CENTERIOR ENERGY

PERRY NUCLEAR POWER PLANT
10 CENTER ROAD
PERRY, OHIO 44081
(216) 259-3737

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Michael D. Lyster
VICE PRESIDENT - NUCLEAR

April 24, 1992
PY-CEI/NRR-1477 L

U.S. Nuclear Regulatory Commission
Document Control Desk
Washington, D.C. 20555

Perry Nuclear Power Plant
Docket No. 50-440
Annual Financial Report 1991

Gentlemen:

Attached is the 1991 annual financial report and its supplemental Form 10-K for Centerior Energy Corporation. This report satisfies the requirements of 10 CFR 50.71(b).

If you have any questions, please feel free to call.

Sincerely,

B K Beyer
for

Michael D. Lyster

MDL:SML:ss

Attachments

cc: NRC Project Manager
NRC Resident Inspector
USNRC, Region III

M004 .1

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

Form 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1991

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from to

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
1-9130	CENTERIOR ENERGY CORPORATION (An Ohio Corporation) 6200 Oak Tree Boulevard Independence, Ohio 44131 Telephone (216) 447-3100	34-1479083
1-2323	THE CLEVELAND ELECTRIC ILLUMINATING COMPANY (An Ohio Corporation) 55 Public Square Cleveland, Ohio 44113 Telephone (216) 622-9800	34-0150020
1-3583	THE TOLEDO EDISON COMPANY (An Ohio Corporation) 300 Madison Avenue Toledo, Ohio 43652 Telephone (419) 249-5000	34-4375005

Indicate by check mark whether each of the registrants (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X . No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Registration S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of Centerior Energy Corporation Common Stock, without par value, held by non-affiliates was $2,574,470,742 on February 28, 1992 based on the closing sale price as quoted for that date on a composite transactions basis in *The Wall Street Journal* and on the 141,066,890 shares of Common Stock outstanding on that date. Centerior Energy Corporation is the sole holder of the 79,590,689 shares and 39,133,887 shares of the outstanding common stock of The Cleveland Electric Illuminating Company and The Toledo Edison Company, respectively.

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

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Centerior Energy Corporation	Common Stock, without par value	New York Stock Exchange
		Midwest Stock Exchange
		Pacific Stock Exchange
The Cleveland Electric Illuminating Company	Cumulative Serial Preferred Stock, without par value:	
	$7.40 Series A	New York Stock Exchange
	$7.56 Series B	New York Stock Exchange
	Adjustable Rate, Series L	New York Stock Exchange
	First Mortgage Bonds:	
	3-7/8% Series due 1993	New York Stock Exchange
	4-3/8% Series due 1994	New York Stock Exchange
	8-3/4% Series due 2005	New York Stock Exchange
	9-1/4% Series due 2009	New York Stock Exchange
	9.85% Series due 2010	New York Stock Exchange
	8-3/8% Series due 2011	New York Stock Exchange
	8-3/8% Series due 2012	New York Stock Exchange
The Toledo Edison Company	Cumulative Preferred Stock, par value $100 per share:	
	4-1/4% Series	American Stock Exchange
	8.32% Series	American Stock Exchange
	7.76% Series	American Stock Exchange
	10% Series	American Stock Exchange
	Cumulative Preferred Stock, par value $25 per share:	
	8.84% Series	New York Stock Exchange
	$2.365 Series	New York Stock Exchange
	Adjustable Rate, Series A	New York Stock Exchange
	Adjustable Rate, Series B	New York Stock Exchange
	$2.81 Series	New York Stock Exchange
	First Mortgage Bonds:	
	9% Series due 2000	New York Stock Exchange
	7-1/2% Series due 2002	New York Stock Exchange
	8% Series due 2003	New York Stock Exchange
	9.65% Series due 2006	New York Stock Exchange
	9-5/8% Series due 2008	New York Stock Exchange

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

Registrant	Title of Each Class
Centerior Energy Corporation	None
The Cleveland Electric Illuminating Company	None
The Toledo Edison Company	Cumulative Preferred Stock, par value $100 per share: 4.56% Series and 4.25% Series

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DOCUMENTS INCORPORATED BY REFERENCE

Description	Part of Form 10-K Into Which Document Is Incorporated
Portions of Proxy Statement of Centerior Energy Corporation, dated March 6, 1992	Part III

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	Page Number

This combined Form 10-K is separately filed by Centerior Energy Corporation, The Cleveland Electric Illuminating Company and The Toledo Edison Company. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant, except that information relating to either or both of the Operating Companies is also attributed to Centerior Energy.

GLOSSARY OF TERMS

The following terms and abbreviations used in the text of this report are defined as indicated:

Term	Definition
AFUDC	Allowance for Funds Used During Construction.
AMP-Ohio	American Municipal Power-Ohio, Inc., an Ohio not-for-profit corporation, the members of which are certain Ohio municipal electric systems.
Beaver Valley Unit 2	Unit 2 of the Beaver Valley Power Station, in which the Operating Companies have ownership and leasehold interests.
CAPCO Group	Central Area Power Coordination Group.
Centerior Energy or Centerior	Centerior Energy Corporation.
Centerior System	Centerior Energy, the Operating Companies and the Service Company.
Clean Air Act	Federal Clean Air Act of 1970 as amended.
Clean Air Act Amendments	November 1990 Amendments to the Clean Air Act.
Clean Water Act	Federal Water Pollution Control Act as amended.
Cleveland Electric	The Cleveland Electric Illuminating Company, an electric utility subsidiary of Centerior Energy and a member of the CAPCO Group.
Consol	Consolidation Coal Company.
Consumers Power	Consumers Power Company, an electric utility subsidiary of CMS Energy Corporation.

Term	Definition
CPP	Cleveland Public Power, a municipal electric system operated by the City of Cleveland.
CWIP	Construction Work in Progress.
Davis-Besse	Davis-Besse Nuclear Power Station.
Detroit Edison	Detroit Edison Company, an electric utility.
District of Columbia Circuit Appeals Court	United States Court of Appeals for the District of Columbia Circuit.
DOE	United States Department of Energy.
Duquesne	Duquesne Light Company, an electric utility subsidiary of DQE, Inc. and a member of the CAPCO Group.
ECAR	East Central Area Reliability Coordination Group.
FERC	Federal Energy Regulatory Commission.
FICA	Federal Insurance Contributions Act.
General Electric	General Electric Company.
GPU	General Public Utilities Corporation, an electric utility holding company.
Holding Company Act	Public Utility Holding Company Act of 1935.
Ludington Plant	Ludington Pumped Storage Power Plant, a pumped-storage, hydro-electric generating station jointly owned by Detroit Edison and Consumers Power.
Mansfield Plant	Bruce Mansfield Generating Plant, a coal-fired power plant, in which the Operating Companies have leasehold interests as joint and several lessees.
Note or Notes	Note or Notes to the Financial Statements in the Centerior Energy, Cleveland Electric and Toledo Edison Annual Reports for 1991 (Note or Notes, where used, refers to all three companies unless otherwise specified).
NPDES	National Pollutant Discharge Elimination System.

Term	Definition
NRC	United States Nuclear Regulatory Commission.
Ohio Edison	Ohio Edison Company, an electric utility and a member of the CAPCO Group.
Ohio EPA	Ohio Environmental Protection Agency.
Ohio Power	Ohio Power Company, an electric utility subsidiary of American Electric Power Company, Inc.
Ohio Valley	The Ohio Valley Coal Company, the successor corporation to The Nacco Mining Company and a subsidiary of Ohio Valley Resources, Inc.
Operating Companies (individually, Operating Company)	Cleveland Electric and Toledo Edison.
OPSB	Ohio Power Siting Board.
PaPUC	Pennsylvania Public Utility Commission.
Penelec	Pennsylvania Electric Company, an electric utility subsidiary of GPU.
Pennsylvania Power	Pennsylvania Power Company, an electric utility subsidiary of Ohio Edison and a member of the CAPCO Group.
Perry Plant	Perry Nuclear Power Plant.
Perry Unit 1 and Perry Unit 2	Unit 1 and Unit 2 of the Perry Plant, in which the Operating Companies have ownership interests.
PUCO	The Public Utilities Commission of Ohio.
Purchase Plan	Centerior Energy's Employee Purchase Plan.
Quarto	Quarto Mining Company, a subsidiary of Consol.
RICO	Federal Racketeer Influenced and Corrupt Organizations Act.
Savings Plan	Centerior Energy's Employee Savings Plan.
SEC	Securities and Exchange Commission.

Term	Definition
Seneca Plant	Seneca Power Plant, a pumped-storage, hydroelectric generating station jointly owned by Cleveland Electric and Penelec.
Service Company	Centerior Service Company, a service subsidiary of Centerior Energy.
Sixth Circuit Appeals Court	United States Court of Appeals for the Sixth Circuit.
Superfund	Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the Superfund Amendments and Reauthorization Act of 1986.
Toledo Edison	The Toledo Edison Company, an electric utility subsidiary of Centerior Energy and a member of the CAPCO Group.
U.S. EPA	United States Environmental Protection Agency.
Westinghouse	Westinghouse Electric Corporation.

PART I

Item 1. Business

THE CENTERIOR SYSTEM

Centerior Energy is a public utility holding company and the parent company of the Operating Companies and the Service Company. Centerior was incorporated under the laws of the State of Ohio in 1985 for the purpose of enabling Cleveland Electric and Toledo Edison to affiliate by becoming wholly owned subsidiaries of Centerior. The affiliation of the Operating Companies became effective in April 1986. Nearly all of the consolidated operating revenues of the Centerior System are derived from the sale of electric energy by Cleveland Electric and Toledo Edison.

The Operating Companies' combined service areas encompass approximately 4,200 square miles in northeastern and northwestern Ohio with an estimated population of about 2,600,000. At December 31, 1991, the Centerior System had 8,592 employees. Centerior Energy has no employees.

Cleveland Electric, which was incorporated under the laws of the State of Ohio in 1892, is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in an area of approximately 1,700 square miles in northeastern Ohio, including the City of Cleveland. Cleveland Electric also provides electric energy at wholesale to other electric utility companies and to two municipal electric systems in its service area. Cleveland Electric serves approximately 746,000 customers and derives approximately 74% of its total electric revenue from customers outside the City of Cleveland. Principal industries served by Cleveland Electric include those producing steel and other primary metals; automotive and other transportation equipment; chemicals; electrical and nonelectrical machinery; fabricated metal products; and rubber and plastic products. Nearly all of Cleveland Electric's operating revenues are derived from the sale of electric energy. At December 31, 1991, Cleveland Electric had 4,531 employees of which about 54% were represented by one union having a collective bargaining agreement with Cleveland Electric.

Toledo Edison, which was incorporated under the laws of the State of Ohio in 1901, is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in an area of approximately 2,500 square miles in northwestern Ohio, including the City of Toledo. Toledo Edison also provides electric energy at wholesale to other electric utility companies and to 13 municipally owned distribution systems (through AMP-Ohio) and one rural electric cooperative distribution system in its service area. Toledo Edison serves approximately 285,000 customers and derives approximately 60% of its total electric revenue from customers outside the City of Toledo. Among the principal industries served by Toledo Edison are metal casting, forming and fabricating; petroleum refining; automotive equipment and assembly; food processing; and glass. Nearly all of Toledo Edison's operating revenues are derived from the sale of electric energy. At December 31, 1991, Toledo Edison had 2,562 employees of which about 55% were represented by three unions having collective bargaining agreements with Toledo Edison.

The Service Company, which was incorporated in 1986 under the laws of the State of Ohio, is also a wholly owned subsidiary of Centerior Energy. It provides management, financial, administrative, engineering, legal, governmental and public relations and other services to Centerior Energy and the Operating Companies. At December 31, 1991, the Service Company had 1,499 employees of which about 1% were represented by a union.

CAPCO GROUP

Cleveland Electric and Toledo Edison are members of the CAPCO Group, a power pool created in 1967 with Duquesne, Ohio Edison and Pennsylvania Power. This pool affords greater reliability and lower cost of providing electric service through coordinated generating unit operations and maintenance and generating reserve back-up among the five companies. In addition, the CAPCO Group has completed programs to construct larger, more efficient electric generating units and to strengthen interconnections within the pool.

The CAPCO Group companies have placed in service nine major generating units, of which the Operating Companies have ownership or leasehold interests in seven (three nuclear and four coal-fired). Construction of another nuclear generating unit (Perry Unit 2) has been suspended (see Note 3(c)). Each CAPCO Group company owns, as a tenant-in-common, or leases a portion of certain of these generating units. Each company has the right to the net capability and associated energy of its respective ownership and leasehold portions of the units and is, severally and not jointly, obligated for the capital and operating costs equivalent to its respective ownership and leasehold portions of the units and the required fuel, except that the obligations of Pennsylvania Power are the joint and several obligations of that company and Ohio Edison and except that the leasehold obligations of Cleveland Electric and Toledo Edison are joint and several. (See "Operations--Fuel Supply".) In all cases but one, the company in whose service area a generating unit is located is responsible for the operation of that unit for all the owners, except for the procurement of nuclear fuel for a nuclear generating unit. Each company owns the necessary interconnecting transmission facilities within its service area, and the other CAPCO Group companies contribute toward fixed charges and operating costs of those transmission facilities.

All of the CAPCO Group companies are members of ECAR, which is comprised of 28 electric companies located in nine contiguous states. ECAR's purpose is to improve reliability of bulk power supply through coordination of planning and operation of member companies' generation and transmission facilities.

CONSTRUCTION AND FINANCING PROGRAMS

Construction Program

The Centerior System carries on a continuous program of constructing transmission, distribution and general facilities and modifying existing generating facilities to meet anticipated demand for electric service, to comply with governmental regulations and to protect the environment. The Centerior System's integrated resource plan for the 1990s combines demand-side management programs with maximum utilization of existing generating capacity to postpone the need for new generating units until early in the next decade. Demand-side management programs, such as direct load control, residential appliance interlocks, curtailable load, thermal storage and energy management, are expected to reduce peak load growth and increase energy usage in off-peak periods. The next increment of generating capacity to be constructed by the Operating Companies is expected to be relatively small, 100,000-150,000-kilowatt units with short construction lead times. According to the current long-term integrated resource plan, and assuming construction on Perry Unit 2 is not resumed in the interim (see Note 3(c)), the Centerior System plans to put into service 272,000 kilowatts of such generating capacity after 2002.

The following tables show, categorized by major components, the construction expenditures by Cleveland Electric and Toledo Edison and, by aggregating them, for the Centerior System during 1989, 1990 and 1991 and the estimated cost of their construction programs for 1992, 1993 and 1994, in each case including AFUDC and excluding nuclear fuel:

Cleveland Electric	Actual 1989	Actual 1990	Actual 1991	Estimated 1992	Estimated 1993	Estimated 1994
	(Millions of Dollars)					
Beaver Valley Unit 2	$ 1	$ 0	$ 0	$ 0	$ 0	$ 0
Perry Unit 2*	0	0	0	3	0	0
Transmission, Distribution and General Facilities	87	82	77	98	117	124
Renovation and Modification of Generating Units						
Perry Unit 1	4	8	5	12	16	11
Beaver Valley Unit 2**	3	(3)	4	4	4	3
Davis-Besse	25	40	16	7	16	13
Non-Nuclear Units	24	37	48	67	89	87
Clean Air Act Amendments Compliance	0	0	0	9	17	34
Total	$144	$164	$150	$200	$259	$272

Toledo Edison	Actual 1989	Actual 1990	Actual 1991	Estimated 1992	Estimated 1993	Estimated 1994
	(Millions of Dollars)					
Beaver Valley Unit 2	$ 1	$ 0	$ 0	$ 0	$ 0	$ 0
Perry Unit 2*	2	0	0	0	0	0
Transmission, Distribution and General Facilities	27	29	30	31	65	37
Renovation and Modification of Generating Units						
Perry Unit 1	2	5	2	8	9	7
Beaver Valley Unit 2**	2	(2)	4	4	4	3
Davis-Besse	29	39	11	5	15	12
Non-Nuclear Units	10	16	7	11	18	30
Clean Air Act Amendments Compliance	0	0	0	0	1	0
Total	$ 73	$ 87	$ 54	$ 59	$112	$ 89

Note: The footnotes to the tables are on the following page.

Centerior System	Actual 1989	1990	1991	Estimated 1992	1993	1994
	(Millions of Dollars)					
Beaver Valley Unit 2	$ 2	$ 0	$ 0	$ 0	$ 0	$ 0
Perry Unit 2*	2	0	0	3	0	0
Transmission, Distribution and General Facilities	114	111	107	129	182	161
Renovation and Modification of Generating Units						
Perry Unit 1	6	13	7	20	25	18
Beaver Valley Unit 2**	5	(5)	8	8	8	6
Davis-Besse	54	79	27	12	31	25
Non-Nuclear Units	34	53	55	78	107	117
Clean Air Act Amendments Compliance	0	0	0	9	18	34
Total	$217	$251	$204	$259	$371	$361

*Construction of Perry Unit 2 has been suspended. The amount shown for Perry Unit 2 in 1989 for Toledo Edison and the Centerior System is the result of a reallocation of previous years' costs between Perry Unit 1 and Perry Unit 2 for Toledo Edison. In February 1992, Cleveland Electric purchased Duquesne's ownership share of Perry Unit 2 for $3,324,000 (see Note 3(c)).

**The amount shown for Beaver Valley Unit 2 in 1990 is the result of prior-period adjustments for AFUDC.

Each company in the CAPCO Group is responsible for financing the portion of the capital costs of nuclear fuel equivalent to its ownership and leased interest in the unit in which the fuel will be utilized. See "Operations--Fuel Supply--Nuclear" for information regarding nuclear fuel supplies and Note 5 regarding leasing arrangements to finance nuclear fuel capital costs. Nuclear fuel capital costs incurred by Cleveland Electric, Toledo Edison and the Centerior System during 1989, 1990 and 1991 and their estimated nuclear fuel capital costs for 1992, 1993 and 1994 are as follows:

	Actual 1989	1990	1991	Estimated 1992	1993	1994
	(Millions of Dollars)					
Cleveland Electric	$ 29	$ 38	$ 32	$ 34	$ 42	$ 23
Toledo Edison	$ 21	$ 24	$ 27	$ 22	$ 34	$ 21
Centerior System	$ 50	$ 62	$ 59	$ 56	$ 76	$ 44

Financing Program

Reference is made to Centerior Energy's, Cleveland Electric's and Toledo Edison's Management's Financial Analysis contained under Item 7 of this Report and to Notes 10 and 11 for discussions of the Centerior System's financing activity in 1991; debt and preferred stock redemption requirements during the 1992-1994 period; expected external financing needs during such period; restrictions on the issuance of additional debt securities and preferred and preference stock; short-term and long-term financing capability; and securities ratings for the Operating Companies.

In the second quarter of 1992, Cleveland Electric plans to register with the SEC $125,000,000 of notes secured by first mortgage bonds, which notes are expected to be issued periodically over a 12-month period.

In March 1992, Toledo Edison sold $15,500,000 of notes secured by first mortgage bonds. Toledo Edison's financing plans for the remainder of 1992 include the redemption in April 1992 of 24,825 shares of its 11% Cumulative Preferred Stock at a redemption price of $101 per share and the registration with the SEC of an additional $75,000,000 of notes secured by first mortgage bonds, which notes are expected to be issued periodically over a 12-month period.

Centerior expects to raise about $40,000,000-$50,000,000 in 1992 from the sale of authorized but unissued common stock under certain of its employee and share owner stock purchase plans.

GENERAL REGULATION

Holding Company Regulation

Centerior Energy is currently exempt from regulation under the Holding Company Act.

Congress is considering legislation to amend the Holding Company Act which, among other matters, would create a new class of wholesale electric generators that would be largely exempt from regulation. Consideration is also being given to legislation which would allow these exempt wholesale generators to have access to any electric utility's transmission system to provide power to other utilities or wholesale customers. If the Holding Company Act is amended as described above, the Centerior System could face increased competition for wholesale power sales from such exempt wholesale generators.

State Utility Commissions

The Operating Companies are subject to the jurisdiction of the PUCO with respect to rates, service, accounting, issuance of securities and other matters. Under Ohio law, municipalities may regulate rates, subject to appeal to the PUCO if not acceptable to the utility. See "Electric Rates" for a description of certain aspects of Ohio rate-making law. The Operating Companies are also subject to the jurisdiction of the PaPUC in certain respects relating to their ownership interests in generating facilities located in Pennsylvania.

The PUCO is composed of five commissioners appointed by the Governor of Ohio from nominees recommended by a Public Utility Commission Nominating Council. Nominees must have at least three years' experience in one of several disciplines. Not more than three commissioners may belong to the same political party.

Under Ohio law, a public utility must file annually with the PUCO a long-term forecast of customer loads, facilities needed to serve those loads and prospective sites for those facilities. This forecast must include the following:

(1) Demand Forecast--the utility's 20-year forecast of sales and peak demand, before and after the effects of demand-side management programs.

(2) Integrated Resource Plan (required biennially)--the utility's projected mix of resource options to meet the projected demand.

(3) Short-Term Implementation Plan and Status Report (required biennially)--the utility's discussion of how it plans to implement its integrated resource plan over the next four years. Estimates of annual expenditures and security issuances associated with the integrated resource plan over the four-year period must also be provided.

The PUCO must hold a public hearing on the long-term forecast at least once every five years to determine the reasonableness of such forecast. The PUCO and the OPSB are required to consider the record of such hearings in proceedings for approving facility sites, changing rates, approving security issues and initiating energy conservation programs. Centerior expects the PUCO to hold a public hearing on the Operating Companies' 1992 long-term forecast.

The PUCO has jurisdiction over certain transactions by companies in an electric utility holding company system if it includes at least one Ohio electric utility and is exempt from regulation under Section 3(a)(1) or (2) of the Holding Company Act. An Ohio electric utility in such a holding company system, such as Centerior, must obtain PUCO approval to invest in, lend funds to, guarantee the obligations of or otherwise finance or transfer assets to any nonutility company in that holding company system, unless the transaction is in the ordinary course of business operations in which one company acts for or with respect to another company. Also, the holding company in such a holding company system must obtain PUCO approval to make any investment in any nonutility subsidiaries, affiliates or associates of the holding company if such investment would cause all such capital investments to exceed 15% of the consolidated capitalization of the holding company unless such funds were provided by nonutility subsidiaries, affiliates or associates.

The PUCO has a reserve capacity policy for electric utilities in Ohio stating that (i) 20% of service area peak load excluding interruptible load is an appropriate generic benchmark for an electric utility's reserve margin; (ii) a reserve margin exceeding 20% gives rise to a presumption of excess capacity, but may be appropriate if it confers a positive net present benefit to customers or is justified by unique system characteristics; and (iii) appropriate remedies for excess capacity (possibly including disallowance of costs in rates) will be determined by the PUCO on a case-by-case basis.

Ohio Power Siting Board

The OPSB has state-wide jurisdiction, except to the extent pre-empted by Federal law, over the location, need for and certain environmental aspects of electric generating units with a capacity of 50,000 kilowatts or more and transmission lines with a rating of at least 125 kV.

Federal Energy Regulatory Commission

The Operating Companies are each subject to the jurisdiction of the FERC with respect to the transmission and sale of power at wholesale in interstate commerce, interconnections with other utilities, accounting and certain other matters. Cleveland Electric is also subject to FERC jurisdiction with respect to its ownership and operation of the Seneca Plant.

Nuclear Regulatory Commission

The nuclear generating units in which the Operating Companies have an interest are subject to regulation by the NRC. The NRC's jurisdiction encompasses broad supervisory and regulatory powers over the construction and operation of nuclear reactors, including matters of health and safety, antitrust considerations and environmental impacts.

Owners of nuclear units are required to purchase the full amount of nuclear liability insurance available. See Note 4(b) for a description of nuclear insurance coverages.

Other Regulation

The Operating Companies are subject to regulation by Federal, state and local authorities with regard to the location, construction and operation of certain facilities. The Operating Companies are also subject to regulation by local authorities with respect to certain zoning and planning matters.

ENVIRONMENTAL REGULATION

General

The Operating Companies are subject to regulation with respect to air quality, water quality and waste disposal matters. Federal environmental legislation affecting the operations and properties of the Operating Companies includes the Clean Air Act, the Clean Air Act Amendments, the Clean Water Act, Superfund, and the Resource Conservation and Recovery Act. The requirements of these statutes and related state and local laws are continually changing due to the promulgation of new or revised laws and regulations and the results of judicial and agency proceedings. Compliance with such laws and regulations may require the Operating Companies to modify, supplement, abandon or replace facilities and may delay or impede construction and operation of facilities, all at costs which could be substantial. The Operating Companies expect that the impact of such costs would eventually be reflected in their respective rate schedules. Cleveland Electric and Toledo Edison plan to spend, during the period 1992-1994, $84,000,000 and $4,000,000, respectively, for pollution control facilities, including Clean Air Act Amendments compliance costs.

The Operating Companies believe that they are currently in compliance in all material respects with all applicable environmental laws and regulations, or to the extent that one or both of the Operating Companies may dispute the applicability or interpretation of a particular environmental law or regulation, the affected company has filed an appeal or has applied for permits, revisions in requirements, variances or extensions of deadlines.

Concerns have been raised regarding the possible health effects associated with electric and magnetic fields. Although scientific research has yielded inconclusive results, additional studies are being conducted. If electric and magnetic fields are ultimately found to pose a health risk, the Operating Companies may be required to modify transmission and distribution lines or other facilities.

Air Quality Control

Under the Clean Air Act, the Ohio EPA has adopted Ohio emission limitations for particulate matter and sulfur dioxide for each of the Operating Companies' plants. The Clean Air Act provides for civil penalties of up to $25,000 per day for each violation of an emission limitation. The U.S. EPA has approved the Ohio EPA's emission limitations and the related implementation plans except for fugitive dust emissions and certain sulfur dioxide emissions. The U.S. EPA has adopted separate sulfur dioxide emission limitations for each of the Operating Companies' plants.

In November 1990, the Clean Air Act Amendments were signed into law imposing restrictions on nitrogen oxides and making sulfur dioxide limitations significantly more severe beginning in 1995. See Note 3(b) for a description of the Operating Companies' compliance strategy to meet the new requirements. The Clean Air Act Amendments also require studies to be conducted on the emission of certain potentially hazardous air pollutants which could lead to additional restrictions.

In 1985, the U.S. EPA issued revised regulations specifying the extent to which power plant stack height may be incorporated into the establishment of an emission limitation. Pursuant to the revised regulations, the Operating Companies submitted to the Ohio EPA information intended to support continuation of the stack height credit received under the previous regulations for stacks at Cleveland Electric's Avon Lake and Eastlake Plants and Toledo Edison's Bay Shore Station. The Ohio EPA has accepted the submissions and forwarded them to the U.S. EPA for approval. In January 1988, the District of Columbia Circuit Appeals Court remanded portions of the 1985 regulations to the U.S. EPA for further consideration; however, no action has been taken by the U.S. EPA.

In 1986, the Sixth Circuit Appeals Court ruled on a challenge filed by an environmental group and several states east of Ohio seeking to overturn the Federal sulfur dioxide emission limitations for the Eastlake and Avon Lake Plants. The Court ruled that the validity of the air quality model used by the U.S. EPA to set the sulfur dioxide emission limitations for those plants had not been adequately established. The Court permitted the Ohio sulfur dioxide emission limitations to remain in effect while the U.S. EPA completed its review of the application of the air quality model. The U.S. EPA, along with Centerior, demonstrated the validity of the model used to establish the sulfur dioxide emission limitations for those plants. In January 1990, the U.S. EPA proposed to reinstate the overturned emission limitations; however, final action has not been taken by the U.S. EPA.

Congress is considering legislation to reduce emissions of gases that are thought to cause global warming. The burning of coal is thought to be a cause of global warming. If such legislation is adopted, the cost of operating coal-fired plants could increase significantly and coal-fired generating capacity could decrease significantly.

Water Quality Control

The Clean Water Act requires that power plants obtain permits that contain certain effluent limitations (that is, limits on discharges of pollutants into bodies of water). It also provides that permits for new power plants include even more stringent effluent limitations, including zero discharges, where practicable. The Clean Water Act also requires that cooling water intake structures for power plants incorporate the best available technology for minimizing adverse environmental impact. The Clean Water Act requires the states to establish water quality standards (which could result in more stringent effluent limitations than those described above) and a permit system to be approved by the U.S. EPA. Violators of effluent limitations and water quality standards are subject to a civil penalty of up to $25,000 per day for each such violation.

The Clean Water Act permits thermal effluent limitations to be established for a facility which are less stringent than those which otherwise would apply if the owner can demonstrate that such less stringent limitations are sufficient to assure the protection and propagation of aquatic and other wildlife in the affected body of water. By 1978, the Operating Companies had submitted to the Ohio EPA such demonstrations for review with respect to their Ashtabula, Avon Lake, Lake Shore, Eastlake, Acme and Bay Shore plants. The Ohio EPA has taken no action on the submittals.

The Operating Companies have received NPDES permit renewals from the Ohio EPA for all of their power plants except for Toledo Edison's Acme Plant. An application has been filed with the Ohio EPA for the renewal of the NPDES permit for the Acme Plant but has not yet been approved. However, Acme may continue to operate under the expired permit while the application for renewal is pending. Any violation of an NPDES permit is considered to be a violation of the Clean Water Act subject to the penalty discussed above.

In 1990, the Ohio EPA issued revised water quality standards applicable to Lake Erie and waters of the State of Ohio. Based upon these revised water quality standards, the Ohio EPA placed additional effluent limitations on the Ashtabula Plant in its most recent NPDES permit renewal. The revised standards also may serve as the basis for more stringent effluent limitations in future NPDES permits. Such limitations could result in the installation of additional pollution control equipment and increased operating expenses. The Operating Companies are monitoring discharges at their plants to support their position that additional effluent limitations are not justified.

Waste Disposal

See Note 3(d) for a discussion of the Operating Companies' potential involvement in certain hazardous waste disposal sites, including those subject to Superfund.

The Federal Resource Conservation and Recovery Act exempts certain fossil fuel combustion waste products, such as fly ash, from hazardous waste disposal requirements. The Operating Companies are unable to predict whether Congress will choose to amend this exemption in the future or, if so, the costs relating to any required changes in the operations of the Operating Companies.

ELECTRIC RATES

Under Ohio law, rate base is the original cost less depreciation of a utility's total plant adjusted for certain items. The law permits the PUCO, in its discretion, to include CWIP in rate base when a construction project is at least 75% complete, but limits the amount included to 10% of rate base excluding CWIP or, in the case of a project to construct pollution control facilities which would remove sulfur and nitrous oxides from flue gas emissions, 20% of rate base excluding CWIP. When a project is completed, the portion of its cost which had been included in rate base as CWIP is excluded from rate base until the revenue received due to the CWIP inclusion is offset by the revenue lost due to its exclusion. During this period of time, an AFUDC-type credit is allowed on the portion of the project cost excluded from rate base. Also, the law permits inclusion of CWIP for a particular project for a period not longer than 48 consecutive months, plus any time needed to comply with changed governmental regulations, standards or approvals. The PUCO is empowered to permit inclusion for up to another 12 months for good cause shown. If a project is canceled or not completed within the allowable period of time after inclusion of its CWIP has started, then CWIP is excluded from rate base and any revenues which resulted from such prior inclusion are offset against future revenues over the same period of time as the CWIP was included.

Current Ohio law further provides that requested rates can be collected by a public utility, subject to refund, if the PUCO does not make a decision within 275 days after the rate request application is filed. If the PUCO does not make its final decision within 545 days, revenues collected thereafter are not subject to refund. A notice of intent to file an application for a rate increase cannot be filed before the issuance of a final order in any prior pending application for a rate increase or until 275 days after the filing of the prior application, whichever is earlier. The minimum period by which the notice of intent to file must precede the actual filing is 30 days. The test year for determining rates may not end more than nine months after the date the application for a rate increase is filed.

Under Ohio law, electric rates are adjusted every six months, after a PUCO proceeding, to reflect changes in fuel costs. Any difference between actual fuel costs during a six-month period and the fuel revenues recovered in that period is deferred and is taken into account in setting the fuel recovery factor for a subsequent six-month period.

The PUCO has authorized the Operating Companies to adjust their rates on a seasonal basis such that electric rates are higher in the summer.

Also, under Ohio law, municipalities may regulate rates charged by a utility, subject to appeal to the PUCO if not acceptable to the utility. If municipally fixed rates are accepted by the utility, such rates are binding on both parties for the specified term and cannot be changed by the PUCO.

See Note 6 and Management's Financial Analysis contained under Item 7 of this Report for a discussion of the rate increases and other matters relating to the PUCO's January 1989 rate orders and the rate-reduction package that was implemented in Toledo Edison's service area in 1991.

OPERATIONS

Sales of Electricity

Kilowatt-hour sales by the Operating Companies follow a seasonal pattern marked by increased customer usage in the summer for air conditioning and in the winter for heating. Historically, Cleveland Electric has experienced its heaviest demand for electric service during the summer months because of a significant air conditioning load on its system and a relatively low amount of electric heating load in the winter. Toledo Edison, although having a significant electric heating load, has experienced in recent years its heaviest demand for electric service during the summer months because of heavy air conditioning usage.

The Centerior System's largest customer is a steel manufacturer which has two major steel producing facilities served by Cleveland Electric. Sales to this customer in 1991 accounted for 2.5% and 3.5% of the 1991 total electric operating revenues of Centerior Energy and Cleveland Electric, respectively. The loss of this customer (and the resultant loss of another large customer whose primary product is purchased by the two steel producing facilities) would reduce Centerior Energy's and Cleveland Electric's net income by about $34,000,000 based on 1991 sales levels.

The largest customer served by Toledo Edison is a major automobile manufacturer. Sales to this customer in 1991 accounted for 1% and 3% of the 1991 total electric operating revenues of Centerior Energy and Toledo Edison, respectively. The loss of this customer would reduce Centerior Energy's and Toledo Edison's net income by about $10,000,000 based on 1991 sales levels.

Operating Statistics

Centerior System

	Years Ended December 31, 1991	1990	1989
Energy Generated (Millions of kWh):			
Net Generation	31,495	30,595	32,296
Purchases*	40	413	21
Total Energy	31,5[illegible]	31,008	32,317
Electric Sales (Millions of kWh):			
Residential	6,981	6,666	6,806
Commercial	7,176	6,848	6,830
Industrial	11,559	12,168	12,520
Wholesale*	2,711	2,487	3,235
Other	1,048	959	996
Total Electric Sales	29,475	29,128	30,387
Customers (End of Period):			
Residential	921,995	918,965	914,020
Commercial	96,449	94,522	93,833
Industrial & Other	12,843	12,906	12,763
Total Electric Customers	1,031,287	1,026,393	1,020,616
Operating Revenues (In Thousands):			
Residential	$ 777,273	$ 719,078	$ 685,735
Commercial	723,318	668,910	616,902
Industrial	782,747	779,391	746,534
Other	188,026	189,754	204,769
Total Retail	2,471,364	2,357,133	2,253,940
Wholesale*	88,888	70,308	107,364
Total Operating Revenues	$2,560,252	$2,427,441	$2,361,304

*Energy purchases (or purchased power), wholesale electric sales and wholesale revenues are restated for 1990 and 1989 to reflect a change in reporting of bulk power sales transactions in accordance with FERC requirements.

Cleveland Electric

	Years Ended December 31, 1991	1990	1989
Energy Generated (Millions of kWh):			
Net Generation	20,644	20,841	21,538
Purchases*	2,144	964	1,268
Total Energy	22,788	21,805	22,806
Electric Sales (Millions of kWh):			
Residential	4,940	4,716	4,789
Commercial	5,493	5,234	5,208
Industrial	8,017	8,551	8,780
Wholesale*	2,442	1,607	2,132
Other	565	463	501
Total Electric Sales	21,457	20,571	21,410
Customers (End of Period):			
Residential	667,495	665,000	660,786
Commercial	70,405	68,700	68,030
Industrial & Other	8,398	8,351	8,329
Total Electric Customers	746,298	742,051	737,145
Operating Revenues (In Thousands):			
Residential	$ 547,433	$ 495,158	$ 469,803
Commercial	539,795	494,370	452,911
Industrial	546,698	543,813	519,854
Other	116,826	122,701	117,220
Total Retail	1,750,752	1,656,042	1,559,788
Wholesale*	74,986	35,117	74,439
Total Operating Revenues	$1,825,738	$1,691,159	$1,634,227

*Energy purchases (or purchased power), wholesale electric sales and wholesale revenues are restated for 1990 and 1989 to reflect a change in reporting of bulk power sales transactions in accordance with FERC requirements

Toledo Edison

	Years Ended December 31, 1991	1990	1989
Energy Generated (Millions of kWh):			
Net Generation	10,851	9,754	10,758
Purchases*	95	902	788
Total Energy	10,946	10,656	11,546
Electric Sales (Millions of kWh):			
Residential	2,041	1,950	2,017
Commercial	1,683	1,614	1,622
Industrial	3,543	3,617	3,740
Wholesale*	2,587	2,333	3,138
Other	482	496	495
Total Electric Sales	10,336	10,010	11,012
Customers (End of Period):			
Residential	254,500	253,965	253,234
Commercial	26,044	25,822	25,803
Industrial & Other	4,444	4,555	4,434
Total Electric Customers	284,988	284,342	283,471
Operating Revenues (In Thousands):			
Residential	$229,840	$223,920	$215,932
Commercial	183,523	174,540	163,991
Industrial	236,049	235,578	226,680
Other	90,919	79,535	99,451
Total Retail	740,331	713,573	706,054
Wholesale*	146,927	149,600	159,569
Total Operating Revenues	$887,258	$863,173	$865,623

*Energy purchases (or purchased power), wholesale electric sales and wholesale revenues are restated for 1990 and 1989 to reflect a change in reporting of bulk power sales transactions in accordance with FERC requirements.

Nuclear Units

The Operating Companies' generating facilities include, among others, three nuclear units owned or leased by the CAPCO Group--Perry Unit 1, Beaver Valley Unit 2 and Davis-Besse. These three units are in commercial operation. Cleveland Electric has responsibility for operating Perry Unit 1, Duquesne has responsibility for operating Beaver Valley Unit 2 and Toledo Edison has responsibility for operating Davis-Besse. Cleveland Electric and Toledo Edison own, respectively, 31.11% and 19.91% of Perry Unit 1, 24.47% and 1.65% of Beaver Valley Unit 2 and 51.38% and 48.62% of Davis-Besse. Cleveland Electric and Toledo Edison also lease, as joint lessees, another 18.26% of Beaver Valley Unit 2 as a result of a September 1987 sale and leaseback transaction (see Note 2).

Davis-Besse was placed in commercial operation in 1977, and its operating license expires in 2017. Perry Unit 1 and Beaver Valley Unit 2 were placed in commercial operation in 1987, and their operating licenses expire in 2026 and 2027, respectively.

The nuclear plant performance standards set for the Operating Companies as a result of the PUCO's January 1989 rate orders (see Note 6) will be based on rolling three-year industry averages of operating availability for pressurized water reactors and for boiling water reactors over the 1988-1998 period. Operating availability is the ratio of the number of hours a unit is available to generate electricity (whether or not the unit is operated) to the number of hours in the period, expressed as a percentage. The January 1989 rate orders allow for the three-year operating availability averages of the Operating Companies' nuclear units to be compared against the industry averages for the same three-year period with a resultant penalty or banked benefit. If the industry performance standards are not met, a penalty would be incurred which would require the Operating Companies to refund incremental replacement power costs to customers through the semiannual fuel cost adjustment. However, if the performance of the Operating Companies' r units exceeds the industry standards, a banked benefit results which be used to offset disallowances of incremental replacement power costs sho future performance be below industry standards.

The relevant industry standards for the 1989-1991 period are 74.5% (preliminary) for pressurized water reactors such as Davis-Besse and Beaver Valley Unit 2 and 72.1% (preliminary) for boiling water reactors such as Perry Unit 1. The 1989-1991 availability average was 82.8% for Davis-Besse and Beaver Valley Unit 2 and 70.2% for Perry Unit 1. At December 31, 1991, the total banked benefit for the Operating Companies is estimated to be between $6,000,000 and $8,000,000. The actual amount will not be available until the second quarter of 1992.

See Note 3(c) for a discussion of the status of Perry Unit 2 and see Note 4 for a discussion of potential problems facing owners of nuclear generating units.

Competitive Conditions

General. The Operating Companies compete in their respective service areas with suppliers of natural gas to satisfy customers' energy needs with regard to heating and appliance usage. The Operating Companies also are engaged in competition to a lesser extent with suppliers of oil and liquefied natural gas for heating purposes and with suppliers of cogeneration equipment. One competitor provides steam for heating purposes and plans to provide chilled water for cooling purposes in downtown Cleveland.

The Operating Companies also compete with municipally owned electric systems within their respective service areas. As discussed below, two of the municipalities served by the Operating Companies, the City of Toledo and the City of Brook Park, are investigating the economic feasibility of establishing and operating municipally owned electric systems. A few other communities have recently evaluated municipalization of electric service and decided to continue service from Cleveland Electric and Toledo Edison. Officials in still other communities have indicated an interest in evaluating the municipalization issue.

The Operating Companies face continuing competition from locations outside their service areas which are promoted by governmental and private agencies in attempts to influence potential and existing commercial and industrial customers to locate in their respective areas.

Cleveland Electric and Toledo Edison also periodically compete with other producers of electricity for sales to electric utilities which are in the market for bulk power purchases. The Operating Companies have interconnections with other electric utilities (see "Item 2. Properties--General") and provide a transmission system for wheeling power from the Midwest to the East. Revenue from these types of sales are excluded from the operation of the rate phase-in plans discussed in Note 6 and in Management's Financial Analysis contained under Item 7 of this Report.

Cleveland Electric. Located within Cleveland Electric's service area are two municipally owned electric systems. Cleveland Electric supplies a small portion of those systems' power needs at wholesale rates.

One of those systems, CPP, is operated by the City of Cleveland in competition with Cleveland Electric. CPP is primarily an electric distribution system which supplies electric power in approximately 35% of the City's area and to approximately 23% (about 53,000) of the electric consumers in the City--equal to about 7% of all customers served by Cleveland Electric. CPP's kilowatt-hour sales and revenues are equal to about 3% of Cleveland Electric's kilowatt-hour sales and revenues. Much of the area served by CPP overlaps that of Cleveland Electric. Cleveland Electric is obligated to make available up to 100,000 kilowatts of CPP's [illegible]gy requirements over two 138 kV interconnections. However, in recent [illegible] CPP has not made significant power purchases from Cleveland Electric. [illegible] 1991, Cleveland Electric provided less than 1% of CPP's energy requirements. The balance of CPP's power is purchased from other sources and transmitted or "wheeled" over Cleveland Electric's transmission system. For all classes of customers, Cleveland Electric's rates are higher than CPP's rates due largely to lower-cost power and financing available to CPP and to CPP's exemption from taxation. In 1983, CPP announced its intention to convert some of Cleveland Electric's customers to its service. CPP is constructing new transmission and distribution facilities extending into easterly portions of Cleveland, comprising over 20% of the area of the City, which now are served exclusively by Cleveland Electric. Over the past three years, Cleveland Electric has experienced the net loss of an insignificant number of customers (about 2,600), which were primarily residential, to the CPP system. During 1991, CPP completed work which enabled the City to convert three water pumping stations from Cleveland Electric service. The annual sales effect of this conversion is about 108,000,000 kilowatt-hours with related revenues of about $6,000,000. CPP has also signed contracts with several small and medium-sized companies in the expansion area and will be able to offer service to residential and small commercial customers in that area late in 1992. The expansion, as now planned, could take away about 40,000 of Cleveland Electric's customers over the next several years. This could eventually reduce Cleveland Electric's annual revenues by $40,000,000 exclusive of the water pumping load, although there would be partially offsetting reductions in operating expenses and taxes. Cleveland Electric has retained large commercial and industrial customers in Cleveland despite CPP's expansion efforts.

In June 1991, the City of Brook Park, located within the Cleveland Electric service territory, announced that it had commissioned a feasibility study regarding the establishment of a munic[illegible]l electric system. Ford Motor Company, which operates an engine manufa[illegible]ing plant in Brook Park, has expressed a desire for lower electric rates and reportedly would support the idea of Brook Park forming its own electric system if such a system would result in lower rates. Cleveland Electric has entered into separate discussions with officials of Brook Park and Ford in an effort to address their concerns. In 1991, Cleveland Electric derived about 3% of its total revenues and Centerior Energy derived about 2% of its total revenues from sales to the 8,500 customers located in Brook Park.

Currently, two commercial customers and one industrial customer of Cleveland Electric have cogeneration installations. A number of customers have inquired about cogeneration applications although there were no new installations in 1991. Cogeneration vendors continue to be active in Cleveland Electric's service area.

Toledo Edison. Located wholly or partly within Toledo Edison's service area are six rural electric cooperatives, five of which are supplied with power, transmitted in some cases over Toledo Edison's facilities, by Buckeye Power, Inc. (an affiliate of a number of Ohio rural electric cooperatives) and the sixth is supplied by Toledo Edison.

Also located within Toledo Edison's service area are 16 municipally owned electric distribution systems, three of which are supplied by other electric systems. Toledo Edison provides a portion of the power purchased by the other 13 municipalities at wholesale rates through AMP-Ohio. In December 1989, Toledo Edison commenced billing AMP-Ohio under a new agreement which was accepted by the FERC in March 1992. Under this 20-year agreement, Toledo Edison will supply certain power requirements of AMP-Ohio and transmission service for 13 of its municipal members. Rates under this agreement are permitted to increase annually to compensate for increased costs of operation. Less than 2% of Toledo Edison's total electric operating revenues in 1991 were derived from sales under the AMP-Ohio contract.

In October 1989, the City of Toledo adopted an ordinance establishing an Electric Franchise Review Committee for the purpose of studying Toledo Edison's franchise agreement with the City to determine if alternate energy sources are available. The Committee is investigating the feasibility of establishing a municipal electric system within the City of Toledo and the feasibility of utilizing other alternative electric power sources. The Committee's report is expected to be made public in the spring of 1992. Toledo Edison is continuing to make an effort to address the City's concerns. See Centerior's and Toledo Edison's Note 6 for a discussion of a rate-reduction package implemented by Toledo Edison in 1991.

The one remaining commercial customer of Toledo Edison having a cogeneration unit has reached agreement with Toledo Edison to cease operation of its unit during the first half of 1992. However, cogeneration vendors continue to be active in Toledo Edison's service area.

Fuel Supply

Generation by type of fuel for 1991 was 64% coal-fired and 36% nuclear for Cleveland Electric; 45% coal-fired and 55% nuclear for Toledo Edison; and 57% coal-fired and 43% nuclear for the Centerior System.

Coal. In 1991, Cleveland Electric and Toledo Edison burned 5,419,000 tons and 1,873,000 tons of coal, respectively, for electric generation. Each utility normally maintains a reserve supply of coal sufficient for about 40 days of normal operations. On March 1, 1992, this reserve was about 50 days for plants operated by Cleveland Electric, 48 days for plants operated by Toledo Edison and 100 days for the Mansfield Plant, which is operated by Pennsylvania Power.

In 1991, about 63% of Cleveland Electric's coal requirements were purchased under long-term contracts, with the longest remaining term being almost nine years. In most cases, these contracts provide for adjusting the price of the coal on the basis of changes in coal quality and mining costs. The sulfur content of the coal purchased under these contracts ranges from about 2% to about 4%. The balance of Cleveland Electric's coal was purchased on the spot market with sulfur content ranging from less than 1% to 3.5%.

In 1991, all of Toledo Edison's coal requirements were purchased under long-term contracts, with the longest remaining term being almost nine years. In most cases, these contracts provide for adjusting the price of the coal on the basis of changes in coal quality and mining costs. The sulfur content of the coal purchased under these contracts ranges from less than 1% to 4%.

One of Cleveland Electric's long-term coal supply contracts is with Ohio Valley. Cleveland Electric has agreed to pay Ohio Valley certain amounts to cover Ohio Valley's costs regardless of whether coal is actually delivered. Included in those costs are amounts sufficient to service certain long-term debt and lease obligations incurred by Ohio Valley. If the coal sales agreement is terminated for any reason, including the inability to use the coal, Cleveland Electric must assume certain of Ohio Valley's debt and lease obligations and may incur other expenses. Cleveland Electric believes that the cost of assuming such obligations and incurring such expenses would not have a material adverse effect upon its financial position. The principal amount of debt and termination values of leased property covered by Cleveland Electric's agreement was $37,599,000 at December 31, 1991. Centerior and Cleveland Electric expect that Ohio Valley revenues from sales of coal to Cleveland Electric will continue to be sufficient for Ohio Valley to meet its debt and lease obligations. The contract with Ohio Valley expires in 1997.

