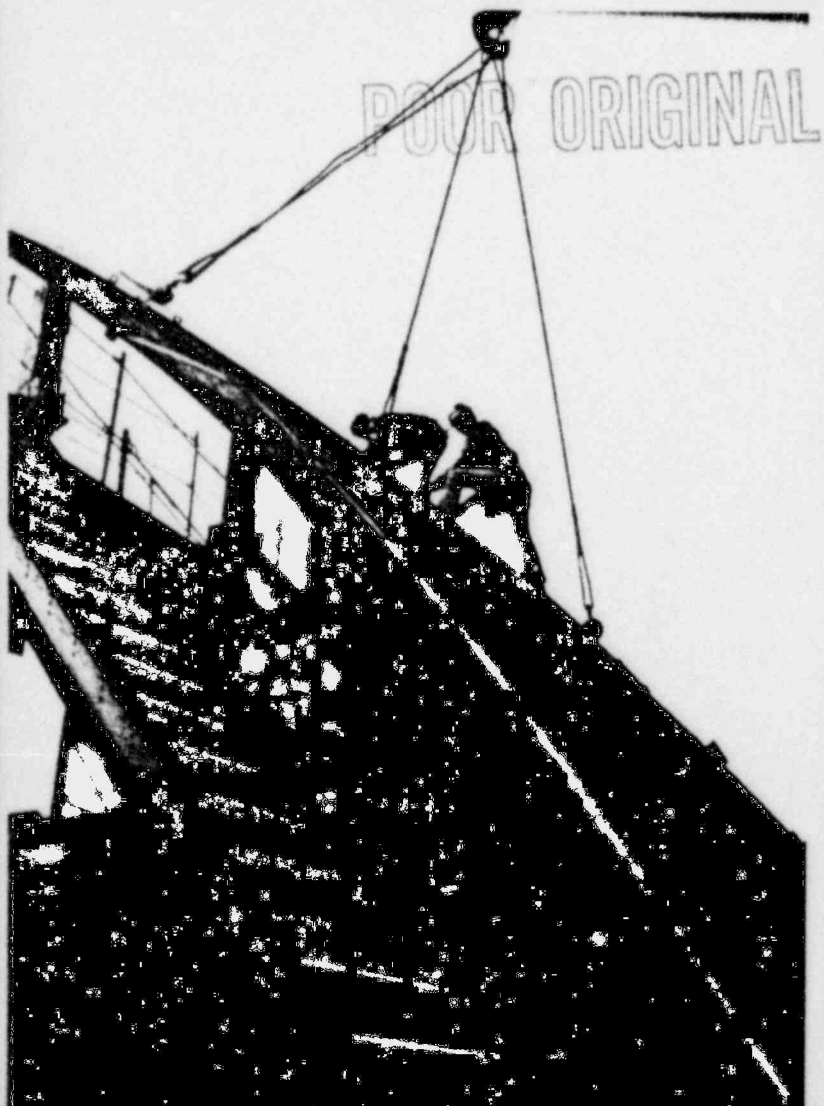
The fuel adjustment clause permits us to pass increases or decreases in fuel costs directly to the customer by adjusting the fuel charge. The fact that we recover only 90 percent of our fuel costs through the fuel adjustment clause provides us an extra incentive to purchase the most economical coal possible.

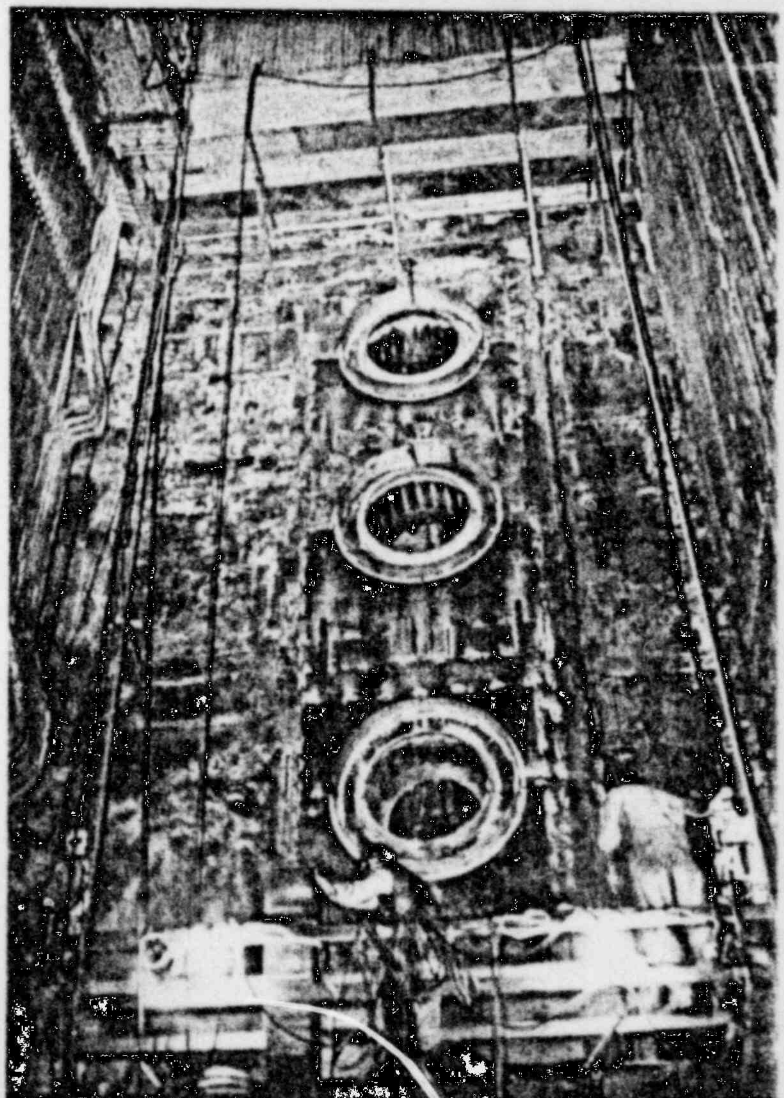
And, finally, if the fuel adjustment charge were eliminated, we believe, as do many rate experts in the industry, that the substitution of a longer and more complicated regulatory review process would be costly and would increase our customers' bills.



POOR ORIGINAL







Nuclear Plants

The five companies in the Central Area Power Coordination Group (CAPCO) terminated in January, 1980, plans to build four additional nuclear units that were in the design stage. CAPCO includes Ohio Edison, Pennsylvania Power, The Cleveland Electric Illuminating Company, Duquesne Light Company, and The Toledo Edison Company. Their combined service areas include approximately 2.5 million customers in northern and central Ohio and western Pennsylvania.

The four terminated units were Units 2 and 3 at the Davis-Besse Nuclear Power Station near Port Clinton, Ohio, and Units 1 and 2 at the Erie Nuclear Plant near Berlin Heights, Ohio. The estimated cost to build those four units was $7.3 billion.

The CAPCO companies also announced that construction will continue, under an extended schedule, on two nuclear units near North Perry, Ohio, and another at Shippingport, Pennsylvania. The rescheduling of the three units under construction includes time delays of one year for the Perry Nuclear Plant Unit 1, from May, 1983, to May, 1984; two years for the Beaver Valley Power Station Unit 2, from May, 1984, to May, 1986, and three years for Perry Nuclear Plant Unit 2, from May, 1985, to May, 1988.

CAPCO also made changes affecting the ownership of Perry Nuclear Plant Units 1 and 2. Ohio Edison and Pennsylvania Power reduced by 80 megawatts their ownership in each unit. Ownership by The Cleveland Electric Illuminating Company will increase by a corresponding amount. Ohio Edison and Pennsylvania Power will now have a combined ownership in these units of 35.3 percent. Ohio Edison kept its ownership (361 megawatts) in Beaver Valley Unit 2.

The decision to terminate these units stemmed, in large part, from political and regulatory uncertainties affecting the future construction of nuclear plants—uncertainties that intensified following the accident at Three Mile Island Nuclear Plant. Because of regulatory uncertainties and delays and because of inflation, the construction of nuclear power in the future carries greater uncertainty of eventual cost. Therefore, in spite of our convictions that nuclear power is safe and economical, the uncertainties compelled the companies to terminate those nuclear units not yet under construction in order to reduce the future financial risks to our customers and shareowners.

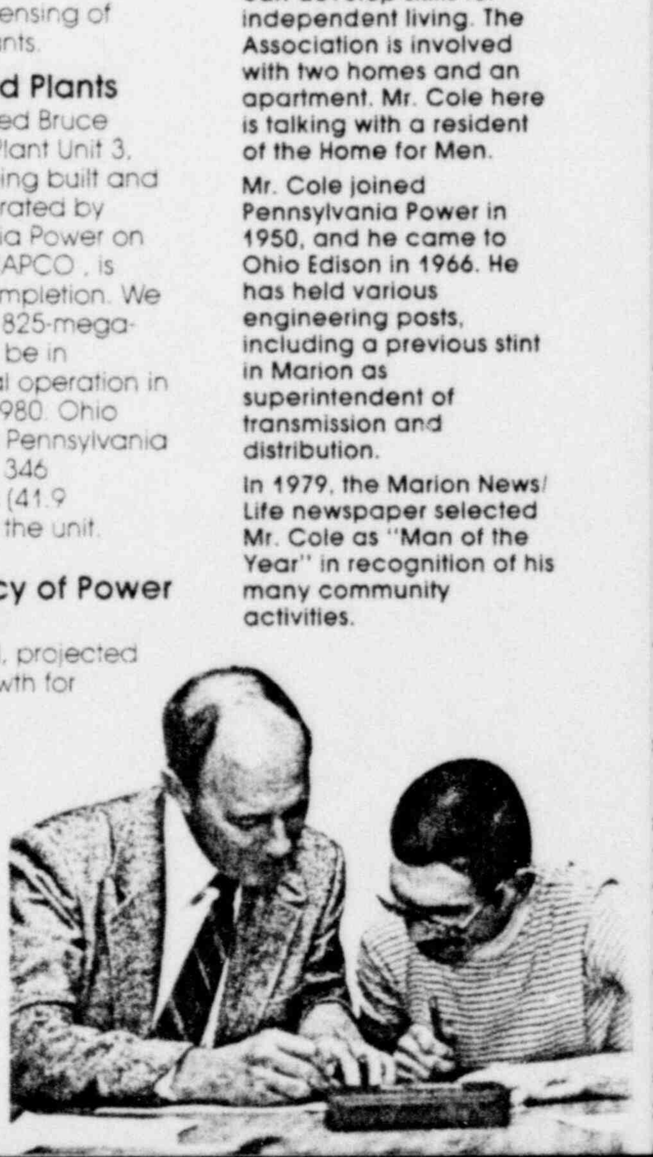
However, this belief that nuclear power is a safe, economical, and environmentally superior method of generating electricity resulted in CAPCO's decision to complete the three units already well along in construction. The new completion dates reflect a more realistic time frame for the construction and licensing of nuclear plants.

Coal-Fired Plants

The coal-fired Bruce Mansfield Plant Unit 3, which is being built and will be operated by Pennsylvania Power on behalf of CAPCO, is nearing completion. We expect the 825-megawatt unit to be in commercial operation in the fall of 1980. Ohio Edison and Pennsylvania Power own 346 megawatts (41.9 percent) of the unit.

Adequacy of Power Supply

The revised, projected rate of growth for customer demand for electricity during the 1980's is four percent, or less, each year. In light of the decision made by the CAPCO companies to terminate plans for construction of four



WAYNE COLE, Marion Division Manager, served as President of the Residential Home Association of Marion from 1974 through 1979. The Association is a non-profit group that works toward providing retarded citizens a family atmosphere, so that they can develop skills for independent living. The Association is involved with two homes and an apartment. Mr. Cole here is talking with a resident of the Home for Men.

Mr. Cole joined Pennsylvania Power in 1950, and he came to Ohio Edison in 1966. He has held various engineering posts, including a previous stint in Marion as superintendent of transmission and distribution.

In 1979, the Marion News/Life newspaper selected Mr. Cole as "Man of the Year" in recognition of his many community activities.

Top: The 1,059 foot-long turbine floor at the Mansfield Plant holds three 825-megawatt turbine generators. In the foreground is a portion of Unit 3, now under construction; in the background are Units 2 and 1.

Bottom Left: Workers are climbing on the reactor building dome for the nuclear-powered Beaver Valley Unit 2.

Bottom Right: Workmen replace worn boiler tubes at the Sammis Plant. The boiler at Unit 6 is 218 feet high.

nuclear units and to reschedule three other nuclear units, and if the customer-growth-demand projections should be exceeded, or if unscheduled outages of our units exceed current expectations, we are concerned about the reliability of electric service for our customers in the mid-1980's and, especially, the early 1990's. We will continue to seek methods to resolve these concerns as we monitor growth in customer demand and compare that growth to our capacity.

