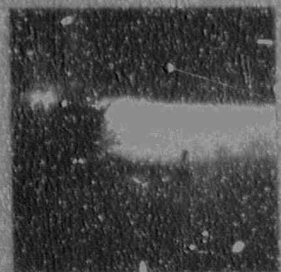
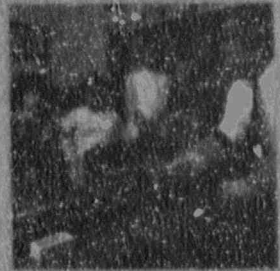
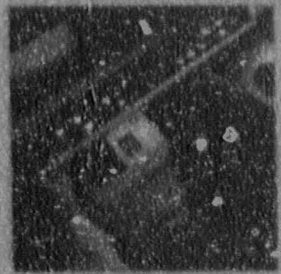




EDISON 1991 ANNUAL REPORT



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THE OHIO EDISON SYSTEM IS THE 18TH LARGEST INVESTOR-OWNED ELECTRIC SYSTEM IN THE UNITED STATES. BASED ON TOTAL KILOWATT-HOUR SALES OHIO EDISON COMPANY IS HEADQUARTERED IN AKRON, OHIO, AND ITS WHOLLY OWNED SUBSIDIARY, PENNSYLVANIA POWER COMPANY, IS BASED IN NEW CASTLE, PENNSYLVANIA. THE COMPANIES PROVIDE ELECTRIC SERVICE TO MORE THAN ONE MILLION CUSTOMERS WITHIN 9,000 SQUARE MILES OF CENTRAL AND NORTHEASTERN OHIO AND WESTERN PENNSYLVANIA.

**SERVICE AREA**

Ohio Edison Company and Pennsylvania Power Company



**CONTENTS**

- 1. Message To Shareholders
- 2. Our History
- 3. Financial Review
- 4. STOCKHOLDERS INFORMATION
- 41. Directors and Management

## HIGHLIGHTS

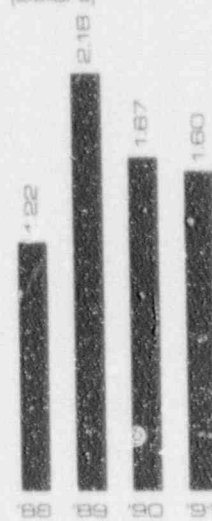
(Dollars in thousands, except per share amounts)

	1991	1990
<b>OPERATING PERFORMANCE</b>		
Retail Kilowatt-Hour Sales (Millions)	24,257	23,913
Average Annual Residential Kilowatt-Hour Use	8,498	8,159
Customers Served (December 31)	1,044,464	1,035,416
Peak Load (Megawatts)	5,513	5,394
Generating Unit Equivalent Availability	81.9%	80.4%
Number of Employees	6,481	6,792
<b>FINANCIAL PERFORMANCE</b>		
Operating Revenues	\$2,358,946	\$2,240,646
Operating Expenses	\$1,171,684	\$1,194,403
Operating Income	\$550,452	\$510,279
Interest and Other Charges	\$324,017	\$329,520
Earnings per Common Share	\$1.60	\$1.67
Dividends per Common Share	\$1.50	\$1.73
Market Price per Common Share (December 31)	\$20.50	\$17.13
Internally Generated Cash	\$686,864	\$531,453
Capital Expenditures	\$235,622	\$270,993

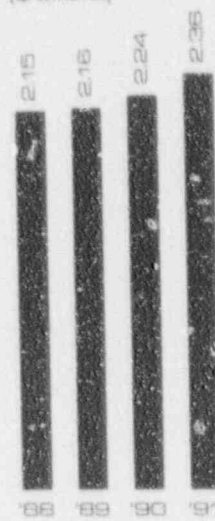
RETURN ON  
AVERAGE  
COMMON EQUITY  
(Percent)



EARNINGS PER  
SHARE  
(Dollars)



OPERATING  
REVENUES  
(\$ Billions)





We made hard-earned progress in 1991.

We achieved record retail sales in the midst of a weak economy, kept operating costs below 1990 levels, and significantly improved our cash flow.

Our 1991 earnings of \$1.60 per share were down from the previous year's earnings of \$1.67 per share. Even so, last year's earnings reflect solid performance, considering revenue levels allowed by the Public Utilities Commission of Ohio.

We have good reason to feel positive about the future. And, with our improved cash flow, we believe that the common stock dividend is secure.

During the year, we took a number of aggressive steps to keep our costs in line and strengthen our financial position. These measures included:

- Reducing our capital expenditures by \$35 million from the previous year;

- Redeeming or refinancing more than \$485 million of securities, lowering our costs by nearly \$7 million annually;

- Restructuring the debt associated with the Perry Plant lease transaction, which will reduce our annual lease payments by some \$6 million; and,

- Operating with 311 fewer employees than we had in 1990, saving an estimated \$10 million annually.

We also initiated several new projects that will enhance our competitive position in the years ahead:

- We're receiving international recognition for an innovative project at our plant in Toronto, Ohio, where we're burning whole scrap tires with coal to generate electricity. In June, we received approval from the Ohio Environmental Protection Agency to move forward on the project. Last year, we burned more than 50,000 tires at the plant. We plan to eventually burn up to six million scrap tires a year, recovering the energy equivalent of 330,000 barrels of oil. The project increases our revenues through fees received for scrap tires, reduces our customers' bills by lowering fuel costs, and addresses growing environmental problems associated with tire piles.

- We're placing ourselves in a strong position to meet one of the most critical challenges facing our industry—compliance with the Clean Air Act Amendments. We signed three new contracts in 1991 that enable us to specify the sulfur content of coal we receive from our suppliers. They can either meet our requirements or provide

offsetting emission allowances to keep our units in compliance. This unique feature ensures that coal availability will not limit our options as we finalize our clean-air compliance strategy.

Our previous investments in environmental protection will serve us well. And we intend to remain flexible—whether we're negotiating new coal contracts or investing in new clean coal technologies—to minimize the impact of compliance on our stockholders and customers.

Another project represents a potential new source of energy for our Company and other electric utilities. In October, we reached a conditional agreement with Summit Energy Storage, Inc. (SES), to lease capacity from a hydro-electric, pumped-storage plant that SES plans to build at an abandoned limestone mine located in our service area. The project is expected to provide a cost-effective means of meeting peak customer demand for electricity and to generate additional revenue from fees we would receive for transmitting power to other utility participants.

These and other new developments, many of which are outlined later in this report, are building a strong foundation for your Company's future—a future that



will bring significant change, challenge and opportunity.

For example, as part of its efforts to develop a National Energy Strategy, Congress is considering amendments to the Public Utility Holding Company Act (PUHCA) and the Federal Power Act that could have the effect of restructuring the investor-owned electric utility industry. These amendments include provisions for mandatory transmission access, which could enable some privileged customers to bypass local utility service. As a result, the vast majority of businesses and residential customers would be burdened with increased rates and less-reliable service.

We support the efforts of Congress and the Administration to develop a sound, comprehensive national energy plan. However, we strongly oppose any strategy—including PUHCA reform or mandatory access—that threatens our country's electric system, the most reliable and economical in the world.

We have similar concerns about calls for additional, costly environmental controls to address global warming. At this point, most credible scientific evidence has shown little or no rise in global temperature, despite increases in man-made, carbon-

dioxide emissions. The reason may be obvious: As many scientists recognize, nature itself produces more than 95 percent of all greenhouse gases. This illustrates the need for a more realistic and reasoned approach to environmental issues, one based on a recognition that our limited resources should support only those projects that offer worthwhile benefits to the environment.

We will continue to take an active role in debates over issues affecting the future of our Company. At the same time, we intend to stick to the business we know, following clear and well-defined goals that will lead to our future success.

As we look to the future, the keys to our success will continue to be hard work, prudent management, and a pursuit of excellence that serves the best interest of our stockholders, our customers and our employees.



Justin T. Rogers, Jr.  
Chairman and Chief Executive Officer



Willard R. Holland  
President and Chief Operating Officer

March 2, 1992



Justin T. Rogers, Jr.

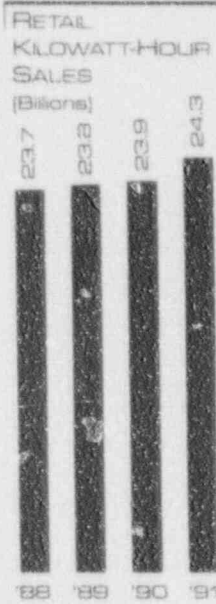
Willard R. Holland

YEAR IN REVIEW



Last year, we began sponsoring Good Cents—a nationally recognized program that specifies high standards for energy-efficient, new home construction.

At our Chemical and Material Applications Center, we test the reliability of our equipment and sample the quality of our water and coal supplies.





## RECORD RETAIL SALES

Despite the recession, we achieved record retail sales in 1991. An additional 9,000 customers and a warmer-than-usual summer helped push residential sales to 7.9 billion kilowatt-hours for the year—a 5.1 percent increase over record sales in 1990. Sales to commercial customers remained a fast-growing market segment, increasing 3.7 percent as the number of businesses served grew by 1,165.

Industrial sales were down only 2.8 percent following the record set in 1990. By contrast, industrial sales in 1982—the low point of the last recession—dropped 18 percent from the previous year. Losses we traditionally expect from our major industries during a recession were offset, to a large extent, by the continued strength of our region's manufacturing exports.

Total kilowatt-hour sales were off 1.3 percent for the year, reflecting a 9.8 percent drop in sales to other utilities as well as the lower industrial sales.

For the sixth consecutive year, our customers set a new peak demand for electricity. The peak was set on August 29, when demand reached 513 megawatts. Since 1985, our system peak demand has increased 35 percent, or 1,429 megawatts.

## SELLING OUTSIDE OUR SYSTEM

Although down for the year, sales to other utilities over the past five years have accounted for more than \$1 billion in revenue. In February, we secured a new agreement with Potomac Electric Power Company (PEPCO) in Washington, D.C., that provides for year-to-year sales of electricity. Under this agreement, PEPCO purchased more than 770 million kilowatt-hours of interruptible power in 1991. Sales to other utilities help ensure the most efficient use of our existing equipment while holding down prices to our retail customers.

## MARKETING EFFORTS EXCEED GOALS

Each year, we work to increase our share of competitive markets, such as residential heating and new commercial and industrial applications. Growth in these markets improves the efficient use of our electric system and enhances the competitive position of the many manufacturers that depend on our service.

Marketing efforts in 1991 took advantage of two encouraging trends in our service area—business activity remained steady, and new residential construction continued to increase, up 4 percent for the year. As a result, we were able to exceed every marketing goal set for 1991. We added 3,550 electrically heated homes, 4,278 residential water heaters

and more than 280 million kilowatt-hours of new commercial and industrial cooking and heating business. This new business should generate more than \$60 million in additional revenue for our Company during the balance of the 1990s.

We also work to promote economic growth in communities throughout our service area. Toward this goal, we continue to offer special, five-year incentive rates to new or expanding businesses that meet criteria related to increased employment and electric sales. In 1991, 29 companies qualified for these rates, creating more than 2,100 jobs and adding \$8.4 million in new revenue each year.

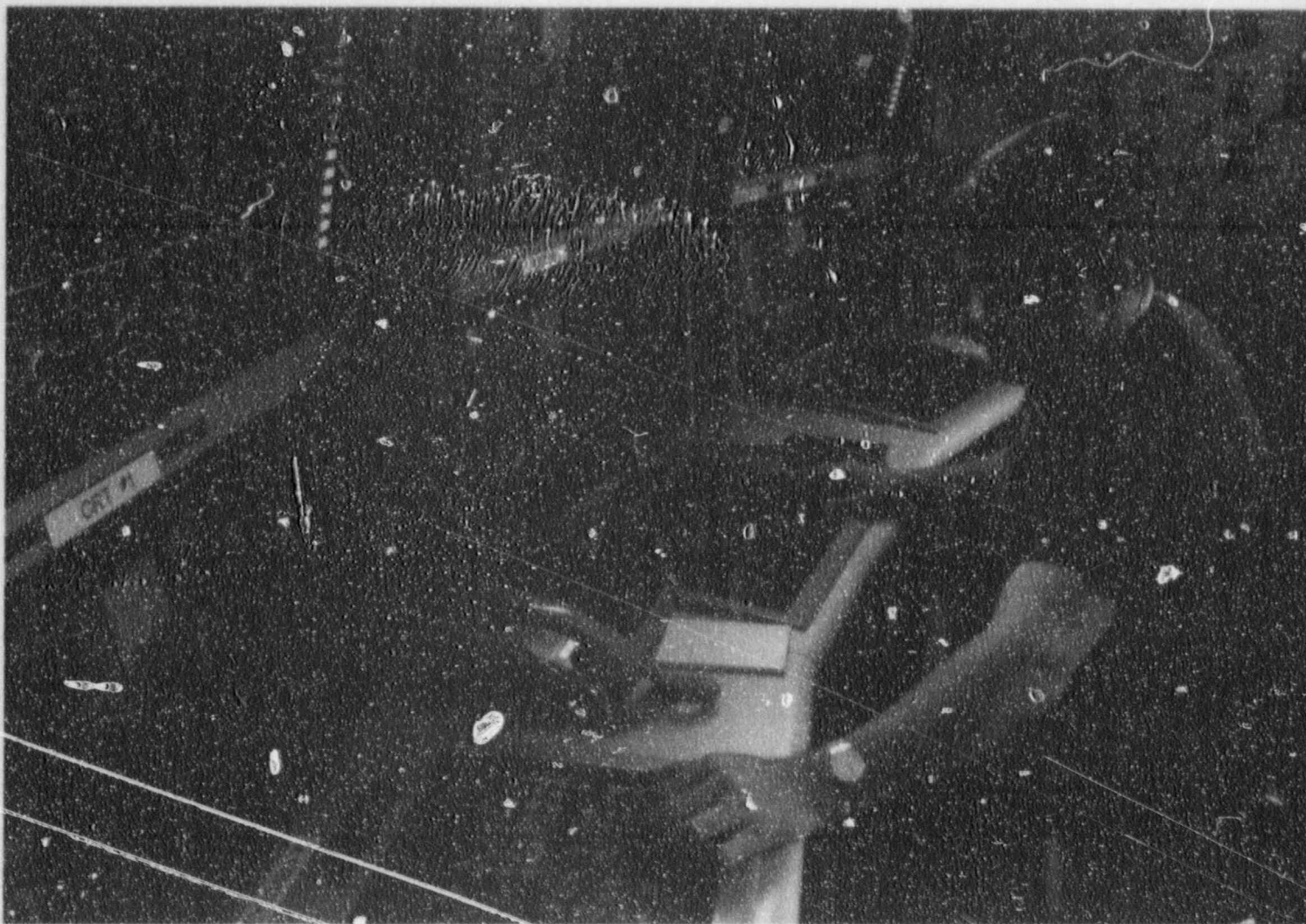
In addition, we work closely with our commercial and industrial customers to make them more aware of new energy-efficient systems that can increase the productivity of their businesses. Through a new program called Energy Teamwork Connection, we contacted 287 companies throughout our service area last year to evaluate their electrical needs and show them how to get the most for their energy dollars.

## DEMAND-SIDE MANAGEMENT

Although it has become the industry catchphrase of the 1990s, demand-side management—the strategy of curbing



Many builders are installing high-efficiency, geothermal heating and cooling systems, called System:GT<sup>®</sup> in new homes such as this one near Medina, Ohio.



A new control room installed in 1991 at our Burger Plant features technologies that will reduce our operating costs by \$1.2 million a year.

demand by encouraging customers to use electricity efficiently—is a tradition at our Company. We have been offering proven demand-side programs for decades, and we continue to promote efficiency and conservation where they make economic sense—for our customers and for the Company. Since the 1950s, we have encouraged efficient use of electricity for lighting, heating, air conditioning and other appliances by offering customers price incentives to shift, or spread out over the day, their use of electricity.