The CAPCO Group companies, including the Operating Companies, have a long-term contract with Quarto and Consol for the supply of about 75%-85% of the annual coal needs of the Mansfield Plant. The contract runs through at least the end of 1999, and the price of coal is adjustable to reflect changes in labor, materials, transportation and other costs. The CAPCO Group companies have guaranteed, severally and not jointly, the debt and lease obligations incurred by Quarto to develop, equip and operate two of the mines which supply the Mansfield Plant. At December 31, 1991, after giving effect to a refinancing completed by Quarto on January 2, 1992, the total dollar amount of Quarto's debt and lease obligations guaranteed by Cleveland Electric was $40,644,000 and by Toledo Edison was $23,729,000. Centerior, Cleveland Electric and Toledo Edison expect that Quarto revenues from sales of coal to the CAPCO Group companies will continue to be sufficient for Quarto to meet its debt and lease obligations.

The Operating Companies' least cost plan for complying with the Clean Air Act Amendments to be filed with the PUCO in 1992 (see Note 3)) calls for greater use of low-sulfur coal and less use of high-sulfur coal. Bids have been received for an adequate supply of low-sulfur coal at prices not significantly different than the current price of coal which would be replaced. The only long-term coal contract affected by the Clean Air Act Amendments is Cleveland Electric's contract with Ohio Valley. Centerior and Cleveland Electric believe that steps can be taken to mitigate or eliminate any costs associated with the termination of the Ohio Valley contract should the contract be terminated.

Nuclear. The acquisition and utilization of nuclear fuel involves six distinct steps: (i) supply of uranium oxide raw material, (ii) conversion to uranium hexafluoride, (iii) enrichment, (iv) fabrication into fuel assemblies, (v) utilization as fuel in a nuclear reactor and (vi) storing and reprocessing or disposing of spent fuel. The Operating Companies have inventories of raw material sufficient to provide nuclear fuel through 1995 for the operation of their nuclear generating units and have contracts for fabrication services for all of that fuel. The CAPCO Group companies have a 30-year contract with the DOE which will supply all of the needed enrichment services for their nuclear units' fuel supply through 1995. Beyond 1995, the amount of enrichment services under the DOE contract varies by CAPCO Group company, with Cleveland Electric's and Toledo Edison's enrichment services reduced to 70% in 1996-1999 and reduced to 0% in 2000 and 2001. The additional required enrichment services are available. Substantial additional fuel will have to be obtained in the future over the remaining useful lives of the units and if Perry Unit 2 is completed. There is a plentiful supply of uranium oxide raw material to meet the industry's nuclear fuel needs.

Spent fuel reprocessing is not commercially available in the United States. Off-site disposal of spent nuclear fuel is also unavailable, but the CAPCO Group companies have contracts with the DOE which provide for the future acceptance of spent fuel for disposal by the Federal government. Pursuant to the Nuclear Waste Policy Act of 1982, the Federal government has indicated it will begin accepting spent fuel from utilities by the year 2010. On-site storage capacity at Davis-Besse and Beaver Valley Unit [illegible] should be sufficient through 1996 and 2010, respectively. On-site storage capacity at the Perry Plant should be sufficient through 2007 for Perry Unit 1. Any additional storage capacity needed for the period until the government accepts the fuel can be provided for either on-site or off-site by the time it is needed.

<u>Oil</u>. The Operating Companies each have adequate supplies of oil and fuel for their oil-fired electric generating units which are used primarily as reserve and peaking capacity.

EXECUTIVE OFFICERS OF THE REGISTRANTS AND THE SERVICE COMPANY

Set forth below are the names, ages as of March 15, 1992, positions and brief accounts of the business experience during the past five years of the executive officers of Centerior Energy, the Service Company, Cleveland Electric and Toledo Edison. Positions currently held are designated with an asterisk (*).

Centerior Energy Executive Officers

Name	Age	Business Experience (Positions as Indicated)	Effective Date of Position
Robert J. Farling	55	*Chairman of the Board and Chief Executive Officer of Centerior and the Service Company	March 1992
		Chairman of the Board and Chief Executive Officer of Cleveland Electric	February 1989
		*President of Centerior	October 1988
		Chairman of the Board and Chief Executive Officer of Toledo Edison	October 1988
		*President of the Service Company	July 1988
		President of Cleveland Electric	April 1986
		Executive Vice President of Centerior	February 1986
Murray R. Edelman	52	*Executive Vice President-Power Generation of the Service Company	April 1990
		*Executive Vice President of Centerior	July 1988
		President of Toledo Edison	July 1988
		Vice President-Nuclear of the Service Company and Senior Vice President-Nuclear of Cleveland Electric	April 1986

Name	Age	Business Experience (Positions as Indicated)	Effective Date of Position
[illegible]	57	*Executive Vice President of Centerior and *Executive Vice President-Finance & Administration of the Service Company	April 1990
		*Vice President and Chief Financial Officer of Cleveland Electric and Toledo Edison	April 1990
		Senior Vice President-Finance of Centerior	April 1988
		Senior Vice President-Finance of the Service Company	April 1986
		Vice President-Finance of Centerior	February 1986
Lyman C. Phillips	52	*Executive Vice President-Customer Operations of the Service Company and *Chairman of the Board and Chief Executive Officer of Toledo Edison and *Chief Executive Officer of Cleveland Electric	April 1990
		*Executive Vice President of Centerior and *President of Cleveland Electric	July 1988
		Executive Vice President of Toledo Edison and Senior Vice President of Centerior	June 1987
		Senior Vice President-Administration of the Service Company	April 1986
Fred J. Lange, Jr.	42	*Senior Vice President-Legal, Human & Corporate Affairs	March 1992
		Vice President-Legal & Corporate Affairs of Centerior and the Service Company and *Vice President of Cleveland Electric and Toledo Edison	April 1990
		General Attorney and Senior Director of Governmental Affairs of the Service Company	July 1989
		Assistant General Counsel and Principal Corporate Counsel of the Service Company	November 1986

Name	Age	Business Experience (Positions as Indicated)	Effective Date of Position
Paul G. Busby	43	*Controller of Cleveland Electric and Toledo Edison	April 1990
		*Controller of Centerior	April 1988
		*Controller of the Service Company	June 1986
Gary M. Hawkinson	43	*Treasurer of Cleveland Electric and Toledo Edison	April 1990
		Assistant Treasurer of Cleveland Electric	August 1987
		*Treasurer of the Service Company	April 1986
		*Treasurer of Centerior	February 1986
E. Lyle Pepin	50	*Secretary of Cleveland Electric and Toledo Edison	October 1988
		*Secretary of the Service Company	April 1986
		*Secretary of Centerior	February 1986

Service Company Executive Officers

Name	Age	Business Experience (Positions With the Service Company Unless Otherwise Indicated)	Effective Date of Position
Robert J. Farling	55	*Chairman of the Board and Chief Executive Officer	March 1992
		*President	July 1988
		See listing under Centerior Energy Executive Officers for additional business experience.	
Murray R. Edelman	52	*Executive Vice President-Power Generation	April 1990
		See listing under Centerior Energy Executive Officers for additional business experience.	
Edgar H. Maugans	57	*Executive Vice President-Finance & Administration	April 1990
		See listing under Centerior Energy Executive Officers for additional business experience.	

Name	Age	Business Experience (Positions With the Service Company Unless Otherwise Indicated)	Effective Date of Position
Lyman C. Phillips	52	*Executive Vice President-Customer Operations	April 1990
		See listing under Centerior Energy Executive Officers for additional business experience.	
Richard P. Crouse	52	*Vice President-Fossil Operations	April 1990
		Senior Vice President of Toledo Edison	April 1988
		Vice President-Fossil Engineering & Operations	August 1987
		Senior Vice President, Engineering & Operations of Toledo Edison	June 1986
Gary J. Greben	54	*Vice President-Transmission and Distribution Engineering & Services	April 1990
		Vice President-Marketing of Cleveland Electric	July 1987
		Manager-Business Ventures of Cleveland Electric	November 1984
Jacquita K. Hauserman	49	*Vice President-Customer Service & Community Affairs	April 1990
		Vice President-Administration of Cleveland Electric	October 1988
		Director-Consumer Services Dept. of Cleveland Electric	April 1986
Alvin Kaplan	53	*Vice President-System Engineering & Control	April 1990
		Vice President-Nuclear of Cleveland Electric	December 1987
		Vice President-Nuclear Operations Division of Cleveland Electric	February 1984
Fred J. Lange, Jr.	42	*Senior Vice President-Legal, Human & Corporate Affairs	March 1992
		See listing under Centerior Energy Executive Officers for additional business experience.	

Name	Age	Business Experience (Positions With the Service Company Unless Otherwise Indicated)	Effective Date of Position
John S. Levicki	52	*Vice President-Human Resources & Strategic Planning	April 1990
		Vice President-Public Affairs & Rates	October 1988
		Vice President-Finance, Administration & Legal of Cleveland Electric	January 1988
		Vice President-Finance & Administration of Cleveland Electric	April 1986
Terrence G. Linnert	45	*Vice President-Legal and General Counsel	March 1992
		General Counsel and Director-Legal Services Dept.	May 1990
		General Counsel	July 1989
		Principal Counsel	June 1987
		Senior Corporate Counsel	January 1987
		Senior Corporate Counsel at Cleveland Electric	June 1984
Michael D. Lyster	48	*Vice President-Nuclear-Perry	April 1990
		General Manager-Perry Plant Operations Dept. of Cleveland Electric	March 1988
		Director-Perry Plant Operations Dept. of Cleveland Electric	December 1987
		Manager-Perry Plant Operations Dept. of Cleveland Electric	October 1984
David L. Monseau	51	*Vice President-Transmission & Distribution Operations	April 1990
		Vice President-Customer Operations of Toledo Edison	September 1987
		Director-Human Resources Dept. of the Service Company	April 1986

Name	Age	Business Experience (Positions With the Service Company Unless Otherwise Indicated)	Effective Date of Position
Thomas M. Quinn	52	*Vice President-Marketing	April 1990
		Vice President-Marketing of Toledo Edison	September 1987
		General Manager-Consumer Services Dept. of Toledo Edison	August 1986
Donald H. Saunders	56	*Vice President and *President of Toledo Edison	April 1990
		Vice President-Administration & Governmental Affairs of Toledo Edison	January 1990
		Vice President-Finance & Administration of Toledo Edison	July 1986
Donald C. Shelton	58	*Vice President-Nuclear-Davis-Besse	April 1990
		Vice President-Nuclear of Toledo Edison	August 1986
Paul G. Busby	43	*Controller	June 1986
		See listing under Centerior Energy Executive Officers for additional business experience.	
Gary M. Hawkinson	43	*Treasurer	April 1986
		See listing under Centerior Energy Executive Officers for additional business experience.	
E. Lyle Pepin	50	*Secretary	April 1986
		See listing under Centerior Energy Executive Officers for additional business experience.	

Cleveland Electric Executive Officers

Name	Age	Business Experience (Positions With Cleveland Electric, Unless Otherwise Indicated)	Effective Date of Position
Lyman C. Phillips	52	*Chief Executive Officer *President See listing under Centerior Energy Executive Officers for additional business experience.	April 1990 July 1988
Fred J. Lange, Jr.	42	*Vice President See listing under Centerior Energy Executive Officers for additional business experience.	April 1990
Edgar H. Maugans	57	*Vice President and Chief Financial Officer See listing under Centerior Energy Executive Officers for additional business experience.	April 1990
Paul G. Busby	43	*Controller See listing under Centerior Energy Executive Officers for additional business experience.	April 1990
Gary M. Hawkinson	43	*Treasurer See listing under Centerior Energy Executive Officers for additional business experience.	April 1990
E. Lyle Pepin	50	*Secretary See listing under Centerior Energy Executive Officers for additional business experience.	October 1988

Toledo Edison Executive Officers

Name	Age	Business Experience (Positions With Toledo Edison Unless Otherwise Indicated)	Effective Date of Position
Lyman C. Phillips	52	*Chairman of the Board and Chief Executive Officer See listing under Centerior Energy Executive Officers for additional business experience.	April 1990
Donald H. Saunders	56	*President See listing under Service Company Executive Officers for additional business experience.	April 1990
Fred J. Lange, Jr.	42	*Vice President See listing under Centerior Energy Executive Officers for additional business experience.	April 1990
Edgar H. Maugans	57	*Vice President and Chief Financial Officer See listing under Centerior Energy Executive Officers for additional business experience.	April 1990
Paul G. Busby	43	*Controller See listing under Centerior Energy Executive Officers for additional business experience.	April 1990
Gary M. Hawkinson	43	*Treasurer See listing under Centerior Energy Executive Officers for additional business experience.	April 1990

Name	Age	Business Experience (Positions With Toledo Edison Unless Otherwise Indicated)	Effective Date of Position
E. Lyle Pepin	50	*Secretary See listing under Centerior Energy Executive Officers for additional business experience.	October 1988

All of the executive officers of Centerior Energy, the Service Company, Cleveland Electric and Toledo Edison are elected annually for a one-year term by the Board of Directors of Centerior, the Service Company, Cleveland Electric or Toledo Edison, as the case may be.

No family relationship exists among any of the executive officers and directors of any of the Centerior System companies.

Item 2. Properties

GENERAL

The Centerior System

The wholly owned, jointly owned and leased electric generating facilities of the Operating Companies in commercial operation as of December 31, 1991 provide the Centerior System with a net demonstrated capability of 6,687,000 kilowatts during the winter. These facilities include 28 generating units (4,390,000 kilowatts) at seven fossil-fired steam electric generation stations; three nuclear generating units (1,852,000 kilowatts); a 305,000 kilowatt share of the Seneca Plant; seven combustion turbine generating units (135,000 kilowatts) and one diesel generator (4,000 kilowatts). All of the Centerior System's generating facilities are located in Ohio and Pennsylvania.

The Centerior System's net 60-minute peak load of its service area for 1991 was 5,361,000 kilowatts and occurred on August 29. At the time of the 1991 peak load, the operable capacity available to serve the load was 6,453,000 kilowatts. The Centerior System's 1992 service area peak load is forecasted to be 5,280,000 kilowatts, before demand-side management considerations. The operable capacity expected to be available to serve the Centerior System's 1992 peak is 6,463,000 kilowatts. Over the 1992-1994 period, Centerior Energy forecasts its operable capacity margins at the time of the projected Centerior System peak loads to range from 14% to 18%.

Each Operating Company owns the electric transmission and distribution facilities located in its respective service area. Cleveland Electric and Toledo Edison are interconnected by 345 kV transmission facilities, some portions of which are owned and used by Ohio Edison. The Operating Companies have a long-term contract with the CAPCO Group companies, including Ohio Edison, relating to the use of these facilities. These interconnection facilities provide for the interchange of power between the two Operating Companies. The Centerior System is interconnected with Ohio Edison, Ohio Power, Penelec and Detroit Edison.

Effective May 1, 1991, the FERC approved an agreement between Cleveland Electric and GPU under which Cleveland Electric would sell the power from its 305,000-kilowatt share of the Seneca Plant to two subsidiaries of GPU through 1993. For the same time period, Toledo Edison has entered into separate agreements with Consumers Power and Detroit Edison under which Toledo Edison would purchase 312,000 kilowatts from their Ludington Plant. Toledo Edison would then sell to Cleveland Electric power equivalent to the amount that Toledo Edison purchases from the Ludington Plant. The net result of the power purchase and sale agreements is economically beneficial for Cleveland Electric and economically neutral for Toledo Edison.

Cleveland Electric

The wholly owned, jointly owned and leased electric generating facilities of Cleveland Electric in commercial operation as of December 31, 1991 provide a net demonstrated capability of 4,588,000 kilowatts during the winter. These facilities include 21 generating units (3,197,000 kilowatts) at five fossil-fired steam electric generation stations; its share of three nuclear generating units (1,024,000 kilowatts); a 305,000 kilowatt share of the Seneca Plant; two combustion turbine generating units (58,000 kilowatts) and one diesel generator (4,000 kilowatts). All of Cleveland Electric's generating facilities are located in Ohio and Pennsylvania.

The net 60-minute peak load of Cleveland Electric's service area for 1991 was 3,886,000 kilowatts and occurred on July 19. The operable capacity at the time of the 1991 peak was 4,695,000 kilowatts. Cleveland Electric's 1992 service area peak load is forecasted to be 3,780,000 kilowatts, before demand-side management considerations. The operable capacity, which includes firm purchases, expected to be available to serve Cleveland Electric's 1992 peak is 4,554,000 kilowatts. Over the 1992-1994 period, Cleveland Electric forecasts its operable capacity margins at the time of its projected peak loads to range from 14% to 17%.

Cleveland Electric owns the facilities located in the area it serves for transmitting and distributing power to all its customers. Cleveland Electric has interconnections with Ohio Edison, Ohio Power and Penelec. The interconnections with Ohio Edison provide for the interchange of electric power with the other CAPCO Group companies and for transmission of power from the tenant-in-common owned or leased CAPCO Group generating units as well as for the interchange of power with Toledo Edison. The interconnection with Penelec provides for transmission of power from Cleveland Electric's share of the Seneca Plant. In addition, these interconnections provide the means for the interchange of electric power with other utilities.

Cleveland Electric has interconnections with each of the municipal systems operating within its service area.

Toledo Edison

The wholly owned, jointly owned and leased electric generating facilities of Toledo Edison in commercial operation as of December 31, 1991 provide a net demonstrated capability of 2,099,000 kilowatts during the winter. These facilities include nine generating units (1,193,000 kilowatts) at three fossil-fired steam electric generation stations; its share of three nuclear generating units (829,000 kilowatts) and five combustion turbine generating units (77,000 kilowatts). All of Toledo Edison's generating facilities are located in Ohio and Pennsylvania.

The net 60-minute peak load of Toledo Edison's service area for 1991 was 1,510,000 kilowatts and occurred on August 29. The operable capacity at the time of the 1991 peak was 1,758,000 kilowatts. Toledo Edison's 1992 service area peak load is forecasted to be 1,510,000 kilowatts, before demand-side management considerations. The operable capacity, which includes the effect of firm sales, expected to be available to serve Toledo Edison's 1992 peak is 1,726,000 kilowatts. Over the 1992-1994 period, Toledo Edison forecasts its operable capacity margins at the time of its projected peak loads to range from 14% to 20%.

Toledo Edison owns the facilities located in the area it serves for transmitting and distributing power to all its customers. Toledo Edison has interconnections with Ohio Edison, Ohio Power and Detroit Edison. The interconnection with Ohio Edison provides for the interchange of electric power with the other CAPCO Group companies and for transmission of power from the tenant-in-common owned or leased CAPCO Group generating units as well as for the interchange of power with Cleveland Electric. In addition, these interconnections provide the means for the interchange of electric power with other utilities.

Toledo Edison has interconnections with each of the municipal systems operating within its service area.

TITLE TO PROPERTY

The generating plants and other principal facilities of the Operating Companies are located on land owned in fee by them, except as follows:

(1) Cleveland Electric and Toledo Edison lease from others for a term of about 29-1/2 years starting on October 1, 1987 undivided 6.5%, 45.9% and 44.38% tenant-in-common interests in Units 1, 2 and 3, respectively, of the Mansfield Plant located in Shippingport, Pennsylvania. Cleveland Electric and Toledo Edison lease from others for a term of about 29-1/2 years starting on October 1, 1987 an 18.26% undivided tenant-in-common interest in Beaver Valley Unit 2 located in Shippingport, Pennsylvania. Cleveland Electric and Toledo Edison own another 24.47% interest and 1.65% interest, respectively, in Beaver Valley Unit 2 as a tenant-in-common. Cleveland Electric and Toledo Edison continue to own as a tenant-in-common the land upon which the Mansfield Plant and Beaver Valley Unit 2 are located, but have leased to others certain portions of that land relating to the above-mentioned generating unit leases.

(2) Most of the facilities of Cleveland Electric's Lake Shore Plant are situated on artificially filled land, extending beyond the natural shoreline of Lake Erie as it existed in 1910. As of December 31, 1991, the cost of Cleveland Electric's facilities, other than water intake and discharge facilities, located on such artificially filled land aggregated approximately $110,874,000. Title to land under the water of Lake Erie within the territorial limits of Ohio (including artificially filled land) is in the State of Ohio in trust for the people of the State for the public uses to which it may be adapted, subject to the powers of the United States, the public rights of navigation, water commerce and fishery and the rights of upland owners to wharf out or fill to make use of the water. The State is required by statute, after appropriate proceedings, to grant a lease to an upland owner, such as Cleveland Electric, which erected and maintained facilities on such filled land prior to October 13, 1955. Cleveland Electric does not have such a lease from the State with respect to the artificially filled land on which its Lake Shore Plant facilities are located, but Cleveland Electric's position, on advice of counsel for Cleveland Electric, is that its facilities and occupancy may not be disturbed because they do not interfere with the free flow of commerce in navigable channels and constitute (at least in part) and are on land filled pursuant to the exercise by it of its property rights as owner of the land above the shoreline adjacent to the filled land. Cleveland Electric holds permits, under Federal statutes relating to navigation, to occupy such artificially filled land.

(3) The facilities of Cleveland Electric's Seneca Plant in Warren County, Pennsylvania, are located on land owned by the United States and occupied by Cleveland Electric and Penelec pursuant to a license issued by the FERC for a 50-year period starting December 1, 1965 for the construction, operation and maintenance of a pumped-storage hydroelectric plant.

(4) The water intake and discharge facilities at the electric generating plants of Cleveland Electric and Toledo Edison located along Lake Erie, the Maumee River and the Ohio River are extended into the lake and rivers under their property rights as owners of the land above the water line and pursuant to permits under Federal statutes relating to navigation.

(5) The transmission systems of the Operating Companies are located on land, easements or rights-of-way owned by them. Their distribution systems also are located, in part, on interests in land owned by them, but, for the most part, their distribution systems are located on lands owned by others and on streets and highways. In most cases, permission has been obtained from the apparent owner of the property or, if the distribution system is located on streets and highways, from the apparent owner of the abutting property. Their electric underground transmission and distribution systems are located, for the most part, in public streets. The Pennsylvania portions of the main transmission lines from the Seneca Plant, the Mansfield Plant and Beaver Valley Unit 2 are not owned by Cleveland Electric or Toledo Edison.

All Cleveland Electric and Toledo Edison properties, with certain exceptions, are subject to the lien of their respective mortgages.

The fee titles which Cleveland Electric and Toledo Edison acquire as tenant-in-common owners, and the leasehold interests they have as joint lessees, of certain generating units do not include the right to require a partition or sale for division of proceeds of the units without the concurrence of all the other owners and their respective mortgage trustees and the trustees under Cleveland Electric's and Toledo Edison's mortgages.

Item 3. Legal Proceedings

Regulatory Proceedings and Suits Contesting Sulfur Dioxide Emission Limitations and Related Regulations Applicable to the Operating Companies. See "Item 1. Business--Environmental Regulation--Air Quality Control".

Westinghouse Lawsuit. In April 1991, the CAPCO Group companies filed a lawsuit against Westinghouse in the United States District Court for the Western District of Pennsylvania. The suit alleges that Westinghouse supplied six steam generators for Beaver Valley Power Station Units 1 and 2 which contain serious defects, particularly defects causing tube corrosion and cracking. As a result of the defective steam generators, the owners of Unit 1 of the Beaver Valley Power Station, in which the Operating Companies have no interest, are incurring large unanticipated costs and the owners of Beaver Valley Unit 2 (which is identical to but newer than Unit 1) are incurring unanticipated costs which are expected to become larger in the future. Based on information known at this time, it is expected that the steam generators will have to be replaced well short of the 40-year design life of each unit.

The suit seeks corrective action, compensatory damages, punitive damages, treble damages and reasonable attorneys' fees for claims including breach of contract, fraud, negligent misrepresentation and violations of RICO.

General Electric Lawsuit. In August 1991, the CAPCO Group companies filed suit against General Electric in the United States District Court in Cleveland alleging that General Electric provided defective design information relating to the containment vessels for Perry Units 1 and 2. The suit further alleges that necessary correction of the inadequate engineering services provided by General Electric caused extensive delays and cost increases in the construction of the Perry Plant. The suit seeks damages, interest and legal fees in unspecified amounts for claims including, among others, breach of contract, fraud, negligent misrepresentation, negligent performance of services, deceptive trade practices and violations of RICO. As constructed, Perry Unit 1 is properly designed and safe and has consistently met or exceeded the requirements of the NRC.

Item 4. Submission of Matters to a Vote of Security Holders

CENTERIOR ENERGY, CLEVELAND ELECTRIC AND TOLEDO EDISON

None.

PART II

Item 5. Market for Registrants' Common Equity and Related Stockholder Matters

CENTERIOR ENERGY

Market Information

Centerior Energy's common stock is traded on the New York, Midwest and Pacific Stock Exchanges. The quarterly high and low prices of Centerior common stock (as reported on the composite tape) in 1990 and 1991 were as follows:

	1990		1991	
	High	Low	High	Low
1st Quarter	$21-1/8	$18	$19-7/8	$16-7/8
2nd Quarter	19-1/2	17-3/8	19-7/8	16-1/4
3rd Quarter	19-1/8	16-1/8	18-1/4	15
4th Quarter	18-1/2	16-1/2	19-7/8	17-5/8

Share Owners

As of March 18, 1992, Centerior Energy had 175,250 common stock share owners.

Dividends

See Note 13 to Centerior's Financial Statements for quarterly dividend payments in the last two years.

See Centerior's "Management's Financial Analysis--Capital Resources and Liquidity" contained under Item 7 of this Report for a discussion of the payment of future dividends by Centerior.

At December 31, 1991, Centerior had earnings retained in the business of about $669,000,000 and capital surplus of about $1,964,000,000, both of which were available to pay dividends. Cleveland Electric and Toledo Edison can make cash available for the funding of Centerior's common stock dividends by paying dividends on their own common stocks. At December 31, 1991, Cleveland Electric had about $578,000,000 of retained earnings and about $1,319,000,000 of capital surplus and Toledo Edison had about $90,000,000 of retained earnings and about $602,000,000 of capital surplus available under Ohio law for the declaration of dividends on their respective preferred and common stocks. However, the payment of dividends out of capital surplus by the Operating Companies may be restricted under the Federal Power Act. In addition, Toledo Edison is prohibited from paying dividends out of capital surplus by its mortgage indenture.

CLEVELAND ELECTRIC AND TOLEDO EDISON

Dividends paid in 1991 on each of the Operating Companies' outstanding series of preferred stock were fully taxable. The Operating Companies believe that their preferred stock dividends will continue to be taxable in 1992 and 1993. The Operating Companies' beliefs are based on present circumstances and on assumptions about future events and circumstances, including an assumption that their investment in Perry Unit 2 will not be written off. The Operating Companies have made no projections with respect to the taxability of preferred stock dividends beyond 1993. If Perry Unit 2 is cancelled and recovery of the Operating Companies' investment in that Unit is not allowed and must therefore be written off, it is likely that at least a portion of the dividends paid in the year in which such write-off were to occur would be a tax-free return of capital. See Note 3(c).

The information regarding common stock prices and number of share owners required by this Item is not applicable to Cleveland Electric or Toledo Edison because all of their common stock is held solely by Centerior Energy.

Item 6. Selected Financial Data

CENTERIOR ENERGY

The information required by this Item is contained on Pages F-23 and F-24 attached hereto.

CLEVELAND ELECTRIC

The information required by this Item is contained on Pages F-46 and F-47 attached hereto.

TOLEDO EDISON

The information required by this Item is contained on Pages F-68 and F-69 attached hereto.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

CENTERIOR ENERGY

The information required by this Item is contained on Pages F-5, F-6 and F-8 attached hereto.

CLEVELAND ELECTRIC

The information required by this Item is contained on Pages F-28, F-29 and F-31 attached hereto.

TOLEDO EDISON

The information required by this Item is contained on Pages F-51, F-52 and F-54 attached hereto.

Item 8. Financial Statements and Supplementary Data

CENTERIOR ENERGY

The information required by this Item is contained on Pages F-2 through F-4, F-7 and F-9 through F-22 attached hereto.

CLEVELAND ELECTRIC

The information required by this Item is contained on Pages F-25 through F-27, F-30 and F-32 through F-45 attached hereto.

TOLEDO EDISON

The information required by this Item is contained on Pages F-48 through F-50, F-53 and F-55 through F-67 attached hereto.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

CENTERIOR ENERGY, CLEVELAND ELECTRIC AND TOLEDO EDISON

None.

PART III

Item 10. Directors and Executive Officers of the Registrants

CENTERIOR ENERGY

The information required by this Item for Centerior regarding directors is incorporated herein by reference to Pages 2 through 9 of Centerior's definitive proxy statement dated March 6, 1992. Reference is also made to "Executive Officers of the Registrants and the Service Company" in Part I of this report for information regarding the executive officers of Centerior Energy.

CLEVELAND ELECTRIC

Set forth below is the name and other directorships held, if any, of each director of Cleveland Electric. The year in which the director was first elected to Cleveland Electric's Board of Directors is set forth in parentheses. Reference is made to "Executive Officers of the Registrants and the Service Company" in Part I of this report for information regarding the directors and executive officers of Cleveland Electric. The directors received no remuneration in their capacity as directors.

Robert J. Farling*
Mr. Farling is a director of National City Bank. (1986)

Edgar H. Maugans
(1992)

Lyman C. Phillips
Mr. Phillips is a director of Society National Bank. (1988)

*Also a director of Centerior Energy and the Service Company.

TOLEDO EDISON

Set forth below is the name and other directorships held, if any, of each director of Toledo Edison. The year in which the director was first elected to Toledo Edison's Board of Directors is set forth in parentheses. Reference is made to "Executive Officers of the Registrants and the Service Company" in Part I of this report for information regarding the directors and the executive officers of Toledo Edison. The directors received no remuneration in their capacity as directors.

Robert J. Farling*
Mr. Farling is a director of National City Bank. (1988)

Edgar H. Maugans
(1992)

Lyman C. Phillips
Mr. Phillips is a director of Society National Bank. (1990)

Donald H. Saunders
(1988)

*Also a director of Centerior Energy and the Service Company.

Item 11. Executive Compensation

CENTERIOR ENERGY EXECUTIVE COMPENSATION

The information required by this Item for Centerior is incorporated herein by reference to the information concerning compensation of directors on Page 9, and the information concerning employee stock plan transactions of executive officers on Pages 18 through 20, of Centerior's definitive proxy statement dated March 6, 1992.

SALARIES AND INSURANCE

Centerior Energy, Cleveland Electric and Toledo Edison

Centerior has an Incentive Compensation Plan which provided that cash incentive compensation awards of up to 10% of base salary could be made to vice presidents and above based on performance. Beginning in 1991, that plan was amended to provide both short-range and long-range compensation to management based on the achievement of individual and corporate goals. Incentive awards under the revised plan will be made in two approximately equal components - a cash component payable at the time an incentive award is made and a deferred cash component payable five years later. The total award will be limited to no more than 10% to 25% of base salary for target goal performance depending on the level of the employee. Performance above or below these goals earns incentives proportionally higher or lower than the target amount established for each participant.

The deferred cash component is awarded in the form of Deferred Incentive Units. The number of Units is determined by dividing the deferred cash amount by the average of the high and low trading prices of Centerior common stock for the 52-week period immediately preceding the award date. Units accrue earnings at a rate equivalent to the dividend rate paid on common stock which are then converted to additional Units. The Units vest five years after the award date and are paid in cash. The conversion to cash is determined by multiplying the number of Units by the average of the high and low trading prices of common stock for the 52-week period immediately preceding the conversion date. If a participant leaves for reasons other than death, disability or retirement prior to the conversion date, the Units are forfeited.

In 1991, only vice presidents and above were eligible to participate in the plan. The Human Resources Committee of the Centerior Board of Directors administers the plan and establishes the goals and awards for those participants, subject to approval by the Board. Effective January 1, 1992, the plan was amended to include employees at the department head level throughout the Centerior System. The Human Resources Committee administers the plan and establishes the goals and awards for these employees.

The following information summarizes (1) compensation paid by the Centerior System to the five highest paid executive officers of Centerior Energy for services rendered in all capacities in 1991 while an executive officer of Centerior Energy, the Service Company, Cleveland Electric or Toledo Edison and (2) the aggregate compensation paid by the Centerior System to all executive officers of Centerior Energy, the Service Company, Cleveland Electric or Toledo Edison as a group for such services:

	Cash Compensation		
To Whom Paid and Principal Capacities in Which Served (1)(2)	Salaries and Incentive Compensation (3)	Other (4)	Deferred Incentive Compensation
Richard A. Miller	$ 558,016	$ 7,271	$ -
Robert J. Farling	304,016	4,516	26,000
Lyman C. Phillips	252,223	3,852	21,000
Murray R. Edelman	247,926	3,809	20,000
Edgar H. Maugans	220,152	3,391	21,000
All 19 executive officers of the Service Company (including the above officers) as a group	3,442,718	60,305	210,000
All 9 executive officers of Cleveland Electric (including the above named officers) as a group	2,000,176	32,489	99,000
All 10 executive officers of Toledo Edison (including the above named officers) as a group	2,119,441	34,567	110,000

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(1) The five named officers are included for Cleveland Electric and Toledo Edison regardless of whether they are officers of Cleveland Electric or Toledo Edison because they are key policymakers for the Centerior System.

(2) Data are included for the portion of 1991 during which the persons were executive officers of Centerior Energy, the Service Company, Cleveland Electric or Toledo Edison and includes cash compensation paid or accrued in all capacities with the Centerior System as listed in "Business--Executive Officers of the Registrants and the Service Company" for that period.

(3) Includes the cash component of Incentive Compensation awarded on March 24, 1992 for services rendered in 1991

(4) Centerior pays long-term disability benefits and premiums for life, accident and personal liability insurance benefits for executive officers to the extent those benefits exceed the benefits uniformly available to salaried employees under the Centerior System's benefit plans. No such long-term disability benefits were paid in 1991. In addition, Centerior provides additional compensation to certain executive officers to purchase other employee benefits.

Centerior has a deferred compensation plan under which Centerior System employees designated by the Human Resources Committee of Centerior's Board of Directors may elect to defer the receipt of up to 25% of salary and up to all incentive compensation until a year selected by the employee not later than the year in which the employee attains age 70 or, if it occurs earlier, at retirement, 12 months after death or at other termination of employment. Amounts deferred by executive officers in 1991 have been included in the cash compensation table.

PENSION PLAN BENEFITS

Centerior System employees, including officers of Cleveland Electric and Toledo Edison, are covered by Centerior's pension program. The pension program is a noncontributory fixed-benefit program which provides benefits upon retirement at or after age 55. The annual amount of the pension is based primarily upon the monthly average straight-time salary and incentive compensation in the 60 consecutive highest paid months ("covered compensation") and the number of years of service. The resulting benefit is reduced by a percentage (based on the number of years of service) of the average FICA wage base. The pension is reduced in the event of retirement prior to age 62 and in certain cases prior to age 65. Appropriate reductions are made if the employee elects a joint and survivor, guaranteed years certain, lump sum or other form of pension in place of payments for life. To the extent limits imposed by Federal law apply to reduce a pension which otherwise would be payable under the pension program, the amount of the reduction will be paid, as permitted by Federal law, directly by Centerior. The following table shows the annual amount of payment-for-life pension payable to salaried employees who retire under the pension program at or after age 62 at stated levels of covered compensation and years of service:

Covered Compensation	Years of Service		
	30	35	40
$150,000	$ 78,041	$ 81,544	$ 85,048
200,000	105,041	109,794	114,548
250,000	132,041	138,044	144,048
300,000	159,041	166,294	173,548
350,000	186,041	194,544	203,048
400,000	213,041	222,794	232,548
450,000	240,041	251,044	262,048

Centerior Energy, Cleveland Electric and Toledo Edison

The following table sets forth the years of service and the covered compensation as of year-end 1991 of the five highest paid executive officers of Centerior Energy, Cleveland Electric and Toledo Edison:

Executive Officer	Years of Service	Covered Compensation
Richard A. Miller	31	$413,129
Robert J. Farling	32	237,709
Lyman C. Phillips	30	202,049
Murray R. Edelman	30	194,755
Edgar H. Maugans	35	174,874

EMPLOYEE STOCK PLAN TRANSACTIONS

(a) Employee Purchase Plan

All employees, including officers, of Centerior, the Service Company, Cleveland Electric (and its participating subsidiaries) and Toledo Edison are eligible to participate in the Purchase Plan. A participant may contribute to purchase U.S. Savings Bonds up to 100% of his straight-time pay less (1) payroll withholding tax and other payroll deductions, (2) any other contribution he makes into the Purchase Plan and (3) any contribution he makes into the Savings Plan. A participant also may contribute up to 8% of his pay, less any Basic Contribution he makes into the Savings Plan, to purchase Centerior common stock at a price 15% below the fair market value on the semiannual dates of purchase, March 15 and September 15. The Bonds and common stock are distributed to the participant immediately after purchase. Centerior's contribution into the Purchase Plan is the 15% discount on the price of the common stock. The 15% discount is taxable ordinary income to the participant in the tax year the common stock is purchased and is deductible by Centerior.

Cleveland Electric and Toledo Edison

In 1991, Edgar H. Maugans purchased a total of 439 shares at an aggregate purchase price of $6,475.25. The aggregate market value of the stock on the purchase date was $7,517.88. None of the other eight executive officers of Cleveland Electric nor the other nine executive officers of Toledo Edison acquired Centerior common stock through the Purchase Plan in 1991.

(h) Employee Savings Plan

All employees, including officers, of Centerior, the Service Company, Cleveland Electric (and its participating subsidiaries) and Toledo Edison may participate in the Savings Plan by means of payroll deduction contributions. The Savings Plan consists of two parts: the After Tax Part and the Before Tax Part. The After Tax Part receives a participant's contributions after they have been taxed as pay. The Before Tax Part receives a participant's contributions before they have been taxed as pay; however, they will be taxed when withdrawn from the Savings Plan.

The combined maximum employee contribution into both Parts of the Savings Plan is 16% of pay. A participant may contribute up to 6% of his straight-time pay as a Basic Contribution and up to another 10% as a Supplemental Contribution into the After Tax and Before Tax Parts combined. The minimum contribution is 1% of pay. Centerior contributes out of current income or retained earnings an amount equal to 50% of the employee's Basic Contribution. Contributions of highly compensated employees and Centerior's matching contributions are reduced when necessary to keep the contributions within the limits of Federal tax law.

Contributions are placed in a tax-exempt trust administered by a corporate trustee. The trust invests in (1) Centerior common stock, (2) a diversified group of common stocks, excluding Centerior common stock and (3) fixed income debt or stock investments, which currently are deposits under insurance company contracts at fixed rates of interest. A participant may allocate his contributions into the three funds in such portions as he designates. Centerior Stock Fund contributions and earnings are invested in Centerior common stock purchased by the trustee from Centerior at its fair market value or in the open market. Centerior's contributions are invested in the same funds and in the same portions as a participant's contributions. Centerior contributions and the earnings thereon become 100% vested in the participant after the participant makes at least 36 months of contributions in the After Tax Part, but become immediately vested in the Before Tax Part. Effective January 1, 1992, the Savings Plan was amended to allow participants to borrow up to the lesser of 50% of their vested account balances (excluding vested Centerior contributions made during the current year and the prior two calendar years) or $50,000.

Cleveland Electric and Toledo Edison

The following table presents information relating to Centerior's 50% matching contributions for executive officers of Cleveland Electric and Toledo Edison under the Savings Plan during 1991:

Executive Officer	Centerior Contributions
Richard A. Miller	$ 2,500
Robert J. Farling	8,609
Lyman C. Phillips	2,491
Murray R. Edelman	3,333
Edgar H. Maugans	1,529
All 9 executive officers of Cleveland Electric (including the above named officers) as a group	27,947
All 10 executive officers of Toledo Edison (including the above named officers) as a group	31,169

(c) 1978 Key Employee Stock Option Plan

Prior to becoming a subsidiary of Centerior, options to buy Cleveland Electric common stock were granted at various times by Cleveland Electric to certain of its key employees pursuant to its 1978 Key Employee Stock Option Plan. When Cleveland Electric became a subsidiary of Centerior, the plan was changed to provide for the sale of Centerior common stock instead of Cleveland Electric common stock upon exercise of those options, and Centerior assumed all the obligations of Cleveland Electric under those options and the plan. No additional options can be granted under the plan.

Cleveland Electric and Toledo Edison

The following table presents information relating to the exercise of options by the eligible executive officers of Cleveland Electric and Toledo Edison under the 1978 Key Employee Stock Option Plan during 1991:

	Options Exercised	
Executive Officer	Number of Shares	Excess of Market Value Over Exercise Price
Richard A. Miller	13,875	$41,733
Robert J. Farling	4,000	14,940
Murray R. Edelman	4,440	19,636
Edgar H. Maugans	6,660	28,122
All 5 eligible executive officers (including the above officers) as a group	28,975	104,431

(d) Employee Stock Ownership Plan

Under the Toledo Edison Employee Stock Ownership Plan, common stock of Toledo Edison was, and since 1986 Centerior common stock is, allocable to the accounts of all eligible employees of Toledo Edison in proportion to their compensation from Toledo Edison. Toledo Edison made contributions in 1977, 1984, 1986 and 1988, in each case for the preceding tax year. Participants are always fully vested in the common stock credited to their accounts. Upon the affiliation of Cleveland Electric and Toledo Edison, the Toledo Edison common stock in the plan was converted into Centerior common stock.

Cleveland Electric and Toledo Edison

At December 31, 1991, under the Employee Stock Ownership Plan, 589 shares of Centerior common stock were held in the account of Lyman C. Phillips and 1,337 shares were held in the accounts of the three eligible Cleveland Electric executive officers (including Mr. Phillips) as a group and 1,986 shares were held in the accounts of the four eligible Toledo Edison executive officers (including Mr. Phillips) as a group.

Item 12. Security Ownership of Certain Beneficial Owners and Management

CENTERIOR ENERGY

The following table sets forth the beneficial ownership of Centerior common stock by individual directors of Centerior and all directors and officers of Centerior Energy and the Service Company as a group as of February 29, 1992:

Name of Beneficial Owner	Number of Common Shares Owned (1)
Richard P. Anderson	1,214
Albert C. Bersticker	1,000
Leigh Carter	2,257
Thomas A. Commes	5,000
Wayne R. Embry	1,000
Robert J. Farling	31,169 (2)
Robert M. Ginn	32,071
George H. Kaull	4,752
Richard A. Miller	38,606 (2)
Frank E. Mosier	1,337
Sister Mary Marthe Reinhard, SND	2,220 (3)
Robert C. Savage	1,000
Paul M. Smart	3,527
William J. Williams	1,386
All directors and officers as a group	219,762 (2)

(1) Beneficially owned shares include any shares with respect to which voting or investment power is attributed to a director or officer because of joint or fiduciary ownership of the shares or relationship to the record owner, such as a spouse, even though the director or officer does not consider himself or herself the beneficial owner. On February 29, 1992, all directors and officers of Centerior Energy and the Service Company as a group were considered to own beneficially 0.2% of Centerior's common stock and none of the preferred stock of Cleveland Electric and Toledo Edison, except for one officer who owns 50 shares of Toledo Edison preferred stock. Certain directors and officers disclaim beneficial ownership of some of those shares.

(2) Includes the following numbers of shares which are not owned but could have been purchased within 60 days after February 29, 1992 upon exercise of options to purchase shares of Centerior common stock: Mr. Farling - 17,730; Mr. Miller - 15,333; and all other officers as a group - 46,544. None of those options have been exercised as of March 27, 1992 with the exception of 7,564 which were exercised by Mr. Miller on March 2, 1992.

(3) Owned by the Sisters of Notre Dame.

CLEVELAND ELECTRIC

Individual directors of Cleveland Electric and all directors and officers of Cleveland Electric as a group as of March 15, 1992 beneficially owned the following number of shares of Centerior common stock on February 29, 1992:

Name of Beneficial Owner	Number of Common Shares Owned (1)
Robert J. Farling	31,169 (2)
Edgar H. Maugans	10,068 (2)
Lyman C. Phillips	2,695
All directors and officers as a group	75,625 (2)

(1) Beneficially owned shares include any shares with respect to which voting or investment power is attributed to a director or officer because of joint or fiduciary ownership of the shares or relationship to the record owner, such as a spouse, even though the director or officer does not consider himself or herself the beneficial owner. On February 29, 1992, all directors and officers of Cleveland Electric as a group were considered to own beneficially 0.1% of Centerior's common stock and none of Cleveland Electric's serial preferred stock. Certain directors and officers disclaim beneficial ownership of some of those shares.

(2) Includes the following numbers of shares which are not owned but could have been purchased within 60 days after February 29, 1992 upon exercise of options to purchase shares of Centerior common stock: Mr. Farling - 17,730; Mr. Maugans - 1,665; and all other officers as a group - 20,351. None of those options have been exercised as of March 27, 1992.

TOLEDO EDISON

Individual directors of Toledo Edison and all directors and officers of Toledo Edison as a group as of March 15, 1992 beneficially owned the following number of shares of Centerior common stock on February 29, 1992:

Name of Beneficial Owner	Number of Common Shares Owned (1)
Robert J. Farling	31,169 (2)
Edgar H. Maugans	10,068 (2)
Lyman C. Phillips	2,695
Donald H. Saunders	1,418
All directors and officers as a group	77,074 (2)

(1) Beneficially owned shares include any shares with respect to which voting or investment power is attributed to a director or officer because of joint or fiduciary ownership of the shares or relationship to the record owner, such as a spouse, even though the director or officer does not consider himself or herself the beneficial owner. On February 29, 1992, all directors and officers of Toledo Edison as a group were considered to own beneficially 0.1% of Centerior's common stock and none of Toledo Edison's preferred stock. Certain directors and officers disclaim beneficial ownership of some of these shares.

(2) Includes the following numbers of shares which are not owned but could have been purchased within 60 days after February 29, 1992 upon exercise of options to purchase shares of Centerior common stock: Mr. Farling - 17,730; Mr. Maugans - 1,665; and all other officers as a group - 20,351. None of those options have been exercised as of March 27, 1992.

Item 13. Certain Relationships and Related Transactions

CENTERIOR ENERGY AND TOLEDO EDISON

The information required by this Item is incorporated herein by reference to Page 10 of Centerior's definitive proxy statement dated March 6, 1992.

CLEVELAND ELECTRIC

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents Filed as a Part of the Report

1. Financial Statements:

Financial Statements for Centerior Energy, Cleveland Electric and Toledo Edison are listed in the Index to Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; and Financial Statements. See Page F-1.

2. Financial Statement Schedules:

Financial Statement Schedules for Centerior Energy, Cleveland Electric and Toledo Edison are listed in the Index to Schedules. See Page S-1.

3. Exhibits:

Exhibits for Centerior Energy, Cleveland Electric and Toledo Edison are listed in the Exhibit Index. See Page E-1.

(b) Reports on Form 8-K

Centerior Energy, Cleveland Electric and Toledo Edison filed one Current Report on Form 8-K during the fourth quarter of 1991. The Form 8-K, which was dated October 21, 1991, discussed under "Item 5. Other Events - 1. Regulatory and Accounting Matters" the filing with the PUCO of a joint recommendation between the Operating Companies and customer representative groups relating to certain accounting treatment requests of the Operating Companies and other matters.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENTERIOR ENERGY CORPORATION
Registrant

March 27, 1992

By *ROBERT J FARLING, Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Signature	Title	Date
Principal Executive Officer: *ROBERT J. FARLING	Chairman of the Board, President and Chief Executive Officer	
Principal Financial Officer: *EDGAR H. MAUGANS	Executive Vice President	
Principal Accounting Officer: *PAUL G. BUSBY	Controller	
Directors:		
*RICHARD P. ANDERSON	Director	
*ALBERT C. BERSTICKER	Director	
*LEIGH CARTER	Director	
*THOMAS A. COMMES	Director	March 27, 1992
*WAYNE R. EMBRY	Director	
*ROBERT J. FARLING	Director	
*ROBERT M. GINN	Director	
*GEORGE H. KAULL	Director	
*RICHARD A. MILLER	Director	
*FRANK E. MOSIER	Director	
*SR. MARY MARTHE REINHARD, SND	Director	
*ROBERT C. SAVAGE	Director	
*PAUL M. SMART	Director	
*WILLIAM J. WILLIAMS	Director	

*By J. T. PERCIO
J. T. Percio, Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
Registrant

March 27, 1992

By *LYMAN C. PHILLIPS, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Signature	Title	Date
Principal Executive Officer:		
*LYMAN C. PHILLIPS	President and Chief Executive Officer	
Principal Financial Officer:		
*EDGAR H. MAUGANS	Vice President and Chief Financial Officer	March 27, 1992
Principal Accounting Officer:		
*PAUL G. BUSBY	Controller	
Directors:		
*ROBERT J. FARLING	Director	
*EDGAR H. MAUGANS	Director	
*LYMAN C. PHILLIPS	Director	

*By J. T. PERCIO
J. T. Percio, Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE TOLEDO EDISON COMPANY
Registrant

March 27, 1992

By *LYMAN C. PHILLIPS, Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Signature	Title	Date
Principal Executive Officer:		
*LYMAN C. PHILLIPS	Chairman of the Board and Chief Executive Officer	
Principal Financial Officer:		
*EDGAR H. MAUGANS	Vice President and Chief Financial Officer	
Principal Accounting Officer:		March 27, 1992
*PAUL G. BUSBY	Controller	
Directors:		
*ROBERT J. FARLING	Director	
*EDGAR H. MAUGANS	Director	
*LYMAN C. PHILLIPS	Director	
*DONALD H. SAUNDERS	Director	

*By J. T. PERCIO
J. T. Percio, Attorney-in-Fact

INDEX TO
SELECTED FINANCIAL DATA; MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS; AND FINANCIAL STATEMENTS

To the Share Owners and Board of Directors of
Centerior Energy Corporation:

We have audited the accompanying consolidated balance sheet and consolidated statement of cumulative preferred stock of Centerior Energy Corporation (an Ohio corporation) and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centerior Energy Corporation and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed further in the Summary of Significant Accounting Policies and Note 12, a change was made in the method of accounting for nuclear plant depreciation in 1991, retroactive to January 1, 1991.