In our judgment, our neighboring systems face the same serious obstacles to the timely completion of new capacity additions. Thus, the amount of power that various electric companies will be able to provide to one another during future critical load capacity shortages is uncertain.

Future Power Sources

Coal Gasification

In cooperation with several other utilities, Ohio Edison is participating in a coal gasification project, initiated by the Allis-Chalmers Company, to build a demonstration plant in Wood River, Illinois. This coal gasification process involves the use of a rotating, cylindrical kiln to produce gas from coal, which then is used as a fuel. This process is designed to meet strict air pollution standards for coal-burning power plants. Unlike flue gas desulfurization (scrubbers) processes, the by-products of gas cleaning are generally usable and will require minimal disposal.

At this point, an engineering firm is reviewing the design for the demonstration plant. The plant is not yet fully funded, and Allis-Chalmers is seeking additional financial support from other groups. A final decision about the feasibility of building the plant probably will not be made until the middle of 1980. Those companies that contribute to the plant project will have priority for using the technology.

Hydroelectric Studies

On November 5, we filed applications with the Federal Energy Regulatory Commission (FERC) for preliminary study permits for possible hydroelectric plants at six Corps of Engineers' locks and dams along the Ohio River. These permits, if granted, would provide us exclusive rights for three years to conduct detailed feasibility studies to determine whether we wish to proceed with construction.

Regulatory Developments

Ohio Edison faces continuing uncertainties as to the sulfur dioxide and particulate (fly ash) emission limitations at our plants. The U.S. Environmental Protection Agency (EPA) and the Ohio EPA disagree over the method for monitoring our compliance with sulfur dioxide emissions. We favor the method proposed by the Ohio EPA, which would allow us to burn approximately 1.3 million more tons of Ohio high-sulfur coal per year than does the U.S. EPA method.

The U.S. EPA announced in February, 1980, that it will propose a new sulfur dioxide enforcement criterion. This criterion, when it is proposed, will be subject to public comment and possible implementation by the state of Ohio. Until that new criterion is announced, Ohio Edison is subject to interim federal enforcement policy that is slightly more stringent than the current Ohio-proposed plan.

Until the issues of sulfur dioxide compliance and the type of coal we are to burn are resolved, procuring fuel and designing related air pollution control equipment are extremely difficult to do. Despite this uncertainty of regulatory requirements, Ohio Edison is continuing to work toward agreement with the U.S. EPA. In addition, on November 5, 1979, we announced that we will accelerate our compliance program. We will put into effect at all our plants a program that is consistent with our understanding of sulfur dioxide and particulate emission limitations. However, our compliance program does not mean we are not still subject to claims for civil and criminal penalties associated with the Clean Air Act.

Unit Closings

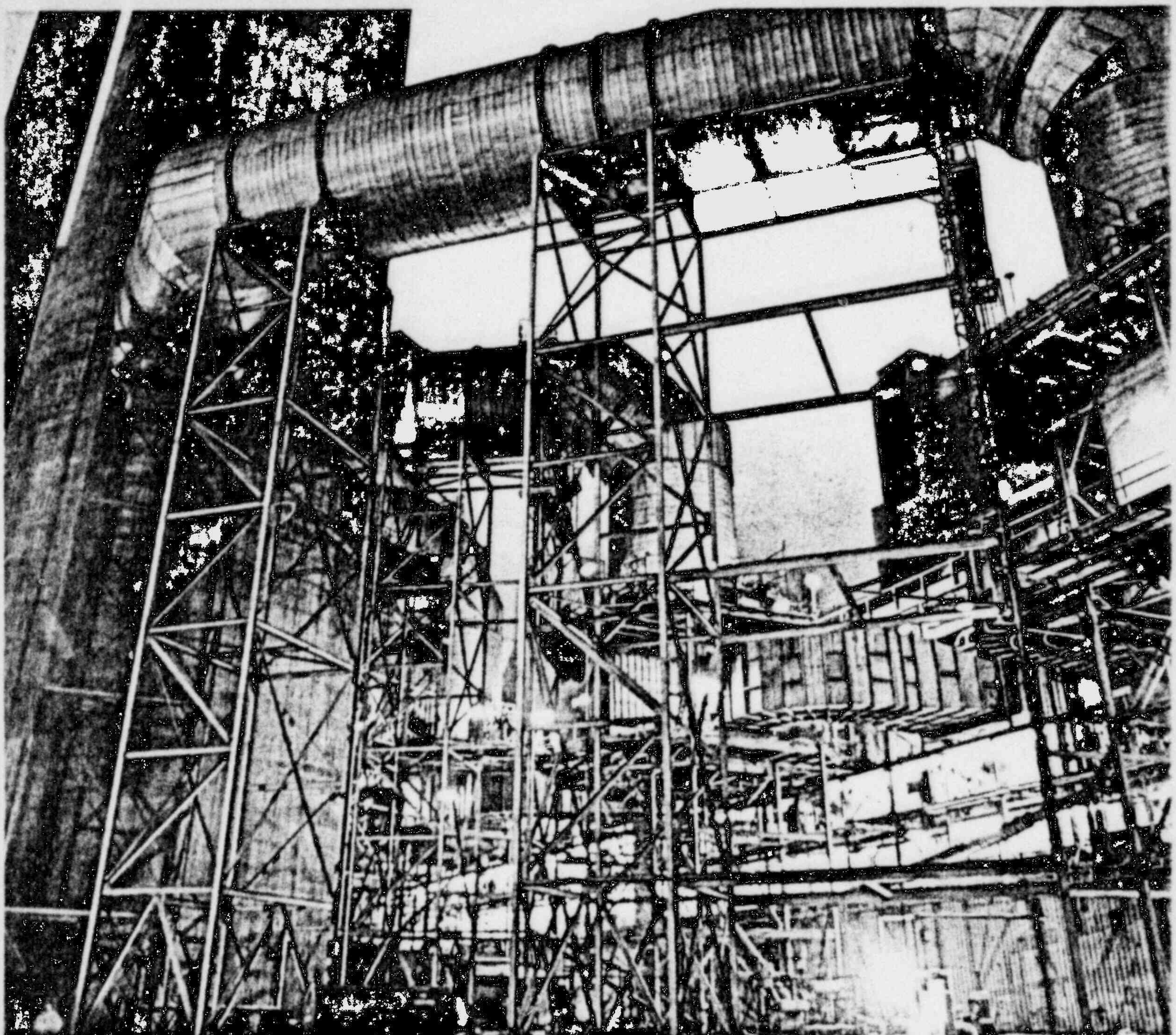
In February, 1980, we shut down certain generating units, which have a combined net generating capability of 60 megawatts, at three of our smaller coal-fired power plants. More than $27 million would have been required to equip these old units with necessary environmental equipment.

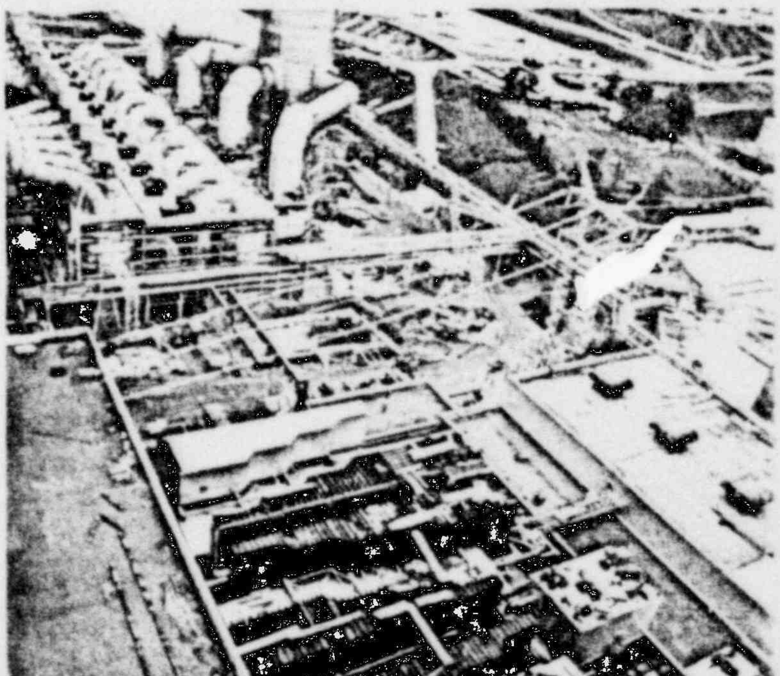
The closed units include the East Palestine Power Plant, the Norwalk Power Plant, and Unit 1 at the Mad River Plant.

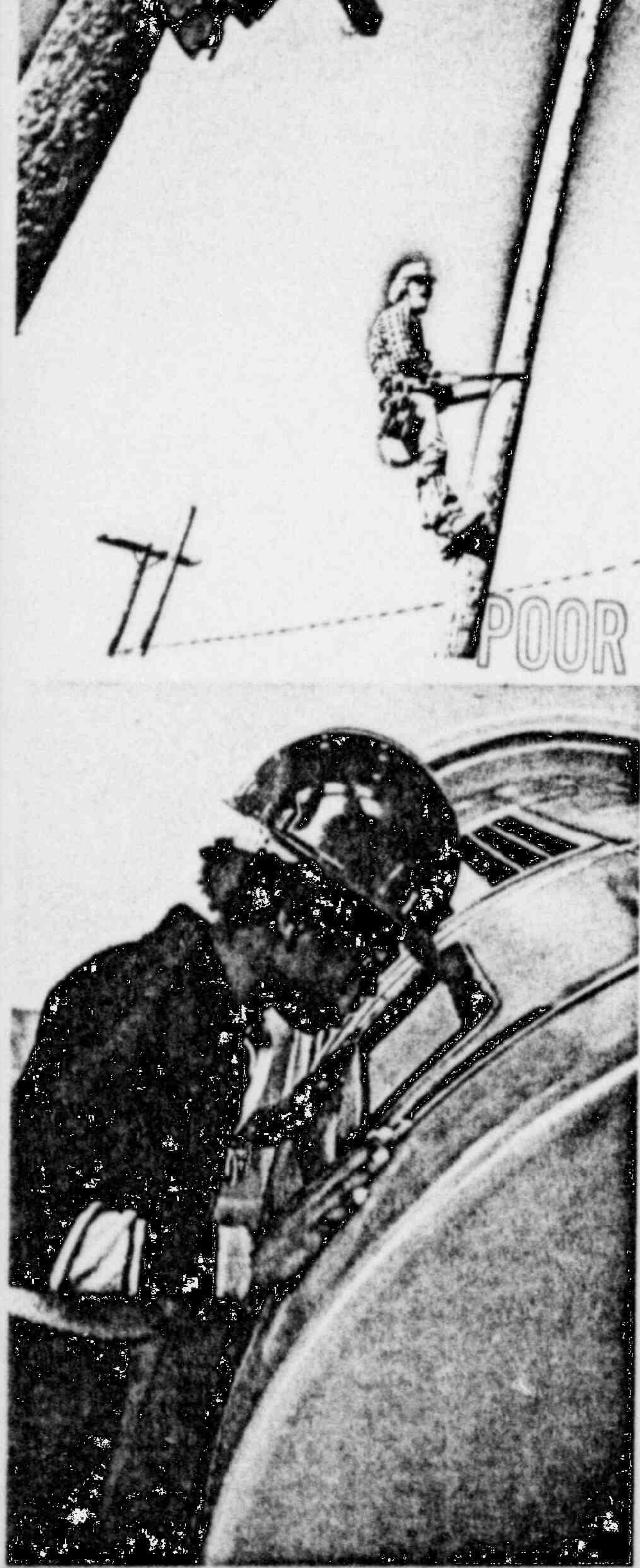
Top: A night view of the environmental control facilities at the Bruce Mansfield Plant shows the base of the 950-foot chimney and connecting ducts that run from the absorber, where gases are treated.

