



Ohio

Edison

Annual

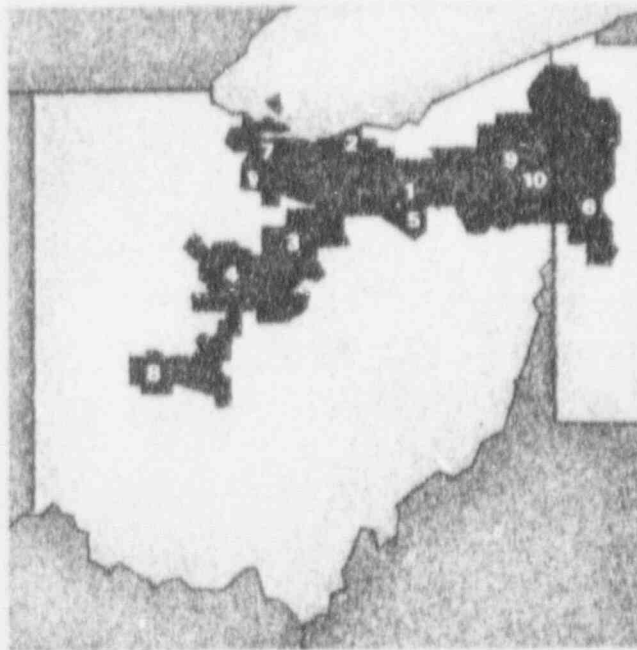
Report

1990

EDISON ENERGY SERVICES
A UNIT OF EDISON INTERNATIONAL

CORPORATE PROFILE

The Ohio Edison System is the 17th 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



Service Area Ohio Edison Company and Pennsylvania Power Company

- 1 Akron
- 2 Lorain
- 3 Mansfield
- 4 Marion
- 5 Massillon
- 6 New Castle
- 7 Sandusky
- 8 Springfield
- 9 Warren
- 10 Youngstown

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.

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- 14 Financial Review
- 36 Stockholder Information
- 37 Directors And Management



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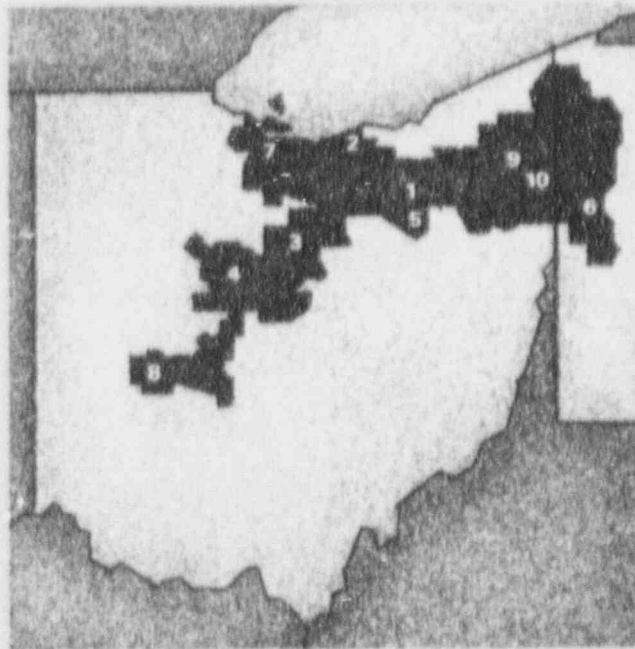
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1990

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FINANCIAL HIGHLIGHTS

For the Years Ended December 31	1990	1989	Change
	(In millions, except per share amounts)		
Kilowatt-Hour Sales	31,309.5	31,878.2	- 1.8%
Operating Revenues	\$2,225.5	\$2,155.0	+ 3.3%
Operating Expenses and Taxes	1,715.2	1,611.3	+ 6.5%
Operating Income	510.3	543.7	- 6.1%
Capitalized Financing Costs	98.9	150.4	- 34.2%
Interest and Other Charges	329.5	351.5	- 6.3%
Net Income	281.7	361.0	- 22.0%
Earnings on Common Stock	254.0	332.9	- 23.7%
Earnings per Common Share	\$1.67	\$2.18	- 23.4%
Dividends per Common Share	\$1.73	\$1.96	- 11.7%
Dividends on Capital Stock	\$291.6	\$327.0	- 10.8%
Capital Expenditures:			
Construction of Facilities	\$215.6	\$213.1	
Nuclear Fuel	46.6	39.0	
Capital Leases	8.8	5.9	
Total	\$271.0	\$258.0	+ 5.0%
Internally Generated Cash	\$ 165.5	\$ 82.6	+100.4%
External Financing:			
New Financing	\$1,123.7	3907.9	
Redemptions and Repayments	1,087	397.9	
Net External Financing	\$ 36.6	\$ (90.0)	
Return on Average Common Equity	9.9%	13.0%	

Earnings per Share
(dollars)



Dividends per Share
(dollars)



Return on Average Common Equity
(percent)



PRESIDENT'S MESSAGE



More than a decade of solid performance was undermined in 1990 by an adverse decision of the Public Utilities Commission of Ohio that led to a drop in earnings, from \$2.18 per share of common stock in 1989 to \$1.67 per share.

In August, the Commission substantially cut the Company's requested \$213-million rate increase, which was needed to recover costs associated with Beaver Valley 2. This generating unit began serving our customers in November 1987.

From November 1987 through the first eight months of 1990, we deferred more than \$200 million annually of the unit's expenses under a Commission-approved accounting treatment. This accounting approach provided us with a means of reducing "rate shock" to our customers by delaying inclusion of these costs in their bills. Our earnings for that period reflected those deferred expenses.

However, the Commission's August decision cut our requested rate increase by \$76 million, replacing the more than \$200 million in annual deferrals with a rate increase of \$112 million. Because of the shortfall, we had no prospect of earnings being sufficient to support the \$1.96 dividend on common stock. Therefore, our Board of Directors established a new level of \$1.50 per share, on an annual basis.

The Commission's decision overshadowed years of innovative

and aggressive efforts that improved operating performance and enhanced both stockholder and customer value. Since 1980, these efforts included:

- Canceling four jointly owned nuclear generating units;
- Moving the Company from a net buyer of bulk power to a net seller by increasing generating unit availability to an average of 80 percent;
- Having established ourselves as a reliable bulk-power supplier, secured substantial increases in off-system power sales, including one agreement that produces an average of \$150 million in revenue annually through the year 2005;
- Completing a \$530-million environmental compliance program ahead of schedule and under budget;
- Reducing our work force by nearly 1,100, saving the equivalent of about \$50 million annually;
- Restructuring our largest coal sales agreement, which reduces fuel costs by \$175 million over the 13-year contract; and
- Negotiating innovative sale and leaseback agreements for two nuclear units, raising \$1.3 billion that was used to fund system improvements and to retire nearly \$700 million of high-cost securities.

These actions better prepared us to deal with the adverse regulatory treatment that has become all too common for companies completing nuclear units. As a result, the size of our dividend reduction was less than

that taken by many others with nuclear construction programs.

Even so, we have been pursuing the possibility of having the Commission's decision overturned. After the Commission denied our request for rehearing, we filed an appeal with the Ohio Supreme Court. We expect a ruling by early 1992.

Regardless of the appeal's outcome, the Company's financial performance in the years ahead will benefit from our intensified efforts to reduce construction, operating and interest costs. These include: cutting at least \$100 million over the next four years from our system improvements budget and limiting other departmental budgets; achieving further reductions in the cost of capital and in the size of our work force; and suspending the incentive compensation program for senior management.

Continued Growth In Retail Sales

Our area's economic performance, coupled with our aggressive marketing, led to continued growth in retail sales in 1990. Total retail, industrial and commercial kilowatt-hour sales set new marks, as our service area outperformed the national economy.

For the year, retail sales were up by nearly 127 million kilowatt-hours compared with 1989 results.

Commercial and industrial sales increased 2.2 and 0.8 percent, respectively. Residential sales were off 1.2 percent, as mild weather reduced heating and air-conditioning use.

Sales to other utilities were down 8.9 percent, accounting for most of the 1.8 percent decline in total kilowatt-hour sales. Even so, off-system sales produced nearly \$228 million in revenue.

Solid Operating Results

In addition to good sales, we achieved solid results in many key operating areas:

- Aggressive marketing during the year will produce more than 900 million kilowatt-hours of new business annually.
- Improved efficiency at our power plants kept the average cost of producing a kilowatt-hour of electricity below that of 1989.
- Average fuel costs were the lowest of Ohio's electric companies — for the eighth year running.
- Employees bettered 1990 safety and attendance goals.
- For the sixth year in a row, more than nine of ten customers surveyed gave us positive marks for the value they place on our service.

Positioned For The 1990s

How we meet challenges like increased competition and ever-rising environmental standards will help shape our success.

Competition will continue to come from both traditional energy suppliers and those who would use tax and regulatory loopholes to lure our customers.

However, we have been in this business for more than 60 years, and we offer unsurpassed advantages: highly skilled employees with a thorough knowledge of our market; a wide range of energy and

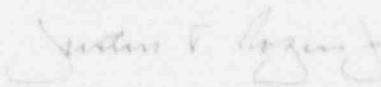
community services; excellent reliability; reasonable rates, and enough base-load generating capacity to meet electricity needs well into the 1990s.

Our investments and accomplishments in environmental protection over the years give us another competitive edge: We are well-positioned to meet the emission standards required by the new Clean Air Act. At least 42 percent of our generating capacity won't need major additions of sulfur-dioxide control equipment.

We are already close to meeting the 1995 sulfur-dioxide emission standard under the law's first phase, which targets only 9 of our 29 coal-fired units for additional sulfur-dioxide reductions. We are also studying a range of compliance strategies aimed at meeting the costlier and more difficult second-phase reductions that will begin in the year 2000.

Without doubt, we face a number of challenges in the 1990s — but we have placed many bets on us during the past decade.

I remain confident in the soundness of our Company, in the talents of our employees, and in our prospects for improving the value of your investment in Ohio Edison.



Justin T. Rogers, Jr.
President

March 1, 1991

Rate Decision

Lowers Earnings

Earnings on common stock in 1990 fell to \$1.67 per share from \$2.18 in 1989. The drop in earnings reflected the effect of an August 16 decision by the Public Utilities Commission of Ohio (PUCO), which cut our requested rate increase by \$76 million, to \$142 million.

We had filed for a \$218-million increase to recover costs associated with our share of Beaver Valley 2, a nuclear generating unit that has been serving customers since November 1987.

From the date of commercial operation, the Company deferred more than \$200 million of the unit's annual expenses under an accounting treatment approved by the PUCO. Earnings for 1987 through the first eight months of 1990 reflected those accounting deferrals. However, the \$142 million granted by the PUCO in August fell far short of what we had been deferring. The PUCO's decision also reduced the amount of deferred Beaver Valley 2 costs that could be recovered. As a result, the Company took a \$17.6-million, or a 12-cent per share, write-off against fourth quarter earnings.

Because of the PUCO's adverse decision, we could not expect our earnings to support the \$1.96 annual dividend on common stock. Consequently, the Board of Directors in August set a new level of \$1.50 per share, on an annual basis.

We appealed the decision to the Ohio Supreme Court in December. The Court is expected to reach a decision by early 1992.