For example, more than 20,000 of our customers now take advantage of Power Commander—a long-standing, demand-side management program that can reduce space- and water-heating costs by up to 50 percent. By enabling us to control the use of electrical equipment in homes throughout our service area, radio-controlled Power Commander units can reduce our peak customer demand for electricity by up to 22 megawatts.

Last year, we introduced two new programs that continue in this tradition—System:GT and Good Cents.

In April, we began promoting System:GT geothermal heating, cooling and water-heating systems. Using pipes buried in the ground or submerged in water, these systems draw upon solar energy stored within the earth to heat and cool homes. In 1991, more than 100 geothermal systems were installed in our service area.

We also began sponsoring Good Cents—a nationally recognized program offering key energy saving guidelines for new home construction. These standards call for extensive insulation and high-efficiency space and water heating. New homes that



meet or exceed the program's energy-efficiency guidelines receive a Good Cents inspection certificate, assuring both current and future owners that the home has passed strict standards for residential energy conservation. Last year, we certified more than 150 new homes in our service area under the Good Cents program.

In addition, we've distributed to our customers more than 50,000 copies of our booklet, "Managing Energy in the '90s," which explains the operating costs of various electrical appliances and provides energy-saving tips. We're also looking closely at a number of pilot proposals—such as hot water conservation, weatherization and new thermal energy storage projects—that may be introduced in the years ahead. Before making them widely available, we will test these programs to measure energy savings, customer acceptance and cost effectiveness. Together, these programs will build on our success in encouraging the wise use of electricity.

#### STRICT COST CONTROLS

In 1991, we took a number of aggressive steps to keep costs in line and to strengthen our financial position.

Through strict cost controls and prudent management, we

kept operating costs below 1990 levels, reducing expenses by nearly \$9 million.

We redeemed or refinanced more than \$485 million of securities, which will lower costs by nearly \$7 million annually. In addition, we restructured the debt associated with the sale-leaseback financing of Perry Unit 1, reducing annual operating costs by some \$6 million.

We streamlined operations at the Bruce Mansfield Plant, saving us approximately \$6 million in annual costs through work force reductions aimed at improving plant efficiency. Another \$4.6 million in annual savings will result from the closing of one of our oldest facilities—the Gorge Plant in Akron—which would have needed additional, costly environmental controls to remain open.

We're operating with 1,400 fewer employees than we had in 1982, yet we're serving nearly 80,000 more customers. By keeping a strong focus on the productivity of our work force, we are getting more done with fewer people.

We trimmed \$59 million from our system improvements budget for 1991, and we are limiting increases in operation and maintenance expenses through 1994 to about half the rate of inflation.

Other cost-saving measures range from the use of advanced

Last year, we distributed to our customers more than 50,000 copies of "Managing Energy in the '90s," a valuable guide to the efficient use of electrical appliances.



The helicopter capped the stocks after the closing of our Gorge Plant.

OPERATION & MAINTENANCE EXPENSES (\$ Billions)





In 1991, we used coal to generate 75 percent of our electricity.

hand-held, computerized meter reading equipment to a successful employee suggestion program. Together, they help us achieve our most important goal—a competitive return to our stockholders.

#### A GOOD INVESTMENT

With growing recognition in the investment community of our improved cash flow, financial stability and operating efficiencies, Ohio Edison common stock has emerged as a solid performer. Over the ten years ending December 31, 1991, the annualized total return on Ohio Edison common stock was 18.0 percent, compared to the Standard & Poor's 500 Composite Stock Index return of 17.5 percent. In this time frame, an investment in Ohio Edison proved to be a good hedge against inflation.

#### TIRE-BURN PROJECT MOVING FORWARD

Our Company reached a landmark in June when we received approval from the Ohio Environmental Protection Agency to install a full-scale system to burn whole, scrap tires at our Toronto Plant in Toronto, Ohio. A first among the nation's investor-owned utilities, the process has the potential to dispose of up to six million scrap tires annually, recovering the energy equivalent of some 330,000 barrels of oil. Our customers directly benefit through lower fuel costs, and our stockholders benefit through new revenue opportunities from disposal fees. OES Fuel, Incorporated—a wholly owned subsidiary formed in 1988—manages the financing and operation of the project.

#### PLANNING AHEAD WITH COAL

With increased competition for our customers' energy dollars, we need to remain flexible in meeting new environmental regulations while holding down the cost of our largest operating expense—coal. Toward that end, we signed three innovative agreements in 1991 that will help us develop a cost-effective, clean-air compliance strategy and ensure adequate supplies of competitively priced coal for our power plants. These coal contracts give us the option of meeting clean-air standards by either using a

new, market-based approach that employs emission allowances provided by our coal suppliers or purchasing from them coal having several different sulfur contents.

In addition, we have developed an improved system of collecting fuel data. The system accurately tracks the tonnage and quality of coal we purchase, helping ensure that we continue to have the lowest-cost fuel supply of any of Ohio's electric companies and that all of our operations are in compliance with clean-air regulations. We intend to market this new system to other utilities.

#### SES PROJECT: MEETING FUTURE PEAK DEMAND

In October, we reached agreement on a major project that would help us make more efficient use of our generating capacity and offer a cost-effective means of meeting future peak demand. The agreement would provide at least 200 megawatts of capacity from a proposed hydroelectric, pumped-storage plant to be built by Summit Energy Storage, Inc. (SES), at an abandoned limestone mine in Norton, Ohio. The agreement is conditional upon receiving regulatory approval and participation by other electric utilities.

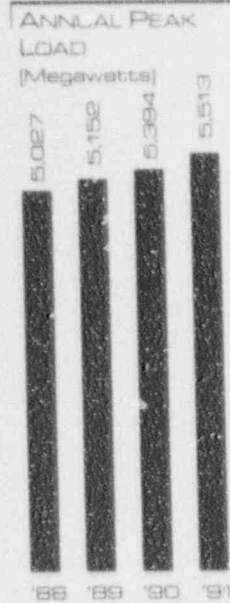
During peak customer demand, electricity would be generated by releasing water stored in



Polymer research being conducted at The University of Akron provides vital support to one of our fastest-growing industrial segments: plastics.



This duct at our Niles Plant is part of a clean-coal research project that is testing a process to reduce emissions of sulfur dioxide and nitrogen oxides.



This abandoned limestone mine in Norton, Ohio, is the site of a proposed hydroelectric, pumped-storage plant.



Company, customer and employee donations through Project Reach have helped keep heat in the homes of thousands of families during the winter season.

a surface reservoir through a mine shaft to turbines located nearly one-half mile underground. The water would be pumped back to the surface reservoir during off-peak, nighttime hours.

Since the \$1.7-billion, 1,500-megawatt project is located in our service area, it also offers a potential new source of revenue for our Company—fees we would receive for transmitting power to other electric utilities that decide to participate. Construction of the plant's six, 250-megawatt units is planned to begin no later than April 1995 and to be completed around the turn of the century.

#### OUR HALLMARK: RELIABLE SERVICE

Maintaining the quality and reliability of service is essential to any electric company. And in this vital area, we're among the best in the industry. Even though the reliability of electric service provided by Ohio Edison has averaged 99.98 percent over the years, we continue to monitor our service reliability. Each year, we evaluate the performance of every transmission line and substation on our system. Our dependable service not only provides a distinct competitive advantage to our industrial customers, but also is a critical asset in homes where electricity is being used in many new ways

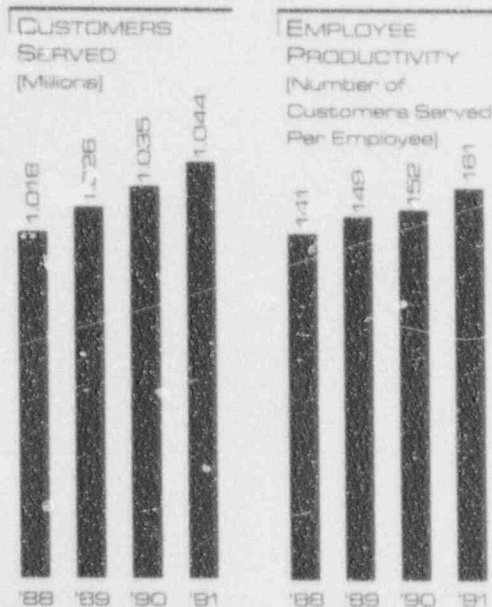
to increase convenience and comfort.

To enhance our system in targeted areas, we spent \$114 million in 1991 on more than 600 transmission and distribution projects that will ensure future reliability.

#### STRONG PLANT PERFORMANCE

One of the best measures of any electric company's productivity is the availability of its generating units. And, by this yardstick, our Company performed well in 1991. In fact, we exceeded our goal for the year, as generating unit availability for our coal-fired units reached 81.9 percent. Key factors behind this strong performance were a continued emphasis on employee training and preventive maintenance, as well as ongoing improvements to our power plants.

Featuring the most advanced systems available, a new control room installed in 1991 at our Burger Plant will ensure the most efficient and economical use of its generating units. Digital, microprocessor-based controls now operate two boilers at the plant. The control room will eventually reduce the Company's operating costs by \$1.2 million a year. In addition, further cost savings at the plant should result from an improved heat rate—that is, from producing more heat with less coal







to make the same amount of electricity.

As part of an overall effort to improve maintenance, we also installed a new, computer-based planning system at the plant—a pilot project that will be extended to our other small- and medium-sized plants beginning in 1992. The system tracks required maintenance, helps identify needed parts, determines the best use of scheduled outage time, and ensures that work is completed efficiently.

We're also taking a more proactive approach to equipment maintenance. Using specialized sensors and computer-based

systems, we can more accurately forecast the remaining life of our equipment and plan for repairs to avoid costly, unscheduled downtime.

#### INVESTING IN OUR EMPLOYEES

Much of our success in 1991 is due to our investments in employee training.

Not far from our Sammis Plant, in Empire, Ohio, we have consolidated most of our production training programs into one facility—a former school building where employees can learn virtually any skill involved in the operation of our power plants.

Programs offered at this facility, as well as at the Bruce Mansfield and Sammis plants, provide employees with more than 40,000 hours of hands-on training a year in hydraulics, control-circuit, troubleshooting, welding, masonry and many other areas. In addition, control room simulators are now available at both the Empire and Bruce Mansfield training facilities, enabling our production employees to perfect the skills needed for the most efficient operation of our power plants.

At our Massillon Employee Training Center, we offer state-of-the-art training in the physical

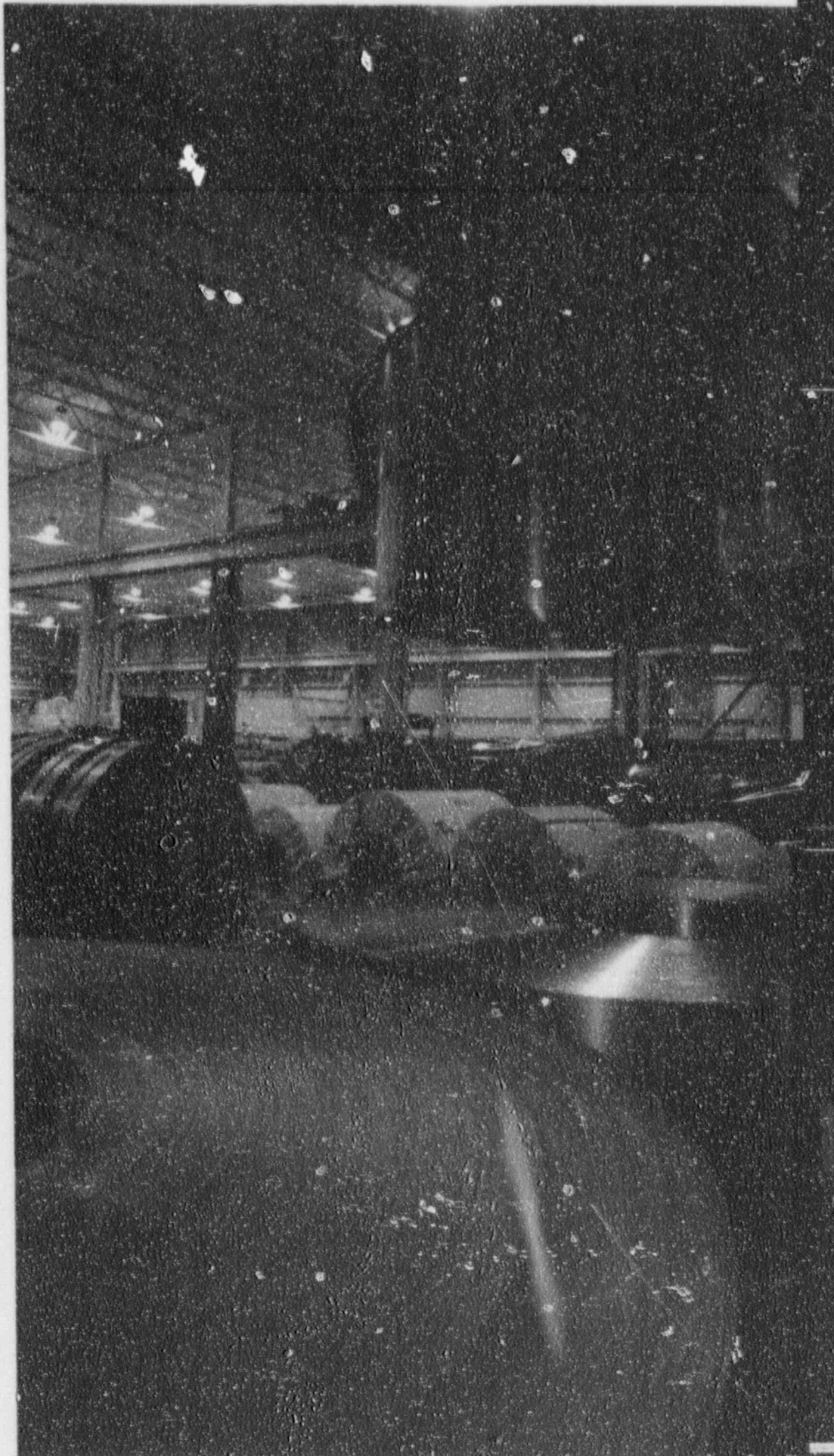
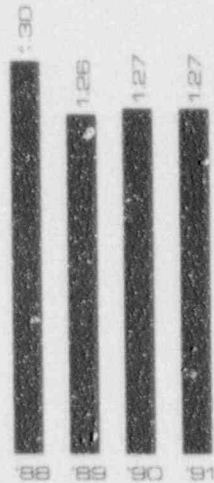
Our Company's environmental commitment ranges from the restoration of wetlands to an ongoing study of fish populations in the Ohio River.

Chemical tests help determine the feasibility of burning refuse-derived fuel—mostly paper left over after recycling—with coal.



Liverpool Coil Processing, Inc., a supplier to the auto industry, is one of 29 companies that took advantage of our economic development rates to expand or locate in our service area last year.

TOTAL FUEL COSTS PER MILLION BTU (Dollars)





and technical skills needed by employees who maintain and construct new transmission and distribution lines, underground facilities and substations. Last year, we added classes that help our truck drivers meet new commercial driver's license requirements. The center also offers a number of training programs for managerial and professional employees. We train an average of 1,200 employees a year at the center, promoting a strong commitment to excellence among our working men and women.

Our training programs also play a key role in our efforts to maintain a safe and healthy work force. Last year, personal injuries were 1.92 occurrences per 200,000 hours worked—3.5 percent fewer than in 1990—and time lost due to sickness and injuries over the same period dropped 22 percent from the previous year.

We will continue to invest in our employees—from the training we provide customer service personnel at our General Office to planned upgrades of service facilities in our Warren, Bay and Akron divisions. Together, these efforts will enhance the quality of service we provide our customers.