As discussed further in Note 3(c), the future of Perry Unit 2 is undecided. Construction has been suspended since July 1985. Various options are being considered, including resuming construction, converting the unit to a nonnuclear design, sale of all or part of the Company's ownership share, or canceling the unit. Management can give no assurance when, if ever, Perry Unit 2 will go in service or whether the Company's investment in that unit and a return thereon will ultimately be recovered.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of Centerior Energy Corporation and subsidiaries listed in the Index to Schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Cleveland, Ohio
February 14, 1992

Arthur Andersen & Co.

GENERAL

Centerior Energy Corporation (Centerior Energy) is a holding company with two electric utilities as subsidiaries, The Cleveland Electric Illuminating Company (Cleveland Electric) and The Toledo Edison Company (Toledo Edison). The consolidated financial statements also include the accounts of Centerior Energy's other wholly owned subsidiary, Centerior Service Company (Service Company), and Cleveland Electric's wholly owned subsidiaries. The Service Company provides management, financial, administrative, engineering, legal and other services at cost to Centerior Energy, Cleveland Electric and Toledo Edison. Cleveland Electric and Toledo Edison (Operating Companies) operate as separate companies, each serving the customers in its service area. The preferred stock, first mortgage bonds and other debt obligations of the Operating Companies continue to be outstanding securities of the issuing utility. All significant intercompany items have been eliminated in consolidation.

Centerior Energy and the Operating Companies follow the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by The Public Utilities Commission of Ohio (PUCO). As rate-regulated utilities, the Operating Companies are subject to Statement of Financial Accounting Standards 71 which governs accounting for the effects of certain types of rate regulation. The Service Company follows the Uniform System of Accounts for Mutual Service Companies prescribed by the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935.

The Operating Companies are members of the Central Area Power Coordination Group (CAPCO). Other members include Duquesne Light Company (Duquesne), Ohio Edison Company (Ohio Edison) and Ohio Edison's wholly owned subsidiary, Pennsylvania Power Company (Pennsylvania Power). The members have constructed and operate generation and transmission facilities for the use of the CAPCO companies.

REVENUES

Customers are billed on a monthly cycle basis for their energy consumption based on rate schedules or contracts authorized by the PUCO or on ordinances with individual municipalities. An accrual is made at the end of each month to record the estimated amount of unbilled revenues for kilowatt-hour sales rendered in the current month but not billed by the end of that month.

A fuel factor is added to the base rates for electric service. This factor is designed to recover from customers the costs of fuel and most purchased power. It is reviewed and adjusted semiannually in a PUCO proceeding.

Operating revenues include certain wholesale power sales revenues in accordance with a FERC clarification of reporting requirements. Prior to 1991, these bulk power sales transactions were netted with purchased power transactions and reported as part of fuel and purchased power expense. The amounts for prior years have also been reclassified to conform with current reporting requirements. See Note 13.

FUEL EXPENSE

The cost of fossil fuel is charged to fuel expense based on inventory usage. The cost of nuclear fuel, including an interest component, is charged to fuel expense based on the rate of consumption. Estimated future nuclear fuel disposal costs are being recovered through the base rates.

The Operating Companies defer the differences between actual fuel costs and estimated fuel costs currently being recovered from customers through the fuel factor. This matches fuel expenses with fuel-related revenues.

PRE-PHASE-IN AND PHASE-IN DEFERRALS OF OPERATING EXPENSES AND CARRYING CHARGES

The PUCO authorized the Operating Companies to record, as deferred charges, certain operating expenses and carrying charges related to Perry Nuclear Power Plant Unit 1 (Perry Unit 1) and Beaver Valley Power Station Unit 2 (Beaver Valley Unit 2) from their respective in-service dates in 1987 through December 1988. Amortization and recovery of these deferrals (called pre-phase-in deferrals) began in January 1989 in accordance with the January 1989 PUCO rate orders discussed in Note 6. The amortizations will continue over the lives of the related property.

As discussed in Note 6, the January 1989 PUCO rate orders for the Operating Companies included approved rate phase-in plans for their investments in Perry Unit 1 and Beaver Valley Unit 2. On January 1, 1989, the Operating Companies began recording the deferrals of operating expenses and interest and equity carrying charges on deferred rate-based investment pursuant to the phase-in plans. These deferrals (called phase-in deferrals) will be recovered by December 31, 1998.

DEPRECIATION AND AMORTIZATION

The cost of property, plant and equipment is depreciated over their estimated useful lives on a straight-line basis. Prior to 1991, only nonnuclear property, plant and equipment was depreciated on a straight-line basis as depreciation expense for the nuclear generating units was based on the units-of-production method.

The annual straight-line depreciation provision for nonnuclear property expressed as a percent of average depreciable utility plant in service was 3.4% in 1991, 3.3% in 1990 and 3.8% in 1989. The rate declined in 1990 because of a PUCO-approved change in depreciation rates effective January 1, 1990, attributable to longer estimated lives for nonnuclear property. See Note 13.

In 1990, the Nuclear Regulatory Commission (NRC) approved a six-year extension of the operating license for the Davis-Besse Nuclear Power Station (Davis-Besse). The PUCO approved a change in the units-of-production depreciation rate for Davis-Besse, effective January 1, 1990, which recognized the life extension. See Note 13.

Effective January 1, 1991, the Operating Companies changed their method of accounting for nuclear plant depreciation from the units-of-production method to the straight-line method at about a 3% rate. The PUCO approved this change in accounting method for each Operating Company and subsequently approved a change to lower the 3% rate to 2.5% for the three operating nuclear units retroactive to January 1, 1991. See Notes 12 and 13.

The Operating Companies use external funding of future decommissioning costs for their operating nuclear units pursuant to a PUCO order. Cash contributions are made to the funds on a straight-line basis over the remaining licensing period for each unit. Amounts currently in rates are based on past estimates of decommissioning costs for the Operating Companies of $122,000,000 in 1986 dollars for Davis-Besse and $72,000,000 and $63,000,000 in 1987 dollars for Perry Unit 1 and Beaver Valley Unit 2, respectively. Actual decommissioning costs are expected to significantly exceed these estimates. It is expected that increases in the cost estimates will be recoverable in rates resulting from future rate proceedings. The current level of expense being funded and recovered from customers over the remaining licensing periods of the units is approximately $8,000,000 annually. The present funding requirements for Beaver Valley Unit 2 also satisfy a similar commitment made as part of the sale and leaseback transaction discussed in Note 2.

FEDERAL INCOME TAXES

The financial statements reflect the liability method of accounting for income taxes. The liability method requires that our deferred tax liabilities be adjusted for subsequent tax rate changes and that we record deferred taxes for all temporary differences between the book and tax bases of assets and liabilities. A portion of these temporary differences are attributable to property-related timing differences that the PUCO used to reduce prior years' tax expense for ratemaking purposes whereby no deferred taxes were collected or recorded. Since the PUCO practice permits recovery of such taxes from customers when they become payable, the net amount due from customers has been recorded as a regulatory asset in deferred charges. A substantial portion of this amount relates to differences between the book and tax bases of utility plant. Hence, the recovery of these amounts will take place over the lives of the related assets.

Investment tax credits are deferred and amortized over the estimated lives of the applicable property. The amortization is reported as a reduction of depreciation expense under the liability method. See Note 7.

DEFERRED GAIN AND LOSS FROM SALES OF UTILITY PLANT

The Operating Companies entered into sale and leaseback transactions in 1987 for the coal-fired Bruce Mansfield Generating Plant (Mansfield Plant) and Beaver Valley Unit 2 as discussed in Note 2. These transactions resulted in a net gain for the sale of Mansfield Plant and a net loss for the sale of Beaver Valley Unit 2, both of which were deferred. The Operating Companies are amortizing the applicable deferred gain and loss over the terms of leases under sale and leaseback agreements. The amortizations along with the lease expense amounts are recorded as other operation and maintenance expense.

INTEREST CHARGES

Debt interest reported in the Income Statement does not include interest on nuclear fuel obligations. Interest on nuclear fuel obligations for fuel under construction is capitalized. See Note 5.

Losses and gains realized upon the reacquisition or redemption of long-term debt are deferred, consistent with the regulatory rate treatment. Such losses and gains are either amortized over the remainder of the original life of the debt issue retired or amortized over the life of the new debt issue when the proceeds of a new issue are used for the debt redemption. The amortizations are included in debt interest expense.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at original cost less any amounts ordered by the PUCO to be written off. Included in the cost of construction are items such as related payroll taxes, pensions, fringe benefits, management and general overheads and allowance for funds used during construction (AFUDC). AFUDC represents the estimated composite debt and equity cost of funds used to finance construction. This noncash allowance is credited to income, except for certain AFUDC for Perry Nuclear Power Plant Unit 2 (Perry Unit 2). See Note 3(c). The gross AFUDC rates averaged 10.7% in 1991, 10.8% in 1990 and 11.2% in 1989.

Maintenance and repairs are charged to expense as incurred. The cost of replacing plant and equipment is charged to the utility plant accounts. The cost of property retired plus removal costs, after deducting any salvage value, is charged to the accumulated provision for depreciation.

RECLASSIFICATIONS

Certain reclassifications have been made to prior years' financial statements to make them comparable with the 1991 financial statements and consistent with current reporting requirements. These include reclassifications related to certain wholesale power sales revenues as discussed previously under "Revenues" and accumulated deferred rents as discussed in Note 2.

RESULTS OF OPERATIONS

Overview

The January 1989 PUCO rate orders for the Operating Companies, as discussed in Note 6, were designed to enable us to begin recovering in rates the cost of, and earn a fair return on, our allowed investment in Perry Unit 1 and Beaver Valley Unit 2. The rate orders, which provided for three rate increases, improved revenues and cash flows in 1989, 1990 and 1991 from the 1988 levels. However, as discussed in the first four paragraphs of Note 6, the phase-in plans were not designed to improve earnings because gains in revenues from the higher rates and assumed sales growth are initially offset by a corresponding reduction in the deferral of nuclear plant operating expenses and carrying charges and are subsequently offset by the amortization of such deferrals.

Although the phase-in plans had a positive effect on revenues and cash flows, there are a number of factors that exerted a negative influence on earnings in 1991 and will continue to present significant earnings challenges in 1992 and beyond. One such factor is related to facilities placed in service after February 1988 and not included in rate base. The Operating Companies are required to record interest charges and depreciation on these facilities as current expenses even though such items are not yet recovered in rates. We also are facing the challenge of competitive forces, including new initiatives to create municipal electric systems. The need to meet competitive threats, coupled with a desire to encourage economic growth in the service area, is prompting the Operating Companies to enter into an increasing number of contracts having reduced rates with certain large customers. Competitive forces also prompted Toledo Edison to implement rate reductions in 1991 for residential and small commercial customers. Factors beyond our control also having a negative influence on earnings are the economic recession, the effect of inflation and increases in taxes, other than federal income taxes.

We have taken several steps to counter the adverse effects of the factors discussed above. We have implemented most of the recommendations of the management audit discussed in Note 6 and have taken other actions which reduced other operation and maintenance expense by approximately $62,000,000 in 1991. As discussed in the Summary of Significant Accounting Policies and Note 12, we sought and received PUCO approval to lower our nuclear plant depreciation expense in 1991 to a level more closely aligned with the amount being recovered in rates. In addition, we have increased our efforts to sell power to other utilities which, in 1991 resulted in approximately $33,000,000 of revenues in excess of the cost of providing the power.

Despite the positive aspects of the measures discussed above, more must be done to maintain earnings. Continuing cost-reduction efforts will be necessary to lessen the negative pressures on earnings. We are aggressively seeking long-term power contracts with wholesale customers to further enhance revenues. To counter the effects of delays in recovering new investment since 1988 and related costs in rates, we have requested PUCO approval to accrue post-in-service carrying costs and defer depreciation for facilities that are in service but not yet recognized in rates. PUCO action on this request has been postponed under the joint recommendation approved by the PUCO discussed below.

In December 1991, the PUCO approved a joint recommendation of the Operating Companies and customer representative groups involved in the 1989 rate case settlement. The joint recommendation sought to secure an interim resolution of then-pending accounting applications in 1991 and to establish a framework for resolving accounting issues and related matters on a longer-term basis (i.e., 1992-1995). As part of this joint recommendation, the Operating Companies agreed to limit their combined 1992 other operation and maintenance expenses and capital expenditures to $1,050,000,000, exclusive of compliance costs related to the Clean Air Act Amendments of 1990 (Clean Air Act). Other operation and maintenance expenses and capital expenditures totaled $1,005,000,000 in 1991. The Operating Companies and the customer representative groups also agreed to an ongoing review of our business operations, financial condition and accounting practices. This effort, with the participation of the PUCO staff, is directed at the maintenance and ultimate improvement of our financial condition, the improvement of the efficiency of our operations, and the delay and minimization of future rate increases. The Operating Companies also agreed not to seek any base rate increase that would become effective before 1993.

We continually face competitive threats from municipal electric systems within our service territory, a challenge intensified by municipal access to low-cost power currently available on the wholesale market. As part of our competitive strategy, we are strengthening programs that demonstrate the added value inherent in our service, beyond what one might receive from a municipal electric system. Such programs include providing services to communities to help them retain and attract businesses, providing consulting services to customers to improve their energy efficiency and developing demand-side management programs. To counter new municipalization initiatives, we are also stressing the financial risks and uncertainties of creating a municipal system and our superior reliability and service.

Annual sales growth is expected to average about 2% for the next several years, contingent on future economic events. Recognizing the limitations imposed by these sales projections and current competitive pressures, we will utilize our best efforts to minimize future rate increases through cost-reduction and quality-of-service efforts and exploring other innovative options. Eventually, rate increases will be necessary to recognize the cost of our new capital investment and the effect of inflation.

1991 vs. 1990

Factors contributing to the 5.5% increase in 1991 operating revenues are as follows:

Change in Operating Revenues	Increase
Base Rates and Miscellaneous	$ 86,000,000
Sales Volume and Mix	28,000,000
Wholesale Sales	19,000,000
	$133,000,000

The increases in base rates and miscellaneous revenues resulted primarily from the January 1989 PUCO rate orders for the Operating Companies. The PUCO approved rate increases of 7% effective in February 1990 for both companies and rate increases of 4.35% for Cleveland Electric and 2.74% for Toledo Edison effective in February 1991. However, as part of Toledo Edison's efforts to improve its competitive position in its service area, Toledo Edison waived its 2.74% rate increase for residential and small commercial customers and reduced its residential rates by 3% effective in March 1991 and by an additional 1% effective in September 1991. See Note 6. Total kilowatt-hour sales increased 1.2% in 1991. Residential and commercial sales increased 4.7% and 4.8%, respectively, as a result of higher usage of cooling equipment in response to the unusually warm late spring and summer 1991 temperatures. The commercial sales increase was also influenced by some improvement in the economy for the commercial sector. Industrial sales declined 5% largely because of the recession-driven slump in the steel, auto and chemical industries. Other sales increased 9.1% because of increased sales to wholesale customers and public authorities.

Operating expenses increased 3% in 1991. The increase was mitigated by a reduction of $62,000,000 in other operation and maintenance expense, resulting primarily from cost-cutting measures. Offsetting this decrease were an increase in federal income taxes because of higher pretax operating income; an increase in fuel and purchased power expense resulting primarily from increased amortization of previously deferred fuel costs over the amount amortized in 1990; an increase in taxes, other than federal income taxes, resulting from higher property and gross receipt taxes and accruals for Pennsylvania tax increases enacted in August 1991; and lower operating expense deferrals for Perry Unit 1 and Beaver Valley Unit 2 pursuant to the January 1989 PUCO rate orders.

Credits for carrying charges recorded in nonoperating income decreased in 1991 because greater share of our investments and leasehold interests in Perry Unit 1 and Beaver Valley Unit 2 were recovered in rates. The federal income tax provision related to nonoperating income increased mainly because the 1990 provision was reduced by $37,522,000 for federal income tax adjustments associated with previously deferred investment tax credits relating to the 1988 write-off of nuclear plant.

1990 vs. 1989

Factors contributing to the 2.8% increase in 1990 operating revenues are as follows:

Change in Operating Revenues	Increase (Decrease)
Base Rates and Miscellaneous	$152,000,000
Sales Volume and Mix	(54,000,000)
Perry Unit 1 Capacity Sales to Ohio Edison and Pennsylvania Power	(32,000,000)
	$ 66,000,000

The major factor accounting for the increase in operating revenues was related to the January 1989 rate orders for the Operating Companies. The PUCO approved rate increases for the Operating Companies of 9% effective in February 1989 and 7% effective in February 1990. The associated revenue increase in 1990 was partially offset by reduced revenues resulting from a 4.1% decrease in total kilowatt-hour sales. Industrial sales decreased 2.8% because of the recession beginning in 1990. Residential sales decreased 2.1% as seasonal temperatures were more moderate in comparison to the prior year's temperatures, resulting in reduced customer heating and cooling-related demand. Commercial sales increased 0.3% as increased demand from new all-electric office and retail space was offset by the effects of mild weather. Other sales activity decreased 18.6% as a result of lower wholesale sales caused in part by Toledo Edison's municipal utility customers satisfying a greater portion of their power needs from other sources. The increase in revenues was also partially offset by the loss of revenues related to the May 1989 expiration of Cleveland Electric's agreement to sell a portion of its share of Perry Unit 1 capacity to Ohio Edison and Pennsylvania Power.

Operating expenses decreased 0.3% in 1990. Depreciation and amortization expense decreased primarily because of lower depreciation rates used in 1990 for nonnuclear and Davis-Besse property attributable to longer estimated lives and because of longer nuclear generating unit refueling and maintenance outages in 1990 than in 1989. Federal income taxes decreased primarily because of a decrease in pretax operating income. These decreases in operating expenses were partially offset by an increase in taxes, other than federal income taxes, resulting from higher property and gross receipts taxes, and by lower operating expense deferrals for Perry Unit 1 and Beaver Valley Unit 2.

Credits for carrying charges recorded in nonoperating income decreased in 1990 because a greater share of our investments and leasehold interests in Perry Unit 1 and Beaver Valley Unit 2 were recovered in rates. The decrease in the federal income tax provision related to nonoperating income was the result of a decrease in pretax nonoperating income and federal income tax adjustments of $37,522,000 associated with previously deferred investment tax credits relating to the 1988 write-off of nuclear plant. Other income and deductions, net, decreased primarily because of less interest income in 1990.

EFFECT OF INFLATION

Although the rate of inflation has eased in recent years, we are still affected by even modest inflation since the regulatory process introduces a time-lag during which increased costs of our labor, materials and services are not reflected in rates and recovered. Moreover, regulation allows only the recovery of historical costs of plant assets through depreciation even though the costs to replace these assets would substantially exceed their historical costs in an inflationary economy.

Changes in fuel costs do not affect our results of operations since those costs are deferred until reflected in the fuel cost recovery factor included in customers' bills.

Income Statement

	For the years ended December 31,		
	1991	1990	1989
	(thousands of dollars, except per share amounts)		
Operating Revenues	*$2,560,252*	$2,427,441	$2,361,304
Operating Expenses			
Fuel and purchased power	*499,672*	472,297	472,684
Other operation and maintenance	*801,225*	862,738	860,138
Depreciation and amortization	*242,708*	242,153	272,671
Taxes, other than federal income taxes	*304,709*	263,425	259,871
Phase-in deferred operating expenses	*(22,222)*	(50,940)	(74,555)
Amortization of pre-phase-in deferred costs	*16,529*	17,272	16,335
Federal income taxes	*137,581*	96,076	122,385
	1,980,202	1,923,021	1,929,529
Operating Income	*580,050*	504,420	431,775
Nonoperating Income			
Allowance for equity funds used during construction	*9,351*	7,883	16,930
Other income and deductions, net	*5,248*	145	14,368
Phase-in carrying charges	*109,601*	205,085	299,159
Federal income taxes — credit (expense)	*(30,329)*	(12,948)	(73,177)
	93,871	200,165	257,280
Income Before Interest Charges and Preferred Dividends	*673,921*	704,585	689,055
Interest Charges and Preferred Dividends			
Debt interest	*381,280*	384,278	369,481
Allowance for borrowed funds used during construction	*(5,248)*	(5,993)	(12,929)
Preferred dividend requirements of subsidiaries	*60,649*	61,841	65,617
	436,681	440,126	422,169
Net Income	*$ 237,240*	$ 264,459	$ 266,886
Average Number of Common Shares Outstanding (thousands)	*139,104*	138,885	140,468
Earnings Per Common Share	*$ 1.71*	$ 1.90	$ 1.90
Dividends Declared Per Common Share	*$ 1.60*	$ 1.60	$ 1.60

Retained Earnings

	For the years ended December 31,		
	1991	1990	1989
	(thousands of dollars)		
Balance at Beginning of Year	*$ 654,836*	$ 613,774	$ 571,882
Additions			
Net income	*237,240*	264,459	266,886
Deductions			
Common stock dividends	*(222,233)*	(222,482)	(224,947)
Other, primarily preferred stock redemption expenses of subsidiaries	*(966)*	(915)	(47)
Net Increase	*14,041*	41,062	41,892
Balance at End of Year	*$ 668,877*	$ 654,836	$ 613,774

The accompanying notes and summary of significant accounting policies are an integral part of these statements.

CAPITAL RESOURCES AND LIQUIDITY

In addition to our need for cash for normal corporate operations, we continue to need cash for an ongoing program of constructing new facilities and modifying existing facilities to meet anticipated demand for electric service, comply with governmental regulations and protect the environment. Cash is also needed for the mandatory retirement of securities. Over the three-year period of 1989-1991, these construction and mandatory retirement needs totaled approximately $1,250,000,000. In addition, we exercised various options to redeem and purchase approximately $480,000,000 of our securities.

As a result of the January 1989 PUCO rate order, internally generated cash increased in 1989, 1990 and 1991 from the 1988 level. In addition, we raised $1,463,000,000 through security issues and term bank loans during the 1989-1991 period as shown in the Cash Flows statement. During the three-year period, the Operating Companies also utilized their short-term borrowing arrangements (explained in Note 11) to help meet their cash needs. Proceeds from these financings were used to help pay for our construction program, to repay portions of short-term debt incurred to finance the construction program, to retire, redeem and purchase outstanding securities, and for general corporate purposes.

Estimated cash requirements for 1992-1994 for Cleveland Electric and Toledo Edison, respectively, are $693,000,000 and $248,000,000 for their construction programs and $464,000,000 and $241,000,000 for the mandatory redemption of debt and preferred stock. Additionally, Cleveland Electric has arranged to refund in 1992 $78,700,000 principal amount of its First Mortgage Bonds, 13⅛% Series due 2012 by issuing an equal principal amount of first mortgage bonds due 2013 having an effective interest cost of 8.25%. Cleveland Electric and Toledo Edison expect to finance externally about 50% of their total 1992 construction and mandatory redemption requirements of approximately $286,000,000 and $180,000,000, respectively. About 50-60% of the Operating Companies' 1993 and 1994 requirements are expected to be financed externally. If economical, additional securities may be redeemed under optional redemption provisions. See Notes 10(d) and (e) for information concerning limitations on the issuance of preferred and preference stock and debt.

Our capital requirements after 1994 will depend on the implementation strategy we choose to achieve compliance with the Clean Air Act. Expenditures for our optimal plan are estimated to be approximately $190,000,000 over the 1992-2001 period. See Note 3(b).

We expect to be able to raise cash as needed. The availability and cost of capital to meet our external financing needs, however, depends upon such factors as financial market conditions and our credit ratings. Current securities ratings for the Operating Companies are as follows.

	Standard & Poor's Corporation	Moody's Investors Service
Cleveland Electric		
First mortgage bonds	BBB−	Baa2
Preferred stock	BB+	baa2
Toledo Edison		
First mortgage bonds	BBB−	Baa3
Unsecured notes	BB+	Ba1
Preferred stock	BB+	ba2

Barring unforeseen circumstances, we believe that the rate orders and recent regulatory actions, coupled with stringent cost controls, have given us a reasonable opportunity to achieve financial results which should permit Centerior Energy to continue the current quarterly common stock dividend of $.40 per share. Nevertheless, dividend action by our Board of Directors will continue to be decided on a quarter-to-quarter basis after the evaluation of financial results, potential earning capacity and cash flow. A write-off of our investment in Perry Unit 2, as discussed in Note 3(c), would not reduce our retained earnings sufficiently to impair our ability to declare dividends and would not affect our cash flow.

The Tax Reform Act of 1986 (1986 Tax Act) provided for a 34% income tax rate in 1988 and thereafter, a new alternative minimum tax (AMT) and other changes that resulted in increased tax payments and a reduction in cash flow during 1989, 1990 and 1991 because we were subject to the AMT.

	For the years ended December 31, 1991	1990	1989
	(thousands of dollars)		
Cash Flows from Operating Activities (1)			
Net Income	$ 237,240	$ 264,459	$ 266,886
Adjustments to Reconcile Net Income to Cash from Operating Activities:			
Depreciation and amortization	242,708	242,153	272,671
Deferred federal income taxes	85,331	142,190	181,240
Investment tax credits, net	42,860	(34,287)	1,179
Deferred and unbilled revenues	(50,866)	(60,792)	(74,792)
Deferred fuel	17,648	(11,843)	25,086
Carrying charges capitalized	(109,601)	(205,085)	(299,159)
Leased nuclear fuel amortization	122,770	84,150	102,120
Deferred operating expenses, net	(5,693)	(33,668)	(58,220)
Allowance for equity funds used during construction	(9,351)	(7,883)	(16,930)
Amortization of reserve for Davis-Besse refund obligations to customers	—	—	(24,817)
Pension settlement gain	—	(40,966)	—
Changes in amounts due from customers and others, net	14,007	(26,445)	(13,486)
Changes in inventories	(22,175)	(29,015)	(3,029)
Changes in accounts payable	(49,015)	45,654	(28,826)
Changes in working capital affecting operations	18,858	(24,913)	17,120
Other noncash items	1,396	7,184	7,775
Total Adjustments	298,877	46,434	87,932
Net Cash from Operating Activities	536,117	310,893	354,818
Cash Flows from Financing Activities (2)			
Bank loans, commercial paper and other short-term debt	(109,903)	109,888	29
Debt issues:			
First mortgage bonds	—	167,300	123,800
Secured medium-term notes	284,500	337,500	212,500
Term bank loans and other long-term debt	108,365	31,000	40,000
Preferred stock issues	125,000	—	—
Common stock issues	32,028	—	740
Reacquired common stock	(114)	(25,601)	(19,804)
Maturities, redemptions and sinking funds	(311,983)	(395,287)	(370,747)
Nuclear fuel lease and trust obligations	(115,623)	(99,076)	(86,589)
Common stock dividends paid	(222,233)	(222,482)	(224,947)
Premiums, discounts and expenses	(6,991)	(7,360)	(2,622)
Net Cash from Financing Activities	(216,954)	(104,118)	(327,640)
Cash Flows from Investing Activities (2)			
Cash applied to construction	(189,244)	(237,436)	(210,403)
Interest capitalized as allowance for borrowed funds used during construction	(5,248)	(5,993)	(12,929)
Other cash applied	(568)	(13,211)	(31,500)
Net Cash from Investing Activities	(195,060)	(256,640)	(254,832)
Net Change in Cash and Temporary Cash Investments	124,103	(49,865)	(227,654)
Cash and Temporary Cash Investments at Beginning of Year	53,278	103,143	330,797
Cash and Temporary Cash Investments at End of Year	$ 177,381	$ 53,278	$ 103,143

(1) Interest paid (net of amounts capitalized) was $339,000,000, $297,000,000 and $242,000,000 in 1991, 1990 and 1989, respectively. Income taxes paid were $56,728,000, $21,185,000 and $9,058,000 in 1991, 1990 and 1989, respectively.

(2) Increases in nuclear fuel and nuclear fuel lease and trust obligations in the Balance Sheet resulting from the noncash capitalizations under nuclear fuel agreements are excluded from this statement.

The accompanying notes and summary of significant accounting policies are an integral part of this statement.

	December 31, 1991	December 31, 1990
	(thousands of dollars)	
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Utility plant in service	$ 8,888,219	$ 8,636,219
Less: accumulated depreciation and amortization	2,274,489	2,038,510
	6,613,730	6,597,709
Construction work in progress	215,855	268,386
Perry Unit 2	850,573	865,149
	7,680,158	7,731,244
Nuclear fuel, net of amortization	458,414	522,672
Other property, less accumulated depreciation	44,513	45,452
	8,183,085	8,299,368
CURRENT ASSETS		
Cash and temporary cash investments	177,381	53,278
Amounts due from customers and others, net	228,754	242,761
Unbilled revenues	107,844	80,866
Materials and supplies, at average cost	125,618	108,758
Fossil fuel inventory, at average cost	57,893	52,578
Taxes applicable to succeeding years	234,096	218,444
Other	9,298	9,922
	940,884	766,607
DEFERRED CHARGES		
Amounts due from customers for future federal income taxes	1,145,925	1,165,904
Unamortized loss from Beaver Valley Unit 2 sale	114,174	119,623
Unamortized loss on reacquired debt	75,265	80,564
Carrying charges and operating expenses, pre-phase-in	612,852	629,530
Carrying charges and operating expenses, phase-in	761,571	629,744
Other	208,333	202,895
	2,918,120	2,828,260
Total Assets	$12,042,089	$11,894,235

The accompanying notes and summary of significant accounting policies are an integral part of this statement.

	December 31, 1991	December 31, 1990
	(thousands of dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shares, without par value (stated value of $221,477,000 and $189,460,000 for 1991 and 1990, respectively): 180,000,000 authorized; 140,160,000 (excluding 2,522,000 shares in Treasury) and 138,401,000 (excluding 2,511,000 shares in Treasury) outstanding in 1991 and 1990, respectively	$ 2,185,607	$ 2,155,197
Retained earnings	668,877	654,836
Common stock equity	2,854,484	2,810,033
Preferred stock		
With mandatory redemption provisions	332,031	237,490
Without mandatory redemption provisions	427,334	427,334
Long-term debt	3,841,355	3,729,237
	7,455,204	7,204,094
OTHER NONCURRENT LIABILITIES		
Nuclear fuel lease obligations	340,507	427,295
Other	83,147	81,399
	423,654	508,694
CURRENT LIABILITIES		
Current portion of long-term debt and preferred stock	216,333	214,138
Current portion of lease obligations	144,620	114,943
Notes payable to banks and others	191	110,094
Accounts payable	147,810	196,825
Accrued taxes	350,550	323,716
Accrued interest	84,495	84,778
Other	57,683	73,801
	1,001,682	1,118,295
DEFERRED CREDITS		
Unamortized investment tax credits	366,047	336,136
Accumulated deferred federal income taxes	1,784,749	1,730,954
Reserve for Perry Unit 2 allowance for funds used during construction	212,693	212,693
Unamortized gain from Bruce Mansfield Plant sale	602,456	626,493
Accumulated deferred rents for Bruce Mansfield Plant and Beaver Valley Unit 2	131,082	114,888
Other	64,522	41,968
	3,161,549	3,063,152
Total Capitalization and Liabilities	$12,042,089	$11,894,235

	1991 Shares Outstanding	Current Call Price	December 31, 1991	December 31, 1990
			(thousands of dollars)	
CLEVELAND ELECTRIC				
Without par value, 4,000,000 preferred shares authorized				
Subject to mandatory redemption:				
$ 7.35 Series C	170,000	$ 101.00	$ 17,000	$ 18,000
88.00 Series E	27,000	1,030.61	27,000	30,000
75.00 Series F	—	—	—	2,384
145.00 Series I	—	—	—	13,779
113.50 Series K	—	—	—	10,000
Adjustable Series M	400,000	102.00	39,200	49,000
9.125 Series N	750,000	105.07	73,968	73,968
91.50 Series O	75,000	—	75,000	—
88.00 Series R	50,000	—	50,000	—
			282,168	197,131
Less: Current maturities			13,800	25,969
			268,368	171,162
Not subject to mandatory redemption:				
$ 7.40 Series A	500,000	101.00	50,000	50,000
7.56 Series B	450,000	102.26	45,071	45,071
Adjustable Series L	500,000	103.00	48,950	48,950
Remarketed Series P	750	100,000.00	73,313	73,313
			217,334	217,334
TOLEDO EDISON				
$100 par value, 3,000,000 preferred shares authorized and $25 par value, 12,000,000 preferred shares authorized				
Subject to mandatory redemption:				
$100 par $11.00	24,825	101.00	2,483	3,483
9.375	133,450	103.46	13,345	15,010
25 par 2.81	2,000,000	26.56	50,000	50,000
			65,828	68,493
Less: Current maturities			2,165	2,165
			63,663	66,328
Not subject to mandatory redemption:				
$100 par $ 4.25	160,000	104.625	16,000	16,000
4.56	50,000	101.00	5,000	5,000
4.25	100,000	102.00	10,000	10,000
8.32	100,000	102.46	10,000	10,000
7.76	150,000	102.437	15,000	15,000
7.80	150,000	101.65	15,000	15,000
10.00	190,000	101.00	19,000	19,000
25 par 2.21	1,000,000	25.25	25,000	25,000
2.365	1,400,000	28.45	35,000	35,000
Series A Adjustable	1,200,000	25.75	30,000	30,000
Series B Adjustable	1,200,000	25.75	30,000	30,000
			210,000	210,000
CENTERIOR ENERGY				
Without par value, 5,000,000 preferred shares authorized, none outstanding			—	—
Total Preferred Stock, with Mandatory Redemption Provisions			$332,031	$237,490
Total Preferred Stock, without Mandatory Redemption Provisions			$427,334	$427,334

The accompanying notes and summary of significant accounting policies are an integral part of this statement.

(1) PROPERTY OWNED WITH OTHER UTILITIES AND INVESTORS

The Operating Companies own, as tenants in common with other utilities and those investors who are owner-participants in various sale and leaseback transactions (Lessors), certain generating units as listed below. Each owner owns an undivided share in the entire unit. Each owner has the right to a percentage of the generating capability of each unit equal to its ownership share. Each utility owner is obligated to pay for only its respective share of the construction and operating costs. Each Lessor has leased its capacity rights to a utility which is obligated to pay for such Lessor's share of the construction and operating costs. The Operating Companies' share of the operating costs of these generating units is included in the Income Statement. Property, plant and equipment at December 31, 1991 includes the following facilities owned by the Operating Companies as tenants in common with other utilities and Lessors:

Generating Unit	In-Service Date	Ownership Share	Ownership Megawatts	Power Source	Plant in Service	Construction Work in Progress and Suspended	Accumulated Depreciation
						(thousands of dollars)	
In Service:							
Seneca Pumped Storage	1970	80.00%	[illegible]	Hydro	$ 57,733	$ 1,021	$ 19,855
Eastlake Unit 5	1972	68.80	411	Coal	151,150	2,199	—
Perry Unit 1 and Common Facilities	1987	51.02	609	Nuclear	2,546,326	5,687	310,601
Beaver Valley Unit 2 and Common Facilities (Note 2)	1987	26.12	214	Nuclear	1,358,606	7,159	167,083
Construction Suspended:							
Perry Unit 2 (Note 3(c))	Uncertain	51.02	615	Nuclear	—	[illegible]	—
					$4,113,815	$866,639	$497,539

Depreciation for Eastlake Unit 5 has been accumulated with all other nonnuclear depreciable property rather than by specific units of depreciable property.

Effective May 1, 1991, FERC approved an agreement under which Cleveland Electric is selling the power from its share of the Seneca Power Plant to two subsidiaries of General Public Utilities Corporation through 1993. Revenues from this transaction were $16,000,000 in 1991.

Ohio Edison and Pennsylvania Power purchased 80 megawatts of Cleveland Electric's capacity entitlement in Perry Unit 1 from November 1987 through May 1989. Revenues from this transaction were $31,831,000 in 1989.

The ownership share of Perry Unit 2 set forth above does not reflect Cleveland Electric's acquisition of Duquesne's 13.74% ownership share in February 1992. See Note 3(c).

(2) UTILITY PLANT SALE AND LEASEBACK TRANSACTIONS

As a result of sale and leaseback transactions completed in 1987, the Operating Companies are co-lessees of 18.26% (150 megawatts) of Beaver Valley Unit 2 and 6.5% (51 megawatts), 45.9% (358 megawatts) and 44.38% (355 megawatts) of Units 1, 2 and 3 of the Mansfield Plant, respectively, all for terms of about 29½ years.

Future minimum lease payments under these operating leases at December 31, 1991 are summarized as follows:

Year	Amount
	(thousands of dollars)
1992	$ 173,000
1993	174,000
1994	174,000
1995	174,000
1996	174,000
Later Years	3,996,000
Total Future Minimum Lease Payments	$4,865,000

Semiannual lease payments conform with the payment schedule for each lease.

Rental expense is accrued on a straight-line basis over the terms of the leases. The amounts recorded in 1991, 1990 and 1989 as annual rental expense for the Mansfield Plant leases and the Beaver Valley Unit 2 lease were $114,564,000 and $72,276,000, respectively. Amounts charged to expense in excess of the lease payments are now classified as accumulated deferred rents on the Balance Sheet. Previously, the excess was included in accounts payable.

The Operating Companies are responsible under these leases for paying all taxes, insurance premiums, operation and maintenance costs and all other similar costs for their interests in the units sold and leased back. The Operating Companies may incur additional costs in connection with capital improvements to the units. The Operating Companies have options to buy the interests back at the end of the leases for the fair market value at that time or to renew the leases. Additional lease provisions provide other purchase options along with conditions for mandatory termination of the leases (and possible repurchase of the leasehold interests) for events of default. These events of default include noncompliance with several financial covenants affecting Centerior Energy and the Operating Companies contained in an agreement relating to a letter of credit issued in connection with the sale and leaseback of Beaver Valley Unit 2, as amended in 1989. See Note 10(e).

Toledo Edison is selling 150 megawatts of its Beaver Valley Unit 2 leased capacity entitlement to Cleveland Electric. This sale commenced in 1988 and we anticipate that it will continue at least until 1998.

(3) CONSTRUCTION AND CONTINGENCIES

(a) CONSTRUCTION PROGRAM

The estimated cost of our construction program for the 1992-1994 period is $991,000,000, including AFUDC of $50,000,000 and excluding nuclear fuel.

In an agreement approved by the PUCO, the Operating Companies have agreed to limit their combined 1992 other operation and maintenance expenses and capital expenditures to $1,050,000,000, exclusive of compliance costs related to the Clean Air Act. Within this limitation, capital expenditures are budgeted at $250,000,000, exclusive of the Clean Air Act compliance costs.

(b) CLEAN AIR LEGISLATION

The Clean Air Act will require, among other things, significant reductions in the emission of sulfur dioxide and nitrogen oxides by fossil-fueled electric generating units. The Clean Air Act will require that sulfur dioxide emissions be reduced in two phases over a ten-year period.

We have developed a compliance strategy which will be submitted to the PUCO for review in April 1992. We will also seek United States Environmental Protection Agency approval of Phase I plans in 1993. The compliance plan which results in the least cost and the greatest flexibility provides for compliance with both phases through 2001 by greater use of low sulfur coal at some of our units and the banking of emission allowances. The plan would require capital expenditures over the 1992-2001 period of approximately $190,000,000 for nitrogen oxide control equipment, emission monitoring equipment and plant modifications. In addition, higher fuel and other operation and maintenance expenses would be incurred. The least cost plan also calls for Cleveland Electric to place in service after 2001 a scrubber or other sulfur emission reduction technology at one of its generating plants. The rate increase associated with the capital expenditures and higher expenses would be about 1-2% in the late 1990s and another increase after the year 2000, for an aggregate rate increase in the range of 3-6%. Cleveland Electric would incur substantially more of these costs than Toledo Edison.

Our final compliance plan will depend upon future environmental regulations and input from the PUCO, other regulatory bodies and other concerned entities. If a plan other than the least cost plan is required, significantly higher capital expenditures could be required during the 1992-2001 period.

We believe that Ohio law permits the recovery of compliance costs from customers in rates.

(c) PERRY UNIT 2

Perry Unit 2, including its share of the common facilities, is approximately 50% complete. Construction of Perry Unit 2 was suspended in 1985 pending future consideration of various options, including resumption of full construction with a revised estimated cost, conversion to a nonnuclear design, sale of all or part of our ownership share, or cancellation. No option may be implemented without the unanimous approval of the owners. In October 1991, Cleveland Electric, the company responsible for the construction of Perry Unit 2, applied for a ten-year extension of the construction permit which was to expire in November 1991. Under NRC regulations, the construction permit will remain in effect while the application is pending. We expect the NRC to grant the extension.

In February 1992, Cleveland Electric purchased Duquesne's 13.74% ownership share of Perry Unit 2 for $3,324,000. This purchase increased the Operating Companies' ownership share of the unit to 64.76%, with the remainder owned by Ohio Edison and Pennsylvania Power. The purchase does not signal any plans to resume construction of Perry Unit 2, but rather our intent to keep our options open. Duquesne had stated that it would not agree to resumption of construction of the unit.

If Perry Unit 2 were to be canceled, then our net investment in the unit (less any tax saving) would have to be written off. We estimate that such a write-off, based on our investment in this unit as of December 31, 1991 and after adjustment for the February 1992 purchase of Duquesne's ownership share, would have been about $438,000,000, after taxes. See Notes 10(d) and (e) for a discussion of potential consequences of such a write-off.

If a decision is made to convert Perry Unit 2 to a nonnuclear design in the future, we would expect to write-off at that time a portion of our investment for nuclear plant construction costs not transferable to the nonnuclear construction project.

Beginning in July 1985, Perry Unit 2 AFUDC was credited to a deferred income account until January 1, 1988, when the accrual of AFUDC was discontinued.

(d) SUPERFUND SITES

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended (Superfund) established programs addressing the cleanup of hazardous waste disposal sites, emergency preparedness and other issues. The Operating Companies are aware of their potential involvement in the cleanup of nine hazardous waste sites. The Operating Companies have recorded reserves based on estimates of their proportionate responsibility for these sites. We believe that the ultimate outcome of these matters will not have a material adverse effect on our financial condition or results of operations.

(4) NUCLEAR OPERATIONS AND CONTINGENCIES

(a) OPERATING NUCLEAR UNITS

Our interests in nuclear units may be impacted by activities or events beyond our control. Operating nuclear generating units have experienced unplanned outages or extensions of scheduled outages because of equipment problems or new regulatory requirements. A major accident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation, construction or licensing of any nuclear unit. If one of our nuclear units is taken out of service for an extended period of time for any reason, including an accident at such unit or any other nuclear facility, we cannot predict whether regulatory authorities would impose unfavorable rate treatment such as taking our affected unit out of rate base or disallowing certain construction or maintenance costs. An extended outage of one of our nuclear units coupled with unfavorable rate treatment could have a material adverse effect on our financial position and results of operations.

(b) NUCLEAR INSURANCE

The Price-Anderson Act limits the liability of the owners of a nuclear power plant to the amount provided by private insurance and an industry assessment plan. In the event of a nuclear incident at any unit in the United States resulting in losses in excess of the level of private insurance (currently $200,000,000), our maximum potential assessment under that plan (assuming the other CAPCO companies were to contribute their proportionate share of any assessment) would be $129,257,000 (plus any inflation adjustment) per incident, but is limited to $19,540,000 per year for each nuclear incident.

The CAPCO companies have insurance coverage for damage to property at the Davis-Besse, Perry and Beaver Valley sites (including leased fuel and clean-up costs). Coverage amounted to $2,515,000,000 for each site as of January 1, 1992. Damage to property could exceed the insurance coverage by a substantial amount. If it does, our share of such excess amount could have a material adverse effect on our financial condition and results of operations.

We also have extra expense insurance coverage which includes the incremental cost of any replacement power purchased (over the costs which would have been incurred had the units been operating) and other incidental expenses after the occurrence of certain types of accidents at our nuclear units. The amounts of the coverage are 100% of the estimated extra expense per week during the 52-week period starting 21 weeks after an accident, 67% of such estimate per week for the next 52 weeks and 33% of such estimate per week for the next 52 weeks. The amount and duration of extra expense could substantially exceed the insurance coverage.

(5) NUCLEAR FUEL

The Operating Companies have inventories for nuclear fuel which should provide an adequate supply into the mid-1990s. Substantial additional nuclear fuel must be obtained to supply fuel for the remaining useful lives of Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2. More nuclear fuel would be required if Perry Unit 2 were completed as a nuclear generating unit.

In 1989, existing nuclear fuel financing arrangements for the Operating Companies were refinanced through leases from a special-purpose corporation. The total amount of financing currently available under these lease arrangements is $509,000,000 ($309,000,000 from intermediate-term notes and $200,000,000 from bank credit arrangements), although financing in an amount up to $900,000,000 is permitted. The intermediate-term notes mature in the period 1993-1997. The bank credit arrangements are cancelable on two years' notice by the lenders. As of December 31, 1991, $490,000,000 of nuclear fuel was financed. The Operating Companies severally lease their respective portions of the nuclear fuel and are obligated to pay for the fuel as it is consumed in a reactor. The lease rates are based on various intermediate-term note rates, bank rates and commercial paper rates.

The amounts financed include nuclear fuel in the Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2 reactors with remaining lease payments of $147,000,000, $87,000,000 and $33,000,000, respectively, as of December 31, 1991. The nuclear fuel amounts financed and capitalized also included interest charges incurred by the lessors amounting to $21,000,000 in 1991, $33,000,000 in 1990 and $44,000,000 in 1989. The estimated future lease amortization payments based on projected consumption are $96,000,000 in 1992, $99,000,000 in 1993, $91,000,000 in 1994, $78,000,000 in 1995 and $82,000,000 in 1996.

(6) REGULATORY MATTERS

On January 31, 1989, the PUCO issued orders which provided for three annual rate increases for the Operating Companies of approximately 9%, 7% and 6% effective with bills rendered on and after February 1, 1989, 1990 and 1991, respectively. As discussed below, the 6% increase effective February 1, 1991 was reduced to 4.35% for Cleveland Electric and 2.74% for Toledo Edison, which later waived its 2.74% increase and reduced its rates on two occasions in 1991 for certain customers. The resulting annualized revenue increases in 1989, 1990 and 1991 associated with the rate orders were $120,700,000, $105,700,000 and $71,400,000, respectively, for Cleveland Electric and $50,700,000, $44,300,000 and $1,600,000, respectively, for Toledo Edison. Toledo Edison's $1,600,000 increase in 1991 reflects the net of $18,600,000 of annualized revenues authorized for the 2.74% increase less $17,000,000 for the waiver and rate reductions.

Under the January 1989 rate orders, phase-in plans were designed so that the three rate increases, coupled with then-projected sales growth, would provide revenues sufficient to recover all operating expenses and provide a fair rate of return on the Operating Companies' allowed investments in Perry Unit 1 and Beaver Valley Unit 2 for ten years beginning January 1, 1989. In the first five years of the plans, the revenues were expected to be less than that required to recover operating expenses and provide a fair return on investment. Therefore, the amounts of operating expenses and return on investment not currently recovered are deferred and capitalized as deferred charges. Since the unrecovered investment will decline over the period of the phase-in plans because of depreciation and deferred federal income taxes that result from the use of accelerated tax depreciation, the amount of revenues required to provide a fair return also declines. Pursuant to such phase-in plans, the Operating Companies deferred the following:

	1991	1990	1989
	(thousands of dollars)		
Deferred Operating Expenses	$ 22,222	$ 50,940	$ 74,555
Carrying Charges:			
Debt	$ 30,601	$ 72,782	$111,714
Equity	79,000	132,303	187,445
	$109,601	$205,085	$299,159

The amount of deferred operating expenses and carrying charges scheduled to be recorded in 1992 and 1993 total $84,000,000 and $24,000,000, respectively. Beginning in the sixth year (1994) and continuing through the tenth year, the revenue levels authorized pursuant to the phase-in plans were designed to be sufficient to recover that period's operating expenses, a fair return on the unrecovered investments, and the amortization of the deferred operating expenses and carrying charges recorded during the earlier years of the plans. All phase-in deferrals relating to these two units will be amortized and recovered by December 31, 1998.