Retail Sales

Reach Record Levels

With steady business growth and an expanding customer base, our service area outperformed the national economy during the year.

Despite recession in the national economy, our retail kilowatt-hour sales reached a record level. Retail sales in 1990 hit 23.9 billion kilowatt-hours, up nearly 127 million kilowatt-hours compared with 1989.

Strong exports of manufactured products and high demand for specialty steel and pipe helped push industrial sales to a record 9.9 billion kilowatt-hours, an 0.8 percent increase over 1989 results. Sales to commercial customers, our fastest growing market segment, increased 2.2 percent,

Operating Revenues
(\$ billion)



Retail Kilowatt-Hour Sales
(billions of kilowatt-hours)



as the number of businesses served grew by 1,242. Residential sales were off 1.2 percent as a result of unseasonably mild weather, which reduced heating and air-conditioning use.

Total kilowatt-hour sales declined 1.8 percent, primarily the result of an 8.9 percent drop in sales to other utilities. Still, off-system sales totaled nearly \$228 million in revenue.

Peak Load Record Set

Customers set a new peak demand for the fifth consecutive year. On August 27, demand for electricity reached a record 5,209 megawatts and climbed to 5,394 megawatts the next day. Since 1985, our system peak demand has increased 32 percent, or 1,310 megawatts.

Local Economy Spurs Business Expansion

Major investments in new technologies by steel and automotive industries, coupled with our economic development programs, stimulated electric sales growth last year.

Among companies investing to improve productivity and cost-efficiency is USS/Kobe Steel, which recently completed a \$40-million



Using helicopters is an effective way to help inspect and maintain our 4,500 miles of transmission lines.

**Sales to
Other Utilities**
(\$ million)



project at its seamless pipe mill in Lorain. ITT Lester is building a \$45.5-million plant in the Akron area to manufacture aluminum transmission parts for the automotive industry. And, Sharon Steel, our largest industrial customer in Pennsylvania, is planning a large capital improvement program that includes a new continuous caster.

We are also benefiting from the emergence of smaller, diversified manufacturers. In fact, about 300 of them have located or expanded

in our service area since 1984. With this diversity, the local economy is now better able to tolerate swings in the national economy.

We are working hard to promote this kind of business growth in our service area. By providing a range of economic development and energy consulting services, we are helping communities attract potential businesses and encourage existing businesses to expand operations.

We offer special, five-year

incentive rates to new or expanding businesses that meet criteria related to increased employment and electric sales. In 1990, 28 companies took advantage of these rates, creating more than 3,400 jobs and adding \$6.8 million in new electric revenue.

Since these rates were introduced in 1984, 154 companies have benefited, investing more than \$718 million in new facilities that preserved or created approximately 9,700 jobs. Combined,

Since 1984, our five-year incentive rates to new or expanding businesses helped create or preserve approximately 9,700 jobs in our service area, while adding about \$46 million in annual electric revenue.



these businesses increased their electricity use by about 730 million kilowatt-hours, producing nearly \$46 million in annual revenue.

Three-Fringed Marketing Strategy

Our marketing strategy targets three key areas: increasing off-peak sales, retaining existing sales, and introducing new energy-efficiency programs that delay the need for new power plants.

Aggressive marketing efforts in 1990 are expected to produce more than 900 million kilowatt-hours of new business annually. We were successful in securing new sales in our target markets, mainly off-peak electric sales. We added nearly 3,000 electrically heated homes, more than 4,000 residential water-heating units, and 30 percent of the space-heating market in new commercial construction. In the highly competitive industrial process-heating market, we added more than 162 million kilowatt-hours of new business.

We introduced a program to increase our share of the new home space- and water-heating market. Working with the Whirlpool Corporation, we now offer selected



We are studying several waste-to-energy technologies to lower fuel costs and recover energy, including the burning of waste tires with coal at our power plant in Toronto, Ohio.

home builders an attractively priced package of energy-efficient appliances. To qualify, builders must meet strict construction standards for energy efficiency and install total electric or add-on heat pump systems.

We are also working closely with builders to introduce geothermal systems to the residential market. Geothermal, the most energy-efficient system available today, uses ground temperatures for heating and cooling. These systems are being installed as a pilot project in a development of 20 new homes in the Akron area.

In 1991, we will be sponsoring a nationally recognized, residential energy management program called *Good Cents*. Endorsed by the Department of Energy, this program

encourages home builders to install high-performance heating, cooling and lighting systems and energy-efficient appliances. The *Good Cents* certification assures new home owners of the best energy buy for their money.

Demand-Side Energy Management

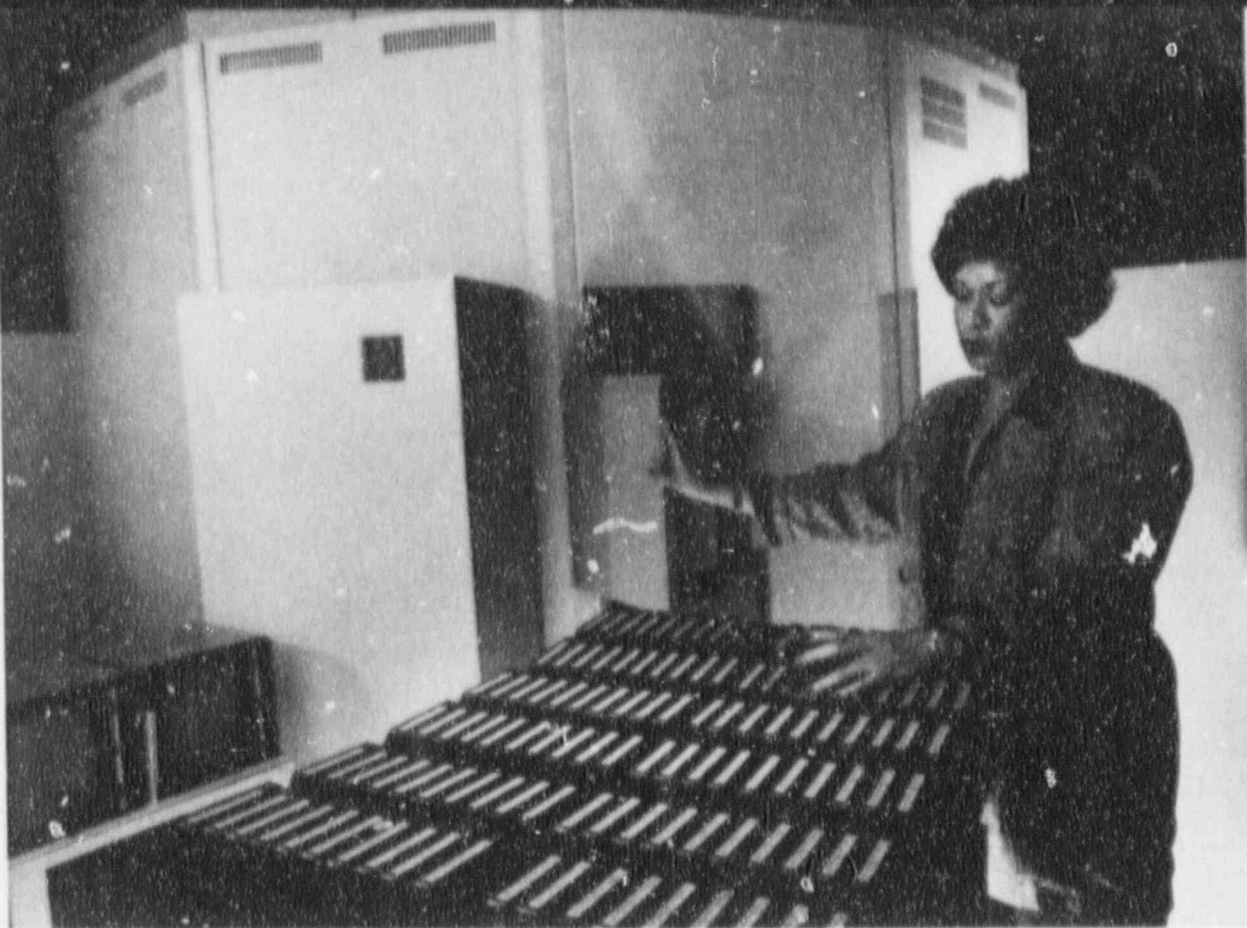
We continue to encourage energy efficiency through our many demand-side management programs that promote use during periods of lower customer demand for electricity. By reducing peak demand, we make better use of our power plants and delay the need to build new ones.

We are also designing new energy management programs to match the changing needs of our customers with the best energy

Customers Served
(1986-1990)



Robotics at the Information Systems Operations Center speed the retrieval of information from 8,000 data tapes on customer accounts, power plant operations and store-room inventories.



technologies available. These programs help customers use electricity more efficiently, providing the best value possible from our electric service.

High Marks For Customer Service

Delivering high-quality service is increasingly important as competition intensifies for our customers' business. In a 1990 survey of customer attitudes, better than nine of ten customers gave us positive ratings for our responsiveness to customer inquiries and service interruptions, for the courtesy and helpfulness of our employees, and for the value electricity represents compared

with other services. This marks the sixth consecutive year that customers gave our service value this high rating.

Steady Growth Predicted For Electric Sales

Our 20-year energy forecast anticipates that growth in our service area's economy should produce an average annual increase of 1.8 percent in retail electric sales.

Also, commercial sales should be our fastest growing market segment, reflecting our service area's expected economic expansion and increases in population, income and employment. We project a 3.1 percent annual increase in commercial sales, which could

surpass sales to residential customers by 1997.

We expect industrial sales to grow an average of 1.3 percent annually, with strong growth in the increasingly important plastics industry.

Residential sales should increase by an average of 1.1 percent annually. Most of that growth will come from space- and water-heating sales and from an increasing customer base of about 7,000 annually.

Continued Emphasis On Controlling Costs

We continue to explore ways to reduce operating, financing and construction costs.

Streamlining our operations has produced significant savings. With about 1,100 fewer employees at year-end than we had in 1982, we are delivering high-quality electric service to 70,000 more customers. The staff reductions represent the equivalent of about \$50 million in annual savings.

These efforts to streamline our operations are continuing. In February 1991, we reduced the work force at the three-unit, coal-fired Bruce Mansfield Plant by 216, which should ultimately lower plant operating expenses by approximately \$8 million annually.

The size of the plant's work force has been decreasing for several years. A new organizational structure, which replaces individual unit supervision and staffing with a plant-wide organization, made further reductions possible.

ESOP Reduces Savings Plan Costs

The Company started an Employee Stock Ownership Plan (ESOP) in 1990 to reduce the cost of funding its matching contributions to the existing Employee Savings Plan. Late in the year, the ESOP began purchasing about 11.5 million shares of common

stock on the open market. They will be assigned to accounts as employees earn shares under terms of the savings plan.

Power Plant Performance Improves

Our power plants performed well in 1990. Availability of our coal-fired units was 80.4 percent—2.3 percentage points above our target for the year. Our goal is to push unit availability up to 85 percent by the mid-1990s, well above the current industry average.

To help us achieve that goal, we have initiated several plant modernization projects. For example, we are installing a computerized control room for three units at the R.E. Burger Plant. Set for completion by mid-1992, the project will reduce

plant operating costs by about \$1.1 million annually.