#### EMPLOYEES INVEST IN US

An improved savings plan enables our employees to stake a

claim in the future of their Company. With over 600 new enrollments in 1991, more than three of every four employees now participate in the plan, saving an average of 6.4 percent of their income. Employees invested nearly \$1 million in two new options introduced in 1991—the International Index and Ohio Edison Common Stock funds. In addition, a new Employee Stock Ownership Plan enables us to offer more savings benefits to our employees at a lower cost to the Company.

#### FOCUS ON QUALITY SERVICE

Few goals are as important as the quality of service we provide our customers. It's a commitment shared by everyone at our Company, from line workers and meter readers to engineers and accountants.

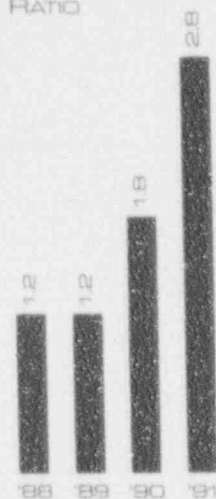
Our efforts to improve service are based on the belief that the more customers value our service, the more they will use our product to meet their needs. And, as our annual customer opinion research illustrates, most of our customers remain satisfied with the quality of our service, as well as the value of our product. For the seventh consecutive year, more than nine of ten customers gave us positive ratings

Last year, we provided our employees with more than 40,000 hours of hands-on training in areas ranging from substation maintenance to worker safety.



Hearing-impaired customers can communicate with us by telephone through a new Telecommunications Device for the Deaf (TDD) system installed last year.

CASH COVERAGE OF COMMON STOCK DIVIDEND RATIO





Our Speakers Bureau volunteers delivered 2,821 energy-related speeches last year to civic, church and school groups.

for our responsiveness to customer inquiries and to service interruptions, and for the value electricity represents in their lives.

#### SERVICE FOR THE HEARING-IMPAIRED

A new system installed in April enables our hearing-impaired customers to communicate with us by telephone. They can call us toll free, using a Telecommunications Device for the Deaf (TDD) system that displays messages on a screen and prints them on paper. Our hearing-impaired customers benefit from clear and

direct access to our service representatives who, in turn, are better equipped to meet the special needs of these customers.

#### REACHING OUT IN TIMES OF CRISIS

Customer service is an ongoing commitment at our Company. The best measure of that commitment is the support we provide during times of crisis. When men and women in our service area—as well as a number of our fellow employees—were called to active duty in Operation Desert Storm, we recognized the financial difficulties that would follow at home. We offered a deferred-payment plan to all

Desert Storm personnel because we wanted the electric bill to be one less thing their families would have to worry about. We provided the same helping hand to farmers who took heavy crop and financial losses because of the 1991 summer drought, allowing them to apply for bill deferrals until next year's harvest. These unique efforts reflect our strong tradition of service that recognizes the importance of each and every customer.

#### COMMUNITY SERVICE

Although our primary concern is providing quality and affordable service to our cus-



tomers, we also sponsor a number of programs that enhance the overall quality of life in the neighborhoods and communities we serve. For example, over the past eight years, we have raised \$1.7 million in donations to support Project Reach—a program that has helped keep heat in the homes of more than 21,000 families during the winter heating season. And since its inception in 1986, our Merit Grant Program has funded nearly 85 innovative projects that have educated more than 5,000 students about the many properties and uses of electricity.

#### OUR ENVIRONMENTAL COMMITMENT

Our Company is dedicated to producing electricity in an environmentally acceptable manner. For years, we've been a leader in environmental innovation, acting responsibly to manage and protect the very resources that sustain, and surround, our generating plants—coal, water, wildlife... and the air we breathe.

Since 1975, we've spent more than \$2 billion on environmental protection. As a result, we are well-positioned to meet the requirements of the Clean Air Act Amendments. In fact, 42 percent of our capacity—nuclear, oil and scrubber-equipped coal-fired units—will require no additional, major control equipment to comply with the new sulfur dioxide regulations.

Our efforts to protect the environment range from our tire-burn operation, which helps reduce our emissions and eliminate unsightly tire piles, to test-burning refuse-derived fuel in combination with coal to produce electricity. In addition, we are participating in more clean-coal research projects than any utility in the nation and remain committed to cutting-edge technologies that can play a vital role in the future of our industry.

We also participate in ongoing environmental studies such as the Ohio River Ecological Research Program. Initiated in 1970, the program studies water quality and fish populations near seven electric generating plants along the river, including our Sammis Plant. Focusing on the power plants' impact on fish and their habitat, the study has determined that the plants have no adverse effect on fish communities. Information from this highly regarded biological study is used extensively by industry, governmental agencies and university scientists.

#### MEETING TOMORROW'S CHALLENGES TODAY

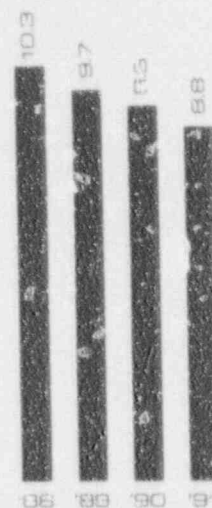
The Clean Air Act Amendments pose significant challenges to electric utilities across the nation. And we are responding to those challenges with timely and resourceful decisions that

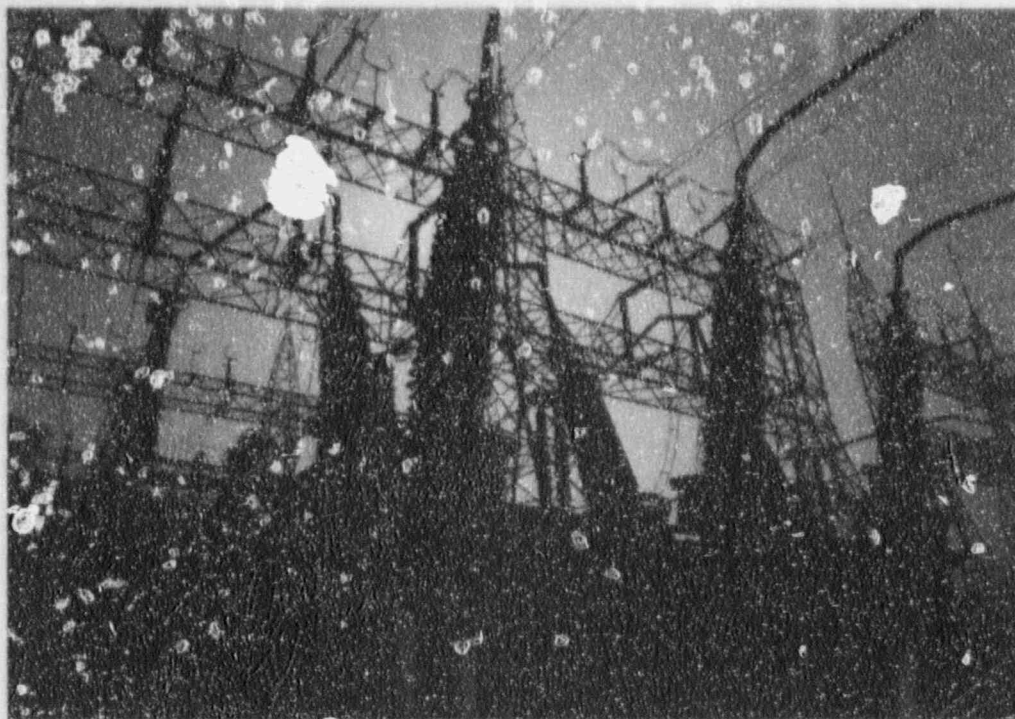
Our tire-burn operation helps lower fuel costs while addressing this growing environmental problem in the communities we serve.



More than 1,200 workers a year hone their physical and technical skills at our Masillon Employee Training Center.

COST OF LONG-TERM DEBT (Percent)





To maintain the reliability of our service, we spent \$114 million in 1991 on more than 500 transmission and distribution projects.



Visitors will soon be able to enjoy recreational activities near Berlin Heights, where we've made available 1,400 acres of our land to Erie MetroParks.

will help us compete in the years ahead. In December, our Company used a regularly scheduled overhaul of a turbine generator and boiler at Sammis Unit 6 as an opportunity to install new "low-NO<sub>x</sub>" burners—another key step in our efforts to comply with future clean-air standards. The burners reduce emissions of nitrogen oxides through proven technology developed over the past decade. And, by acting quickly and decisively, we avoided the high cost of another outage to retrofit these controls.

#### SERVING THE ROLE OF GOOD NEIGHBOR

Our commitment to the environment doesn't always rely on new cutting-edge technologies—sometimes it simply boils down to being a good neighbor to the communities we serve. For example, last year we signed a unique licensing agreement with Erie MetroParks in Erie

County. More than 1,400 acres—some of the most beautiful land in northern Ohio—will soon be available to the public for hiking and biking, cross-country skiing and horseback riding. Named the Edison Woods Reserve, the land is located mainly in Berlin Heights and Vermilion townships. The property was to be the site of a power plant that was ultimately canceled. Soon it will be a first-rate attraction where people of all ages can appreciate the natural beauty of Ohio's "North Coast" region.

#### WORKING TOGETHER TO RESTORE WETLANDS

In 1991, we continued to move forward on an effort to transform part of an ash landfill into a permanent wetland marsh. Although it now stores fly ash from the Edgewater Plant, the 65-acre site in Sheffield Township has been regraded and a variety of ground cover planted to accommodate migratory waterfowl. By the mid-1990s, when the site will no longer be used for ash disposal, the entire area will have been covered and seeded. The project brought together Ohio Edison, the U.S. Army Corps of Engineers, the U.S. Soil Conservation Service, the Ohio Department of Natural Resources and the surrounding community, and it serves as a model of cooperation for the nation's utilities.

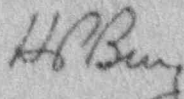


## MANAGEMENT REPORT

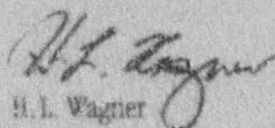
The consolidated financial statements were prepared by the management of Ohio Edison Company, who take responsibility for their integrity and objectivity. The statements were prepared in conformity with generally accepted accounting principles and are consistent with other financial information appearing elsewhere in this report. Arthur Andersen & Co., independent public accountants, have issued a report on the Company's financial statements in which they comment on the recoverability of the Company's Perry Unit 2 investment.

The Company's internal auditors, who are responsible to the Audit Committee of the Board of Directors, review the results and performance of operating units within the Company for adequacy, effectiveness and reliability of accounting and reporting systems, as well as managerial and operating controls.

The Audit Committee consists of four non-employee directors whose duties include consideration of the adequacy of the internal controls of the Company and the objectivity of financial reporting; inquiry into the number, extent, adequacy and validity of regular and special audits conducted by independent public accountants and the internal auditors; the recommendation to the Board of Directors of independent accountants to conduct the normal annual audit and special purpose audits as may be required; and reporting to the Board of Directors the Committee's findings and any recommendation for changes in scope, methods or procedures of the auditing functions. The Audit Committee held four meetings during 1991.



H. P. Burg  
Senior Vice President  
Chief Financial Officer



H. L. Wagner  
Comptroller

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

1991 operating results reflect several important milestones for the Ohio Edison System. Operating revenues were at record levels (due in large part to record kilowatt-hour sales to retail customers) which, when combined with lower operation and maintenance expenses, pushed operating income in 1991 to its highest level in the Company's history. Likewise, cash generated from operations was also at a record level in 1991, bringing the Company's cash coverage of common stock dividends ratio to its highest point in over 20 years. When the Company began recovering Beaver Valley Unit 2 costs from retail customers in August 1990, a significant noncash component of earnings in 1989 (deferred Beaver Valley Unit 2 expenses) was replaced with cash. Increased cash from operating activities was also enhanced by Penn Power's annual rate increase under its four-year phase-in plan.

From an earnings standpoint, 1991 continued to reflect the level of rate relief granted the Company in August 1990 by the Public Utilities Commission of Ohio (PUCO), with earnings per share of common stock in 1991 decreasing 4% compared with 1990. The Company requested a rate increase of approximately \$238,000,000 but the PUCO granted only 65% of the Company's request, or \$143,000,000 of additional annual revenue. The Company has appealed the PUCO decision to the Ohio Supreme Court. Despite the drop in earnings, the return on average common equity remained unchanged in 1991 at 9.9% compared to 1990.

The comparison of earnings in 1991 with 1990 is affected by the write off in 1990 of approximately \$27,000,000 of previously deferred Beaver Valley Unit 2 costs subsequently disallowed by the PUCO, which reduced net income by approximately \$17,606,000 (\$12 per share of common stock). Additionally, the comparison of 1990 net income with 1989 was affected by the amortization in 1989 of certain deferred income taxes and investment tax credits authorized by the PUCO, which reduced the

Company's income tax provision by approximately \$49,000,000 (\$3.32 per share of common stock).

The 1991 and 1990 increases in operating revenues were primarily a result of the rate increase discussed above. The following summarizes the sources of changes in operating revenues during 1991 and 1990 as compared to the previous year:

	1991	1990
	(in millions)	
Sales to retail customers:		
Increased base rates	\$ 83.7	\$57.8
Increased kilowatt-hour sales	44.7	7.5
Increased fuel recovery rates	7.4	8.6
Total	135.8	73.9
Sales to wholesale customers	(19.9)	5.7
Other	2.4	(1.0)
Net increase	\$118.3	\$77.9

Kilowatt-hour sales to retail customers in 1991 increased 1.4% compared to sales in 1990. Sales to residential and commercial customers set new records in 1991, increasing by 5.1% and 3.7%, respectively, due to high air-conditioning use and a continually expanding customer base. Recessionary effects in the steel and auto-related industries in the Companies' service area were not as severe as markets in other regions of the country, but were primarily responsible for a 2.8% reduction in kilowatt-hour sales to the Companies' industrial customers in 1991. Total kilowatt-hour sales decreased 1.3% in 1991 primarily as a result of a 9.8% drop in sales to other utilities compared with 1990 due to weak economic conditions in the bulk power market. Total kilowatt-hour sales were down 0.5% in 1990 compared with 1989 principally due to a 5.5% drop in sales to other utilities.

Fuel and purchased power costs for 1990 included a charge of approximately \$16,374,000 by Penn Power resulting from an adverse regulatory decision concerning the recoverability of certain purchased power costs. This charge reduced net income in 1990 by approximately \$9,994,000 (\$8.07 per share of common stock) and was the principal reason for the 1991 expense reduction compared with 1990. Offsetting the effect of Penn Power's charge in 1990 when comparing costs to 1989 were additional costs associated with a power purchase contract during the first half of 1989.

Nuclear operating costs were declined in each year since 1989. The decline in 1990 compared to 1989 was more significant due to additional costs incurred in 1989 for the Beaver Valley Plant which were attributable to prior years. The Company stopped deferring nuclear unit operating costs concurrent with implementing new electric rates resulting from the PUCO order referred to above and, effective with the new rates, began recov-



ering previously deferred nuclear unit operating costs and interest expense. In addition, 1990 deferred expenses were reduced by the \$27,000,000 write-off of deferred Beaver Valley Unit 2 costs described above.

Increased general taxes in 1990 compared with 1989 were primarily due to increased property taxes and higher gross receipts taxes resulting from higher retail revenue. Income taxes were up in 1990 over 1989 as a result of the PUCO-authorized amortization of deferred income taxes and investment tax credits in 1989 discussed above. The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which the Companies must adopt by 1993. As discussed in Note 1 to the Consolidated Financial Statements, this change is not expected to have a material effect on net income.

Other income increased in 1991 principally from interest on loans to the Employee Stock Ownership Plan Trust (ESOP) described in Note 4 to the Consolidated Financial Statements. The decrease in 1990 compared with 1989 resulted from lower levels of cash available for short-term investment purposes.

The rate of decline in allowance for borrowed funds used during construction and capitalized interest has been significant in recent years due to reduced levels of nuclear material in process of conversion, enrichment and fabrication into fuel assemblies. The decrease in interest on long-term debt during 1990 resulted from a net reduction in average long-term debt outstanding during the year and from lower embedded debt costs. However, other interest expense increased in 1990 compared with 1989 principally due to higher short-term borrowing levels in 1990 pending replacement with permanent financing.