The phase-in plans were also designed so that fluctuations in sales should not affect the level of earnings. The phase-in plans permit the Operating Companies to request PUCO approval of increases or decreases in the phase-in plan deferrals to compensate for the effects of fluctuations in sales levels, as compared to the levels projected in the rate orders, and for 50% of the net after-tax savings in 1989 and 1990 identified by the management audit as discussed below. Pursuant to these provisions of the orders, the Operating Companies recorded no adjustments to the cost deferrals in 1989 and recorded adjustments to increase the cost deferrals by approximately $10,000,000 and $28,000,000 in 1990 and 1991, respectively.

In connection with the 1989 orders, the Operating Companies and the Service Company have undergone a management audit, which was completed in April 1990. The audit identified potential annual savings in operating expenses in the amount of $98,160,000 from 1989 budget levels, 55% ($53,988,000) for Cleveland Electric and 45% ($44,172,000) for Toledo Edison. The Operating Companies realized a large part of the savings in 1991.

Fifty percent of the savings identified by the management audit were used to reduce the 6% rate increase scheduled to be effective on February 1, 1991 for each of the Operating Companies. As discussed previously, Cleveland Electric rates increased 4.35% and Toledo Edison rates increased 2.74% under this provision with the PUCO's approval. The rate impact was different for the two companies because much of the savings were expected to be achieved in areas such as nuclear operations in which Toledo Edison was to achieve greater savings relative to its size.

In late 1990 in a move to become more competitive in Northwest Ohio, Toledo Edison proposed a rate reduction package to all incorporated communities in Toledo Edison's service area which are served exclusively by Toledo Edison on a retail basis. The package called for the elimination of the 2.74% rate increase effective February 1, 1991 for all residential and small commercial customers, a reduction in residential rates of 3% on March 1, 1991 and a further residential rate reduction of 1% on September 1, 1991. Communities accepting the package agreed to keep Toledo Edison as their sole supplier of electricity for a period of five years. The package also permits Toledo Edison to adjust rates in those communities on February 1, 1994 and February 1, 1995 if inflation exceeds specified levels or under emergency conditions. All eligible communities in Toledo Edison's service area, except the City of Toledo, accepted the rate reduction package. In March 1991, Toledo Edison obtained PUCO approval to reduce rates to the same levels for the same customer categories in the City of Toledo and the rest of its service area. Annualized revenues were reduced by about $17,000,000 as a result of these rate reduction packages. The revenue reductions do not adversely affect the phase-in plans as the decrease in revenues is mitigated by the cost reductions resulting from the management audit.

The 1989 orders also set nuclear performance standards through 1998. The Operating Companies could be required to refund incremental replacement power costs if the standards are not met. No refund was required in 1991 nor is one expected for 1992. The Operating Companies banked $2,800,000 in benefits in 1991 for above-average nuclear performance based on industry standards for operating availability established in the 1989 orders. These banked benefits are not recorded in the financial statements as they can only be used in future years, if necessary, to offset disallowances of incremental replacement power costs.

Under the 1989 orders, fossil-fueled power plant performance may not be raised as an issue in any rate proceeding before February 1994 as long as the Operating Companies achieve a systemwide availability factor of at least 64.9% annually. This standard was exceeded in 1989, 1990 and 1991, with availability at approximately 80% for each year.

(7) FEDERAL INCOME TAX

Federal income tax, computed by multiplying the income before taxes and preferred and preference dividend requirements of subsidiaries by the statutory rates, is reconciled to the amount of federal income tax recorded on the books as follows:

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Book Income Before Federal Income Tax	$465,799	$435,324	$528,065
Tax on Book Income at Statutory Rate	$158,372	$148,010	$179,542
Increase (Decrease) in Tax:			
Accelerated depreciation	996	6,287	10,415
Investment tax credits on disallowed nuclear plant	—	(37,522)	—
Taxes, other than federal income taxes	(2,3 3)	(12,116)	(107)
Other items	10,915	4,365	5,712
Total Federal Income Tax Expense	$167,910	$109,024	$195,562

Federal income tax expense is recorded in the Income Statement as follows:

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Operating Expenses:			
Current Tax Provision	$ 88,189	$ 42,685	$ 51,869
Changes in Accumulated Deferred Federal Income Tax:			
Accelerated depreciation and amortization	17,137	41,777	44,144
Alternative minimum tax credit	(45,902)	(24,340)	(12,874)
Sale and leaseback transactions and amortization	3,844	8,617	4,348
Property tax expense	—	(14,891)	—
Reacquired debt costs	22,403	1,355	(1,250)
Deferred CWIP revenues	6,972	20,486	22,731
Deferred fuel costs	(8,729)	742	(4,384)
Davis-Besse replacement power	—	—	9,191
Other items	14,970	16,994	6,830
Investment Tax Credits	38,697	2,651	1,780
Total Charged to Operating Expenses	137,581	96,076	122,385
Nonoperating Income:			
Current Tax Provision	(46,089)	(42,256)	(39,341)
Changes in Accumulated Deferred Federal Income Tax:			
Write-off of nuclear costs	(379)	(22,143)	—
AFUDC and carrying charges	40,769	74,447	114,300
Net operating loss carryforward	35,014	—	—
Other items	1,014	2,900	(1,782)
Total Expense Charged to Nonoperating Income	30,329	12,948	73,177
Total Federal Income Tax Expense	$167,910	$109,024	$195,562

Federal income tax expense adjustments in 1990, associated with previously deferred investment tax credits relating to the 1988 write-off of nuclear plant investments, decreased the net tax provision related to nonoperating income by $37,522,000 and increased earnings per share by $.27.

The favorable resolution of an issue concerning the appropriate year to recognize a property tax deduction resulted in an adjustment which reduced federal income tax expense in 1990 by $14,011,000 ($10,375,000 in the fourth quarter) and increased earnings per share by $.10 ($.07 in the fourth quarter).

For tax purposes, net operating loss (NOL) carryforwards of approximately $402,407,000 are available to reduce future taxable income and will expire in 2003 through 2005. The 34% tax effect of the NOLs generated is $136,818,000 and is reflected as a reduction to deferred federal income tax relating to accelerated depreciation and amortization. Future utilization of these tax NOL carryforwards would result in recording the related deferred taxes.

The 1986 Tax Act provides for an AMT credit to be used to reduce the regular tax to the AMT level should the regular tax exceed the AMT. AMT credits of $82,851,000 are available to offset future regular tax. The credits may be carried forward indefinitely.

(8) RETIREMENT INCOME PLANS AND OTHER POSTRETIREMENT BENEFITS

(a) RETIREMENT INCOME PLANS

We sponsor noncontributing pension plans which cover all employee groups. The amount of retirement benefits generally depends upon the length of service. Under certain circumstances, benefits can begin as early as age 55. The plans also provide certain death, medical and disability benefits. Our funding policy is to comply with the Employee Retirement Income Security Act of 1974 guidelines.

In 1990, we offered a Voluntary Early Retirement Opportunity Program (VEROP). Operating expenses for 1990 included $15,000,000 of pension plan accruals to cover enhanced VEROP benefits plus an additional $28,000,000 of pension costs for VEROP benefits paid to retirees from corporate funds. The $28,000,000 is not included in the pension data reported below. Operating expenses for 1990 also included a credit of $41,000,000 resulting from a settlement of pension obligations through lump sum payments to a substantial number of VEROP retirees.

Net pension and VEROP costs (credits) for 1989 through 1991 were comprised of the following components:

	1991	1990	1989
	(millions of dollars)		
Pension Costs (Credits):			
Service cost for benefits earned during the period	$ 14	$ 15	$ 14
Interest cost on projected benefit obligation	36	37	35
Actual return on plan assets	(129)	5	(73)
Net amortization and deferral	65	(65)	13
Net pension credits	(14)	(8)	(11)
VEROP cost	—	15	—
Settlement gain	—	(41)	—
Net credits	$(14)	$(34)	$(11)

The following table presents a reconciliation of the funded status of the plans at December 31, 1991 and 1990.

	December 31, 1991	1990
	(millions of dollars)	
Actuarial present value of benefit obligations:		
Vested benefits	$ 301	$ 330
Nonvested benefits	33	24
Accumulated benefit obligation	334	354
Effect of future compensation levels	113	72
Total projected benefit obligation	447	426
Plan assets at fair market value	757	653
Surplus of plan assets over projected benefit obligation	310	227
Unrecognized net gain due to variance between assumptions and experience	(177)	(101)
Unrecognized prior service cost	13	13
Transition asset at January 1, 1987 being amortized over 19 years	(106)	(113)
Net prepaid pension cost included in other deferred charges on the Balance Sheet	$ 40	$ 26

The settlement (discount) rate assumption was 8.5% for both December 31, 1991 and December 31, 1990. The long-term rate of annual compensation increase assumption was 5% for both December 31, 1991 and December 31, 1990. The long-term rate of return on plan assets assumption was 8.5% in 1991 and 8% in 1990.

Plan assets consist primarily of investments in common stock, bonds, guaranteed investment contracts, cash equivalent securities and real estate.

(b) OTHER POSTRETIREMENT BENEFITS

The Financial Accounting Standards Board has issued a new accounting standard for postretirement benefits other than pensions. The new standard would require the accrual of the expected cost of such benefits during the employees' years of service. The assumptions and calculations involved in determining the accrual closely parallel pension accounting requirements.

We currently provide certain postretirement health care, death and other benefits and expense such costs as these benefits are paid, which is consistent with current ratemaking practices. Such costs totaled $9,700,000 in 1991, $8,200,000 in 1990 and $6,500,000 in 1989, which include medical benefits of $8,500,000 in 1991, $6,500,000 in 1990 and $5,000,000 in 1989.

We expect to adopt the new standard prospectively effective January 1, 1993. We plan to amortize the discounted present value of the accumulated postretirement benefit obligation to expense over a twenty-year period. We have engaged actuaries who have made a preliminary review using 1990 data. Based on this preliminary review, the accumulated postretirement benefit obligation as of December 31, 1991, measured in accordance with the new standard, is estimated in the range of $150,000,000 to $230,000,000. Had the new standard been adopted in 1991, the preliminary study indicated that the additional postretirement benefit cost in 1991 would have been in the range of $17,000,000 to $30,000,000 (pretax). We believe the effect of actual adoption in 1993 may be similar, although it could be significantly different because of changes in health care costs, the assumed health care cost trend rate, work force demographics, interest rates, or plan provisions between now and 1993.

We do not know what action the PUCO may take with respect to these incremental costs. However, we believe the PUCO will either allow a means of current recovery of such incremental costs or provide for deferral of such costs until recovered in rates. We do not expect adoption of the new standard to have a material adverse effect on our financial condition or results of operations.

(9) GUARANTEES

Under two long-term coal purchase arrangements, Cleveland Electric has guaranteed certain loan and lease obligations of two mining companies. Toledo Edison is also a party to one of these guarantee arrangements. This arrangement requires payments to the mining company for any actual out-of-pocket idle mine expenses (as advance payments for coal) when the mines are idle for reasons beyond the control of the mining company. At December 31, 1991, after giving effect to a refinancing completed on January 2, 1992 by one of the mining companies, the principal amount of the mining companies' loan and lease obligations guaranteed by the Operating Companies was $102,000,000.

(10) CAPITALIZATION

(a) CAPITAL STOCK TRANSACTIONS

Shares sold, retired and purchased for treasury during the three years ended December 31, 1991 are listed in the following table.

	1991	1990	1989
	(thousands of shares)		
Centerior Energy Common Stock:			
Dividend Reinvestment and Stock Purchase Plan	1,422	—	—
Employee Savings Plan	348	—	—
Employee Purchase Plan	—	—	36
1978 Key Employee Stock Option Plan	—	—	17
Total Common Stock Sales	1,770	—	53
Treasury Shares	(11)	(1,391)	(1,082)
Net Change	1,759	(1,391)	(1,029)
Cumulative Preferred and Preference Stock of Subsidiaries Subject to Mandatory Redemption:			
Cleveland Electric Sales			
Preferred:			
$ 91.50 Series Q	75	—	—
88.00 Series R	50	—	—
Cleveland Electric Retirements			
Preferred:			
$ 7.35 Series C	(10)	(10)	(10)
88.00 Series E	(3)	(3)	(3)
75.00 Series F	(2)	—	(1)
80.00 Series G	—	(1)	(2)
145.00 Series H	—	(14)	(4)
145.00 Series I	(14)	(4)	(4)
113.50 Series K	(10)	—	—
Adjustable Series M	(100)	—	—
Preference:			
$ 77.50 Series 1	—	—	(6)
Toledo Edison Retirements			
Preferred:			
$100 par $11.00	(10)	(10)	(5)
9.375	(17)	(17)	(17)
Net Change	(41)	(59)	(52)

Shares of common stock required for our four stock plans in 1991 were either acquired in the open market or issued as new shares of common stock when the common stock price reached a predetermined threshold for such transactions.

We began a program in July 1991 to purchase up to 1,500,000 shares of our common stock by June 30, 1992 in the open market when the common stock price is below a predetermined level. As of December 31, 1991, 38,000 shares had been purchased at a total cost of $610,000. We had a similar program to purchase up to 3,000,000 shares of our common stock in the period March 28, 1989 through March 31, 1991. Under this program, 2,510,000 shares were purchased at a total cost of $46,198,000. Such shares are being held as treasury shares.

(b) COMMON SHARES RESERVED FOR ISSUE

Common shares reserved for issue under the Employee Savings Plan and the Employee Purchase Plan were 2,828,848 and 21,423 shares, respectively, at December 31, 1991. At the April 1992 Annual Meeting, share owners will be asked to authorize an additional 500,000 common shares for the Employee Purchase Plan.

Stock options to purchase unissued shares of common stock under the 1978 Key Employee Stock Option Plan were granted at an exercise price of 100% of the fair market value at the date of the grant. No additional options may be granted. The exercise prices of option shares purchased during the three years ended December 31, 1991 ranged from $14.09 to $17.41 per share. Shares and price ranges of outstanding options held by employees were as follows:

	1978 Key Employee Stock Option Plan		
	1991	1990	1989
Options Outstanding at December 31:			
Shares	129,798	168,655	215,187
Option Prices	$14.09 to $20.73	$14.09 to $20.73	$14.09 to $20.73

(c) EQUITY DISTRIBUTION RESTRICTIONS

At December 31, 1991, consolidated retained earnings were comprised almost entirely of the undistributed retained earnings of the Operating Companies. Substantially all of their retained earnings were available for the declaration of dividends on their respective preferred and common shares. All of their common shares are held by Centerior Energy.

Any financing by an Operating Company of any of its nonutility affiliates requires PUCO authorization unless the financing is made in connection with transactions in the ordinary course of the companies' public utilities business operations in which one company acts on behalf of another.

(d) CUMULATIVE PREFERRED AND PREFERENCE STOCK

Amounts to be paid for preferred stock which must be redeemed during the next five years are $16,000,000 in 1992, $41,000,000 in 1993, $41,000,000 in 1994, $52,000,000 in 1995 and $42,000,000 in 1996.

The annual mandatory redemption provisions are as follows:

	Annual Mandatory Redemption Provisions		
	Shares To Be Redeemed	Beginning in	Price Per Share
Cleveland Electric			
Preferred:			
$ 7.35 Series C	10,000	1984	$ 100
88.00 Series E	3,000	1981	1,000
Adjustable Series M	100,000	1991	100
9.125 Series N	150,000	1993	100
91.50 Series Q	10,714	1995	1,000
88.00 Series R	50,000	2001*	1,000
Toledo Edison			
Preferred:			
$100 par $11.00	5,000	1979	100
9.375	16,650	1985	100
25 par 2.81	400,000	1993	25

*All outstanding shares to be redeemed December 1, 2001.

The annualized cumulative preferred dividend requirement as of December 31, 1991 is $66,000,000.

The preferred dividend rates on Cleveland Electric's Series L, M and P and Toledo Edison's Series A and B fluctuate based on prevailing interest rates and market conditions, with the dividend rates for these issues averaging 8.26%, 7.61%, 6.24%, 8.82% and 9.67%, respectively, in 1991.

Under its articles of incorporation, Toledo Edison cannot issue preferred stock unless certain earnings coverage requirements are met. Based on earnings for the 12 months ended December 31, 1991, Toledo Edison could not issue additional preferred stock. The issuance of additional preferred stock in the future will depend on earnings for any 12 consecutive months of the 15 months preceding the date of issuance, the interest on all long-term debt outstanding and the dividends on all preferred stock issues outstanding.

Preference stock authorized for the Operating Companies are 3,000,000 shares without par value for Cleveland Electric and 5,000,000 shares with a $25 par value for Toledo Edison. No preference shares are currently outstanding for either company.

There are no restrictions on Cleveland Electric's ability to issue preferred or preference stock or Toledo Edison's ability to issue preference stock.

With respect to dividend and liquidation rights, each Operating Company's preferred stock is prior to its preference stock and common stock, and each Operating Company's preference stock is prior to its common stock.

(e) *LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS*

Long-term debt, less current maturities, for the Operating Companies was as follows:

Year of Maturity	Actual or Average Interest Rate	December 31, 1991	December 31, 1990
		(thousands of dollars)	
First mortgage bonds:			
1992	15.25 %	$ —	$ 20,000
1992	10.58	—	40,000
1992	13.75	—	4,334
1993	3.875	30,000	30,000
1993	8.55	50,000	50,000
1993	13.75	4,334	4,334
1994	4.375	25,000	25,000
1994	13.75	4,334	4,334
1995	11.25	—	60,000
1995	13.75	4,334	4,334
1995	7.00	750	750
1996	13.75	4,334	4,334
1996	7.00	750	750
1996	9.375	100,000	100,000
1997-2001	9.36	127,798	127,798
2002-2006	8.98	251,801	251,801
2007-2011	8.79	387,250	387,250
2012-2016	8.97	439,085	439,085
2017-2021	8.53	635,180	635,180
2022-2023	7.66	322,100	322,100
		2,387,050	2,511,384
Term bank loans due 1993-1996	8.46	196,700	127,900
Medium-term notes due 1993-2021	9.15	834,500	550,000
Notes due 1993-1997	11.01	102,142	219,430
Debentures due 1997	11.25	125,000	125,000
Pollution control notes due 1993-2015	9.70	189,900	190,860
Other — net	—	6,063	4,663
Total Long-Term Debt		$3,841,355	$3,729,237

Long-term debt matures during the next five years as follows: $200,000,000 in 1992, $318,000,000 in 1993, $89,000,000 in 1994, $278,000,000 in 1995 and $343,000,000 in 1996.

During the 1989-1991 period, the Operating Companies issued $834,500,000 aggregate principal amount of secured medium-term notes. The notes are secured by first mortgage bonds. At December 31, 1991, Toledo Edison has $15,500,000 aggregate principal amount of secured medium-term notes registered with the SEC and available for issuance.

Cleveland Electric has arranged to refund in July 1992 $78,700,000 principal amount of a public authority's tax-exempt bonds due 2012 and having a 13⅛% interest rate with the proceeds from the sale in July 1992 of an equal principal amount of the authority's bonds due 2013 and having an effective interest cost of 8.25%. Cleveland Electric's first mortgage bonds collaterally secure both issues. The PUCO authorized Cleveland Electric to record interest expense equal to a blend of the higher rate on the outstanding bonds with the lower rate on the new bonds for an interest expense reduction of $1,000,000 in 1990, $3,400,000 in 1991 and approximately $3,000,000 in 1992.

The mortgages of Cleveland Electric and Toledo Edison constitute direct first liens on substantially all property owned and franchises held by them. Excluded from the liens, among other things, are cash, securities, accounts receivable, fuel, supplies and, in the case of Toledo Edison, automotive equipment.

Additional first mortgage bonds may be issued by Cleveland Electric under its mortgage on the basis of bondable property additions, cash or substitution for refundable first mortgage bonds. The issuance of additional first mortgage bonds by Cleveland Electric on the basis of property additions is limited by two provisions of its mortgage. One relates to the amount of bondable property available and the other to earnings coverage of interest on the bonds. Under the more restrictive of these provisions (currently, the amount of bondable property available), Cleveland Electric would have been permitted to issue approximately $335,000,000 of bonds based upon available bondable property at December 31, 1991. Cleveland Electric also would have been permitted to issue approximately $214,000,000 of bonds based upon refundable bonds at December 31, 1991. If Perry Unit 2 had been canceled and written off as of December 31, 1991, Cleveland Electric would not have been permitted to issue any bonds based upon available bondable property, but would have been permitted to issue approximately $214,000,000 of bonds based upon refundable bonds.

The issuance of additional first mortgage bonds by Toledo Edison also is limited by provisions in its mortgage similar to those in Cleveland Electric's mortgage. Under the more restrictive of these provisions (currently, the earnings coverage test), Toledo Edison would have been permitted to issue approximately $164,000,000 of bonds at an assumed interest rate of 11% based upon available bondable property at December 31, 1991. Toledo Edison also would have been permitted to issue approximately $186,000,000 of bonds based upon refundable bonds at December 31, 1991. If Perry Unit 2 had been canceled and written off as of December 31, 1991, the amount of bonds which could have been issued by Toledo Edison would not have changed.

Certain unsecured loan agreements of Toledo Edison contain covenants relating to capitalization ratios, earnings coverage ratios and limitations on secured financing other than through first mortgage bonds or certain other transactions. An agreement relating to a letter of credit issued in connection with the sale and leaseback of Beaver Valley Unit 2 (as amended in 1989) contains several financial covenants affecting Centerior Energy and the Operating Companies. Among these are covenants relating to earnings coverage ratios and capitalization ratios. Centerior Energy and the Operating Companies are in compliance with these covenant provisions. We believe Centerior Energy and the Operating Companies will continue to meet these covenants in the event of a write-off of the Operating Companies' investments in Perry Unit 2, barring unforeseen circumstances.

(11) SHORT-TERM BORROWING ARRANGEMENTS

Our bank credit arrangements at December 31, 1991 were as follows:

	Cleveland Electric	Toledo Edison	Service Company	Total
	(thousands of dollars)			
Bank Lines of Credit	$152,000	$70,400	$8,000	$230,400

There were no borrowings under these bank credit arrangements at December 31, 1991. An additional $5,000,000 line of credit is available to the Service Company under a $30,000,000 Cleveland Electric line of credit, if unused by Cleveland Electric. The $5,000,000 line of credit is included in the Cleveland Electric total.

Short-term borrowing capacity authorized by the PUCO is $300,000,000 for Cleveland Electric and $150,000,000 for Toledo Edison. The Operating Companies have been authorized by the PUCO to borrow from each other on a short-term basis.

Most borrowing arrangements under the Operating Companies' short-term bank lines of credit require a fee of 0.25% per year to be paid on any unused portion of the lines of credit. For those banks without fee requirements, the average daily cash balance in the Operating Companies' bank accounts satisfied informal compensating balance arrangements.

At December 31, 1991, the Operating Companies had no commercial paper outstanding. If commercial paper were outstanding, it would be backed by at least an equal amount of unused bank lines of credit.

The fee for the Service Company's lines of credit is 0.25% per year to be paid on any unused portion of its lines of credit.

No formal short-term borrowing arrangements have been established for Centerior Energy.

(12) CHANGES IN ACCOUNTING FOR NUCLEAR PLANT DEPRECIATION

In June 1991, the Operating Companies changed the method used to accrue nuclear plant depreciation from the units-of-production method to the straight-line method retroactive to January 1, 1991. The good performance of the nuclear generating units over the past several years had resulted in units-of-production depreciation expense being significantly higher than the amount implicit in current electric rates. The straight-line method better matches revenue and expense, tends to levelize periodic depreciation expense for nuclear plant and is more consistent with industry practice.

The PUCO approved the change for each Operating Company and authorized them to accrue depreciation for their three operating nuclear generating units at an accrual rate of about 3% of their plant investment based upon the units' forty-year operating licenses from the NRC. This change in method decreased 1991 depreciation expense $35,946,000 and increased 1991 net income $27,952,000 (net of $7,994,000 of income taxes) and earnings per share $.20 from what they otherwise would have been.

In December 1991, the PUCO approved for each Operating Company a reduction in the straight-line depreciation accrual rate from about 3% to 2.5% for each of their three operating nuclear units retroactive to January 1, 1991. We believe the lower depreciation accrual rate is appropriate and reduces combined annual depreciation expense to a level more closely aligned with the total amount currently being recovered in customers' rates for these units. This change in rate decreased 1991 depreciation expense $27,762,000 and increased 1991 net income $21,419,000 (net of $6,343,000 of income taxes) and earnings per share $.15 from what they otherwise would have been.

Depreciation expense recorded in prior years was not affected. Current electric rates were also unaffected by the PUCO orders.

(13) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 1991.

	Quarters Ended			
	March 31,	June 30,	Sept. 30,	Dec. 31,
	(thousands of dollars, except per share amounts)			
1991				
Operating Revenues	$608,583	$645,355	$716,070	$590,244
Operating Income	$129,003	$145,709	$182,085	$123,253
Net Income	$ 35,470	$ 51,736	$ 95,333	$ 54,701
Average Common Shares (thousands)	138,404	138,881	139,336	139,737
Earnings Per Common Share	$ .26	$ .37	$ .68	$ .39
Dividends Paid Per Common Share	$ .40	$ .40	$ .40	$ .40
1990				
Operating Revenues	$566,725	$586,164	$699,499	$575,053
Operating Income	$116,169	$ 86,743	$171,684	$129,824
Net Income	$ 50,509	$ 54,921	$ 99,749	$ 59,280
Average Common Shares (thousands)	139,486	138,980	138,610	138,441
Earnings Per Common Share	$ .36	$ .40	$ .72	$ .43
Dividends Paid Per Common Share	$ .40	$ .40	$ .40	$ .40

Operating revenues for the first three quarters of 1991 and the four quarters of 1990 were restated to comply with current FERC revenue reporting requirements, as discussed in the Summary of Significant Accounting Policies. This restatement had no effect on earnings results for the applicable quarter. The unaudited quarterly results for the quarter ended March 31, 1991 were also restated to reflect the change in accounting for nuclear plant depreciation to the straight-line method (at about a 3% accrual rate) as discussed in Note 12.

Earnings for the quarter ended December 31, 1991 were increased as a result of year-end adjustments of $27,762,000 to reduce depreciation expense for the year for the change in the nuclear plant straight-line depreciation rate to 2.5% (see Summary of Significant Accounting Policies and Note 12) and $28,215,000 to increase phase-in carrying charges for the adjustment to 1991 cost deferrals (see Note 6). The total of these adjustments increased quarterly earnings by $40,041,000, or $.29 per share.

Earnings for the quarter ended June 30, 1990 were increased as a result of federal income tax expense adjustments associated with deferred investment tax credits relating to the 1988 write-off of nuclear plant investments. See Note 7. The adjustments increased quarterly earnings by $36,298,000, or $.26 per share.

Earnings for the quarter ended December 31, 1990 were increased as a result of year-end adjustments of $25,790,000 to reduce depreciation expense for the year for the change in depreciation rates for nonnuclear and Davis-Besse property (see Summary of Significant Accounting Policies), $10,169,000 to increase phase-in carrying charges for the adjustment to 1990 cost deferrals (see Note 6) and $10,375,000 to reduce federal income tax expense (see Note 7). The total of these adjustments increased quarterly earnings by $35,000,000, or $.25 per share.

Operating Revenues (thousands of dollars)

Year	Residential	Commercial	Industrial	Other	Total Retail	Wholesale *(a)*	Total Electric	Steam Heating & Gas	Total Operating Revenues
1991	*$777 273*	*723 318*	*782 747*	*188 026*	*2 471 364*	*88 888*	*2 560 252*	—	*$2 560 2[illegible]2*
1990	719 078	668 910	779 391	189 754	2 357 133	70 308	2 427 441	—	2 427 441
1989	685 735	616 902	746 534	204 769	2 253 940	107 364	2 361 304	—	2 361 304
1988	637 329	537 861	675 584	84 524	1 935 298	119 505	2 054 803	—	2 054 803
[illegible]	629 663	531 682	689 959	36 272	1 887 576	45 275	1 932 851	13 371	1 946 222
1981	449 190	354 4[illegible]1	538 344	60 314	1 402 319	71 450	1 473 769	19 627	1 493 396

Operating Expenses (thousands of dollars)

Year	Fuel & Purchased Power *(a)*	Other Operation & Maintenance	Depreciation & Amortization	Taxes Other Than FIT	Phase-in & Pre-phase-in Deferred, Net	Federal Income Taxes	Total Operating Expenses
1991	*$499 672*	*801 225*	*242 708 (b)*	*304 709*	*(5 693)*	*137 581*	*$1 980 202*
1990	472 297	862 738	242 153	283 425	(33 668)	96 076	1 923 021
1989	472 684	860 138	272 671	259 871	(58 220)	122 5[illegible]5	1 929 529
1988	508 644	865 632	264 824	268 550	(188 209)	123 697	1 743 138
1987	491 332	647 594	214 421	207 521	(87 623)	105 912	1 574 157
1981	512 323	319 894	128 721	128 347	—	108 417	1 197 702

Income (Loss) (thousands of dollars)

Year	Operating Income	AFUDC—Equity	Other Income & Deductions, Net	Carrying Charges	Federal Income Taxes—Credit (Expense)	Income Before Interest Charges	Debt Interest	AFUDC—Debt	Preferred & Preference Stock Dividends
1991	*$580 050*	*9 351*	*5 248*	*109 601*	*(30 329)*	*673 921*	*381 280*	*(5 248)*	*60 649*
1990	504 420	7 883	145	205 085	(12 948)	704 585	384 278	(5 993)	61 841
1989	431 775	16 930	14 368	299 159	(73 177)	689 055	369 481	(12 929)	65 617
1988	311 665	13 504	(489 047) *(c)*	372 155	131 254	339 531	378 292	(6 137)	69 489
1987	372 065	299 308	(57 821)	39 599	121 122	774 273	435 042	(137 257)	86 135
1981	295 694	81 468	19 469	—	25 741	422 372	233 022	(49 521)	58 459

Income (Loss) (thousands of dollars) — Common Stock (dollars per share & [illegible]

Year	Income (Loss) Before Cumulative Effect of an Accounting Change or Extraordinary Gain	Cumulative Effect of an Accounting Change or Extraordinary Gain	Net Income (Loss)	Average Shares Outstanding (thousands)	Earnings (Loss)	Return on Average Common Stock Equity	Dividends Declared	Book Value
1991	*$237 240*	—	*$237 240*	*139 104*	*$ 1.71*	*8.4%*	*$1.60*	*$20.37*
1990	264 459	—	264 459	138 885	1.90	9.4	1.60	20.30
1989	266 886	—	266 886	140 468	1.90	9.6	1.60	19.99
1988	(102 113)	28 153 *(d)*	(73 960)	140 778	(0.53)	(2.5)	1.84	19.68
1987	390 353	—	390 353	138 395	2.82	12.8	2.56	22.10
1981	180 412	10 807 *(e)*	191 219	74 679 *(f)*	2.56 *(f)*	13.0	2.00 *(f)*	19.29 *(f)*

NOTE: 1981 data is the result of combining and restating Cleveland Electric and Toledo Edison data.

(a) Wholesale revenues, fuel and purchased power, wholesale electric sales and purchased power amounts are restated for 1990 and prior years to reflect a change in reporting of bulk power sales transactions in accordance with FERC requirements.

(b) In 1991, the Operating Companies adopted a change in accounting for nuclear plant depreciation, changing from the units-of-production method to the straight-line method at a 2.5% rate.

(c) Includes write-off of nuclear costs in the amount of $534,355,000 in 1988.

(d) In 1988, the Operating Companies adopted a change in the method of accounting for unbilled revenues.

Year	Electric Sales (millions of KWH) Residential	Commercial	Industrial	Wholesale (*e*)	Other	Total	Electric Customers (year end) Residential	Commercial	Industrial & Other	Total	Residential Usage Average KWH Per Customer	Average Price Per KWH	Average Revenue Per Customer
1991	*6 981*	*7 176*	*11 559*	*2 711*	*1 048*	*29 475*	*921 995*	*96 449*	*12 843*	*1 031 287*	*7 410*	*11.16¢*	*$827.10*
1990	6 666	6 848	12 168	2 487	959	29 128	918 965	94 522	12 906	1 026 393	7 079	10.82	765.93
1989	6 806	6 830	12 520	3 235	996	30 387	914 020	93 833	12 763	1 020 616	7 295	10.08	737.58
1988	6 920	6 577	12 793	1 828	946	29 064	909 182	92 132	12 305	1 013 619	7 462	9.21	690.06
1987	6 659	6 350	11 985	1 166	949	27 109	903 365	90 148	12 240	1 005 753	7 217	9.46	685.43
1981	6 295	[illegible] 472	11 360	2 170	808	26 105	884 588	84 287	11 530	980 40[illegible]	6 [illegible]39	7.16	490.57

Year	Load (MW & %) Operable Capacity at Time of Peak	Peak Load	Capacity Margin	Load Factor	Energy (millions of KWH) Company Generated Fossil	Nuclear	Total	Purchased Power (*e*)	Total	Fuel Fuel Cost Per KWH	Efficiency—BTU Per KWH
1991	*6 453*	*5 361*	*16.9%*	*62.9%*	*18 041*	*13 454*	*31 495*	*40*	*31 535*	*1.48¢*	*10 442*
1990	6 437	5 261	18.3	63.6	21 114	9 481	30 595	413	31 008	1.52	10 354
1989	6 430	5 389	16.2	63.3	20 174	12 122	32 296	21	32 317	1.47	10 435
1988	5 525(*g*)	5 673	(2.7)	60.8	21 576	7 805	29 381	1 885	31 266	1.59	10 410
1987	5 955	5 173	13.1	63.6	20 894	6 907	27 801	1 368	29 169	1.53	10 466
1981	6 440	4 762	26.1	63.6	20 573	4 397	24 970	2 945	27 915	1.80	10 490

Investment (thousands of dollars)

Year	Utility Plant In Service	Accumulated Depreciation & Amortization	Net Plant	Construction Work In Progress & Perry Unit 2	Nuclear Fuel and Other	Total Property, Plant and Equipment	Utility Plant Additions	Total Assets
1991	*$8 888 219*	*2 274 489*	*6 613 730*	*1 066 428*	*502 927*	*$8 183 085*	*$203 843*	*$12 042 089*
1990	8 636 219	2 038 510	6 597 709	1 133 535	568 124	8 299 368	251 312	11 894 235
1989	8 397 638	1 823 520	6 574 118	1 157 273	591 692	8 323 083	217 319	11 666 547
1988	8 143 673	1 569 304	6 574 369	1 222 732	643 087	8 440 188	343 143	11 573 098
1987	8 [illegible] 114	1 324 446	7 063 668	1 007 707	656 350	8 727 725	947 921	11 349 836
1981	3 874 628	873 663	3 000 965	1 645 098	143 590(*h*)	4 789 653	610 277	5 378 446

Capitalization (thousands of dollars & %)

Year	Common Stock Equity		Preferred & Preference Stock, with Mandatory Redemption Provisions		Preferred Stock, without Mandatory Redemption Provisions		Long-Term Debt		Total
1991	*$2 854 484*	*38%*	*332 031*	*4%*	*427 334*	*6%*	*3 841 355*	*52%*	*$7 455 204*
1990	2 810 033	39	237 490	3	427 334	6	3 729 237	52	7 204 094
1989	2 794 572	40	281 352	4	427 334	6	3 533 656	50	7 036 914
1988	2 771 744	39	303 781	4	427 334	6	3 551 614	51	7 054 473
1987	3 109 060	41	343 985	4	457 334	6	3 718 249	49	7 628 628
1981	1 545 829	36	420 500	10	245 071	5	2 090 988	49	4 302 388

(*e*) In 1981, Toledo Edison realized an extraordinary gain from the exchange of common stock for bonds.

(*f*) Average shares outstanding and related per share computations reflect the Cleveland Electric 1.11-for-one exchange ratio and the Toledo Edison one-for-one exchange ratio for Centerior Energy shares at the date of affiliation, April 29, 1986.

(*g*) Capacity data reflects extended generating unit outage for renovation and improvements.

(*h*) Restated for effects of capitalization of nuclear fuel lease and financing arrangements pursuant to Statement of Financial Accounting Standards 71.

To the Share Owners of
The Cleveland Electric Illuminating Company:

We have audited the accompanying consolidated balance sheet and consolidated statement of cumulative preferred stock of The Cleveland Electric Illuminating Company (a wholly owned subsidiary of Centerior Energy Corporation) and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cleveland Electric Illuminating Company and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed further in the Summary of Significant Accounting Policies and Note 12, a change was made in the method of accounting for nuclear plant depreciation in 1991, retroactive to January 1, 1991.

As discussed further in Note 3(c), the future of Perry Unit 2 is undecided. Construction has been suspended since July 1985. Various options are being considered, including resuming construction, converting the unit to a nonnuclear design, sale of all or part of the Company's ownership share, or canceling the unit. Management can give no assurance when, if ever, Perry Unit 2 will go in service or whether the Company's investment in that unit and a return thereon will ultimately be recovered.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of The Cleveland Electric Illuminating Company and subsidiaries listed in the Index to Schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Cleveland, Ohio
February 14, 1992

Arthur Andersen & Co.

GENERAL

The Cleveland Electric Illuminating Company (Company) is an electric utility and a wholly owned subsidiary of Centerior Energy Corporation (Centerior Energy). The Company follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by The Public Utilities Commission of Ohio (PUCO). As a rate-regulated utility, the Company is subject to Statement of Financial Accounting Standards 71 which governs accounting for the effects of certain types of rate regulation. The financial statements include the accounts of the Company's wholly owned subsidiaries, which in the aggregate are not material.

The Company is a member of the Central Area Power Coordination Group (CAPCO). Other members include The Toledo Edison Company (Toledo Edison), Duquesne Light Company (Duquesne), Ohio Edison Company (Ohio Edison) and Ohio Edison's wholly owned subsidiary, Pennsylvania Power Company (Pennsylvania Power). The members have constructed and operate generation and transmission facilities for the use of the CAPCO companies. Toledo Edison is also a wholly owned subsidiary of Centerior Energy.

RELATED PARTY TRANSACTIONS

Operating revenues, operating expenses and interest charges include those amounts for transactions with affiliated companies in the ordinary course of business operations.

The Company's transactions with Toledo Edison are primarily for interchange power, transmission line rentals and jointly owned power plant operations and construction. See Notes 1 and 2.

Centerior Service Company (Service Company), the third wholly owned subsidiary of Centerior Energy, provides management, financial, administrative, engineering, legal and other services at cost to the Company and other affiliated companies. The Service Company billed the Company \$138,000,000, \$106,000,000 and \$92,000,000 in 1991, 1990 and 1989, respectively, for such services.

REVENUES

Customers are billed on a monthly cycle basis for their energy consumption based on rate schedules or contracts authorized by the PUCO. An accrual is made at the end of each month to record the estimated amount of unbilled revenues for kilowatt-hour sales rendered in the current month but not billed by the end of that month.

A fuel factor is added to the base rates for electric service. This factor is designed to recover from customers the costs of fuel and most purchased power. It is reviewed and adjusted semiannually in a PUCO proceeding.

Operating revenues include certain wholesale power sales revenues in accordance with a FERC clarification of reporting requirements. Prior to 1991, these bulk power sales transactions were netted with purchased power transactions and reported as part of fuel and purchased power expense. The amounts for prior years have also been reclassified to conform with current reporting requirements. See Note 13.

FUEL EXPENSE

The cost of fossil fuel is charged to fuel expense based on inventory usage. The cost of nuclear fuel, including an interest component, is charged to fuel expense based on the rate of consumption. Estimated future nuclear fuel disposal costs are being recovered through the base rates.

The Company defers the differences between actual fuel costs and estimated fuel costs currently being recovered from customers through the fuel factor. This matches fuel expenses with fuel-related revenues.

PRE-PHASE-IN AND PHASE-IN DEFERRALS OF OPERATING EXPENSES AND CARRYING CHARGES

The PUCO authorized the Company to record, as deferred charges, certain operating expenses and carrying charges related to Perry Nuclear Power Plant Unit 1 (Perry Unit 1) and Beaver Valley Power Station Unit 2 (Beaver Valley Unit 2) from their respective in-service dates in 1987 through December 1988. Amortization and recovery of these deferrals (called pre-phase-in deferrals) began in January 1989 in accordance with the January 1989 PUCO rate order discussed in Note 6. The amortizations will continue over the lives of the related property.

As discussed in Note 6, the January 1989 PUCO rate order for the Company included an approved rate phase-in plan for the Company's investments in Perry Unit 1 and Beaver Valley Unit 2. On January 1, 1989, the Company began recording the deferrals of operating expenses and interest and equity carrying charges on deferred rate-based investment pursuant to the phase-in plan. These deferrals (called phase-in deferrals) will be recovered by December 31, 1998.

DEPRECIATION AND AMORTIZATION

The cost of property, plant and equipment is depreciated over their estimated useful lives on a straight-line basis. Prior to 1991, only nonnuclear property, plant and equipment was depreciated on a straight-line basis, as depreciation expense for the nuclear generating units was based on the units-of-production method.

The annual straight-line depreciation provision for nonnuclear property expressed as a percent of average depreciable utility plant in service was 3.4% in 1991, 3.3% in 1990 and 3.9% in 1989. The rate declined in 1990 because of a PUCO-approved change in depreciation rates effective January 1, 1990, attributable to longer estimated lives for nonnuclear property. See Note 13.

In 1990, the Nuclear Regulatory Commission (NRC) approved a six-year extension of the operating license for the Davis-Besse Nuclear Power Station (Davis-Besse). The PUCO approved a change in the units-of-production depreciation rate for Davis-Besse, effective January 1, 1990, which recognized the life extension. See Note 13.

Effective January 1, 1991, the Company changed its method of accounting for nuclear plant depreciation from the units-of-production method to the straight-line method at about a 3% rate. The PUCO approved this change in accounting method for the Company and subsequently approved a change to lower the 3% rate to 2.5% for the three operating nuclear units retroactive to January 1, 1991. See Notes 12 and 13.

The Company uses external funding of future decommissioning costs for its operating nuclear units pursuant to a PUCO order. Cash contributions are made to the funds on a straight-line basis over the remaining licensing period for each unit. Amounts currently in rates are based on past estimates of decommissioning costs for the Company of $63,000,000 in 1986 dollars for Davis-Besse and $44,000,000 and $35,000,000 in 1987 dollars for Perry Unit 1 and Beaver Valley Unit 2, respectively. Actual decommissioning costs are expected to significantly exceed these estimates. It is expected that increases in the cost estimates will be recoverable in rates resulting from future rate proceedings. The current level of expense being funded and recovered from customers over the remaining licensing periods of the units is approximately $4,000,000 annually.

FEDERAL INCOME TAXES

The financial statements reflect the liability method of accounting for income taxes. The liability method requires that the Company's deferred tax liabilities be adjusted for subsequent tax rate changes and that the Company record deferred taxes for all temporary differences between the book and tax bases of assets and liabilities. A portion of these temporary differences are attributable to property-related timing differences that the PUCO used to reduce prior years' tax expense for ratemaking purposes whereby no deferred taxes were collected or recorded. Since the PUCO practice permits recovery of such taxes from customers when they become payable, the net amount due from customers has been recorded as a regulatory asset in deferred charges. A substantial portion of this amount relates to differences between the book and tax bases of utility plant. Hence, the recovery of these amounts will take place over the lives of the related assets.

Investment tax credits are deferred and amortized over the estimated lives of the applicable property. The amortization is reported as a reduction of depreciation expense under the liability method. See Note 7.

DEFERRED GAIN FROM SALE OF UTILITY PLANT

The Company entered into a sale and leaseback transaction in 1987 for the coal-fired Bruce Mansfield Generating Plant (Mansfield Plant) as discussed in Note 2. The transaction resulted in a net gain which was deferred. The Company is amortizing the applicable deferred gain over the term of leases under the sale and leaseback agreement. The amortization and the lease expense amount are recorded as other operation and maintenance expense.

INTEREST CHARGES

Debt interest reported in the Income Statement does not include interest on nuclear fuel obligations. Interest on nuclear fuel obligations for fuel under construction is capitalized. See Note 5.

Losses and gains realized upon the reacquisition or redemption of long-term debt are deferred, consistent with the regulatory rate treatment. Such losses and gains are either amortized over the remainder of the original life of the debt issue retired or amortized over the life of the new debt issue when the proceeds of a new issue are used for the debt redemption. The amortizations are included in debt interest expense.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at original cost less any amounts ordered by the PUCO to be written off. Included in the cost of construction are items such as related payroll taxes, pensions, fringe benefits, management and general overheads and allowance for funds used during construction (AFUDC). AFUDC represents the estimated composite debt and equity cost of funds used to finance construction. This noncash allowance is credited to income, except for certain AFUDC for Perry Nuclear Power Plant Unit 2 (Perry Unit 2). See Note 3(c). The gross AFUDC rate was 10.47% in 1991, 10.48% in 1990 and 10.91% in 1989.

Maintenance and repairs are charged to expense as incurred. The cost of replacing plant and equipment is charged to the utility plant accounts. The cost of property retired plus removal costs, after deducting any salvage value, is charged to the accumulated provision for depreciation.

RECLASSIFICATIONS

Certain reclassifications have been made to prior years' financial statements to make them comparable with the 1991 financial statements and consistent with current reporting requirements. These include reclassifications related to certain wholesale power sales revenues as discussed previously under "Revenues" and accumulated deferred rents as discussed in Note 2.

RESULTS OF OPERATIONS

Overview

The January 1989 PUCO rate order for the Company, as discussed in Note 6, was designed to enable us to begin recovering in rates the cost of, and earn a fair return on, our allowed investment in Perry Unit 1 and Beaver Valley Unit 2. The rate order, which provided for three rate increases, improved revenues and cash flows in 1989, 1990 and 1991 from the 1988 levels. However, as discussed in the first four paragraphs of Note 6, the phase-in plan was not designed to improve earnings because gains in revenues from the higher rates and assumed sales growth are initially offset by a corresponding reduction in the deferral of nuclear plant operating expenses and carrying charges and are subsequently offset by the amortization of such deferrals.

Although the phase-in plan had a positive effect on revenues and cash flows, there are a number of factors that exerted a negative influence on earnings in 1991 and will continue to present significant earnings challenges in 1992 and beyond. One such factor is related to facilities placed in service after February 1988 and not included in rate base. The Company is required to record interest charges and depreciation on these facilities as current expenses even though such items are not yet recovered in rates. We also are facing the challenge of competitive forces, including new initiatives to create municipal electric systems. The need to meet competitive threats, coupled with a desire to encourage economic growth in the service area, is prompting the Company to enter into an increasing number of contracts having reduced rates with certain large customers. Factors beyond our control also having a negative influence on earnings are the economic recession, the effect of inflation and increases in taxes, other than federal income taxes.

The Company has taken several steps to counter the adverse effects of the factors discussed above. We have implemented most of the recommendations of the management audit discussed in Note 6 and have taken other actions which reduced other operation and maintenance expense by approximately $44,700,000 in 1991. As discussed in the Summary of Significant Accounting Policies and Note 12, we sought and received PUCO approval to lower our nuclear plant depreciation expense in 1991 to a level more closely aligned with the amount being recovered in rates. In addition, we have increased our efforts to sell power to other utilities which, in 1991, resulted in approximately $30,200,000 of revenues in excess of the cost of providing the power.

Despite the positive aspects of the measures discussed above, more must be done to maintain earnings. Continuing cost-reduction efforts will be necessary to lessen the negative pressures on earnings. The Company is aggressively seeking long-term power contracts with wholesale customers to further enhance revenues. To counter the effects of delays in recovering new investment since 1988 and related costs in rates, we have requested PUCO approval to accrue post-in-service carrying costs and defer depreciation for facilities that are in service but not yet recognized in rates. PUCO action on this request has been postponed under the joint recommendation approved by the PUCO discussed below.

In December 1991, the PUCO approved a joint recommendation of the Company, Toledo Edison and customer representative groups involved in the 1989 rate case settlement. The joint recommendation sought to secure an interim resolution of then-pending accounting applications in 1991 and to establish a framework for resolving accounting issues and related matters on a longer-term basis (i.e., 1992-1995). As part of this joint recommendation, the Company and Toledo Edison agreed to limit their combined 1992 other operation and maintenance expenses and capital expenditures to $1,050,000,000, exclusive of compliance costs related to the Clean Air Act Amendments of 1990 (Clean Air Act). Other operation and maintenance expenses and capital expenditures on a consolidated basis for Centerior Energy totaled $1,005,000,000 in 1991. The Company, Toledo Edison and the customer representative groups also agreed to an ongoing review of our business operations, financial condition and accounting practices. This effort, with the participation of the PUCO staff, is directed at the maintenance and ultimate improvement of our financial condition, the improvement of the efficiency of our operations, and the delay and minimization of future rate increases. The Company and Toledo Edison also agreed not to seek any base rate increase that would become effective before 1993.