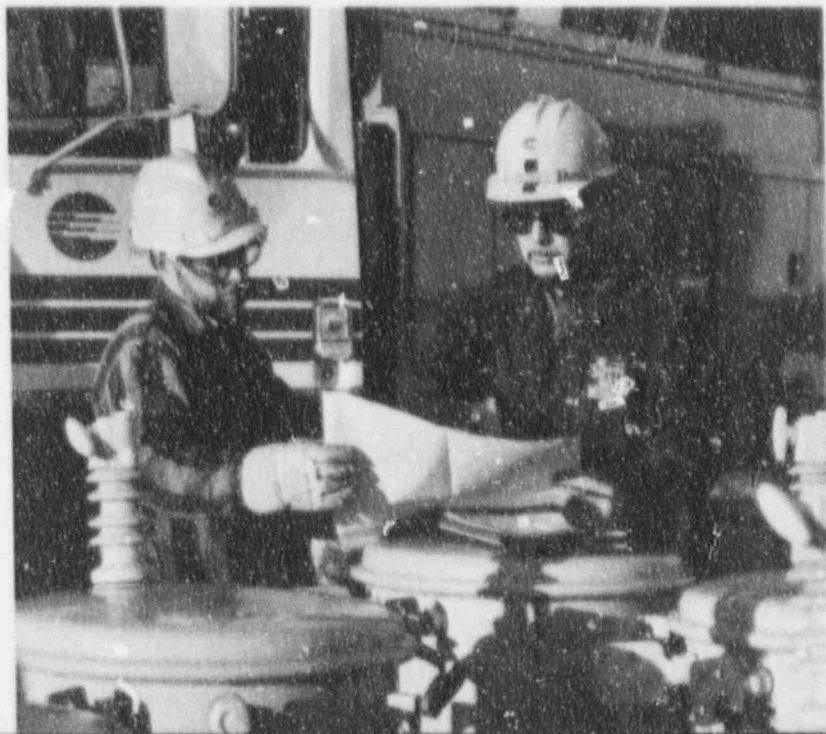
Fossil-Fuel Costs Still Ohio's Lowest

For the eighth consecutive year, Ohio Edison had the lowest average fossil-fuel costs of any of Ohio's electric companies. Our cost of coal was about 11 percent below the state average.

We also took steps during the year to hold down future coal costs. For example, after an analysis of mining operations and coal market conditions, we ended our operation of a high-sulfur coal mine near the W.H. Sammis Plant in September.

In addition, we secured several long-term agreements through our subsidiary, OES Fuel, Incorporated, that will save us nearly \$41 million through the year

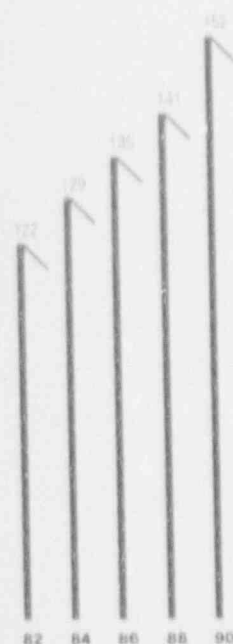
Total Fuel Cost per Million Btu
1982-1990



Two-man crews and other steps to increase productivity have helped us reduce the employee-to-customer ratio; last year, we served 70,000 more customers with nearly 1,100 fewer employees than we had in 1982.

Employee Productivity

Number of customers served per an employee



2000 and provide us an assured supply of natural uranium.

Energy-Recovery Projects Offer Promise

Last May, we became the first electric company in Ohio to test-burn waste tires at a coal-fired plant. This energy-recovery project may help us lower fuel costs and plant emissions, while reducing environmental problems associated with discarded tires in the communities we serve.

During the four-day test at our Toronto Plant in Toronto, Ohio, tires replaced up to 20 percent of the coal normally burned in one of the plant's boilers. Not only did the tire burn have no adverse effect on plant performance, it also

significantly reduced particulate, sulfur-dioxide and nitrogen-oxide emissions.

We could burn about three million waste tires there annually, recovering the energy equivalent of 170,000 barrels of oil. With approvals from the Ohio and U.S. Environmental Protection Agencies, full-scale combustion of waste tires could begin in 1991. To achieve greater fuel savings, we are studying the feasibility of burning waste tires at other coal-fired plants.

Another energy-recovery project we're looking at is burning treated municipal solid waste with coal. Refuse-derived fuel, mainly paper, would be delivered to coal-fired power plants in a shredded

form or processed into thumb-sized fuel pellets.

How the U.S. Environmental Protection Agency (EPA) regulates the disposal of ash from burning solid municipal waste will have a major impact on whether or not we go ahead with this energy-recovery project. We expect EPA regulations later this year.

Financing Strategies Cut Costs Of Capital

Financing activity in 1990 continued to focus on reducing higher-cost debt and preferred and preference stock. During the year, we redeemed, retired or refinanced about \$395 million, lowering costs by nearly \$9 million annually.

Further improvements to our hand-held, meter-reading computers help us increase productivity and reduce costs by approximately \$100,000 annually.



**Construction Budget
Focuses On System
Improvements**

Our financial performance will benefit from a decision to cut \$100 million from the system construction budget over the next four years. By scaling back some projects and delaying or dropping others, our five-year construction budget now totals \$1.5 billion. Of that amount, some \$275 million is budgeted for 1991.

With generating capacity additions completed, future construction projects will include improvements at our power plants, additional installation of environmental controls and upgrades of our transmission and distribution networks. In 1990, we spent \$215.6 million on system improvements.

**Employees Meet
Performance Objectives**

For the year, employees exceeded performance objectives in the areas of safety, attendance and value of service. We set specific targets for these and three other objectives: earnings per share of common stock, operating effectiveness and sales growth.

Employees are also finding



We spend approximately \$90 million annually on the operation and maintenance of environmental controls and on meeting environmental requirements, such as monitoring water quality at our power plants.

Our efforts to promote energy efficiency and proper design of electrical equipment installations include Ohio Edison's annual Energy Design Competition for architecture students at Kent State University.



better ways to do their jobs. Through the Employee Suggestion Program, 123 suggestions were adopted in 1990, which should produce more than \$126,000 in first-year savings. Since its inception in 1981, the Employee Suggestion Program has adopted more than 1,400 suggestions, which have resulted in more than \$1.5 million in annual savings.

Extending The Life Of Wood Poles

We expect a savings of about \$10 million from a maintenance program designed to extend the life of our wood distribution poles. About 550,000 poles will be inspected, treated or reinforced during a ten-year cycle. This program should delay by some ten years pole replacements that cost about \$1,000 each.

Successful Environmental Protection Strategies

We are better positioned than many other electric companies in the Midwest to meet the standards of the new Clean Air Act, in part because of our past investments in environmental protection.

Since 1975, we've spent more than \$2 billion on environmental protection, and we've cut the average rate of sulfur-dioxide emissions at our coal-fired plants by about one-half. We are now spending nearly \$90 million each year to operate and maintain environmental equipment.

Equally important, about 42 percent of our generating capacity is nuclear, oil, or scrubber-equipped, coal-fired generation that won't require

additional sulfur-dioxide control equipment to meet the requirements of the new law.

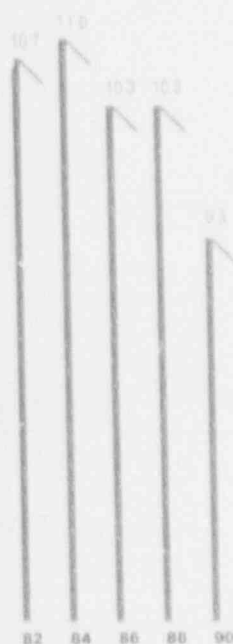
Also, only 9 of our 29 coal-fired generating units are targeted for emission reductions under the law's sulfur-dioxide emission standard. We have about two years to submit our initial compliance plan.

The law allows utilities to meet the new requirements by using a market-based, emission allowance trading system. This method permits utilities to trade emission allowances among the units on their systems. These allowances can also be bought or sold on the open market.

Allowance trading, assuming a market develops, will be important in developing strategies to meet the costlier and tougher second-phase emission standards scheduled in the year 2000. All of our coal-fired units will be affected, and we must file our compliance plan for these standards by 1996.

Our leadership in the development of clean-coal technologies (CCT) should be helpful in meeting the second-phase standards. CCT research is aimed at finding more cost-effective ways to protect the

Cost of Long-Term Debt
(percent)



environment and to continue using locally available coal. The nine CCI projects we participate in represent a total commitment by all sponsors of nearly \$200 million.

We are also evaluating ways to recycle the by-products of CCI. For example, we are cosponsoring a \$4.5-million research project designed to find ways to reduce

waste disposal expenses through recycling. These by-products could be used as substitutes for agricultural lime, as highway construction materials, and for reclamation of strip mines.

Converting scrubber sludge into gypsum is another of our recycling efforts. At our Bruce Mansfield Plant, we're participating

in an experimental recovery process that makes high-quality gypsum. If we go into full production, we could produce about 500,000 tons of commercial-grade gypsum annually.

We are pursuing these and other promising technologies to help us achieve our operating and environmental goals while meeting customer needs for electricity.

Annual Peak Load
MW (average)



Supplemental treatments of our wood poles with preservatives should extend their life by ten years or more and save about \$10 million in pole replacements.

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

Results of Operations

1990 was a year of transition for the Company, with future earnings levels being restricted due to the insufficient rate relief authorized by the Public Utilities Commission of Ohio (PUCO) in August 1990. This is reflected by the 23% reduction in 1990 earnings per share of common stock compared with 1989; the Company's return on average common equity dropped to 9.9% in 1990 from 13.0% earned in 1989. The Company requested a rate increase of approximately \$218,000,000 but the PUCO granted only 65% of the Company's request, or \$142,000,000 of additional annual revenue. Additionally, the PUCO reduced the amount of deferred Beaver Valley Unit 2 costs that could be recovered from the Company's customers. As a result, the Company wrote off approximately \$27,000,000 of previously deferred costs, which reduced 1990 net income by approximately \$17,600,000 (\$.12 per share of common stock).

As a result of the inadequate rate relief granted by the PUCO, the Company's Board of Directors determined that it would not be prudent to continue to pay quarterly common stock dividends at the \$.49 per share level. Accordingly, the third quarter dividend was reduced to \$.375. At this level, the Company's common stock dividends on an annualized basis are \$1.50 per share as compared to the previous level of \$1.96 per share.

The comparison of earnings in 1989 with 1988 was affected by the write off in 1988 of nuclear construction costs, which reduced 1988 net income by approximately \$128,000,000 (\$.84 per share of common stock). In addition, the Company's income tax provision in 1989 was reduced by approximately \$49,000,000 (\$.32 per share of common stock) due to the amortization of certain deferred income taxes and investment tax credits, as authorized by the PUCO. These amounts were fully amortized by the end of 1989 and also affected the comparison of 1990 net income with 1989.