The electric utility industry is subject to inflationary pressures similar to those experienced by other industries. To the extent that the Companies incur additional costs or receive benefits resulting from the effects of inflation, it is anticipated that those effects will ultimately be reflected in the Companies' electric rates.

The FASB has issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which the Companies must adopt by 1993. The standard will require the Companies to change the method of accounting for postemployment benefits, resulting in a substantial increase in the annual expense charged to income for such benefits. The Companies expect to seek regulatory approval to defer the increased annual expense resulting from the standard to future collection from customers. Assuming such requests are granted, the Companies would not expect a material adverse effect to net income as a result of adopting SFAS No. 106. These effects are more fully described in Note 1 to the Consolidated Financial Statements.

#### CAPITAL RESOURCES AND LIQUIDITY

During the last five years, the Companies spent approximately \$1,500,000,000 in connection with their construction programs and funded the ESOP with \$200,000,000. During that period, internally generated cash as a percentage of construction expenditures (excluding nuclear fuel) increased to 212.3% in 1991 from 10.8% in 1986. Also during that period, the Companies decreased their long-term debt outstanding by nearly \$300,000,000. The Companies have taken advantage of opportunities to optionally redeem high-cost debt, which helped to reduce the cost of debt outstanding from 10.3% at the end of 1986 to 8.0% at the end of 1991. In addition, the Companies have optionally redeemed high-cost preferred and preference stock, reducing the cost of preferred and preference stock outstanding from 9.7% at the end of 1986 to 7.6% at the end of 1991. As a result of the long-term debt and preferred and preference stock redemptions, the Company's common equity base has been strengthened over the past five years, comprising 41.2% of total capitalization (excluding the accounting reduction related to the ESOP investment) at the end of 1991 compared with 37.3% at the end of 1986.

The Companies had approximately \$54,000,000 of cash and temporary investments and \$95,000,000 of short-term indebtedness at December 31, 1991. Available short-term borrowing facilities at the end of 1991 included: \$200,000,000 through OES Fuel which could be reloaned to the Company, \$135,000,000 of short-term bank lines of credit, and \$125,000,000 of bank facilities providing for borrowings on a short-term basis at the banks' discretion. OES capital also had approximately \$25,000,000 of unused short-term borrowing capability at December 31, 1991.

The Companies' construction programs and capital lease requirements for the period 1992-1996 are currently estimated to be approximately \$1,540,000,000 (excluding nuclear fuel), of which approximately \$265,000,000 applies to 1992. The Companies have additional cash requirements of approximately \$1,244,000,000 for the 1992-1996 period to meet maturities of, and sinking fund requirements for, long-term debt and preferred and preference stock; of that amount approximately \$276,100,000 applies to 1992.

Investments for additional nuclear fuel during the 1992-1996 period are estimated to be approximately \$182,000,000, of which approximately \$31,000,000 applies to 1992. During the same periods, the Companies' nuclear fuel investments are expected

to be reduced by approximately \$304,000,000 and \$73,000,000, respectively, as the nuclear fuel is consumed. Also, the Companies have operating lease commitments of approximately \$575,000,000 for the 1992-1996 period, of which approximately \$114,000,000 relates to 1992. The Companies recover the cost of nuclear fuel consumed and operating leases through their electric rates.

Sales by the Company of first mortgage bonds against property additions and of preferred stock require that applicable earnings coverage tests be met. With respect to the issuance of first mortgage bonds under the Company's first mortgage indenture, the availability of property additions (excluding Perry Unit 2) is more restrictive than the earnings test at the present time and would limit the amount of first mortgage bonds issuable against property additions to \$464,000,000. The Company is currently able to issue \$766,000,000 principal amount of first mortgage bonds against previously retired bonds without the need to meet the above restrictions. Based upon earnings for 1991, the Company would be permitted, under the earnings coverage test contained in its charter, to issue at least \$734,000,000 of preferred stock at an assumed dividend rate of 8.5%. If the Company were to issue first mortgage bonds or other debt at or prior to the time it issued preferred stock, the amount of preferred stock which would be issuable would be reduced.

Penn Power will be implementing a base rate decrease approximating \$44,000,000 on an annual basis in the second quarter of 1992 in connection with its four-year phase-in plan. At that time Penn Power's electric rates will reflect the same rates that would have been placed into effect in 1988 without the phase-in plan. There will be no material effect to net income resulting from this rate reduction since Penn Power recognized revenue under the phase-in plan as if the full revenue level had been placed into effect in 1988.

The Clean Air Act Amendments of 1990 present challenges and opportunities to the Companies that are being analyzed. The Act requires significant reductions of sulfur dioxide and oxides of nitrogen from the Companies' coal-fired generating units. Compliance options include, but are not limited to, installing additional pollution control equipment, burning less polluting fuel, purchasing emission allowances from others, operating existing facilities in a manner which minimizes pollution and retiring facilities. The Companies are testing and analyzing various compliance options for feasibility, cost-effectiveness and degree of flexibility.

Congress is considering amendments to the Public Utility Holding Company Act and the Federal Power Act that could have the effect of restructuring the investor-owned electric utility

industry. These amendments include provisions for mandatory transmission access, which could jeopardize the reliability of the nation's electrical network and cause the price of electricity to increase for most customers. The Companies are not able to predict whether the amendments currently being considered will be enacted, or if enacted, what form such amendments will ultimately take.

As discussed in Note 6 to the Consolidated Financial Statements, the Companies have invested approximately \$371,000,000 in Perry Unit 2, a nuclear generating unit whose construction was suspended in 1985. Options under consideration include, but are not necessarily restricted to, resumption of construction, continued suspension or termination. If construction were to resume during the 1992-1996 period, the Companies' capital expenditures would be higher than the amount disclosed above for that period. If termination were to occur and costs were not recoverable from PUCO jurisdictional customers, the Company would have to write off as much as \$210,000,000 after income taxes.



SELECTED FINANCIAL DATA

Ohio Edison Company

(In thousands, except per share amounts)

	1991	1990	1989	1988	1987
Operating Revenues	\$2,358,946	\$1,240,646	\$2,162,720	\$2,151,385	\$1,785,296
Operating Income	\$550,452	\$510,279	\$743,659	\$496,996	\$397,468
Net Income	\$264,823	\$281,676	\$361,026	\$218,888	\$412,920
Earnings on Common Stock	\$240,069	\$257,008	\$352,932	\$186,170	\$364,657
Earnings per Share of Common Stock	\$1.60	\$1.67	\$2.18	\$1.22	\$2.40
Dividends Declared per Share of Common Stock	\$1.50	\$1.75	\$1.96	\$1.96	\$1.96
Total Assets	\$7,812,345	\$7,841,621	\$7,722,896	\$7,555,523	\$7,907,045
Preferred and Preference Stock Subject to Mandatory Redemption	\$65,582	\$62,822	\$89,562	\$96,802	\$145,551
Long-Term Debt	\$3,243,167	\$3,105,248	\$3,073,796	\$3,208,555	\$3,352,858

COMMON STOCK DATA

The Company's Common Stock is listed on the New York and Midwest Stock Exchanges and is traded on other registered exchanges.

PRICE RANGE OF COMMON STOCK	1991		1990	
	High	Low	High	Low
First Quarter High-Low	18-7/8	16-3/8	23-7/8	19-1/8
Second Quarter High-Low	19-1/8	17-5/8	20-3/4	18-1/8
Third Quarter High-Low	19-3/4	17-7/8	21-1/4	15-7/8
Fourth Quarter High-Low	20-1/2	19-3/8	17-7/8	15-7/8
Yearly High-Low	20-1/2	16-3/8	23-7/8	15-7/8

Prices are based on reports published in *The Wall Street Journal* for New York Stock Exchange Composite Transactions.

CLASSIFICATION OF HOLDERS OF COMMON STOCK AS OF DECEMBER 31, 1991

	Holders of Record		Shares Held	
	Number	%	Number	%
Individuals	144,118	85.20	60,926,475	59.93
Fiduciaries	22,796	13.36	7,902,599	5.18
Nominees	114	0.07	81,574,511	53.47
Insurance Companies & Other Corporations	1,112	0.66	1,198,915	0.79
All Others	1,204	0.71	966,955	0.63
Total	169,344	100.00	152,569,457	100.00

As of January 31, 1992, there were 168,175 holders of 152,569,457 shares of the Company's Common Stock.

Quarterly dividends of \$7.54 per share were paid on the Company's Common Stock during 1991 and the last two quarters of 1990; quarterly dividends of \$9.00 per share were paid during the first two quarters of 1990. Information regarding retained earnings available for payment of cash dividends is given in Note 4a.

## CONSOLIDATED STATEMENTS OF INCOME

Ohio Edison Company

(In thousands, except per share amounts)

For the Years Ended December 31	1991	1990	1989
<b>OPERATING REVENUES</b>	<b>\$2,358,946</b>	<b>\$2,240,646</b>	<b>\$2,162,720</b>
<b>OPERATING EXPENSES AND TAXES:</b>			
Fuel and purchased power	467,657	491,858	505,190
Nuclear operating costs	291,551	295,907	309,664
Other operating costs	412,476	406,638	409,479
Total operation and maintenance expenses	1,171,684	1,194,403	1,222,333
Provision for depreciation and amortization	236,476	234,350	212,624
General taxes	217,758	212,212	196,106
Amortization (deferral) of nuclear unit costs, net (Note 2)	15,892	(66,070)	(147,280)
Income taxes	166,684	165,572	141,280
Total operating expenses and taxes	1,808,494	1,730,367	1,661,061
<b>OPERATING INCOME</b>	<b>550,452</b>	<b>510,279</b>	<b>543,659</b>
<b>OTHER INCOME</b>	<b>18,725</b>	<b>3,207</b>	<b>20,938</b>
<b>TOTAL INCOME</b>	<b>569,177</b>	<b>513,486</b>	<b>564,597</b>
<b>NET INTEREST AND OTHER CHARGES:</b>			
Interest on long-term debt	288,599	295,993	332,025
Deferred nuclear unit interest (Note 2)	(8,387)	(78,514)	(124,087)
Allowance for borrowed funds used during construction and capitalized interest	(11,276)	(19,196)	(23,848)
Other interest expense	27,696	35,545	8,810
Subsidiary's preferred stock dividend requirements	7,722	9,782	10,673
Net interest and other charges	304,354	231,810	203,571
<b>NET INCOME</b>	<b>264,823</b>	<b>281,676</b>	<b>361,026</b>
<b>PREFERRED AND PREFERENCE STOCK DIVIDEND REQUIREMENTS</b>	<b>24,754</b>	<b>27,628</b>	<b>28,094</b>
<b>EARNINGS ON COMMON STOCK</b>	<b>\$ 240,069</b>	<b>\$ 254,048</b>	<b>\$ 332,932</b>
<b>EARNINGS PER SHARE OF COMMON STOCK</b>	<b>\$1.60</b>	<b>\$1.67</b>	<b>\$2.18</b>
<b>DIVIDENDS DECLARED PER SHARE OF COMMON STOCK</b>	<b>\$1.50</b>	<b>\$1.73</b>	<b>\$1.96</b>

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



CONSOLIDATED BALANCE SHEETS

Ohio Edison Company

(In thousands)

At December 31,	1991	1990
<b>ASSETS</b>		
<b>UTILITY PLANT</b>		
In service, at original cost	\$7,736,536	\$7,533,572
Less—Accumulated provision for depreciation	2,360,614	2,189,896
	<b>5,375,922</b>	<b>5,343,736</b>
<b>Construction work in progress—</b>		
Electric plant (Note 6)	503,956	526,219
Nuclear fuel	105,537	179,264
	<b>609,493</b>	<b>705,483</b>
	<b>5,985,415</b>	<b>6,049,219</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>	<b>129,515</b>	<b>125,046</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	53,798	24,348
Receivables—		
Customers (less accumulated provisions of \$5,312,000 and \$5,210,000, respectively, for uncollectible accounts)	207,073	198,591
Other	37,623	23,544
Currently receivable accrued customer revenues	19,517	54,774
Materials and supplies, at average cost—		
Fuel	65,353	66,822
Other	90,427	86,084
Prepayments	76,466	80,611
	<b>550,257</b>	<b>514,774</b>
<b>DEFERRED CHARGES</b>		
Deferred nuclear unit costs (Note 2)	793,774	801,279
Unamortized sale and leaseback costs	116,063	95,970
Property taxes	104,911	99,454
Unamortized loss on reacquired debt	73,194	71,257
Accrued customer revenues	—	18,610
Other	59,216	66,012
	<b>1,147,158</b>	<b>1,152,582</b>
	<b>\$7,812,345</b>	<b>\$7,841,621</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION (See Consolidated Statements of Capitalization)</b>		
Common stockholders' equity	\$2,371,946	\$2,545,159
Preferred stock—		
Not subject to mandatory redemption	312,335	312,335
Subject to mandatory redemption	25,000	16,000
Preference stock subject to mandatory redemption	6,300	8,100
Preferred stock of consolidated subsidiary—		
Not subject to mandatory redemption	41,905	41,905
Subject to mandatory redemption	34,282	38,722
Long-term debt	3,243,167	3,105,248
	<b>6,034,935</b>	<b>6,067,469</b>
<b>CURRENT LIABILITIES</b>		
Currently payable preferred and preference stock and long-term debt	276,293	278,193
Short-term borrowings (Note 5)	94,855	173,531
Accounts payable	135,545	144,435
Accrued taxes	117,435	113,643
Accrued interest	87,414	79,086
Other	82,252	69,793
	<b>793,593</b>	<b>858,681</b>
<b>DEFERRED CREDITS</b>		
Accumulated deferred income taxes	584,902	525,958
Accumulated deferred investment tax credits	258,065	260,841
Property taxes	104,911	99,454
Other	35,939	29,238
	<b>983,817</b>	<b>915,471</b>
<b>COMMITMENTS, GUARANTEES AND CONTINGENCIES (Notes 5 &amp; 6)</b>		
	<b>\$7,812,345</b>	<b>\$7,841,621</b>

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

CONSOLIDATED STATEMENTS OF CAPITALIZATION

Ohio Edison Company

(Dollars in thousands, except per share amounts)

At December 31,		1991	1990
<b>COMMON STOCKHOLDERS' EQUITY</b>			
Common stock, \$9 par value, authorized 175,000,000 shares — 152,969,437 shares outstanding		\$1,373,125	\$1,373,125
Other paid-in capital		731,793	733,081
Retained earnings (Note 4a)		462,087	449,810
Unallocated employee stock ownership plan common stock — 10,190,862 and 627,400 shares, respectively (Note 4b)		(195,059)	(10,857)
Total common stockholders' equity		2,371,946	2,545,159
		Optional Redemption Price	
		Per Share      Aggregate	
		1991	1990
<b>PREFERRED STOCK (Note 4c)</b>			
Cumulative, \$100 par value — Authorized 6,000,000 shares			
Not Subject to Mandatory Redemption:			
3.90%	152,510	152,510	\$ 103.63      \$ 15,804
4.40%	176,380	176,280	108.00      19,058
4.44%	136,560	136,560	703.50      14,134
4.56%	144,300	144,300	103.38      14,917
5.20%	500,000	—	100.00      50,000
7.24%	363,700	363,700	103.06      37,483
7.36%	350,000	350,000	102.84      35,994
8.20%	450,000	450,000	103.30      46,485
8.64%	400,000	400,000	102.16      40,864
9.12%	450,000	450,000	104.56      47,052
Total not subject to mandatory redemption		3,123,350	2,625,350
			\$121,771
Subject to Mandatory Redemption (Note 4d):			
8.45%	250,000	—	25,000
13.50%	—	200,000	—
Redemption within one year			(10,000)
Total subject to mandatory redemption		250,000	200,000
			25,000
			16,000
Cumulative, \$25 par value — Authorized 8,000,000 shares			
Not Subject to Mandatory Redemption:			
Series D			
	—	2,000,000	—
			50,000
<b>PREFERENCE STOCK (Note 4c)</b>			
Cumulative, no par value — Authorized 8,000,000 shares			
Subject to Mandatory Redemption (Note 4d):			
10.25%	7,200	9,000	\$1,040.00      \$ 7,488
Redemption within one year			(900)
Total subject to mandatory redemption		7,200	9,000
			\$ 7,488
			6,300
			8,100
<b>PREFERRED STOCK OF CONSOLIDATED SUBSIDIARY (Note 4c)</b>			
Cumulative, \$100 par value — Authorized 1,200,000 shares			
Not Subject to Mandatory Redemption:			
4.24%	40,000	40,000	\$ 105.13      \$ 4,125
4.35%	41,049	41,049	105.00      4,310
4.64%	60,000	60,000	102.98      6,179
7.34%	60,000	60,000	102.56      6,154
8.00%	58,000	58,000	102.07      5,920
8.49%	80,000	80,000	103.08      8,246
9.16%	87,000	80,000	102.29      8,183
Total not subject to mandatory redemption		419,049	419,049
			\$ 43,117
Subject to Mandatory Redemption (Note 4d):			
8.24%	50,000	55,000	\$ 104.12      \$ 5,206
10.50%	100,000	100,000	106.49      10,648
11.00%	19,616	27,616	102.75      2,916
11.50%	—	150,000	—
11.50%	75,000	90,000	103.29      7,477
13.00%	80,000	90,000	108.45      8,675
15.00%	54,400	60,800	113.27      6,162
Redemption within one year			(3,620)
Total subject to mandatory redemption		379,016	573,416
			\$ 40,455
			34,282
			38,722



