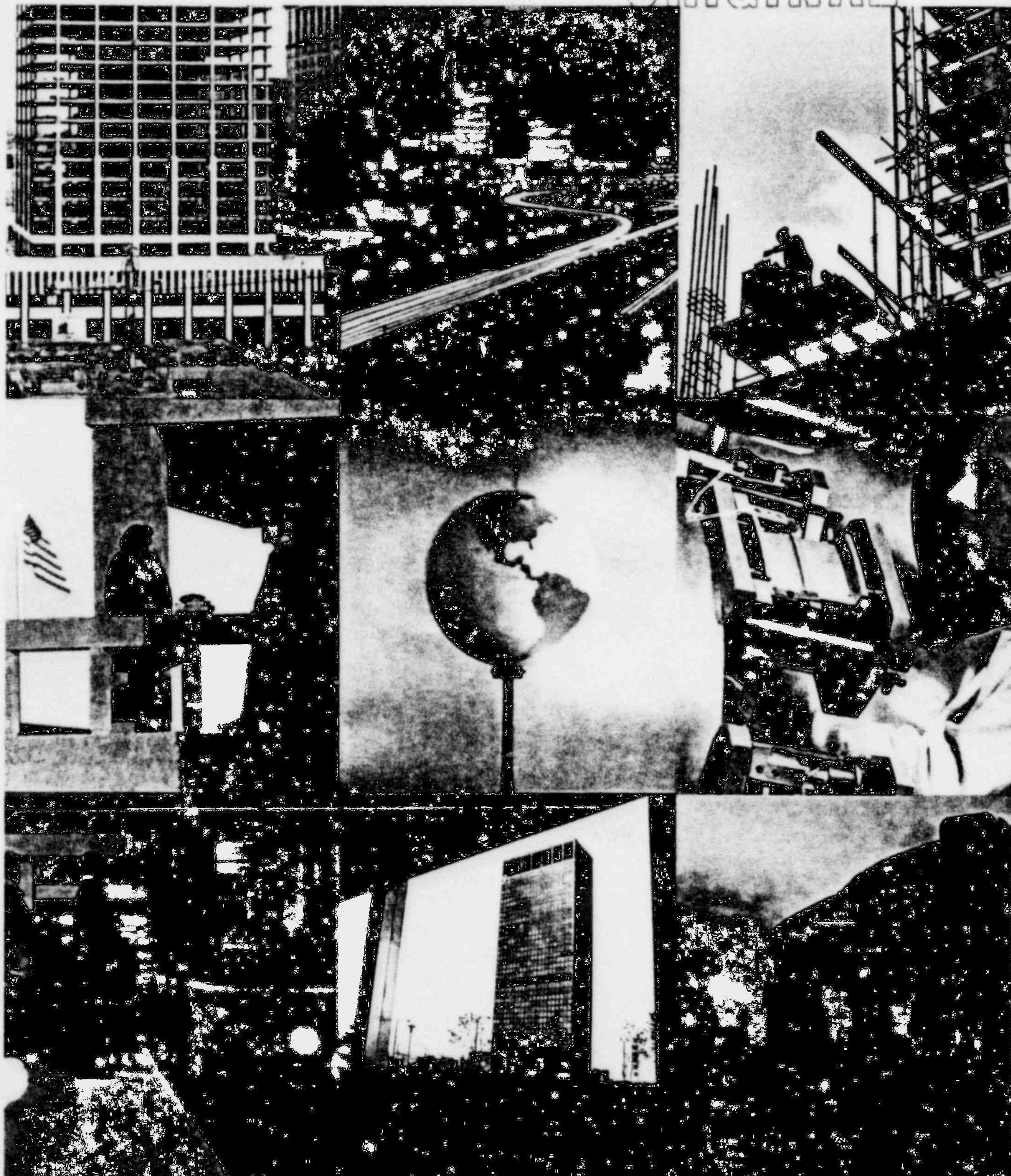
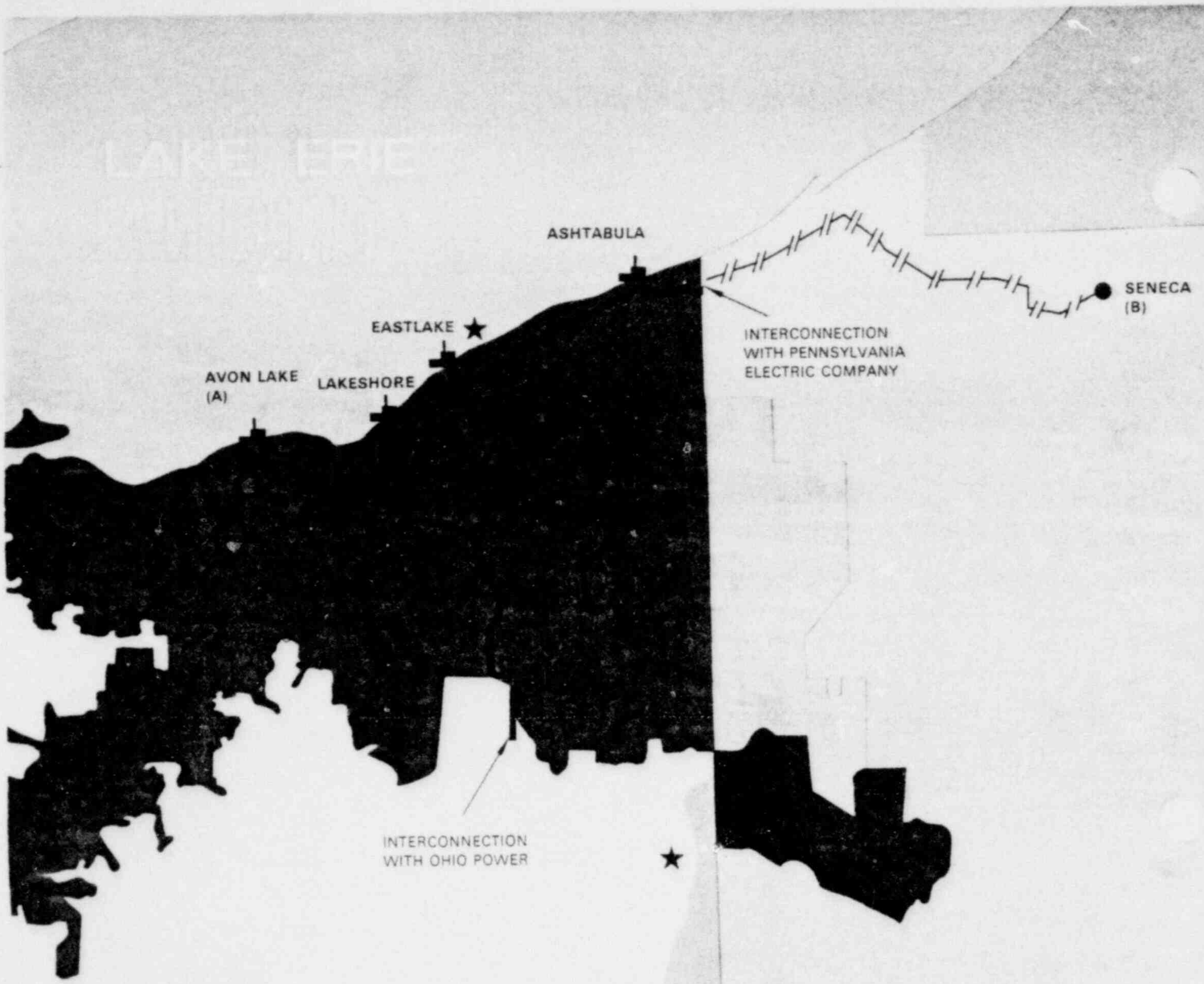
APPENDIX B

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY • ANNUAL REPORT 1968





PROPOSED FIVE COMPANY 345 KV TRANSMISSION LINES

THE ILLUMINATING CO. TRANSMISSION LINES

345 KV OVERHEAD LINES

132 KV OVERHEAD LINES

132 KV UNDERGROUND LINES

66 KV UNDERGROUND LINES

OTHER TRANSMISSION LINES

PENNSYLVANIA ELECTRIC COMPANY OWNED

FIVE-COMPANY GENERATING UNITS PLANNED OR UNDER CONSTRUCTION BY TYPE

★ COAL FIRED

EASTLAKE #5—625-MW UNIT

(OWNERSHIP: CEI 68.8%; DUQUESNE 31.2%)

SAMMIS #7—625-MW UNIT

NUCLEAR

DAVIS-BESSE—872-MW UNIT

(OWNERSHIP: CEI 47.5%; TOLEDO 52.5%)