The Company continually faces competitive threats from municipal electric systems within its service territory, a challenge intensified by municipal access to low-cost power currently available on the wholesale market. As part of our competitive strategy, we are strengthening programs that demonstrate the added value inherent in our service beyond what one might receive from a municipal electric system. Such programs include providing services to communities to help them retain and attract businesses, providing consulting services to customers to improve their energy efficiency and developing demand-side management programs. To counter new municipalization initiatives, we are also stressing the financial risks and uncertainties of creating a municipal system and our superior reliability and service.

Annual sales growth is expected to average about 2% for the next several years, contingent on future economic events. Recognizing the limitations imposed by these sales projections and current competitive pressures, we will utilize our best efforts to minimize future rate increases through cost-reduction and quality-of-service efforts and exploring other innovative options. Eventually, rate increases will be necessary to recognize the cost of our new capital investment and the effect of inflation.

1991 vs. 1990

Factors contributing to the 8% increase in 1991 operating revenues are as follows:

Change in Operating Revenues	Increase
Base Rates and Miscellaneous	$ 74,000,000
Sales Volume and Mix	21,000,000
Wholesale Sales	40,000,000
	$135,000,000

The increases in base rates and miscellaneous revenues resulted primarily from the January 1989 PUCO rate order for the Company. The PUCO approved rate increases of 7% effective in February 1990 and 4.35% effective in February 1991. Total kilowatt-hour sales increased 4.3% in 1991. Residential and commercial sales increased 4.8% and 4.9%, respectively, as a result of higher usage of cooling equipment in response to the unusually warm late spring and summer 1991 temperatures. The commercial sales increase was also influenced by some improvement in the economy for the commercial sector. Industrial sales declined 6.3% largely because of the recession-driven slump in the steel, auto and chemical industries. Other sales increased 45.3% because of increased sales to wholesale customers and public authorities.

Operating expenses increased 4.9% in 1991. The increase was mitigated by a reduction of $44,700,000 in other operation and maintenance expense, resulting primarily from cost-cutting measures. Offsetting this decrease were an increase in fuel and purchased power expense resulting from increased purchased power costs and increased amortization of previously deferred fuel costs over the amount amortized in 1990; an increase in federal income taxes because of higher pretax operating income; an increase in taxes, other than federal income taxes, resulting from higher property and gross receipt taxes and accruals for Pennsylvania tax increases enacted in August 1991; and lower operating expense deferrals for Perry Unit 1 and Beaver Valley Unit 2 pursuant to the January 1989 PUCO rate order.

Credits for carrying charges recorded in nonoperating income decreased in 1991 because a greater share of our investments in Perry Unit 1 and Beaver Valley Unit 2 were recovered in rates. The federal income tax provision related to nonoperating income increased mainly because the 1990 provision was reduced by $18,712,000 for federal income tax adjustments associated with previously deferred investment tax credits relating to the 1988 write-off of nuclear plant.

1990 vs. 1989

Factors contributing to the 3.5% increase in 1990 operating revenues are as follows:

Change in Operating Revenues	Increase (Decrease)
Base Rates and Miscellaneous	$114,000,000
Sales Volume and Mix	(25,000,000)
Perry Unit 1 Capacity Sales to Ohio Edison and Pennsylvania Power	(32,000,000)
	$ 57,000,000

The major factor accounting for the increase in operating revenues was related to the January 1989 rate order. The PUCO approved rate increases for the Company of 9% effective in February 1989 and 7% effective in February 1990. The associated revenue increase in 1990 was partially offset by reduced revenues resulting from a 3.9% decrease in total kilowatt-hour sales. Industrial sales decreased 7.6% because of the recession beginning in 1990. Residential sales decreased 1.5% as seasonal temperatures were more moderate in comparison to the prior year's temperatures, resulting in reduced customer heating and cooling-related demand. Commercial sales increased 0.5% as increased demand from new all-electric office and retail space was offset by the effects of mild weather. Other sales activity decreased 21.4% primarily as a result of lower wholesale sales. The increase in revenues was also partially offset by the loss of revenues related to the May 1989 expiration of the Company's agreement to sell a portion of its share of Perry Unit 1 capacity to Ohio Edison and Pennsylvania Power.

Operating expenses decreased 0.3% in 1990. Depreciation and amortization expense decreased primarily because of lower depreciation rates used in 1990 for nonnuclear and Davis-Besse property attributable to longer estimated lives and because of longer nuclear generating unit refueling and maintenance outages in 1990 than in 1989. Federal income taxes decreased primarily because of a decrease in pretax operating income. Fuel and purchased power expense decreased primarily from less amortization of previously deferred fuel costs than the amount amortized in 1989. These decreases in operating expenses were partially offset by an increase in taxes, other than federal income taxes, resulting from higher property and gross receipts taxes, an increase in other operation and maintenance expense and by lower operating expense deferrals for Perry Unit 1 and Beaver Valley Unit 2.

Credits for carrying charges recorded in nonoperating income decreased in 1990 because a greater share of our investments in Perry Unit 1 and Beaver Valley Unit 2 were recovered in rates. The decrease in the federal income tax provision related to nonoperating income was the result of a decrease in pretax nonoperating income and federal income tax adjustments of $18,712,000 associated with previously deferred investment tax credits relating to the 1988 write-off of nuclear plant. Interest expense increased in 1990 because of the higher level of debt outstanding which was partially offset by refinancing.

EFFECT OF INFLATION

Although the rate of inflation has eased in recent years, we are still affected by even modest inflation since the regulatory process introduces a time-lag during which increased costs of our labor, materials and services are not reflected in rates and recovered. Moreover, regulation allows only the recovery of historical costs of plant assets through depreciation even though the costs to replace these assets would substantially exceed their historical costs in an inflationary economy.

Changes in fuel costs do not affect our results of operations since those costs are deferred until reflected in the fuel cost recovery factor included in customers' bills.

Income Statement

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Operating Revenues	$1,825,738	$1,691,159	$1,634,227
Operating Expenses			
Fuel and purchased power (1)	455,055	412,397	427,108
Other operation and maintenance	469,530	514,186	508,151
Depreciation and amortization	170,571	169,526	187,614
Taxes, other than federal income taxes	215,908	197,454	183,120
Phase-in deferred operating expenses	(16,426)	(33,960)	(52,020)
Amortization of pre-phase-in deferred costs	9,586	10,076	9,553
Federal income taxes	105,824	75,099	85,275
	1,410,048	1,344,778	1,348,801
Operating Income	415,690	346,381	285,426
Nonoperating Income			
Allowance for equity funds used during construction	7,852	4,531	8,362
Other income and deductions, net	5,809	1,836	7,934
Phase-in carrying charges	87,615	161,598	216,851
Pre-phase-in carrying charges	—	—	17,937
Federal income taxes — credit (expense)	(24,311)	(20,401)	(55,699)
	76,965	147,564	195,385
Income Before Interest Charges	492,655	493,945	480,811
Interest Charges			
Debt interest	250,799	254,936	238,042
Allowance for borrowed funds used during construction	(4,302)	(3,319)	(7,450)
	246,497	251,617	230,592
Net Income	246,158	242,328	250,219
Preferred and Preference Dividend Requirements	35,857	36,682	40,227
Earnings Available for Common Stock	$ 210,301	$ 205,646	$ 209,992

(1) Includes purchased power expense of $127,691,000, $111,761,000 and $114,123,000 in 1991, 1990 and 1989, respectively, for purchases from Toledo Edison.

Retained Earnings

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Balance at Beginning of Year	$ 563,559	$ 507,375	$ 459,709
Additions			
Net income	246,158	242,328	250,219
Deductions			
Dividends declared:			
Common stock	(194,306)	(149,199)	(161,662)
Preferred stock	(36,389)	(36,205)	(40,769)
Preference stock	—	—	(124)
Other, primarily preferred stock redemption expenses	(816)	(740)	2
Net Increase	14,647	56,184	47,666
Balance at End of Year	$ 578,206	$ 563,559	$ 507,375

The accompanying notes and summary of significant accounting policies are an integral part of these statements.

CAPITAL RESOURCES AND LIQUIDITY

In addition to our need for cash for normal corporate operations, we continue to need cash for an ongoing program of constructing new facilities and modifying existing facilities to meet anticipated demand for electric service, comply with governmental regulations and protect the environment. Cash is also needed for the mandatory retirement of securities. Over the three-year period of 1989-1991, these construction and mandatory retirement needs totaled approximately $800,000,000. In addition, we exercised various options to redeem and purchase approximately $270,000,000 of our securities.

As a result of the January 1989 PUCO rate order, internally generated cash increased in 1989, 1990 and 1991 from the 1988 level. In addition, we raised $1,049,000,000 through security issues and term bank loans during the 1989-1991 period as shown in the Cash Flows statement. During the three-year period, the Company also utilized its short-term borrowing arrangements (explained in Note 11) to help meet its cash needs. Proceeds from these financings were used to help pay for our construction program, to repay portions of short-term debt incurred to finance the construction program, to retire, redeem and purchase outstanding securities, and for general corporate purposes.

Estimated cash requirements for 1992-1994 for the Company are $693,000,000 for its construction program and $464,000,000 for the mandatory redemption of debt and preferred stock. Additionally, the Company has arranged to refund in 1992 $78,700,000 principal amount of its First Mortgage Bonds, 13¾% Series due 2012 by issuing an equal principal amount of first mortgage bonds due 2013 having an effective interest cost of 8.25%. We expect to finance externally about 50% of our total 1992 construction and mandatory redemption requirements of approximately $286,000,000. About 60-70% of the Company's 1993 and 1994 requirements are expected to be financed externally. If economical additional securities may be redeemed under optional redemption provisions. See Notes 10(c) and (d) for information concerning limitations on the issuance of preferred and preference stock and debt.

Our capital requirements after 1994 will depend on the implementation strategy we choose to achieve compliance with the Clean Air Act. Expenditures for our optimal plan are estimated to be approximately $155,000,000 over the 1992-2001 period. See Note 3(b).

We expect to be able to raise cash as needed. The availability and cost of capital to meet our external financing needs, however, depends upon such factors as financial market conditions and our credit ratings. Current securities ratings for the Company are as follows:

	Standard & Poor's Corporation	Moody's Investors Service
First mortgage bonds	BBB−	Baa2
Preferred stock	BB+	baa2

A write-off of the Company's investment in Perry Unit 2, as discussed in Note 3(c), would not reduce retained earnings sufficiently to impair its ability to declare dividends and would not affect cash flow.

The Tax Reform Act of 1986 (1986 Tax Act) provided for a 34% income tax rate in 1988 and thereafter, a new alternative minimum tax (AMT) and other changes that resulted in increased tax payments and a reduction in cash flow during 1989, 1990 and 1991 because we were subject to the AMT.

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Cash Flows from Operating Activities (1)			
Net Income	$ 246,158	$ 242,328	$ 250,219
Adjustments to Reconcile Net Income to Cash from Operating Activities:			
Depreciation and amortization	170,571	169,526	187,614
Deferred federal income taxes	50,934	111,029	108,261
Investment tax credits, net	17,653	(17,224)	(58)
Deferred and unbilled revenues	(25,300)	(38,134)	(32,168)
Deferred fuel	13,450	(11,410)	8,827
Carrying charges capitalized	(87,615)	(161,598)	(234,788)
Leased nuclear fuel amortization	68,866	47,028	55,712
Deferred operating expenses, net	(6,840)	(23,884)	(42,467)
Allowance for equity funds used during construction	(7,852)	(4,531)	(8,362)
Amortization of reserve for Davis-Besse refund obligations to customers	—	—	(12,162)
Pension settlement gain	—	(34,517)	—
Changes in amounts due from customers and others, net	11,904	(16,878)	(9,251)
Changes in inventories	(15,040)	(22,494)	(4,919)
Changes in accounts payable	(23,667)	31,901	(13,844)
Changes in working capital affecting operations	36,997	(5,195)	29,504
Other noncash items	(13,334)	(9,125)	(9,065)
Total Adjustments	185,727	14,494	22,834
Net Cash from Operating Activities	431,885	256,822	273,053
Cash Flows from Financing Activities (2)			
Bank loans, commercial paper and other short-term debt	(86,703)	86,688	29
Notes payable to affiliates	7,000	(157,200)	90,200
Debt issues:			
First mortgage bonds	—	100,000	67,700
Secured medium-term notes	150,000	337,500	212,500
Term bank loans	—	16,000	40,000
Preferred stock issues	125,000	—	—
Maturities, redemptions and sinking funds	(132,990)	(211,810)	(305,741)
Nuclear fuel lease and trust obligations	(63,8[illegible])	(56,129)	(47,574)
Dividends paid	(229,671)	(185,851)	(202,444)
Premiums, discounts and expenses	(5,990)	(5,515)	(1,[illegible]97)
Net Cash from Financing Activities	(237,249)	(76,317)	(147,027)
Cash Flows from Investing Activities (2)			
Cash applied to construction	(137,851)	(156,769)	(149,043)
Interest capitalized as allowance for borrowed funds used during construction	(4,302)	(3,319)	(7,450)
Loans to affiliates	11,000	(11,000)	—
Other cash received (applied)	2,254	(6,699)	(16,840)
Net Cash from Investing Activities	(128,899)	(177,787)	(173,333)
Net Change in Cash and Temporary Cash Investments	65,737	2,718	(47,307)
Cash and Temporary Cash Investments at Beginning of Year	31,048	28,330	75,637
Cash and Temporary Cash Investments at End of Year	$ 96,785	$ 31,048	$ 28,330

(1) Interest paid (net of amounts capitalized) was $221,000,000, $189,000,000 and $151,000,000 in 1991, 1990 and 1989, respectively. Income taxes paid were $49,536,000, $18,589,000 and $29,[illegible]06,000 in 1991, 1990 and 1989, respectively.

(2) Increases in nuclear fuel and nuclear fuel lease and trust obligations in the Balance Sheet resulting from the noncash capitalizations under nuclear fuel agreements are excluded from this statement.

The accompanying notes and summary of significant accounting policies are an integral part of this statement.

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Balance Sheet

	December 31, 1991	1990
	(thousands of dollars)	
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Utility plant in service	$6,195,945	$6,032,336
Less: accumulated depreciation and amortization	1,564,984	1,398,258
	4,630,961	4,634,078
Construction work in progress	161,890	175,232
Perry Unit 2	507,806	521,464
	5,300,657	5,330,774
Nuclear fuel, net of amortization	263,129	300,824
Other property, less accumulated depreciation	41,834	43,428
	5,605,620	5,675,026
CURRENT ASSETS		
Cash and temporary cash investments	96,785	31,048
Amounts due from customers and others, net	167,280	179,184
Amounts due from affiliates	3,648	19,542
Unbilled revenues	86,000	60,700
Materials and supplies, at average cost	89,043	76,092
Fossil fuel inventory, at average cost	39,089	37,000
Taxes applicable to succeeding years	167,753	155,069
Other	5,453	6,926
	655,051	565,561
DEFERRED CHARGES		
Amounts due from customers for future federal income taxes	673,726	671,430
Unamortized loss on reacquired debt	49,593	53,160
Carrying charges and operating expenses, pre-phase-in	368,448	377,324
Carrying charges and operating expenses, phase-in	568,472	464,434
Other	145,670	138,202
	1,805,909	1,704,570
Total Assets	$8,066,580	$7,945,157

The accompanying notes and summary of significant accounting policies are an integral part of this statement.

	December 31, 1991	December 31, 1990
	(thousands of dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shares, without par value: 105,000,000 authorized; 79,591,000 outstanding in 1991 and 1990	$1,240,570	$1,242,074
Other paid-in capital	78,625	78,625
Retained earnings	578,206	563,559
Common stock equity	1,897,401	1,884,258
Preferred stock		
With mandatory redemption provisions	268,368	171,162
Without mandatory redemption provisions	217,334	217,334
Long-term debt	2,682,805	2,631,911
	5,065,908	4,904,665
OTHER NONCURRENT LIABILITIES		
Nuclear fuel lease obligations	197,362	246,460
Other	33,391	33,390
	230,753	279,850
CURRENT LIABILITIES		
Current portion of long-term debt and preferred stock	92,857	97,988
Current portion of lease obligations	80,928	64,554
Notes payable to banks and others	191	86,894
Accounts payable	97,251	120,918
Accounts and notes payable to affiliates	58,578	59,884
Accrued taxes	281,526	225,666
Accrued interest	53,096	53,113
Other	34,499	37,697
	698,926	746,714
DEFERRED CREDITS		
Unamortized investment tax credits	258,318	252,759
Accumulated deferred federal income taxes	1,203,722	1,159,199
Reserve for Perry Unit 2 allowance for funds used during construction	124,398	124,398
Unamortized gain from Bruce Mansfield Plant sale	375,076	389,658
Accumulated deferred rents for Bruce Mansfield Plant	64,194	57,045
Other	45,285	30,869
	2,070,993	2,013,928
Total Capitalization and Liabilities	$8,066,580	$7,945,157

	1991 Shares Outstanding	Current Call Price	December 31, 1991	1990
			(thousands of dollars)	
Without par value, 4,000,000 preferred shares authorized				
Subject to mandatory redemption:				
$ 7.35 Series C	170,000	$ 101.00	*$ 17,000*	$ 18,000
88.00 Series E	27,000	1,030.61	*27,000*	30,000
75.00 Series F	—	—	—	2,384
145.00 Series I	—	—	—	13,779
113.50 Series K	—	—	—	10,000
Adjustable Series M	400,000	102.00	*39,200*	49,000
9.125 Series N	750,000	105.07	*73,968*	73,968
91.50 Series Q	75,000	—	*75,000*	—
88.00 Series R	50,000	—	*50,000*	—
			282,168	197,131
Less current maturities			*13,800*	25,969
Total Preferred Stock, with Mandatory Redemption Provisions			*$268,368*	$171,162
Not subject to mandatory redemption:				
$ 7.40 Series A	500,000	101.00	*$ 50,000*	$ 50,000
7.56 Series B	450,000	102.26	*45,071*	45,071
Adjustable Series L	500,000	103.00	*48,950*	48,950
Remarketed Series P	750	100,000.00	*73,313*	73,313
Total Preferred Stock, without Mandatory Redemption Provisions			*$217,334*	$217,334

The accompanying notes and summary of significant accounting policies are an integral part of this statement.

(1) PROPERTY OWNED WITH OTHER UTILITIES AND INVESTORS

The Company owns, as a tenant in common with other utilities and those investors who are owner-participants in various sale and leaseback transactions (Lessors), certain generating units as listed below. Each owner owns an undivided share in the entire unit. Each owner has the right to a percentage of the generating capability of each unit equal to its ownership share. Each utility owner is obligated to pay for only its respective share of the construction and operating costs. Each Lessor has leased its capacity rights to a utility which is obligated to pay for such Lessor's share of the construction and operating costs. The Company's share of the operating costs of these generating units is included in the Income Statement. Property, plant and equipment at December 31, 1991 includes the following facilities owned by the Company as a tenant in common with other utilities and Lessors:

Generating Unit	In-Service Date	Ownership Share	Ownership Megawatts	Power Source	Plant in Service	Construction Work in Progress and Suspended	Accumulated Depreciation
					(thousands of dollars)		
In Service:							
Seneca Pumped Storage	1970	80.00%	312	Hydro	$ 57,733	$ 1,021	$ 19,855
Eastlake Unit 5	1972	68.80	411	Coal	151,150	2,199	—
Davis-Besse	1977	51.38	454	Nuclear	680,121	21,055	150,911
Perry Unit 1 and Common Facilities	1987	31.11	371	Nuclear	1,622,823	4,201	191,227
Beaver Valley Unit 2 and Common Facilities (Note 2)	1987	24.47	201	Nuclear	1,170,046	5,461	143,750
Construction Suspended:							
Perry Unit 2 (Note 3(c))	Uncertain	31.11	375	Nuclear	—	507,806	—
					$3,681,873	$541,743	$505,743

Depreciation for Eastlake Unit 5 has been accumulated with all other nonnuclear depreciable property rather than by specific units of depreciable property.

Effective May 1, 1991, FERC approved an agreement under which the Company is selling the power from its share of the Seneca Power Plant to two subsidiaries of General Public Utilities Corporation through 1993. Revenues from this transaction were $16,000,000 in 1991.

Ohio Edison and Pennsylvania Power purchased 80 megawatts of the Company's capacity entitlement in Perry Unit 1 from November 1987 through May 1989. Revenues from this transaction were $31,831,000 in 1989.

The ownership share of Perry Unit 2 set forth above does not reflect the Company's acquisition of Duquesne's 13.74% ownership share in February 1992. See Note 3(c).

(2) UTILITY PLANT SALE AND LEASEBACK TRANSACTIONS

As a result of sale and leaseback transactions completed in 1987, the Company and Toledo Edison are co-lessees of 18.26% (150 megawatts) of Beaver Valley Unit 2 and 6.5% (51 megawatts), 45.9% (358 megawatts) and 44.38% (355 megawatts) of Units 1, 2 and 3 of the Mansfield Plant, respectively, all for terms of about 29½ years.

As co-lessee with Toledo Edison, the Company is also obligated for Toledo Edison's lease payments. If Toledo Edison is unable to make its payments under the Beaver Valley Unit 2 and Mansfield Plant leases, the Company would be obligated to make such payments. No payments have been made on behalf of Toledo Edison to date.

Future minimum lease payments under these operating leases at December 31, 1991 are summarized as follows:

Year	For the Company	For Toledo Edison
	(thousands of dollars)	
1992	$ 63,000	$ 110,000
1993	63,000	111,000
1994	[illegible]	[illegible]
1995	63,000	111,000
1996	63,000	111,000
Later Years	1,516,000	2,480,000
Total Future Minimum Lease Payments	$1,831,000	$3,034,000

Semiannual lease payments conform with the payment schedule for each lease.

Rental expense is accrued on a straight-line basis over the terms of the leases. The amount recorded by the Company in 1991, 1990 and 1989 as annual rental expense for the Mansfield Plant leases was $70,008,000. Amounts charged to expense in excess of the lease payments are now classified as accumulated deferred rents on the Balance Sheet. Previously, the excess was included in accounts payable.

The Company and Toledo Edison are responsible under these leases for paying all taxes, insurance premiums, operation and maintenance costs and all other similar costs for their interests in the units sold and leased back. The Company and Toledo Edison may incur additional costs in connection with capital improvements to the units. The Company and Toledo Edison have options to buy the interests back at the end of the leases for the fair market value at that time or to renew the leases. Additional lease provisions provide other purchase options along with conditions for mandatory termination of the leases (and possible repurchase of the leasehold interests) for events of default. These events of default include noncompliance with several financial covenants affecting the Company, Toledo Edison and Centerior Energy contained in an agreement relating to a letter of credit issued in connection with the sale and leaseback of Beaver Valley Unit 2, as amended in 1989. See Note 10(d).

Toledo Edison is selling 150 megawatts of its Beaver Valley Unit 2 leased capacity entitlement to the Company. This sale commenced in 1988 and we anticipate that it will continue at least until 1998. Purchased power expense for this transaction was $106,589,000, $102,773,000 and $104,127,000 in 1991, 1990 and 1989, respectively. The future minimum lease payments associated with Beaver Valley Unit 2 aggregate $1,869,000,000.

(3) CONSTRUCTION AND CONTINGENCIES

(a) CONSTRUCTION PROGRAM

The estimated cost of the Company's construction program for the 1992-1994 period is $731,000,000, including AFUDC of $38,000,000 and excluding nuclear fuel.

In an agreement approved by the PUCO, the Company and Toledo Edison have agreed to limit their combined 1992 other operation and maintenance expenses and capital expenditures to $1,050,000,000, exclusive of compliance costs related to the Clean Air Act. Within this limitation, capital expenditures are budgeted at $191,000,000 for the Company, exclusive of the Clean Air Act compliance costs.

(b) CLEAN AIR LEGISLATION

The Clean Air Act will require, among other things, significant reductions in the emission of sulfur dioxide and nitrogen oxides by fossil-fueled electric generating units. The Clean Air Act will require that sulfur dioxide emissions be reduced in two phases over a ten-year period.

Centerior Energy has developed a compliance strategy for the Company and Toledo Edison which will be submitted to the PUCO for review in April 1992. Centerior Energy will also seek United States Environmental Protection Agency approval of Phase I plans in 1993. The compliance plan which results in the least cost and the greatest flexibility provides for compliance with both phases through 2001 by greater use of low sulfur coal at some of our units and the banking of emission allowances. The plan would require capital expenditures for the Company over the 1992-2001 period of approximately $155,000,000 for nitrogen oxide control equipment, emission monitoring equipment and plant modifications. In addition, higher fuel and other operation and maintenance expenses would be incurred. The least cost plan also calls for the Company to place in service after 2001 a scrubber or other sulfur emission reduction technology at one of its generating plants. The rate increase associated with the Company's capital expenditures and higher expenses would be about 1-2% in the late 1990s and another increase after the year 2000, for an aggregate rate increase in the range of 3-6%.

Our final compliance plan will depend upon future environmental regulations and input from the PUCO, other regulatory bodies and other concerned entities. If a plan other than the least cost plan is required, significantly higher capital expenditures could be required during the 1992-2001 period.

We believe that Ohio law permits the recovery of compliance costs from customers in rates.

(c) PERRY UNIT 2

Perry Unit 2, including its share of the common facilities, is approximately 50% complete. Construction of Perry Unit 2 was suspended in 1985 pending future consideration of various options, including resumption of full construction with a revised estimated cost, conversion to a nonnuclear design, sale of all or part of our ownership share, or cancellation. No option may be implemented without the unanimous approval of the owners. In October 1991, the Company, which is responsible for the construction of Perry Unit 2, applied for a ten-year extension of the construction permit which was to expire in November 1991. Under NRC regulations, the construction permit will remain in effect while the application is pending. We expect the NRC to grant the extension.

In February 1992, the Company purchased Duquesne's 13.74% ownership share of Perry Unit 2 for $3,324,000. This purchase increased the Company's ownership share of the unit to 44.85%, with the remainder owned by Toledo Edison, Ohio Edison and Pennsylvania Power. The purchase does not signal any plans to resume construction of Perry Unit 2, but rather our intent to keep our options open. Duquesne had stated that it would not agree to resumption of construction of the unit.

If Perry Unit 2 were to be canceled, then our net investment in the unit (less any tax saving) would have to be written off. The Company estimates that such a write-off, based on its investment in this unit as of December 31, 1991 and after adjustment for the February 1992 purchase of Duquesne's ownership share, would have been about $267,000,000, after taxes. See Note 10(d) for a discussion of potential consequences of such a write-off.

If a decision is made to convert Perry Unit 2 to a nonnuclear design in the future, we would expect to write-off at that time a portion of our investment for nuclear plant construction costs not transferable to the nonnuclear construction project.

Beginning in July 1985, Perry Unit 2 AFUDC was credited to a deferred income account until January 1, 1988, when the accrual of AFUDC was discontinued.

(d) SUPERFUND SITES

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended (Superfund) established programs addressing the cleanup of hazardous waste disposal sites, emergency preparedness and other issues. The Company is aware of its potential involvement in the cleanup of seven hazardous waste sites. The Company has recorded reserves based on estimates of its proportionate responsibility for these sites. We believe that the ultimate outcome of these matters will not have a material adverse effect on our financial condition or results of operations.

(4) NUCLEAR OPERATIONS AND CONTINGENCIES

(a) OPERATING NUCLEAR UNITS

The Company's interests in nuclear units may be impacted by activities or events beyond its control. Operating nuclear generating units have experienced unplanned outages or extensions of scheduled outages because of equipment problems or new regulatory requirements. A major accident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation, construction or licensing of any nuclear unit. If one of our nuclear units is taken out of service for an extended period of time for any reason, including an accident at such unit or any other nuclear facility, the Company cannot predict whether regulatory authorities would impose unfavorable rate treatment such as taking our affected unit out of rate base or disallowing certain construction or maintenance costs. An extended outage of one of our nuclear units coupled with unfavorable rate treatment could have a material adverse effect on our financial position and results of operations.

(b) NUCLEAR INSURANCE

The Price Anderson Act limits the liability of the owners of a nuclear power plant to the amount provided by private insurance and an industry assessment plan. In the event of a nuclear incident at any unit in the United States resulting in losses in excess of the level of private insurance (currently $200,000,000), the Company's maximum potential assessment under that plan (assuming the other CAPCO companies were to contribute their proportionate share of any assessment) would be $70,754,000 (plus any inflation adjustment) per incident, but is limited to $10,696,000 per year for each nuclear incident.

The CAPCO companies have insurance coverage for damage to property at the Davis-Besse, Perry and Beaver Valley sites (including leased fuel and clean-up costs). Coverage amounted to $2,515,000,000 for each site as of January 1, 1992. Damage to property could exceed the insurance coverage by a substantial amount. If it does, the Company's share of such excess amount could have a material adverse effect on its financial condition and results of operations.

The Company also has extra expense insurance coverage which includes the incremental cost of any replacement power purchased (over the costs which would have been incurred had the units been operating) and other incidental expenses after the occurrence of certain types of accidents at our nuclear units. The amounts of the coverage are 100% of the estimated extra expense per week during the 52-week period starting 21 weeks after an accident, 67% of such estimate per week for the next 52 weeks and 33% of such estimate per week for the next 52 weeks. The amount and duration of extra expense could substantially exceed the insurance coverage.

(5) NUCLEAR FUEL

The Company has inventories for nuclear fuel which should provide an adequate supply into the mid-1990s. Substantial additional nuclear fuel must be obtained to supply fuel for the remaining useful lives of Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2. More nuclear fuel would be required if Perry Unit 2 were completed as a nuclear generating unit.

In 1989, existing nuclear fuel financing arrangements for the Company and Toledo Edison were refinanced through leases from a special-purpose corporation. The total amount of financing currently available under these lease arrangements is $509,000,000 ($309,000,000 from intermediate-term notes and $200,000,000 from bank credit arrangements), although financing in an amount up to $900,000,000 is permitted. The intermediate-term notes mature in the period 1993-1997. The bank credit arrangements are cancelable on two years notice by the lenders. As of December 31, 1991, $281,000,000 of nuclear fuel was financed for the Company. The Company and Toledo Edison severally lease their respective portions of the nuclear fuel and are obligated to pay for the fuel as it is consumed in a reactor. The lease rates are based on various intermediate-term note rates, bank rates and commercial paper rates.

The amounts financed include nuclear fuel in the Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2 reactors with remaining lease payments of $76,000,000, $54,000,000 and $18,000,000, respectively, as of December 31, 1991. The nuclear fuel amounts financed and capitalized also included interest charges incurred by the lessors amounting to $12,000,000 in 1991, $19,000,000 in 1990 and $25,000,000 in 1989. The estimated future lease amortization payments based on projected consumption are $51,000,000 in 1992, $54,000,000 in 1993, $51,000,000 in 1994, $44,000,000 in 1995 and $47,000,000 in 1996.

(6) REGULATORY MATTERS

On January 31, 1989, the PUCO issued a rate order which provided for three annual rate increases for the Company of approximately 9%, 7% and 6% effective with bills rendered on and after February 1, 1989, 1990 and 1991, respectively. As discussed below, the 6% increase effective February 1, 1991 was reduced to 4.35%. The resulting annualized revenue increases in 1989, 1990 and 1991 associated with the rate order were $120,700,000, $105,700,000 and $71,400,000, respectively.

Under the January 1989 rate order, a phase-in plan was designed so that the three rate increases, coupled with then-projected sales growth, would provide revenues sufficient to recover all operating expenses and provide a fair rate of return on the Company's allowed investment in Perry Unit 1 and Beaver Valley Unit 2 for ten years beginning January 1, 1989. In the first five years of the plan, the revenues were expected to be less than that required to recover operating expenses and provide a fair return on investment. Therefore, the amounts of operating expenses and return on investment not currently recovered are deferred and capitalized as deferred charges. Since the unrecovered investment will decline over the period of the phase-in plan because of depreciation and deferred federal income taxes that result from the use of accelerated tax depreciation, the amount of revenues required to provide a fair return also declines. Pursuant to such phase-in plan, the Company deferred the following:

	1991	1990	1989
	(thousands of dollars)		
Deferred Operating Expenses	$ 16,426	$ 33,960	$ 51,[illegible]20
Carrying Charges:			
Debt	$ 23,615	$ 51,421	$ 81,097
Equity	64,000	110,177	135,754
	$ 87,615	$161,598	$216,851

The amount of deferred operating expenses and carrying charges scheduled to be recorded in 1992 and 1993 total $51,000,000 and $16,000,000, respectively. Beginning in the sixth year (1994) and continuing through the tenth year, the revenue levels authorized pursuant to the phase-in plan were designed to be sufficient to recover that period's operating expenses, a fair return on the unrecovered investment, and the amortization of the deferred operating expenses and carrying charges recorded during the earlier years of the plan. All phase-in deferrals relating to these two units will be amortized and recovered by December 31, 1998.

The phase-in plan was also designed so that fluctuations in sales should not affect the level of earnings. The phase-in plan permits the Company to request PUCO approval of increases or decreases in the phase-in plan deferrals to compensate for the effects of fluctuations in sales levels, as compared to the levels projected in the rate order, and for 50% of the net after-tax savings in 1989 and 1990 identified by the management audit as discussed below. Pursuant to these provisions of the order, the Company recorded no adjustment to the cost deferrals in 1989 and recorded adjustments to increase the cost deferrals by approximately $24,000,000 and $24,500,000 in 1990 and 1991, respectively. The $24,500,000 increase recorded in 1991 included a $29,000,000 increase for the adjustment of the 1991 cost deferrals, which was partially offset by a $4,500,000 reduction for an adjustment of the 1990 cost deferrals.

In connection with the 1989 order and a similar order for Toledo Edison, the Company, Toledo Edison and the Service Company have undergone a management audit, which was completed in April 1990. The audit identified potential annual savings in operating expenses in the amount of $98,160,000 from Centerior Energy's 1989 budget level, 55% ($53,988,000) for the Company. The Company realized a large part of the savings in 1991.

Fifty percent of the savings identified by the management audit were used to reduce the 6% rate increase scheduled to be effective on February 1, 1991 for the Company. As discussed previously, our rates increased 4.35% under this provision with the PUCO's approval.

The 1989 order also set nuclear performance standards through 1998. We could be required to refund incremental replacement power costs if the standards are not met. No refund was required in 1991 nor is one expected for 1992. The Company banked $1,500,000 in benefits in 1991 for above-average nuclear performance based on industry standards for operating availability established in the 1989 order. These banked benefits are not recorded in the financial statements as they can only be used in future years, if necessary, to offset disallowances of incremental replacement power costs.

Under the 1989 order, fossil-fueled power plant performance may not be raised as an issue in any rate proceeding before February 1994 as long as the Company and Toledo Edison achieve a systemwide availability factor of at least 64.9% annually. This standard was exceeded in 1989, 1990 and 1991, with availability at approximately 80% for each year.

(7) FEDERAL INCOME TAX

Federal income tax, computed by multiplying income before taxes by the statutory rates, is reconciled to the amount of federal income tax recorded on the books as follows:

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Book Income Before Federal Income Tax	$376,293	$337,828	$391,193
Tax on Book Income at Statutory Rate	$127,940	$114,862	$133,006
Increase (Decrease) in Tax:			
Accelerated depreciation	(1,861)	7,140	4,422
Investment tax credits on disallowed nuclear plant	—	(18,712)	—
Taxes, other than federal income taxes	(1,680)	(9,469)	—
Other items	5,736	1,679	3,546
Total Federal Income Tax Expense	$130,135	$ 95,500	$140,974

Federal income tax expense is recorded in the Income Statement as follows:

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Operating Expenses:			
Current Tax Provision	$ 74,552	$ 26,934	$ 63,447
Changes in Accumulated Deferred Federal Income Tax:			
Accelerated depreciation and amortization	8,623	40,197	35,380
Alternative minimum tax credit	(2,550)	(18,860)	(34,874)
Sale and leaseback transaction and amortization	(8,838)	3,496	3,893
Property tax expense	—	(10,880)	—
Reacquired debt costs	15,729	1,887	(872)
Deferred construction work in progress revenues	(1,509)	11,093	11,005
Deferred fuel costs	(3,040)	4,763	(3,155)
Davis-Besse replacement power	—	—	4,136
Other items	13,615	14,980	6,257
Investment Tax Credits	11,242	1,489	58
Total Charged to Operating Expenses	105,824	75,099	85,275
Nonoperating Income:			
Current Tax Provision	(8,203)	(25,225)	(31,298)
Changes in Accumulated Deferred Federal Income Tax:			
Write-off of nuclear costs	(199)	(11,986)	—
AFUDC and carrying charges	31,769	57,612	87,541
Other items	944	—	(544)
Total Expense Charged to Nonoperating Income	24,311	20,401	55,699
Total Federal Income Tax Expense	$130,135	$ 95,500	$140,974

The Company joins in the filing of a consolidated federal income tax return with its affiliated companies. The method of tax allocation reflects the benefits and burdens realized by each company's participation in the consolidated tax return, approximating a separate return result for each company.

Federal income tax expense adjustments in 1990, associated with previously deferred investment tax credits relating to the 1988 write-off of nuclear plant investments, decreased the net tax provision related to nonoperating income by $18,712,000.

The favorable resolution of an issue concerning the appropriate year to recognize a property tax deduction resulted in an adjustment which reduced federal income tax expense in 1990 by $10,100,000 ($8,207,000 in the fourth quarter).

For tax purposes, net operating loss (NOL) carryforwards of approximately $233,451,000 are available to reduce future taxable income and will expire in 2003 through 2005. The 34% tax effect of the NOLs generated is $79,373,000 and is reflected as a reduction to deferred federal income tax relating to accelerated depreciation and amortization. Future utilization of these tax NOL carryforwards would result in recording the related deferred taxes.

The 1986 Tax Act provides for an AMT credit to be used to reduce the regular tax to the AMT level should the regular tax exceed the AMT. AMT credits of $56,448,000 are available to offset future regular tax. The credits may be carried forward indefinitely.

(8) RETIREMENT INCOME PLAN AND OTHER POSTRETIREMENT BENEFITS

(a) RETIREMENT INCOME PLAN

The Company and Service Company jointly sponsor a noncontributing pension plan which covers all employee groups. The amount of retirement benefits generally depends upon the length of service. Under certain circumstances, benefits can begin as early as age 55. The plan also provides certain death, medical and disability benefits. The Company's and Service Company's funding policy is to comply with the Employee Retirement Income Security Act of 1974 guidelines.

In 1990, the Company and Service Company offered a Voluntary Early Retirement Opportunity Program (VEROP). Operating expenses for both companies for 1990 included $8,000,000 of pension plan accruals to cover enhanced VEROP benefits plus an additional $20,000,000 of pension costs for VEROP benefits paid to retirees from both companies' corporate funds. The $20,000,000 is not included in the pension data reported below. Operating expenses for 1990 for both companies also included a credit of $36,000,000 resulting from a settlement of pension obligations through lump sum payments to a substantial number of VEROP retirees.

Net pension and VEROP costs (credits) for 1989 through 1991 were comprised of the following components:

	1991	1990	1989
	(millions of dollars)		
Pension Costs (Credits):			
Service cost for benefits earned during the period	$ 9	$ 10	$ 10
Interest cost on projected benefit obligation	25	26	25
Actual return on plan assets	(99)	3	(56)
Net amortization and deferral	50	(50)	9
Net pension credits	(15)	(11)	(12)
VEROP cost	—	8	—
Settlement gain	—	(36)	—
Net credits	$(15)	$(39)	$(12)

The following table presents a reconciliation of the funded status of the plan at December 31, 1991 and 1990.

	December 31, 1991	December 31, 1990
	(millions of dollars)	
Actuarial present value of benefit obligations:		
Vested benefits	$ 209	$ 229
Nonvested benefits	23	18
Accumulated benefit obligation	232	247
Effect of future compensation levels	79	50
Total projected benefit obligation	311	297
Plan assets at fair market value	585	502
Surplus of plan assets over projected benefit obligation	274	205
Unrecognized net gain due to variance between assumptions and experience	(137)	(77)
Unrecognized prior service cost	8	8
Transition asset at January 1, 1987 being amortized over 19 years	(88)	(94)
Net prepaid pension cost	$ 57	$ 42

The settlement (discount) rate assumption was 8.5% for both December 31, 1991 and December 31, 1990. The long-term rate of annual compensation increase assumption was 5% for both December 31, 1991 and December 31, 1990. The long-term rate of return on plan assets assumption was 8.5% in 1991 and 8% in 1990.

Plan assets consist primarily of investments in common stock, bonds, guaranteed investment contracts, cash equivalent securities and real estate.

(b) OTHER POSTRETIREMENT BENEFITS

The Financial Accounting Standards Board has issued a new accounting standard for postretirement benefits other than pensions. The new standard would require the accrual of the expected cost of such benefits during the employees' years of service. The assumptions and calculations involved in determining the accrual closely parallel pension accounting requirements.

The Company currently provides certain postretirement health care, death and other benefits and expenses such costs as these benefits are paid, which is consistent with current ratemaking practices. Such costs totaled $6,000,000 in 1991, $5,200,000 in 1990 and $4,200,000 in 1989, which include medical benefits of $4,900,000 in 1991, $4,100,000 in 1990 and $2,900,000 in 1989.

The Company expects to adopt the new standard prospectively effective January 1, 1993. We plan to amortize the discounted present value of the accumulated postretirement benefit obligation to expense over a twenty-year period. The Company has engaged actuaries who have made a preliminary review using 1990 data. Based on this preliminary review, the accumulated postretirement benefit obligation as of December 31, 1991, measured in accordance with the new standard, is estimated in the range of $80,000,000 to $115,000,000. Had the new standard been adopted in 1991, the preliminary study indicated that the additional postretirement benefit cost in 1991 would have been in the range of $7,500,000 to $13,500,000 (pretax). We believe the effect of actual adoption in 1993 may be similar, although it could be significantly different because of changes in health care costs, the assumed health care cost trend rate, work force demographics, interest rates, or plan provisions between now and 1993.

The Company does not know what action the PUCO may take with respect to these incremental costs. However, we believe the PUCO will either allow a means of current recovery of such incremental costs or provide for deferral of such costs until recovered in rates. We do not expect adoption of the new standard to have a material adverse effect on our financial condition or results of operations.

(9) GUARANTEES

Under two long-term coal purchase arrangements, the Company has guaranteed certain loan and lease obligations of two mining companies. One of these arrangements requires payments to the mining company for any actual out-of-pocket idle mine expenses (as advance payments for coal) when the mines are idle for reasons beyond the control of the mining company. At December 31, 1991, after giving effect to a refinancing completed on January 2, 1992 by one of the mining companies, the principal amount of the mining companies' loan and lease obligations guaranteed by the Company was $78,000,000.

(10) CAPITALIZATION

(a) CAPITAL STOCK TRANSACTIONS

Preferred and preference stock shares sold and retired during the three years ended December 31, 1991 are listed in the following table.

	1991	1990	1989
	(thousands of shares)		
Cumulative Preferred and Preference Stock Subject to Mandatory Redemption:			
Preferred Sales:			
$ 91.50 Series Q	75	—	—
88.00 Series R	50	—	—
Preferred Retirements:			
$ 7.35 Series C	(10)	(10)	(10)
88.00 Series E	(3)	(3)	(3)
75.00 Series F	(2)	—	(1)
80.00 Series G	—	(1)	(2)
145.00 Series H	—	(14)	(4)
145.00 Series I	(14)	(4)	(4)
113.50 Series K	(10)	—	—
Adjustable Series M	(100)	—	—
Preference Retirements:			
$ 77.50 Series 1	—	—	(6)
Net Change	(14)	(32)	(30)

(b) EQUITY DISTRIBUTION RESTRICTIONS

At December 31, 1991, consolidated retained earnings were $578,206,000. The retained earnings were available for the declaration of dividends on the Company's preferred and common shares. All of the Company's common shares are held by Centerior Energy.

Any financing by the Company of any of its nonutility affiliates requires PUCO authorization unless the financing is made in connection with transactions in the ordinary course of the Company's public utilities business operations in which one company acts on behalf of another.

(c) CUMULATIVE PREFERRED AND PREFERENCE STOCK

Amounts to be paid for preferred stock which must be redeemed during the next five years are $14,000,000 in 1992, $29,000,000 in 1993, $29,000,000 in 1994, $40,000,000 in 1995 and $30,000,000 in 1996.

The annual mandatory redemption provisions are as follows:

	Shares To Be Redeemed	Beginning in	Price Per Share
Preferred:			
$ 7.35 Series C	10,000	1984	$ 100
88.00 Series E	3,000	1981	1,000
Adjustable Series M	100,000	1991	100
9.125 Series N	150,000	1993	100
91.50 Series Q	10,714	1995	1,000
88.00 Series R	50,000	2001*	1,000

*All outstanding shares to be redeemed December 1, 2001.

The annualized cumulative preferred dividend requirement as of December 31, 1991 is $41,000,000.

The preferred dividend rates on the Company's Series L, M and P fluctuate based on prevailing interest rates and market conditions, with the dividend rates for these issues averaging 8.26%, 7.61% and 6.24%, respectively, in 1991.

Preference stock authorized for the Company is 3,000,000 shares without par value. No preference shares are currently outstanding.

There are no restrictions on the Company's ability to issue preferred or preference stock.

With respect to dividend and liquidation rights, the Company's preferred stock is prior to its preference stock and common stock, and its preference stock is prior to its common stock.

(d) LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt, less current maturities, was as follows:

Year of Maturity	Actual or Average Interest Rate	December 31 1991	December 31 1990
		(thousands of dollars)	
First mortgage bonds:			
1992	15.25 %	$ —	$ 20,000
1992	10.58	—	40,000
1992	13.75	—	4,334
1993	3.875	30,000	30,000
1993	8.55	50,000	50,000
1993	13.75	4,334	4,334
1994	4.375	25,000	25,000
1994	13.75	4,334	4,334
1995	13.75	4,334	4,334
1995	7.00	750	750
1996	13.75	4,334	4,334
1996	7.00	750	750
1997-2001	11.20	61,420	61,420
2002-2006	9.27	140,076	140,076
2007-2011	8.66	335,350	335,350
2012-2016	8.97	439,085	439,085
2017-2021	8.59	567,880	567,880
2022-2023	7.78	174,300	174,300
		1,841,947	1,906,281
Term bank loans due 1993-1996	7.96	81,200	114,400
Medium-term notes due 1993-2021	9.17	700,000	550,000
Pollution control notes due 1993-2012	6.30	53,750	54,260
Other — net	—	5,908	6,970
Total Long-Term Debt		$2,682,805	$2,631,911

Long-term debt matures during the next five years as follows: $79,000,000 in 1992, $271,000,000 in 1993, $42,000,000 in 1994, $206,000,000 in 1995 and $151,000,000 in 1996.

During the 1989-1991 period, the Company issued $700,000,000 aggregate principal amount of secured medium-term notes. The notes are secured by first mortgage bonds.

The Company has arranged to refund in July 1992 $78,700,000 principal amount of a public authority's tax-exempt bonds due 2012 and having a 13⅛% interest rate with the proceeds from the sale in July

1992 of an equal principal amount of the authority's bonds due 2013 and having an effective interest cost of 8.25%. The Company's first mortgage bonds collaterally secure both issues. The PUCO authorized the Company to record interest expense equal to a blend of the higher rate on the outstanding bonds with the lower rate on the new bonds for an interest expense reduction of $1,000,000 in 1990, $3,400,000 in 1991 and approximately $3,000,000 in 1992.

The Company's mortgage constitutes a direct first lien on substantially all property owned and franchises held by the Company. Excluded from the lien, among other things, are cash, securities, accounts receivable, fuel and supplies.

Additional first mortgage bonds may be issued by the Company under its mortgage on the basis of bondable property additions, cash or substitution for refundable first mortgage bonds. The issuance of additional first mortgage bonds on the basis of property additions is limited by two provisions of our mortgage. One relates to the amount of bondable property available and the other to earnings coverage of interest on the bonds. Under the more restrictive of these provisions (currently, the amount of bondable property available), we would have been permitted to issue approximately $335,000,000 of bonds based upon available bondable property at December 31, 1991. The Company also would have been permitted to issue approximately $214,000,000 of bonds based upon refundable bonds at December 31, 1991. If Perry Unit 2 had been canceled and written off as of December 31, 1991, the Company would not have been permitted to issue any bonds based upon available bondable property, but would have been permitted to issue approximately $214,000,000 of bonds based upon refundable bonds.

An agreement relating to a letter of credit issued in connection with the sale and leaseback of Beaver Valley Unit 2 (as amended in 1989) contains several financial covenants affecting the Company, Toledo Edison and Centerior Energy. Among these are covenants relating to earnings coverage ratios and capitalization ratios. The Company, Toledo Edison and Centerior Energy are in compliance with these covenant provisions. We believe these covenants can still be met in the event of a write-off of the Company's and Toledo Edison's investments in Perry Unit 2, barring unforeseen circumstances.