## CONSOLIDATED STATEMENTS OF CAPITALIZATION (Cont.)

Ohio Edison Company

(In thousands)

At December 31,	1991	1990
<b>LONG-TERM DEBT (Note 4e)</b>		
First mortgage bonds:		
Ohio Edison Company--		
9.66% weighted average interest rate, due 1991-1996	\$ 316,215	\$ 288,967
8.70% weighted average interest rate, due 1997-2001	282,733	142,733
8.56% weighted average interest rate, due 2002-2006	351,918	201,912
9.12% weighted average interest rate, due 2007-2011	168,265	168,265
10.50% weighted average interest rate, due 2012-2016	125,000	125,000
9.75% weighted average interest rate, due 2019	150,000	150,000
	<b>1,394,131</b>	<b>1,066,883</b>
Pennsylvania Power Company--		
8.10% weighted average interest rate, due 1991-1996	83,938	112,316
9.21% weighted average interest rate, due 1997-2001	91,717	93,055
8.48% weighted average interest rate, due 2002-2006	31,870	32,910
9.54% weighted average interest rate, due 2007-2011	29,870	29,870
9.74% weighted average interest rate, due 2012-2016	4,870	4,870
9.74% weighted average interest rate, due 2017-2019	2,955	2,955
	<b>245,220</b>	<b>275,976</b>
<b>Total first mortgage bonds</b>	<b>1,639,351</b>	<b>1,342,859</b>
Secured notes and obligations:		
Ohio Edison Company--		
7.60% weighted average interest rate, due 1991-1996	439,564	387,895
6.25% weighted average interest rate, due 1997-2001	7,648	29,554
7.26% weighted average interest rate, due 2002-2006	37,541	69,702
5.70% weighted average interest rate, due 2007-2011	9,500	9,500
9.51% weighted average interest rate, due 2012-2016	261,525	261,525
7.03% weighted average interest rate, due 2017-2021	95,943	26,600
7.77% weighted average interest rate, due 2022-2024	188,000	188,000
	<b>1,039,721</b>	<b>973,956</b>
Pennsylvania Power Company--		
9.93% weighted average interest rate, due 1991-1996	57,814	63,465
6.66% weighted average interest rate, due 1997-2001	3,631	11,816
11.51% weighted average interest rate, due 2002-2006	21,009	39,748
6.75% weighted average interest rate, due 2007-2011	3,600	3,600
9.79% weighted average interest rate, due 2012-2016	32,150	32,150
7.46% weighted average interest rate, due 2017-2021	47,907	15,500
	<b>166,131</b>	<b>166,279</b>
OES Fuel Commercial Paper-- 5.48% weighted average interest rate	253,555	291,211
<b>Total secured notes and obligations</b>	<b>1,429,407</b>	<b>1,429,946</b>
Unsecured notes:		
Ohio Edison Company--		
9.39% weighted average interest rate, due 1991-1996	75,000	175,000
8.59% weighted average interest rate, due 1997-2001	50,000	—
5.74% weighted average interest rate, due 2012-2016	150,000	160,000
6.13% weighted average interest rate, due 2018	113,100	113,500
<b>Total unsecured notes</b>	<b>388,100</b>	<b>388,100</b>
Capital lease obligations (Note 3)	66,590	61,396
Notes payable refinanced with long-term debt (Note 5)	—	148,508
Net unamortized discount on debt	(8,509)	(10,388)
Long-term debt due within one year	(271,772)	(214,673)
<b>Total long-term debt</b>	<b>3,643,167</b>	<b>3,165,248</b>
<b>TOTAL CAPITALIZATION</b>	<b>\$6,034,935</b>	<b>\$6,067,469</b>

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Ohio Edison Company

(In thousands)

For the Years Ended December 31,	1991	1990	1989
Balance at beginning of year	\$449,810	\$459,688	\$425,670
Net income	264,823	281,676	361,026
Tax benefit from ESOP dividends	3,404	—	—
	718,037	741,364	786,696
Cash dividends on preferred and preference stock	24,558	27,609	28,040
Cash dividends on common stock	228,855	263,945	298,968
Premium on redemption of preferred stock	2,757	—	—
	255,950	291,554	327,008
Balance at end of year (Note 4a)	\$462,087	\$449,810	\$459,688

CONSOLIDATED STATEMENTS OF CAPITAL STOCK AND OTHER PAID-IN CAPITAL

	Common Stock			Unallocated ESOP Common Stock	Preferred and Preference Stock			
	Number of Shares	Net Value	Other Paid-in Capital		Not Subject to Mandatory Redemption		Subject to Mandatory Redemption	
					Number of Shares	Par or Stated Value	Number of Shares	Par or Stated Value
(Dollars in thousands)								
Balance, January 1, 1989	152,507,913	\$1,372,571	\$732,734	\$ —	5,042,399	\$354,240	980,726	\$103,555
Conversions and Redemptions—								
\$ 1.80 Series	61,524	554	367				(88,110)	(1,353)
\$ 95.00 Series							(1,800)	(1,800)
\$102.50 Series							(1,800)	(1,800)
8.24% Series							(5,000)	(500)
11.00% Series							(4,000)	(400)
11.50% Series			(6)				(30,000)	(3,000)
15.00% Series			(2)				(6,400)	(640)
Balance, December 31, 1989	152,569,437	1,373,125	733,093	—	5,042,399	354,240	843,616	94,082
ESOP Purchase Transactions				(10,857)				
Redemptions—								
\$102.50 Series							(1,800)	(1,800)
8.24% Series							(5,000)	(500)
11.00% Series							(8,000)	(800)
11.50% Series			(6)				(30,000)	(3,000)
15.00% Series			(4)				(10,000)	(1,000)
15.00% Series			(2)				(6,400)	(640)
Balance, December 31, 1990	152,569,437	1,373,125	733,081	(10,857)	5,042,399	354,240	782,416	86,342
ESOP Purchase Transactions				(189,143)				
Allocation of ESOP Shares				4,941				
Sale of Market Auction								
Preferred Stock			(1,140)		500,000	50,000		
Sale of 6.45%							250,000	25,000
Preferred Stock								
Redemptions—								
Series B					(2,000,000)	(50,000)		
\$102.50 Series							(1,800)	(1,800)
8.24% Series							(5,000)	(500)
11.00% Series							(8,000)	(800)
11.50% Series			(148)				(165,000)	(16,500)
15.00% Series							(10,000)	(1,000)
15.00% Series							(200,000)	(20,000)
15.00% Series							(6,400)	(640)
Balance, December 31, 1991	152,569,437	\$1,373,125	\$751,793	\$(195,059)	3,542,399	\$354,240	6,36,216	\$ 70,102

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



CONSOLIDATED STATEMENTS OF CASH FLOWS

Orion Electric Company

(In thousands)

For the Years Ended December 31,	1991	1990	1989
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 264,823	\$ 281,676	\$ 261,026
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	322,250	303,877	273,329
Deferred income taxes, net	58,964	80,901	131,612
Investment tax credits, net	(2,776)	(4,878)	(28,529)
Deferred (accrued) revenue, net	37,757	(4,675)	(38,750)
Allowance for equity funds used during construction	(3,050)	(7,730)	(2,515)
Deferred fuel costs, net	1,411	20,575	(12,450)
Amortization (Deferral) of nuclear unit costs, net	7,505	(144,594)	(271,967)
Internal cash before dividends	686,864	551,453	412,758
Receivables	(21,251)	(3,248)	(13,476)
Materials and supplies	(2,876)	(26,641)	572
Accounts payable	(4,042)	605	8,866
Other	18,359	(36,274)	665
Net cash provided from operating activities	677,075	465,293	400,189
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
New Financing--			
Preferred stock	73,865	---	---
Long term debt	1,054,801	919,667	793,935
Short-term borrowings, net	---	204,059	114,000
Redemptions and Repayments--			
Preferred and preference stock	94,063	7,740	8,542
Long term debt	756,520	1,079,397	989,374
Short term borrowings, net	227,184	---	---
Dividend Payments--			
Common stock	229,686	272,255	298,422
Preferred and preference stock	23,899	27,586	28,293
Net cash used for financing activities	322,688	363,272	416,607
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Property additions	226,194	256,218	221,773
Purchase of investments	6,1	6,651	6,611
Sale of investments	---	(1,142)	(37,795)
Investment in employee stock ownership plan	22,220	40,000	---
Site and leaseback restructuring fees	523	---	---
Other	1,254	5,176	6,252
Net cash used for investing activities	257,998	307,505	194,741
Net increase (decrease) in cash and cash equivalents	29,450	(205,482)	(204,059)
Cash and cash equivalents at beginning of year	24,548	129,830	534,092
Cash and cash equivalents at end of year	\$ 53,998	\$ 24,348	\$ 129,830
<b>ADDITIONAL CASH FLOWS INFORMATION:</b>			
Cash Paid During the Year--			
Interest (net of amounts capitalized)	\$ 286,005	\$ 290,355	\$ 310,574
Income taxes	113,712	87,955	35,033

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

## CONSOLIDATED STATEMENTS OF TAXES

Ohio Edison Company

(in thousands)

For the Years Ended December 31,	1991	1990	1989
<b>GENERAL TAXES</b>			
Real and personal property	\$103,298	\$ 97,366	\$ 85,525
State gross receipts	90,961	53,726	82,998
Social security and unemployment	14,494	14,136	14,179
Other	9,005	7,494	7,804
Total general taxes	\$217,758	\$212,722	\$190,506
<b>PROVISION FOR INCOME TAXES</b>			
Currently payable---			
Federal	\$102,017	\$ 88,302	\$ 46,765
State	15,520	6,480	1,308
	117,537	94,782	47,973
Deferred, net (see below):			
Federal	62,480	79,518	123,851
State	(3,516)	1,382	7,761
	58,964	80,900	131,612
Investment tax credits, net of amortization	(2,776)	(4,878)	(28,529)
Total provision for income taxes	\$173,725	\$170,804	\$151,056
<b>INCOME STATEMENT CLASSIFICATION OF PROVISION FOR INCOME TAXES</b>			
Operating income	\$166,684	\$165,572	\$ 41,280
Other income	7,041	5,232	9,776
Total provision for income taxes	\$173,725	\$170,804	\$151,056
<b>SOURCES OF DEFERRED TAX EXPENSE</b>			
Excess of tax over book depreciation, net	\$ 58,306	\$ 60,915	\$ 68,355
Deferred fuel costs, net	(2,853)	(7,740)	6,869
Amortization of deferred interest on leased nuclear fuel	(4,885)	(5,017)	(10,113)
Pension costs	5,497	8,821	3,230
Property taxes	(237)	(26,751)	(632)
Deferred nuclear unit costs	(2,238)	44,805	80,315
Difference between tax and book revenue, net	(18,292)	(5,104)	15,723
Alternative minimum tax credit utilized (deferred)	29,749	8,090	(35,973)
Other, net	(6,483)	861	5,850
Net deferred tax expense	\$ 58,964	\$ 80,900	\$151,612
<b>RECONCILIATION OF FEDERAL INCOME TAX EXPENSE AT STATUTORY RATE TO TOTAL PROVISION FOR INCOME TAXES</b>			
Book income before provision for income taxes	\$438,548	\$452,480	\$512,082
Federal income tax expense at statutory rate	\$149,106	\$149,843	\$174,108
Increases (reductions) in taxes resulting from---			
Excess of book over tax depreciation	20,043	24,783	37,665
Amortization of investment tax credits	(8,284)	(11,142)	(43,826)
State income taxes net of federal income tax benefit	7,925	5,189	5,920
Rapid amortization of deferred income taxes	---	---	(15,360)
Other, net	4,947	(1,869)	2,549
Total provision for income taxes	\$173,725	\$170,804	\$151,056

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements include Ohio Edison Company (Company) and its wholly owned subsidiaries, Pennsylvania Power Company (Penn Power), OES Capital, Incorporated (OES Capital) and OES Fuel, Incorporated (OES Fuel). All significant intercompany transactions have been eliminated. The Company and Penn Power (Companies) follow the accounting policies and practices prescribed by the Public Utilities Commission of Ohio (PUCO), the Pennsylvania Public Utility Commission (PPUC) and the Federal Energy Regulatory Commission (FERC). Certain financial statement items for periods prior to 1991 have been reclassified to conform to the 1991 presentation.

**REVENUES**—The Companies' retail customers are metered on a cycle basis. Revenue is recognized for electric service based on meters read through the end of the month.

Receivables from customers include sales to residential, commercial and industrial customers located in the Companies' service area and sales to wholesale customers. There was no material concentration of receivables at December 31, 1991 or 1990, with respect to any particular segment of the Companies' customers.

Penn Power is in the final year of a four year phase-in plan. The difference between revenues actually billed and revenues that would have been billed absent the phase-in plan was recognized as additional accrued revenue for financial reporting purposes. Such revenues and associated interest remaining to be collected in 1992 in connection with this plan amounted to approximately \$19,517,000 at December 31, 1991.

**FUEL COSTS**—The Companies recover fuel-related costs not otherwise included in base rates from retail customers through separate energy rates. Any over or under collection resulting from the operation of these rates are included as adjustments to subsequent energy rates. Accordingly, the Companies defer the difference between actual fuel-related costs incurred and the amounts currently recovered from their customers.

**UTILITY PLANT AND DEPRECIATION**—Utility plant reflects the original cost of construction, including payroll and related costs such as taxes, pensions and other fringe benefits, administrative and general costs and allowance for funds used during construction (AFUDC).

The Companies generally provide for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. The annual composite straight-line rates for electric plant were 3.1% in 1991 and 3.2% in 1990 and 1989. The Company recorded Depreciation expense applicable to Perry Unit 1 on a units of production basis during 1990 and 1989, as authorized by the PUCO. In 1991, the PUCO authorized the Company to revise its depreciation method for Perry Unit 1 from units of production to straight-line. This revision had no material effect on the total provision for depreciation or net income for the year.

The Companies recognize estimated future decommissioning costs applicable to their ownership and leasehold interests in nuclear generating units as a component of depreciation expense. The Companies' share of the future obligation to decommission these units in current dollars is approximately \$240,000,000, based on estimates used in the Companies' last rate filings. Amounts recovered from customers are invested in external trust funds. If the actual costs of decommissioning the units exceed the accumulated amounts recovered from customers, the Companies expect that difference to also be recoverable from their customers.