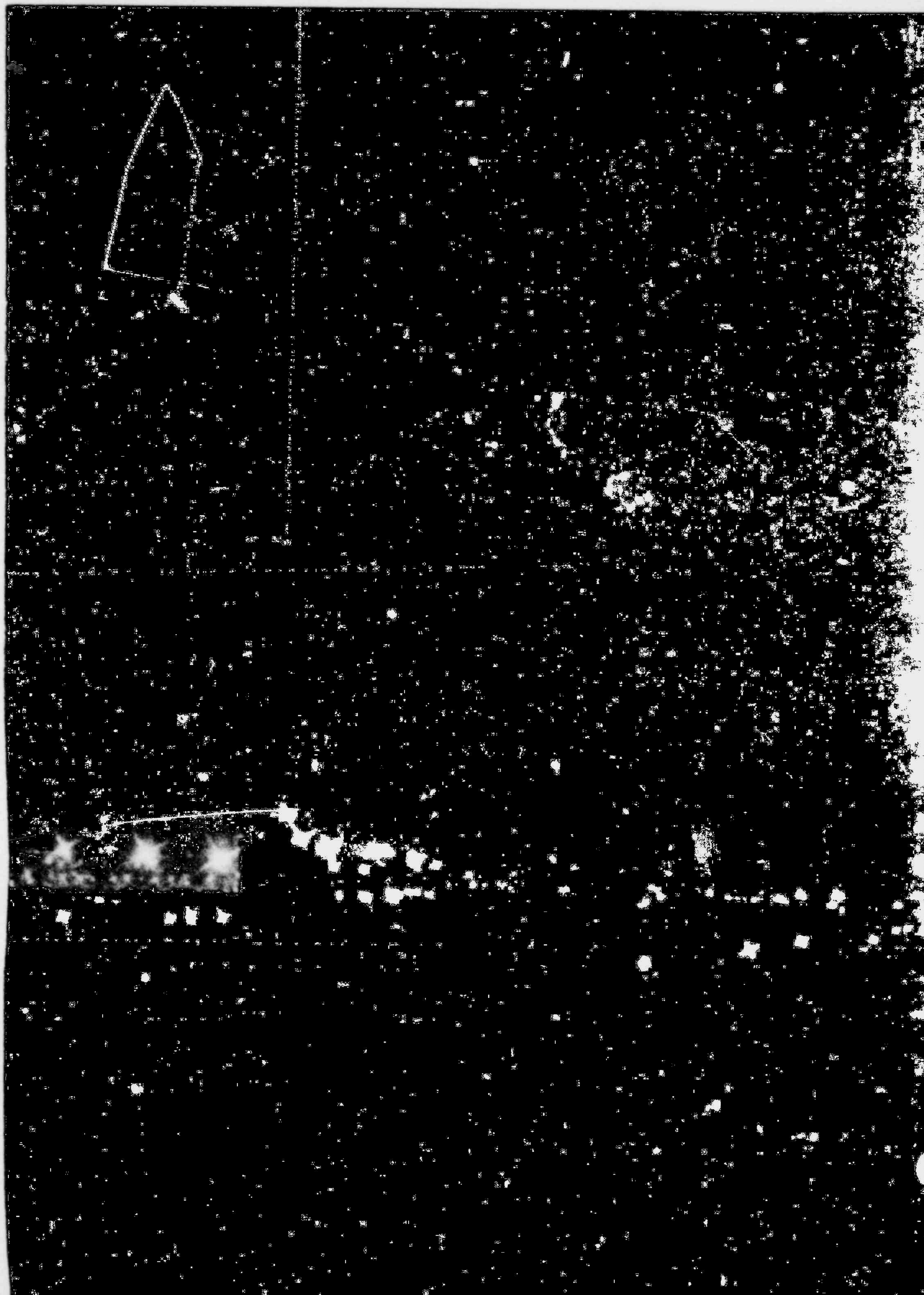
BEAVER VALLEY—840-MW UNIT

THE ILLUMINATING COMPANY GENERATING UNITS CURRENTLY UNDER CONSTRUCTION

(A) AVON LAKE #9—625-MW—COAL FIRED

(B) SENECA—380-MW—PUMPED STORAGE

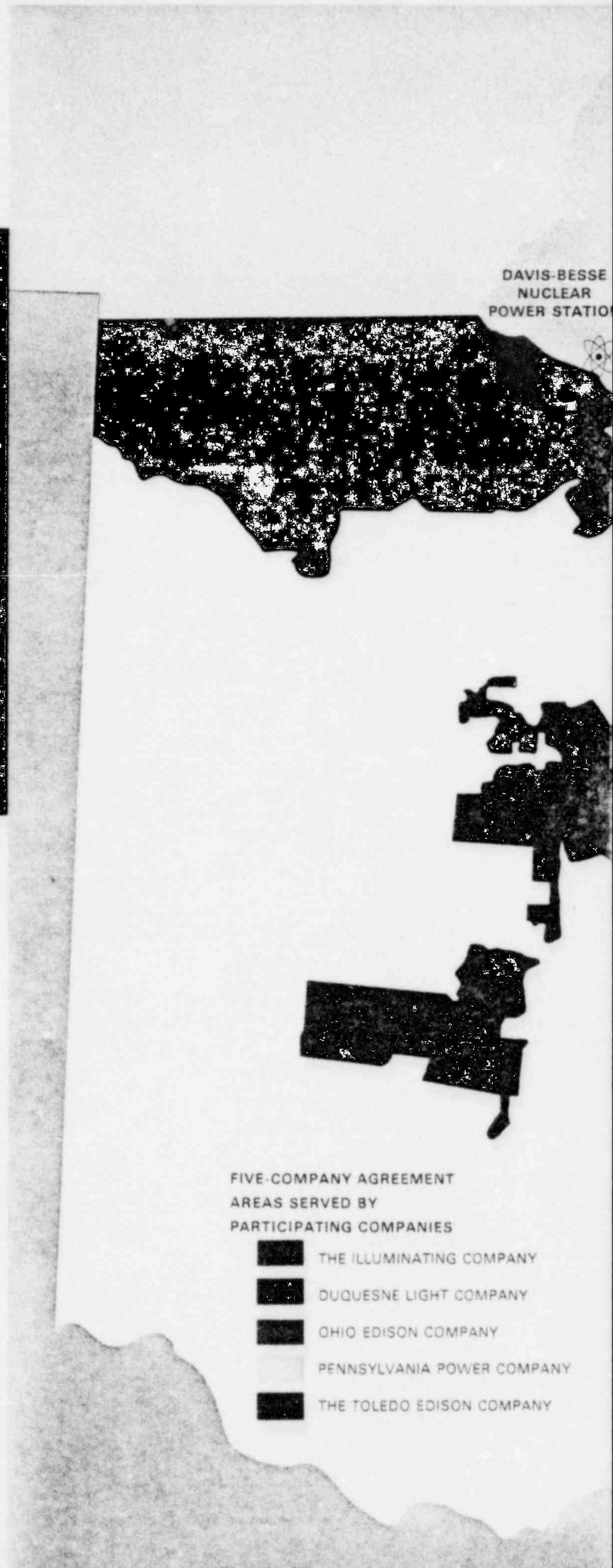
(OWNERSHIP: CEI 80%; PENELEC 20%)

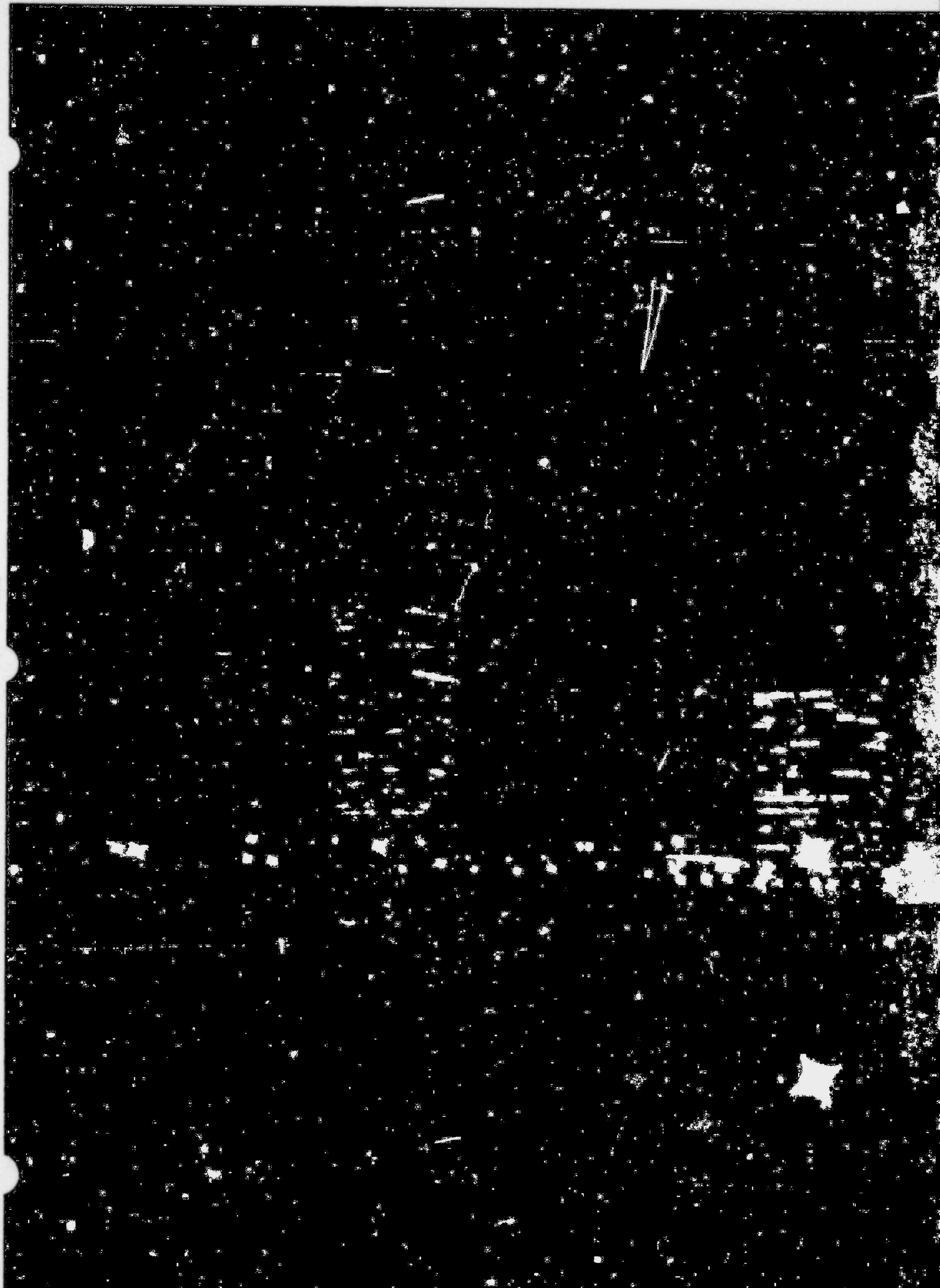


Serving The Best Location in The Nation

The Illuminating Company's service area, Cleveland-Northeast Ohio, is a strategic, central location around which 21 of the nation's "one-billion-dollar or more" industrial markets are clustered within 500 miles. It is a location with four world ports, five major rail lines, 165 certified trucklines, an international airport, a downtown business airport, plus seven business and private aircraft facilities dispersed throughout four counties.

The Five-Company Power Pool — is an arrangement among regional utility companies to assure greater reliability of interconnections, backup in case of emergencies, and better economies of operation. Members include The Illuminating Company, The Toledo Edison Company, Ohio Edison Company, Pennsylvania Power Company and Duquesne Light Company. The agreement among members includes the joint development of power generation and transmission facilities for all five companies, and requires a total investment of a half-billion dollars over the next seven years.