(11) SHORT-TERM BORROWING ARRANGEMENTS

The [illegible] $152,000,000 of bank lines of credit arran[illegible] December 31, 1991. This included a $30,00[illegible] of credit which provided a $5,000,000 [illegible] of credit to be available to the Service Company if unused by the Company. There were no borrowings under these bank credit arrangements at December 31, 1991.

Short-term borrowing capacity authorized by the PUCO is $300,000,000 for the Company. The Company and Toledo Edison have been authorized by the PUCO to borrow from each other on a short-term basis.

Most borrowing arrangements under the short-term bank lines of credit require a fee of 0.25% per year to be paid on any unused portion of the lines of credit. For those banks without fee requirements, the average daily cash balance in the Company's bank accounts satisfied informal compensating balance arrangements.

At December 31, 1991, the Company had no commercial paper outstanding. If commercial paper were outstanding, it would be backed by at least an equal amount of unused bank lines of credit.

(12) CHANGES IN ACCOUNTING FOR NUCLEAR PLANT DEPRECIATION

In June 1991, the Company changed the method used to accrue nuclear plant depreciation from the units-of-production method to the straight-line method retroactive to January 1, 1991. The good performance of the nuclear generating units over the past several years had resulted in units-of-production depreciation expense being significantly higher than the amount implicit in current electric rates. The straight-line method better matches revenue and expense, tends to levelize periodic depreciation expense for nuclear plant and is more consistent with industry practice.

The PUCO approved the change and authorized the Company to accrue depreciation for its three operating nuclear generating units at an accrual rate of about 3% of plant investment based upon the units' forty-year operating licenses from the NRC. This change in method decreased 1991 depreciation expense $21,997,000 and increased 1991 net income $16,957,000 (net of $5,040,000 of income taxes) from what they otherwise would have been.

In December 1991, the PUCO approved a reduction in the straight-line depreciation accrual rate from about 3% to 2.5% for each of the three operating nuclear units retroactive to January 1, 1991. The Company believes the lower depreciation accrual rate is appropriate and reduces combined annual depreciation expense to a level more closely aligned with the total amount currently being recovered in customers' rates for these units. This change in rate decreased 1991 depreciation expense $18,309,000 and increased 1991 net income $14,006,000 (net of $4,303,000 of income taxes) from what they otherwise would have been.

Depreciation expense recorded in prior years was not affected. Current electric rates were also unaffected by the PUCO orders.

(13) QUARTERLY RESULTS OF OPER TIONS (UNAUDITED)

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 1991.

	Quarters Ended			
	March 31,	June 30,	Sept. 30,	Dec. 31,
	(thousands of dollars)			
1991				
Operating Revenues	$431,087	$455,614	$518,105	$420,932
Operating Income	90,340	102,283	139,400	83,667
Net Income	37,894	52,088	94,845	61,331
Earnings Available for Common Stock	29,197	43,402	85,874	51,828
1990				
Operating Revenues	$387,241	$405,150	$495,337	$403,431
Operating Income	76,273	57,599	130,348	82,161
Net Income	43,531	43,019	95,005	60,473
Earnings Available for Common Stock	34,280	33,682	86,043	51,641

Operating revenues for the first three quarters of 1991 and the four quarters of 1990 were restated to comply with current FERC revenue reporting requirements, as discussed in the Summary of Significant Accounting Policies. This restatement had no effect on earnings results for the applicable quarter. The unaudited quarterly results for the quarter ended March 31, 1991 were also restated to reflect the change in accounting for nuclear plant depreciation to the straight-line method (at about a 3% accrual rate) as discussed in Note 12.

Earnings for the quarter ended December 31, 1991 were increased as a result of year-end adjustments of $18,309,000 to reduce depreciation expense for the year for the change in the nuclear plant straight-line depreciation rate to 2.5% (see Summary of Significant Accounting Policies and Note 12) and $29,019,000 to increase phase-in carrying charges for the adjustment to 1991 cost deferrals (see Note 6). The total of these adjustments increased quar rly earnings by $33,159,000.

Earnings for the quarter ended June 30, 1990 were increased as a result of federal income tax expense adjustments associated with deferred investment tax credits relating to the 1988 write-off of nuclear plant investments. See Note 7. The adjustments increased quarterly earnings by $18,391,000.

Earnings for the quarter ended December 31, 1990 were increased as a result of year-end adjustments of $18,030,000 to reduce depreciation expense for the year for the change in depreciation rates for nonnuclear and Davis-Besse property (see Summary of Significant Accounting Policies), $24,102,000 to increase phase-in carrying charges for the adjustment to 1990 cost deferrals (see Note 6) and $8,207,000 to reduce federal income tax expense (see Note 7). The total of these adjustments increased quarterly earnings by $37,000,000.

Financial and Statistical Review

Operating Revenues (thousands of dollars)

Year	Residential	Commercial	Industrial	Other	Total Retail	Wholesale (a)	Total Electric	Steam Heating	Total Operating Revenues
1991	*$547 433*	*539 795*	*546 698*	*116 826*	*1 750 752*	*74 986*	*1 825 738*	—	*$1 825 738*
1990	495 158	494 370	543 813	122 701	1 656 042	35 117	1 691 159	—	1 691 159
1989	469 803	452 911	519 854	117 220	1 559 788	74 439	1 634 227	—	1 634 227
1988	436 413	395 165	476 063	59 804	1 367 445	85 756	1 453 201	—	1 453 201
1987	428 786	389 297	470 861	12 322	1 301 266	13 416	1 314 682	13 371	1 328 053
1981	310 409	263 608	386 805	28 350	989 172	27 867	1 017 039	12 196	1 029 235

Operating Expenses (thousands of dollars)

Year	Fuel & Purchased Power (a)	Other Operation & Maintenance	Depreciation & Amortization	Taxes, Other Than FIT	Phase-in & Pre-phase-in Deferred, Net	Federal Income Taxes	Total Operating Expenses
1991	*$455 055*	*469 530*	*170 571 (b)*	*215 908*	*(6 840)*	*105 824*	*$1 410 0[illegible]*
1990	412 397	514 186	169 526	197 454	(23 884)	75 099	1 344 778
1989	427 108	508 151	187 614	183 120	(42 467)	85 275	1 348 801
1988	308 637	524 478	189 731	184 813	(104 396)	94 654	1 197 917
1987	334 328	425 938	148 918	146 407	(47 826)	83 179	1 090 944
1981	367 715	224 299	85 294	91 648	—	67 575	836 531

Income (thousands of dollars)

Year	Operating Income	AFUDC—Equity	Other Income & Deductions, Net	Carrying Charges	Federal Income Taxes—Credit (Expense)	Income Before Interest Charges
1991	*$415 690*	*7 852*	*5 809*	*87 615*	*(24 311)*	*$492 655*
1990	346 381	4 531	1 836	161 598	(20 401)	493 945
1989	285 426	8 362	7 934	234 788	(55 699)	480 811
1988	255 284	8 052	(243 297) (c)	224 585	53 162	297 786
1987	237 109	177 170	(41 940)	24 610	79 606	476 555
1981	192 704	48 970	10 617	—	16 125	268 416

Income (thousands of dollars)

Year	Debt Interest	AFUDC—Debt	Income Before Cumulative Effect of an Accounting Change	Cumulative Effect of an Accounting Change	Net Income	Preferred & Preference Stock Dividends	Earnings Available for Common Stock
1991	*$250 799*	*(4 302)*	*246 158*	—	*246 158*	*35 857*	*$210 301*
1990	254 936	(3 319)	242 328	—	242 328	36 682	205 646
1989	238 042	(7 450)	250 219	—	250 219	40 227	209 992
1988	228 879	(4 304)	73 211	21 874 (d)	95 085	42 506	52 579
1987	249 958	(82 985)	309 582	—	309 582	43 386	266 196
1981	146 712	(34 030)	155 734	—	155 734	34 917	120 817

(a) Wholesale revenues, fuel and purchased power, wholesale electric sales and purchased power amounts are restated for 1990 and prior years to reflect a change in reporting of bulk power sales transactions in accordance with FERC requirements.

(b) In 1991, a change in accounting for nuclear plant depreciation was adopted, changing from the units-of-production method to the straight-line method at a 2.5% rate.

(c) Includes write-off of nuclear costs in the amount of $257,400,000 in 1988.

(d) In 1988, a change in the method of accounting for unbilled revenues was adopted.

Year	Electric Sales (millions of KWH) Residential	Commercial	Industrial	Wholesale (*a*)	Other	Total	Electric Customers (year end) Residential	Commercial	Industrial & Other	Total	Residential Usage Average KWH Per Customer	Average Price Per KWH	Average Revenue Per Customer
1991	*4 940*	*5 493*	*8 017*	*2 442*	*565*	*21 457*	*667 495*	*70 405*	*8 398*	*746 298*	*7 170*	*11.08¢*	*$797.25*
1990	4 716	5 234	8 551	1 607	463	20 571	665 000	68 700	8 351	742 051	6 867	10.53	723.15
1989	4 789	5 208	8 780	2 132	501	21 410	660 786	68 030	8 329	737 145	7 025	9.81	691.83
1988	4 852	4 998	9 013	749	472	20 084	657 592	66 606	8 203	732 401	7 152	8.99	646.35
1987	4 682	4 818	8 396	183	485	18 564	654 021	64 978	8 155	727 154	6 927	9.16	637.46
1981	4 376	4 1[illegible]	8 280	7[illegible]4	399	17 91[illegible]	642 925	60 714	7 686	711 325	6 548	7.12	466.51

Year	Load (MW & %) Operable Capacity at Time of Peak	Peak Load	Capacity Margin	Load Factor	Energy (millions of KWH) Company Generated Fossil	Nuclear	Total	Purchased Power (*a*)	Total	Fuel Fuel Cost Per KWH	Efficiency— BTU Per KWH
1991	*4 695*	*3 886*	*17.2%*	*61.8%*	*13 193*	*7 451*	*20 644*	*2 144*	*22 788*	*1.49¢*	*10 503*
1990	4 685	3 778	19.4	63.3	15 579	5 262	20 841	964	21 805	1.52	10 41[illegible]
1989	4 536	3 866	14.8	65.2	14 968	6 570	21 538	1 268	22 806	1.49	10 506
1988	4 468(*e*)	4 067	9.0	59.8	15 756	4 480	20 236	1 359	21 595	1.59	10 517
1987	4 257	3 722	12.6	62.5	14 978	3 689	18 667	1 376	20 043	1.56	10 596
1981	4 667	3 447	26.1	62.7	15 225	2 255	17 480	1 781	19 261	1.85	10 582

Investment (thousands of dollars)

Year	Utility Plant In Service	Accumulated Depreciation & Amortization	Net Plant	Construction Work In Progress & Perry Unit 2	Nuclear Fuel and Other	Total Property, Plant and Equipment	Utility Plant Additions	Total Assets
1991	*$6 195 945*	*1 564 984*	*4 630 961*	*669 696*	*304 963*	*$5 605 620*	*$150 005*	*$8 066 580*
1990	6 032 336	1 398 258	4 634 078	696 696	344 252	5 675 026	1[illegible]4 619	7 945 157
1989	5 869 283	1 258 905	4 610 378	726 933	354 374	5 691 685	143 898	7 670 405
1988	5 704 746	1 081 758	4 622 988	763 628	380 573	5 767 189	211 060	7 456 198
1987	5 787 603	905 297	4 882 306	633 433	389 281	5 905 020	566 947	7 089 026
1981	2 624 438	621 353	2 003 085	986 457	122 231(*f*)	3 111 773	409 277	3 514 457

Capitalization (thousands of dollars & %)

Year	Common Stock Equity		Preferred & Preference Stock, with Mandatory Redemption Provisions		Preferred Stock, without Mandatory Redemption Provisions		Long-Term Debt		Total
1991	*$1 897 401*	*38%*	*268 368*	*5%*	*217 334*	*4%*	*2 682 805*	*53%*	*$5 065 908*
1990	1 884 258	38	171 162	3	217 334	4	2 631 911	55	4 904 665
1989	1 828 074	40	212 362	4	217 334	5	2 336 379	51	4 594 149
1988	1 780 408	40	232 626	5	217 334	5	2 260 170	50	4 490 538
1987	1 925 719	41	270 645	6	217 334	4	2 317 957	49	4 731 655
1981	1 007 206	36	325 000	12	95 071	4	1 328 404	48	2 750 681

(*e*) Capacity data reflects extended generating unit outage for renovation and improvements.

(*f*) Restated for effects of capitalization of nuclear fuel lease and financing arrangements pursuant to Statement of Financ[illegible] Accounting Standards 71.

To the Share Owners of
The Toledo Edison Company:

We have audited the accompanying balance sheet and statement of cumulative preferred stock of The Toledo Edison Company (a wholly owned subsidiary of Centerior Energy Corporation) as of December 31, 1991 and 1990, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Toledo Edison Company as of December 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed further in the Summary of Significant Accounting Policies and Note 12, a change was made in the method of accounting for nuclear plant depreciation in 1991, retroactive to January 1, 1991.

As discussed further in Note 3(c), the future of Perry Unit 2 is undecided. Construction has been suspended since July 1985. Various options are being considered, including resuming construction, converting the unit to a nonnuclear design, sale of all or part of the Company's ownership share, or canceling the unit. Management can give no assurance when, if ever, Perry Unit 2 will go in service or whether the Company's investment in that unit and a return thereon will ultimately be recovered.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of The Toledo Edison Company listed in the Index to Schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Cleveland, Ohio
February 14, 1992

Arthur Andersen & Co.

GENERAL

The Toledo Edison Company (Company) is an electric utility and a wholly owned subsidiary of Centerior Energy Corporation (Centerior Energy). The Company follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by The Public Utilities Commission of Ohio (PUCO). As a rate-regulated utility, the Company is subject to Statement of Financial Accounting Standards 71 which governs accounting for the effects of cert[illegible] types of rate regulation.

The Company is a member of the Central Area Power Coordination Group (CAPCO). Other members include The Cleveland Electric Illuminating Company (Cleveland Electric), Duquesne Light Company (Duquesne), Ohio Edison Company (Ohio Edison) and Ohio Edison's wholly owned subsidiary, Pennsylvania Power Company (Pennsylvania Power). The members have constructed and operate generation and transmission facilities for the use of the CAPCO companies. Cleveland Electric is also a wholly owned subsidiary of Centerior Energy.

RELATED PARTY TRANSACTIONS

Operating revenues, operating expenses and interest charges include those amounts for transactions with affiliated companies in the ordinary course of business operations.

The Company's transactions with Cleveland Electric are primarily for firm power, interchange power, transmission line rentals and jointly owned power plant operations and construction. See Notes 1 and 2.

Centerior Service Company (Service Company), the third wholly owned subsidiary of Centerior Energy, provides management, financial, administrative, engineering, legal and other services at cost to the Company and other affiliated companies. The Service Company billed the Company $61,000,000, $49,000,000 and $40,000,000 in 1991, 1990 and 1989, respectively, for such services.

REVENUES

Customers are billed on a monthly cycle basis for their energy consumption based on rate schedules or contracts authorized by the PUCO or on ordinances with individual municipalities. An accrual is made at the end of each month to record the estimated amount of unbilled revenues for kilowatt-hour sales rendered in the current month but not billed by the end of that month.

A fuel factor is added to the base rates for electric service. This factor is designed to recover from customers the costs of fuel and most purchased power. It is reviewed and adjusted semiannually in a PUCO proceeding.

Operating revenues include certain wholesale power sales revenues in accordance with a FERC clarification of reporting requirements. Prior to 1991, these bulk power sales transactions were netted with purchased power transactions and reported as part of fuel and purchased power expense. The amounts for prior years have also been reclassified to conform with current reporting requirements. See Note 13.

FUEL EXPENSE

The cost of fossil fuel is charged to fuel expense based on inventory usage. The cost of nuclear fuel, including an interest component, is charged to fuel expense based on the rate of consumption. Estimated future nuclear fuel disposal costs are being recovered through the base rates.

The Company defers the differences between actual fuel costs and estimated fuel costs currently being recovered from customers through the fuel factor. This matches fuel expenses with fuel-related revenues.

PRE-PHASE-IN AND PHASE-IN DEFERRALS OF OPERATING EXPENSES AND CARRYING CHARGES

The PUCO authorized the Company to record, as deferred charges, certain operating expenses and carrying charges related to Perry Nuclear Power Plant Unit 1 (Perry Unit 1) and Beaver Valley Power Station Unit 2 (Beaver Valley Unit 2) from their respective in-service dates in 1987 through December 1988. Amortization and recovery of these deferrals (called pre-phase-in deferrals) began in January 1989 in accordance with the January 1989 PUCO rate order discussed in Note 6. The amortizations will continue over the lives of the related pr[illegible]rty.

As discussed in Note 6, [illegible]nuary 1989 PUCO rate order for the Compa[illegible]ed an approved rate phase-in plan for the Company's investments in Perry Unit 1 and Beaver Valley Unit 2. On January 1, 1989, the Company began recording the deferrals of operating expenses and intere[illegible] and equity carrying charges on deferred rate-based investment pursuant to the phase-in plan. These deferrals (called phase-in deferrals) will be recovered by December 31, 1998.

DEPRECIATION AND AMORTIZATION

The cost of property, plant and equipment is depreciated over their estimated useful lives on a straight-line basis. Prior to 1991, only nonnuclear property, plant and equipment was depreciated on a straight-line basis, as depreciation expense for the nuclear generating units was based on the units-of-production method.

The annual straight-line depreciation provision for nonnuclear property expressed as a percent of average depreciable utility plant in service was 3.4% in 1991, 3.3% in 1990 and 3.6% in 1989. The rate declined in 1990 because of a PUCO-approved change in depreciation rates effective January 1, 1990, attributable to longer estimated lives for nonnuclear property. See Note 13.

In 1990, the Nuclear Regulatory Commission (NRC) approved a six-year extension of the operating license for the Davis-Besse Nuclear Power Station (Davis-Besse). The PUCO approved a change in the units-of-production depreciation rate for Davis-Besse, effective January 1, 1990, which recognized the life extension. See Note 13.

Effective January 1, 1991, the Company changed its method of accounting for nuclear plant depreciation from the units-of-production method to the straight-line method at about a 3% rate. The PUCO approved this change in accounting method for the Company and subsequently approved a change to lower the 3% rate to 2.5% for the three operating nuclear units retroactive to January 1, 1991. See Notes 12 and 13.

The Company uses external funding of future decommissioning costs for its operating nuclear units pursuant to a PUCO order. Cash contributions are made to the funds on a straight-line basis over the remaining licensing period for each unit. Amounts currently in rates are based on past estimates of decommissioning costs for the Company of \$59,000,000 in 1986 dollars for Davis-Besse and \$28,000,000 in 1987 dollars each for Perry Unit 1 and Beaver Valley Unit 2. Actual decommissioning costs are expected to significantly exceed these estimates. It is expected that increases in the cost estimates will be recoverable in rates resulting from future rate proceedings. The current level of expense being funded and recovered from customers over the remaining licensing periods of the units is approximately \$4,000,000 annually. The present funding requirements for Beaver Valley Unit 2 also satisfy a similar commitment made as part of the sale and leaseback transaction discussed in Note 2.

FEDERAL INCOME TAXES

The financial statements reflect the liability method of accounting for income taxes. The liability method requires that the Company's deferred tax liabilities be adjusted for subsequent tax rate changes and that the Company record deferred taxes for all temporary differences between the book and tax bases of assets and liabilities. A portion of these temporary differences are attributable to property-related timing differences that the PUCO used to reduce prior years' tax expense for ratemaking purposes whereby no deferred taxes were collected or recorded. Since the PUCO practice permits recovery of such taxes from customers when they become payable, the net amount due from customers has been recorded as a regulatory asset in deferred charges. A substantial portion of this amount relates to differences between the book and tax bases of utility plant. Hence, the recovery of these amounts will take place over the lives of the related assets.

Investment tax credits are deferred and amortized over the estimated lives of the applicable property. The amortization is reported as a reduction of depreciation expense under the liability method. See Note 7.

DEFERRED GAIN AND LOSS FROM SALES OF UTILITY PLANT

The Company entered into sale and leaseback transactions in 1987 for the coal-fired Bruce Mansfield Generating Plant (Mansfield Plant) and Beaver Valley Unit 2 as discussed in Note 2. These transactions resulted in a net gain for the sale of Mansfield Plant and a net loss for the sale of Beaver Valley Unit 2, both of which were deferred. The Company is amortizing the applicable deferred gain and loss over the terms of leases under sale and leaseback agreements. The amortizations along with the lease expense amounts are recorded as other operation and maintenance expense.

INTEREST CHARGES

Debt interest reported in the Income Statement does not include interest on nuclear fuel obligations. Interest on nuclear fuel obligations for fuel under construction is capitalized. See Note 5.

Losses and gains realized upon the reacquisition or redemption of long-term debt are deferred, consistent with the regulatory rate treatment. Such losses and gains are either amortized over the remainder of the original life of the debt issue retired or amortized over the life of the new debt issue when the proceeds of a new issue are used for the debt redemption. The amortizations are included in debt interest expense.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at original cost less any amounts ordered by the PUCO to be written off. Included in the cost of construction are items such as related payroll taxes, pensions, fringe benefits, management and general overheads and allowance for funds used during construction (AFUDC). AFUDC represents the estimated composite debt and equity cost of funds used to finance construction. This noncash allowance is credited to income, except for certain AFUDC for Perry Nuclear Power Plant Unit 2 (Perry Unit 2). See Note 3(c). The gross AFUDC rate was 10.96% in 1991, 11.17% in 1990 and 11.45% in 1989.

Maintenance and repairs are charged to expense as incurred. The cost of replacing plant and equipment is charged to the utility plant accounts. The cost of property retired plus removal costs, after deducting any salvage value, is charged to the accumulated provision for depreciation.

RECLASSIFICATIONS

Certain reclassifications have been made to prior years' financial statements to make them comparable with the 1991 financial statements and consistent with current reporting requirements. These include reclassifications related to certain wholesale power sales revenues as discussed previously under "Revenues" and accumulated deferred rents as discussed in Note 2.

RESULTS OF OPERATIONS

Overview

The January 1989 PUCO rate order for the Company, as discussed in Note 6, was designed to enable us to begin recovering in rates the cost of, and earn a fair return on, our allowed investment in Perry Unit 1 and Beaver Valley Unit 2. The rate order, which provided for three rate increases, improved revenues and cash flows in 1989, 1990 and 1991 from the 1988 levels. However, as discussed in the first four paragraphs of Note 6, the phase-in plan was not designed to improve earnings because gains in revenues from the higher rates and assumed sales growth are initially offset by a corresponding reduction in the deferral of nuclear plant operating expenses and carrying charges and are subsequently offset by the amortization of such deferrals.

Although the phase-in plan had a positive effect on revenues and cash flows, there are a number of factors that caused a negative influence on earnings in 1991 and will continue to present significant earnings challenges in 1992 and beyond. One such factor is related to facilities placed in service after February 1988 and not included in rate base. The Company is required to record interest charges and depreciation on these facilities as current expenses even though such items are not yet recovered in rates. We also are facing the challenge of competitive forces, including new initiatives to create municipal electric systems. The need to meet competitive threats, coupled with a desire to encourage economic growth in the service area, is prompting the Company to enter into an increasing number of contracts having reduced rates with certain large customers. Competitive forces also prompted us to implement rate reductions in 1991 for residential and small commercial customers. Factors beyond our control also having a negative influence on earnings are the economic recession, the effect of inflation and increases in taxes, other than federal income taxes.

The Company has taken several steps to counter the adverse effects of the factors discussed above. We have implemented most of the recommendations of the management audit discussed in Note 6 and have taken other actions which reduced other operation and maintenance expense by approximately $17,600,000 in 1991. As discussed in the Summary of Significant Accounting Policies and Note 6, we sought and received PUCO approval to lower our nuclear plant depreciation expense in 1991 to a level more closely aligned with the amount being recovered in rates. In addition, we have increased our efforts to sell power to other utilities which, in 1991, resulted in approximately $3,100,000 of revenues in excess of the cost of providing the power.

Despite the positive aspects of the measures discussed above, more must be done to maintain earnings. Continuing cost-reduction efforts will be necessary to lessen the negative pressures on earnings. The Company is aggressively seeking long-term power contracts with wholesale customers to further enhance revenues. To counter the effects of delays in recovering new investment since 1988 and related costs in rates, we have requested PUCO approval to accrue post-in-service carrying costs and defer depreciation for facilities that are in service but not yet recognized in rates. PUCO action on this request has been postponed under the joint recommendation approved by the PUCO discussed below.

In December 1991, the PUCO approved a joint recommendation of the Company, Cleveland Electric and customer representative groups involved in the 1989 rate case settlement. The joint recommendation sought to secure an interim resolution of then-pending accounting applications in 1991 and to establish a framework for resolving accounting issues and related matters on a longer-term basis (i.e., 1992-1995). As part of this joint recommendation, the Company and Cleveland Electric agreed to limit their combined 1992 other operation and maintenance expenses and capital expenditures to $1,050,000,000, exclusive of compliance costs related to the Clean Air Act Amendments of 1990 (Clean Air Act). Other operation and maintenance expenses and capital expenditures on a consolidated basis for Centerior Energy totaled $1,005,000,000 in 1991. The Company, Cleveland Electric and the customer representative groups also agreed to an ongoing review of our business operations, financial condition and accounting practices. This effort, with the participation of the PUCO staff, is directed at the maintenance and ultimate improvement of our financial condition, the improvement of the efficiency of our operations, and the delay and minimization of future rate increases. The Company and Cleveland Electric also agreed not to seek any base rate increase that would become effective before 1993.

The Company continually faces competitive threats from municipal electric systems within its service territory, a challenge intensified by municipal access to low-cost power currently available on the wholesale market. As part of our competitive strategy, we are strengthening programs that demonstrate the added value inherent in our service, beyond what one might receive from a municipal electric system. Such programs include providing services to communities to help them retain and attract businesses, providing consulting services to customers to improve their energy efficiency and developing demand-side management programs. To counter new municipalization initiatives, we are also stressing the financial risks and uncertainties of creating a municipal system and our superior reliability and service.

Annual sales growth is expected to average about 2% for the next several years, contingent on future economic events. Recognizing the limitations imposed by these sales projections and current competitive pressures, we will utilize our best efforts to minimize future rate increases through cost-reduction and quality-of-service efforts and exploring other innovative options. Eventually, rate increases will be necessary to recognize the cost of our new capital investment and the effect of inflation.

1991 vs. 1990

Factors contributing to the 2.8% increase in 1991 operating revenues are as follows:

Change in Operating Revenues	Increase (Decrease)
Base Rates and Miscellaneous	$20,000,000
Sales Volume and Mix	7,000,000
Wholesale Sales	(3,000,000)
	$24,000,000

A significant factor accounting for the increase in operating revenues resulted from the January 1989 PUCO rate order for the Company. The PUCO approved rate increases of 7% effective in February 1990 and 2.74% effective in February 1991. However, as part of the Company's efforts to improve its competitive position in its service area, the Company waived its 2.74% rate increase for residential and small commercial customers and reduced its residential rates by 3% effective in March 1991 and by an additional 1% effective in September 1991. See Note 6. Total kilowatt-hour sales increased 3.3% in 1991. Residential and commercial sales increased 4.6% and 4.3%, respectively, as a result of higher usage of cooling equipment in response to the unusually warm late spring and summer 1991 temperatures. The commercial sales increase was also influenced by some improvement in the economy for the commercial sector. Industrial sales declined 2% largely because of the recession-driven slump in the auto, glass and metal industries. Other sales increased 8.5% because of increased sales to wholesale customers.

Operating expenses increased 2.3% in 1991. The increase was mitigated by a reduction of $17,600,000 in other operation and maintenance expense, resulting primarily from cost-cutting measures. Offsetting this decrease were an increase in federal income taxes because of higher pretax operating income; an increase in taxes, other than federal income taxes, resulting from higher property and gross receipt taxes and accruals for Pennsylvania tax increases enacted in August 1991; an increase in fuel and purchased power costs resulting primarily from increased amortization of previously deferred fuel costs over the amount amortized in 1990; and lower operating expense deferrals for Perry Unit 1 and Beaver Valley Unit 2 pursuant to the January 1989 PUCO rate order.

Credits for carrying charges recorded in nonoperating income decreased in 1991 because a greater share of our investments and leasehold interests in Perry Unit 1 and Beaver Valley Unit 2 were recovered in rates. The federal income tax provision related to nonoperating income increased mainly because the 1990 provision was reduced by $18,810,000 for federal income tax adjustments associated with previously deferred investment tax credits relating to the 1988 write-off of nuclear plant.

1990 vs. 1989

Factors contributing to the 0.3% decrease in 1990 operating revenues are as follows:

Change in Operating Revenues	Increase (Decrease)
Base Rates and Miscellaneous	$ 37,000,000
Sales Volume and Mix	(29,000,000)
Wholesale Sales	(10,000,000)
	$ (2,000,000)

The major factor accounting for the increase in base rates and miscellaneous operating revenues was related to the January 1989 rate order. The PUCO approved rate increases for the Company of 9% effective in February 1989 and 7% effective in February 1990. The associated revenue increase in 1990 was partially offset by reduced revenues resulting from a 9.1% decrease in total kilowatt-hour sales. Industrial sales decreased 3.3% because of the recession beginning in 1990. Residential and commercial sales decreased 3.3% and 0.4%, respectively, as seasonal temperatures were more moderate in comparison to the prior year's temperatures, resulting in reduced customer heating and cooling-related demand. Other sales activity decreased 22.1% as a result of lower wholesale sales.

Operating expenses decreased 1.7% in 1990. Depreciation and amortization expense decreased primarily because of lower depreciation rates used in 1990 for nonnuclear and Davis-Besse property attributable to longer estimated lives and because of longer nuclear generating unit refueling and maintenance outages in 1990 than in 1989. Federal income taxes decreased primarily because of a decrease in pretax operating income. These decreases in operating expenses were partially offset by an increase in taxes, other than federal income taxes, resulting from higher property and gross receipts taxes, and by lower operating expense deferrals for Perry Unit 1 and Beaver Valley Unit 2.

Credits for carrying charges recorded in nonoperating income decreased in 1990 because a greater share of our investments and leasehold interests in Perry Unit 1 and Beaver Valley Unit 2 were recovered in rates. Other income and deductions, net, decreased primarily because of less interest income in 1990. These decreases were partially offset by an increase in federal income tax credits related to nonoperating income resulting from a decrease in pretax nonoperating income and federal income tax adjustments of $18,810,000 associated with previously deferred investment tax credits relating to the 1988 write-off of nuclear plant. Interest expense decreased in 1990 because of refinancings by the Company and a lower level of debt outstanding.

EFFECT OF INFLATION

Although the rate of inflation has eased in recent years, we are still affected by even modest inflation since the regulatory process introduces a time-lag during which increased costs of our labor, materials and services are not reflected in rates and recovered. Moreover, regulation allows only the recovery of historical costs of plant assets through depreciation even though the costs to replace these assets would substantially exceed their historical costs in an inflationary economy.

Changes in fuel costs do not affect our results of operations since those costs are deferred until reflected in the fuel cost recovery factor included in customers' bills.

Income Statement

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Operating Revenues (1)	$887,258	$863,173	$865,623
Operating Expenses			
Fuel and purchased power	177,642	174,309	172,220
Other operation and maintenance	355,728	373,374	372,530
Depreciation and amortization	72,137	72,627	85,057
Taxes, other than federal income taxes	88,656	79,320	72,123
Phase-in deferred operating expenses	(5,796)	(16,980)	(22,535)
Amortization of pre-phase-in deferred costs	6,943	7,196	6,782
Federal income taxes	31,767	21,041	37,285
	727,077	710,887	723,462
Operating Income	160,181	152,286	142,161
Nonoperating Income			
Allowance for equity funds used during construction	1,499	3,352	8,568
Other income and deductions, net	3,628	6,305	20,517
Phase-in carrying charges	21,986	43,487	82,308
Federal income taxes — credit (expense)	(6,228)	8,664	(21,563)
	20,885	61,808	89,830
Income Before Interest Charges	181,066	214,094	231,991
Interest Charges			
Debt interest	132,399	135,344	144,792
Allowance for borrowed funds used during construction	(946)	(2,674)	(5,479)
	131,453	132,670	139,313
Net Income	49,613	81,424	92,678
Preferred Dividend Requirements	24,792	25,159	25,390
Earnings Available for Common Stock	$ 24,821	$ 56,265	$ 67,288

(1) Includes revenues from bulk power sales to Cleveland Electric of $127,691,000, $111,761,000 and $114,123,000 in 1991, 1990 and 1989, respectively.

Retained Earnings

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Balance at Beginning of Year	$82,956	$ 99,965	$ 89,614
Additions			
Net income	49,613	81,424	92,678
Deductions			
Dividends declared:			
Common stock	(17,831)	(73,283)	(63,285)
Preferred stock	(24,809)	(25,145)	(19,036)
Other	(5)	(5)	(6)
Net Increase (Decrease)	6,968	(17,009)	10,351
Balance at End of Year	$89,924	$ 82,956	$ 99,965

The accompanying notes and summary of significant accounting policies are an integral part of these statements.

CAPITAL RESOURCES AND LIQUIDITY

In addition to our need for cash for normal corporate operations, we continue to need cash for an ongoing program of constructing new facilities and modifying existing facilities to meet anticipated demand for electric service, comply with governmental regulations and protect the environment. Cash is also needed for the mandatory retirement of securities. Over the three-year period of 1989-1991, these construction and mandatory retirement needs totaled approximately $450,000,000. In addition, we exercised various options to redeem and purchase approximately $165,000,000 of our securities.

As a result of the January 1989 PUCO rate order, internally generated cash increased in 1989, 1990 and 1991 from the 1988 level. In addition, we raised $381,000,000 through security issues and term bank loans during the 1989-1991 period as shown in the Cash Flows statement. During the three-year period, the Company also utilized its short-term borrowing arrangements (explained in Note 11) to help meet its cash needs. Proceeds from these financings were used to help pay for our construction program, to repay portions of short-term debt incurred to finance the construction program, to retire, redeem and purchase outstanding securities, and for general corporate purposes.

Estimated cash requirements for 1992-1994 for the Company are $248,000,000 for its construction program and $241,000,000 for the mandatory redemption of debt and preferred stock. We expect to finance externally about 50% of our total 1992 construction and mandatory redemption requirements of approximately $180,000,000. About 10-20% of the Company's 1993 and 1994 requirements are expected to be financed externally. If economical, additional securities may be redeemed under optional redemption-provisions. See Notes 10(c) and (d) for information concerning limitations on the issuance of preferred and preference stock and debt.

Our capital requirements after 1994 will depend on the implementation strategy we choose to achieve compliance with the Clean Air Act. Expenditures for our plan are estimated to be approximately $35,000,000 over the 1992-2001 period. See Note 3(b).

We expect to be able to raise cash as needed. The availability and cost of capital to meet our external financing needs, however, depends upon such factors as financial market conditions and our credit ratings. Current securities ratings for the Company are as follows:

	Standard & Poor's Corporation	Moody's Investors Service
First mortgage bonds	BBB−	Baa3
Unsecured notes	BB+	Ba1
Preferred stock	BB+	Ba2

A write-off of the Company's investment in Perry Unit 2, as discussed in Note 3(c), depending upon the magnitude and timing of such a write-off, could reduce retained earnings sufficiently to impair its ability to declare dividends, but would not affect cash flow.

The Tax Reform Act of 1986 (1986 Tax Act) provided for a 34% income tax rate in 1988 and thereafter, a new alternative minimum tax (AMT) and other changes that resulted in increased tax payments and a reduction in cash flow during 1989, 1990 and 1991 because we were subject to the AMT.

	For the years ended December 31, 1991	1990	1989
	(thousands of dollars)		
Cash Flows from Operating Activities (1)			
Net Income	$ 49,613	$ 81,424	$ 92,678
Adjustments to Reconcile Net Income to Cash from Operating Activities:			
Depreciation and amortization	72,137	72,627	85,057
Deferred federal income taxes	31,522	30,642	79,199
Investment tax credits, net	30,206	(17,063)	1,237
Deferred and unbilled revenues	(25,566)	(22,658)	(42,624)
Deferred fuel	4,198	(433)	16,259
Carrying charges capitalized	(21,986)	(43,487)	(82,308)
Leased nuclear fuel amortization	53,904	37,122	46,408
Deferred operating expenses, net	1,147	(9,784)	(15,753)
Allowance for equity funds used during construction	(1,499)	(3,352)	(8,568)
Amortization of reserve for Davis-Besse refund obligations to customers	—	—	(12,655)
Pension settlement gain	—	(6,449)	—
Changes in amounts due from customers and others, net	2,780	(9,433)	(4,406)
Changes in inventories	(7,135)	(6,521)	1,890
Changes in accounts payable	(12,685)	6,658	(2,048)
Changes in working capital affecting operations	(25,975)	1,528	(30,713)
Other noncash items	14,730	16,309	16,840
Total Adjustments	115,778	45,706	47,815
Net Cash from Operating Activities	165,391	127,130	140,493
Cash Flows from Financing Activities (2)			
Bank loans, commercial paper and other short-term debt	(23,200)	23,200	—
Notes payable to affiliates	14,200	16,000	—
Debt issues:			
First mortgage bonds	—	67,300	56,100
Secured medium-term notes	134,500	—	—
Term bank loans and other long-term debt	108,365	15,000	—
Maturities, redemptions and sinking funds	(178,993)	(183,477)	(65,006)
Nuclear fuel lease and trust obligations	(51,728)	(42,947)	(39,015)
Dividends paid	(42,639)	(98,427)	(88,743)
Premiums, discounts and expenses	(1,001)	(1,845)	(925)
Net Cash from Financing Activities	(40,496)	(205,196)	(137,589)
Cash Flows from Investing Activities (2)			
Cash applied to construction	(51,393)	(80,667)	(61,360)
Interest capitalized as allowance for borrowed funds used during construction	(946)	(2,674)	(5,479)
Loans to affiliates	(12,000)	114,000	(114,000)
Other cash applied	(3,374)	(4,178)	(3,261)
Net Cash from Investing Activities	(67,713)	26,481	(184,100)
Net Change in Cash and Temporary Cash Investments	57,182	(51,585)	(181,196)
Cash and Temporary Cash Investments at Beginning of Year	22,107	73,692	254,888
Cash and Temporary Cash Investments at End of Year	$ 79,289	$ 22,107	$ 73,692

(1) Interest paid (net of amounts capitalized) was $120,000,000, $114,000,000 and $104,000,000 in 1991, 1990 and 1989, respectively. Income taxes paid were $9,465,000 and $2,272,000 in 1991 and 1990, respectively. No income taxes were paid in 1989.

(2) Increases in nuclear fuel and nuclear fuel lease and trust obligations in the Balance Sheet resulting from the noncash capitalizations under nuclear fuel agreements are excluded from this statement.

The accompanying notes and summary of significant accounting policies are an integral part of this statement.

	December 31,	
	1991	1990
	(thousands of dollars)	
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Utility plant in service	*$2,692,274*	$2,603,883
Less: accumulated depreciation and amortization	*709,505*	640,252
	1,982,769	1,963,631
Construction work in progress	*53,965*	93,154
Perry Unit 2	*342,767*	343,685
	2,379,501	2,400,470
Nuclear fuel, net of amortization	*195,285*	221,848
Other property, less accumulated depreciation	*2,679*	2,024
	2,577,465	2,624,342
CURRENT ASSETS		
Cash and temporary cash investments	*79,289*	22,107
Amounts due from customers and others, net	*60,453*	63,233
Accounts receivable from affiliates	*21,917*	29,999
Notes receivable from affiliates	*12,000*	—
Unbilled revenues	*21,844*	20,166
Materials and supplies, at average cost	*36,575*	32,666
Fossil fuel inventory, at average cost	*18,804*	15,578
Taxes applicable to succeeding years	*66,343*	63,375
Other	*2,760*	2,473
	319,985	249,597
DEFERRED CHARGES		
Amounts due from customers for future federal income taxes	*472,199*	494,454
Unamortized loss from Beaver Valley Unit 2 sale	*114,174*	119,623
Unamortized loss on reacquired debt	*25,672*	27,404
Carrying charges and operating expenses, pre-phase-in	*244,404*	252,206
Carrying charges and operating expenses, phase-in	*193,099*	165,310
Other	*67,514*	68,582
	1,117,062	1,127,579
Total Assets	*$4,014,512*	$4,001,518

The accompanying notes and summary of significant accounting policies are an integral part of this statement.

	December 31, 1991	December 31, 1990
	(thousands of dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shares, $5 par value: 60,000,000 authorized; 39,134,000 outstanding in 1991 and 1990	$ 195,687	$ 195,687
Premium on capital stock	481,082	481,082
Other paid-in capital	121,059	121,059
Retained earnings	89,924	82,956
Common stock equity	887,752	880,784
Preferred stock		
With mandatory redemption provisions	63,663	66,328
Without mandatory redemption provisions	210,000	210,000
Long-term debt	1,158,550	1,097,326
	2,319,965	2,254,438
OTHER NONCURRENT LIABILITIES		
Nuclear fuel lease obligations	143,145	180,835
Other	49,756	48,009
	192,901	228,844
CURRENT LIABILITIES		
Current portion of long-term debt and preferred stock	123,476	116,150
Current portion of lease obligations	63,692	50,389
Notes payable to banks and others	—	23,200
Accounts payable	55,274	67,959
Accounts and notes payable to affiliates	39,538	31,626
Accrued taxes	67,770	96,973
Accrued interest	31,399	31,665
Other	16,180	35,113
	397,329	453,075
DEFERRED CREDITS		
Unamortized investment tax credits	107,729	83,377
Accumulated deferred federal income taxes	577,479	571,233
Reserve for Perry Unit 2 allowance for funds used during construction	88,295	88,295
Unamortized gain from Bruce Mansfield Plant sale	227,380	236,835
Accumulated deferred rents for Bruce Mansfield Plant and Beaver Valley Unit 2	66,888	57,843
Other	36,546	27,578
	1,104,317	1,065,161
Total Capitalization and Liabilities	$4,014,512	$4,001,518

	1991 Shares Outstanding	Current Call Price	December 31, 1991	1990
			(thousands of dollars)	
$100 par value, 3,000,000 preferred shares authorized and $25 par value, 12,000,000 preferred shares authorized				
Subject to mandatory redemption:				
$100 par $11.00	24,825	$101.00	$ 2,483	$ 3,483
9.375	133,450	103.46	13,345	15,010
25 par 2.81	2,000,000	26.56	50,000	50,000
			65,828	68,493
Less: Current maturities			2,165	2,165
Total Preferred Stock, with Mandatory Redemption Provisions			$ 63,663	$ 66,328
Not subject to mandatory redemption:				
$100 par $ 4.25	160,000	104.625	$ 16,000	$ 16,000
4.56	50,000	101.00	5,000	5,000
4.25	100,000	102.00	10,000	10,000
8.32	100,000	102.46	10,000	10,000
7.76	150,000	102.437	15,000	15,000
7.80	150,000	101.65	15,000	15,000
10.00	190,000	101.00	19,000	19,000
25 par 2.21	1,000,000	25.25	25,000	25,000
2.365	1,400,000	28.45	35,000	35,000
Series A Adjustable	1,200,000	25.75	30,000	30,000
Series B Adjustable	1,200,000	25.75	30,000	30,000
Total Preferred Stock, without Mandatory Redemption Provisions			$210,000	$210,000

The accompanying notes and summary of significant accounting policies are an integral part of this statement.

(1) PROPERTY OWNED WITH OTHER UTILITIES AND INVESTORS

The Company owns, as a tenant in common with other utilities and those investors who are owner-participants in various sale and leaseback transactions (Lessors), certain generating units as listed below. Each owner owns an undivided share in the entire unit. Each owner has the right to a percentage of the generating capability of each unit equal to its ownership share. Each utility owner is obligated to pay for only its respective share of the construction and operating costs. Each Lessor has leased its capacity rights to a utility which is obligated to pay for such Lessor's share of the construction and operating costs. The Company's share of the operating costs of these generating units is included in the Income Statement. Property, plant and equipment at December 31, 1991 includes the following facilities owned by the Company as a tenant in common with other utilities and Lessors:

Generating Unit	In-Service Date	Ownership Share	Ownership Megawatts	Power Source	Plant in Service	Construction Work in Progress and Suspended	Accumulated Depreciation
					(thousands of dollars)		
In Service:							
Davis-Besse	1977	48.62%	429	Nuclear	$ 661,573	$ 13,436	$138,504
Perry Unit 1 and Common Facilities	1987	19.91	238	Nuclear	923,503	1,486	119,374
Beaver Valley Unit 2 and Common Facilities (Note 2)	1987	1.65	13	Nuclear	188,560	1,698	23,333
Construction Suspended:							
Perry Unit 2 (Note 3(c))	Uncertain	19.91	240	Nuclear	—	342,767	—
					$1,773,636	$359,387	$281,211

(2) UTILITY PLANT SALE AND LEASEBACK TRANSACTIONS

As a result of sale and leaseback transactions completed in 1987, the Company and Cleveland Electric are co-lessees of 18.26% (150 megawatts) of Beaver Valley Unit 2 and 6.5% (51 megawatts), 45.9% (358 megawatts) and 44.38% (355 megawatts) of Units 1, 2 and 3 of the Mansfield Plant, respectively, all for terms of about 29½ years.

As co-lessee with Cleveland Electric, the Company is also obligated for Cleveland Electric's lease payments. If Cleveland Electric is unable to make its payments under the Mansfield Plant leases, the Company would be obligated to make such payments. No payments have been made on behalf of Cleveland Electric to date.

Future minimum lease payments under these operating leases at December 31, 1991 are summarized as follows:

Year	For the Company	For Cleveland Electric
	(thousands of dollars)	
1992	$ 110,000	$ 63,000
1993	111,000	63,000
1994	111,000	63,000
1995	111,000	63,000
1996	111,000	63,000
Later Years	2,480,000	1,516,000
Total Future Minimum Lease Payments	$3,034,000	$1,831,000

Semiannual lease payments conform with the payment schedule for each lease.

Rental expense is accrued on a straight-line basis over the terms of the leases. The amounts recorded by the Company in 1991, 1990 and 1989 as annual rental expense for the Mansfield Plant leases and the Beaver Valley Unit 2 lease were $44,556,000 and $72,276,000, respectively. Amounts charged to expense in excess of the lease payments are now classified as accumulated deferred rents on the Balance Sheet. Previously, the excess was included in accounts payable.

The Company and Cleveland Electric are responsible under these leases for paying all taxes, insurance premiums, operation and maintenance costs and all other similar costs for their interests in the units sold and leased back. The Company and Cleveland Electric may incur additional costs in connection with capital improvements to the units. The Company and Cleveland Electric have options to buy the interests back at the end of the leases for the fair market value at that time or to renew the leases. Additional lease provisions provide other purchase options along with conditions for mandatory termination of the leases (and possible repurchase of the leasehold interests) for events of default. These events of default include noncompliance with several financial covenants affecting the Company, Cleveland Electric and Centerior Energy contained in an agreement relating to a letter of credit issued in connection with the sale and leaseback of Beaver Valley Unit 2, as amended in 1989. See Note 10(d).

The Company is selling 150 megawatts of its Beaver Valley Unit 2 leased capacity entitlement to Cleveland Electric. This sale commenced in 1988 and we anticipate that it will continue at least until 1998. Revenues recorded for this transaction were $106,589,000, $102,773,000 and $104,127,000 in 1991, 1990 and 1989, respectively. The future minimum lease payments associated with Beaver Valley Unit 2 aggregate $1,869,000,000.

(3) CONSTRUCTION AND CONTINGENCIES

(a) CONSTRUCTION PROGRAM

The estimated cost of the Company's construction program for the 1992-1994 period is $260,000,000, including AFUDC of $12,000,000 and excluding nuclear fuel.

In an agreement approved by the PUCO, the Company and Cleveland Electric have agreed to limit their combined 1992 other operation and maintenance expenses and capital expenditures to $1,050,000,000, exclusive of compliance costs related to the Clean Air Act. Within this limitation, capital expenditures are budgeted at $59,000,000 for the Company, exclusive of the Clean Air Act compliance costs.

(b) CLEAN AIR LEGISLATION

The Clean Air Act will require, among other things, significant reductions in the emission of sulfur dioxide and nitrogen oxides by fossil-fueled electric generating units. The Clean Air Act will require that sulfur dioxide emissions be reduced in two phases over a ten-year period.

Centerior Energy has developed a compliance strategy for the Company and Cleveland Electric which will be submitted to the PUCO for review in April 1992. Centerior Energy will also seek United States Environmental Protection Agency approval of Phase I plans in 1993. Our compliance plan would require capital expenditures for the Company over the 1992-2001 period of approximately $35,000,000 for nitrogen oxide control equipment, emission monitoring equipment and plant modifications. In addition, higher fuel and other operation and maintenance expenses would be incurred. The rate increase associated with the Company's capital expenditures and higher expenses would be less than 2% over the ten-year period.