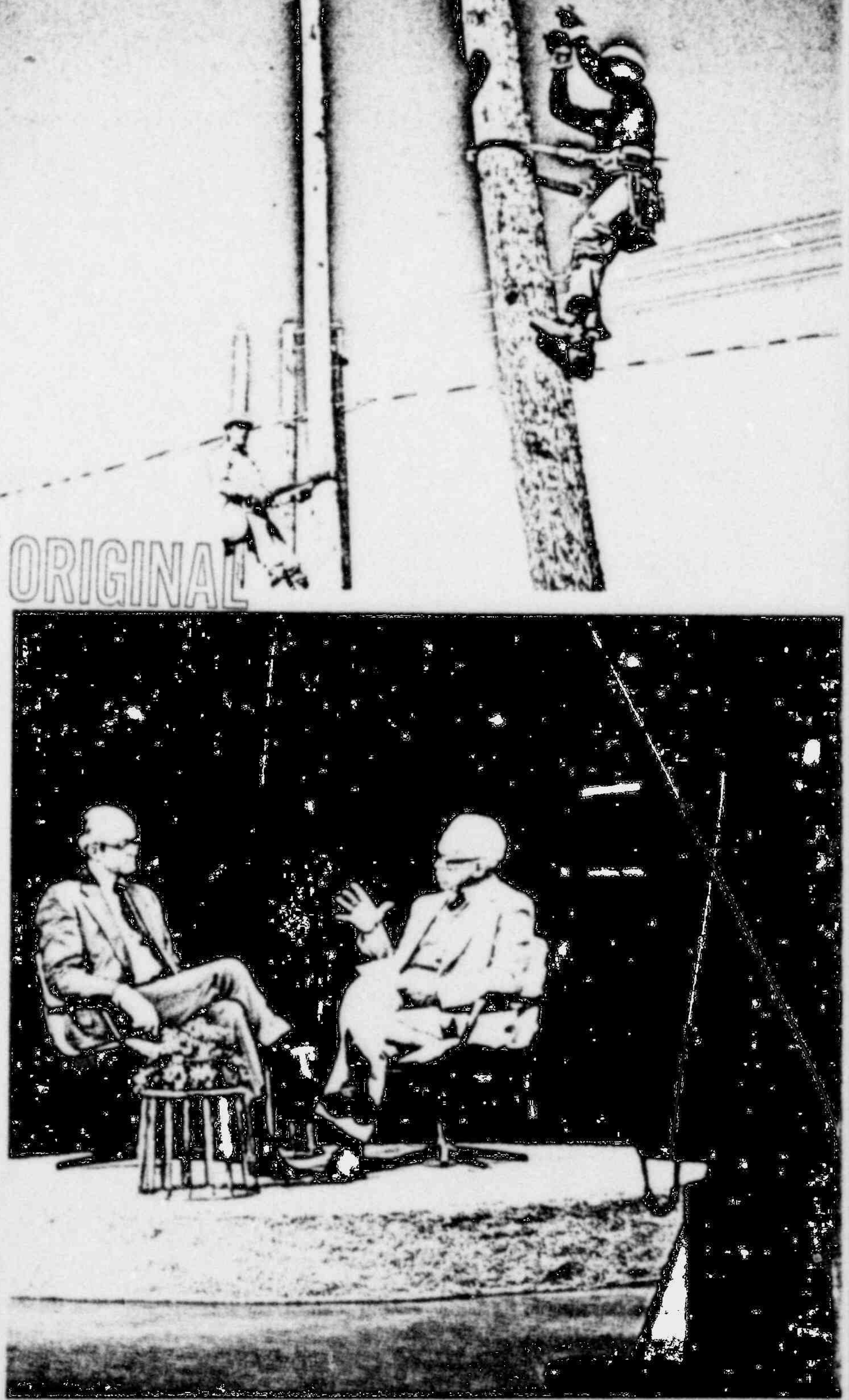
Lower Left: The largest earth and rockfill embankment in the eastern United States encloses a steep-walled valley where sludge from the Mansfield Plant is disposed.

Lower Right: A view from the top of Bruce Mansfield Unit 3 shows environmental equipment which will cost CAPCO members about $450 million. Ohio Edison and Pennsylvania Power have spent $213.7 million so far.









Employees

Providing the kind of working atmosphere that encourages job satisfaction and improves the performance of the Company's operations is our continuing goal. To provide this opportunity, we asked consultants to conduct a Company-wide employee attitude survey. We are evaluating the results of this survey so we can respond appropriately.

In addition to seeking employees' opinions about their work environment, the Company offers training and educational programs to increase employees' expertise and involvement in the Company's operations.

Affirmative Action

In October, the Office of Federal Contract Compliance Programs, Department of Labor, randomly selected Ohio Edison headquarters for auditing. We received a letter from the office indicating that, subject to several revisions, our Affirmative Action Program, in our General Office, is acceptable under current federal regulations with respect to our hiring practices regarding minorities, females, the handicapped, and veterans. The Company is committed to the development of additional programs which will provide an increasing number of equal employment opportunities for females and minorities.

Salaries and Wages

In the area of salaries and wages, we are in compliance with the President's guidelines for wage-price controls.

Communications

A good communications link with customers, employees, investors, and the community-at-large is vital, considering the complexity of issues that affect how the Company performs in behalf of each of these groups. We conduct regular customer opinion surveys so we can better understand and tailor our communications programs to their specific needs.

We see our employees as being ambassadors for the Company, and we are continually working to improve the ways in which we can keep employees informed of issues affecting them and the Company.

We communicate with our customers through our Speakers Bureau; guest participation in radio and television programs; guest editorials and news releases to a large number of newspapers; distribution of educational brochures and pamphlets; involvement with teachers and school administrators; and we keep in touch, regularly, with people in the news media to help them provide the public with accurate information about the Company.

We have also created advertising programs that are designed to increase public understanding of factors that drive up the cost of electricity. At the same time, these programs illustrate the value that electricity represents in these inflationary times.

Our using advertising this way helps to control the cost of communicating with customers. For example, it costs about $1.69 to respond to a single five-minute phone call from a customer questioning the cost of electricity. For the same $1.69, we can discuss the cost question in the mass media with approximately a thousand viewers or listeners. Our advertising can answer questions before the customer telephones or writes, which helps in reducing costs to the Company.

Customer Services

More than 300 highly trained employees work with customers who want information. These employees include professional engineers who work with large industrial accounts; consumers' representatives who work with groups on such issues as understanding the use of energy in the home; representatives with agriculture backgrounds who work with agri-business customers, and people who respond to telephone calls from residential customers concerning their electric service. These employees implement programs to assist and inform customers on how to use electricity more efficiently.

DICK BRANDON, line serviceman, corrected a breaker problem for Mr. and Mrs. Amend after their lights had been out for about 20 minutes. Mrs. Amend thanked Mr. Brandon with a batch of homemade sweets and wrote a "thank you" letter to the Company.

"If you appreciate what someone does for you, you should tell him so," she said.

Top: Climbing up and down these 40-foot poles to retrieve a dropped basketball gives student line technicians at our Employee Training Center at Massillon confidence and mobility.

Lower Left: A Harris Grade School (Akron) student on a tour of the Gorge Plant looks at a view plate on the exciter, which provides a magnetic field for the main generator.

Lower Right: Justin T. Rogers, Jr., President, discusses on a public affairs television program some of the problems facing the electric utility industry and what Ohio Edison is doing to resolve these issues.

Justin T. Rogers, Jr.
President of this Company and Chairman of the Board of its subsidiary, Pennsylvania Power Company

Victor A. Owoc
Executive Vice President

D. W. Tschappat
Executive Vice President

Robert J. McWhorter
Senior Vice President

Russell J. Spetrino
Vice President and General Counsel

Frank E. Derry
Vice President

Lynn Firestone
Senior Vice President

R. G. Zimmerman
Senior Vice President

D. J. List
Vice President

Clyde W. Frederickson
Vice President

OTHER OFFICERS

W. B. Marvin
Comptroller

H. Peter Burg
Treasurer

D. D. Vowles
Secretary

W. G. Fouch
Assistant Comptroller

G. F. LaFlame
Assistant Treasurer

C. N. Glasgow
Assistant Secretary

Joanne Martin
Assistant Secretary

DIVISION MANAGERS

H. W. Miller
Akron Division

A. N. Gorant
Bay Division

J. E. Markle
Lake Erie Division

M. E. Cash
Mansfield Division

A. W. Cole
Marion Division

N. R. Monahan
Springfield Division

R. E. Dawson
Stark Division

D. C. Bixler, Jr.
Warren Division

D. R. Gundry
Youngstown Division

B◌ARD OF DIRECTORS

W. A. Derrick
Independent Electrical and Mechanical Engineering Consultant, also President of Leisure Industries, Inc., Sandusky, Ohio, developer of real estate and residential building. Member, Salary Committee.

John L. Feudner, Jr.
Executive Director of Akron Community Trusts, Akron, Ohio. Chairman, Audit Committee.

Dr. Lucille G. Ford
Dean of Business Administration, Economics, and the Gill Center for Business and Economic Education, Ashland College, Ashland, Ohio.

J. Robert Groff
Consultant to The James Leffel & Co., Springfield, Ohio, manufacturer of hydraulic turbines and steam generating equipment.

***R. L. Loughhead**
President of Copperweld Steel Company, Warren, Ohio, manufacturer of carbon and alloy blooms, billets, and bars.

D. Bruce Mansfield
Retired-formerly President of this Company and Chairman of the Board of its subsidiary, Pennsylvania Power Company. Member, Audit Committee.

V. A. Owoc
Executive Vice President of this Company.

J. T. Rogers, Jr.
President of this Company and Chairman of the Board of its subsidiary, Pennsylvania Power Company.

W. H. Sammis
Retired-formerly President of this Company and of its subsidiary, Pennsylvania Power Company. Member, Salary Committee.

W. R. Tappan
Retired-formerly Chairman of the Board of The Tappan Company, Mansfield, Ohio, manufacturer of microwave ovens, appliances, kitchen cabinets, and bathroom vanities. Chairman, Salary Committee.

D. W. Tschappat
Executive Vice President of this Company.

Frank C. Watson
President of The Youngstown Welding and Engineering Company, Youngstown, Ohio, fabricator of nonferrous alloys. Member, Audit Committee.

R. G. Zimmerman
Senior Vice President of this Company.

Fred H. Zuck
Retired-formerly Chairman of the Board of Sandusky Foundry & Machine Company, Sandusky, Ohio, manufacturer of centrifugal castings.

*Mr. Loughhead was elected a Director by the Board of Directors on December 19, 1978, and by the stockholders in the Annual Meeting held April 26, 1979. His election will be effective upon receipt of authorization by the Federal Energy Regulatory Commission under provisions of Section 305 (b) of the Federal Power Act for him to so serve. Application for such authorization was promptly made but is still pending. Accordingly, Mr. Loughhead has not yet served as Director.

STOCK TRANSFER AGENTS AND REGISTRARS FOR COMMON STOCK AND ALL SERIES OF PREFERRED AND PREFERENCE STOCKS.

Continental Stock Transfer & Trust Company
19 Rector Street
New York, New York 10006
Transfer Agent and Registrar

Transfer Clerks of Ohio Edison Company
Akron, Ohio 44308
Transfer Agent

BancOhio National Bank,
Akron area,
Akron, Ohio 44308
Registrar

The Company's annual report on Form 10-K, as filed with the Securities and Exchange Commission, will be available to shareholders. If you wish a copy, please write to D. D. Vowles, Secretary, Ohio Edison Company, 76 South Main Street, Akron, Ohio 44308.

Ohio Edison is an equal opportunity employer.

Right: Lights from the coal-fired Bruce Mansfield Plant shimmer on the Ohio River.