The generation of ideas illuminates a creative environment

New construction rises from the campus of Cuyahoga Community College — part of a $238-million educational complex in downtown Cleveland.

"Cleveland-Northeast Ohio—with its key geographical location, its rich resources of people, and the increasing vitality of its business and industrial life—is one of the great creative environments in America.

Ideas have always grown here.

The adventurous intellect, now as never before, flourishes here.

To serve this dynamic region through creative management and technology, is the pride and challenge of The Cleveland Electric Illuminating Company."

Ralph M. Besse

ANNUAL REPORT 1968

Inside Front Cover
"Night Skyline: Downtown Cleveland"

Highlights of 1968

- Earnings for Common Stock were $2.78 a share, compared with $2.66 in 1967.
- The quarterly dividend payment on Common Stock was increased on February 15, 1969 to 51 cents per share. The present annual rate is $2.04.
- Operating revenues rose $14.8 million to a record $203.8 million.
- Operating expenses increased $14.4 million to $163.1 million, primarily as a result of higher fuel and purchased power costs, property taxes and federal income taxes.
- The gain in average residential use of 326 kilowatthours compares with the 215 kilowatthour gain in 1967.
- A construction program was announced for the five-year period, 1969-1973, calling for expenditures of $397 million.
- The $60 million of First Mortgage Bonds sold in January, 1969 represent the first stage in new financing to meet the requirements of the five-year construction program.
- The affiliation studies involving the Company and seven neighboring utilities are continuing.

KARL H. RUDOLPH, *President* RALPH M. BESSE, *Chairman*

Reference Guide

The Annual Meeting of the Share Owners of the Company will be held on April 22, 1969. Owners of Common Stock as of March 10, 1969, the record date for the determination of voting power at the meeting, will be entitled to vote. The official notice, proxy statement and proxy will be mailed to the share owners on or about March 19, 1969.

WILLIAM R. VOGELSANG, Secretary

To The Share Owners of The Cleveland Electric Illuminating Company

The year 1968, for The Illuminating Company, was a year of continued growth.

Earnings and dividends increased. Kilowatthour sales were at a new high level. A record investment went into new construction for a single year. At the same time, the Company's service area experienced some of the most rapid physical and social improvements in recent decades.

This vitality, reflected in a new atmosphere of confidence among business and civic leaders, is symbolized by "Cleveland Now", a $1.5 billion, 10-year program aimed at revitalizing the entire city, the hub of our service area. The program, strongly backed by City Council, the new administration of Mayor Carl Stokes and the business community, has rallied considerable popular support and increased cooperative efforts between the business community and city government. Urban renewal efforts have been strengthened and communications renewed with HUD (Housing and Urban Development) and other Federal agencies. City financing has improved as the result of the local income tax.

It is evident that local professional and business men are deeply involved in solving the problems of the community. They are the support of Cleveland's downtown renaissance promoted primarily through the Cleveland Development Foundation and the Greater Cleveland Growth Association.

Tangible evidence that business and financial leaders believe in the continued prominence of the area is presented by the millions of dollars committed for new downtown office buildings, new plants and the modernization of existing facilities, and new apartments, hotels and motels.

Area education reveals the same surging growth. Local school systems are expanding their facilities to satisfy the needs of the mushrooming younger generation. One example of multi-million dollar construction programs at area colleges and universities is that of Cuyahoga Community College, where seven new buildings will be completed in 1969.

All this is important to The Cleveland Electric Illuminating Company, for we are the major supplier of electric power to this metropolitan region of Greater Cleveland — and on its dynamism and vitality depends our own. As it grows, we grow; therefore, we give maximum effort to promoting its present development and future progress.

To keep pace with this dynamic expansion in its service area, the Company has under way a $397 million, five-year construction program. This includes such major projects as the generating additions to our Eastlake and Avon Lake Power Plants, the Seneca pumped-storage hydroelectric power plant and the Davis-Besse Nuclear Power Station to be constructed jointly by the Company and Toledo Edison Company. We are also continuing and strengthening our operating ties with CAPCO (Central Area Power Coordination Group) and ECAR (East Central Area Reliability Coordination Group). At the same time, we are carrying out a planned program of facilities modernization throughout our system. Studies are continuing on the possible affiliation of the Company and seven neighboring utilities.

It must be remembered, however, that growth is a double-edged process. To serve any expanding region and to meet its increasing demands for kilowatthours requires continuing fiscal adjustments. Since mid-1966, while the cost of money has been rising, the Company has been experiencing a slow decline in the level of its rate of return. This trend is due in part to the inflation of operating costs, in part to the increased cost of money and in part to substantial increases in plant investment. It has persisted despite increased sales — in effect, making the likelihood of a rate increase application almost certain in the not too distant future.

The Illuminating Company has been serving the Cleveland-Northeast Ohio area for the past 88 years. It has helped the region grow and, in so doing, it has grown strong itself as a company.

Today we are the prime supplier of the region's electric power, an important source of its leadership and financial support, and literally a partner in its commercial and industrial progress.

In the interests of our Share Owners, employees, customers and the communities we serve, we intend to maintain and enhance this position.

This annual report is an account of the Company's service to this region in 1968.

Cordially yours,

Ralph M. Besse

Ralph M. Besse, Chairman

Karl H. Rudolph

February 7, 1969 — Karl H. Rudolph, President

Sales and Revenue Growth Reflected The High Level of Business In The Territory

Earnings per share of common stock were $2.78 as compared with $2.66 in 1967. Quarterly dividend payments were increased to 48 cents from 45 cents effective May 15, bringing payments for the year up to $1.89 as compared with the $1.74 paid in 1967. This marked the 10th consecutive year of increased dividends and the 67th year of uninterrupted payment of cash dividends.

Kilowatthour sales to customers increased 9.8% over 1967, resulting in an electric operating revenue gain of $14.9 million, up 8.1% over the previous year. Operating revenues including steam service reached a new high of $203.8 million.

Kilowatthour sales to all classes of customers were above those of 1967. Residential customers used 8.9% more electric power and contributed an additional $4.9 million in revenues. This continued growth in usage, in no small part, has been made possible by the lower unit cost of electricity. The cost per kilowatthour has declined from 4.868 cents in 1928 to 2.422 cents in 1968, a 50% reduction in 40 years. Commercial sales kept pace with the growing requirement by all Americans for more conveniences provided best by electricity. Industrial kilowatthour sales growth is best illustrated by the fact that the nine Company customers which now use over $1 million of electric power annually increased their total average usage in 1968 by 12.9%.

Electric customers totaled 638,685 at year-end, an increase of 10,896 during the year.

Total operating expenses rose to $163.1 million, a $14.4 million increase over 1967. Fuel and purchased power costs increased $6.6 million, up 19.3%, due to greater kilowatthour output to the service area, higher cost per ton of coal and greater power purchases.

As more fully explained in Note C to the financial statements, accounting practices of the Company were changed effective January 1, 1968 in the capitalization of overhead construction costs and the expensing of property taxes in addition to reducing the annual depreciation rate from 3.25% to 3.15%. These three accounting changes increased the Company's net income for the year 1968 by $3.1 million or 23 cents per share.

Provision for Federal, State and local taxes amounted to $52.7 million. Of this total, the 10% Federal income tax surcharge retroactive to January 1, 1968 reduced earnings by $2.7 million or 20 cents per share.

Output and Demand Reached New Highs

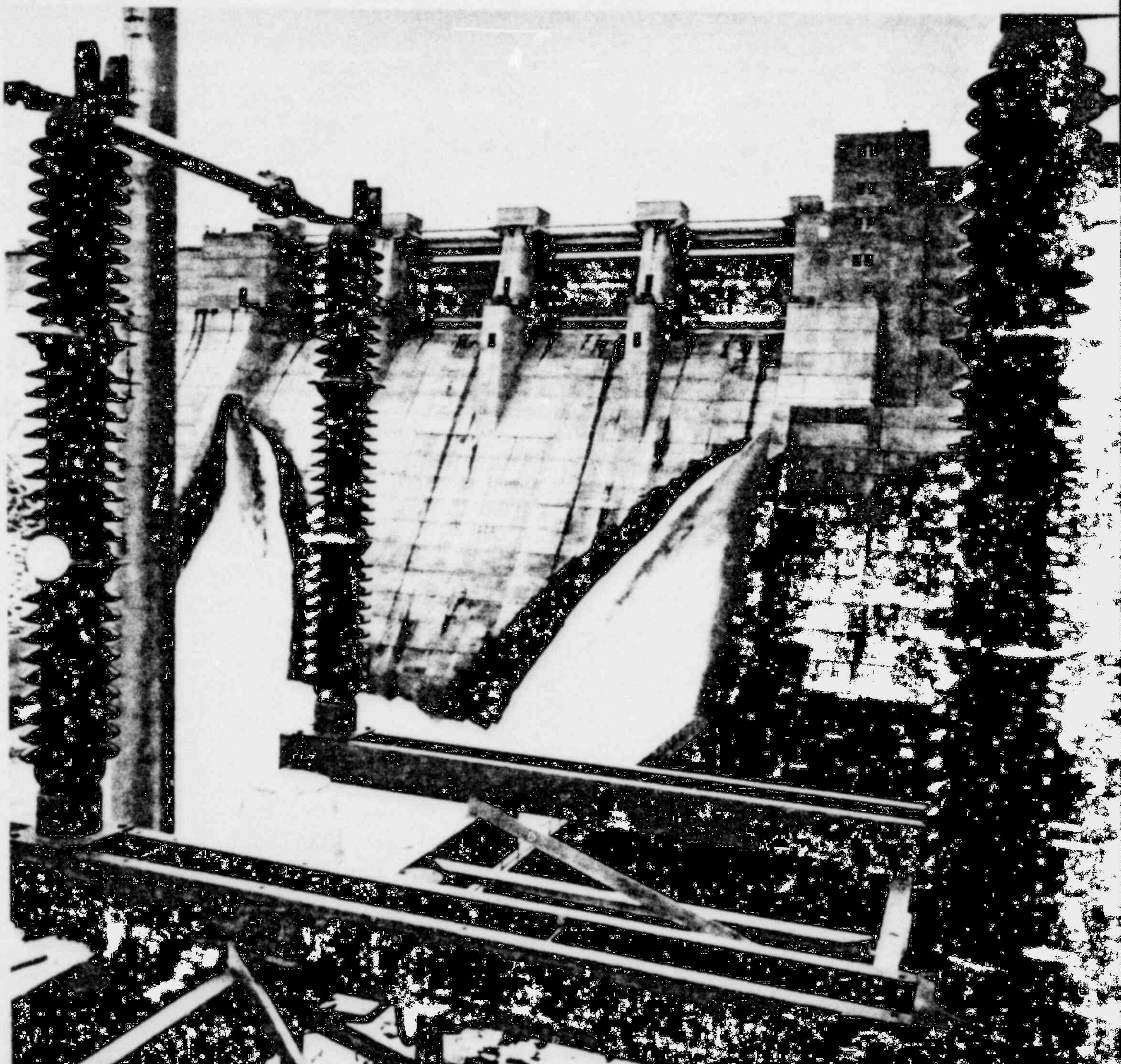
Kilowatthour output to the service area was 13.30 billion kilowatthours, an increase of 10.2% over output for 1967.