The 1990 increase in operating revenues resulted primarily from the rate increase discussed above. The increase in operating revenues in 1989, when compared with 1988, was principally the result of rate increases granted the Company and Penn Power (Companies) in the first half of 1988. The following summarizes the

sources of the changes in operating revenues during 1990 and 1989:

	1990	1989
	(in millions)	
Sales to retail customers:		
Increased base rates	\$57.8	\$ 46.6
Increased kilowatt-hour sales	7.5	10.2
Increased fuel recovery rates	8.6	5.7
Total	73.9	62.5
Sales to wholesale customers	(2.8)	(51.6)
Other	(0.5)	1.5
Net increase	\$70.6	\$ 12.4

Sales to retail customers increased slightly by 0.5% in 1990, with sales to commercial and industrial customers increasing by 2.2% and 0.8%, respectively. Despite an increasing customer base, residential sales decreased by 1.2% primarily as a result of unseasonably mild weather. Total kilowatt-hour sales were down 1.8% in 1990 primarily as a result of an 8.9% drop in sales to other utilities compared with 1989.

The increase in fuel expense in 1990 was principally the result of a reserve made by Penn Power due to the uncertain recoverability of costs through its energy cost rate. This reserve reduced net income by approximately \$9,994,000 (\$.07 per share of common stock). Fuel expense decreased in 1989 primarily due to reduced fuel prices and decreased fuel consumption, compared with 1988. The Companies' commitment to purchase a portion of Cleveland Electric Illuminating Company's Perry Unit 1 capacity, which began in November 1987 and ended in May 1989, was primarily responsible for the decreases in purchased and interchanged power expense in 1990 and 1989.

Total other operation and maintenance expenses were down in 1990 as a result of an increased level of expenses in 1989 due to Beaver Valley Plant costs billed to the Companies in 1989 attributable to prior years, and fewer nuclear refueling outages in 1990 than in 1989. Increases in other operation and maintenance expenses in 1989 compared with 1988 were due principally to costs incurred during the 1989 refueling outages at the Companies' nuclear generating units—there were no refueling outages in 1988.

Concurrent with implementing new electric rates, the Companies stopped deferring expenses attributable to Perry Unit 1 in the first half of 1988, and deferrals for Beaver Valley Unit 2 ended in August 1990. As a result, deferred nuclear unit interest and deferred nuclear unit operating costs were down in 1990. In addition, 1990 deferred expenses were reduced by the \$27,000,000 write-off of deferred Beaver Valley Unit 2 costs described above.

General taxes increased in 1990 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 previously mentioned amortization of deferred income taxes and investment tax credits last year. The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes," which the Companies must adopt by 1992. The FASB is currently considering extending the required adoption date to 1993. As discussed in Note 1 to the Consolidated Financial Statements, this change is not expected to have a material effect on net income.

Miscellaneous income has decreased since 1988 as a result of declining temporary cash investment levels. The decrease in interest on long-term debt during 1990 resulted from the net reduction in long-term debt outstanding and the resulting lower embedded debt cost. Subsequent to December 31, 1989, the Companies decreased their net long-term debt outstanding by approximately \$112,000,000, consisting of approximately \$346,000,000 of debt redemptions which had a weighted average interest rate of 10.7%, partially offset by the issuance of approximately \$234,000,000 of additional debt having a weighted average interest rate of 8.5%. Additionally, OES Fuel reduced its long-term debt outstanding by approximately \$34,000,000 during 1990. OES Fuel's embedded cost of debt decreased slightly during 1990. The increase in other interest expense in 1990 was 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 all 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 issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," in December 1990. The new standard, which must be adopted no later than 1993, 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 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. 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 \$2,000,000,000 in connection with their construction programs. Also during this period, the Companies decreased their long-term debt outstanding by approximately \$404,000,000. The Companies have taken advantage of opportunities to optionally redeem high-cost debt during this period, which helped to reduce the cost of debt outstanding from 10.9% at the end of 1985 to 9.3% at the end of 1990.

Despite lower earnings in 1990 resulting from insufficient rate relief, net cash provided from operations was higher compared to 1989. Since the Company began recovering Beaver Valley Unit 2 costs from retail customers in August, a significant noncash component of earnings in 1989 and 1988 (deferred Beaver Valley Unit 2 expenses) is being replaced with cash. Increased cash from operating activities also continues to be enhanced by Penn Power's annual rate increase under its four-year phase-in plan.

The Companies had approximately \$24,000,000 of cash and temporary investments and \$322,000,000 of short-term indebtedness at December 31, 1990. In January 1991, the Company received \$175,000,000 from a special purpose trust (see Note 5e to the Consolidated Financial Statements); approximately \$149,000,000 of short-term indebtedness has been classified as long-term debt on the Consolidated Balance Sheet to reflect the long-term portion of the trust's notes. OES Fuel had approximately \$69,000,000 of unused borrowing capability at the end of the year which was available for reloan to the Company. Also, the Company and Penn Power had \$28,000,000 of unused short-term bank lines of credit and \$50,000,000 of available bank facilities which may be borrowed on a short-term basis at the bank's discretion. OES Capital had approximately \$20,000,000 of unused short-term borrowing capability at December 31, 1990.

The Companies' construction programs and capital lease requirements for the period 1991-1995 are currently estimated to be approximately \$1,500,000,000

(excluding nuclear fuel), of which approximately \$275,000,000 applies to 1991. The Companies have additional cash requirements of approximately \$1,226,000,000 for the 1991-1995 period to meet maturities of, and sinking fund requirements for, long-term debt and preferred and preference stock; of that amount approximately \$278,000,000 applies to 1991 (including \$42,448,000 of preferred stock and long-term debt optionally redeemed in January 1991).

Investments for additional nuclear fuel during the 1991-1995 period are estimated to be approximately \$166,000,000, of which approximately \$31,000,000 applies to 1991. During the same periods, the Companies' nuclear fuel investments are expected to be reduced by approximately \$337,000,000 and \$86,000,000, respectively, as the nuclear fuel is consumed. Also, the Companies have operating lease commitments of approximately \$605,000,000 for the 1991-1995 period, of which approximately \$123,000,000 relates to 1991. The Companies recover the costs 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 \$377,000,000. The Company is currently able to issue \$1,163,000,000 principal amount of first mortgage bonds against previously retired bonds without the need to meet the above restrictions. Based upon earnings for 1990 and after giving effect to the special purpose trust discussed above, the Company would be permitted, under the earnings coverage test contained in its charter, to issue at least \$757,000,000 of preferred stock at an assumed dividend rate of 9.5%. 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 the preferred stock which would be issuable would be reduced.

The Company established an Employee Stock Ownership Plan Trust (ESOP) in 1990 which will fund the Company's matching contribution to its existing 401(k) savings plan. The Company expects to lend the ESOP \$200,000,000 to enable the ESOP to purchase approximately 11,500,000 shares of the Company's common stock on the open market through the end of 1991. The dividends paid on the stock acquired by the ESOP will be used to service the debt and, under present tax laws, will be deductible by the Company for income tax purposes.

Penn Power will be implementing the final increase of its four-year phase-in plan in May 1991. Cash revenues for the following twelve months will increase by approximately \$31,000,000; however, there will be no material effect to net income since Penn Power recognized revenue under the phase-in plan as if the full revenue level had been placed into effect in 1988. In May 1990, Penn Power began recovering amounts previously recognized as accrued revenues. Under the phase-in plan, amounts deferred in prior years for future collection are scheduled to be collected by May 1992, at which time Penn Power's electric rates will be decreased by approximately \$44,000,000 on an annual basis, absent other regulatory action.

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, and retiring facilities. The Companies have not yet determined the ultimate cost of compliance.

As discussed in Note 7 to the Consolidated Financial Statements, the Companies have invested nearly \$400,000,000 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 1991-1995 period, the Companies' capital expenditures would be higher than the amount disclosed above for that period. If termination were to occur and rate recovery from PUCO jurisdictional customers were to be denied, the Company would have to write off as much as \$210,000,000 after income taxes.

SELECTED FINANCIAL DATA

Ohio Edison Company

	1990	1989	1988	1987	1986
	(In thousands, except per share amounts)				
Operating Revenues	\$2,225,524	\$2,154,969	\$2,142,572	\$1,779,556	\$1,741,900
Operating Income	510,279	541,659	496,996	397,468	392,357
Net Income	281,676	361,026	218,888	412,920	410,828
Earnings on Common Stock	254,048	332,932	186,170	364,657	359,825
Earnings per Share of Common Stock (based on weighted average number of shares outstanding during the year)	1.67	2.18	1.22	2.40	2.47
Dividends Declared per Share of Common Stock	1.73	1.96	1.96	1.96	1.92
Total Assets at December 31	7,841,621	7,722,896	7,555,523	7,907,045	7,926,143
Preferred and Preference Stock Subject to Mandatory Redemption	62,822	89,562	96,802	145,351	160,794
Long-Term Debt	3,105,248	3,073,796	3,208,553	3,332,858	3,663,861

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	1990		1989	
First Quarter High-Low	23-7/8	19-1/8	20-7/8	18-5/8
Second Quarter High-Low	20-3/4	18-1/8	21-3/4	19-7/8
Third Quarter High-Low	21-1/4	15-7/8	23	21-1/8
Fourth Quarter High-Low	17-7/8	15-7/8	24	20-3/4
Yearly High-Low	23-7/8	15-7/8	24	18-5/8

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, 1990

	Holders of Record		Shares Held	
	Number	%	Number	%
Individuals	152,960	85.98	63,792,833	41.81
Fiduciaries	22,210	12.48	7,192,279	4.71
Nominees	124	0.07	79,205,160	51.92
Insurance Companies & Other Corporations	1,207	0.68	1,330,923	0.87
All Others	1,400	0.79	1,048,242	0.69
Total	177,901	100.00	152,569,437	100.00

As of January 31, 1991, there were 177,286 holders of 152,569,437 shares of the Company's Common Stock.

Quarterly dividends of 49¢ per share were paid on the Company's Common Stock during 1989 and the first two quarters of 1990; quarterly dividends of 37.5¢ per share were paid the last two quarters of 1990. Information regarding retained earnings available for payment of cash dividends is given in Note 5a.