Our final compliance plan will depend upon future environmental regulations and input from the PUCO, other regulatory bodies and other concerned entities.

We believe that Ohio law permits the recovery of compliance costs from customers in rates.

(c) PERRY UNIT 2

Perry Unit 2, including its share of the common facilities, is approximately 50% complete. Construction of Perry Unit 2 was suspended in 1985 pending future consideration of various options, including resumption of full construction with a revised estimated cost, conversion to a nonnuclear design, sale of all or part of our ownership share, or cancellation. No option may be implemented without the unanimous approval of the owners. In October 1991, Cleveland Electric, the company responsible for the construction of Perry Unit 2, applied for a ten-year extension of the construction permit which was to expire in November 1991. Under NRC regulations, the construction permit will remain in effect while the application is pending. We expect the NRC to grant the extension.

In February 1992, Cleveland Electric purchased Duquesne's 13.74% ownership share of Perry Unit 2 for $3,324,000. The purchase does not signal any plans to resume construction of Perry Unit 2, but rather an intent to keep the various options open. Duquesne had stated that it would not agree to resumption of construction of the unit.

If Perry Unit 2 were to be canceled, then the Company's net investment in the unit (less any tax saving) would have to be written off. We estimate that such a write-off, based on our investment in this unit as of December 31, 1991, would have been about $171,000,000, after taxes. See Notes 10(b) and (d) for a discussion of potential consequences of such a write-off.

If a decision is made to convert Perry Unit 2 to a nonnuclear design in the future, we would expect to write-off at that time a portion of our investment for nuclear plant construction costs not transferable to the nonnuclear construction project.

Beginning in July 1985, Perry Unit 2 AFUDC was credited to a deferred income account until January 1, 1988, when the accrual of AFUDC was discontinued.

(d) SUPERFUND SITES

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended (Superfund) established programs addressing the cleanup of hazardous waste disposal sites, emergency preparedness and other issues. The Company is aware of its potential involvement in the cleanup of two hazardous waste sites. The Company has recorded reserves based on estimates of its proportionate responsibility for these sites. We believe that the ultimate outcome of these matters will not have a material adverse effect on our financial condition or results of operations.

(4) NUCLEAR OPERATIONS AND CONTINGENCIES

(a) OPERATING NUCLEAR UNITS

The Company's interests in nuclear units may be impacted by activities or events beyond its control. Operating nuclear generating units have experienced unplanned outages or extensions of scheduled outages because of equipment problems or new regulatory requirements. A major accident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation, construction or licensing of any nuclear unit. If one of our nuclear units is taken out of service for an extended period of time for any reason, including an accident at such unit or any other nuclear facility, the Company cannot predict whether regulatory authorities would impose unfavorable rate treatment such as taking our affected unit out of rate base or disallowing certain construction or maintenance costs. An extended outage of one of our nuclear units coupled with unfavorable rate treatment could have a material adverse effect on our financial position and results of operations.

(b) NUCLEAR INSURANCE

The Price-Anderson Act limits the liability of the owners of a nuclear power plant to the amount provided by private insurance and an industry assessment plan. In the event of a nuclear incident at any unit in the United States resulting in losses in excess of the level of private insurance (currently \$200,000,000), the Company's maximum potential assessment under that plan (assuming the other CAPCO companies were to contribute their proportionate share of any assessment) would be \$58,503,000 (plus any inflation adjustment) per incident, but is limited to \$8,844,000 per year for each nuclear incident.

The CAPCO companies have insurance coverage for damage to property at the Davis-Besse, Perry and Beaver Valley sites (including leased fuel and clean-up costs). Coverage amounted to \$2,515,000,000 for each site as of January 1, 1992. Damage to property could exceed the insurance coverage by a substantial amount. If it does, the Company's share of such excess amount could have a material adverse effect on its financial condition and results of operations.

The Company also has extra expense insurance coverage which includes the incremental cost of any replacement power purchased (over the costs which would have been incurred had the units been operating) and other incidental expenses after the occurrence of certain types of accidents at our nuclear units. The amounts of the coverage are 100% of the estimated extra expense per week during the 52-week period starting 21 weeks after an accident, 67% of such estimate per week for the next 52 weeks and 33% of such estimate per week for the next 52 weeks. The amount and duration of extra expense could substantially exceed the insurance coverage.

(5) NUCLEAR FUEL

The Company has inventories for nuclear fuel which should provide an adequate supply into the mid-1990s. Substantial additional nuclear fuel must be obtained to supply fuel for the remaining useful lives of Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2. More nuclear fuel would be required if Perry Unit 2 were completed as a nuclear generating unit.

In 1989, existing nuclear fuel financing arrangements for the Company and Cleveland Electric were refinanced through leases from a special-purpose corporation. The total amount of financing currently available under these lease arrangements is \$509,000,000 (\$309,000,000 from intermediate-term notes and \$200,000,000 from bank credit arrangements), although financing in an amount up to \$900,000,000 is permitted. The intermediate-term notes mature in the period 1993-1997. The bank credit arrangements are cancelable on two years notice by the lenders. As of December 31, 1991, \$209,000,000 of nuclear fuel was financed for the Company. The Company and Cleveland Electric severally lease their respective portions of the nuclear fuel and are obligated to pay for the fuel as it is consumed in a reactor. The lease rates are based on various intermediate-term note rates, bank rates and commercial paper rates.

The amounts financed include nuclear fuel in the Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2 reactors with remaining lease payments of \$71,000,000, \$33,000,000 and \$15,000,000, respectively, as of December 31, 1991. The nuclear fuel amounts financed and capitalized also included interest charges incurred by the lessors amounting to \$9,000,000 in 1991, \$14,000,000 in 1990 and \$19,000,000 in 1989. The estimated future lease amortization payments based on projected consumption are \$45,000,000 in 1992, \$45,000,000 in 1993, \$40,000,000 in 1994, \$34,000,000 in 1995 and \$35,000,000 in 1996.

(6) REGULATORY MATTERS

On January 31, 1989, the PUCO issued a rate order which provided for three annual rate increases for the Company of approximately 9%, 7% and 6% effective with bills rendered on and after February 1, 1989, 1990 and 1991, respectively. As discussed below, the 6% increase effective February 1, 1991 was reduced to 2.74% for the Company, which later waived its 2.74% increase and reduced its rates on two occasions in 1991 for certain customers. The resulting annualized revenue increases in 1989, 1990 and 1991 associated with the rate order were \$50,700,000, \$44,300,000 and \$1,600,000, respectively. The \$1,600,000 increase in 1991 reflects the net of \$18,600,000 of annualized revenues authorized for the 2.74% increase less \$17,000,000 for the waiver and rate reductions.

Under the January 1989 rate order, a phase-in plan was designed so that the three rate increases, coupled with then-projected sales growth, would provide revenues sufficient to recover all operating expenses and provide a fair rate of return on the Company's allowed investment in Perry Unit 1 and Beaver Valley Unit 2 for ten years beginning January 1, 1989. In the first five years of the plan, the revenues were expected to be less than that required to recover operating expenses and provide a fair return on investment. Therefore, the amounts of operating expenses and return on investment not currently recovered are deferred and capitalized as deferred charges. Since the unrecovered investment will decline over the period of the phase-in plan because of depreciation and deferred federal income taxes that result from the use of accelerated tax depreciation, the amount of revenues required to provide a fair return also declines. Pursuant to such phase-in plan, the Company deferred the following:

	1991	1990	1989
	(thousands of dollars)		
Deferred Operating Expenses	\$ 5,796	\$16,980	\$22,535
Carrying Charges:			
Debt	\$ 6,986	\$21,361	\$30,617
Equity	15,000	22,126	51,691
	\$21,986	\$43,487	\$82,308

The amount of deferred operating expenses and carrying charges scheduled to be recorded in 1992 and 1993 total \$33,000,000 and \$15,000,000, respectively. Beginning in the sixth year (1994) and continuing through the tenth year, the revenue levels authorized pursuant to the phase-in plan were designed to be sufficient to recover that period's operating expenses, a fair return on the unrecovered investment, and the amortization of the deferred operating expenses and carrying charges recorded during the earlier years of the plan. All phase-in deferrals relating to these two units will be amortized and recovered by December 31, 1998.

The phase-in plan was also designed so that fluctuations in sales should not affect the level of earnings. The phase-in plan permits the Company to request PUCO approval of increases or decreases in the phase-in plan deferrals to compensate for the effects of fluctuations in sales levels, as compared to the levels projected in the rate order, and for 50% of the net after-tax savings in 1989 and 1990 identified by the management audit as discussed below. Pursuant to these provisions of the order, the Company recorded no adjustment to the cost deferrals in 1989 and recorded adjustments to reduce its cost deferrals by approximately $14,000,000 in 1990 and to increase its cost deferrals by approximately $3,200,000 net in 1991. The $3,200,000 net increase in 1991 included a $4,000,000 increase for an adjustment of 1990 cost deferrals and an $800,000 reduction for the adjustment of the 1991 cost deferrals.

In connection with the 1989 order and a similar order for Cleveland Electric, the Company, Cleveland Electric and the Service Company have undergone a management audit, which was completed in April 1990. The audit identified potential annual savings in operating expenses in the amount of $98,160,000 from Centerior Energy's 1989 budget level, 45% ($44,172,000) for the Company. The Company realized a large part of the savings in 1991.

Fifty percent of the savings identified by the management audit were used to reduce the 6% rate increase scheduled to be effective on February 1, 1991 for the Company. As discussed previously, our rates increased 2.74% under this provision with the PUCO's approval.

In late 1990 in a move to become more competitive in Northwest Ohio, the Company proposed a rate reduction package to all incorporated communities in its service area which are served exclusively by the Company on a retail basis. The package called for the elimination of the 2.74% rate increase effective February 1, 1991 for all residential and small commercial customers, a reduction in residential rates of 3% on March 1, 1991 and a further residential rate reduction of 1% on September 1, 1991. Communities accepting the package agreed to keep the Company as their sole supplier of electricity for a period of five years. The package also permits the Company to adjust rates in those communities on February 1, 1994 and February 1, 1995 if inflation exceeds specified levels or under emergency conditions. All eligible communities in the Company's service area, except the City of Toledo, accepted the rate reduction package. In March 1991, the Company obtained PUCO approval to reduce rates to the same levels for the same customer categories in the City of Toledo and the rest of its service area. Annualized revenues were reduced by about $17,000,000 as a result of these rate reduction packages. The revenue reductions do not adversely affect the phase-in plan as the decrease in revenues is mitigated by the cost reductions resulting from the management audit.

The 1989 order also set nuclear performance standards through 1998. We could be required to refund incremental replacement power costs if the standards are not met. No refund was required in 1991 nor is one expected for 1992. The Company banked $1,300,000 in benefits in 1991 for above-average nuclear performance based on industry standards for operating availability established in the 1989 order. These banked benefits are not recorded in the financial statements as they can only be used in future years, if necessary, to offset disallowances of incremental replacement power costs.

Under the 1989 order, fossil-fueled power plant performance may not be raised as an issue in any rate proceeding before February 1994 as long as the Company and Cleveland Electric achieve a systemwide availability factor of at least 64.9% annually. This standard was exceeded in 1989, 1990 and 1991, with availability at approximately 80% for each year.

(7) FEDERAL INCOME TAX

Federal income tax, computed by multiplying income before taxes by the statutory rates, is reconciled to the amount of federal income tax recorded on the books as follows:

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Book Income Before Federal Income Tax	$ 87,608	$ 93,801	$151,526
Tax on Book Income at Statutory Rate	$ 29,787	$ 31,892	$ 51,519
Increase (Decrease) in Tax:			
Accelerated depreciation	2,857	(853)	5,993
Investment tax credits on disallowed nuclear plant	—	(18,810)	—
Taxes, other than federal income taxes	(692)	(2,647)	(107)
Other items	6,043	2,795	1,443
Total Federal Income Tax Expense	$ 37,995	$ 12,377	$ 58,848

Federal income tax expense is recorded in the Income Statement as follows:

	For the years ended December 31,		
	1991	1990	1989
		(thousands of dollars)	
Operating Expenses:			
Current Tax Provision	$ 13,946	$ 17,045	$(11,458)
Changes in Accumulated Deferred Federal Income Tax:			
Accelerated depreciation and amortization	8,515	1,580	8,764
Alternative minimum tax credit	(43,633)	(5,480)	21,291
Sale and leaseback transactions and amortization	12,682	5,121	455
Property tax expense	—	(4,011)	—
Reacquired debt costs	6,674	(532)	(378)
Deferred construction work in progress revenues	8,480	9,393	11,726
Deferred fuel costs	(3,689)	(4,021)	(1,229)
Davis-Besse replacement power	—	—	5,055
Other items	1,338	784	1,337
Investment Tax Credits	27,454	1,162	1,722
Total Charged to Operating Expenses	31,767	21,041	37,285
Nonoperating Income:			
Current Tax Provision	(37,677)	(18,242)	(10,129)
Changes in Accumulated Deferred Federal Income Tax:			
Write-off of nuclear costs	(180)	(10,157)	—
AFUDC and carrying charges	9,000	16,835	32,930
Net operating loss carryforward	35,014	—	—
Other items	71	2,900	(1,238)
Total Expense (Credit) to Nonoperating Income	6,228	(8,664)	21,563
Total Federal Income Tax Expense	$ 37,995	$ 12,377	$ 58,848

The Company joins in the filing of a consolidated federal income tax return with its affiliated companies. The method of tax allocation reflects the benefits and burdens realized by each company's participation in the consolidated tax return, approximating a separate return result for each company.

Federal income tax expense adjustments in 1990, associated with previously deferred investment tax credits relating to the 1988 write-off of nuclear plant investment, decreased the net tax provision related to nonoperating income by $18,810,000.

The favorable resolution of an issue concerning the appropriate year to recognize a property tax deduction resulted in an adjustment which reduced federal income tax expense in 1990 by $3,911,000 ($2,168,000 in the fourth quarter).

For tax purposes, net operating loss (NOL) carryforwards of approximately $164,049,000 are available to reduce future taxable income and will expire in 2003 through 2005. The 34% tax effect of the NOLs generated is $55,777,000 and is reflected as a reduction to deferred federal income tax relating to accelerated depreciation and amortization. Future utilization of these tax NOL carryforwards would result in recording the related deferred taxes.

The 1986 Tax Act provides for an AMT credit to be used to reduce the regular tax to the AMT level should the regular tax exceed the AMT. AMT credits of $27,822,000 are available to offset future regular tax. The credits may be carried forward indefinitely.

(8) RETIREMENT INCOME PLAN AND OTHER POSTRETIREMENT BENEFITS

(a) RETIREMENT INCOME PLAN

The Company sponsors a noncontributing pension plan which covers all employee groups. The amount of retirement benefits generally depends upon the length of service. Under certain circumstances, benefits can begin as early as age 55. The plan also provides certain death, medical and disability benefits. The Company's funding policy is to comply with the Employee Retirement Income Security Act of 1974 guidelines.

In 1990, the Company offered a Voluntary Early Retirement Opportunity Program (VEROP). Operating expenses for 1990 included $7,000,000 of pension plan accruals to cover enhanced VEROP benefits plus an additional $8,000,000 of pension costs for VEROP benefits paid to retirees from corporate funds. The $8,000,000 is not included in the pension data reported below. Operating expenses for 1990 also included a credit of $5,000,000 resulting from a settlement of pension obligations through lump sum payments to a substantial number of VEROP retirees.

Net pension and VEROP costs for 1989 through 1991 were comprised of the following components:

	1991	1990	1989
	(millions of dollars)		
Pension Costs:			
Service cost for benefits earned during the period	$ 5	$ 5	$ 4
Interest cost on projected benefit obligation	11	11	10
Actual return on plan assets	(30)	2	(17)
Net amortization and deferral	15	(15)	4
Net pension costs	1	3	1
VEROP cost	—	7	—
Settlement gain	—	(5)	—
Net costs	$ 1	$ 5	$ 1

The following table presents a reconciliation of the funded status of the plan at December 31, 1991 and 1990.

	December 31, 1991	December 31, 1990
	(millions of dollars)	
Actuarial present value of benefit obligations:		
Vested benefits	$ 92	$101
Nonvested benefits	10	6
Accumulated benefit obligation	102	107
Effect of future compensation levels	34	22
Total projected benefit obligation	136	129
Plan assets at fair market value	172	151
Surplus of plan assets over projected benefit obligation	36	22
Unrecognized net gain due to variance between assumptions and experience	(40)	(24)
Unrecognized prior service cost	5	5
Transition asset at January 1, 1987 being amortized over 19 years	(18)	(19)
Net accrued pension liability included in other deferred credits on the Balance Sheet	$(17)	$(16)

The settlement (discount) rate assumption was 8.5% for both December 31, 1991 and December 31, 1990. The long-term rate of annual compensation increase assumption was 5% for both December 31, 1991 and December 31, 1990. The long-term rate of return on plan assets assumption was 8.5% in 1991 and 8% in 1990.

Plan assets consist primarily of investments in common stock, bonds, guaranteed investment contracts, cash equivalent securities and real estate.

(b) OTHER POSTRETIREMENT BENEFITS

The Financial Accounting Standards Board has issued a new accounting standard for postretirement benefits other than pensions. The new standard would require the accrual of the expected cost of such benefits during the employees' years of service. The assumptions and calculations involved in determining the accrual closely parallel pension accounting requirements.

The Company currently provides certain postretirement health care, death and other benefits and expenses such costs as these benefits are paid, which is consistent with current ratemaking practices. Such costs totaled $3,700,000 in 1991, $3,000,000 in 1990 and $2,200,000 in 1989, which include medical benefits of $3,100,000 in 1991, $2,400,000 in 1990 and $2,100,000 in 1989.

The Company expects to adopt the new standard prospectively effective January 1, 1993. We plan to amortize the discounted present value of the accumulated postretirement benefit obligation to expense over a twenty-year period. The Company has engaged actuaries who have made a preliminary review using 1990 data. Based on this preliminary review, the accumulated postretirement benefit obligation as of December 31, 1991, measured in accordance with the new standard, is estimated in the range of $65,000,000 to $100,000,000. Had the new standard been adopted in 1991, the preliminary study indicated that the additional postretirement benefit cost in 1991 would have been in the range of $8,000,000 to $14,000,000 (pretax). We believe the effect of actual adoption in 1993 may be similar, although it could be significantly different because of changes in health care costs, the assumed health care cost trend rate, work force demographics, interest rates, or plan provisions between now and 1993.

The Company does not know what action the PUCO may take with respect to these incremental costs. However, we believe the PUCO will either allow a means of current recovery of such incremental costs or provide for deferral of such costs until recovered in rates. We do not expect adoption of the new standard to have a material adverse effect on our financial condition or results of operations.

(9) GUARANTEES

Under a long-term coal purchase arrangement, the Company has guaranteed certain loan and lease obligations of a mining company. This arrangement requires payments to the mining company for any actual out-of-pocket idle mine expenses (as advance payments for coal) when the mines are idle for reasons beyond the control of the mining company. At December 31, 1991, after giving effect to a refinancing completed on January 2, 1992 by the mining company, the principal amount of the mining company's loan and lease obligations guaranteed by the Company was $24,000,000.

(10) CAPITALIZATION

(a) CAPITAL STOCK TRANSACTIONS

Preferred stock shares retired during the three years ended December 31, 1991 are listed in the following table.

	1991	1990	1989
	(thousands of shares)		
Cumulative Preferred Stock Subject to Mandatory Redemption:			
$100 par $11.00	(10)	(10)	(5)
9.375	(17)	(17)	(17)
Total	(27)	(27)	(22)

(b) EQUITY DISTRIBUTION RESTRICTIONS

At December 31, 1991, retained earnings were $89,924,000. Substantially all of the retained earnings were available for the declaration of dividends on the Company's preferred and common shares. All of the Company's common shares are held by Centerior Energy. A write-off of the Company's investment in Perry Unit 2, depending upon the magnitude and timing of such a write-off, could reduce retained earnings sufficiently to impair the Company's ability to declare dividends.

Any financing by the Company of any of its nonutility affiliates requires PUCO authorization unless the financing is made in connection with transactions in the ordinary course of the Company's public utilities business operations in which one company acts on behalf of another.

(c) CUMULATIVE PREFERRED AND PREFERENCE STOCK

Amounts to be paid for preferred stock which must be redeemed during the next five years are $2,000,000 in 1992 and $12,000,000 in each year 1993 through 1996.

The annual mandatory redemption provisions are as follows:

	Shares To Be Redeemed	Beginning in	Price Per Share
Preferred:			
$100 par $11.00	5,000	1979	$100
9.375	16,650	1985	100
25 par 2.81	400,000	1993	25

The annualized cumulative preferred dividend requirement as of December 31, 1991 is $25,000,000.

The preferred dividend rates on the Company's Series A and B fluctuate based on prevailing interest rates and market conditions, with the dividend rates for these issues averaging 8.82% and 9.67%, respectively, in 1991.

Under its articles of incorporation, the Company cannot issue preferred stock unless certain earnings coverage requirements are met. Based on earnings for the 12 months ended December 31, 1991, the Company could not issue additional preferred stock. The issuance of additional preferred stock in the future will depend on earnings for any 12 consecutive months of the 15 months preceding the date of issuance, the interest on all long-term debt outstanding and the dividends on all preferred stock issues outstanding.

Preference stock authorized for the Company is 5,000,000 shares with a $25 par value. No preference shares are currently outstanding. There are no restrictions on the Company's ability to issue preference stock.

With respect to dividend and liquidation rights, the Company's preferred stock is prior to its preference stock and common stock, and its preference stock is prior to its common stock.

(d) LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt, less current maturities, was as follows:

Year of Maturity	Actual or Average Interest Rate	December 31, 1991	December 31, 1990
		(thousands of dollars)	
First mortgage bonds:			
1995	11.25 %	$ —	$ 60,000
1996	9.375	100,000	100,000
1997-2001	7.65	66,378	66,378
2002-2006	8.62	111,725	111,725
2007-2011	9.62	51,900	51,900
2017-2021	8.00	67,300	67,300
2022-2023	7.58	147,800	147,800
		545,103	605,103
Term bank loans due 1993-1996	8.82	115,500	13,500
Medium-term notes due 1993-2021	9.06	134,500	—
Notes due 1993-1997	11.01	102,112	219,430
Debentures due 1997	11.25	125,000	125,000
Pollution control notes due 1993-2015	11.04	136,150	136,600
Other — net	—	155	(2,307)
Total Long-Term Debt		$1,158,550	$1,097,326

Long-term debt matures during the next five years as follows: $121,000,000 in 1992, $47,000,000 in 1993, $47,000,000 in 1994, $72,000,000 in 1995 and $192,000,000 in 1996.

In 1991, the Company issued $134,500,000 aggregate principal amount of secured medium-term notes. The notes are secured by first mortgage bonds. At December 31, 1991, the Company has $15,500,000 aggregate principal amount of secured medium-term notes registered with the SEC and available for issuance.

The Company's mortgage constitutes a direct first lien on substantially all property owned and franchises held by the Company. Excluded from the lien, among other things, are cash, securities, accounts receivable, fuel, supplies and automotive equipment.

Additional first mortgage bonds may be issued by the Company under its mortgage on the basis of bondable property additions, cash or substitution for refundable first mortgage bonds. The issuance of additional first mortgage bonds on the basis of property additions is limited by two provisions of our mortgage. One relates to the amount of bondable property available and the other to earnings coverage of interest on the bonds. Under the more restrictive of these provisions (currently, the earnings coverage test), we would have been permitted to issue approximately $164,000,000 of bonds at an assumed interest rate of 11% based upon available bondable property at December 31, 1991. The Company also would have been permitted to issue approximately $186,000,000 of bonds based upon refundable bonds at December 31, 1991. If Perry Unit 2 had been canceled and written off as of December 31, 1991, the amount of bonds which could have been issued by the Company would not have changed.

Certain unsecured loan agreements of the Company contain covenants relating to capitalization ratios, earnings coverage ratios and limitations on secured financing other than through first mortgage bonds or certain other transactions. An agreement relating to a letter of credit issued in connection with the sale and leaseback of Beaver Valley Unit 2 (as amended in 1989) contains several financial covenants affecting the Company, Cleveland Electric and Centerior Energy. Among these are covenants relating to earnings coverage ratios and capitalization ratios. The Company, Cleveland Electric and Centerior Energy are in compliance with these covenant provisions. We believe these covenants can still be met in the event of a write-off of the Company's and Cleveland Electric's investments in Perry Unit 2, barring unforeseen circumstances.

(11) SHORT-TERM BORROWING ARRANGEMENTS

The Company had $70,400,000 of bank lines of credit arrangements at December 31, 1991. There were no borrowings under these bank credit arrangements at December 31, 1991.

Short-term borrowing capacity authorized by the PUCO is $150,000,000 for the Company. The Company and Cleveland Electric have been authorized by the PUCO to borrow from each other on a short-term basis.

Most borrowing arrangements under the short-term bank lines of credit require a fee of 0.25% per year to be paid on any unused portion of the lines of credit. For those banks without fee requirements, the average daily cash balance in the Company's bank accounts satisfied informal compensating balance arrangements.

At December 31, 1991, the Company had no commercial paper outstanding. If commercial paper were outstanding, it would be backed by at least an equal amount of unused bank lines of credit.

(12) CHANGES IN ACCOUNTING FOR NUCLEAR PLANT DEPRECIATION

In June 1991, the Company changed the method used to accrue nuclear plant depreciation from the units-of-production method to the straight-line method retroactive to January 1, 1991. The good performance of the nuclear generating units over the past several years had resulted in units-of-production depreciation expense being significantly higher than the amount implicit in current electric rates. The straight-line method better matches revenue and expense, tends to levelize periodic depreciation expense for nuclear plant and is more consistent with industry practice.

The PUCO approved the change and authorized the Company to accrue depreciation for its three operating nuclear generating units at an accrual rate of about 3% of plant investment based upon the units' forty-year operating licenses from the NRC. This change in method decreased 1991 depreciation expense $13,949,000 and increased 1991 net income $10,995,000 (net of $2,954,000 of income taxes) from what they otherwise would have been.

In December 1991, the PUCO approved a reduction in the straight-line depreciation accrual rate from about 3% to 2.5% for each of the three operating nuclear units retroactive to January 1, 1991. The Company believes the lower depreciation accrual rate is appropriate and reduces combined annual depreciation expense to a level more closely aligned with the total amount currently being recovered in customers' rates for these units. This change in rate decreased 1991 depreciation expense $9,453,000 and increased 1991 net income $7,413,000 (net of $2,040,000 of income taxes) from what they otherwise would have been.

Depreciation expense recorded in prior years was not affected. Current electric rates were also unaffected by the PUCO orders.

(13) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 1991.

	Quarters Ended			
	March 31,	June 30,	Sept. 30,	Dec. 31,
	(thousands of dollars)			
1991				
Operating Revenues	$212,930	$227,576	$238,271	$208,481
Operating Income	36,807	42,428	42,307	38,639
Net Income	12,341	14,210	14,498	8,564
Earnings Available for Common Stock	6,096	8,009	8,318	2,398
1990				
Operating Revenues	$210,622	$210,412	$237,872	$204,267
Operating Income	38,732	28,259	39,433	45,862
Net Income	21,604	26,971	19,420	13,429
Earnings Available for Common Stock	15,357	20,660	13,109	7,139

Operating revenues for the first three quarters of 1991 and the four quarters of 1990 were restated to comply with current FERC revenue reporting requirements, as discussed in the Summary of Significant Accounting Policies. This restatement had no effect on earnings results for the applicable quarter. The unaudited quarterly results for the quarter ended March 31, 1991 were also restated to reflect the change in accounting for nuclear plant depreciation to the straight-line method (at about a 3% accrual rate) as discussed in Note 12.

Earnings for the quarter ended December 31, 1991 were increased as a result of year-end adjustments. A $9,453,000 adjustment to reduce depreciation expense for the year for the change in the nuclear plant straight-line depreciation rate to 2.5% (see Summary of Significant Accounting Policies and Note 12) was partially offset by an $804,000 reduction in phase-in carrying charges for the adjustment to 1991 cost deferrals (see Note 6). The total of these adjustments increased quarterly earnings by $6,882,000.

Earnings for the quarter ended June 30, 1990 were increased as a result of federal income tax expense adjustments associated with deferred investment tax credits relating to the 1988 write-off of nuclear plant investment. See Note 7. The adjustments increased quarterly earnings by $17,907,000.

Earnings for the quarter ended December 31, 1990 were decreased as a result of year-end adjustments. A $13,933,000 reduction in phase-in carrying charges for the adjustment to 1990 cost deferrals (see Note 6) was partially offset by adjustments of $7,760,000 to reduce depreciation expense for the year for the change in depreciation rates for nonnuclear and Davis-Besse property (see Summary of Significant Accounting Policies) and $2,168,000 to reduce federal income tax expense (see Note 7). The total of these adjustments decreased quarterly earnings by $2,000,000.

Financial and Statistical Review

Operating Revenues (thousands of dollars)

Year	Residential	Commercial	Industrial	Other	Total Retail	Wholesale *(a)*	Total Electric	Steam Heating & Gas	Total Operating Revenues
1991	*$229 840*	*183 523*	*236 049*	*90 919*	*740 331*	*146 927*	*887 258*	—	*$887 258*
1990	223 920	174 540	235 578	79 535	713 573	149 600	863 173	—	863 173
1989	215 932	163 991	226 680	99 451	706 054	159 569	865 623	—	865 623
1988	200 916	142 696	199 521	34 961	578 094	71 863	649 957	—	649 957
1987	200 877	142 385	219 096	27 646	590 006	42 476	632 482	—	632 482
1981	138 781	90 863	151 539	32 253	413 436	47 427	460 863	7 431	468 294

Operating Expenses (thousands of dollars)

Year	Fuel & Purchased Power *(a)*	Other Operation & Maintenance	Depreciation & Amortization	Taxes, Other Than FIT	Phase-in & Pre-phase-in Deferred, Net	Federal Income Taxes	Total Operating Expenses
1991	*$177 642*	*355 728*	*72 137 (b)*	*88 656*	*1 147*	*31 767*	*$727 077*
1990	174 309	373 374	72 627	79 320	(9 784)	21 041	710 887
1989	172 220	372 530	85 057	72 123	(15 753)	37 285	723 462
1988	138 121	358 823	75 093	80 138	(83 813)	29 242	597 604
1987	167 621	223 307	65 503	59 658	(39 797)	22 747	499 039
1981	148 452	95 884	43 427	36 699	—	40 842	365 304

Income (Loss) (thousands of dollars)

Year	Operating Income	AFUDC—Equity	Other Income & Deductions, Net	Carrying Charges	Federal Income Taxes—Credit (Expense)	Income Before Interest Charges
1991	*$160 181*	*1 499*	*3 628*	*21 986*	*(6 228)*	*$181 066*
1990	152 286	3 352	6 305	43 487	8 664	214 094
1989	142 161	8 568	20 517	82 308	(21 563)	231 991
1988	52 353	5 452	(246 722) *(c)*	129 632	86 244	26 959
1987	133 443	122 138	(16 904)	14 989	42 726	296 392
1981	102 990	32 498	8 852	—	9 616	153 956

Income (Loss) (thousands of dollars)

Year	Debt Interest	AFUDC—Debt	Income (Loss) Before Cumulative Effect of an Accounting Change	Cumulative Effect of an Accounting Change or Extraordinary Gain	Net Income (Loss)	Preferred Stock Dividends	Earnings (Loss) Available for Common Stock
1991	*$132 399*	*(946)*	*49 613*	—	*49 613*	*24 792*	*$ 24 821*
1990	135 344	(2 674)	81 424	—	81 424	25 159	56 265
1989	144 792	(5 479)	92 678	—	92 678	25 390	67 288
1988	150 523	(1 833)	(121 731)	6 279 *(d)*	(115 452)	26 983	(142 435)
1987	185 493	(54 272)	165 171	—	165 171	42 749	122 422
1981	86 310	(15 491)	83 137	10 807 *(e)*	93 944	23 542	70 402

(a) Wholesale revenues, fuel and purchased power, wholesale electric sales and purchased power amounts are restated for 1990 and prior years to reflect a change in reporting of bulk power sales transactions in accordance with FERC requirements.

(b) In 1991, a change in accounting for nuclear plant depreciation was adopted, changing from the units-of-production method to the straight-line method at a 2.5% rate.

(c) Includes write-off of nuclear costs in the amount of $276,955,000 in 1988.

(d) In 1988, a change in the method of accounting for unbilled revenues was adopted.

Year	Electric Sales (millions of KWH): Residential	Commercial	Industrial	Wholesale (a)	Other	Total	Electric Customers (year end): Residential	Commercial	Industrial & Other	Total	Residential Usage: Average KWH Per Customer	Average Price Per KWH	Average Revenue Per Customer
1991	*2 041*	*1 683*	*3 543*	*2 587*	*482*	*10 336*	*254 500*	*26 044*	*4 444*	*284 988*	*7 990*	*11.26¢*	*$897.41*
1990	1 950	1 614	3 617	2 333	496	10 010	253 965	25 822	4 555	284 342	7 692	11.48	882.99
1989	2 017	1 622	3 740	3 138	495	11 012	253 234	25 803	4 434	283 471	7 989	10.71	855.29
1988	2 068	1 579	3 780	2 044	474	9 945	251 590	25 526	4 102	281 218	8 264	9.72	802.87
1987	1 977	1 532	3 589	1 660	464	9 222	249 344	25 170	4 085	278 599	7 969	10.16	809.66
1981	1 919	1 294	3 080	1 585	409	8 287	241 663	23 573	3 844	269 080	7 966	7.23	575.95

Year	Load (MW & %): Operable Capacity at Time of Peak	Peak Load	Capacity Margin	Load Factor	Energy (millions of KWH): Company Generated: Fossil	Nuclear	Total	Purchased Power (a)	Total	Fuel: Fuel Cost Per KWH	Efficiency—BTU Per KWH
1991	*1 758*	*1 510*	*14.1%*	*64.5%*	*4 848*	*6 003*	*10 851*	*95*	*10 946*	*1.44¢*	*10 327*
1990	1 752	1 516	13.5	63.0	5 535	4 219	9 754	902	10 656	1.50	10 220
1989	1 894	1 526	19.4	65.2	5 206	5 552	10 758	788	11 546	1.42	10 293
1988	1 057 *(f)*	1 614	(52.7)	62.8	5 820	3 325	9 145	1 491	10 636	1.59	10 174
1987	1 698	1 484	12.6	64.9	5 916	3 218	9 134	669	9 803	1.45	10 196
1981	1 7[illegible]	1 315	25.8	65.9	5 348	2 142	7 490	1 293	8 783	1.68	10 274

Investment (thousands of dollars)

Year	Utility Plant In Service	Accumulated Depreciation & Amortization	Net Plant	Construction Work In Progress & Perry Unit 2	Nuclear Fuel and Other	Total Property, Plant and Equipment	Utility Plant Additions	Total Assets
1991	*$2 692 274*	*709 505*	*1 982 769*	*396 732*	*197 964*	*$2 577 465*	*$ 53 838*	*$4 014 512*
1990	2 603 883	640 252	1 963 631	436 839	223 872	2 624 342	86 693	4 001 518
1989	2 528 355	564 615	1 963 740	430 340	237 318	2 631 398	73 421	4 138 846
1988	2 438 927	487 546	1 951 381	459 104	262 514	2 672 999	132 083	4 134 672
1987	2 600 511	419 149	2 181 362	374 274	267 069	2 822 705	380 974	4 277 587
1981	1 250 190	252 310	997 880	658 641	21 359 *(g)*	1 677 880	201 000	1 869 967

Capitalization (thousands of dollars & %)

Year	Common Stock Equity		Preferred Stock, with Mandatory Redemption Provisions		Preferred Stock, without Mandatory Redemption Provisions		Long-Term Debt		Total
1991	*$ 887 752*	*38%*	*63 663*	*3%*	*210 000*	*9%*	*1 158 550*	*50%*	*$2 319 965*
1990	880 784	39	66 328	3	210 000	9	1 097 326	49	2 254 438
1989	897 793	38	68 990	3	210 000	9	1 197 277	50	2 374 060
1988	887 442	36	71 155	3	210 000	9	1 291 444	52	2 460 041
1987	1 096 737	39	73 340	3	240 000	8	1 400 292	50	2 810 369
1981	550 176	35	95 500	6	150 000	10	762 584	49	1 558 260

(e) In 1981, an extraordinary gain was realized from the exchange of common stock for bonds.

(f) Capacity data reflects extended generating unit outage for renovation and improvements.

(g) Restated for effects of capitalization of nuclear fuel lease and financing arrangements pursuant to Statement of Financial Accounting Standards 71.

INDEX TO SCHEDULES

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant:					
Electric					
Intangible	$22,035	$12,739	$0	$0	$34,774
Production:					
Steam	1,338,332	80,909	(5,480)	0	1,413,761
Nuclear	5,123,492 (a)	105,296	(1,395)	0	5,227,393
Hydraulic	56,354	(557)	(370)	0	55,427
Other	14,693	48	9	0	14,750
Transmission	694,181	16,667	(631)	0	710,217
Distribution	1,199,941	37,674	(4,439)	0	1,233,176
General	187,191	18,174	(6,644)	0	198,721
Total Utility Plant	8,636,219	270,950	(18,950)	0	8,888,219
Perry Unit 2 (b)	865,149	(14,576)	0	0	850,573
Construction Work in Progress	268,386	(52,531)	0	0	215,855
Nuclear Fuel	927,268	58,513	0	0	985,781
Other Plant	63,524	1,254	(15)	0	64,763
Total Property, Plant and Equipment	$10,760,546	$263,610	($18,965)	$0	$11,005,191

(a) Includes effect of reclassifications to conform with 1991 presentation.

(b) Includes Perry Unit 2 AFUDC subsequent to July 1985. See Schedule VIII.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant:					
Electric					
Intangible	$0	$22,035	$0	$0	$22,035
Production:					
Steam	1,301,892	39,495	(3,055)	0	1,338,332
Nuclear	5,016,127 (a)	131,973 (a)	(24,608)	0	5,123,492 (a)
Hydraulic	56,300	54	0	0	56,354
Other	13,995	749	(51)	0	14,[illegible]3
Transmission	680,080	15,028	(927)	0	694,181
Distribution	1,143,810	62,309	(6,178)	0	1,199,941
General	185,434	3,406	(1,649)	0	187,191
Total Utility Plant	8,397,638	275,049	(36,468)	0	8,636,219
Perry Unit 2 (b)	869,048	(3,899)	0	0	865,149
Construction Work in Progress	288,225	(19,839)	0	0	268,386
Nuclear Fuel	864,821	62,447	0	0	927,268
Other Plant	62,449	1,136	(22)	(39)	63,524
Total Property, Plant and Equipment	$10,482,181	$314,894	($36,490)	($39)	$10,760,546

(a) Includes effect of reclassifications to conform with 1991 presentation.

(b) Includes Perry Unit 2 AFUDC subsequent to July 1985. See Schedule VIII.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1989

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant:					
Electric					
Production:					
Steam	$1,290,036	$17,470	($5,614)	$0	$1,301,892
Nuclear	4,833,173	195,331 (a)	(12,377)	0	5,016,127 (a)
Hydraulic	56,301	(1)	0	0	56,300
Other	13,943	53	(1)	0	13,995
Transmission	677,535	3,559	(1,014)	0	680,080
Distribution	1,094,766	54,837	(5,793)	0	1,143,810
General	177,919	11,529	(4,014)	0	185,434
Total Utility Plant	8,143,673	282,778	(28,813)	0	8,397,638
Perry Unit 2 (b)	866,911	2,137	0	0	869,048
Construction Work in Progress	355,821	(67,596)	0	0	288,225
Nuclear Fuel	815,144	49,677	0	0	864,821
Other Plant	59,945	2,512	(30)	22	62,449
Total Property, Plant and Equipment	$10,241,494	$269,508	($28,843)	$22	$10,482,181

(a) Includes effect of reclassifications to conform with 1991 presentation.
(b) Includes Perry Unit 2 AFUDC subsequent to July 1985. See Schedule VIII.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

		Additions		Deductions		
Description	Balance at Beginning of Period	Charged to Income Statement	Other	Retirements	Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$2,030,437 (a)	$248,231	$3,555 (b)(c)	($18,950)	($3,087)	$2,260,186
- Amortization	8,073	5,679	551 (c)	0	0	14,303
Total Utility Plant	2,038,510	253,9[illegible] (d)	4,106	(18,950)	(3,087)	2,274,489
Other Property - Depreciation	18,072	2,178 (e)	0	0	0	20,250
Total	$2,056,582	$256,088	$4,106	($18,950)	($3,087)	$2,294,739
Nuclear Fuel - Amortization	$404,596	$122,771 (f)	$0	$0	$0	$527,367

(a) Includes effect of reclassifications to conform with 1991 presentation.

(b) Includes nuclear plant decommissioning trust earnings charged to other deferred charges and depreciation charged to construction work in progress.

(c) Transfer from accumulated depreciation to accumulated amortization.

(d) Depreciation and amortization as reported in the Income Statement includes approximately $11 million of amortization of investment tax credits.

(e) Nonutility plant expense charged to other income and deductions, net.

(f) Charged to fuel and purchased power expense.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

		Additions		Deductions		
Description	Balance at Beginning of Period	Charged to Income Statement	Other	Retirements	Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$1,819,850 (a)	$249,381 (a)	$2,685 (b)	($36,468)	($5,011)	$2,030,437 (a)
- Amortization	3,670	4,403	0	0	0	8,073
Total Utility Plant	1,823,520	253,784 (c)	2,685	(36,468)	(5,011)	2,038,510
Other Property - Depreciation	15,132	2,957 (d)	(17)	0	0	18,072
Total	$1,838,652	$256,741	$2,668	($36,468)	($5,011)	$2,056,582
Nuclear Fuel - Amortization	$320,446	$84,150 (e)	$0	$0	$0	$404,596

(a) Includes effect of reclassifications to conform with 1991 presentation.
(b) Depreciation charged to construction work in progress.
(c) Depreciation and amortization as reported in the Income Statement includes approximately $12 million of amortization of investment tax credits.
(d) Nonutility plant expense charged to other income and deductions, net.
(e) Charged to fuel and purchased power expense.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1989

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$1,565,978	$283,821 (a)	$3,595 (b)	($28,813)	($4,731)	$1,819,850 (a)
- Amortization	3,326	344	0	0	0	3,670
Total Utility Plant	1,569,304	284,165 (c)	3,595	(28,813)	(4,731)	1,823,520
Other Property - Depreciation	13,676	1,484 (d)	0	(20)	(8)	15,132
Total	$1,582,980	$285,649	$3,595	($28,833)	($4,739)	$1,838,652
Nuclear Fuel - Amortization	$218,326	$102,120 (e)	$0	$0	$0	$320,446

(a) Includes effect of reclassifications to conform with 1991 presentation.

(b) Depreciation charged to construction work in progress.

(c) Depreciation and amortization as reported in the Income Statement includes approximately $12 million of amortization of investment tax credits.

(d) Nonutility plant expense charged to other income and deductions, net.

(e) Charged to fuel and purchased power expense.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VII - GUARANTEES OF SECURITIES OF OTHER ISSUERS
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Name of Issuer of Securities Guaranteed	Title of Issue (a)	Principal Amount Guaranteed and Outstanding (a)	Nature of Guarantee
Quarto Mining Company (b)(c)	Guaranteed Mortgage Bonds, Due 2000		
	Series A 8.25%	$1,056	Principal and Interest
	Series B 9.70%	1,030	Principal and Interest
	Series C 9.40%	5,152	Principal and Interest
	Series EA 10.25%	1,226	Principal and Interest
	Series FA 10.50%	941	Principal and Interest
	Series G 9.05%	15,554	Principal and Interest
	Series HA 7.75%	10,637	Principal and Interest
	Series HB 8.31%	5,395	Principal and Interest
	Guaranteed Refunding Bonds, Due 1997		
	Series I 7.45%	9,226	Principal and Interest
	Unsecured Note, Interest at prime (8.50% effective 7/1/91 and applicable through 12/31/91) plus 2%, Due 2000	3,726	Principal and Interest
	Equipment Leases	10,430	Termination Value per Agreements
		64,373	
The Ohio Valley Coal Company	First Mortgage Notes		
	Series D--8.00% Due 1992 to 1997	6,400	Principal and Interest
	Series E--10.25% Due 1992 to 1997	3,575	Principal and Interest
	Equipment Leases	5,456	Stipulated Loss Value per Agreements
	Term Notes--9.53% Due 1992 to 1996	2,637	Principal and Interest
	--10.85% Due 1992 to 1997	19,531	Principal and Interest
		37,599	
		$101,972	

(a) None of the securities were owned by the Centerior Utilities; none were held in the treasury of the issuer; and none were in default.

(b) The Operating Companies and the other CAPCO Group Companies have agreed to guarantee severally, and not jointly, their proportionate shares of Quarto Mining Company debt and lease obligations incurred while developing and equipping the mines. The amounts shown are the Operating Companies' proportionate share of the total obligations.

(c) Includes the effect of a Quarto Mining Company refinancing completed on January 2, 1992. The proceeds from the issuance of Series HA, HB and I Bonds on December 30,1991 were used to refund Series D, EB, EC, ED, FB and FC Guaranteed Mortgage Bonds on January 2, 1992.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Deductions from Reserves	Deductions: Other	Balance at End of Period
Reflected as Reductions to the Related Assets:						
Accumulated Provision for Uncollectible Accounts (Deduction from Amounts Due from Customers and Others)						
1991	$3,026	$20,567 (a)	$3,192 (b)	$23,082 (a)(c)	$0	$3,703
1990	2,276	18,739 (a)	2,805 (b)	20,794 (a)(c)	0	3,026
1989	7,001	9,429 (a)	2,000 (b)	16,154 (a)(c)	0	2,276
Reflected as Reserves on the Balance Sheet:						
Reserve for Perry Unit 2 Allowance for Funds Used During Construction						
1991	$212,693	$0	$0	$0	$0	$212,693
1990	212,693	0	0	0	0	212,693
1989	212,693	0	0	0	0	212,693

(a) Includes a provision and corresponding write-off of uncollectible accounts of $6,020,000, $5,895,000 and $2,598,000 in 1991, 1990 and 1989, respectively, relating to customers which qualify for the PUCO mandated Percentage of Income Payment Plan. Such uncollectible accounts are recovered through a separate PUCO approved surcharge tariff.

(b) Collection of accounts previously written off.