The maximum service area load of 2,266,000 kilowatts registered on August 23, was an all-time high. It exceeded last year's peak load, which also occurred in the summer, by 180,000 kilowatts or 8.6%. This increase emphasizes the significance of air conditioning in the Company's load growth.

Gain in Residential Customer Use Best in Company History

Electrical usage by residential customers established a new record in 1968. The average per-customer gain of 326 kilowatthours was the highest in the Company's history.

This is due in part to aggressive marketing efforts by the Company, and in part to the increasing desire of more families today for the comfort, convenience and better all-around living environment provided by electricity. Electric air conditioning, for example, was installed in nearly 100% of privately-owned new apartment suites, while 89% of these suites were equipped with electric ranges. Over half of the 6,500 new homes built in 1968 were equipped with electric ranges. In the eastern portion of the Company's service area, 136 total-electric apartment units were completed; in addition, 22 total-electric condominium apartment units were planned, four of which were completed. Planned for 1969 are 110 total-electric units.



Seneca: *An ancient concept, energy from falling water, will be utilized to meet tomorrow's huge power needs, when the Seneca pumped-storage hydroelectric plant goes into operation in 1969. The plant is being jointly constructed by The Illuminating Company and the Pennsylvania Electric Company.*

Promotional activities also had a stimulating effect on electrical usage. Typical of several current promotional programs are those involving Whole-House Air Conditioning, ranges and dryers, and Housepower development of modern electric living for older homes.

Rise in Sales to Commercial Customers Reflects Strong Growth in Air Conditioning and Modern Lighting

New office buildings, motels and shopping centers helped boost the Company's commercial sales of electricity to a new high. This usage represented an increase of 9.4% over 1967; revenues increased 8.6% to $50.4 million.

In addition to continuing electric load growth, the Company is providing for expansion in the allied field of steam service. Sizeable expansions by Cleveland State University and Forest City Publishing Company, for example, will add revenues in excess of a half-million dollars annually.

Application of the total-electric concept to buildings of all types and sizes also continued to find favor in 1968. A record high of 30 all-electric buildings were constructed. In addition, more than 93% of air conditioning installed in commercial buildings was electric.

Lighting again provided the largest source of commercial revenue. Indoor and outdoor lighting sales represented an increase of 20% over the 1967 total. Continued high quality of lighting was assured through the Company's stressing that the Illuminating Engineering Society's lighting recommendations be applied in all new commercial installations. A total of 94% of such installations met these recommendations in 1968, as compared with 91% the previous year.

An important part of outdoor lighting sales was the result of the Company's continued Dusk-to-Dawn Lighting Program. This program, blending modern lighting beauty with safety, now produces more than $1.2 million in lighting revenues annually.

Expansion and Modernization of Industrial Plants Characterizes Record Demand for Electric Power

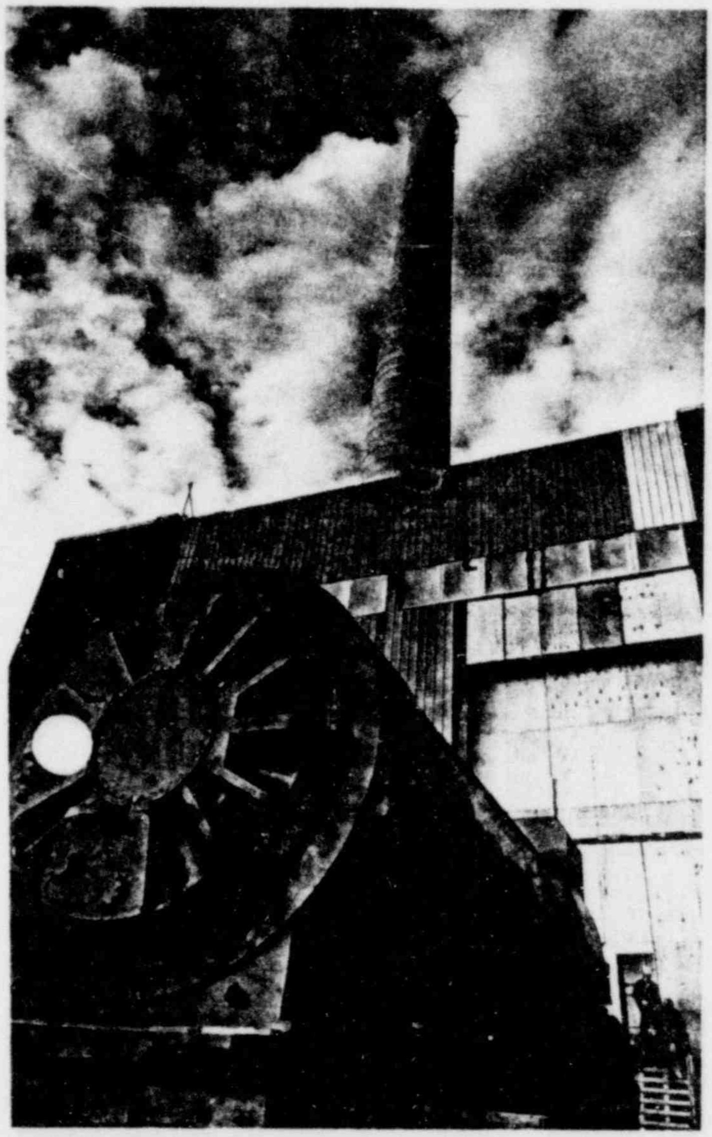
Cleveland-Northeast Ohio's vigorous and expanding industrial climate directly affected power sales to this category of customer in 1968. Revenue from industrial customers totaled $71.7 million, up 8.1% over 1967. Kilowatthour sales moved up 10.6% over the previous year's total.

Expansion and modernization projects, growth of the all-electric plant, increase of plant air conditioning, and improved lighting levels — all these contributed to the record demand for electricity. One example of the lighting modernization program is the re-illumination of a million-plus-square-foot plant which will triple the plant's lighting energy requirements.

The trend toward ever greater use of electric power by industrial consumers was reflected in the growth in sales to the steel and automotive industries during 1968. For example, output from the electric arc furnaces at Jones & Laughlin Steel Corporation for 1968 exceeded all previous annual production figures. In Cleveland's automotive industry, second largest in the nation, new highs in electrical usage were recorded by virtually all producers. But of even greater importance is the expansion being undertaken by industrial customers. At Republic Steel Corporation, a multi-million dollar project saw construction continuing on a new 84-inch hot-rolling mill and nearing completion on a new 84-inch cold-rolling mill. Throughout the entire nation's steel industry today, electrical usage is increasing; in the next ten years it is expected to more than double.

In the automotive field, Ford Motor Company completed its No. 2 Engine Plant expansion and is scheduling a new engine production line for operation by the third quarter of 1969. Total added investment in this facility is $100 million. TRW, Incorporated, completed a major addition to its valve plant which now makes it the largest such facility in the nation's central industrial area.

The substantial growth of the area's industrial com-



Avon Lake: *More power to meet the future's mounting electricity demands will be generated by Unit #9, being readied at the Avon Lake Power Plant.*

munity during the year was surpassed by the growth of the all-electric plant. At year-end, 73 industrial facilities were in all-electric operation or committed to all-electric operation. In the aggregate, this represents an 83% increase over 1967 and a notable gain from the two installations recorded in 1964.

In the aerospace field, work on the Super Sonic Transport Program at the National Aeronautics and Space Administration's Lewis Research Center accounted for the third highest electrical usage in the Lewis Research Center's history.

Continued Growth in Customers' Plants Evidences Confidence in Cleveland-Northeast Ohio

Investments in new plants and facilities have averaged more than $300 million annually for the last five years in the Cleveland-Northeast Ohio region. This growth trend continued in 1968 with many new plants and expansions, among them such nationally known companies as Towmotor Division of Caterpillar Tractor Company, National Screw and Manufacturing Company, Smith & Wesson Pyrotechnics, General Bookbinding Company, Packaging Corporation of America and Sherwin-Williams Company.

The region's potential for future business and industrial growth remains high. In addition to six industrial parks fully occupied, another 45 contain 8,600 acres of which 76% are now available and ready for occupancy.

Cleveland's growing stature as a major headquarters city is being strengthened by four new office buildings rising in the downtown area at an estimated cost of $60 million: the Investment Plaza, Central National Bank, Cleveland Trust and Ohio Bell Erieview. Elsewhere in the downtown section Ohio Bell is building a new long lines communication building. Several new downtown hotels have been announced and a major addition has been started.

Growth of educational facilities in the central city reached an all-time high in 1968. At Cleveland State

POOR ORIGINAL

University the Basic Science Building, part of the multi-million dollar building and development program, was completed at year-end. At Cuyahoga Community College, two of the nine buildings on the $45-million downtown campus are now occupied; the remaining seven will be completed in 1969. In the University Circle area, the recent federation of Case Institute of Technology and Western Reserve University has resulted in a school now ranked on the basis of endowment among the top 12 privately supported institutions of higher learning in the nation.