OHIO EDISON COMPANY and SUBSIDIARY COMPANY

CONSOLIDATED FINANCIAL INFORMATION

Summary of Operations	1979	1978	1977	1976	1975	1974
			Thousands of Dollars			
Operating Revenues	**$ 994,585**	$ 862,956	$ 796,289	$ 644,852	$ 593,324	$ 498,355
Operating Expenses	**699,721**	668,224	561,687	459,905	428,217	371,711
Taxes—						
General	**89,122**	76,804	65,046	54,084	51,046	44,463
Federal and State Income—provision (credit)	**41,998**	(6,017)	23,048	8,646	24,398	11,086
Total Operating Expenses and Taxes	**830,841**	739,011	649,781	522,635	503,661	427,260
Operating Income	**163,744**	123,945	146,508	122,217	89,663	71,095
Other Income and Deductions—net	**56,267**	47,413	36,992	63,726	64,652	43,439
Net Interest and Other Charges—						
Interest Expense	**126,824**	103,104	88,557	79,141	67,859	52,879
Allowance for Borrowed Funds Used During Construction	**(46,280)**	(22,436)	(20,504)	—	—	—
Subsidiary's Preferred Stock Dividend Requirements	**4,660**	4,660	3,873	3,626	3,035	2,120
Net Interest and Other Charges	**85,204**	85,328	71,926	82,767	70,894	54,999
Income before cumulative effect of a change in accounting method	**134,807**	86,030	111,574	103,176	83,421	59,535
Cumulative effect to Dec. 31, 1973 of recording metered but unbilled revenues	**—**	—	—	—	—	2,587
Net Income	**134,807**	86,030	111,574	103,176	83,421	62,122
Preferred and Preference Stock Dividend Requirements	**29,687**	24,771	23,711	20,399	15,780	11,087
Net Income for Common Stock	**$ 105,120**	$ 61,259	$ 87,863	$ 82,777	$ 67,641	$ 51,035
Average number of shares of Common Stock outstanding (Thousands)	**58,290**	51,620	44,682	38,751	34,695	30,445
Earnings per share of Common Stock (i)	**$ 1.80**	$ 1.19	$ 1.97	$ 2.14	$ 1.95	$ 1.68
Dividends declared per share of Common Stock	**$ 1.76**	$ 1.76	$ 1.71½	$ 1.67	$ 1.66	$ 1.64½
Utility Plant and Capitalization						
Utility Plant	**$3,757,493**	$3,395,926	$3,014,903	$2,664,723	$2,354,569	$2,081,460
Accumulated Depreciation	**745,296**	678,106	611,093	548,925	504,079	466,195
	$3,012,197	$2,717,820	$2,403,810	$2,115,798	$1,850,490	$1,615,265
Capitalization—						
Long-Term Debt	**$1,410,782**	$1,343,195	$1,189,821	$1,087,755	$ 920,932	$ 868,509
Redeemable Preferred Stock	**93,600**	98,000	98,000	88,000	88,000	—
Non-Redeemable Preferred Stock	**307,472**	307,472	262,472	262,472	214,472	214,472
Redeemable Preference Stock	**57,250**	—	—	—	—	—
Common Stockholders' Equity	**969,543**	851,119	866,725	634,707	545,704	484,146
Total	**$2,838,647**	$2,599,786	$2,417,018	$2,072,934	$1,769,108	$1,567,127
Capitalization Ratios—						
Long-Term Debt	**49.7%**	51.7%	49.2%	52.5%	52.1%	55.4%
Redeemable Preferred Stock	**3.3**	3.8	4.0	4.2	5.0	—
Non-Redeemable Preferred Stock	**10.8**	11.8	10.9	12.7	12.1	13.7
Redeemable Preference Stock	**2.0**	—	—	—	—	—
Common Stockholders' Equity	**34.2**	32.7	35.9	30.6	30.8	30.9
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%

(i) Based on average number of shares outstanding during the year.

The following is management's discussion and analysis of certain significant factors which have affected the Companies' earnings during the past two years. Stated increases or decreases for 1979 and 1978 are derived from a comparison with 1978 and 1977, respectively.

A summary of the changes in the principal items affecting earnings is shown below:

	Increase or (Decrease)			
	1979 vs. 1978		1978 vs. 1977	
	Amount	Percent	Amount	Percent
	Dollars in Thousands			
Operating revenues	$131,629	15.3%	$66,667	8.4%
Cost of fuel	39,966	14.5	61,508	28.6
Purchased and interchanged power, net	(31,196)	(34.1)	3,919	4.5
Other operation expenses	4,117	3.1	26,956	25.0
Maintenance	15,198	17.3	5,651	6.9
Provision for depreciation	3,412	4.4	8,503	12.3
General taxes	12,318	16.0	11,758	18.1
Provision for income taxes	51,469	—	(30,144)	(184.1)
Allowance for funds used during construction	38,520	66.0	10,209	21.2
Interest and other charges (excluding allowance for borrowed funds used during construction)	23,720	22.0	15,334	16.6
Preferred and preference stock dividend requirements	4,916	19.8	1,060	4.5

Operating Revenues

The $86,200,000 emergency rate increase effective in May 1979, in addition to lesser increases which were effective in September and December 1978, substantially increased operating revenues in 1979. Adding to this were increased kilowatt-hour sales in 1979 of 2.9%. A major portion of the increase in 1978 resulted from fuel adjustment clause revenues. Such revenues increased by 21% and 7% during 1978 and 1979, respectively. Ohio fuel adjustment clause regulations operate to the detriment of earnings in a period of rising coal prices in that not more than 90% of a fuel cost increase may be passed through directly and there is approximately a 1-1/2 month lag between the incurring of the cost by the utility and its recovery from customers.

Cost of Fuel

The increase in total fuel costs in 1979 and 1978 resulted from the combination of changing prices, change in fuel mix and the effect of Penn Power's deferred energy costs. The following analysis details these effects individually for coal, oil and nuclear fuel.

	Coal	Oil	Nuclear	Total
	Thousands of Dollars			
1979				
Increased costs due to changing fuel prices	$30,915	$ 7,204	$ —	$38,119
Increased (decreased) costs due to change in quantity consumed	13,850	(12,828)	(2,038)	(1,016)
	$44,765	$ (5,624)	$(2,038)	$37,103
Effect of Penn Power's deferral				2,863
Total increase in cost of fuel				$39,966
1978				
Increased costs due to changing fuel prices	$40,428	$ 659	$ 754	$41,841
Increased (decreased) costs due to change in quantity consumed	13,050	8,074	(463)	20,661
	$53,478	$ 8,733	$ 291	$62,502
Effect of Penn Power's deferral				(994)
Total increase in cost of fuel				$61,508

Purchased and Interchanged Power, Net

The substantial decrease for 1979 in purchased and interchanged power, net, resulted from improved generating unit performance and the absence of unusual factors which increased dependence on power supplied from other utilities in 1978. In an attempt to conserve the Companies' supplies of coal during the strike by the United Mine Workers of America, large amounts of power were purchased during the first quarter of 1978. The strike by the Utility Workers Union of America (UWUA) against the Company adversely affected efficient operation of several of the Company's generating units in the third quarter of 1978, thus causing greater reliance upon power supplied by other utilities.

Other Operation Expenses

Normally escalating costs of salaries and wages, materials and supplies, and other administrative and general expenses contributed to increases in other operation expenses during 1979 and 1978. The strike by the UWUA further increased such costs in 1978.

Maintenance

Approximately 99% of the increase in maintenance costs in 1979 related to work performed on the Companies' coal-fired generating units. Such maintenance has increased the availability of the units, as mentioned above. The 1978 increase resulted principally from increased maintenance performed on the Companies' distribution line facilities and maintenance at W. H. Sammis Unit No. 7 and Beaver Valley Unit No. 1, despite reduced maintenance at several of the Company's generating units during the UWUA strike.

Provision for Depreciation

Continued growth in depreciable utility plant in service effected the increases in depreciation expense for 1979 and 1978.

Taxes

General tax increases in 1979 and 1978 resulted primarily from increased gross receipts taxes applicable to the increased revenues for each respective year, combined with increased property taxes assessed on increased utility plant in service. Payment of a one-time Pennsylvania property surtax in 1979 further increased property taxes for the year. The 1979 increase was partially offset by the reversal of approximately \$1,136,000 applicable to prior years for the Ohio Coal Consumption Tax, which was declared unconstitutional.

The changes in the provision (credit) for income taxes are set forth in Note 1 of Notes to Consolidated Financial Statements.

Allowance for Funds Used During Construction (AFUDC)

The increases in AFUDC resulted principally from increases in the amounts of construction work in progress caused by continuing high levels of construction activity. The commencement of commercial operation of Bruce Mansfield Unit No. 2 in 1978 held down the increase in that year. Also contributing to the 1979 increase was an increase in the rate used by the Company for calculating AFUDC on a gross basis, before provision for deferred income taxes on the allowance for borrowed funds used during construction (see Note 1 of Notes to Consolidated Financial Statements).

Interest and Other Charges

Interest and other charges (excluding the credit for allowance for borrowed funds used during construction) increased during 1979 and 1978 due to increased long-term and short-term debt outstanding during both years, coupled with significantly increased interest rates on the debt. Details of the Companies' debt financings and redemptions during 1979 and 1978 are shown on the Statements of Consolidated Sources of Funds for Gross Property Additions on page 33.

Preferred and Preference Stock Dividend Requirements

Increased preferred and preference stock dividends resulted from the Company's sale of 9,000 shares of \$95.00 Preference Stock, 18,000 shares of \$102.50 Preference Stock and 2,000,000 shares of \$1.80 Preference Stock in 1979 and 450,000 shares of 9.12% Preferred Stock in 1978.

For the Years Ended December 31	1979	1978
	Thousands of Dollars	
OPERATING REVENUES:		
Electric (Note 1)	$989,217	$857,545
Heating	5,368	5,411
Total operating revenues	994,585	862,956
OPERATING EXPENSES AND TAXES:		
Operation—		
Cost of fuel (Note 1)	316,536	276,570
Purchased and interchanged power, net	60,313	91,509
Other operation expenses	138,712	134,595
Total operation	515,561	502,674
Maintenance	102,936	87,738
Provision for depreciation (Note 1)	81,224	77,812
General taxes	89,122	76,804
Income taxes—provision (credit) (Note 1)	41,998	(6,017)
Total operating expenses and taxes	830,841	739,011
OPERATING INCOME	163,744	123,945
OTHER INCOME AND DEDUCTIONS:		
Allowance for equity funds used during construction (Note 1)	50,571	35,895
Miscellaneous, net	1,399	3,767
Income taxes—credit (Note 1)	4,297	7,751
Total other income and deductions—net	56,267	47,413
TOTAL INCOME	220,011	171,358
NET INTEREST AND OTHER CHARGES:		
Interest on long-term debt	108,401	98,100
Allowance for borrowed funds used during construction (Note 1)	(46,280)	(22,436)
Other interest expense	18,423	5,004
Subsidiary's preferred stock dividend requirements	4,660	4,660
Net interest and other charges	85,204	85,328
NET INCOME	134,807	86,030
PREFERRED AND PREFERENCE STOCK DIVIDEND REQUIREMENTS	29,687	24,771
NET INCOME FOR COMMON STOCK	$105,120	$ 61,259
AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING (THOUSANDS)	58,290	51,620
EARNINGS PER SHARE OF COMMON STOCK (based on average number of shares outstanding during the year)	$ 1.80	$ 1.19

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

At December 31	1979	1978
	Thousands of Dollars	
ASSETS		
UTILITY PLANT (Note 1):		
In service, at original cost	**$2,653,481**	$2,581,022
Less—Accumulated provision for depreciation	**745,296**	678,106
	1,908,185	1,902,916
Construction work in progress	**1,091,708**	803,732
Nuclear fuel in process	**12,304**	11,172
	3,012,197	2,717,820
OTHER PROPERTY AND INVESTMENTS:		
Construction funds held in escrow, including accrued interest	**27,396**	23,851
Common stock of Ohio Valley Electric Corporation, at cost (Note 2)	**1,650**	1,650
Other, at cost	**3,614**	3,468
	32,660	28,969
CURRENT ASSETS:		
Cash	**11,208**	7,880
Receivables—		
Customers (less accumulated provision of $1,094,000 and $1,048,000, respectively, for uncollectible accounts)	**85,937**	74,349
Other	**19,453**	17,806
Materials and supplies, at average cost—		
Fuel	**64,649**	55,498
Other	**29,762**	26,838
Prepayments and other	**12,286**	11,510
	223,295	193,881
DEFERRED DEBITS:		
Deferred energy costs (Note 1)	**3,030**	4,717
Property taxes applicable to subsequent year	**37,742**	36,059
Deferred costs of terminated construction projects (Note 3)	**100,172**	—
Other	**37,358**	29,468
	178,302	70,244
	$3,446,454	$3,010,914

At December 31	1979	1978
	Thousands of Dollars	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION (See Statements of Consolidated Capitalization):		
Common stockholders' equity	$ 969,543	$ 851,119
Non-redeemable preferred stock	265,525	265,525
Redeemable preferred stock	76,000	80,000
Redeemable preference stock	57,250	—
Non-redeemable preferred stock of consolidated subsidiary	41,947	41,947
Redeemable preferred stock of consolidated subsidiary	17,600	18,000
Long-term debt	1,410,782	1,343,195
	2,838,647	2,599,786
CURRENT LIABILITIES:		
Current maturities of long-term debt and preferred stock	63,411	—
Notes payable to banks (Note 6)	191,999	96,604
Accounts payable	102,051	95,551
Accrued taxes	60,345	46,611
Accrued interest	28,975	27,157
Dividends declared on preferred and preference stock	4,159	2,527
Miscellaneous	12,382	15,733
	463,322	284,183
DEFERRED CREDITS:		
Accumulated deferred income taxes (Note 1)	39,784	37,755
Accumulated deferred investment tax credits (Note 1)	55,944	42,129
Property taxes applicable to subsequent year	37,742	36,059
Other	11,015	11,002
	144,485	126,945
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Notes 2, 4 and 7)		
	$3,446,454	$3,010,914