**COMMON OWNERSHIP OF GENERATING FACILITIES**—The Companies and other Central Area Power Coordination Group (CAPCO) companies own, as tenants in common, various power generating facilities. Each of the companies is obligated to pay a share of the construction costs of any jointly owned facility in the same proportion as its ownership interest. The Companies' portions of operating expenses associated with jointly owned facilities are included in the corresponding operating expenses on the Consolidated Statements of Income (see Note 2 with respect to the deferral of Perry Unit 1 and Beaver Valley Unit 2 costs). The amounts reflected on the Consolidated Balance Sheet under utility plant at December 31, 1991, include the following:

Generating Units	Utility Plant In Service	Accumulated Provision for Depreciation	Construction Work in Progress	Companies' Ownership/Leasehold Interests
		(In thousands)		
W. H. Searles #7	\$ 271,300	\$ 68,500	\$ 1,500	68.80%
Bruce Mansfield #1, #2 and #3	727,200	294,100	4,100	50.68%
Beaver Valley #1 and #2	1,563,800	363,000	6,000	47.71%
Perry #1 and Common Facilities	1,402,100	139,500	1,900	35.24%
Perry #2	-	-	271,000	35.24%
<b>Total</b>	<b>\$4,964,400</b>	<b>\$865,100</b>	<b>\$384,500</b>	

**NUCLEAR FUEL**—Nuclear fuel is recorded at original cost, which includes material, enrichment, fabrication and interest costs incurred prior to reactor load. The Companies amortize the cost of nuclear fuel based on the rate of consumption. The Companies' electric rates include amounts for the future disposal of spent nuclear fuel based upon the formula used to compute payments to the United States Department of Energy.

**ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION**—AFUDC represents financing costs capitalized to construction work in progress (CWIP) during the construction period. The borrowed funds portion reflects capitalized interest payments, and the equity funds portion represents the noncash capitalization of imputed equity costs. AFUDC varies according to changes in the level of CWIP and in the cost of capital. The composite AFUDC rates (excluding nuclear fuel interest) were 9.5%, 9.6% and 11.1% in 1991, 1990 and 1989, respectively. Capitalization rates for interest on nuclear fuel were 6.6%, 8.4% and 9.9% in 1991, 1990 and 1989, respectively.

**INCOME TAXES**—Deferred income taxes are recorded in the Consolidated Statements of Taxes. The deferred income taxes result from timing differences in the recognition of revenues and expenses for tax and accounting purposes. The provision for income taxes in 1989 included amortization of approximately \$49,000,000 of deferred income taxes and investment tax credits (ITC) as authorized by the PUCO. All other ITC, which was deferred when utilized, is being amortized over the estimated life of the related property.

For income tax purposes, the Companies claim liberalized depreciation and, consistent with the rate treatment, generally provide deferred income taxes. The Companies expect that deferred income taxes which have not been provided will be collected from their customers when the taxes become payable, based upon the established rate making practices of the PUCO, the PPUC and the FERC. As of December 31, 1991, the cumulative net income tax timing differences for which deferred income taxes have not been provided were approximately \$500,000,000. The Companies have approximately \$12,500,000 of alternative minimum tax credits available which are future federal income taxes payable; such credits may be carried forward indefinitely.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which, among other things, requires a change in the method used by enterprises to account for deferred income taxes. Under this standard, deferred income tax liabilities must be recognized at the statutory income tax rates in effect when the liabilities are expected to be paid. The standard also requires recognition of a deferred tax liability for tax benefits that have previously been flowed through to the Companies' customers and an assumed deferred tax liability applicable to the equity component of AFUDC. Since the Companies expect that the additional deferred tax liabilities will be col-

lected from their customers when the taxes become payable, an asset will be recognized for that probable future revenue. The Companies are not required to adopt SFAS No. 109 until 1993. However, if the Companies had adopted the standard as of December 31, 1991, total assets would have increased by approximately \$1,200,000,000 with no material effect to net income.

**RETIREMENT BENEFITS**—The Companies' trusteed, noncontributory defined benefit pension plans cover almost all full-time employees. Upon retirement, employees receive a monthly pension based on length of service and compensation. The Companies use the projected unit credit method for funding purposes and were not required to make pension contributions during the three years ended December 31, 1991.

The following sets forth the funded status of the plans and amounts recognized on the Consolidated Balance Sheets as of December 31:

	1991	1990
	(In thousands)	
Actuarial present value of benefit obligations:		
Vested benefits	\$357,622	\$357,941
Nonvested benefits	20,509	19,948
Accumulated benefit obligation	\$377,951	\$357,890
Plan assets at fair value	\$684,367	\$589,417
Actuarial present value of projected benefit obligation	461,060	430,254
Plan assets in excess of projected benefit obligation	223,287	159,213
Unrecognized net gain	(93,809)	(34,301)
Unrecognized prior service cost	16,331	18,129
Unrecognized net transition asset	(73,609)	(81,554)
Net pension asset	\$ 72,200	\$ 52,496

The assets of the plans consist primarily of common stocks, United States government bonds and corporate bonds. Net pension costs for the three years ended December 31, 1991, were computed as follows:

	1991	1990	1989
	(In thousands)		
Service cost—benefits earned during the period	\$ 13,321	\$ 13,125	\$ 15,983
Interest on projected benefit obligation	58,076	36,049	35,967
Return on plan assets	(124,509)	20,777	(113,059)
Net deferral (amortization)	53,398	(100,400)	51,542
Net pension cost	\$ (19,714)	\$ (90,449)	\$ (5,567)

The assumed discount rate used in determining the actuarial present value of the projected benefit obligation was 9% and the assumed rate of increase in future compensation levels used to measure this obligation was 5% in each year. The assumed expected long-term rates of return on plan assets were 11% in 1991 and 1990 and 10% in 1989.



The Companies provide a minimum amount of noncontributory life insurance to retired employees in addition to optional contributory insurance. Health care benefits, which include certain employee deductibles and copayments, are also available to retired employees, their dependents and, under certain circumstances, their survivors. The Companies pay insurance premiums to cover a portion of these benefits in excess of set limits; all amounts up to the limit are paid by the Companies. Expenses associated with health care and life insurance benefits for retirees are charged to income during the applicable payment periods, and amounted to \$8,280,000, \$7,255,000 and \$5,946,000 in 1991, 1990 and 1989, respectively.

The FASB has issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which modifies the method to be used by enterprises to account for other post-employment benefits. Under the standard, the Companies will be required to recognize the expected cost of providing postemployment benefits to employees and their beneficiaries and covered dependents from the time employees are hired until they become eligible to receive those benefits. The Companies expect to adopt this standard prospectively in 1993. Based on current plan demographics, it is estimated that annual postemployment benefit expense will increase by approximately \$32,000,000. The Companies expect to seek regulatory approval to defer the increased annual expense resulting from the new standard for future collection from customers. Assuming such requests are granted, the Companies would not expect a material adverse effect to net income as a result of adopting SFAS No. 106.

**EARNINGS PER SHARE OF COMMON STOCK**—Earnings per share of common stock shown on the Consolidated Statements of Income for each of the three years ended December 31, 1991, were computed as follows:

	1991	1990	1989
(in thousands, except per share amounts)			
<b>Earnings:</b>			
Net income	\$264,823	\$281,676	\$361,026
Preferred and preference stock dividend requirements	(24,754)	(27,628)	(28,094)
Tax benefit from employee stock ownership plan dividends	5,404		
	\$245,473	\$254,048	\$332,932
<b>Shares:</b>			
Weighted average number of common shares outstanding	152,569	152,569	152,531
<b>Earnings per share of Common Stock:</b>	\$1.60	\$1.67	\$2.18

**SUPPLEMENTAL CASH FLOWS INFORMATION**—All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Consolidated Balance Sheets. The Companies record temporary cash investments at cost, which approximates their market value. No cash financing and investing activities included capital lease transactions amounting to \$19,967,000, \$8,768,000 and \$28,411,000 for

the years 1991, 1990 and 1989, respectively. OES Fuel commercial paper transactions, which are reflected as long-term debt on the Consolidated Balance Sheets (see Note 4e) but have initial maturity periods of three months or less, are reported net within financing activities under long-term debt.

## 2. RECOVERY OF NUCLEAR UNIT COSTS

The PUCO authorized the Company to defer nonfuel operation and maintenance costs relating to Perry Unit 1 from its in-service date for rate making purposes until February 2, 1988, when Perry operating costs were recognized in the Company's electric rates. It also authorized the Company to defer nonfuel operation and maintenance expenses, depreciation expense, property taxes and interest expense associated with Beaver Valley Unit 2, from its commercial operation date until August 25, 1990, when these costs were also recognized in the Company's electric rates. The Company also began to collect Perry Unit 1 and Beaver Valley Unit 2 deferred costs in connection with the August 1990 rate order. The PUCO has authorized the Company to defer interest expense on accumulated Beaver Valley Unit 2 deferred costs (excluding previously deferred interest) which were not included in rate base in the August 1990 rate order, until the earlier of January 1, 1994, or the date certain in the Company's next rate case.

As part of the August 1990 PUCO rate order, the PUCO reduced the amount of deferred Beaver Valley Unit 2 costs which could be recovered from the Company's customers. The PUCO denied a rehearing on this issue in October 1990; accordingly, the Company wrote off approximately \$27,000,000 of previously deferred costs, which reduced net income by approximately \$17,000,000 (12 cents per share of common stock) in the fourth quarter of 1990. The Company has appealed the PUCO decision to the Ohio Supreme Court.

## 3. LEASES

The Companies lease a portion of their nuclear generating facilities, certain transmission facilities, computer equipment, office space and other property and equipment under cancelable and noncancelable leases.

In 1987, the Company sold a portion of its ownership interest in Perry Unit 1 and Beaver Valley Unit 2 and simultaneously entered into operating leases on the portions sold for basic lease terms of approximately 29 years. During the term of the leases the Company continues to be responsible, to the extent of its combined ownership and leasehold interest, for costs associated with the units including construction expenditures, operation

NOTES continued

and maintenance expenses, insurance, nuclear fuel, property taxes and decommissioning. The leases provide for adjustments to the basic rental payments for possible future federal tax law changes. The Company has the right, at the end of the respective basic lease terms, to renew the leases for up to two years. The Company also has the right to purchase the facilities at the expiration of the basic lease term or the renewal term (if elected) for a purchase price equal to the fair market value of the facilities.

Consistent with the regulatory treatment, the rental payments for capital and operating leases are charged to operating expenses on the Consolidated Statements of income. Such costs reflected on the Consolidated Statements of Income for the three years ended December 31, 1991, are summarized as follows:

	1991	1990	1989
	(In thousands)		
Operating leases	\$125,863	\$130,128	\$130,978
Amortization of capital leases	6,788	7,518	12,815
Interest on capital leases	9,150	7,951	9,699
Total rental payments	\$141,701	\$145,597	\$153,492

The future minimum lease payments as of December 31, 1991, are:

	Capital Leases	Operating Leases
	(In thousands)	
1992	\$ 17,740	\$ 114,747
1993	16,583	114,681
1994	15,386	115,145
1995	14,297	115,354
1996	13,081	115,962
Years thereafter	133,055	2,430,177
Total minimum lease payments	210,142	\$3,408,896
Executive costs	48,351	
Net minimum lease payments	161,811	
Current portion	95,221	
Present value of net minimum lease payments	76,596	
Less current portion	6,578	
Noncurrent portion	\$ 60,012	

4. CAPITALIZATION:

(a) RETAINED EARNINGS—Under the Company's indenture, the Company's consolidated retained earnings unrestricted for payment of cash dividends on the Company's common stock were \$390,040,000 at December 31, 1991.

(b) EMPLOYEE STOCK OWNERSHIP PLAN—The Employee Stock Ownership Plan Trust (ESOP) was established in October 1990 to fund the matching contribution to the Companies' existing 401(k) savings plan. All full-time employees eligible for participation in the 401(k) savings plan are covered by the ESOP. The ESOP borrowed \$200,000,000 from the Company and acquired 10,654,114 shares of the Company's common stock on the open market.

During 1991, 263,252 shares were allocated to employees with the corresponding expense recognized based on the shares allocated method. Total ESOP related compensation expense for the year was calculated as follows:

Base compensation	\$ 4,587,000
Interest on ESOP debt	12,708,000
Dividends on common stock held by the ESOP and used to service debt	(9,735,000)
Interest earned by the ESOP	(1,708,000)
	\$ 5,204,000

(c) PREFERRED AND PREFERENCE STOCK—Pekin Power's 15% and 15% series of preferred stock have restrictions preventing early redemption through new issuances of securities having interest or dividend rates less than the dividend rates of the series being redeemed. The Company's 8.45% series of preferred stock has no early redemption provision and its 5.20% market auction preferred stock series has a restriction requiring notice of redemption to be given at the beginning of an applicable dividend period. All other preferred and preference stock may be redeemed in whole, or in part, with at least 30 days but not more than 60 days notice. The optional redemption prices shown on the Consolidated Statements of Capitalization will decline to eventual minimums per share according to the Charter provisions that establish each series.

(d) PREFERRED AND PREFERENCE STOCK SUBJECT TO MANDATORY REDEMPTION—Annual sinking fund provisions for the Companies' preferred and preference stock are as follows:

	Rate	Shares	Date	Beginning
Other Edison—				
Preference Stock	10.25%	962	July 1	(i)
Preferred Stock	8.45%	50,000	September 16	1997
Pekin Power—				
Preferred Stock	8.24%	5,000	December 1	(i)
	11.00%	4,000	January 1	(i)
	15.00%	5,200	July 15	(i)
	11.50%	15,000	July 25	(i)
	15.00%	5,000	July 1	(i)
	10.50%	100,000	April 1	2040

(i) Retirements of this series have begun.

Preferred and preference shares are retired at \$100 and \$1,000 per share, respectively, plus accrued dividends. The sinking fund requirements for the next five years are:

1992	\$4,526,000
1993	4,128,000
1994	4,200,000
1995	4,082,000
1996	5,720,000

Amounts shown above for 1992 include \$400,000 of preferred stock optionally redeemed in January 1992.

(e) LONG-TERM DEBT—The mortgages and their supplements, which secure all of the Companies' first mortgage bonds, serve as direct first mortgage liens on substantially all property and franchises, other than specifically excepted property, owned by the Companies.



Based on the amount of bonds authenticated by the Trustees through December 31, 1991, the Companies' annual sinking and improvement fund requirements for all bonds issued under the mortgages amount to \$51,131,600. The Company expects to deposit funds in 1992 which will be withdrawn upon the surrender for cancellation of a like principal amount of bonds, which are specifically authenticated for such purposes against unfunded property additions or against previously retired bonds. This method can result in minor increases in the amount of the annual sinking fund requirements. Perm Power expects to satisfy its requirements in 1992 by certifying unfunded property additions at 166-2/3% of the required amount.

Sinking fund requirements for certain series of first mortgage bonds and maturing long-term debt (excluding capital leases) for the next five years are:

1992	\$265,194,000
1993	101,151,000
1994	131,097,000
1995	467,102,000
1996	231,542,000

Amounts shown above for 1992 include \$1,048,000 of first mortgage bonds optionally redeemed in January 1992. The weighted average interest rates shown on the Consolidated Statements of Capitalization relate to long-term debt outstanding at December 31, 1991.

The Companies' obligations to repay certain pollution control revenue bonds are secured by several series of first mortgage bonds and, in some cases, by subordinate liens on the related pollution control facilities. A portion of the unsecured notes outstanding are entitled to the benefit of irrevocable bank letters of credit of \$282,412,000. To the extent that drawings are made under those letters of credit to pay principal of, or interest on, the pollution control revenue bonds, the Company is entitled to a credit on the notes. The Company pays an annual fee of approximately 1/2% of the amounts of the letters of credit to the issuing banks and is obligated to reimburse the banks for any drawings thereunder.