Major expansions are also underway among others of the 23 degree-granting institutions within the metropolitan radius of Cleveland. For example, at Baldwin-Wallace College an art and drama center and a new all-electric administration building are underway which will cost over $2 million.

Two important developments strengthened the entire region's transportation complex. First, a County Port Authority was approved to assume the administration of Cleveland's port facilities. Transfer to this new Authority will increase the overall potential of the Port of Cleveland, already the largest overseas general cargo port on Lake Erie, and the third largest American port for such cargo on the Great Lakes. The second important development was the completion of the Rapid Transit System extension to Cleveland Hopkins International Airport. This extension, linking downtown Cleveland directly to its major airport, makes Cleveland the only city in the nation with such service and, with Brussels and Tokyo, one of only three in the world.

Cleveland Hopkins, with direct flight connections to Europe and the Far East, continued its expansion and modernization program with a new South Concourse expected to be operational by mid-1969. Expansion is also in progress at Burke Lakefront Airport's passenger terminal. This unique business airport, only five minutes from downtown Cleveland, is the site of over 300 takeoffs and landings daily by corporate prop and jet aircraft, and taxi-line commercial flights.

Progress was notable in interstate highway construction. Construction of these key arteries in the Cleveland Metropolitan area is 70% complete as compared with a national average of 59%.

Inter-Company Pooling Adds to System Reliability and Economy

Increased service reliability and increased operating economies — these are the twin major objectives of America's investor-owned electric utility industry. And they are being reached today, in large part, through various types of inter-company pooling arrangements and through the nation's overall interconnection network. The Illuminating Company is an important part of this pattern.

CAPCO (Central Area Power Coordination Group) is a five-company power pooling agreement formed late in 1967 and now well into its implementation phase. Member companies, in addition to The Illuminating Company, are Duquesne Light Company, Ohio Edison Company, Pennsylvania Power Company and Toledo Edison Company. The purpose of the agreement is to coordinate the development of generating capacity and transmission in order to achieve greater reliability and economy of operation in the joint CAPCO service area.

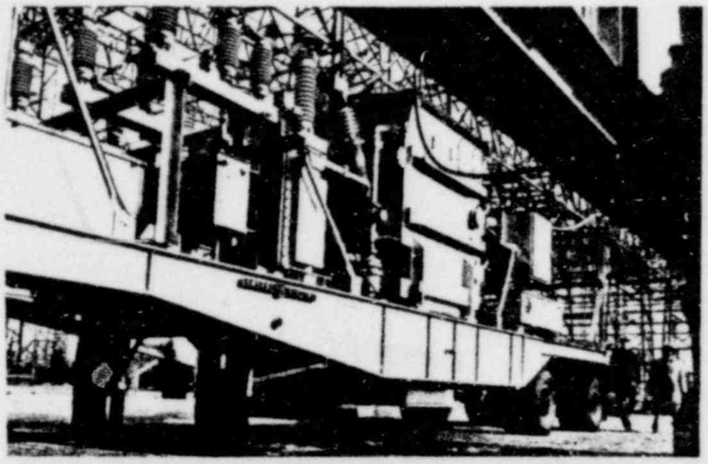
The members of CAPCO, in turn, are part of the larger ECAR (East Central Area Reliability Coordination Group), composed of 26 utilities in an area which covers parts of eight states. The purpose of ECAR is to improve reliability of bulk power supply and to increase overall reliability of member systems through coordinated planning and operation.

The Company through its present ties with neighboring companies, is also a member of the Interconnected Systems Group, the largest power group of its kind in the world. ISG presently consists of 134 operating utilities in 32 states.

Record Construction Program Under Way

Because of the growing population in its service area, the increased number of new home electrical

. **Wheels:** *Mobile transformers and mo- .ubstations are used in maintenance and .applying power in emergency situations.*



Thermovision: *The Illuminating Company is one of the first electric utilities in the country .ising Thermovision, a device which permits the checking of temperatures in electric components while in operation.*

appliances, industry's precise and critical equipment, and the increasing volume of production, the Company's responsibility for meeting service demands is greater than ever before. Its program for meeting these demands involves the largest construction budget in Company history.

Two major projects involve commitments with CAPCO members. A site for the 872,000-kilowatt nuclear power station to be built jointly by The Illuminating Company and The Toledo Edison Company was selected early in 1968. This plant, the first venture into nuclear generation for both companies, will be located on Lake Erie about 20 miles east of Toledo, Ohio. Its major components — the turbogenerator, the nuclear fuel and nuclear steam supply system — were ordered late in 1968. The installation has been named the Davis-Besse Nuclear Power Station in honor of the chief executives of the two companies. It is scheduled for completion in 1974.

Progress also continued on a new 625,000-kilowatt unit at the Company's Eastlake Plant, another CAPCO-related project whose capacity and ownership will be shared with Duquesne Light Company. Key equipment components have been ordered, and detailed engineering has begun. It is scheduled for completion in 1972.

Considerable progress was made on two other major projects. Construction of the Seneca Pumped-Storage Hydroelectric Power Plant is more than 90% complete. Start-up operations began in late fall 1968; by May, 1969, the plant is expected to be in full operation. This project, a joint effort of The Illuminating Company and Pennsylvania Electric Company is located near Warren, Pennsylvania.

Another 625,000-kilowatt unit is well into the construction phase at the Company's Avon Lake Plant. Scheduled for operation early in 1970 this unit is being built in conjunction with a similar one at Ohio Edison. Each will reinforce the other for system reliability.

The completion of these four plant projects will virtually double the net capability of the Company's system, increasing it from the present 2,259,000 kilowatts to more than 4,000,000 kilowatts.

In addition to these major plant projects, the Company continued to strengthen its network of transmission and distribution lines. It also completed a new 345,000-volt transmission line providing an additional interconnection with Ohio Edison Company, and has under construction two more interconnection transmission lines with Ohio Edison, one at 345,000 volts and one at 132,000 volts.

Financing

To help finance current and proposed property additions, the Company in January of 1969 sold $60 million of First Mortgage Bonds, 7⅛% Series, due 1990, at a cost to the Company of 7.056%.

Proceeds from this sale are to be used to make an advance payment of about $37.5 million to Ohio Edison Company under an electric generating plant construction agreement. This agreement calls for each company to construct a 625,000-kilowatt generating unit and associated interconnection facilities. Until June 1, 1970 the Company will be entitled to one-half of the net capability and energy of the Ohio Edison unit. At that time the advance will be repaid to the Company. The balance of the proceeds were used to repay a portion of outstanding short-term bank loans and commercial paper made and issued to finance temporarily the Company's construction program and provide working capital.

This bond issue brings the amount of Company bonds now outstanding to $255 million. Annual interest charges on this amount total $10,762,500, up $4,275,000 over the annual rate for 1968.

Following the January, 1969 issue, it is estimated that approximately $170 million of additional permanent financing will be required in the 1969-1973 period. Current plans call for an additional sale of First Mortgage Bonds in mid-1969. In addition, the $50 million First Mortgage Bonds, 3% Series due in 1970, will be refunded. As the C[illegible] range expansion plans are impleme[illegible] necessary to undertake additional pe[illegible] financing from time to time.

Overall, the Company's construc[illegible]n is currently budgeted at $397 million for the period 1969-1973 in addition to $111 million expended in 1968.

Research and Development

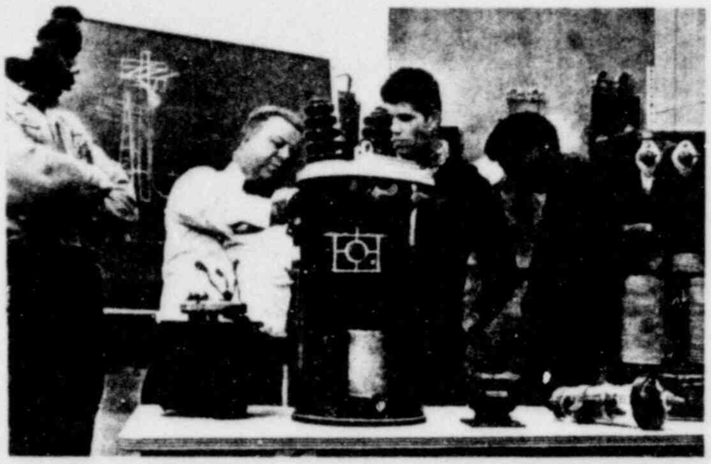
Research, development and utilization of new breakthroughs in technology are vital elements in the Company's overall engineering program.

With other utilities, the Company continued its research and development efforts in advanced nuclear concepts. The Company is one of many investor-owned utilities participating with Gulf General Atomic in a new program announced November 11, 1968 to advance the development of the gas-cooled, fast-breeder reactor nuclear power system. The gas-cooled, fast-breeder reactor has the potential to create up to 60% more fissionable material than it uses. In addition to participating in three other major projects involving both gas-cooled and sodium-cooled fast-breeder reactors, the Company, as a member of The Edison Electric Institute, supports many other programs designed to reduce costs and improve service. These programs cover a variety of fields ranging from extra high voltage transmission to the development of a High Voltage Cable Test Facility.

The Company is also one of the first electric utilities in the country applying Thermovision to its operations. This, an infrared television system, locates potential trouble spots in certain types of equipment through detection of abnormally high temperatures.

With the local telephone company, the Company has completed a test project which involved construction of a common power-telephone subway. Substantial economies are expected for both companies from this joint effort.

Training: *Prospective young linemen, enrolled in the Saturday Work Experience Program sponsored by the Company, examine some of the equipment they may one day be working on.*



New Device: *The Illuminating Company played a large part in developing this Primary Switching Module which helps insure more reliable service in the field of underground residential distribution.*

Additional Company operations, including share owner records and improvements to property records, were adapted to computer systems during 1968. Significant improvements were made in the system with the installation of an IBM 360, Model 65, computer. This is part of the Company's continuing effort to reduce costs and improve the quality of operation through the use of electronic data processing.