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

At December 31	Number of Shares Outstanding 1979	Number of Shares Outstanding 1978	Optional Redemption Price Per Share	Optional Redemption Price Aggregate (In Thousands)	1979	1978
					Thousands of Dollars	
COMMON STOCKHOLDERS' EQUITY:						
Common stock, $9 par value, authorized 75,000,000 shares—outstanding 59,622,369 and 52,120,230 shares, respectively (Note 5a)					$ 536,602	$ 469,082
Other paid-in capital (Note 5a)					282,389	232,422
Retained earnings (Note 5b)					150,552	149,615
Total common stockholders' equity					969,543	851,119
PREFERRED STOCK (Note 5c):						
Cumulative, $100 par value—						
Authorized 4,000,000 shares						
NON-REDEEMABLE:						
3.90% — 7.24%	1,000,000	1,000,000	$103.375-108.000	$105,468	100,000	100,000
7.36% — 8.20%	800,000	800,000	106.520-107.400	85,612	80,000	80,000
8.64% — 9.12%	850,000	850,000	108.640-109.120	92,560	85,000	85,000
Premium	—	—	—	—	525	525
Total non-redeemable preferred stock	2,650,000	2,650,000		$283,640	265,525	265,525
REDEEMABLE (Note 5d):						
10.48% — 10.76%	780,000	800,000	$110.480-111.870	$ 86,702	78,000	80,000
Redeemable within one year					(2,000)	—
Total redeemable preferred stock					76,000	80,000
PREFERENCE STOCK:						
Cumulative, no par value—						
Authorized 4,000,000 shares						
REDEEMABLE (Note 5e):						
$95.00 — $102.50 Series	27,000	—	$1,095.000-1,102.500	$ 29,700	27,000	—
$1.80 Series	2,000,000	—	$16.925	33,850	30,250	—
Total redeemable preference stock	2,027,000	—		$ 63,550	57,250	—
PREFERRED STOCK OF CONSOLIDATED SUBSIDIARY (Note 5c):						
Cumulative, $100 par value—						
Authorized 740,000 shares						
NON-REDEEMABLE:						
4.24% — 9.16%	419,049	419,049	$102.980-109.160	$ 44,538	41,947	41,947
REDEEMABLE (Note 5d):						
8.24% — 11.00%	180,000	180,000	$108.240-112.110	$ 19,793	17,600	18,000
LONG-TERM DEBT (Note 5f):						
First mortgage bonds:						
Ohio Edison Company—						
2-7/8% Series due 1980					—	58,000
10% Series due 1981					150,000	150,000
3-1/4% Series due 1984 and 1985					50,491	50,491
4-1/4% — 4-3/4% Series due 1988 through 1991					100,000	100,000
7-1/2% — 9-1/4% Series due 1995 through 2003					325,000	325,000
8-3/8% — 9-1/2% Series due 2006 through 2008					315,000	315,000
					940,491	998,491
Pennsylvania Power Company—						
2-3/4% — 10-1/2% Series due 1980 through 2008					177,805	160,805
Total first mortgage bonds					1,118,296	1,159,296
Secured notes and obligations:						
Ohio Edison Company—						
Pollution Control—						
1973 Series A, average interest rate 5.62%, due 1984 through 2008					35,000	35,000
1974 8% — 8-3/8% Series A and B, due 1990 through 2004					30,453	30,453
1976 7-7/8% Series D, due 1992 through 2006					40,000	40,000
1977 4-3/4% Series E, due 1979 (refinanced in 1979)					—	26,500
1978 7.30% Obligation, due 1988 through 2003					8,186	8,186
1979 7-5/8% — 9.20% Series A, F and G, due 1995 through 2009					53,000	—
					166,639	140,139
Pennsylvania Power Company—						
1973 — 1979 4-3/4% — 8-3/8% Series due 1979 through 2007					47,961	45,461
Total secured notes and obligations					214,600	185,600
Unsecured notes of Ohio Edison Company, due 1982 through 1986 (Note 5g)					80,000	—
Net unamortized premium (discount) on debt					(2,114)	(1,701)
Total long-term debt					1,410,782	1,343,195
TOTAL CAPITALIZATION (Note 7)					$2,838,647	$2,599,786

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

For the Years Ended December 31	1979	1978
	Thousands of Dollars	
BALANCE AT BEGINNING OF YEAR	**$149,615**	$180,530
NET INCOME FOR COMMON STOCK	**105,120**	61,259
	254,735	241,789
DEDUCT:		
Dividends on common stock, $1.76 per share (Note 5b)	**103,356**	90,790
Dividends declared on preferred and preference stock in excess of current year's requirements	**263**	174
Capital stock issuance expense	**564**	1,210
	104,183	92,174
BALANCE AT END OF YEAR—(See Note 5b for dividend restriction)	**$150,552**	$149,615

For the Years Ended December 31	1979	1978
	Thousands of Dollars	
SOURCES OF FUNDS:		
Net income	**$134,807**	$ 86,030
Less—Dividends on common stock	**103,356**	90,790
Dividends on preferred and preference stock	**29,950**	24,945
	1,501	(29,705)
Principal non-cash items—		
Depreciation and amortization—		
Charged to provision for depreciation	**81,224**	77,812
Charged to other accounts	**1,596**	1,857
Deferred income taxes—net	**19,802**	1,042
Investment tax credits—net	**13,815**	(13,893)
Allowance for equity funds used during construction	**(50,571)**	(35,895)
Deferred energy costs, net of deferred income taxes	**806**	(624)
Total funds from operations	**68,173**	594
Proceeds from issuance of—		
Common stock, including premium	**117,408**	15,309
Preferred stock	**—**	45,000
Preference stock	**57,250**	—
First mortgage bonds	**20,000**	145,000
Secured notes and obligations	**59,000**	8,500
Unsecured long-term notes	**80,000**	—
Increase in notes payable to banks	**95,395**	84,621
	429,053	298,430
Payment at maturity of long-term debt and preferred stock	**(32,000)**	(13,000)
Construction funds held in escrow, including accrued interest	**(3,545)**	11,461
Net change in current assets and current liabilities excluding notes payable to banks and current maturities of long-term debt and preferred stock—		
Temporary cash investments	**—**	38,000
Receivables	**(13,235)**	(15,412)
Materials and supplies	**(12,075)**	(267)
Accounts payable	**6,500**	41,740
Accrued taxes	**13,734**	2,548
Other, net	**(4,005)**	989
	(9,081)	67,598
Other, net (i)	**24,146**	30,079
GROSS PROPERTY ADDITIONS (i)	**$476,746**	$395,162

( ) Denotes negative amount.
(i) Includes allowance for equity funds used during construction (Note 1).

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1 Summary of Accounting Policies:

The consolidated financial statements include the accounts of Ohio Edison Company (Company) and its wholly-owned subsidiary, Pennsylvania Power Company (Penn Power). All significant intercompany transactions have been eliminated. The Company and Penn Power (Companies) follow the accounting policies and practices prescribed by The Public Utilities Commission of Ohio (PUCO), the Pennsylvania Public Utility Commission (PPUC) and the Federal Energy Regulatory Commission (FERC). The more significant policies are summarized below.

Revenues

The Companies' residential and commercial customers are metered on a cycle basis. The Companies' policies are to include in revenue residential and commercial service revenues relating to meters read through the end of the month.

Deferred Energy Costs

The Company records the cost of fuel used for generation during the period the fuel is consumed.

Penn Power defers certain increased energy costs it incurs and estimates to be billable to customers in succeeding periods, in accordance with its energy clause. Effective July 1, 1978, the PPUC adopted an energy clause that replaced the fuel adjustment clause. The energy clause provides for the recovery or refund, over a six-month period beginning two calendar months after incurrence, of energy costs which differ from established base energy costs. It also provides for an adjustment for any over or under collection resulting from the operation of this clause.

Management expects that the PPUC will allow Penn Power full recovery of any deferred costs, including those relating to changes in the lag period, or any other changes, in accordance with the objectives of the energy clause provisions included in its approved tariffs.

Utility Plant, Depreciation and Maintenance

Utility Plant is stated at the original cost of construction which includes payroll and related costs such as taxes, pensions and other fringe benefits, general and administrative costs and an allowance for funds used during construction (see Allowance for Funds Used During Construction).

The Companies provide for the depreciation of depreciable plant in service on a straight-line basis at various rates over the estimated lives of the property. In the opinion of management, the amounts provided have been adequate and the methods used to determine the amounts meet the requirements of the regulatory commissions. The effective composite rate for electric plant for 1979 and 1978 was 3.3%. Estimated decommissioning costs for the Company's only nuclear generating unit in service are currently being provided through depreciation rates. Penn Power was granted an allowance for its share of estimated decommissioning costs, for radioactive components only, in its last rate order and began providing for such costs in 1979.

Property additions, renewals and replacements are charged to utility plant accounts. Property considered to be retirement units, retired or otherwise disposed of in the normal course of business, together with cost of removal, less salvage, is charged to the accumulated provision for depreciation. No gain or loss is recognized in the income accounts. Repairs of property are charged to maintenance.

Common Ownership of Generating Facilities

The Companies and other Central Area Power Coordination Group (CAPCO) companies own, as tenants in common, various power generating facilities. Each of the companies is obligated to pay a share of the costs of any such jointly owned facilities in the same proportion as its ownership interest. The amounts reflected in the accompanying Consolidated Balance Sheet under utility plant include such costs at December 31, 1979 as follows:

	CAPCO Units In Service (a)			CAPCO Units Under Construction			
	W. H. Sammis #7	Bruce Mansfield #1 and #2	Beaver Valley #1	Bruce Mansfield #3	Beaver Valley #2	Perry #1 and #2	Total
			Thousands of Dollars				
Utility plant in service	$ 94,427	$431,091 (b)	$322,216 (b)	$ —	$ —	$ —	$847,734
Accumulated provision for depreciation	$ 19,785	$ 39,499	$ 32,723	$ —	$ —	$ —	$ 92,007
Construction work in progress	$ 4,266	$ 9,642	$ 28,556	$185,756	$279,149	$461,266	$968,635
Nuclear fuel in process(c)							$ 12,304
Companies' ownership interest in unit capacity	68.80%	55.15%	52.50%	41.88%	41.88%	41.88%(d)	

(a) The Companies' portions of operating expenses associated with the common ownership of generating facilities are included in the corresponding operating expenses in the accompanying Statements of Consolidated Income.

(b) Includes common facilities.

(c) Unsegregated among the CAPCO nuclear units.

(d) Will ultimately be reduced to 35.27%.

Allowance for Funds Used During Construction (AFUDC)

AFUDC, a non-cash item which is charged to construction work in progress during the period of construction, represents the net cost of borrowed funds and equity funds used for construction purposes. The amount of AFUDC has varied as a result of changes in the level of construction work in progress and in the cost of capital. Effective January 1, 1979, the Company changed its method of calculating AFUDC from a gross rate to a net of tax rate consistent with the rate treatment granted in a rate order. The net of tax rate used by the Company during 1979 was 8.75% and the gross rate used during 1978 was 9.5%. Penn Power computed AFUDC during both years utilizing a net of tax rate of 8%, consistent with the rate treatment granted by the PPUC.

Income Taxes

The provision (credit) for income taxes consists of the following:

	1979	1978
	Thousands of Dollars	
Currently payable—		
Federal	$ 3,731	$ (1,528)
State	1,234	59
Total currently payable	4,965	(1,469)
Deferred, net—		
Federal	17,984	1,117
State	937	477
Total deferred, net (see below)	18,921	1,594
Investment tax credits, net of amortization (i)	13,815	(13,893)
Total provision (credit) for income taxes	$37,701	$(13,768)

( ) Denotes negative amount.

(i) Amount for 1978 reflects the reversal of previously recorded investment tax credits, now being carried forward due to the carryback of net operating losses.

Such provision (credit) is included in the accompanying Statements of Consolidated Income as follows:

	1979	1978
	Thousands of Dollars	
Operating expenses	$41,998	$ (6,017)
Other Income	(4,297)	(7,751)
Total provision (credit) for income taxes	$37,701	$(13,768)

The Company has been allowed a provision for deferred taxes on the allowance for borrowed funds used during construction in rate orders applicable to approximately 75% of the Company's revenues. Accordingly, effective January 1, 1979, deferred taxes were provided on the applicable portion of such allowance for borrowed funds. Penn Power has provided deferred taxes on the entire allowance for borrowed funds in 1979 and 1978. During 1979 and 1978 the Company allocated 25% and 100%, respectively, of the income tax credit arising from the interest expense related to investments in properties other than utility plant in service (primarily construction work in progress) to income taxes-credit included under other income and deductions in the accompanying Statements of Consolidated Income.