The Company is party to a currency exchange agreement to reduce potential risks arising from exchange rate fluctuations for payments of interest and principal on its Swiss franc Note, \$1,000,000 principal amount (\$44,000,000) due May 1995. Under the currency exchange agreement, the Company and the counterparty exchange dollars for Swiss francs to meet all obligations under the note. In the event of nonperformance by the counterparty, the Company is relieved from its obligation of payment pursuant to the agreement and would have to satisfy interest and principal payment by purchasing Swiss francs at the spot rate in effect at that time.

Nuclear fuel purchases are financed through the issuance of OES Fuel commercial paper and loans, both of which are supported by a \$425,000,000 long-term bank credit agreement which expires March 31, 1995. Accordingly, the commercial paper and loans are reflected as long-term debt on the Consolidated Balance Sheet. OES Fuel must pay a facility fee of 3/16% on the total line of credit and a commitment fee of 1/16% on any unused amount.

#### 5. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT

Short-term borrowings outstanding at December 31, 1991, represented OES Capital debt which is secured by customer accounts receivable. OES Capital can borrow up to \$120,000,000 under a receivables financing agreement at rates based on certain bank commercial paper. OES Capital is required to pay a fee of 3/20% on the amount of the entire finance limit and 7/20% on the amount of borrowings outstanding. The receivables financing agreement is currently being extended on a month-to-month basis until a new agreement is finalized.

The Companies have lines of credit with domestic banks that provide for borrowings of up to \$135,000,000 under various interest rate options. Short-term borrowings may be made under these lines of credit on the Companies' unsecured notes. To assure the availability of these lines, the Companies are required to pay commitment fees that vary from 1/8% to 1/2%. Of these total lines, \$50,000,000 expire in April 1992, \$20,000,000 in May 1992, \$5,000,000 in December 1992 and the remainder in May 1993.

Approximately \$148,508,000 of short-term borrowings has been classified as long-term debt on the December 31, 1990, Consolidated Balance Sheet to reflect the repayment of short-term borrowings with the proceeds of a long-term financing in January 1991.

#### 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES

**CONSTRUCTION PROGRAM**—The Companies' current budget forecasts reflect expenditures of approximately \$1,540,000,000 for property additions and improvements from 1992-1996, of which approximately \$265,000,000 is applicable to 1992.

The status of Perry Unit 2 continues to be under review. Currently, no significant work is being performed on the Unit and the Companies do not capitalize AFUDC. Until review of the status of Perry Unit 2 has been completed, there will be no defined schedule for its completion. The construction estimates for the 1992-1996 period do not include any amounts applicable to Perry Unit 2 if construction of the Unit were to be resumed.

Possible alternatives being reviewed with respect to Unit 2 include indefinite suspension of construction on the Unit, resumption of work on the Unit and termination of the Unit. In accordance with the CAPCO arrangements, none of these alternatives may be implemented without the approval of each of the owners of the Unit. In February 1992, Cleveland Electric Illuminating Company purchased Duquesne Light Company's ownership share of Perry Unit 2.

As of December 31, 1991, the Company and Penn Power had invested approximately \$319,000,000 and \$52,000,000, respectively, applicable to Perry Unit 2. Delay in the completion of the Unit can be expected to increase its total cost by amounts which are not presently determinable. If a decision were made to terminate Unit 2, certain costs which are currently assigned to Unit 2 would be reassigned, where appropriate, to Unit 1. Pending completion of the ongoing review, the Company is unable to predict whether the construction on Unit 2 will continue or, if continued, on what basis such continuation will proceed.

The Company cannot now predict whether its investment in Unit 2 applicable to its PUCO jurisdictional customers would be recoverable if construction of the Unit were terminated. If no means of recovery of the costs of Unit 2 were available to the Company from its PUCO jurisdictional customers and no other basis for recovery could be found or anticipated, the Company would be required to write off the portion of its investment applicable to its PUCO jurisdictional customers. As of December 31, 1991, the Company estimates that the maximum amount of such a write-off would be approximately \$210,000,000, net of income tax effect. The Company does not anticipate that a write-off of even this magnitude, if required, would of itself affect its ability to pay common stock dividends at current levels, and studies indicate that the magnitude of any such write-off could be much smaller. Based on Section 520 of the Pennsylvania Public Utility Code, Penn Power believes it could recover its investment in Perry Unit 2 with respect to its PPUC jurisdictional customers if the unit were terminated.

If a decision were made to terminate Perry Unit 2, consolidated net income would be reduced at that time by the difference between the cost of Perry Unit 2 and the present value of revenue to be collected from retail jurisdictional customers applicable to the Unit. The FERC has revised its policy with respect to recovering the costs of terminated construction projects. As a result, if Perry Unit 2 were terminated, the Companies would be required

to write off one-half of their respective investments applicable to their FERC jurisdictional customers if and to the extent that the FERC revised policy is applicable. Under such circumstances, the remaining costs, plus a return on the unamortized investments, would be recovered from their FERC jurisdictional customers.

**NUCLEAR INSURANCE**—The Price-Anderson Act limits the public liability relative to a single incident at a nuclear power plant to \$7,445,000,000. The amount is covered by a combination of private insurance and an industry retrospective rating plan. Based on their present ownership and leasehold interests in Beaver Valley Units 1 and 2 and Perry Unit 1, the Companies' maximum potential assessment under the industry retrospective rating plan (assuming the other CAPCO companies were to contribute their proportionate share of any assessments under the retrospective rating plan) would be \$81,700,000 per incident but not more than \$13,000,000 in any one year for each incident. The Companies are also subject to an additional surcharge assessment under this plan aggregating approximately \$4,100,000.

The Companies are also insured as to their respective interests in the Beaver Valley Station and the Perry Plant under policies issued to the operating company for each plant. Under these policies, up to \$2,715,000,000 is provided for property damage and decontamination and decommissioning costs. The Companies have also obtained approximately \$241,000,000 of insurance coverage for replacement power costs for their respective interests in Beaver Valley Units 1 and 2 and Perry Unit 1. Under these policies, the Companies can be assessed a maximum of approximately \$8,800,000 for accidents occurring during a policy year which are in excess of accumulated funds available to the insurer.

The Companies intend to maintain insurance against nuclear risks as described above as long as it is available. To the extent that replacement power, property damage, decontamination, decommissioning, repair and replacement costs and other such costs arising from a nuclear incident at any of the Companies' plants exceed the policy limits of the insurance from time to time in effect with respect to that plant, to the extent a nuclear incident is determined not to be covered by the Companies' insurance policies, or to the extent such insurance becomes unavailable in the future, the Companies would remain at risk for such costs.

**GUARANTEES**—The Companies, together with the other CAPCO companies, have several guarantees of certain debt and lease obligations in connection with a coal supply contract for the Bruce Mansfield Plant. As of December 31, 1991, the Companies' shares of the guarantees were \$123,731,000. The price under the coal supply contract, which includes certain minimum payments, has been determined to be sufficient to satisfy the



debt and lease obligations. The Companies' total payments under the coal supply contracts amounted to \$107,069,000, 214,077,000 and \$105,154,000 during 1987, 1990 and 1988, respectively. Under the coal supply contract, the Companies' future minimum payments are:

1992	\$ 86,751,000
1993	81,313,000
1994	84,721,400
1995	74,821,000
1996	87,152,000
Years thereafter	100,078,000

**ENVIRONMENTAL MATTERS**—Various federal, state and local authorities regulate the Companies with regard to air and water quality and other environmental matters. The Companies have estimated additional capital expenditures for environmental compliance of approximately \$155,000,000, which is included in the construction forecast given above under "Construction Program" for 1992 through 1996.

The Clean Air Act Amendments of 1990 require significant reductions of sulfur dioxide (SO<sub>2</sub>) and oxides of nitrogen from the Companies' coal-fired generating units by 1995 and additional emission reductions by 2010. Compliance options include, but are not limited to, installing additional pollution control equipment, burning less polluting fuel, purchasing emission allowances from others, operating existing facilities in a manner which minimizes pollution and retiring facilities. The Companies are required to submit compliance plans to the Environmental Protection Agency (EPA) by February 1993, indicating how the Companies anticipate their facilities will comply. These compliance plans must be consistent with regulations that the EPA is to promulgate by May 1992. In addition, the EPA is required to perform studies, the first of which is due by November 1993, of the potential hazards to public health anticipated to occur as a result of the emission by electric utilities of certain potentially hazardous air pollutants. The EPA is to submit the results of these studies to Congress together with recommendations for further control requirements, if needed. The Companies are testing and analyzing various compliance options for feasibility, cost-effectiveness and degree of flexibility.

The Companies are required to meet federally approved SO<sub>2</sub> regulations, and the violations of such regulations can result in injunctive relief, including shutdown of the generating unit involved, and/or civil or criminal penalties of up to \$25,000 per day of violation. The EPA has an interim enforcement policy for the SO<sub>2</sub> regulations in Ohio which allows for compliance with the regulations based on a 30-day averaging period. The EPA has informed another Ohio electric utility of changes in the interim enforcement policy including a revision of the method of calcu-

lating emissions. While the Companies do not agree with the EPA's position in the matter, they expect to comply with the policy. The Companies cannot predict what action the EPA may take in the future with respect to the interim enforcement policy.

In April 1988, several states, the Province of Ontario, and several environmental groups petitioned the EPA to conduct a rulemaking under Section 115 of the Clean Air Act. Section 115 is that portion of the Clean Air Act which addresses pollution across international boundaries. The petitioners claim that the EPA has already determined that sources in midwestern states contribute to air pollution which they allege is endangering public health and welfare in Canada. The EPA is being asked to officially confirm this determination. The EPA has informed the petitioners that it does not currently have sufficient information to act on the petitions. The Companies are unable to predict the outcome of these proceedings.

During the past several years, the U.S. Court of Appeals for the District of Columbia reversed several significant portions of the EPA's regulations on the methods used by the EPA to determine the amount of stack height credit for establishing individual source emission limits for SO<sub>2</sub>. Portions of the latest EPA regulations were reversed and remanded by the Court in January 1988 as a result of appeals by the Companies and others. After the EPA promulgates new regulations in conformity with the final Court decision in this matter, Ohio and Pennsylvania must then review their emission limits to ensure conformance with the new EPA regulations. Such review could result in more stringent emission limits for some existing plants and increased capital costs and operating expenses. The Companies are currently unable to predict the outcome of these proceedings.

In June 1987, the EPA announced regulations covering small particulate matter emissions from utility boilers. Although the Companies have power plants in one of the two counties in Ohio where EPA computer modeling predicts that excessive small particulate emissions will be found, the Companies are unable to predict the ultimate effect of these regulations.

In February 1990, the Pennsylvania Department of Environmental Resources issued proposed regulations dealing with the storage, treatment, transportation and disposal of residual waste such as coal ash and scrubber sludge. The Companies submitted detailed comments on the proposed regulations objecting to and proposing changes to certain provisions. Final regulations incorporating certain of the Companies' concerns were approved on January 21, 1992, and are expected to become effective in the second quarter of 1992. The final regulations impose additional requirements relating to permitting, groundwater monitoring, leachate collection systems, closure, liability insurance and operating matters. The new requirements will increase capital and operating costs at existing sites by an undetermined amount.

With respect to the environmental matters described above, the Companies expect that any resulting additional capital costs which may be required, as well as any required increase in operating costs, would ultimately be recovered from their customers.

## 7. SUMMARY OF QUARTERLY FINANCIAL DATA (UNAUDITED)

The following summarizes certain consolidated operating results by quarter for 1991 and 1990.

Three Months Ended	March 31, 1991	June 30, 1991	September 30, 1991	December 31, 1991
(In thousands, except per share amounts)				
Operating Revenues	\$765,701	\$766,602	\$621,867	\$777,643
Operating Expenses and Taxes	449,853	458,321	474,069	451,271
Operating Income	315,848	308,281	147,798	326,372
Other Income (Expense)	2,998	6,446	4,121	5,160
Net Interest and Other Charges	74,300	78,833	82,623	74,378
Net Income	\$ 72,566	\$ 66,674	\$ 69,436	\$ 57,353
Earnings on Common Stock	\$ 65,651	\$ 60,064	\$ 63,076	\$ 51,298
Earnings per Share of Common Stock	\$ .43	\$ .40	\$ .42	\$ .35
Three Months Ended	March 31, 1990	June 30, 1990	September 30, 1990	December 31, 1990
(In thousands, except per share amounts)				
Operating Revenues	\$564,670	\$527,110	\$575,457	\$573,429
Operating Expenses and Taxes (Note 2)	425,989	401,653	448,786	455,951
Operating Income	140,671	125,457	126,651	117,478
Other Income (Expense)	1,515	1,747	(5)	(59)
Net Interest and Other Charges (Note 2)	45,540	45,934	57,660	84,686
Net Income	\$ 96,696	\$ 83,270	\$ 68,988	\$ 32,762
Earnings on Common Stock	\$ 89,772	\$ 76,346	\$ 62,894	\$ 25,837
Earnings per Share of Common Stock	\$ .59	\$ .50	\$ .41	\$ .17



REPORT OF  
INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of Ohio Edison Company (an Ohio corporation) and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, retained earnings, capital stock and other paid-in capital, cash flows and taxes for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 Ohio Edison 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 in Note 6 to the consolidated financial statements, the status of Perry Unit 2 is currently being reviewed. Possible alternatives being considered include indefinite suspension, resumption of work and termination of the Unit. Because the Companies are unable to predict the results of the review, they cannot now predict if construction of Perry Unit 2 will be terminated and, if terminated, to what extent the Companies' investments will be recoverable.

*Arthur Andersen & Co.*

ARTHUR ANDERSEN & CO.

New York, N.Y.  
February 4, 1992

CONSOLIDATED FINANCIAL STATISTICS

Ohio Edison Company

(Dollars in thousands, except per share amounts)

	1991	1990	1989	1988	1987	1986	1985
<b>GENERAL FINANCIAL INFORMATION</b>							
Operating Revenues	\$2,558,946	\$2,240,646	\$2,162,720	\$2,151,385	\$1,785,296	\$1,758,812	\$1,493,785
Operating Income	\$ 550,452	\$ 510,279	\$ 543,659	\$ 496,996	\$ 397,463	\$ 392,357	\$ 252,381
Earnings on Common Stock	\$ 260,069	\$ 255,048	\$ 332,982	\$ 186,170	\$ 346,657	\$ 359,825	\$ 163,892
SEC Ratio of Savings to Fixed Charges	1.95	1.97	2.05	1.65	2.30	2.39	1.96
Net Utility Plant at December 31	\$5,985,615	\$6,049,219	\$6,081,757	\$6,048,934	\$6,326,099	\$7,288,741	\$3,267,757
Capital Expenditures	\$ 235,632	\$ 270,995	\$ 258,041	\$ 221,883	\$ 263,242	\$ 276,198	\$ 568,044
Capitalization at December 31							
Common Stockholders' Equity	\$2,371,946	\$2,545,159	\$2,565,905	\$2,450,975	\$2,651,375	\$2,541,712	\$1,229,044
Preferred and Preference Stock Not Subject to Mandatory Redemption	354,240	354,240	354,240	354,240	404,240	455,367	334,240
Preferred and Preference Stock Subject to Mandatory Redemption	65,582	62,822	89,562	96,802	121,551	160,794	151,141
Long-Term Debt	3,243,167	3,105,248	3,073,796	3,208,553	3,332,858	3,663,863	2,207,255
<b>Total Capitalization</b>	<b>\$6,034,935</b>	<b>\$6,067,469</b>	<b>\$6,083,504</b>	<b>\$6,190,570</b>	<b>\$6,533,774</b>	<b>\$6,821,934</b>	<b>\$3,891,780</b>
<b>Capitalization Ratios at December 31:</b>							
Common Stockholders' Equity	39.3%	41.9%	42.2%	40.9%	40.6%	37.3%	31.6%
Preferred and Preference Stock Not Subject to Mandatory Redemption	5.9	5.9	5.8	5.7	6.2	6.7	7.8
Preferred and Preference Stock Subject to Mandatory Redemption	1.1	1.0	1.5	1.6	2.2	2.3	3.9
Long-Term Debt	53.7	51.2	50.5	51.8	51.0	52.7	56.7
<b>Total Capitalization</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Cost of Preferred and Preference Stock Outstanding at December 31</b>							
Cost of Long-Term Debt Outstanding at December 31	7.60%	8.59%	8.72%	8.71%	9.38%	9.66%	8.37%
<b>Cost of Long-Term Debt Outstanding at December 31</b>	<b>8.75%</b>	<b>9.28%</b>	<b>9.67%</b>	<b>10.26%</b>	<b>10.22%</b>	<b>10.29%</b>	<b>11.15%</b>
<b>COMMON STOCK DATA</b>							
Earnings per Share	\$1.60	\$1.67	\$2.18	\$1.22	\$1.40	\$2.47	\$2.30
Return on Average Common Equity	9.9%	9.9%	13.0%	7.0%	13.8%	14.9%	14.6%
Dividends Paid per Share	\$1.50	\$1.73	\$1.96	\$1.96	\$1.96	\$1.52	\$1.76
Common Stock Dividend Payout Ratio	94%	104%	90%	161%	82%	76%	77%
Common Stock Dividend Yield at December 31	7.3%	8.8%	8.3%	10.4%	9.7%	9.8%	15.1%
Price/Earnings Ratio at December 31	12.8	10.3	10.9	12.3	8.4	7.9	5.1
Shares of Common Stock Outstanding at December 31 (000)	152,569	152,569	152,569	152,508	152,398	149,818	78,676
Book Value per Common Share at December 31	\$15.55	\$16.68	\$16.82	\$16.60	\$17.40	\$16.97	\$15.62
Market Price per Common Share at December 31	\$20.50	\$17.125	\$23.75	\$18.875	\$30.125	\$19.50	\$11.25
Ratio of Market Price to Book Value per Share at December 31	132%	103%	141%	114%	116%	115%	74%