Decentralization of Facilities

Speed and reliability of service is an increasing challenge in a rapidly growing metropolitan area. One way the Company is meeting this challenge is through decentralization of service centers. These garage-office-warehouse facilities are located strategically throughout the operating area to expedite maintenance and installation activities. Ten such centers are now in operation with two more scheduled for 1969.

Environmental Improvement

American industry in its physical growth and expansion today is operating within the comparatively new discipline of aesthetics and environmental relationships. Buildings and facilities must be attractive, and industrial processes must not pollute atmosphere or water resources. In this discipline the Company has long been a leader.

Underground residential distribution is one of the fields in which steady progress is being made. Since 1965, the number of homes served by underground distribution has climbed from 678 to over 9,000. During 1968 alone, installations for nearly 3,200 homes were processed. The application of pad-mounted transformers has been extended to commercial-industrial loads, and an advanced concept using direct-buried transformers and modular components has been standardized in Company installations. The first allotment using this new system was energized in May, 1968.

Similar attention is given overhead and other system facilities. This includes such elements as modern-design steel poles, painted wood poles with armless construction and substation landscaping. The Company works closely with municipal authorities wherever possible in planning and designing projects of mutual concern.

Director Changes

At the 1968 Annual Meeting in April, share owners elected Hugh D. Luke, President of The Reliance Electric Company, to replace Kent H. Smith. Mr. Smith did not stand for re-election in accordance with the director retirement plan adopted in 1963 by the Board of Directors. His tenure on the Board covered nearly nine years and during that time the entire Company benefited from his special competencies and his many years of business experience.

Employee Participation

The Company's five-year construction program is evidence of its intention to serve and serve well Cleveland-Northeast Ohio in its period of growth ahead. But dollars and facilities are only part of this service effort. The effectiveness of these new facilities depends, in the final analysis, on people, on the skill and professional know-how of our employees.

More than 4,500 employees work in 900 different jobs throughout the Company. Over 20% of these have more than 25 years of service, a factor which represents a vast pool of knowledge and experience invaluable in operations. To encourage more employees to make a career with the Company, effort is made to develop within the Company a creative work environment in which they may realize their full potential. To this end, a comprehensive educational program is maintained which offers maximum opportunity for self-development through a wide variety of after-hour courses. More than 500 employees were enrolled in these courses in 1968. Under the Company's Tuition Refund Program more than 250 employees worked toward Bachelor and advanced degrees or pursued studies in job-related subjects. In addition, three new manpower programs were initiated during the year designed both to attract new talent and to aid disadvantaged unemployed in the community who wish to qualify for regular Company employment.

Employee identification with Company goals and interests has always been high. In 1968, for example, nearly 5,900 proposals were submitted to reduce costs and improve work methods; more than 1,000 employee suggestions resulted in better service to customers and more efficient operations. On another level of identification, that of investment in their own company, 54% of employees are enrolled in the Company's Thrift Plan. In 1968, employee purchases of stock under the Plan amounted to $1.3 million. Since it was initiated 15 years ago, employees have invested over $12 million of their savings in the Company's common stock.

In the area of Company-Union relations, the Company and the Utility Workers of America, representing operating, maintenance and construction employees, signed a three-year contract on May 31, 1968. It may be opened for re-negotiation by either party only for the pension and group life insurance plans on May 1, 1970.

The Company relies strongly on its people. On the job, it is the skill and professional ability of employees which enables the Company to meet so efficiently the challenges of serving Cleveland-Northeast Ohio. Off the job, it is their widespread involvement in community and service activities which is largely responsible for the esteem enjoyed by the Company as a good corporate citizen throughout its service area.

Financial Statements and Financial and Statistical Review 1968-1958

Source and Application of Funds

	YEAR 1968	1967
SOURCE OF FUNDS		
Net income	$ 37,305,967	$35,773,031
Depreciation and other noncash charges against income — net	20,550,974	21,045,694
Liquidation of temporary cash investments	20,237,868	21,353,089
Sale of common stock to employees	1,639,802	1,453,269
Short-term borrowing	42,300,000	
Increase in payables maturing beyond one year	10,294,792	(405,045)
Other changes — net	6,411,775	(5,912,347)
Total Funds Available	$138,741,178	$73,307,691
APPLICATION OF FUNDS		
Utility plant expenditures	$110,980,378	$45,966,218
Treasury stock purchases	2,411,418	3,816,131
Dividends	25,349,382	23,525,342
Total Funds Applied	$138,741,178	$73,307,691

Opinion of Independent Accountants

To the Board of Directors and the Share Owners of
The Cleveland Electric Illuminating Company:

In our opinion, the accompanying 1968 statements of financial position at December 31, results of operations, earnings retained in the business and source and application of funds present fairly the consolidated financial position of The Cleveland Electric Illuminating Company and its subsidiary companies at December 31, 1968, and the consolidated results of their operations and the supplementary information on funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the accounting changes, which we approve, described in Note C to the financial statements. Our examination of these statements was 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.

PRICE WATERHOUSE & CO.

Cleveland, Ohio
January 30, 1969

The Cleveland Electric Illuminating Company and Subsidiaries

Results of Operations

	YEAR 1968	YEAR 1967
OPERATING REVENUES		
Sales of electric service	$200,258,168	$185,321,200
Sales of steam service	3,582,123	3,702,844
Total Operating Revenues	203,840,291	189,024,044
OPERATING EXPENSES		
Operation	77,268,417	70,451,109
Maintenance	13,056,760	10,905,794
Provision for depreciation and amortization	20,048,281	20,634,257
Taxes, other than Federal income taxes	23,316,000	20,834,000
Federal income taxes (Notes A & B)	29,815,348	26,676,574
Net transfers from accumulated credits for future Federal income taxes	(1,303,000)	(1,246,000)
Investment tax credit adjustments (net) (Note B)	904,184	448,699
Total Operating Expenses	163,105,990	148,704,433
NET OPERATING INCOME	40,734,301	40,319,611
OTHER INCOME net, after income taxes	298,486	885,195
MISCELLANEOUS INCOME DEDUCTIONS, after income taxes	(145,928)	(245,803)
GROSS INCOME	40,886,859	40,959,003
INTEREST CHARGES		
Interest on first mortgage bonds	6,487,500	6,487,500
Interest on bank loans and commercial paper	832,179	
Interest during construction charged to utility plant	(3,738,787)	(1,301,528)
Total Interest Charges	3,580,892	5,185,972
NET INCOME (Note C)	$ 37,305,967	$ 35,773,031
EARNINGS PER COMMON SHARE, outstanding end of period (Note C)	$ 2.78	$ 2.66

Earnings Retained in the Business

	1968	1967
BALANCE BEGINNING OF YEAR		
As previously reported	$61,090,907	$92,024,274
Change in accounting for property taxes (Note C)	7,996,000	7,528,000
As adjusted	69,086,907	99,552,274
ADDITIONS		
Net income resulting from operations	37,305,967	35,773,031
DEDUCTIONS		
Dividends declared — common stock	25,349,382	23,525,342
Treasury stock purchases — cost less stated common stock value	1,552,804	2,713,056
Transfer to common stock account		40,000,000
Total Deductions	26,902,186	66,238,398
BALANCE END OF YEAR	$79,490,688	$69,086,907

Financial Position at December 31

Assets	1968	1967
PROPERTY AND PLANT		
Utility Plant (Note D)	$809,964,111	$709,907,160
Less: Accumulated provision for depreciation and amortization	258,233,922	247,391,876
	551,730,189	462,515,284
Other Plant, less accumulated provision for depreciation	4,398,131	3,781,411
	556,128,320	466,296,695
CURRENT ASSETS		
Cash	3,477,481	3,254,128
U. S. Government and other securities		20,237,868
Amounts due from customers and others, less provision for losses	15,186,015	15,458,994
Materials and supplies	8,051,411	7,409,737
Fuel	6,483,957	7,934,164
Other (Note C)	20,877,661	18,044,037
	54,076,525	72,338,928
OTHER ASSETS	8,191,731	6,863,351
	$618,396,576	$545,498,974

Notes to 1968 Consolidated Financial Statements

NOTE A — For Federal income tax purposes the Company has, since 1954, claimed deductions for liberalized depreciation on additions to its facilities other than those covered by Necessity Certificates while using the straight-line method for accounting purposes. Tax reductions resulting from liberalized depreciation are subject to flow-through accounting treatment on the books of the Company, by order of the Public Utilities Commission of Ohio.

NOTE B — The liability for Federal income tax has been reduced by investment tax credits of $1,021,758 in 1968 and $547,806 in 1967. Pursuant to orders of the Public Utilities Commission of Ohio, these amounts have been deferred through a charge to expense and are being amortized over the estimated life of the property involved.

NOTE C — Effective January 1, 1968, the Company changed certain of its accounting practices in the capitalization of overhead construction costs and the expensing of property taxes in order to more closely conform with those followed by other Ohio electric utilities, and with general industry practices as prescribed by the Federal Power Commission. Commencing January 1, 1968, the Company also reduced its annual electric property depreciation rate from 3.25% to 3.15% to give effect to the latest estimates of useful life for depreciable electric property. These three accounting changes increased net income for the year 1968 by $3,100,000, or twenty-three cents per share, before deducting $200,000 for the effect of the 10% income tax surcharge.

Beginning in 1959 the Company's practice had been to charge to expense in the current year Ohio real and personal property taxes which became a liability on December 31 but were applicable to the subsequent year. In 1968 this practice was changed to charge to operations in the subsequent year Ohio real and personal property taxes which became a liability on the preceding December 31. Therefore, in 1968 taxes of $19,400,000 applicable to the year 1969 have been reflected as other current assets at December 31, 1968, and will be charged to operations in 1969. Had the current practice been followed since 1959, the total effect on earnings retained (after applicable Federal income taxes) would have been an increase of $7,996,000 as of December 31, 1967; and the effect on 1967 net income would have been an increase of $468,000, or three cents per share. Results of operations and financial position for 1967 and those of prior years have been correspondingly restated.