Deferred tax expense results from timing differences in the recognition of revenues and expenses for tax and accounting purposes. The sources of these differences and tax effect of each are as indicated below:

	1979	1978
	Thousands of Dollars	
Debt component of allowance for funds used during construction which is credited to plant	$16,892	$1,392
Excess of tax depreciation allowed pursuant to the Class Life ADR depreciation system, net	5,345	1,768
Accelerated amortization of the cost of certain facilities covered by Necessity Certificates	(1,382)	(1,382)
Amortization of previously deferred income taxes resulting from liberalized depreciation	(1,176)	(1,442)
Property taxes applicable to subsequent year, net	123	706
	19,802	1,042
Penn Power's deferred energy costs, net	(881)	552
Total deferred tax expense, net	$18,921	$1,594

( ) Denotes negative amount.

For income tax purposes, the Companies have claimed liberalized depreciation (double-declining balance, guideline lives and the Class Life ADR System provision methods) and, consistent with the accounting and rate making policies of the applicable regulatory authorities, the Companies have followed "flow-through" accounting except as indicated above. Rate orders received by the Company during May and December 1978 have provided an allowance for deferred taxes on excess tax depreciation allowed pursuant to the Class Life ADR System for additions in 1977 and subsequent years. Such rate orders cover approximately 75% of the Company's revenues and deferred taxes are currently being provided for such portion. The amount of such deferred taxes provided during 1979 and 1978 amounted to $4,036,000 and $169,000, respectively. Penn Power has deferred the excess tax depreciation allowed pursuant to the Class Life ADR System during both years to conform with the rate treatment granted by the PPUC.

Notes to Consolidated Financial Statements (Cont.)

The Companies follow deferral accounting with respect to investment tax credits and amortize such credits to income over the estimated life of the related property. At December 31, 1979, approximately $26,000,000 of unused investment tax credits were available to offset future Federal income taxes payable, of which $10,000,000 expires at the end of 1984, $9,000,000 expires at the end of 1985 and $7,000,000 expires at the end of 1986.

The total provision (credit) for income taxes shown in the accompanying Statements of Consolidated Income is less than the amount which would be computed by applying the statutory Federal income tax rate to income before income taxes. The following table summarizes the major reasons for these differences:

	1979	1978
	Thousands of Dollars	
Book income before provision for income taxes	**$172,508**	$72,262
Amount of Federal income tax expense at statutory rate	**$ 79,354**	$34,686
Reductions in taxes resulting from: (i)		
Allowance for funds used during construction which does not constitute taxable income (ii)	**(28,036)**	(26,745)
Excess of tax over book depreciation	**(9,918)**	(18,423)
Capitalized pension costs and taxes expensed currently for tax purposes	**(2,674)**	(1,765)
Other, net	**(1,025)**	(1,521)
Total provision (credit) for income taxes	**$ 37,701**	$(13,768)

( ) Denotes negative amount.

(i) Under the established rate making practices of the regulatory commissions to which the Companies are subject, it is expected that the deferred taxes not provided for currently will be collected in customers' rates when such taxes become payable.

(ii) Represents the tax effects of (a) the equity portion and 25% of the debt portion of the allowance for the Company and the equity portion of the allowance for Penn Power in 1979 and (b) the total allowance for the Company and the equity portion of the allowance for Penn Power in 1978.

The Companies do not expect that the cash outlay for income taxes with respect to any of the succeeding three years will materially exceed income tax expense for such years.

Nuclear Fuel

The cost of nuclear fuel in service is charged to fuel expense based on the rate of consumption, assuming a zero net salvage value. The manner of disposition of spent nuclear fuel may not be determined for many years, therefore necessitating storage of such fuel for an indefinite period. In its January 1980 rate order, the PUCO authorized the Company to begin recovering these costs from its customers. Penn Power will seek regulatory approval for recovery of the costs through its rate case proceedings.

Pensions

The Companies have trusteed, noncontributory pension plans that cover almost all full-time employees. Upon retirement, employees receive a monthly pension based on length of service and compensation. Pension costs for 1979 and 1978 were $13,731,000 and $12,008,000, respectively. Of those amounts, $9,163,000 and $8,058,000, respectively, were charged to operating expenses. The balances were charged primarily to construction. Such costs include the amortization of past service costs on an actuarial basis over 30 years. The Companies fund pension costs accrued. The estimated unfunded past service liability of the plans at June 30, 1979 (the date of the latest actuarial report) was $55,689,000. The market value of the pension funds at December 31, 1979 exceeded the actuarially computed value of vested benefits at June 30, 1979.

2 Ohio Valley Electric Corporation (OVEC):

The Companies are participating with 13 other investor-owned electric utility companies and with OVEC in arrangements with the Department of Energy (DOE) to supply the power requirements of the DOE plant near Portsmouth, Ohio. The sponsors are entitled to receive from OVEC, and are obligated to pay for the right to receive, any available power in excess of the DOE contract demand. The proceeds from OVEC's sale of power are to be sufficient to meet all of its costs, including amortization of debt capital over a period ending December 31, 1981, and also to provide for a return on common stock. At December 31, 1979, OVEC had debt capital of approximately $24,000,000 remaining to be amortized. The participation of the Companies in the power arrangements is 16.5%.

The Company and certain others have also agreed (the Company's participation being 16.5%) to supply OVEC certain capital requirements if needed, including $10,000,000 for additional common stock. OVEC has deferred the need for additional common stock by issuing interim debt to banks.

The Securities and Exchange Commission, acting under the Public Utility Holding Company Act of 1935, reserved jurisdiction for future determination of whether or not OVEC's securities could be retained by the Company or by other companies subject to the Act. Hearings have been held but no decision has been rendered.

3 Terminated Construction Projects:

In January 1980, the Companies and all other CAPCO companies terminated plans to construct the following four nuclear generating units—Davis-Besse No. 2 and No. 3, and Erie No. 1 and No. 2. The Companies' share of construction costs incurred as of December 31, 1979 applicable to these units amounted to $100,172,000. The Companies intend to seek approval from the PUCO, the PPUC and the FERC to amortize these amounts plus contractors' cancellation charges, if any, over several years and to recover the costs from customers to the extent that they are not otherwise recoverable. The Companies believe that such costs were prudently incurred and have no reason to believe that the regulatory authorities involved will not react favorably to their requests and therefore believe that any loss of investment and cancellation charges, if any, will be recoverable from their customers. Until orders are received from the PUCO, the PPUC and the FERC, none of the charges will be reflected in earnings.

4 Leases:

The Companies rent or lease nuclear fuel, certain transmission facilities, computer equipment, office space and other incidental equipment and property under cancelable and noncancelable leases. The total rental expenses included in the accompanying Statements of Consolidated Income for 1979 and 1978 are $10,356,000 and $12,125,000, respectively. The future minimum rental commitments as of December 31, 1979 for all noncancelable leases are as follows:

1980	$ 11,749,000
1981	16,241,000
1982	16,216,000
1983	16,018,000
1984	12,458,000
Years thereafter	313,221,000

If all noncapitalized financing leases had been capitalized, the effect on total assets, total liabilities and expenses would not be material.

5 Capitalization:

a) Common Stock

During 1979 and 1978, the Company issued 7,502,139 and 913,565 shares of $9 par value Common Stock for $117,408,000 and $15,309,000, respectively. The excess of the proceeds over the par value ($49,888,000 and $7,087,000, respectively) was credited to other paid-in capital. All of the shares issued in 1978 and 1,502,139 of the shares issued in 1979 were issued through the Dividend Reinvestment and Stock Purchase Plan. Under the plan, holders of Common Stock can acquire additional new shares of the Company's Common Stock by automatically reinvesting their Common Stock dividends and by making optional cash payments. Purchases made with reinvested dividends are made at a price equal to 95% of the average of the high and low market prices on the investment dates. Prior to July 1, 1979, purchases made with optional cash payments were made at a price equal to 100% of such average. Purchases made with optional cash payments subsequent to June 30, 1979, are made at a price equal to 97% of such average. At December 31, 1979 the Company had 1,202,850 shares reserved for issuance under this plan. There were also 2,000,000 shares of Common Stock reserved for possible conversion of the $1.80 Preference Stock at December 31, 1979. In February 1980 the Company sold 6,500,000 shares of additional Common Stock to underwriters with proceeds amounting to $12.97 per share.

b) Retained Earnings

Under the Company's indenture, the Company's consolidated retained earnings unrestricted for payment of cash dividends on the Company's Common Stock were $67,127,000 at December 31, 1979.

c) Preferred Stock

The Company has 4,000,000 authorized and unissued shares of cumulative $25 par value Class A Preferred Stock.

The preferred stock is redeemable in whole, or in part, unless otherwise noted, at the option of the Companies and upon any time not less than 30 nor more than 60 days notice.

Redemption of preferred stock (excluding the 3.90%-4.56% Series of the Company and the 4.24%-4.64% Series of Penn Power) is subject to certain restrictions regarding refunding operations for five years from date of issue. The optional redemption prices shown will decline to eventual minimums per share in accordance with the Charter provisions that establish each series.

d) Redeemable Preferred Stock

The 10.48% Series and the 10.76% Series of the Company each include provisions for a mandatory sinking fund sufficient to retire a minimum of 20,000 shares on December 1 and January 1, respectively, in each year beginning in 1980 at $100 per share plus accrued dividends. In November 1979, the Company purchased and retired 20,000 shares of its 10.76% Preferred Stock, resulting in a gain of $79,000 which was credited to other paid-in capital. The 11% Series of Penn Power includes a provision for a mandatory sinking fund sufficient to retire a minimum of 4,000 shares on January 1 in each year beginning in 1980 at $100 per share plus accrued dividends. The 8.24% Series of Penn Power includes a provision for a mandatory sinking fund sufficient to retire a minimum of 5,000 shares at $100 per share plus accrued dividends on December 1 in each year beginning in 1982.

The sinking fund requirements for the next five years will amount to:

1980	\$2,400,000
1981	4,400,000
1982	4,900,000
1983	4,900,000
1984	4,900,000

e) Redeemable Preference Stock

The preference stock is redeemable in whole, or in part, unless otherwise noted, at the option of the Company and upon any time not less than 30 nor more than 60 days notice.

Redemption of preference stock is subject to certain restrictions regarding refunding operations for five years from date of issue. The optional redemption prices shown will decline to eventual minimums per share in accordance with the Charter provisions that establish each series.

The change in redeemable preference stock outstanding during 1979 was as follows:

	Number of Shares	Involuntary Liquidation Value
Balance, January 1, 1979	—	\$ —
Sale of \$95.00 Series	9,000	9,000,000
Sale of \$102.50 Series	18,000	18,000,000
Sale of \$1.80 Series	2,000,000	30,250,000
Balance, December 31, 1979	2,027,000	\$57,250,000

The \$102.50 Series and the \$95.00 Series include provisions for a mandatory sinking fund sufficient to retire a minimum of 900 and 1,800 shares, respectively, on July 1 in each year beginning in 1984 and 1985, respectively, at \$1,000 per share plus accrued dividends. The \$1.80 Series includes a provision for a mandatory sinking fund sufficient to retire a minimum of 100,000 shares on October 1 in each year beginning in 1985, at \$15.125 per share plus accrued dividends.

The sinking fund requirements will begin in 1984 and will amount to \$900,000 for the year ended December 31, 1984.

The \$1.80 Series is convertible into Common Stock on or after January 1, 1980 at any time, unless previously redeemed, at a conversion price of \$15.125 per share (equal to one share of Common Stock for each share of \$1.80 Preference Stock), subject to adjustment under certain conditions.

f) Long-Term Debt

The mortgages and supplements thereto which secure all first mortgage bonds of the respective Companies serve as a direct first mortgage lien on substantially all property and franchises, other than specifically excepted property, owned by such company.

Based on the amount of bonds authenticated by the Trustees through December 31, 1979, the annual sinking and improvement fund requirements amount to \$17,177,000. The Company presently contemplates that funds to be deposited in 1980 will be withdrawn upon the surrender for cancellation of a like principal amount of bonds specifically authenticated for such purposes against unfunded property additions. This method of withdrawal of sinking and improvement fund deposits will result in minor increases in the amount of the annual sinking fund requirements. Penn Power presently contemplates that its requirements will be satisfied in 1980 by permanently waiving its right to issue bonds against \$2,019,000 of the \$2,798,000 of retired bonds that are presently available for that purpose. Alternatively, Penn Power could fulfill the requirements in the same manner as previously outlined for the Company.

As of December 31, 1979, the sinking and improvement fund requirements and maturities of first mortgage bonds, secured notes and unsecured long-term notes for each of the next five years will amount to:

1980	\$ 78,177,000
1981	172,177,000
1982	52,982,000
1983	17,177,000
1984	44,003,000

g) Unsecured Notes

Of the unsecured notes outstanding, \$50,000,000 carry an interest rate of 11½% and \$30,000,000 have fluctuating interest rates which approximate the prevailing prime interest rate.