CONSOLIDATED STATEMENTS OF INCOME

The Edison Company

For the Years Ended December 31

	1990	1989	1988
	(In thousands, except per share amounts)		
Operating Revenues	\$ 2,225,524	\$ 2,154,969	\$ 2,142,572
Operating Expenses and Taxes:			
Operation—			
Fuel	463,366	428,223	452,535
Purchased and interchanged power, net	13,370	67,216	134,822
Other operation expenses	494,575	529,507	471,637
Total operation	971,311	1,024,946	1,058,994
Maintenance	207,970	189,636	149,851
Provision for depreciation and amortization	224,250	212,624	223,983
General taxes	212,212	190,104	188,023
Deferred nuclear unit costs, net (Note 3)	(66,070)	(147,280)	(147,610)
Income taxes	165,572	141,280	172,335
Total operating expenses and taxes	1,715,245	1,611,310	1,645,576
Operating Income	510,279	543,659	496,996
Other Income and Deductions:			
Allowance for equity funds used during construction	1,238	2,513	3,397
Disallowed nuclear construction costs (Note 2)	—	—	(201,260)
Income tax benefit from disallowed nuclear construction costs	—	—	73,615
Miscellaneous, net	7,201	28,201	38,160
Income taxes	(5,232)	(9,776)	(10,934)
Total other income and deductions	3,207	20,938	(97,022)
Total Income	513,486	564,597	399,974
Net Interest and Other Charges:			
Interest on long-term debt	293,993	332,023	318,706
Deferred nuclear unit interest (Note 3)	(78,514)	(124,087)	(134,173)
Allowance for borrowed funds used during construction and capitalized interest	(19,196)	(23,848)	(21,819)
Other interest expense	25,545	8,810	7,405
Subsidiary's preferred stock dividend requirements	9,982	10,673	10,967
Net interest and other charges	231,810	203,571	181,086
Net Income	281,676	361,026	218,888
Preferred and Preference Stock Dividend Requirements	27,628	28,094	32,718
Earnings on Common Stock	\$ 254,048	\$ 332,932	\$ 186,170
Weighted Average Number of Shares of Common Stock Outstanding	152,569	152,531	152,441
Earnings per Share of Common Stock (based on weighted average number of shares outstanding during the year)	\$ 1.67	\$ 2.18	\$ 1.22
Dividends Declared per Share of Common Stock	\$ 1.73	\$ 1.96	\$ 1.96

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

CONSOLIDATED BALANCE SHEETS

Ohio Edison Company

At December 31

	1990	1989
ASSETS		
(In thousands)		
Utility Plant:		
In service, at original cost	\$7,533,572	\$7,348,371
Less— Accumulated provision for depreciation	2,189,836	1,970,325
	5,343,736	5,378,046
Construction work in progress—		
Electric plant (Note 7)	526,219	535,547
Nuclear Fuel	179,264	168,144
	705,483	703,691
	6,049,219	6,081,737
Other Property and Investments	125,046	51,601
Current Assets:		
Cash and cash equivalents	24,348	129,830
Receivables—		
Customers (less accumulated provisions of \$5,210,000 and \$3,312,000, respectively, for uncollectible accounts)	198,591	194,619
Other	23,544	23,812
Currently receivable accrued customer revenues (Note 3)	34,774	10,864
Materials and supplies, at average cost—		
Fuel	66,822	50,670
Other	86,084	75,595
Prepayments	80,611	69,907
	514,774	555,317
Deferred Charges:		
Deferred nuclear unit costs (Note 3)	801,279	642,223
Unamortized sale and leaseback costs	95,970	98,515
Property taxes	99,454	88,342
Unamortized loss on reacquired debt	71,257	70,427
Accrued customer revenues (Note 3)	18,610	49,990
Other	66,012	84,744
	1,152,582	1,034,241
	\$7,841,621	\$7,722,896
CAPITALIZATION AND LIABILITIES		
Capitalization (See Consolidated Statements of Capitalization):		
Common stockholders' equity	\$2,545,159	\$2,565,906
Preferred stock—		
Not subject to mandatory redemption	312,335	312,335
Subject to mandatory redemption	16,000	20,000
Preference stock subject to mandatory redemption	8,100	9,900
Preferred stock of consolidated subsidiary—		
Not subject to mandatory redemption	41,905	41,905
Subject to mandatory redemption	38,722	59,662
Long-term debt	3,105,248	3,073,796
	6,067,469	6,083,504
Current Liabilities:		
Currently payable preferred and preference stock and long-term debt	278,193	282,208
Short-term borrowings (Note 6)	173,531	118,000
Accounts payable	144,435	147,564
Accrued taxes	113,643	94,275
Accrued interest	79,086	82,652
Other	69,793	91,701
	858,681	816,400
Deferred Credits:		
Accumulated deferred income taxes	525,938	445,038
Accumulated deferred investment tax credits	260,841	265,719
Property taxes	99,454	88,342
Other	29,238	23,893
	915,471	822,992
Commitments, Guarantees and Contingencies (Notes 4 and 7)		
	\$7,841,621	\$7,722,896

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

CONSOLIDATED STATEMENTS OF CAPITALIZATION

Ohio Edison Company

At December 31 1990 1989
(In thousands)

Common Stockholders' Equity:

Common stock, \$9 par value, authorized 175,000,000 shares—						
152,569,437 shares outstanding					\$1,373,125	\$1,373,125
Other paid-in capital					733,081	733,093
Retained earnings (Note 5a)					449,810	459,688
Unallocated employee stock ownership plan common stock—627,400 shares (Note 5b)					(10,857)	—
Total common stockholders' equity					2,545,159	2,565,906

	Number of Shares Outstanding		Optional Redemption Price			
	1990	1989	Per Share	Aggregate (In thousands)		
Preferred Stock (Note 5c):						
Cumulative, \$100 par value—						
Authorized 6,000,000 shares						
Not Subject to Mandatory Redemption:						
3.96%	152,510	152,510	\$103.63	\$ 15,804	15,251	15,251
4.0%	176,280	176,280	108.00	19,038	17,628	17,628
4.4%	136,560	136,560	103.50	14,134	13,656	13,656
4.6%	144,300	144,300	103.38	14,917	14,430	14,430
7.24%	363,700	363,700	103.06	37,483	36,370	36,370
7.36%	350,000	350,000	102.84	35,994	35,000	35,000
8.20%	450,000	450,000	103.30	46,485	45,000	45,000
8.64%	400,000	400,000	104.32	41,728	40,000	40,000
9.12%	450,000	450,000	104.56	47,052	45,000	45,000
Total not subject to mandatory redemption	2,623,350	2,623,350		\$272,635	262,335	262,335
Subject to Mandatory Redemption (Note 5d):						
13.50%	200,000	200,000	\$106.00	\$21,200	20,000	20,000
Redemption within one year					(4,000)	—
Total subject to mandatory redemption	200,000	200,000		\$21,200	16,000	20,000
Cumulative, \$25 par value—						
Authorized 8,000,000 shares						
Not Subject to Mandatory Redemption:						
Series B—10.05% current dividend rate	2,000,000	2,000,000	\$25.75	\$51,500	50,000	50,000
Preference Stock (Note 5c):						
Cumulative, no par value—						
Authorized 8,000,000 shares						
Subject to Mandatory Redemption (Note 5d):						
10.25%	9,000	10,800	\$1,040.00	\$9,360	9,000	10,800
Redemption within one year					(900)	(900)
Total subject to mandatory redemption	9,000	10,800		\$9,360	8,100	9,900
Preferred Stock of Consolidated Subsidiary (Note 5c):						
Cumulative, \$100 par value—						
Authorized 1,200,000 shares						
Not Subject to Mandatory Redemption:						
4.24%	40,000	40,000	\$103.13	\$ 4,125	4,000	4,000
4.25%	41,049	41,049	105.00	4,310	4,105	4,105
4.64%	60,000	60,000	102.98	6,179	6,000	6,000
7.64%	60,000	60,000	102.56	6,154	6,000	6,000
8.00%	58,000	58,000	103.27	5,990	5,800	5,800
8.48%	80,000	80,000	103.08	8,246	8,000	8,000
9.16%	80,000	80,000	104.58	8,366	8,000	8,000
Total not subject to mandatory redemption	419,049	419,049		\$43,370	41,905	41,905
Subject to Mandatory Redemption (Note 5d):						
8.24%	55,000	60,000	\$104.12	\$ 5,727	5,500	6,000
10.50%	100,000	100,000	106.85	10,685	10,000	10,000
11.00%	27,616	35,616	102.75	2,838	2,762	3,562
11.50%	150,000	150,000	105.11	15,766	15,000	15,000
11.50%	90,000	120,000	103.29	9,296	9,000	12,000
13.00%	90,000	100,000	109.10	9,819	9,000	10,000
15.00%	60,800	67,200	113.46	6,899	6,080	6,720
Redemption within one year					(18,620)	(3,620)
Total subject to mandatory redemption	573,416	632,816		\$61,030	38,722	59,662

CONSOLIDATED STATEMENTS OF CAPITALIZATION (continued)

Ohio Edison Company

At December 31	1990	1989
	(in thousands)	
Long-Term Debt (Note 5c):		
First mortgage bonds:		
Ohio Edison Company—		
10.24% weighted average interest rate, due 1990-1995	\$ 176,267	\$ 179,767
9.93% weighted average interest rate, due 1996-2000	194,963	198,463
8.06% weighted average interest rate, due 2001-2005	146,343	146,343
9.09% weighted average interest rate, due 2006-2010	274,310	286,597
10.09% weighted average interest rate, due 2016-2019	275,000	275,000
	1,066,883	1,086,170
Pennsylvania Power Company—		
9.36% weighted average interest rate, due 1990-1995	59,938	65,316
9.38% weighted average interest rate, due 1996-2000	121,411	72,741
8.21% weighted average interest rate, due 2001-2005	40,958	42,006
9.28% weighted average interest rate, due 2006-2010	44,870	44,870
9.74% weighted average interest rate, due 2011-2015	4,870	4,870
9.74% weighted average interest rate, due 2016-2019	3,929	3,929
	275,976	233,732
Total first mortgage bonds	1,342,859	1,319,902
Secured notes and obligations:		
Ohio Edison Company—		
8.88% weighted average interest rate, due 1990-1995	382,740	539,275
7.47% weighted average interest rate, due 1996-2000	27,809	44,035
7.61% weighted average interest rate, due 2001-2005	62,282	67,157
6.68% weighted average interest rate, due 2006-2010	23,600	64,350
9.72% weighted average interest rate, due 2011-2015	213,800	213,800
7.33% weighted average interest rate, due 2016-2020	73,725	—
7.77% weighted average interest rate, due 2021-2024	188,000	158,000
	971,956	1,086,617
Pennsylvania Power Company—		
10.16% weighted average interest rate, due 1990-1995	61,860	62,115
7.69% weighted average interest rate, due 1996-2000	10,591	10,590
10.04% weighted average interest rate, due 2001-2005	36,718	36,718
7.24% weighted average interest rate, due 2006-2010	9,460	9,460
9.79% weighted average interest rate, due 2011-2015	32,150	32,150
8.10% weighted average interest rate, due 2016-2020	15,500	10,300
	166,279	161,333
OES Fuel—8.30% weighted average interest rate	291,211	325,050
Total secured notes and obligations	1,429,446	1,573,000
Unsecured notes:		
Ohio Edison Company—		
8.50% weighted average interest rate, due 1990-1995	175,000	150,000
6.89% weighted average interest rate, due 2011-2015	100,000	150,000
6.63% weighted average interest rate, due 2018	113,100	113,100
Total unsecured notes	388,100	413,100
Capital lease obligations (Note 4)	61,396	57,155
Notes payable refinanced with long-term debt	148,508	—
Net unamortized discount on debt	(10,388)	(11,673)
Long-term debt due within one year	(254,673)	(277,688)
Total long-term debt	3,105,248	3,073,796
Total Capitalization	\$6,067,469	\$6,083,514

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Ohio Edison Company

For the Years Ended December 31	1990	1989	1988
	(In thousands)		
Balance at beginning of year	\$459,688	\$425,670	\$539,111
Net income	231,676	261,026	218,888
	741,364	786,696	757,999
Cash dividends on preferred and preference stock	27,609	28,040	31,900
Cash dividends on common stock	263,945	298,968	298,793
Premium on redemption of preferred stock	—	—	1,588
	291,554	327,008	332,329
Balance at end of year (Note 5a)	\$449,810	\$459,688	\$425,670