	1991	1990	1989	1988	1987	1986	1985
<b>REVENUE FROM ELECTRIC SALES (Thousands)</b>							
Residential	\$ 659,387	\$ 657,326	\$ 747,345	\$ 726,476	\$ 622,552	\$ 615,263	\$ 442,267
Commercial	627,443	596,547	558,524	573,873	654,706	649,590	508,599
Industrial	604,760	589,624	554,857	577,169	652,504	689,594	741,162
Other	51,086	51,553	33,768	57,265	58,478	65,572	55,963
Subtotal	2,102,651	1,967,150	1,894,494	1,892,065	1,988,240	1,977,316	1,786,021
Sales to Utilities	222,096	243,797	277,905	362,365	162,774	194,496	68,102
<b>Total</b>	<b>\$2,324,657</b>	<b>\$2,209,922</b>	<b>\$2,151,775</b>	<b>\$2,125,950</b>	<b>\$2,160,965</b>	<b>\$2,151,722</b>	<b>\$1,774,123</b>
<b>REVENUE FROM ELECTRIC SALES</b>							
Residential	36.1%	34.8%	35.1%	34.3%	35.4%	35.5%	34.7%
Commercial	27.0	26.5	26.4	25.1	25.8	26.0	24.2
Industrial	26.0	26.3	26.0	25.8	25.7	26.0	29.9
Other	1.3	1.4	1.6	3.0	3.9	3.6	4.3
Subtotal	90.4	89.0	88.9	87.7	90.8	91.1	95.1
Sales to Utilities	9.6	11.0	11.1	12.3	9.2	8.9	6.9
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>KILOWATT-HOUR SALES (Millions)</b>							
Residential	7,908	7,527	7,619	7,526	7,299	7,046	6,777
Commercial	6,608	6,570	6,233	6,060	5,782	5,560	4,917
Industrial	9,598	9,872	9,795	9,872	9,067	8,533	9,352
Other	596	368	377	1,199	1,310	1,192	1,181
Subtotal	24,510	24,337	24,024	24,719	23,458	22,531	23,197
Sales to Utilities	7,203	7,986	8,276	11,438	6,527	6,664	2,950
<b>Total</b>	<b>31,713</b>	<b>32,323</b>	<b>32,281</b>	<b>36,157</b>	<b>29,987</b>	<b>28,995</b>	<b>25,147</b>
<b>CUSTOMERS SERVED AT DECEMBER 31:</b>							
Residential	935,547	928,026	919,935	917,158	902,466	894,164	872,503
Commercial	104,462	103,297	102,055	100,809	97,322	97,383	89,231
Industrial	5,361	5,032	2,895	2,624	2,452	2,259	1,068
Other	1,094	1,061	893	778	681	802	711
<b>Total</b>	<b>1,044,464</b>	<b>1,035,416</b>	<b>1,025,783</b>	<b>1,015,508</b>	<b>1,000,121</b>	<b>996,348</b>	<b>963,313</b>
Average Annual Residential kWh Usage	8,498	8,159	8,336	8,125	8,140	7,924	7,760
Average Residential Price per kWh	10.824	10.230	9.694	9.400	8.550	8.734	6.564
Cost of Fuel per Million Btu	\$1.27	\$1.27	\$1.26	\$1.30	\$1.32	\$1.40	\$1.66
<b>Generating Capability at December 31:</b>							
Coal	77.7%	77.9%	77.9%	77.9%	77.9%	85.1%	86.3%
Oil	2.7	2.7	2.7	2.7	3.7	3.0	6.2
Nuclear	19.6	19.4	19.4	19.4	19.4	7.9	7.5
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SOURCES OF ELECTRIC GENERATION:</b>							
Coal	75.4%	77.3%	82.1%	77.0%	87.4%	51.0%	89.9%
Oil	—	—	—	—	—	—	0.2
Nuclear	24.6	22.7	17.9	23.0	12.6	9.0	9.9
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Peak Load-Megawatts	5,513	5,594	5,152	5,027	4,579	4,243	4,148
Number of Employees at December 31	6,481	6,792	6,905	7,180	7,265	7,285	7,669

## STOCKHOLDER INFORMATION

For assistance or information, please write to Stockholder Services, Ohio Edison Company, 76 South Main Street, Akron, Ohio 44308, or call one of the following toll-free telephone numbers:

To change an address or tax identification number  
1-800-756-7461

To transfer stock or request a lost certificate  
1-800-756-3402

For dividend re-investment plan assistance  
1-800-756-3405

For dividend check inquiries and other information,  
1-800-756-3404

Toll-free numbers are valid in the United States, Canada, Puerto Rico and the Virgin Islands. Business hours are 8:00 a.m. to 4:30 p.m., Eastern time, Monday through Friday.

Stockholders who have personal computers and modems can use our Bulletin Board service weekdays between 5:00 p.m. and 7:30 a.m., and on weekends at 216-384-7937. This service features daily stock prices and financial data.

## DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The Company's Dividend Reinvestment and Stock Purchase Plan provides an opportunity for registered stockholders to acquire shares of Ohio Edison Common Stock. Participants may invest all or some of their dividends or make optional cash payments of up to \$10,000 annually. At the end of 1991, about 60,000 stockholders were participating in the plan.

## STOCK DIVIDENDS

For federal income tax purposes, all dividends paid by the Company in 1991 are taxable. Proposed dates for the payment of common stock dividends in 1992 are as follows:

Ex-Dividend Date	Record Date	Payment Date
March 2	March 6	March 31
June 1	June 5	June 30
September 1	September 8	September 30
December 1	December 7	December 31

## STOCK LISTING AND TRADING

Ohio Edison Common Stock is listed on the New York and Midwest Stock exchanges under the "OED" trading symbol. Newspapers usually use "OhioEd" in their stock listings.

## FORM 10-K ANNUAL REPORT

Form 10-K, the Annual Report to the Securities and Exchange Commission, will be sent without charge upon written request to Gregory F. LaFlame, Secretary, Ohio Edison Company, 76 South Main Street, Akron, Ohio 44308.

## ANNUAL MEETING OF STOCKHOLDERS

We invite stockholders to attend the 1992 Annual Meeting of Stockholders on Thursday, April 30, at 10:00 a.m. in the Company's General Office in Akron, Ohio. Registered holders of common stock not attending can vote on the items of business by filling out and returning the proxy card that is mailed about 30 days before the meeting. Stockholders whose shares are held in the name of a broker can attend the meeting if a letter from the broker is presented indicating ownership of Ohio Edison Common Stock on March 6, 1992.

## TRANSFER AGENT AND REGISTRAR

Ohio Edison Company  
Transfer Agent and Registrar  
76 South Main Street  
Akron, Ohio 44308

## AUDIO FINANCIAL REPORTS

Stockholders with impaired vision can obtain free audiocassettes of the Company's annual report and interim reports by contacting Stockholder Services.

## MULTIPLE ANNUAL REPORTS

You may be receiving more than one copy of the annual report if you have more than one stock account. If you want to maintain separate stock accounts but eliminate multiple copies, please write to Stockholder Services and request that we stop mailing an annual report to a particular account. Be sure to provide the exact registration of the stock account for which you want the annual report mailing stopped. Dividends and proxy material will continue to be sent for each account. If you want to combine your accounts, please write or call Stockholder Services for instructions.

## INSTITUTIONAL INVESTOR/SECURITY ANALYST INQUIRIES

Institutional investors and security analysts should direct inquiries to:

Theodore E. Struck II Assistant Treasurer 216-384-5202	Richard H. Marsh Treasurer 216-384-5318
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## MANAGEMENT CHANGES

In July 1991, the Company's Board of Directors elected former President Justin T. Rogers, Jr., chairman of the Board and chief executive officer. Willard R. Holland was named president, chief operating officer and a member of the Board, and former Executive Vice President Douglas W. Tschappat was elected vice chairman of the Board. Mr. Holland formerly served as senior vice president of Detroit Edison Company, where he was responsible for energy marketing and distribution.

In November, the Directors elected Vice President and General Counsel Anthony J. Alexander to senior vice president and general counsel; Arthur R. Garfield, manager, System Operations, to vice president; and Daniel P. Zeno, manager, Governmental Affairs, to vice president.

In June, Penn Power's Board of Directors elected Robert L. Kensingler president of Penn Power, succeeding James E. Markle, who retired in August after 43 years of distinguished service. Mark T. Clark, former Springfield Division manager, replaced Mr. Kensingler as Akron Division manager. Thomas A. Clark, former manager, Purchasing and Materials Management, was promoted to Springfield Division manager. Richard H. Marsh, former manager, Assets Administration, was elected treasurer, succeeding Kenneth J. Verbie, who was named manager, Purchasing and Materials Management.

Earl T. Carey, former Stark Division manager, was promoted to Youngstown Division manager, replacing Peter A. Fetterolf, who retired in August after 43 years of dedicated service. R. Joseph Hrach, former manager, Communications Services/Customer Account Services, Penn Power, succeeded Mr. Carey as Stark Division manager. Charles E. Jones, former superintendent of Transmission and Distribution, Akron Division, was promoted to Lake Erie Division manager, succeeding Malcolm E. Cash, who is retiring after more than 32 years of distinguished service.

In December, the Company's Board of Directors elected Dr. Carol A. Cartwright, president of Kent State University, to serve as director of the Company, effective January 1, 1992.

In February 1992, the Board elected Jesse T. Williams, Sr., vice president of Human Resources Diversity, Safety and Workers' Compensation, The Goodyear Tire & Rubber Company, to serve as director of the Company, effective March 1, 1992.



## BOARD OF DIRECTORS

### **Donald C. Blasius, 62**

President of White Consolidated Industries, Inc., Cleveland, Ohio (home and commercial appliances, outdoor and industrial products). Member, Finance Committee, Nominating Committee. Elected 1981

### **H. Peter Burg, 45**

Senior Vice President and Chief Financial Officer of Ohio Edison. Member, Finance Committee. Elected 1989

### **Robert H. Carlson, 65**

Retired, formerly President and Chief Executive Officer of Universal Rundle Corporation, New Castle, Pennsylvania (plumbing fixtures). Member, Audit Committee. Elected 1987

### **Dan R. Carmichael, 47**

President and Chief Executive Officer of The Shelby Insurance Company, Shelby, Ohio (diversified insurance). Member, Compensation Committee. Elected 1990

### **Dr. Carol A. Cartwright, 50**

President, Kent State University, Kent, Ohio. Elected 1991

### **Dr. Lucille G. Ford, 70**

Provost of Ashland University, Ashland, Ohio. Chairman, Nominating Committee; Member, Finance Committee. Elected 1979

### **Willard R. Holland, 55**

President and Chief Operating Officer of Ohio Edison. Elected 1991

### **Robert L. Loughhead, 62**

Retired, formerly Chairman of the Board, President and Chief Executive Officer of Weirton Steel Corporation, Weirton, West Virginia (steel products). Chairman, Compensation Committee; Member, Audit Committee. Elected 1980

### **Glenn H. Meadows, 62**

Retired, formerly President and Chief Executive Officer of McNeil (Ohio) Corporation, Akron, Ohio (manufactured products). Member, Audit Committee, Compensation Committee. Elected 1981

### **William R. Miller, 69**

President of National Manufacturing & Design Corp., Albany, Kentucky (clothing). Member, Compensation Committee. Elected 1985

### **John Nelson, 69**

Retired, formerly Chairman of the Board and Chief Executive Officer of Commercial Shearing, Inc., now Commercial Intertech Corp., Youngstown, Ohio (engineered metal components). Member, Compensation Committee. Elected 1982

### **Charles W. Rainger, 58**

President of Sandusky International Inc. (formerly Sandusky Foundry & Machine Company), Sandusky, Ohio (centrifugal castings). Member, Nominating Committee. Elected 1987

### **Justin T. Rogers, Jr., 62**

Chairman of the Board and Chief Executive Officer of Ohio Edison and its subsidiary, Pennsylvania Power. Chairman, Finance Committee; Member, Nominating Committee. Elected 1979

### **George M. Smart, 46**

President and Chief Executive Officer of Central States Can Co., Massillon, Ohio (rigid containers). Member, Finance Committee. Elected 1988

### **Douglas W. Tschappat, 64**

Vice Chairman of the Board of Ohio Edison. Elected 1980

### **Frank C. Watson, 67**

Retired, formerly President of The Youngstown Welding and Engineering Company, Youngstown, Ohio (nonferrous alloys). Chairman, Audit Committee; Member, Nominating Committee. Elected 1974

### **Jesse T. Williams, Sr., 52**

Vice President, Human Resources Diversity, Safety and Work. Compensation of The Goodyear Tire & Rubber Company, Akron, Ohio (tires and rubber-related products). Elected 1992

## DIRECTOR EMERITUS

### **Fred H. Zuck**

## OFFICERS

### **Justin T. Rogers, Jr.**

Chairman of the Board

### **Douglas W. Tschappat**

Vice Chairman of the Board

### **Willard R. Holland**

President

### **Anthony J. Alexander**

Senior Vice President and General Counsel

### **H. Peter Burg**

Senior Vice President

### **Robert J. McWhorter**

Senior Vice President

### **Arthur R. Garfield**

Vice President

### **John A. Gill**

Vice President

### **Anthony N. Gorant**

Vice President

### **Barry M. Miller**

Vice President

### **David L. Yeager**

Vice President

### **Daniel P. Zeno**

Vice President

### **Gregory E. LaFlame**

Secretary

### **Richard H. Marsh**

Treasurer

### **Harvey L. Wagner**

Comptroller

### **Nancy C. Brink**

Assistant Secretary

### **Theodore F. Struck II**

Assistant Treasurer

### **Howard J. Tuber**

Assistant Comptroller

## DIVISION MANAGERS

### **Mark T. Clark**

Akron

### **Gary M. Starr**

Bay

### **Charles E. Jones**

Lake Erie

### **Fred M. Lentz**

Mansfield

### **Fred K. White**

Marion

### **Thomas A. Clark**

Springfield

### **R. Joseph Hrach**

Stark

### **Edward T. Bell**

Warren

### **Earl T. Carey**

Youngstown



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1991 ANNUAL REPORT

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