Federal income taxes have been computed at the currently applicable rates for the respective periods, including the 10% income tax surcharge which reduced net income for the year

Capitalization and Liabilities	**1968**	**1967**
FIRST MORTGAGE BONDS (Note E)	$195,000,000	$195,000,000
COMMON STOCK		
No par value — shares outstanding: 13,423,538 in 1968 and 13,435,117 in 1967; after deducting shares in treasury, 700,400 and 636,300, respectively (Note F)	180,723,427	179,942,239
EARNINGS RETAINED IN THE BUSINESS	79,490,688	69,086,907
Total Common Stock Equity	260,214,115	249,029,146
ACCUMULATED CREDITS FOR FUTURE FEDERAL INCOME TAXES, resulting from emergency and defense facility amortization	24,754,000	26,057,000
PAYABLES, maturing 1970-1976	13,684,583	3,389,791
CURRENT LIABILITIES		
Notes payable to banks and others	42,805,804	601,805
Amounts owed to suppliers and employees (Note G)	17,873,949	13,360,654
Federal income taxes	18,293,506	18,830,656
Other taxes	38,499,808	33,613,216
Interest	1,395,883	1,243,938
Other	1,433,275	1,059,872
	120,302,225	68,710,141
DEFERRED CREDITS (Note B)	3,895,460	3,009,855
CONTRIBUTIONS IN AID OF CONSTRUCTION	546,193	303,041
	$618,396,576	$545,498,974

1968 by $2,700,000, or twenty cents per share. The combined effect of the accounting changes and the 10% income tax surcharge increased net income for the year 1968 by $400,000, or three cents per share.

NOTE D — Utility Plant, at December 31, 1968, includes the cost of the portion of the Lake Shore Plant, located on artificially filled land, estimated at approximately $54,134,000. Such land has been occupied since 1910, subject to such rights as the State of Ohio or the City of Cleveland may have.

NOTE E — First Mortgage Bonds:	1968	1967
3% Series due 1970	$ 50,000,000	$ 50,000,000
3% Series due 1982	20,000,000	20,000,000
2¾% Series due 1985	25,000,000	25,000,000
3⅜% Series due 1986	25,000,000	25,000,000
3% Series due 1989	20,000,000	20,000,000
3⅞% Series due 1993	30,000,000	30,000,000
4⅜% Series due 1994	25,000,000	25,000,000
Total	$195,000,000	$195,000,000

For details as to future financing, see page 10 in this annual report.

NOTE F — At December 31, 1968, outstanding options under the Employee Stock Option Plan covered 118,020 shares of Common Stock at prices ranging from $23.75 to $39.25 (95 percent of market on date options were granted prior to 1964, and 100 percent of market on date options were granted in 1964 and subsequently) and a further 2,827 reserved shares are currently not available for the granting of additional options. In 1968, options for 11,168 shares, at option prices ranging from $23.25 to $39.25, were exercised and options covering 391 shares were surrendered.

At December 31, 1968, 24,447 shares of Common Stock were reserved for the Employee Thrift Plan. In 1968, 41,353 shares were sold under the Plan.

NOTE G — Unrecorded purchase commitments for materials and services in connection with the construction program amounted to approximately $97,326,000 at December 31, 1968.

NOTE H — The Company's pension plan provides retirement benefits for all regular employees, with at least ten years of service, based primarily on length of service and total earnings. The plan also provides for certain early retirement, disability and death benefits. The pension provisions were computed as a percentage of payroll based on actuarial estimates. The 1968 and 1967 provisions amounted to $2,630,000 and $2,450,000, respectively. The Company's policy is to fund pension cost accrued. At the end of 1968, the value of the pension fund adequately covered all prior service liability.

The Cleveland Electric Illuminating Company and Subsidiaries

Financial and Statistical Review 1968-1958

Results of Operations
(Thousands of Dollars)

	1968	1967	1966
TOTAL OPERATING REVENUE	203,840	189,024	184,246
Residential	70,335	65,446	62,268
Commercial	50,394	46,398	43[illegible]
Industrial	71,655	66,262	65[illegible]
Other Electric	7,874	7,215	9,[illegible](d)
Steam Heating	3,582	3,703	3,547
TOTAL OPERATING EXPENSES — (a)	163,106	148,704	145,149
Operating Payroll	30,475	29,161	27,728
Fuel and Purchased Power	40,998	34,374	34,352
Other Operating Expenses	18,852	17,821	16,917
Depreciation and Amortization	20,048	20,634	20,191
Taxes, Other Than Federal Income taxes (a)	23,316	20,834	20,166
Federal Income Taxes (a)	29,816	26,677	26,621
Provision for Future Federal Income Taxes	239	222	213
Transfers from Accum. Crs. for Future Fed. Inc. Taxes	(1,542)	(1,468)	(1,486)
Investment Tax Credit Adjustments (Net)	904	449	447
NET OPERATING INCOME — (a)	40,734	40,320	39,097
OTHER INCOME net, after income taxes	299	885	1,296
MISCELLANEOUS INCOME DEDUCTIONS, after income taxes	(146)	(246)	(378)
GROSS INCOME — (a)	40,887	40,959	40,015
INTEREST CHARGES	3,581	5,186	5,976
Long Term Debt and Other Interest	7,320	6,488	6,488
Interest Charged to Construction	(3,739)	(1,302)	(512)
NET INCOME — (a)	37,306	35,773	34,039
EARNINGS PER SHARE — Common — (a) (b)	$ 2.78	$ 2.66	$ 2.52
DIVIDENDS PER SHARE — Common — (b)	$ 1.89	$ 1.74	$ 1.62

Financial Position Year-End
(Thousands of Dollars)

	1968	1967	1966
TOTAL ASSETS (a)	618,397	545,499	537,149
Utility Plant — Total	809,964	709,907	669,581
Accum. Utility Plant Deprec. and Amort.	(258,234)	(247,392)	(231,604)
Other Plant, less accumulated depreciation	4,398	3,781	2,954
Current and Other Assets (a)	62,269	79,203	96,2[illegible]
TOTAL CAPITALIZATION AND LIABILITIES (a)	618,397	545,499	53[illegible]
First Mortgage Bonds	195,000	195,000	195,[illegible]
Preferred Stock	—	—	—
Common Stock Equity — (a)	260,214	249,029	239,144
Accum. Credits for Future Fed. Inc. Taxes	24,754	26,057	27,303
Current Liabilities and Other Credits — (a)	138,429	75,413	75,702
UTILITY PLANT ADDITIONS	110,980	45,966(f)	34,078(f)
UTILITY PLANT RETIREMENTS	10,923	5,640	7,120
NUMBER OF COMMON SHARES — (b) (c)	13,423,538	13,435,117	13,494,193
NUMBER OF PREFERRED SHARES	—	—	—

Operating Statistics

	1968	1967	1966
KWHR SALES (Thousands)	12,360,792	11,254,051	11,828,586
Residential	2,904,191	2,666,343	2,511,231
Commercial	2,518,958	2,303,515	2,149,718
Industrial	6,444,028	5,824,474	5,957,885
Other	493,615	459,719	1,209,752(d)
ELECTRIC CUSTOMERS — YEAR END	638,685	627,789	621,293
Residential	585,224	575,814	570,511
Commercial	45,808	44,493	43,565
Industrial	7,127	6,957	6,692
Other	526	525	525
RESIDENTIAL SALES DATA			
Average Kwhr per Customer	4,809	4,483	4,268
Average Revenue per Customer	$ 116.42	$ 109.92	$ 105.70
Average Revenue per Kwhr	2.42¢	2.45¢	2.48¢
ELECTRIC PRODUCTION			
Net Available for Service Area (Thousands)	13,296,025	12,070,649	11,858,149
Net Generation	11,592,344	10,915,67[illegible]	11,764,953
Net Received from Others	1,703,681	1,154,97[illegible]	93,196
BTU per KWHR of Net Output	10,517	10,353	10,388
Fuel cost per Million BTU	26.60¢	25.50¢	24.65¢
Coal Cost per Ton	$ 6.26	$ 6.09	$ [illegible]
Net 60-Min. Max. Load — KW — Excl. Interruptibles	2,266,000	2,086,000	1,94[illegible]
Net Generating Capability — KW — Year End	2,259,000	2,259,000	2,259,000
STEAM HEATING			
Sales — Pounds (Thousands)	2,342,745	2,448,541	2,360,415
Customers — Year End	484	497	530
POPULATION SERVED	2,171,000	2,142,000	2,101,000
EMPLOYEES — YEAR END	4,528	4,330	4,217

(a) Years 1959 through 1967 have been restated to reflect the change in accounting for property taxes — see Note C to Financial Statements.

(b) Shares outstanding end of period. Years 1958 through 1962 — Restated to reflect a 2-for-1 stock split on May 20, 1963.

(c) After deducting shares in Treasury: 72,200, 243,300, 530,400, 636,300 and 700,400 in 1964-5-6-7-8, respectively.

(d) Includes 822,035,000 KWHR and $3,470,000 Revenue — sales for resale to other utilities.

(e) Reflects redemption of Preferred Stock, $4.50 Series, at $107 per share, effective October 1, 1963.

(f) Net after reductions of: $2,216,000, $53,000 and $132,000 in 1964-5-6, respectively, for price adjustments due to anti-trust settlements; and $107,815 in 1967 reflecting Acquisition Adjustments for all prior years' acquisitions. Also, reflects reclassification in 1965 of a portion of Improvements to Leased Property as Utility Plant, $1,053,000.