CONSOLIDATED STATEMENTS OF CAPITAL STOCK AND OTHER PAID-IN CAPITAL

	Common Stock				Preferred and Preference Stock			
	Number of Shares	Par Value	Other Paid-in Capital	Unallocated ESOP Common Stock	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, 1988	152,397,537	\$1,371,578	\$740,636	\$ —	7,042,399	\$404,240	1,597,838	\$156,784
Capital Stock Expense			(11)					
Conversions and Redemptions—								
\$1.80 Series	110,376	993	635				(138,112)	(2,089)
\$95.00 Series							(1,800)	(1,800)
\$102.50 Series							(1,800)	(1,800)
8.24% Series							(5,000)	(500)
10.48% Series			(602)				(220,000)	22,000
10.76% Series			(421)				(240,000)	(24,000)
11.00% Series							(4,000)	(400)
14.00% Series			(7,500)		(2,000,000)	(50,000)		
15.00% Series			(3)				(6,400)	(640)
Balance, December 31, 1988	152,507,913	1,372,571	732,774	—	5,042,399	354,240	980,726	103,555
Conversions and Redemptions—								
\$1.80 Series	61,524	554	367				(88,110)	(1,333)
\$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)
13.00% 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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Ohio Edison Company

For the Years Ended December 31

1990

1989

1988

(In thousands)

Cash Flows from Operating Activities:

Net income	\$ 281,676	\$ 361,026	\$ 218,888
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	303,877	273,329	306,919
Deferred income taxes, net	80,900	131,612	72,744
Investment tax credits, net	(4,878)	(28,529)	(2,822)
Accrued revenue, net	(4,675)	(38,350)	(66,361)
Allowance for equity funds used during construction	(1,238)	(2,513)	(3,397)
Deferred fuel costs, net	26,375	(12,450)	(28,666)
Write-off of disallowed plant costs	—	—	201,260
Deferred nuclear unit costs, net	(144,584)	(271,367)	(281,783)
Receivables	(3,248)	(13,476)	(9,702)
Materials and supplies	(26,641)	372	10,790
Accounts payable	603	8,866	(7,904)
Other	(36,874)	665	28,321
Net cash provided from operating activities	465,293	409,185	438,287

Cash Flows from Financing Activities:

New financing—			
Long-term debt	919,667	793,933	182,476
Short-term borrowings, net	204,039	114,000	4,000
Redemptions and Repayments—			
Preferred and preference stock	7,740	8,542	111,573
Long-term debt	1,079,397	989,374	416,849
Dividend Payments—			
Common stock	272,355	298,422	301,047
Preferred and preference stock	27,586	28,202	35,186
Net cash used for financing activities	263,272	416,607	678,275

Cash Flows from Investing Activities:

Property additions	256,218	221,773	192,246
Purchase of investments	6,651	6,611	4,807
Sale of investments	(1,142)	(37,795)	(296,471)
Investment in employee stock ownership plan	40,000	—	—
Other	5,776	6,252	(6,255)
Net cash used for (provided from) investing activities	307,503	196,841	(105,673)

Net decrease in cash and cash equivalents	105,482	204,263	134,315
Cash and cash equivalents at beginning of year	129,830	334,093	468,408
Cash and cash equivalents at end of year	\$ 24,348	\$ 129,830	\$ 334,093

Supplemental Cash Flows Information:

Cash Paid During the Year—			
Interest (net of amounts capitalized)	\$ 290,355	\$ 310,574	\$ 299,707
Income taxes	87,953	35,033	52,950

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

CONSOLIDATED STATEMENTS OF TAXES

Ohio Edison Company

For the Years Ended December 31

1990

1989

1988

(In thousands)

General Taxes:

Real and personal property	\$ 97,366	\$ 85,573	\$ 90,631
State gross receipts	93,226	82,598	77,226
Social security and unemployment	14,126	14,179	13,577
Other	7,494	7,804	6,589
Total general taxes	\$ 212,212	\$ 190,104	\$ 188,023

Provision for Income Taxes:

Currently payable—			
Federal	\$ 88,302	\$ 46,765	\$ 39,143
State	6,480	1,208	589
	94,782	47,973	39,732
Deferred, net (see below)—			
Federal	79,518	123,851	67,986
State	1,382	7,761	4,758
	80,900	131,612	72,744
Investment tax credits, net of amortization	(4,878)	(28,529)	(2,822)
Total provision for income taxes	\$ 170,804	\$ 151,056	\$ 109,654

Sources of Deferred Tax Expense:

Excess of tax, over book depreciation, net	\$ 60,915	\$ 68,355	\$ 60,249
Allowance for borrowed funds used during construction and capitalized interest	3,912	8,405	7,155
Deferred fuel costs, net	(7,740)	6,869	10,514
Amortization of deferred interest on leased nuclear fuel	(5,017)	(10,113)	(12,109)
Pension costs	8,821	3,220	1,779
Property taxes	(26,731)	(632)	(6,735)
Deferred nuclear unit costs	44,805	80,313	85,983
Plant cost disallowance	—	—	(73,615)
Difference between tax and book revenue, net	(3,104)	13,723	5,882
Deferred loss on reacquired debt, net	1,914	3,649	9,299
Alternative minimum tax credit utilized (deferred)	8,090	(35,973)	(14,336)
Other, net	(4,965)	(6,204)	(1,322)
Net deferred tax expense	\$ 80,900	\$ 131,612	\$ 72,744

Reconciliation of Federal Income Tax Expense at Statutory Rate to Total Provision for Income Taxes:

Book income before provision for income taxes	\$ 452,480	\$ 512,082	\$ 328,542
Federal income tax expense at statutory rate	\$ 153,843	\$ 174,108	\$ 111,704
Increases (reductions) in taxes resulting from—			
Excess of book over tax depreciation	24,783	27,665	13,143
Amortization of investment tax credits	(11,142)	(43,826)	(13,140)
Rapid amortization of deferred income taxes	—	(15,360)	—
Effect of reduced federal income tax rate	—	—	(5,656)
Other, net	3,320	8,469	3,603
Total provision for income taxes	\$ 170,804	\$ 151,056	\$ 109,654

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).

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 is no material concentration of receivables at December 31, 1990, with respect to any particular segment of the Companies' customers.

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 (see Note 2), 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 3.2% in 1990 and 1989 and 3.3% in 1988. The Company records depreciation expense applicable to Perry Unit 1 on a units of production basis as authorized by the PUCO.

The Companies are currently recognizing 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 \$214,000,000, based on estimates used in the Companies' latest rate filings. Amounts recovered from customers are invested in external decommissioning trust funds. If the actual costs of decommissioning the units exceed the accumulated amounts recovered from customers, which have been invested in the trust funds, 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 3 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, 1990, include the following:

Generating Unit	Utility Plant in Service	Accumulated Provision for Depreciation	Construction Work in Progress (i)	Companies' Interest (ii)
(In thousands)				
W.H. Sammis #7	\$ 267,600	\$ 64,300	\$ 2,000	68.80%
Bruce Mansfield #1, #2 and #3	724,900	271,700	2,300	50.68%
Beaver Valley #1 and #2	1,814,000	394,200	7,900	47.11%
Perry #1 and Common Facilities	1,469,700	172,600	8,000	35.24%
Perry #2	—	—	397,600	35.24%
Total	\$4,276,200	\$902,800	\$417,800	

(i) Excludes nuclear fuel in process which has not yet been assigned to a specific nuclear unit.

(ii) Includes leasehold interests under sale and leaseback arrangements (see Note 4).

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)

NOTES continued

were 9.6%, 11.1% and 11.3% in 1990, 1989 and 1988, respectively. Capitalization rates for interest on nuclear fuel were 8.4%, 9.9% and 8.8% in 1990, 1989 and 1988, respectively.

Income Taxes—Details of the total provision for income taxes are shown on 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 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, 1990, 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 \$42,200,000 of alternative minimum tax credits available to offset future federal income taxes payable; such credits may be carried forward indefinitely.

Proceeds from the sales of certain tax benefits in accordance with provisions of the Economic Recovery Tax Act of 1981 are being amortized over the life of the related property. Proceeds attributable to ITC were recorded as additional deferred ITC; the remaining amounts were recorded as reductions to utility plant in service.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (FAS) No. 96, "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, for which no income tax timing difference exists under the prior income tax accounting standard. Since the Companies expect that the additional deferred tax liabilities will be collected from their customers when the taxes become payable, an asset will be recognized when the Companies adopt SFAS No. 96 for that probable future revenue. The Companies are not required to adopt SFAS No. 96 until 1992. However, if the Companies had adopted the standard as of December 31, 1990, total assets would have increased by approximately \$1,300,000,000 with no material effect to net income.

Retirement Benefits—The Companies' trustee, 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, 1990.

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

At December 31	1990	1989
	(In thousands)	
Actuarial present value of benefit obligations:		
Vested benefits	\$ 356,975	\$ 339,987
Nonvested benefits	914	1,119
Accumulated benefit obligation	\$ 357,889	\$ 341,106
Plan assets at fair value	\$ 589,447	\$ 637,460
Actuarial present value of projected benefit obligation	439,234	415,264
Plan assets in excess of projected benefit obligation	150,213	222,196
Unrecognized net gain	(34,301)	(130,116)
Unrecognized prior service cost	18,128	19,456
Unrecognized net transition asset	(81,554)	(89,499)
Net pension asset	\$ 52,486	\$ 22,037

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, 1990, were computed as follows:

	1990	1989	1988
	(In thousands)		
Service cost—benefits earned during the period	\$ 13,125	\$ 15,983	\$ 15,519
Interest on projected benefit obligation	36,049	35,967	33,936
Return on plan assets	20,777	(113,059)	(78,079)
Net deferral (amortization)	(100,400)	51,542	22,017
Net pension cost	\$ (30,449)	\$ (9,567)	\$ (6,607)

The assumed discount rate used in determining the actuarial present value of the projected benefit obligation was 9% in each year. The assumed rate of increase in future compensation levels used to measure this obligation was 5% in 1990 and 1989, and 7% in 1988. The assumed expected long-term rates of return on plan assets were 11% in 1990 and 10% in 1989 and 1988.

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 limits 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 \$7,255,000, \$5,946,000 and \$5,302,600 in 1990, 1989 and 1988, respectively.

The FASB recently issued SFAS No. 106, "Employee's Accounting for Postretirement Benefits Other Than Pensions," which modifies the current accepted method to be used by enterprises to account for other post-employment benefits. Under the new 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 the new standard prospectively in 1993. Based on current plan demographics, it is estimated that annual postemployment benefit expenses will increase by approximately \$71,000,000. 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.

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. Noncash financing and investing activities included capital leases of \$8,768,000, \$28,411,000 and \$43,470,000 for the years 1990, 1989 and 1988, respectively. Noncash investing activities also included allowance for equity funds used during construction. OES Fuel commercial paper transactions, which are reflected as long-term debt on the Consolidated Balance Sheets (see Note 5e) but have initial maturity periods of three months or less, are reported net within financing activities under long-term debt.

2. Disallowance of Nuclear Construction Costs:

On March 7, 1989, the PUCO approved a Stipulation and Recommendation entered into between the Company and the PUCO Staff in connection with the investigations of Perry Unit 1 and Beaver Valley Unit 2 construction costs. In the Stipulation and Recommendation, the Company agreed to permanently forbear seeking recovery of \$237,000,000 of Perry Unit 1 construction costs and \$47,000,000 of Beaver Valley Unit 2 construction costs as they relate to the Company's PUCO jurisdictional customers. As a result, the Company wrote off the applicable amounts, which, after giving effect to the reserve established by the Company in 1987 for potential disallowance of Perry Unit 1 construction costs, reduced 1988 net income by \$127,645,000 (\$.84 per share of common stock). Under the terms of the Stipulation and Recommendation, provision was made for termination of all remaining issues related to construction of Perry Unit 1 and Beaver Valley Unit 2 and the prudence of the Company's investment in such units for rate making purposes.