6 Notes Payable to Banks and Lines of Credit:

The Companies have lines of credit that provide for borrowings of up to \$235,000,000 at rates that vary from prime up to 108% of the prevailing prime interest rates. Short-term borrowings may be made under these lines of credit on the Companies' unsecured notes. All of the current lines expire December 31, 1980; however, all unused lines are cancelable at the option of the banks.

The Companies maintain cash balances on deposit with banks to provide operating funds and to assure availability of \$149,500,000 of the above-mentioned lines of credit. Such compensating balances, net of "float," are expected to be maintained at an average of approximately \$7,859,000. These balances are not subject to any contractual restriction against withdrawal.

The Company has trust demand note arrangements with a borrowing limit of $22,000,000. Amounts borrowed ($19,499,000 and $20,104,000 at December 31, 1979 and 1978, respectively) are callable on demand. The Company holds available a portion of its previously mentioned bank lines to cover any call for payment. The interest rate on these borrowings is based on rates for certain directly placed, high quality commercial paper. There are no compensating balance requirements associated with this credit arrangement.

Additional information with respect to these notes payable is as follows:

	1979	1978
Weighted average interest rate on outstanding bank line borrowings at December 31	**15.27%**	11.75%
Weighted average interest rate on outstanding trust demand note borrowings at December 31	**13.87%**	10.55%
Maximum amount drawn down during the year	**$214,992,000**	$96,604,000
Average borrowings during the year	**$133,810,000**	$32,089,000
Weighted average interest rate during the year (based on the daily amounts outstanding)	**12.87%**	8.91%

7 COMMITMENTS, GUARANTEES AND CONTINGENCIES:

The currently estimated cost of property additions and improvements that the Companies expect to incur during the period 1980-1984, inclusive, is approximately $2,300,000,000, of which approximately $510,000,000 is applicable to the year 1980. The major portion of the Companies' construction activities during the 1980-1984 period relates to the CAPCO companies' program for the joint development of power generation and transmission facilities. In connection with the future commercial operation of nuclear generating units, the CAPCO companies have entered into commitments with respect to the supply of nuclear fuel. The Companies' share of the cost associated with such commitments is estimated to be $1,236,000,000.

The Companies presently contemplate a financing program during the 1980-1984 period which will include the sale or issuance from time to time of appropriate additional amounts of first mortgage bonds, secured pollution control and environmental notes and obligations, unsecured long-term notes, preferred stock, preference stock and common stock. The issuance of additional first mortgage bonds and preferred stock is subject to the limitation requirements of the Companies' mortgage indentures and charters.

The Companies, together with the other CAPCO companies, have made long-term coal supply arrangements with Quarto Mining Company (Quarto). The CAPCO companies have severally, and not jointly, agreed to guarantee their proportionate shares of Quarto's debt and lease obligations incurred in connection with developing and equipping the mines whether or not the coal can be utilized because of environmental considerations. As of December 31, 1979, the Companies' share of the guarantee was $215,025,000 ($81,378,000—long-term indebtedness, $81,809,000—lease obligations and $51,838,000—short-term bank credit), which is ultimately expected to increase to $250,000,000 based on presently budgeted mine construction costs of $431,000,000. Because of significant difficulties experienced during the development period, the Companies are reviewing the various alternatives available to reduce unit production costs, which are presently in excess of the current spot market price of coal. Management believes that the costs incurred in connection with this project will be recovered through the operation of the Company's fuel adjustment clause and Penn Power's energy clause or through base rates.

The Companies are subject to regulation with regard to air and water quality and other environmental matters by various Federal, state and local authorities. To comply, the Companies estimate that additional capital expenditures of approximately $821,000,000 may be required. Of this amount, approximately $283,000,000 was spent prior to 1980 and $465,000,000 is included in the estimated construction costs for the 1980-1984 period referred to above. If the use of low sulfur non-Ohio coal is not permitted for compliance with Federal sulfur dioxide emission limitations, estimated capital expenditures would increase by approximately $300,000,000 and annual operating costs would increase substantially. Similarly, if a flue gas desulfurization device must be installed at Penn Power's New Castle Plant to comply with such emission limitations, it is estimated that the capital expenditures would increase by $85,000,000 and annual operating expenses would increase by approximately $15,000,000. If the Companies are required to install additional off-stream cooling in connection with the operation of the New Castle and Sammis plants, additional substantial, but presently undeterminable, costs would be incurred. Although the Companies are unable to predict the ultimate results of various legal proceedings pending in Ohio and Pennsylvania relating to compliance with environmental regulations or any additional capital and operating expenditures that may be necessary as a result thereof, they expect that the impact of any such costs would eventually be reflected in their rate schedules.

In some of these proceedings, criminal fines or civil penalties ultimately could be imposed under the Clean Air Act Amendments of 1977 and the Federal Water Pollution Control Act as amended by the Clean Water Act of 1977 or the Companies could be forced to shut down significant amounts of coal fired capacity. The Federal government has begun legal proceedings against the Companies, under the Clean Air Act, asking the courts to assess civil penalties for alleged continuing violations of particulate emission regulations at the W. H. Sammis Plant and sulfur dioxide emission regulations at Penn Power's New Castle Plant. Region V of the Federal Environmental Protection Agency (EPA) has advised the Company that it intends to issue a delayed compliance order, the effect of which would be to extend into 1980 the dates as of which enforcement proceedings may be brought against the Company for failure to comply with sulfur dioxide standards at the Sammis, Edgewater and Niles Plants. The Clean Air Act amendments which became effective in August, 1977, permit the imposition of civil penalties of up to $25,000 per day of violation. The penalties, if any, that may be imposed by the courts for alleged past violations are not now determinable, but such penalties could be substantial. The Companies expect to comply with any final orders of the courts and, in the meantime, to conduct operation of the plants so as to minimize the applicable emissions to the greatest extent that they deem to be practicable. Therefore, the litigation described above should not result in the imposition of any substantial civil penalties for future conduct.

The EPA had tentatively indicated an intention to seek to enforce noncompliance penalties beginning August 7, 1979 for failure to comply with applicable emission limits, as required under the Clean Air Act; however, final regulations have not been issued. Even if schedules which have been submitted by the Company to bring the units of its system into compliance by 1984 are accepted, substantial noncompliance penalties may result. Until final regulations are issued, the date from which penalties will begin and the method of calculating such penalties will not be known.

In addition, the following summarizes certain other outstanding legal actions and complaints against the Companies:

In 1977, the Borough of Shippingport, Pennsylvania, filed actions against the CAPCO companies seeking to enjoin the operation of the Bruce Mansfield and Beaver Valley plants and to obtain damages resulting from alleged operational malfunctions of the flue gas desulfurization system at Mansfield and the threat of radioactive emissions at Beaver Valley. In addition, numerous individual plaintiffs have filed actions seeking monetary relief in an unspecified amount for damages claimed to be a result of the same alleged operational malfunctions. Although unable to predict the ultimate outcome of this matter, the Company believes that its ultimate disposition will not result in any material adverse effect on the Company's consolidated financial position and results of operations.

In 1977, the Boroughs of Ellwood City and Grove City, Pennsylvania, filed a complaint against Penn Power, alleging that Penn Power, individually and in conspiracy with the Company and other CAPCO companies, has violated Sections 4 and 16 of the Clayton Act to restrain and monopolize trade and commerce in alleged markets for electric power. Damages of $7,000,000 (to be trebled) and injunctions against the unlawful acts are sought. On January 4, 1979, the Court granted summary judgement in favor of Penn Power as to certain allegations of the complaint. Management is unable to predict the ultimate outcome of this action.

On April 10, 1979, Kerr-McGee Nuclear Corporation filed a complaint against the CAPCO companies alleging a breach of a 1973 uranium supply contract, thus allegedly entitling Kerr-McGee to treat the contract as having been terminated. Kerr-McGee also seeks unspecified damages, costs and such further relief as the Court deems just and proper. If the uranium is not delivered by Kerr-McGee, the CAPCO companies will have to make other arrangements, which may result in additional, but presently undeterminable, costs to CAPCO members.

The PPUC instituted an investigation into an outage of Beaver Valley Unit No. 1 during the period March-August 1979, which outage had been ordered by the Nuclear Regulatory Commission to analyze possible seismic deficiencies of safety-related piping and pipe supports in the Unit. This investigation is to determine whether, as a result of this outage, the Unit should be eliminated from, or adjustments should be made in, Penn Power's rate base and whether expenditures by Penn Power for purchased replacement power should be disallowed for purposes of Penn Power's energy clause. In a separate investigation, the PPUC is considering whether additional construction costs resulting from deferral of construction projects should be excluded from rate base in subsequent rate proceedings.

8 SUMMARY OF QUARTERLY FINANCIAL DATA:

The following data summarize certain consolidated operating results for the four quarters of 1979 and 1978.

	Three Months Ended							
	March 31, 1979	June 30, 1979	September 30, 1979	December 31, 1979	March 31, 1978	June 30, 1978	September 30, 1978	December 31, 1978
	Thousands of Dollars							
Operating Revenues	$250,433	$236,560	$254,989	$252,603	$218,876	$197,991	$219,478	$226,611
Operating Expenses and Taxes	214,883	198,715	207,472	209,771	186,225	165,428	188,394	198,964
Operating Income	35,550	37,845	47,517	42,832	32,651	32,563	31,084	27,647
Other Income and Deductions—net	11,820	13,122	14,210	17,115	9,717	11,333	12,010	14,353
Net Interest and Other Charges	20,432	20,696	21,778	22,298	19,176	20,924	22,357	22,871
Net Income	$ 26,938	$ 30,271	$ 39,949	$ 37,649	$ 23,192	$ 22,972	$ 20,737	$ 19,129
Net Income for Common Stock	$ 19,984	$ 23,318	$ 32,515	$ 29,303	$ 17,264	$ 17,045	$ 14,775	$ 12,175
Average Number of Shares of Common Stock Outstanding (Thousands)	56,264	58,562	58,945	59,390	51,301	51,499	51,707	51,972
Earnings per share of Common Stock	$ .36	$ .40	$ .55	$ .49	$ .34	$ .33	$ .29	$ .23

Auditors' Report

ARTHUR ANDERSEN & CO.
1345 Avenue of the Americas
New York, N. Y. 10019

To the Stockholders and Board of Directors of
Ohio Edison Company:

We have examined the consolidated balance sheets and statements of consolidated capitalization of Ohio Edison Company (an Ohio corporation) and its subsidiary company, Pennsylvania Power Company, as of December 31, 1979, and 1978, and the related statements of consolidated income, retained earnings and sources of funds for gross property additions for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Ohio Edison Company and its subsidiary company as of December 31, 1979, and 1978, and the results of their operations and the sources of funds for gross property additions for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

February 8, 1980

Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices" (SFAS No. 33), provides for the preparation of supplementary financial information to disclose the estimated effects of inflation and changes in prices on property, plant and equipment. This data is presented in accordance with SFAS No. 33, however, it is not intended as a substitute for earnings reported on a historical cost basis.

Adjusted for the Effects of Changing Prices For the Year Ended December 31, 1979 (In Thousands)

	As Reported in the Primary Consolidated Statements	Historical Cost Adjusted for General Inflation	Adjusted for Change in Specific Prices (Current Cost)
		(Average 1979 Dollars)	
Operating Revenues	$994,585	**$ 994,585**	**$ 994,585**
Operating Expenses and Taxes:			
Operation and maintenance	618,497	**618,497**	**618,497**
Provision for depreciation	81,224	**144,517**	**172,189**
General taxes	89,122	**89,122**	**89,122**
Income taxes	41,998	**41,998**	**41,998**
Total operating expenses and taxes	830,841	**894,134**	**921,806**
Operating Income	163,744	**100,451**	**72,779**
Other Income and Deductions, net	56,267	**56,267**	**56,267**
Net Interest and Other Charges	85,204	**85,204**	**85,204**
Preferred and Preference Stock Dividend Requirements	29,687	**29,687**	**29,687**
Income from Continuing Operations (excluding reduction to net recoverable cost)	$105,120	**$ 41,827 (a)**	**$ 14,155**
Increase in specific prices (current cost) of property, plant and equipment held during the year (b)			**$ 555,648**
Reduction to net recoverable cost		**$(295,138)**	**(183,514)**
Effect of increase in the general price level on property, plant and equipment			**(639,600)**
Excess of increase in the general price level over increase in specific prices of property, plant and equipment after reduction to net recoverable cost			**(267,466)**
Advantage resulting from the decrease in purchasing power of net monetary liabilities		**247,269**	**247,269**
Net		**$ (47,869)**	**$ (20,197)**

(a) Including the reduction to net recoverable cost, the income (loss) from continuing operations adjusted for general inflation would have been $(253,311,000).