(c) Uncollectible accounts written off.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989

(Thousands of Dollars)

Category	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period	Average Daily Weighted Amount Outstanding During the Period	Average Daily Weighted Interest Rate During the Period
Commercial Paper					
1991	$0	0.0%	$170,900	$61,781 (a)	7.4% (b)
1990	110,310	9.4	163,20[illegible]	88,870 (a)	8.7 (b)
1989	0	0.0	55,000	5,534 (a)	9.8 (b)

(a) Computed by dividing the total of the daily outstanding balances for the year by 365 days.
(b) Computed by dividing total interest expense for the year by the average daily balance outstanding.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989

(Thousands of Dol'ars)

Item	1991	1990	1989
·aintenance and Repairs -- Charged to Operating Expenses	$174,121	$202,248	$187,559
Taxes, Other Than Payroll and Income Taxes:			
Charged to Operating Expenses:			
Real and Personal Property Taxes	$163,123	$145,980	$136,477
Ohio State ·ise Taxes	106,672	101,918	92,877
Other	11,883	8,850	9,199
Total Charged to Operating Expenses	281,678	256,748	238,553
Total Charged to Nonoperating Income	684	719	759
Total	$282,362	$257,467	$239,312

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant:					
Electric					
Intangible	$18,499	$3,963	$0	$0	$22,462
Production:					
Steam	1,046,921	63,374	(5,480)	0	1,104,815
Nuclear	3,405,230 (a)	56,601	(723)	0	3,461,108
Hydraulic	56,354	(557)	(370)	0	55,427
Other	7,967	99	9	0	8,075
Transmission	547,300	14,518	(630)	0	561,188
Distribution	833,153	27,823	(3,584)	0	857,392
General	116,912	11,184	(2,618)	0	125,478
Total Utility Plant	6,032,336	177,005	(13,396)	0	6,195,945
Perry Unit 2 (b)	521,464	(13,658)	0	0	507,806
Construction Work in Progress	175,232	(13,342)	0	0	161,890
Nuclear Fuel	520,762	31,172	0	0	551,934
Other Plant	60,221	461	(15)	0	60,667
Total Property, Plant and Equipment	$7,310,015	$181,638	($13,411)	$0	$7,478,242

(a) Includes effect of reclassifications to conform with 1991 presentation.
(b) Includes Perry Unit 2 AFUDC subsequent to July 1985. See Schedule VIII.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant:					
Electric					
Intangible	$0	$18,499	$0	$0	$18,499
Production:					
Steam	1,017,617	32,353	(3,049)	0	1,046,921
Nuclear	3,346,223 (a)	80,329	(21,322)	0	3,405,230 (a)
Hydraulic	56,300	54	0	0	56,354
Other	7,287	731	(51)	0	7,967
Transmission	534,813	13,381	(894)	0	547,300
Distribution	792,438	46,167	(5,452)	0	833,153
General	114,605	3,342	(1,035)	0	116,912
Total Utility Plant	5,869,283	194,856	(31,803)	0	6,032,336
Perry Unit 2 (b)	523,294	(1,830)	0	0	521,464
Construction Work in Progress	203,639	(28,407)	0	0	175,232
Nuclear Fuel	482,092	3[illegible],670	0	0	520,762
Other Plant	59,107	1,136	(22)	0	60,221
Total Property, Plant and Equipment	$7,137,415	$204,425	($31,825)	$0	$7,310,015

(a) Includes effect of reclassifications to conform with 1991 presentation.
(b) Includes Perry Unit 2 AFUDC subsequent to July 198[illegible]. See Schedule VIII.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1989

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant:					
Electric					
Production:					
Steam	$1,013,636	$9,595	($5,614)	$0	$1,017,617
Nuclear	3,235,716	110,507 (a)	0	0	3,346,223 (a)
Hydraulic	56,301	(1)	0	0	56,300
Other	7,287	1	(1)	0	7,287
Transmission	526,820	9,004	(1,011)	0	534,813
Distribution	754,650	43,212	(5,424)	0	792,438
General	110,336	8,275	(4,006)	0	114,605
Total Utility Plant	5,704,746	180,593	(16,056)	0	5,869,283
Perry Unit 2 (b)	523,785	(491)	0	0	523,294
Construction Work in Progress	239,843	(36,204)	0	0	203,639
Nuclear Fuel	453,654	28,438	0	0	482,092
Other Plant	56,625	2,512	(30)	0	59,107
Total Property, Plant and Equipment	$6,978,653	$174,848	($16,086)	$0	$7,137,415

(a) Includes effect of reclassifications to conform with 1991 presentation.
(b) Includes Perry Unit 2 AFUDC subsequent to July 1985. See Schedule VIII.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$1,391,080 (a)	$173,126	$1,794 (b)(c)	($13,396)	$266	$1,552,870
- Amortization	7,178	4,385	551 (c)	0	0	12,114
Total Utility Plant	1,398,258	177,511 [illegible]	[illegible]	(13,396)	266	1,564,984
Other Property - Depreciation	16,793	2,040 (e)	-	0	0	18,833
Total	$1,415,051	$179,551	$2,[illegible]45	($13,396)	$266	$1,583,817
Nuclear Fuel - Amortization	$219,938	$68,867 (f)	$0	$0	$0	$288,805

(a) Includes effect of reclassifications to conform with 1991 presentation.

(b) Nuclear plant decommissioning trust earnings charged to other deferred charges and depreciation charged to construction work in progress.

(c) Transfer from accumulated depreciation to accumulated amortization.

(d) Depreciation and amortization as reported in the Income Statement includes approximately $7 million of amortization of investment tax credits.

(e) Nonutility plant expense charged to other income and deductions, net.

(f) Charged to fuel and purchased power expense.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$1,255,235 (a)	$174,744 (a)	$843 (b)	($31,803)	($7,939)	$1,391,080 (a
- Amortization	3,670	3,508	0	0	0	7,178
Total Utility Plant	1,258,905	178,252 (c)	843	(31,803)	(7,939)	1,398,258
Other Property - Depreciation	13,915	2,878 (d)	0	0	0	16,793
Total	$1,272,820	$181,130	$843	($31,803)	($7,939)	$1,415,051
Nuclear Fuel - Amortization	$172,910	$47,028 (e)	$0	$0	$0	$219,938

(a) Includes effect of reclassifications to conform with 1991 presentation.

(b) Depreciation charged to construction work in progress.

(c) Depreciation and amortization as reported in the Income Statement includes approximately $9 million of amortization of investment tax credits.

(d) Nonutility plant expense charged to other income and deductions, net.

(e) Charged to fuel and purchased power expense.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1989

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$1,078,432	$194,876 (a)	$1,737 (b)	($16,056)	($3,754)	$1,255,235 (a)
- Amortization	3,326	344	0	0	0	3,670
Total Utility Plant	1,081,758	195,220 (c)	1,737	(16,056)	(3,754)	1,258,905
Other Property - Depreciation	12,508	1,435 (d)	0	(20)	(8)	13,915
Total	$1,094,266	$196,655	$1,737	($16,076)	($3,762)	$1,272,820
Nuclear Fuel - Amortization	$117,198	$55,712 (e)	$0	$0	$0	$172,910

(a) Includes effect of reclassifications to conform with 1991 presentation.
(b) Depreciation charged to construction work in progress.
(c) Depreciation and amortization as reported in the Income Statement includes approximately $8 million of amortization of investment tax credits.
(d) Nonutility plant expense charged to other income and deductions, net.
(e) Charged to fuel and purchased power expense.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VII - GUARANTEES OF SECURITIES OF OTHER ISSUERS
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Name of Issuer of Securities Guaranteed	Title of Issue (a)	Principal Amount Guaranteed and Outstanding (a)	Nature of Guarantee
Quarto Mining Company (b)(c)	Guaranteed Mortgage Bonds, Due 2000		
	Series A 8.25%	$707	Principal and Interest
	Series B 9.70%	690	Principal and Interest
	Series C 9.40%	3,451	Principal and Interest
	Series EA 10.25%	766	Principal and Interest
	Series FA 10.50%	588	Principal and Interest
	Series G 9.05%	9,575	Principal and Interest
	Series HA 7.75%	6,549	Principal and Interest
	Series HB 8.31%	3,322	Principal and Interest
	Guaranteed Refunding Bonds, Due 1997		
	Series I 7.45%	5,680	Principal and Interest
	Unsecured Note, Interest at prime (8.50% effective 7/1/91 and applicable through 12/31/91) plus 2%, Due 2000	2,329	Principal and Interest
	Equipment Leases	6,987	Termination Value per Agreements
		40,644	
The Ohio Valley Coal Company	First Mortgage Notes		
	Series D--8.00% Due 1992 to 1997	6,400	Principal and Interest
	Series E--10.25% Due 1992 to 1997	3,575	Principal and Interest
	Equipment Leases	5,456	Stipulated Loss Value per Agreements
	Term Notes--9.53% Due 1992 to 1996	2,637	Principal and Interest
	--10.85% Due 1992 to 1997	19,531	Principal and Interest
		37,599	
		$78,243	

(a) None of the securities were owned by Cleveland Electric; none were held in the treasury of the issuer; and none were in default.

(b) Cleveland Electric and the other CAPCO Group Companies have agreed to guarantee severally, and not jointly, their proportionate shares of Quarto Mining Company debt and lease obligations incurred while developing and equipping the mines. The amounts shown are Cleveland Electric's proportionate share of the total obligations.

(c) Includes the effect of a Quarto Mining Company refinancing completed on January 2, 1992. The proceeds from the issuance of Series HA, HB and I Bonds on December 30,1991 were used to refund Series D, EB, EC, ED, FB and FC Guaranteed Mortgage Bonds on January 2, 1992.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989

(Thousands of Dollars)

		Additions		Deductions		
Description	Balance at Beginning of Period	Charged to Income Statement	Other	Deductions from Reserves	Other	Balance at End of Period
Reflected as Reductions to the Related Assets:						
Accumulated Provision for Uncollectible Accounts (Deduction from Amounts Due from Customers and Others)						
1991	$1,826	$15,669 (a)	$1,686 (b)	$16,868 (a)(c)	$0	$2,313
1990	926	15,207 (a)	1,628 (b)	15,935 (a)(c)	0	1,826
1989	6,026	5,742 (a)	1,062 (b)	11,904 (a)(c)	0	926
Reflected as Reserves on the Balance Sheet:						
Reserve for Perry Unit 2 Allowance for Funds Used During Construction						
1991	$124,398	$0	$0	$0	$0	$124,398
1990	124,398	0	0	0	0	124,398
1989	124,398	0	0	0	0	124,398

(a) Includes a provision and corresponding write-off of uncollectible accounts of $5,616,000, $5,597,000 and $2,[illegible],000 in 1991, 1990 and 1989, respectively, relating to customers which qualify for the PUCO mandated Percentage of Income Payment Plan. Such uncollectible accounts are recovered through a separate PUCO approved surcharge tariff.

(b) Collection of accounts previously written off.

(c) Uncollectible accounts written off.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989

(Thousands of Dollars)

Category	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period	Average Daily Weighted Amount Outstanding During the Period	Average Daily Weighted Interest Rate During the Period
Commercial Paper					
1991	$0	0.0%	$133,100	$45,825 (a)	7.5% (b)
1990	87,110	9.5	140,000	87,584 (a)	8.7 (b)
1989	0	0.0	55,000	5,534 (a)	9.8 (b)

(a) Computed by dividing the total of the daily outstanding balances for the year by 365 days.
(b) Computed by dividing total interest expense for the year by the average daily balance outstanding.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989

(Thousands of Dollars)

Item	1991	1990	1989
Maintenance and Repairs -- Charged to Operating Expenses	$115,816	$138,085	$126,778
Taxes, Other Than Payroll and Income Taxes:			
Charged to Operating Expenses:			
Real and Personal Property Taxes	$119,613	$106,776	$100,007
Ohio State Excise Taxes	73,644	69,770	63,870
Other	11,366	6,742	6,476
Total Charged to Operating Expenses	204,623	183,288	170,353
Total Charged to Nonoperating Income	593	628	668
Total	$205,216	$183,916	$171,021

THE TOLEDO EDISON COMPANY

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant:					
Electric					
Intangible	$3,536	$8,776	$0	$0	$12,312
Production:					
Steam	291,411	17,535	0	0	308,946
Nuclear	1,718,262 (a)	48,695	(672)	0	1,766,285
Other	6,726	(51)	0	0	6,675
Transmission	146,881	2,149	(1)	0	149,029
Distribution	366,788	9,851	(855)	0	375,784
General	70,279	6,990	(4,026)	0	73,243
Total Utility Plant	2,603,883	93,945	(5,554)	0	2,692,274
Perry Unit 2 (b)	343,685	(918)	0	0	342,767
Construction Work in Progress	93,154	(39,189)	0	0	53,965
Nuclear Fuel	406,506	27,341	0	0	433,847
Other Plant	3,303	793	0	0	4,096
Total Property, Plant and Equipment	$3,450,531	$81,972	($5,554)	$0	$3,526,949

(a) Includes effect of reclassifications to conform with 1991 presentation.
(b) Includes Perry Unit 2 AFUDC subsequent to July 1985. See Schedule VIII.

THE TOLEDO EDISON COMPANY

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant:					
Electric					
Intangible	$0	$3,536	$0	$0	$3,536
Production:					
Steam	284,275	7,142	(6)	0	291,411
Nuclear	1,669,904 (a)	51,644 (a)	(3,286)	0	1,718,262 (a)
Other	6,700	18	0	0	6,726
Transmission	145,267	1,647	(33)	0	146,881
Distribution	351,372	16,142	(726)	0	366,788
General	70,829	64	(614)	0	70,279
Total Utility Plant	2,528,355	80,193	(4,665)	0	2,603,883
Perry Unit 2 (b)	345,754	(2,069)	0	0	343,685
Construction Work in Progress	84,586	8,568	0	0	93,154
Nuclear Fuel	382,729	23,777	0	0	406,506
Other Plant	3,342	0	0	(39)	3,303
Total Property, Plant and Equipment	$3,344,766	$110,469	($4,665)	($39)	$3,450,531

(a) Includes effect of reclassifications to conform with 1991 presentation.
(b) Includes Perry Unit 2 AFUDC subsequent to July 1985. See Schedule VIII.

THE TOLEDO EDISON COMPANY

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1989

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant:					
Electric					
Production:					
Steam	$276,400	$7,875	$0	$0	$284,275
Nuclear	1,597,457	84,824 (a)	(12,377)	0	1,669,904 (a)
Other	6,656	52	0	0	6,708
Transmission	150,715	(5,445)	(3)	0	145,267
Distribution	340,116	11,625	(369)	0	351,372
General	67,583	3,254	(8)	0	70,829
Total Utility Plant	2,438,927	102,185	(12,757)	0	2,528,355
Perry Unit 2 (b)	343,126	2,628	0	0	345,754
Construction Work in Progress	115,978	(31,392)	0	0	84,586
Nuclear Fuel	361,490	21,239	0	0	[illegible]2,729
Other Plant	3,320	0	0	22	3,342
Total Property, Plant and Equipment	$3,262,841	$94,660	($12,757)	$22	$3,344,766

(a) Includes effect of reclassifications to conform with 19[illegible] presentation.
(b) Includes Perry Unit 2 AFUDC subsequent to July 1985. See Schedule VIII.

THE TOLEDO EDISON COMPANY

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

scription	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
ility Plant:						
lectric - Depreciation	$639,357 (a)	$75,105	$1,761 (b)	($5,554)	($3,353)	$707,316
- Amortization	895	1,294	0	0	0	2,189
Total Utility Plant	640,252	76,399 (c)	1,761	(5,554)	(3,353)	709,505
er Property - Depreciation	1,279	138 (d)	0	0	0	1,417
Total	$641,531	$76,537	$1,761	($5,554)	($3,353)	$710,922
lear Fuel - Amortization	$184,658	$53,904 (e)	$0	$0	$0	$238,562

(a) Includes effect of reclassifications to conform with 1991 presentation.
(b) Includes nuclear plant decommissioning trust earnings charged to other deferred charges and depreciation charged to construction work in progress.
(c) Depreciation and amortization as reported in the Income Statement includes approximately $4 million of amortization of investment tax credits.
(d) Nonutility plant expense charged to other income and deductions, net.
(e) Charged to fuel and purchased power expense.

THE TOLEDO EDISON COMPANY

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$564,615 (a)	$74,637 (a)	$1,842 (b)	($4,665)	$2,928	$639,357
- Amortization	0	895	0	0	0	895
Total Utility Plant	564,615	75,532 (c)	1,842	(4,665)	2,928	640,252
Other Property - Depreciation	1,217	79 (d)	(17)	0	0	1,279
Total	$565,832	$75,611	$1,825	($4,665)	$2,928	$641,531
Nuclear Fuel - Amortization	$147,536	$37,122 (e)	$0	$0	$0	$184,658

(a) Includes effect of reclassifications to conform with 1991 presentation.

(b) Depreciation charged to construction work in progress.

(c) Depreciation and amortization as reported in the Income Statement includes approximately $3 million of amortization of investment tax credits.

(d) Nonutility plant expense charged to other income and deductions, net.

(e) Charged to fuel and purchased power expense.

THE TOLEDO EDISON COMPANY

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1989

(Thousands of Dollars)

escription	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
tility Plant:						
Electric - Depreciation	$487,546	$88,945 (a)(b)	$1,858 (c)	($12,757)	($977)	$564,615 (a)
ther Property - Depreciation	1,168	49 (d)	0	0	0	1,217
Total	$488,714	$88,994	$1,858	($12,757)	($977)	$565,832
uclear Fuel - Amortization	$101,128	$46,408 (e)	$0	$0	$0	$147,536

(a) Includes effect of reclassifications to conform with 1991 presentation.

(b) Depreciation and amortization as reported in the Income Statement includes approximately $4 million of amortization of investment tax credits.

(c) Depreciation charged to construction work in progress.

(d) Nonutility plant expense charged to other income and deductions, net.

(e) Charged to fuel and purchased power expense.

THE TOLEDO EDISON COMPANY

SCHEDULE VII - GUARANTEES OF SECURITIES OF OTHER ISSUERS
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Name of Issuer of Securities Guaranteed	Title of Issue (a)	Principal Amount Guaranteed and Outstanding (a)	Nature of Guarantee
Quarto Mining Company (b)(c)	Guaranteed Mortgage Bonds, Due 2000		
	Series A 8.25%	$349	Principal and Interest
	Series B 9.70%	340	Principal and Interest
	Series C 9.40%	1,701	Principal and Interest
	Series EA 10.25%	460	Principal and Interest
	Series FA 10.50%	353	Principal and Interest
	Series G 9.05%	5,979	Principal and Interest
	Series HA 7.75%	4,088	Principal and Interest
	Series HB 8.31%	2,073	Principal and Interest
	Guaranteed Refunding Bonds, Due 1997		
	Series I 7.45%	3,546	Principal and Interest
	Unsecured Note, Interest at prime (8.50% effective 7/1/91 and applicable through 12/31/91) plus 2%, Due 2000	1,397	Principal and Interest
	Equipment Leases	3,443	Termination Value per Agreements
		$23,729	

(a) None of the securities were owned by Toledo Edison; none were held in the treasury of the issuer; and none were in default.

(b) Toledo Edison and the other CAPCO Group Companies have agreed to guarantee severally, and not jointly, their proportionate shares of Quarto Mining Company debt and lease obligations incurred while developing and equipping the mines. The amounts shown are Toledo Edison's proportionate share of the total obligations.

(c) Includes the effect of a Quarto Mining Company refinancing completed on January 2, 1992. The proceeds from the issuance of Series HA, HB and I Bonds on December 30,1991 were used to refund Series D, EB, EC, ED, FB and FC Guaranteed Mortgage Bonds on January 2, 1992.

THE TOLEDO EDISON COMPANY

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989

(Thousands of Dollars)

		Additions		Deductions		
Description	Balance at Beginning of Period	Charged to Income Statement	Other	Deductions from Reserves	Other	Balance at End of Period
Reflected as Reductions to the Related Assets:						
Accumulated Provision for Uncollectible Accounts (Deduction from Amounts Due from Customers and Others)						
1991	$1,200	$4,898 (a)	$1,506 (b)	$6,214 (a)(c)	$0	$1,390
1990	1,350	3,532 (a)	1,177 (b)	4,859 (a)(c)	0	1,200
1989	975	3,687 (a)	938 (b)	4,250 (a)(c)	0	1,350
Reflected as Reserves on the Balance Sheet:						
Reserve for Perry Unit 2 Allowance for Funds Used During Construction						
1991	$88,295	$0	$0	$0	$0	$88,295
1990	88,295	0	0	0	0	88,295
1989	88,295	0	0	0	0	88,295

(a) Includes a provision and corresponding write-off of uncollectible accounts of $404,000, $298,000 and $591,000 in 1991, 1990 and 1989, respectively, relating to customers which qualify for the PUCO mandated Percentage of Income Payment Plan. Such uncollectible accounts are recovered through a separate PUCO approved surcharge tariff.

(b) Collection of accounts previously written off.

(c) Uncollectible accounts written off.

THE TOLEDO EDISON COMPANY

SCHEDULE IX - SHORT-TERM BORROWINGS
FOR THE YEA'S ENDED DECEMBER 31, 1991, 1990 AND 1989

(Thousands of Dollars)

Category	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period	Average Daily Weighted Amount Outstanding During the Period	Average Daily Weighted Interest Rate During the Period
Commercial Paper					
1991	$0	0.0%	$45,000	$15,956 (a)	7.1% (b)
1990	23,200	9.1	23,200	1,285 (a)	9.1 (b)
1989	0	0.0	0	0 (a)	0.0 (b)

(a) Computed by dividing the total of the daily outstanding balances for the year by 365 days.

(b) Computed by dividing total interest expense for the year by the average daily bε ance outstanding.

THE TOLEDO EDISON COMPANY

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989

(Thousands of Dollars)

Item	1991	1990	1989
Maintenance and Repairs -- Charged to Operating Expenses	$58,305	$64,163	$60,781
Taxes, Other Than Payroll and Income Taxes:			
Charged to Operating Expenses:			
Real and Personal Property Taxes	$43,510	$39,204	$36,470
Ohio State Excise Taxes	33,028	32,148	29,007
Other	4,217	2,325	1,902
Total Charged to Operating Expenses	80,755	73,677	67,379
Total Charged to Nonoperating Income	91	91	91
Total	$80,846	$73,768	$67,470

EXHIBIT INDEX

The exhibits designated with an asterisk (*) are filed herewith. The exhibits not so designated have previously been filed with the SEC in the file indicated in parenthesis following the description of such exhibits and are incorporated herein by reference.

COMMON EXHIBITS

(The following documents are exhibits to the reports of Centerior Energy, Cleveland Electric and Toledo Edison.)

Exhibit Number	Document
10b(1)(a)	CAPCO Administration Agreement dated November 1, 1971, as of September 14, 1967, among the CAPCO Group members regarding the organization and procedures for implementing the objectives of the CAPCO Group (Exhibit 5(p), Amendment No. 1, File No. 2-42230, filed by Cleveland Electric).
10b(1)(b)	Amendment No. 1, dated January 4, 1974, to CAPCO Administration Agreement among the CAPCO Group members (Exhibit 5(c)(3), File No. 2-68906, filed by Ohio Edison).
10b(2)	CAPCO Transmission Facilities Agreement dated November 1, 1971, as of September 14, 1967, among the CAPCO Group members regarding the installation, operation and maintenance of transmission facilities to carry out the objectives of the CAPCO Group (Exhibit 5(q), Amendment No. 1, File No. 2-42230, filed by Cleveland Electric).
10b(3)	CAPCO Basic Operating Agreement as Amended September 1, 1980 among the CAPCO Group members regarding coordinated operation of the members' systems (Exhibit 10.24, 1980 Form 10-K, File No. 1-956, filed by Duquesne).
10b(4)	Agreement dated September 1, 1980 for the Termination or Construction of Certain Agreements by and among the CAPCO Group members (Exhibit 10.25, 1980 Form 10-K, File No. 1-956, filed by Duquesne).
10b(5)	Construction Agreement, dated July 22, 1974, among the CAPCO Group members and relating to the Perry Nuclear Plant (Exhibit 5(yy), File No. 2-52251, filed by Toledo Edison).
10b(6)	Contract, dated as of December 5, 1975, among the CAPCO Group members for the construction of Beaver Valley Unit No. 2 (Exhibit 5(g), File No. 2-52996, filed by Cleveland Electric).
10b(7)	Amendment No. 1, dated May 1, 1977, to Contract, dated as of December 5, 1975, among the CAPCO Group members for the construction of Beaver Valley Unit No. 2 (Exhibit 5(d)(4), File No. 2-60109, filed by Ohio Edison).
10b(8)	Contract, dated May 24, 1976, among the CAPCO Group members for the operation of Beaver Valley Unit No. 2 (Exhibit 5(d)(4), File No. 2-56944, filed by Pennsylvania Power).

Exhibit Number	Document
10b(9)	Amendment No. 1, dated May 1, 1977, to Contract, dated May 24, 1976, among the CAPCO Group members for the operation of Beaver Valley Unit No. 2 (Exhibit 5(d)(6), File No. 2-60109, filed by Ohio Edison).
10b(10)	Addendum No. 1, dated November 1, 1980, to Contract, dated May 24, 1976, as amended among the CAPCO Group members for the operation of Beaver Valley Unit No. 2 (Exhibit 10-9, File No. 2-68906, filed by Ohio Edison).
10b(11)	Amendment No. 1, dated August 1, 1981, to CAPCO Basic Operating Agreement as Amended September 1, 1980 among the CAPCO Group members (Exhibit 10.27, 1981 Form 10-K, File No. 1-956, filed by Duquesne).
10b(12)	Amendment No. 2, dated September 1, 1982, to CAPCO Basic Operating Agreement as Amended September 1, 1980 among the CAPCO Group members (Exhibit 10.29, 1982 Form 10-K, File No. 1-956, filed by Duquesne).
10c(1)	Participation Agreement, dated as of October 1, 1973, among Quarto, the CAPCO Group members, Energy Properties, Inc., General Electric Credit Corporation, the Loan Participants listed in Schedules A and B thereto, Central National Bank of Cleveland, as Owner Trustee, National City Bank, as Loan Trustee, and National City Bank, as Bond Trustee (Exhibit 5(z), File No. 2-59794, filed by Toledo Edison).
10c(2)	Amendment No. 1, dated as of September 15, 1978, to Participation Agreement, dated as of October 1, 1973, among the same parties as Exhibit 10c(1) (Exhibit 5(e)(2), File No. 2-68906, filed by Pennsylvania Power).
10c(3)	Participation Agreement No. 2, dated as of August 1, 1974, among the same parties as Exhibit 10c(1) (Exhibit 5(h)(2), File No. 2-53059, filed by Ohio Edison).
10c(4)	Amendment No. 1, dated as of September 15, 1978, to Participation Agreement No. 2, dated as of August 1, 1974 among the same parties as Exhibit 10c(1) (Exhibit 5(e)(4), File No. 2-68906, filed by Pennsylvania Power).
10c(5)	Participation Agreement No. 3, dated as of September 15, 1978, among the same parties as Exhibit 10c(1) (Exhibit 5(uu), File No. 2-64609, filed by Toledo Edison).
10c(6)	Participation Agreement No. 4, dated as of October 31, 1980, among Quarto, the CAPCO Group members, the Loan Participants listed in Schedule A thereto, and National City Bank, as Bond Trustee (Exhibit 10-16, File No. 2-68906, filed by Ohio Edison).
10c(7)	Lease and Agreement, dated as of June 7, 1973, as amended and restated as of October 1, 1973, between Central National Bank of Cleveland, as Trustee, and Quarto, together with Guaranty, dated as October 1, 1973, with respect thereto by the CAPCO Group members (Exhibit 5(aa), File No. 2-59794, filed by Toledo Edison).

Exhibit Number	Document
10c(8)	Trust Indenture and Mortgage, dated as of October 1, 1973, between Quarto and National City Bank, as Bond Trustee, together with Guaranty, dated as of October 1, 1973, with respect thereto by the CAPCO Group members (Exhibit 5(bb), File No. 2-59794, filed by Toledo Edison).
10c(9)	Amendment No. 1, dated as of August 1, 1974, to Trust Indenture and Mortgage, dated as of October 1, 1973, between Quarto and National City Bank, as Bond Trustee, together with Amendment No. 1, dated August 1, 1974, to Guaranty, dated as of October 1, 1973, with respect thereto by the CAPCO Group members (Exhibit 5(L)(2), File No. 2-53059, filed by Ohio Edison).
10c(10)	Amendment No. 2, dated as of September 15, 1978, to Trust Indenture and Mortgage, dated as of October 1, 1973, as amended, between Quarto and National City Bank, as Bond Trustee, together with Amendment No. 2, dated as of September 15, 1978, to Guaranty, dated as of October 1, 1973, with respect thereto by the CAPCO Group members (Exhibits 5(e)(11) and 5(e)(12), File No. 2-68906, filed by Pennsylvania Power).
10c(11)	Amendment No. 3, dated as of October 31, 1980, to Trust Indenture and Mortgage, dated as of October 1, 1973, as amended, between Quarto and National City Bank, as Bond Trustee (Exhibit 10-16, File No. 2-68906, filed by Ohio Edison).
10c(12)	Amendment No. 3, dated as of October 31, 1980, to Guaranty, dated as of October 1, 1973, with respect to the CAPCO Group members (Exhibit 10-18, File No. 2-68906, filed by Ohio Edison).
10c(13)	Open-End Mortgage, dated as of October 1, 1973, between Quarto and the CAPCO Group members and Amendment No. 1 thereto, dated as of September 15, 1978 (Exhibit 10-5, File No. 2-68906, filed by Ohio Edison).
10c(14)	Agreement, dated October 20, 1981, among the CAPCO Group members regarding the use of Quarto coal at Mansfield Units 1, 2 and 3 (Exhibit 10(ff), 1981 Form 10-K, File No. 1-3583, filed by Toledo Edison).
10c(15)	Agreement, dated July 1, 1982, among the CAPCO Group members reallocating the rights and liabilities of the members with respect to certain uranium supply contracts (Exhibit 10(ff), 1982 Form 10-K, File No. 1-3583, filed by Toledo Edison).
10d(1)(a)	Form of Collateral Trust Indenture among CTC Beaver Valley Funding Corporation, Cleveland Electric, Toledo Edison and Irving Trust Company, as Trustee (Exhibit 4(a), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(1)(b)	Form of Supplemental Indenture to Collateral Trust Indenture constituting Exhibit 10d(1)(a) above, including form of Secured Lease Obligation Bond (Exhibit 4(b), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).

Exhibit Number	Document
10d(2)(a)	Form of Collateral Trust Indenture among CTC Mansfield Funding Corporation, Cleveland Electric, Toledo Edison and IBJ Schroder Bank & Trust Company, as Trustee (Exhibit 4(a), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(2)(b)	Form of Supplemental Indenture to Collateral Trust Indenture constituting Exhibit 10d(2)(a) above, including forms of Secured Lease Obligation Bonds (Exhibit 4(b), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(3)(a)	Form of Facility Lease dated as of September 15, 1987 between The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the limited partnership Owner Participant named therein, Lessor, and Cleveland Electric and Toledo Edison, Lessees (Exhibit 4(c), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(3)(b)	Form of Amendment No. 1 to Facility Lease constituting Exhibit 10d(3)(a) above (Exhibit 4(e), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(4)(a)	Form of Facility Lease dated as of September 15, 1987 between The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the corporate Owner Participant named therein, Lessor, and Cleveland Electric and Toledo Edison, Lessees (Exhibit 4(d), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(4)(b)	Form of Amendment No. 1 to Facility Lease constituting Exhibit 10d(4)(a) above (Exhibit 4(f), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(5)(a)	Form of Facility Lease dated as of September 30, 1987 between Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Lessor, and Cleveland Electric and Toledo Edison, Lessees (Exhibit 4(c), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(5)(b)	Form of Amendment No. 1 to the Facility Lease constituting Exhibit 10d(5)(a) above (Exhibit 4(f), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(6)(a)	Form of Participation Agreement dated as of September 15, 1987 among the limited partnership Owner Participant named therein, the Original Loan Participants listed in Schedule 1 thereto, as Original Loan Participants, CTC Beaver Valley Funding Corporation, as Funding Corporation, The First National Bank of Boston, as Owner Trustee, Irving Trust Company, as Indenture Trustee, and Cleveland Electric and Toledo Edison, as Lessees (Exhibit 28(a), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(6)(b)	Form of Amendment No. 1 to Participation Agreement constituting Exhibit 10d(6)(a) above (Exhibit 28(c), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).

Exhibit Number	Document
10d(7)(a)	Form of Participation Agreement dated as of September 15, 1987 among the corporate Owner Participant named therein, the Original Loan Participants listed in Schedule 1 thereto, as Original Loan Participants, CTC Beaver Valley Funding Corporation, as Funding Corporation, The First National Bank of Boston, as Owner Trustee, Irving Trust Company, as Indenture Trustee, and Cleveland Electric and Toledo Edison, as Lessees (Exhibit 28(b), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(7)(b)	Form of Amendment No. 1 to Participation Agreement constituting Exhibit 10d(7)(a) above (Exhibit 28(d), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(8)(a)	Form of Participation Agreement dated as of September 30, 1987 among the Owner Participant named therein, the Original Loan Participants listed in Schedule II thereto, as Original Loan Participants, CTC Mansfield Funding Corporation, Meridian Trust Company, as Owner Trustee, IBJ Schroder Bank & Trust Company, as Indenture Trustee, and Cleveland Electric and Toledo Edison, as Lessees (Exhibit 28(a), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(8)(b)	Form of Amendment No. 1 to the Participation Agreement constituting Exhibit 10d(8)(a) above (Exhibit 28(b), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(9)	Form of Ground Lease dated as of September 15, 1987 between Toledo Edison, Ground Lessor, and The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the Owner Participant named therein, Tenant (Exhibit 28(e), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(10)	Form of Site Lease dated as of September 30, 1987 between Toledo Edison, Lessor, and Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Tenant (Exhibit 28(c), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(11)	Form of Site Lease dated as of September 30, 1987 between Cleveland Electric, Lessor, and Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Tenant (Exhibit 28(d), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(12)	Form of Amendment No. 1 to the Site Leases constituting Exhibits 10d(10) and 10d(11) above (Exhibit 4(f), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).

Exhibit Number	Document
10d(13)	Form of Assignment, Assumption and Further Agreement dated as of September 15, 1987 among The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the Owner Participant named therein, Cleveland Electric, Duquesne, Ohio Edison, Pennsylvania Power and Toledo Edison (Exhibit 28(f), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(14)	Form of Additional Support Agreement dated as of September 15, 1987 between The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the Owner Participant named therein, and Toledo Edison (Exhibit 28(g), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(15)	Form of Support Agreement dated as of September 30, 1987 between Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named there, Toledo Edison, Cleveland Electric, Duquesne, Ohio Edison and Pennsylvania Power (Exhibit 28(e), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(16)	Form of Indenture, Bill of Sale, Instrument of Transfer and Severance Agreement dated as of September 30, 1987 between Toledo Edison, Seller, and The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the Owner Participant named therein, Buyer (Exhibit 28(h), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(17)	Form of Bill of Sale, Instrument of Transfer and Severance Agreement dated as of September 30, 1987 between Toledo Edison, Seller, and Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Buyer (Exhibit 28(f), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(18)	Form of Bill of Sale, Instrument of Transfer and Severance Agreement dated as of September 30, 1987 between Cleveland Electric, Seller, and Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Buyer (Exhibit 28(g), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
18(a)	Lett [illegible]rding change in accounting principles (Exhibit 18, [illegible]ne 30, 1988 Form 10-Q, File Nos. 1-9130, 1-2323 and 1-[illegible]3).
18(b)	Letter regarding change in accounting principles (Exhibit 18, June 30, 1991 Form 10-Q, File Nos. 1-9130, 1-2323 and 1-3583).
28(a)	Financial Statements of the Centerior Energy Corporation Employee Savings Plan for the fiscal year ended December 31, 1991 (to be filed by amendment).

CENTERIOR ENERGY EXHIBITS

Exhibit Number	Document
3a	Amended Articles of Incorporation of Centerior Energy effective April 29, 1986 (Exhibit 4(a), File No. 33-4790).
3b	Regulations of Centerior Energy effective April 28, 1987 (Exhibit 3b, 1987 Form 10-K, File No. 1-9130).
10a	*Indemnity Agreements between Centerior and certain of its current directors and officers.
10e(2)	Employment and Consulting Agreement, dated November 30, 1989, with P. M. Smart regarding his employment with Toledo Edison through August 31, 1990 and his providing consulting services to Centerior and Toledo Edison for the period September 1, 1990 through January 31, 1994 (Exhibit 10e(2), 1989 Form 10-K, File No. 1-9130).
22	List of subsidiaries (Exhibit 22, 1986 Form 10-K, File No. 1-9130).
24a	*Consent of Independent Accountants.
24b	*Consent of Counsel for Centerior Energy.
25	*Powers of Attorney and certified resolution of Centerior Energy's Board of Directors authorizing the signing on behalf of Centerior pursuant to a power of attorney.

CLEVELAND ELECTRIC EXHIBITS

Exhibit Number	Document
3a	*Amended Articles of Incorporation of Cleveland Electric, effective October 30, 1987.
3b	Regulations of Cleveland Electric, dated April 29, 1981, as amended effective October 1, 1988 and April 24, 1990 (Exhibit 3b, 1990 Form 10-K, File No. 1-2323).
4b(1)	Mortgage and Deed of Trust between Cleveland Electric and Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York), as Trustee, dated July 1, 1940 (Exhibit 7(a), File No. 2-4450).
	Supplemental Indentures between Cleveland Electric and the Trustee, supplemental to Exhibit 4b(1), dated as follows:

Exhibit Number	Document
4b(2)	July 1, 1940 (Exhibit 7(b), File No. 2-4450).
4b(3)	August 18, 1944 (Exhibit 4(c), File No. 2-9887).
4b(4)	December 1, 1947 (Exhibit 7(d), File No. 2-7306).
4b(5)	September 1, 1950 (Exhibit 7(c), File No. 2-8587).
4b(6)	June 1, 1951 (Exhibit 7(f), File No. 2-8994).
4b(7)	May 1, 1954 (Exhibit 4(d), File No. 2-10830).
4b(8)	March 1, 1958 (Exhibit 2(a)(4), File No. 2-13839).
4b(9)	April 1, 1959 (Exhibit 2(a)(4), File No. 2-147[illegible]).
4b(10)	December 20, 1967 (Exhibit 2(a)[illegible], File No. [illegible]59).
4b(11)	January 15, 1969 (Exhibit 2(a)(5), File No. 2-3[illegible]).
4b(12)	November 1, 1969 (Exhibit 2(a)(4), File No. 2-[illegible]8).
4b(13)	June 1, 1970 (Exhibit 2(a)(4), File No. 2-37235).
4b(14)	November 15, 1970 (Exhibit 2(a)(4), File No. 2-38460).
4b(15)	May 1, 1974 (Exhibit 2(a)(4), File No. 2-50537).
4b(16)	April 15, 1975 (Exhibit 2(a)(4), File No. 2-52995).
4b(17)	April 16, 1975 (Exhibit 2(a)(4), File No. 2-53309).
4b(18)	May 28, 1975 (Exhibit 2(c), June 5, 1975 Form 8-A, File No. 1-2323).
4b(19)	February 1, 1976 (Exhibit 3(d)(6), 1975 Form 10-K, File No. 1-2323).
4b(20)	November 23, 1976 (Exhibit 2(a)(4), File No. 2-57375).
4b(21)	July 26, 1977 (Exhibit 2(a)(4), File No. 2-59401).
4b(22)	September 27, 1977 (Exhibit 2(a)(5), File No. 2-67221).
4b(23)	May 1, 1978 (Exhibit 2(b), June 30, 1978 Form 10-Q, File No. 1-2323).
4b(24)	September 1, 1979 (Exhibit 2(a), September 30, 1979 Form 10-Q, File No. 1-2323).
4b(25)	April 1, 1980 (Exhibit 4(a)(2), September 30, 1980 Form 10-[illegible] File No. 1-2323).
4b(26)	April 15, 1980 (Exhibit 4(b), September 30, 1980 Form 10-Q, File No. 1-2323).
4b(27)	May 28, 1980 (Exhibit 2(a)(4), Amendment No. 1, File No. 2-67221).
4b(28)	June 9, 1980 (Exhibit 4(d), September 30, 1980 Form 10-Q, File No. 1-2323).
4b(29)	December 1, 1980 (Exhibit 4(b)(29), 1980 Form 10-K, File No. 1-2323).
4b(30)	July 28, 1981 (Exhibit 4(a), September 30, 1981, Form 10-Q, File No. 1-2323).
4b(31)	August 1, 1981 (Exhibit 4(b), September 30, 1981, Form 10-Q, File No. 1-2323).
4b(32)	March 1, 1982 (Exhibit 4(b)(3), Amendment No. 1, File No. 2-76029).
4b(33)	July 15, 1982 (Exhibit 4(a), September 30, 1982 Form 10-Q, File No. 1-2323).
4b(34)	September 1, 1982 (Exhibit 4(a)(1), September 30, 1982 Form 10-Q, File No. 1-2323).
4b(35)	November 1, 1982 (Exhibit 4(a)(2), September 30, 1982 Form 10-Q, File No. 1-2323).
4b(36)	November 15, 1982 (Exhibit 4(b)(36), 1982 Form 10-K, File No. 1-2323).

Exhibit Number	Document
4b(37)	May 24, 1983 (Exhibit 4(a), June 30, 1983 Form 10-Q, File No. 1-2323).
4b(38)	May 1, 1984 (Exhibit 4, June 30, 1984 Form 10-Q, File No. 1-2323).
4b(39)	May 23, 1984 (Exhibit 4, May 22, 1984 Form 8-K, File No. 1-2323).
4b(40)	June 27, 1984 (Exhibit 4, June 11, 1984 Form 8-K, File No. 1-2323).
4b(41)	September 4, 1984 (Exhibit 4b(41), 1984 Form 10-K, File No. 1-2323).
4b(42)	November 14, 1984 (Exhibit 4b(42), 1984 Form 10-K, File No. 1-2323).
4b(43)	November 15, 1984 (Exhibit 4b(43), 1984 Form 10-K, File No. 1-2323).
4b(44)	April 15, 1985 (Exhibit 4(a), May 8, 1985 Form 8-K, File No. 1-2323).
4b(45)	May 28, 1985 (Exhibit 4(b), May 8, 1985 Form 8-K, File No. 1-2323).
4b(46)	August 1, 1985 (Exhibit 4, September 30, 1985 Form 10-Q, File No. 1-2323).
4b(47)	September 1, 1985 (Exhibit 4, September 30, 1985 Form 8-K, File No. 1-2323).
4b(48)	November 1, 1985 (Exhibit 4, January 31, 1986 Form 8-K, File No. 1-2323).
4b(49)	April 15, 1986 (Exhibit 4, March 31, 1986 Form 10-Q, File No. 1-2323).
4b(50)	May 14, 1986 (Exhibit 4(a), June 30, 1986 Form 10-Q, File No. 1-2323).
4b(51)	May 15, 1986 (Exhibit 4(b), June 30, 1986 Form 10-Q, File No. 1-2323).
4b(52)	February 25, 1987 (Exhibit 4b(52), 1986 Form 10-K, File No. 1-2323).
4b(53)	October 15, 1987 (Exhibit 4, September 30, 1987 Form 10-Q, File No. 1-2323).
4b(54)	February 24, 1988 (Exhibit 4b(54), 1987 Form 10-K, File No. 1-2323).
4b(55)	September 15, 1988 (Exhibit 4b(55), 1988 Form 10-K, File No. 1-2323).
4b(56)	May 15, 1989 (Exhibit 4(a)(2)(i), File No. 33-32724).
4b(57)	June 13, 1989 (Exhibit 4(a)(2)(ii), File No. 33-32724).
4b(58)	October 15, 1989 (Exhibit 4(a)(2)(iii), File No. 33-32724).
4b(59)	January 1, 1990 (Exhibit 4b(59), 1989 Form 10-K, File No. 1-2323).
4b(60)	June 1, 1990 (Exhibit 4(a), September 30, 1990 Form 10-Q, File No. 1-2323).
4b(61)	August 1, 1990 (Exhibit 4(b), September 30, 1990 Form 10-Q, File No. 1-2323).
4b(62)	May 1, 1991 (Exhibit 4(a), June 30, 1991 Form 10-Q, File No. 1-2323).

Exhibit Number	Document
10a	Indemnity Agreements between Cleveland Electric and certain of its current directors (Exhibit 10a, 1988 Form 10-K, File No. 1-2323).
10a(1)	Key Employee Incentive Stock Plan (Exhibit 4(d), File No. 2-37309).
10a(2)	1978 Key Employee Stock Option Plan (Exhibit 1, File No. 2-61712).
22	*List of subsidiaries.
24a	*Consent of Independent Accountants.
24b	*Consent of Counsel for Cleveland Electric.
25	Powers of Attorney and certified resolution of Cleveland Electric's Board of Directors authorizing the signing on behalf of Cleveland Electric pursuant to a power of attorney (Exhibit 25(a), File No. 33-46665).

TOLEDO EDISON EXHIBITS

Exhibit Number	Document
3a	Amended Articles of Incorporation of Toledo Edison effective September 25, 1986 (Exhibit 3a, 1986 Form 10-K, File No. 1-3583).
3a(1)	Certificate of Amendment effective July 31, 1987 to Amended Articles of Incorporation of Toledo Edison (Exhibit 3a(1), 1988 Form 10-K, File No. 1-3583).
3b	Code of Regulations of Toledo Edison dated January 28, 1987, as amended effective July 1 and October 1, 1988 and April 24, 1990 (Exhibit 3b, 1990 Form 10-K, File No. 1-3583).
4b(1)	Indenture, dated as of April 1, 1947, between the Company and The Chase National Bank of the City of New York (now The Chase Manhattan Bank (National Association)) (Exhibit 2(b), File No. 2-26908).
	Supplemental Indentures between Toledo Edison and the Trustee, Supplemental to Exhibit 4b(1), dated as follows:
4b(2)	September 1, 1948 (Exhibit 2(d), File No. 2-26908).
4b(3)	April 1, 1949 (Exhibit 2(e), File No. 2-26908).
4b(4)	December 1, 1950 (Exhibit 2(f), File No. 2-26908).
4b(5)	March 1, 1954 (Exhibit 2(g), File No. 2-26908).
4b(6)	February 1, 1956 (Exhibit 2(h), File No. 2-26908).
4b(7)	May 1, 1958 (Exhibit 5(g), File No. 2-59794).

Exhibit Number	Document
4b(8)	August 1, 1967 (Exhibit 2(c), File No. 2-26908).
4b(9)	November 1, 1970 (Exhibit 2(c), File No. 2-38569).
4b(10)	August 1, 1972 (Exhibit 2(c), File No. 2-44873).
4b(11)	November 1, 1973 (Exhibit 2(c), File No. 2-49428).
4b(12)	July 1, 1974 (Exhibit 2(c), File No. 2-51429).
4b(13)	October 1, 1975 (Exhibit 2(c), File No. 2-54627).
4b(14)	June 1, 1976 (Exhibit 2(c), File No. 2-56396).
4b(15)	October 1, 1978 (Exhibit 2(c), File No. 2-62568).
4b(16)	September 1, 1979 (Exhibit 2(c), File No. 2-65350).
4b(17)	September 1, 1980 (Exhibit 4(s), File No. 2-69190).
4b(18)	October 1, 1980 (Exhibit 4(c), File No. 2-69190).
4b(19)	April 1, 1981 (Exhibit 4(c), File No. 2-71580).
4b(20)	November 1, 1981 (Exhibit 4(c), File No. 2-74485).
4b(21)	June 1, 1982 (Exhibit 4(c), File No. 2-77763).
4b(22)	September 1, 1982 (Exhibit 4(x), File No. 2-87323).
4b(23)	April 1, 1983 (Exhibit 4(c), March 31, 1983 Form 10-Q, File No. 1-3583).
4b(24)	December 1, 1983 (Exhibit 4(x), 1983 Form 10-K, File No. 1-3583).
4b(25)	April 1, 1984 (Exhibit 4(c), File No. 2-90059).
4b(26)	October 15, 1984 (Exhibit 4(z), 1984 Form 10-K, File No. 1-3583).
4b(27)	October 15, 1984 (Exhibit 4(aa), 1984 Form 10-K, File No. 1-3583).
4b(28)	August 1, 1985 (Exhibit 4(dd), File No. 33-1689).
4b(29)	August 1, 1985 (Exhibit 4(ee), File No. 33-1689).
4b(30)	December 1, 1985 (Exhibit 4(c), File No. 33-1689).
4b(31)	March 1, 1986 (Exhibit 4(b)(31), 1986 Form 10-K, File No. 1-3583).
4b(32)	October 15, 1987 (Exhibit 4, September 30, 1987 Form 10-Q, File No. 1-3583).
4b(33)	September 15, 1988 (Exhibit 4b(33), 1988 Form 10-K, File No. 1-3583).
4b(34)	June 15, 1989 (Exhibit 4b(34), 1989 Form 10-K, File No. 1-3583).
4b(35)	October 15, 1989 (Exhibit 4b(35), 1989 Form 10-K, File No. 1-3583).
4b(36)	May 15, 1990 (Exhibit 4, June 30, 1990 Form 10-Q, File No. 1-3583).
4b(37)	March 1, 1991 (Exhibit 4(b), June 30, 1991 Form 10-Q, File No. 1-3583).
10a	Indemnity Agreements between Toledo Edison and certain of its current directors (Exhibit 10a, 1988 Form 10-K, File No. 1-3583).
10e(2)	Employment and Consulting Agreement, dated November 30, 1989, with P. M. Smart regarding his employment with Toledo Edison through August 31, 1990 and his providing consulting services to Centerior and Toledo Edison for the period September 1, 1990 through January 31, 1994 (Exhibit 10e(2), 1989 Form 10-K, File No. 1-9130).

Exhibit Number	Document
24a	*Consent of Independent Accountants.
24b	*Consent of Counsel for Toledo Edison.
25	Powers or Attorney and certified resolution of Toledo Edison's Board of Directors authorizing the signing on behalf of Toledo Edison pursuant to a power of attorney (Exhibit 25(b), File No. 33-46665).
28(b)	Financial Statements of The Toledo Edison Company Savings Incentive Plan for the fiscal year ended December 31, 1991 (to be filed by amendment).

Pursuant to Paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K, the Registrants have not filed as an exhibit to this Form 10-K any instrument with respect to long-term debt if the total amount of securities authorized thereunder does not exceed 10% of the total assets of the applicable Registrant and its subsidiaries on a consolidated basis, but each hereby agrees to furnish to the Securities and Exchange Commission on request any such instruments.

Pursuant to Rule 14a-3(b)(10) under the Securities Exchange Act of 1934, copies of exhibits filed by the Registrants with this Form 10-K will be furnished by the Registrants to share owners upon written request and upon receipt in advance of the aggregate fee for preparation of such exhibits at a rate of $.25 per page, plus any postage or shipping expenses which would be incurred by the Registrants.