3. 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 23, 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 also 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 \$17,600,000 (\$.12 per share of common stock).

NOTES continued

during the fourth quarter of 1990. The Company has appealed the PUCO decision to the Ohio Supreme Court.

The PPUC ordered Penn Power to defer operation and maintenance costs (net of energy savings from Perry Unit 1), depreciation expense, property taxes and interest expense associated with Perry Unit 1, from its commercial operation date until May 4, 1988, when Perry operating costs were recognized in Penn Power's electric rates. The rate increase is designed to produce approximately \$67,100,000 of additional annual operating revenues and is being phased in over several years; all amounts deferred during the phase-in period will be fully recovered by the end of the fourth year. Under this phase-in plan, Penn Power's rates were initially increased to produce approximately \$24,000,000 in additional cash revenues; the second year increase of approximately \$28,000,000 was implemented in 1989. The difference between revenues actually billed and revenues that would have been billed absent the phase-in plan were recognized as additional accrued revenue for financial reporting purposes. Penn Power began recovering the revenues previously deferred in May 1990, when rates were increased approximately \$28,000,000 on an annual basis. Such revenues and associated interest accrued for future collection in connection with this plan amounted to approximately \$53,384,000 as of December 31, 1990. Accrued customer revenues receivable within twelve months have been reclassified on the 1989 Consolidated Balance Sheet to conform to the 1990 presentation.

4. 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 and maintenance expenses, insurance, nuclear fuel, property taxes and decommissioning. The leases provide for adjustments to the basic rental payments for possible future changes in the federal tax code. 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, 1990, are summarized as follows:

	1990	1989	1988
	(In thousands)		
Operating leases	\$130,128	\$130,978	\$131,313
Amortization of capital leases	7,518	12,015	39,857
Interest on capital leases	7,931	9,699	17,040
Total rental payments	\$145,577	\$152,692	\$188,210

The future minimum lease payments as of December 31, 1990, are:

	Capital Leases	Operating Leases
	(In thousands)	
1991	\$ 17,155	\$ 123,049
1992	15,488	121,811
1993	14,302	120,337
1994	13,185	120,091
1995	12,392	119,909
Years thereafter	138,538	2,519,266
Total minimum lease payments	\$211,060	\$3,124,463
Executory costs	52,936	
Net minimum lease payments	158,124	
Interest portion	96,728	
Present value of net minimum lease payments	61,396	
Less current portion	6,135	
Noncurrent portion	\$ 55,261	

5. 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 \$377,763,000 at December 31, 1990.

(b) Employee Stock Ownership Plan--The Company established an Employee Stock Ownership Plan Trust (ESOP) in October 1990 which will fund the Company's matching contribution to its existing 401(k) savings plan. The ESOP has the ability to borrow funds to acquire shares of the Company's common stock which will be allocated to employees beginning in June 1991. The dividends paid on the stock acquired by the ESOP will be used to service the debt and, under present tax laws, will be deductible by the Company for income tax purposes. The Company expects to ultimately lend the ESOP \$200,000,000 to enable the ESOP to purchase approximately 11,500,000 shares of the Company's common stock on the open market. As of December 31,

1990, the ESOP had borrowed \$40,000,000 from the Company, of which \$10,857,000 was used to purchase 627,400 shares of the Company's common stock.

(c) Preferred and Preference Stock—Penn Power's 13% 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. 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:

	Series	Shares	Date	Beginning
Ohio Edison—				
Preferred Stock	13.50%	40,000	June 1	1991
Preference Stock	10.25%	900	July 1	(i)
Penn Power—				
Preferred Stock	8.24%	5,000	December 1	(i)
	11.00%	4,000	January 1	(i)
	15.00%	3,200	July 15	(i)
	11.50%	5,000	July 15	(i)
	13.00%	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:

1991	\$23,520,000
1992	8,120,000
1993	8,120,000
1994	8,120,000
1995	8,120,000

Amounts shown above for 1991 include \$15,400,000 of preferred stock optionally redeemed in January 1991.

(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, 1990, the Companies' annual sinking and improvement fund requirements for all bonds issued under the mortgages amount to \$31,131,000. The Company expects to deposit funds in 1991 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. Penn Power expects to satisfy its requirements in 1991 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:

1991	\$248,538,000
1992	222,338,000
1993	364,699,000
1994	100,938,000
1995	210,503,000

Amounts shown above for 1991 include \$27,048,000 of first mortgage bonds optionally redeemed in January 1991. The weighted average interest rates shown on the Consolidated Statements of Capitalization relate to long-term debt outstanding at December 31, 1990.

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 4/10% to 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, SFr. 81,000,000 principal amount (\$44,000,000) due May 1993. 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 payments 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 \$450,000,000 long-term bank credit agreement which expires March 31, 1993. Accordingly, the commercial paper and loans are

reflected as long-term debt on the Consolidated Balance Sheets. OES Fuel must pay a facility fee of 1/8% on the total line of credit and a commitment fee of 1/20% on any unused amount.

In January 1991, the Company sold its right to receive a portion of the monthly reservation charges payable under certain wholesale power sale arrangements, to a special purpose trust. Sale proceeds to the Company of \$175,000,000 were borrowed by the trust from institutional investors who will be repaid by the trust in equal monthly installments through June 1996, as payments for the transferred reservation charges are received. Repayment of the trust's borrowings are guaranteed by the Company. The proceeds received by the Company were used to redeem a like amount of short-term debt; accordingly, approximately \$148,508,000 of short-term debt has been classified as long-term debt on the December 31, 1990 Consolidated Balance Sheet to reflect the long-term portion of the trust's notes (see Note 6).

6. Short-Term Borrowings and Bank Lines of Credit:

Short-term borrowings outstanding at December 31, 1990, include \$100,039,000 of 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 4/25% on the amount of the entire finance limit and 7/20% on the amount of borrowings outstanding. The receivables financing agreement expires November 27, 1991.

The Companies have lines of credit with domestic banks that provide for borrowings of up to \$135,000,000 (\$107,000,000 of which was utilized at December 31, 1990) 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, \$70,000,000 expire in May 1991, \$5,000,000 in December 1991 and the remainder in May 1993. OES Fuel also had \$90,000,000 of short-term borrowings at December 31, 1990, under the credit facility described above (see Note 5e).

7. Commitments, Guarantees and Contingencies:

Construction Program—The Companies' current budget forecasts reflect expenditures of approximately \$1,500,000,000 for property additions and improvements from 1991-1995, of which approximately \$275,000,000 is applicable to 1991.

The CAPCO companies are continuing to review the status of Perry Unit 2. 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 1991-1995 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 CAPCO companies.

Duquesne Light Company's (Duquesne) claimed "de facto" abandonment, for rate making purposes, of its 13.74% interest in Perry Unit 2 was accepted by the PPUC in a 1987 rate order and Duquesne was allowed recovery of its investment in Perry Unit 2 over a ten-year period. Duquesne has advised the PPUC that it will not agree to the resumption of construction of Perry Unit 2. Duquesne's decision was independently made and does not represent a decision on the part of the Companies to abandon Unit 2 for rate making or any other purposes. However, any future decision on the status of Perry Unit 2 will have to take into account Duquesne's position and ways will have to be found to accommodate this position if construction on the Unit is to resume.

As of December 31, 1990, the Company and Penn Power had invested approximately \$342,000,000 and \$55,600,000, 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. However, cancellation charges payable to contractors and other costs of termination could be incurred. Pending completion of the CAPCO review, the Company is unable to predict whether the construction on Unit 2 will continue or be discontinued, on what basis such continuation will proceed.

If construction of Perry Unit 2 is terminated, the Company would seek to recover its investment but cannot now predict whether its investment in Unit 2 applicable to its PUCO jurisdictional customers will be recoverable. If no means of recovery of the costs of Unit 2, in the case of termination, 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, 1990, 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 presently 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. If, despite its best current information, a much larger write-off were required, depending upon the timing involved, such a write-off could temporarily affect the Company's ability to pay common stock dividends at current levels. 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 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.

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, 1990, the Companies' shares of the guarantees were \$141,600,000. 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 contract amounted to \$114,077,000, \$105,154,000 and \$100,037,000 during 1990, 1989 and 1988, respectively. Under the coal supply contract, the Companies' future minimum payments are:

1991	\$25,558,000
1992	24,384,000
1993	23,741,000
1994	22,594,000
1995	21,454,000
Years thereafter	90,398,000

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 \$207,000,000, which is included in the

construction forecast under "Construction Program" for 1991 through 1995. Additional amounts may be required due to the Clean Air Act Amendments discussed below.

On November 15, 1990, the President of the United States signed the Clean Air Act Amendments of 1990 (Act). The Act requires significant reductions of sulfur dioxide (SO₂) and oxides of nitrogen from the Companies' coal-fired generating units by 1995 and additional emission reductions by 2000. Compliance options include, but are not limited to, installing additional pollution control equipment, burning less polluting fuel, purchasing emission allowances from others, and retiring facilities. The Companies are required to submit compliance plans to the Environmental Protection Agency (EPA) indicating how their facilities will comply within 27 months of enactment. These compliance plans must be consistent with regulations that the EPA is to promulgate within 18 months. In addition, the EPA is required to perform studies, the first of which is due within a three year, 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. The Companies are evaluating the Act and the various compliance options available and have not yet determined the ultimate cost of compliance.

Violation of SO₂ regulations can result in significant civil and/or criminal penalties as well as injunctive relief, including shut-down of the generating unit involved. The EPA has an interim enforcement policy for the SO₂ 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 calculating emissions. While the Company does not agree with the EPA's position in the matter, the Company expects to comply with all legal requirements. The Company cannot predict what action the EPA may take in the future with respect to the interim enforcement policy. In addition, the EPA has issued Notices of Violation (NOV) regarding SO₂ emissions at the Company's Sammis, Niles and Gorge Plants. The EPA and the Company have reached agreement on Administrative Orders resolving the NOV's at the Sammis and Niles Plants. These Orders require demonstration of compliance through the use of certain emissions tests and do not require monetary penalties. Negotiations on the resolution of the NOV related to the Gorge Plant are continuing.

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 presently have sufficient information to act on the petitions. The Companies are unable to predict the outcome of this proceeding.

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 SO₂. Portions of the latest EPA regulations were reversed and remain under review 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.

On February 24, 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 proposed regulations impose substantial additional requirements relating to permitting, ground water monitoring, leachate collection systems, closure, liability insurance and operating matters. These requirements could result in the closing of or substantially increased operating costs at existing

sites in Pennsylvania. The Companies have submitted detailed comments on the proposed regulations objecting to and proposing changes to certain provisions. Final regulations are expected to be issued by mid-1991. The Companies are unable to predict the requirements of the final regulations and the cost of compliance.

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.

8. Summary of Quarterly Financial Data (Unaudited):

The following summarizes certain consolidated operating results by quarter for 1990 and 1989.