1965	1964	1963	1962	1961	1960	1959	1958
168,967	161,402	154,216	146,517	139,053	136,373	130,371	118,215
58,799	56,889	54,064	51,921	50,600	48,309	45,389	42,005
39,758	37,642	35,651	33,876	32,155	30,127	28,225	25,536
60,878	57,513	54,785	51,681	47,233	48,469	47,017	40,834
6,042	5,892	5,987	5,501	5,483	5,703	5,878	5,912
3,490	3,466	3,729	3,538	3,582	3,765	3,862	3,928
132,694	127,871	122,556	116,360	109,057	107,060	102,396	94,550
26,426	25,338	24,205	23,607	22,827	22,331	21,463	20,806
28,280	25,824	25,244	24,065	22,374	22,905	23,785	22,673
15,698	14,868	14,320	13,687	12,432	12,085	11,298	10,599
20,173	19,984	19,479	18,615	16,072	15,739	14,442	13,299
19,537	18,599	18,027	16,740	15,329	14,647	13,124	12,082
23,420	21,984	19,889	17,814	18,283	16,468	16,705	11,681
231	2,050	2,063	2,301	2,737	3,690	2,295	3,812
(1,494)	(1,200)	(1,207)	(1,169)	(997)	(805)	(716)	(402)
423	424	536	700	—	—	—	—
36,273	33,531	31,660	30,157	29,996	29,313	27,975	23,665
1,301	840	761	657	667	607	314	98
(295)	(291)	(233)	(178)	(145)	(138)	(139)	(115)
37,279	34,080	32,188	30,636	30,518	29,782	28,150	23,648
6,179	6,300	5,990	5,438	5,585	6,163	4,657	3,574
6,488	6,488	6,488	6,488	6,488	6,488	6,292	5,319
(309)	(188)	(498)	(1,050)	(903)	(325)	(1,635)	(1,745)
31,100	27,780	26,198	25,198	24,933	23,619	23,493	20,074
$ 2.26	$ 2.01	$ 1.83	$ 1.75	$ 1.74	$ 1.65	$ 1.65	$ 1.40
$ 1.32	$ 1.20	$ 1.10	$ 1.00	$ .95	$ .90	$ .85	$ .80
528,181	518,482	504,174	516,182	502,332	481,567	463,500	417,333
642,623	629,743	617,535	603,742	584,798	556,436	537,157	520,683
(217,701)	(205,040)	(189,771)	(174,001)	(158,641)	(148,176)	(135,698)	(135,751)
2,532	2,853	2,184	2,134	2,511	2,575	2,560	2,433
100,727	90,926	74,226	84,307	73,664	70,732	59,481	29,968
528,181	518,482	504,174	516,182	502,332	481,567	463,500	417,333
195,000	195,000	195,000	195,000	195,000	195,000	195,000	170,000
—	—	— (e)	25,753	25,728	25,710	25,680	25,654
236,922	228,809	218,895	208,809	196,684	184,414	172,937	160,862
28,576	29,839	28,989	28,133	27,001	25,261	22,376	20,797
67,683	64,334	61,290	58,487	57,919	51,182	47,507	40,020
22,415(f)	17,743(f)	18,462	23,330	35,348	23,553	31,913	56,488
9,535	5,535	4,669	4,386	6,986	4,274	15,439	5,082
13,734,331	13,831,712	13,844,806	13,768,730	13,689,824	13,623,046	13,562,246	13,507,512
—	—	— (e)	257,527	257,286	257,100	256,805	256,542
10,138,961	9,271,809	8,660,038	8,076,609	7,432,113	7,417,147	7,221,419	6,432,332
2,340,284	2,195,362	2,073,297	1,983,552	1,925,736	1,828,723	1,743,157	1,634,089
1,955,123	1,805,726	1,691,301	1,592,975	1,496,368	1,385,821	1,306,264	1,183,787
5,495,238	4,923,986	4,536,203	4,211,309	3,714,319	3,855,780	3,790,078	3,211,382
348,316	346,735	359,237	288,773	295,690	346,823	381,920	403,074
609,920	598,156	583,882	574,142	566,215	559,114	549,195	537,615
561,281	551,113	538,939	530,958	523,427	516,889	507,065	495,718
41,475	40,034	38,353	36,988	36,756	36,302	36,270	36,091
6,460	6,318	5,898	5,525	5,366	5,270	5,216	5,170
704	691	692	671	666	653	644	636
4,045	3,876	3,750	3,638	3,591	3,462	3,376	3,221
$ 101.58	$ 100.53	$ 97.80	$ 95.33	$ 94.28	$ 91.34	$ 87.72	$ 82.68
2.51¢	2.59¢	2.61¢	2.62¢	2.63¢	2.64¢	2.60¢	2.57¢
10,946,426	10,000,161	9,376,237	8,764,741	8,108,959	8,053,505	7,895,906	7,016,509
10,107,776	9,560,155	9,137,445	8,560,894	7,918,612	7,920,658	7,772,765	6,562,164
838,650	440,006	238,792	203,847	190,347	132,847	123,141	454,345
10,293	10,033	9,910	10,001	9,997	10,141	10,483	10,630
24.35¢	25.02¢	26.16¢	26.27¢	26.27¢	26.56¢	27.52¢	28.58¢
5.82	$ 6.00	$ 6.32	$ 6.34	$ 6.35	$ 6.41	$ 6.66	$ 6.99
383,000	1,717,000	1,609,000	1,518,000	1,493,000	1,433,000	1,436,000	1,333,000
2,255,000	2,236,000	2,267,000	2,267,000	2,021,000	2,021,000	2,021,000	1,909,000
2,331,516	2,273,890	2,427,241	2,496,461	2,491,743	2,542,283	2,626,808	2,592,464
534	538	551	567	575	600	611	615
2,070,000	2,042,000	2,014,000	1,985,000	1,958,000	1,929,000	1,906,000	1,878,000
4,041	3,978	3,905	3,958	4,046	4,321	4,372	4,546

The Board of Directors

RALPH M. BESSE
Chairman of the Board

JOHN E. KUSIK
Vice Chairman of the Board
The Chesapeake & Ohio Railway Co.

JOHN LANSDALE, JR.
Partner in the law firm of
Squire, Sanders & Dempsey

ELMER L. LINDSETH
Chairman of the Executive
Committee of the Board

HUGH D. LUKE
President
The Reliance Electric Company

SEVERANCE A. MILLIKIN
Personal Investments

DR. ROBERT W. MORSE
President
Case Western Reserve University

KARL H. RUDOLPH
President

CHARLES E. SPAHR
President
The Standard Oil Company (Ohio)

RICHARD B. TULLIS
President
Harris-Intertype Corporation

JOHN C. VIRDEN
Chairman of the Executive Committee
Eaton Yale & Towne Inc.

Principal Officers and Executives

RALPH M. BESSE
Chairman of the Board

KARL H. RUDOLPH
President

F. WARREN BROOKS
Vice President-Finance

ROBERT M. GINN
Vice President-General Services

LEE C. HOWLEY
Vice President & General Counsel

HARRY T. SEALY
Vice President-Operations

HAROLD L. WILLIAMS
Vice President-Engineering

RAYMOND W. WYMAN
Vice President-Marketing

CLEMENT T. LOSHING
Treasurer

RICHARD A. MILLER
Controller

WILLIAM R. VOGELSANG
Secretary

PHILIP B. PERRY
General Superintendent
Distribution Division

CHARLES E. RICHARDS
General Superintendent
Steam Power Division

Raymond W. Wyman, Robert M. Ginn, Harry T. Sealy, Lee C. Howley, Harold L. Williams

Karl H. Rudolph, Ralph M. Besse, F. Warren Brooks

Auditors

Price Waterhouse & Co.
Union Commerce Building
Cleveland, Ohio 44115

Common Stock

Listed on the New York, Midwest and Pacific Coast Stock Exchanges; unlisted trading on the Boston Stock Exchange. New York Stock Exchange Symbol — CVX

Transfer Agents

For Common Stock

The Cleveland Electric Illuminating Company
P. O. Box 5000, Cleveland, Ohio 44101

Manufacturers Hanover Trust Company
Four New York Plaza, New York, N. Y. 10015

Trustee

Morgan Guaranty Trust Company of New York
23 Wall Street, New York, N. Y. 10015

Registrars

For Common Stock

The Cleveland Trust Company
Euclid Avenue and East 9th Street
Cleveland, Ohio 44101

Bankers Trust Company
16 Wall Street, New York, N. Y. 10015

Bond Paying Agents

Manufacturers Hanover Trust Company
40 Wall Street, New York, N. Y. 10015

The Cleveland Trust Company
Euclid Avenue and East 9th Street
Cleveland, Ohio 44101

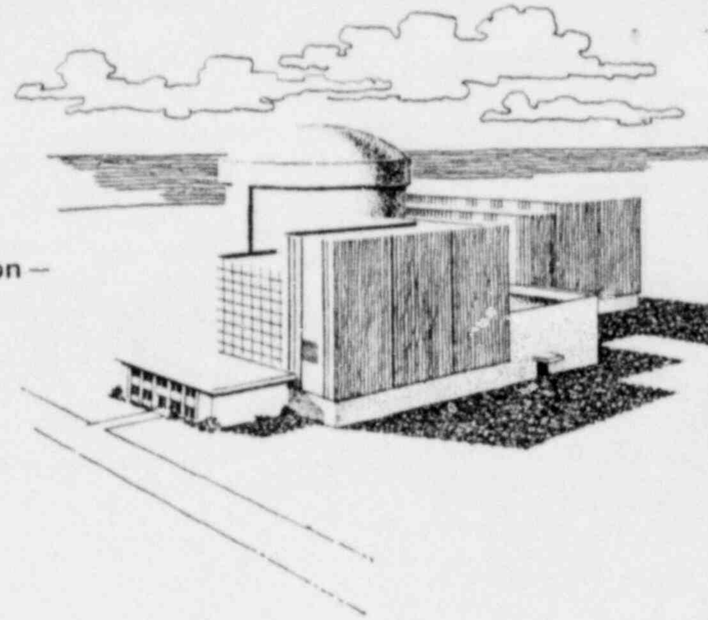
Share Owner Inquiries

Communications regarding transfer requirements or lost certificates may be directed to either Transfer Agent. All communications regarding dividends and changes of address should be directed to the Office of the Secretary, 55 Public Square, P O. Box 5000, Cleveland, Ohio 44101

Executive Offices

Illuminating Building
55 Public Square
Cleveland, Ohio

Mail Address
Post Office Box 5000
Cleveland, Ohio 44101



The Davis-Besse Nuclear Power Station —

will help the Company meet the expanding load growths of tomorrow and serve with even greater efficiency the vigorous, creative environment of Cleveland-Northeast Ohio. The station, to be located 20 miles east of Toledo on Lake Erie, will be built and owned by The Illuminating Company and The Toledo Edison Company. It will supply energy over a system of interconnected transmission lines to the service areas of both companies, and will strengthen system reliability.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
P. O. Box 5000 • Cleveland, Ohio 44101