(b) At December 31, 1979, property, plant and equipment, net of accumulated depreciation, all adjusted for changes in specific prices (current cost) was $5,513,999,000, while historical cost (net cost recoverable) was $3,015,686,000.

See Notes to Supplementary Financial Data on page 44.

Adjusted for the Effects of Changing Prices For the Years Ended December 31

	1979	1978	1977	1976	1975
OPERATING REVENUES					
(In Thousands)					
As reported in the primary consolidated statements	**$ 994,585**	$862,956	$796,289	$644,852	$593,324
Adjusted to average 1979 dollars	**$ 994,585**	$960,116	$953,792	$822,234	$800,178
HISTORICAL COST INFORMATION ADJUSTED FOR GENERAL INFLATION					
(In Average 1979 Dollars)					
Income from continuing operations (excluding reduction to net recoverable cost) (In thousands)	**$ 41,827**				
Income from continuing operations per common share (excluding reduction to net recoverable cost)	**$ .72**				
CURRENT COST INFORMATION					
(In Average 1979 Dollars)					
Income from continuing operations (excluding reduction to net recoverable cost) (In thousands)	**$ 14,155**				
Income from continuing operations per common share (excluding reduction to net recoverable cost)	**$ .24**				
Excess of increase in the general price level over increase in specific prices of property, plant and equipment after reduction to net recoverable cost (In thousands)	**$(267,466)**				
OTHER INFORMATION					
Common stockholders' equity at December 31 at net recoverable cost (In thousands of Average 1979 Dollars)	**$ 919,205**				
Advantage resulting from the decrease in purchasing power of net monetary liabilities (In thousands of Average 1979 Dollars)	**$ 247,269**				
Cash dividends declared per common share—					
As reported	**$1.76**	$1.76	$1.715	$1.67	$1.66
Adjusted to average 1979 dollars	**$1.75**	$1.94	$2.04	$2.12	$2.22
Market price per common share at December 31—					
As reported	**$13.375**	$14.875	$19.50	$20.875	$16.75
Adjusted to average 1979 dollars	**$12.65**	$15.94	$22.78	$26.04	$21.90
Average consumer price index	**217.4**	195.4	181.5	170.5	161.2

See Notes to Supplementary Financial Data on page 44.

Notes to the Supplementary Financial Data Adjusted for the Effects of Changing Prices

The Consumer Price Index for All Urban Consumers (CPI-U) was used for converting historical amounts for property, plant and equipment into average 1979 dollars, thus giving an indication of the effect of general inflation on the principal assets of the Companies.

Current cost of property, plant and equipment other than land was calculated by applying the Handy-Whitman Index of Public Utility Construction Costs for the North Central Division and the Bureau of Labor and Statistics engineering indices to functional accounts by vintage years, except for large construction projects which were trended based on the year that costs were incurred. The current cost of land was calculated by applying the CPI-U to the actual costs in the respective years of acquisition. The current cost data approximately reflects the current cost of acquiring property, plant and equipment identical to assets currently owned.

Depreciation expense adjusted for general inflation and for changing prices was determined using the same rates and methods used in calculating the provision in the primary financial statements. The accumulated provisions for depreciation were estimated for each functional class of property, plant and equipment by applying the Handy-Whitman Index to a vintaged theoretical reserve for depreciation.

Income taxes included in income from continuing operations adjusted for general inflation and for changing prices is the same as the provision reported in the primary consolidated financial statements, in conformity with SFAS No. 33.

During inflationary periods, the investment necessary to replace property, plant and equipment will be more than their original cost. Because the Companies are permitted to recover in revenues, through a depreciation allowance, only the historical costs of such assets, the additional cost of plant as adjusted for changing prices is indicated as a "Reduction to net recoverable cost."

Net monetary liabilities of the Companies consist primarily of long-term debt and preferred stock. During inflationary periods, the Companies will be repaying these net monetary liabilities with dollars having less purchasing power than dollars had when the liability was originally incurred. The difference is indicated by the "Advantage resulting from the decrease in purchasing power of net monetary liabilities."

	1979	1978	1977	1976	1975	1974
OPERATING REVENUE (THOUSANDS)						
Residential Sales	**$360,273**	$314,867	$284,512	$232,433	$221,230	$179,300
Commercial Sales	**240,458**	205,901	191,381	155,572	149,268	122,009
Industrial Sales	**315,185**	258,767	236,434	195,311	180,086	159,585
Other Sales	**52,792**	55,817	39,569	37,762	33,560	26,929
Total Electric Sales	**968,708**	835,352	751,896	621,078	584,144	487,823
Other Electric Revenue	**20,509**	22,193	39,281	19,542	4,797	6,449
Steam Heating	**5,368**	5,411	5,112	4,232	4,383	4,083
Total	**$994,585**	$862,956	$796,289	$644,852	$593,324	$498,355*
ELECTRIC SALES IN KILOWATT-HOURS (MILLIONS)						
Residential	**6,650**	6,501	6,334	6,024	5,809	5,610
Commercial	**4,693**	4,470	4,549	4,358	4,169	4,023
Industrial	**9,830**	9,600	9,671	9,262	8,514	9,630
All Other	**1,787**	1,738	1,675	1,558	1,489	1,419
Total	**22,960**	22,309	22,229	21,202	19,981	20,682*
CUSTOMERS SERVED AT END OF YEAR						
Residential	**861,196**	848,268	836,500	824,851	813,308	800,612
Commercial	**87,425**	86,410	85,002	85,512	83,710	83,111
Industrial	**1,161**	1,160	1,147	1,111	1,132	1,109
All Other	**693**	689	682	681	676	586
Total	**950,475**	936,527	923,331	912,155	898,826	885,418
RESIDENTIAL CUSTOMER DATA						
Average annual use—kilowatt-hours	**7,780**	7,724	7,637	7,361	7,204	7,070
Average price per kilowatt-hour	**5.42¢**	4.84¢	4.49¢	3.86¢	3.81¢	3.20¢
STEAM						
Sales in millions of pounds	**787**	860	876	992	980	1,164
Customers served at end of year	**363**	392	417	456	479	522

*Exclusive of the cumulative effect to December 31, 1973 of recording metered but unbilled sales and revenues of 188,553,000 kilowatt-hours and $5,028,000, respectively.

Price Range of Common Stock	1979		1978		1977		1976		1975	
First Quarter High-Low	**16⅞**	**14⅞**	19¾	17⅞	21	18¾	19⅛	16⅝	16⅛	12⅛
Second Quarter High-Low	**16⅞**	**14⅝**	18⅜	17	20½	19	18¾	16¾	16⅞	13½
Third Quarter High-Low	**16½**	**14½**	19	17⅛	21½	19¼	19⅜	17⅛	16⅝	15
Fourth Quarter High-Low	**15½**	**13⅛**	17⅞	14⅝	20½	18¾	21	18⅞	17¾	15⅛
Yearly High-low	**16⅞**	**13⅛**	19¾	14⅝	21½	18¾	21	16⅝	17¾	12⅛

Prices are as quoted on the New York Stock Exchange prior to January 23, 1976, and on the NYSE Composite Transactions thereafter.

Book Value Per Share	1979	1978	1977	1976	1975
At December 31	**$16.26**	$16.33	$16.93	$15.93	$15.29

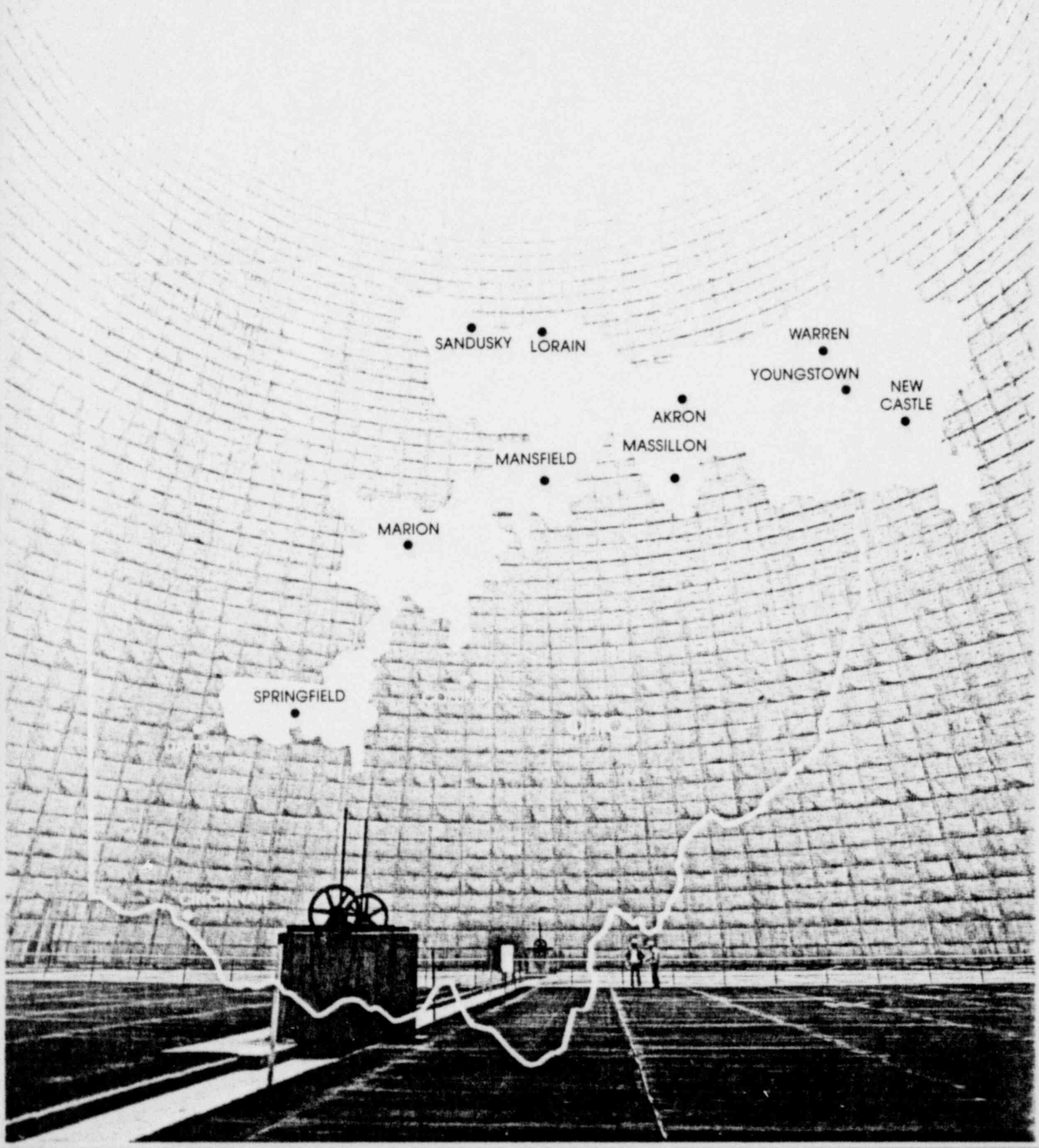
Quarterly Dividends Paid Per Share	1979	1978	1977	1976	1975
First Quarter	**$ .44**	$ .44	$ .42½	$ .41½	$ .41½
Second Quarter	**.44**	.44	.42½	.41½	.41½
Third Quarter	**.44**	.44	.42½	.41½	.41½
Fourth Quarter	**.44**	.44	.44	.42½	.41½
Total for Year	**$1.76**	$1.76	$1.71½	$1.67	$1.66

This Company's common, preferred and preference stocks are listed on the New York Stock Exchange and the Midwest Stock Exchange and are traded on other registered exchanges.

	Holders		Shares Held	
	Number	%	Number	%
Individuals	152,840	88.1	33,449,967	56.1
Fiduciaries	15,524	8.9	2,998,283	5.0
Brokers	65	—	491,888	0.8
Nominees	1,381	0.8	19,975,583	33.5
Banks & Financial Institutions	66	—	159,114	0.3
Insurance Companies & Other Corporations	1,669	1.0	1,437,132	2.4
Charitable, Religious & Educational Institutions	627	0.4	465,233	0.8
Pensions, Profit Sharing & Other Investment Trusts	1,310	0.8	645,164	1.1
TOTAL	173,482	100.0	59,622,369	100.0

Right: Cooling towers are water-quality environmental equipment that prevent thermal pollution which may occur when heated water is returned to a river. This huge cooling tower at a coal-fired plant is capable of reducing the temperature of 310,000 gallons of water a minute by 27 degrees. It is 410 feet high, with a base diameter of 360 feet—big enough for a small football stadium!

SERVICE TERRITORY
OHIO EDISON COMPANY
and Pennsylvania Power Company



OHIO EDISON COMPANY
76 South Main Street
Akron, Ohio 44308

1979 ANNUAL REPORT