Three Months Ended	March 31, 1990	June 30, 1990	September 30, 1990	December 31, 1990
(In thousands, except per share amounts)				
Operating Revenues	\$559,662	\$522,947	\$572,814	\$570,101
Operating Expenses and Taxes (Note 3)	418,991	397,490	446,161	452,603
Operating Income	140,671	125,457	126,653	117,498
Other Income and Deductions	1,515	1,747	(5)	(50)
Net Interest and Other Charges (Note 3)	45,530	43,934	57,660	84,686
Net Income	\$ 96,656	\$ 83,270	\$ 68,988	\$ 32,762
Earnings on Common Stock	\$ 89,772	\$ 76,346	\$ 62,093	\$ 25,837
Weighted Average Number of Shares of Common Stock Outstanding	152,569	152,569	152,569	152,569
Earnings per Share of Common Stock	\$.59	\$.50	\$.41	\$.17

Three Months Ended	March 31, 1989	June 30, 1989	September 30, 1989	December 31, 1989
(In thousands, except per share amounts)				
Operating Revenues	\$546,708	\$512,583	\$549,970	\$545,708
Operating Expenses and Taxes	403,031	382,871	402,898	422,510
Operating Income	143,677	129,712	147,072	123,198
Other Income and Deductions	6,395	3,963	3,654	6,926
Net Interest and Other Charges	51,247	51,006	52,688	48,630
Net Income	\$ 98,825	\$ 82,669	\$ 98,038	\$ 81,494
Earnings on Common Stock	\$ 91,624	\$ 75,620	\$ 91,083	\$ 74,605
Weighted Average Number of Shares of Common Stock Outstanding	152,509	152,509	152,509	152,569
Earnings per Share of Common Stock	\$.60	\$.51	\$.60	\$.49

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

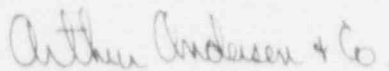
To the Stockholders and Board of Directors
of Ohio Edison Company:

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, 1990 and 1989, 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, 1990. 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 audit provides 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, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

The status of Perry Unit 2 is currently being reviewed by the CAPCO companies. As discussed in Note 7 to the consolidated financial statements, 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.
New York, N.Y.
February 5, 1991

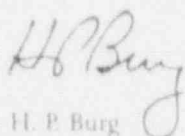
MANAGEMENT REPORT

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 Companies' Perry Unit 2 investment.

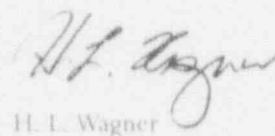
The Company's internal auditors, who are responsible to the Audit Committee of the Board of Directors, review the results and performance of operating units within the Company for adequacy, effectiveness and reliability of accounting and reporting systems, as well as managerial and operating controls.

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 three meetings during 1990.



H. P. Burg
Senior Vice President
Chief Financial Officer



H. L. Wagner
Comptroller

CONSOLIDATED FINANCIAL STATISTICS

Ohio Edison Company

	1990	1989	1988	1987	1986	1985	1980
(Dollars in thousands, except per share amounts)							
General Financial Information							
Operating Revenues	\$2,225,524	\$2,154,969	\$2,142,572	\$1,779,556	\$1,741,900	\$1,754,749	\$1,080,869
Operating Income	\$ 510,279	\$ 543,659	\$ 496,996	\$ 397,468	\$ 392,357	\$ 380,354	\$ 169,383
Earnings on Common Stock	\$ 254,048	\$ 332,932	\$ 186,170	\$ 364,657	\$ 359,825	\$ 318,073	\$ 101,403
SEC Ratio of Earnings to Fixed Charges	1.97	2.03	1.65	2.30	2.39	2.26	2.06
Net Utility Plant at December 31	\$6,049,219	\$6,081,737	\$6,048,034	\$6,336,099	\$7,239,741	\$6,644,750	\$3,435,267
Capital Expenditures	\$ 270,993	\$ 258,041	\$ 221,583	\$ 705,242	\$ 776,198	\$ 826,994	\$ 515,020
Capitalization at December 31:							
Common Stockholders' Equity Preferred and Preference Stock Not Subject to Mandatory Redemption	\$2,545,159	\$2,565,906	\$2,530,975	\$2,651,325	\$2,541,712	\$2,234,156	\$1,067,524
Preferred and Preference Stock Subject to Mandatory Redemption	354,240	354,240	354,240	404,240	455,567	467,940	306,905
Long-Term Debt	62,822	89,562	96,802	145,351	160,794	176,694	156,450
Total Capitalization	\$3,105,248	\$3,073,796	\$3,208,553	\$3,332,858	\$3,661,861	\$3,464,549	\$1,859,384
Capitalization Ratios at December 31:							
Common Stockholders' Equity Preferred and Preference Stock Not Subject to Mandatory Redemption	41.9%	42.2%	40.9%	40.6%	37.3%	35.2%	31.5%
Preferred and Preference Stock Subject to Mandatory Redemption	5.9	5.8	5.7	6.2	6.7	7.4	9.1
Long-Term Debt	1.0	1.5	1.6	2.2	2.3	2.8	4.6
Total Capitalization	51.2	50.5	51.8	51.0	53.7	54.6	54.8
Total Capitalization	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Preferred and Preference Stock Outstanding at December 31	8.59%	8.72%	8.71%	9.38%	9.66%	10.00%	8.38%
Cost of Long-Term Debt Outstanding at December 31	9.28%	9.67%	10.26%	10.22%	10.29%	10.88%	10.71%
Common Stock Data							
Earnings per Average Common Share	\$1.67	\$2.18	\$1.22	\$2.40	\$2.47	\$2.45	\$1.52
Return on Average Common Equity	9.9%	13.0%	7.0%	13.8%	14.9%	15.2%	9.7
Dividends Paid per Share	\$1.73	\$1.96	\$1.96	\$1.96	\$1.92	\$1.88	\$1.76
Common Stock Dividend Payout Ratio	104%	90%	161%	82%	78%	77%	116
Common Stock Dividend Yield at December 31	8.8%	8.3%	10.4%	9.7%	9.8%	11.5%	14.8
Price/Earnings Ratio at December 31	10.3	10.9	15.5	8.4	7.9	6.7	7.8
Shares of Common Stock Outstanding at December 31 (000)	152,569	152,569	152,508	152,398	149,815	137,089	68,526
Book Value per Common Share at December 31	\$16.68	\$16.82	\$16.60	\$17.40	\$16.97	\$16.30	\$15.58
Market Price per Common Share at December 31	\$17.125	\$23.75	\$18.875	\$20.125	\$19.50	\$16.375	\$11.875
Ratio of Market Price to Book Value per Share at December 31	103%	141%	114%	116%	115%	100%	76

CONSOLIDATED OPERATING STATISTICS

Ohio Edison Company

	1990	1989	1988	1987	1986	1985	1980
Revenue From Electric Sales (Thousands):							
Residential	\$ 768,226	\$ 749,345	\$ 728,410	\$ 622,348	\$ 615,262	\$ 600,481	\$ 398,832
Commercial	586,947	558,524	533,825	454,706	449,590	433,445	268,788
Industrial	580,624	554,037	537,165	452,564	449,392	476,257	330,717
Other	36,738	39,769	65,521	69,454	64,345	64,708	50,420
Subtotal	1,972,535	1,901,675	1,864,921	1,599,072	1,578,589	1,574,891	1,048,757
Sales to Utilities	227,670	228,155	254,052	156,633	137,994	159,262	12,381
Total	\$2,200,205	\$2,129,830	\$2,118,973	\$1,755,705	\$1,716,583	\$1,734,153	\$1,061,138
Revenue From Electric Sales (Percent):							
Residential	34.9%	35.2%	34.4%	35.4%	35.8%	34.6%	37.6%
Commercial	26.7	26.2	25.2	25.9	26.2	25.0	25.3
Industrial	26.4	26.0	25.3	25.8	26.2	27.5	31.2
Other	1.7	1.9	3.1	4.0	3.8	3.7	4.7
Subtotal	89.7	89.3	88.0	91.1	97.0	90.8	98.8
Sales to Utilities	10.3	10.7	12.0	8.9	3.0	9.2	1.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Kilowatt-Hour Sales (Millions):							
Residential	7,527	7,619	7,628	7,299	7,046	6,791	6,801
Commercial	6,370	6,234	6,060	5,782	5,560	5,266	4,812
Industrial	9,872	9,795	9,872	9,067	8,533	8,751	8,909
Other	368	357	1,159	1,310	1,192	1,149	1,370
Subtotal	24,137	24,005	24,719	23,458	22,331	21,957	21,892
Sales to Utilities	7,173	7,873	10,966	6,252	5,835	6,929	502
Total	31,310	31,878	35,685	29,710	28,166	28,886	22,394
Customers Served at December 31:							
Residential	928,026	919,935	911,158	902,466	894,164	888,107	867,447
Commercial	103,297	102,055	100,808	99,322	97,383	96,048	88,505
Industrial	3,032	2,836	2,624	2,452	2,239	2,021	1,059
Other	1,061	883	918	881	802	892	704
Total	1,035,416	1,025,709	1,015,508	1,005,121	994,588	987,068	957,715
Average Annual Residential							
kWh Usage	8,159	8,336	8,425	8,140	7,924	7,682	7,870
Average Residential Price							
per kWh	10.23¢	9.65¢	9.40¢	8.73¢	8.73¢	8.84¢	8.86¢
Cost of Fuel per Million Btu							
	\$1.27	\$1.26	\$1.30	\$1.32	\$1.40	\$1.47	\$1.53
Generating Capability at December 31:							
Coal	77.9%	77.9%	77.9%	77.9%	80.1%	89.1%	86.1%
Oil	2.7	2.7	2.7	2.7	3.0	3.0	6.4
Nuclear	19.4	19.4	19.4	19.4	7.9	7.9	7.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sources of Electric Generation:							
Coal	77.3%	82.1%	77.0%	87.4%	91.0%	89.3%	98.7%
Oil	—	—	—	—	—	—	0.6
Nuclear	22.7	17.9	23.0	12.6	9.0	10.7	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Peak Load-Megawatts							
	5,394	5,152	5,027	4,579	4,243	4,084	4,210
Number of Employees at December 31							
	6,792	6,905	7,180	7,266	7,383	7,496	7,503

STOCKHOLDER INFORMATION

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 their dividends or make optional cash payments of up to \$40,000 annually. At the end of 1990, about 61,500 stockholders were participating in the plan.

Stock Dividends

For federal income tax purposes, all dividends paid by the Company in 1990 are taxable income to stockholders.

Stock Listing And Trading

Ohio Edison Common Stock is listed on the New York and Midwest Stock Exchanges under the "OEC" 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 E. LaFlame, Secretary, Ohio Edison Company, 76 South Main Street, Akron, Ohio 44308.

Annual Meeting Of Stockholders

We invite stockholders to attend the 1991 Annual Meeting of Stockholders on Thursday, April 25, at 10:00 a.m. in the Company's General Office in Akron, Ohio. Registered stockholders 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 stock on March 7, 1991.

Transfer Agent And Registrar

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

Stockholder Assistance

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 request an address or tax identification number:
1-800-736-3401

To transfer stock or report lost certificate:
1-800-736-3402

For dividend reinvestment plan assistance:
1-800-736-3403

For dividend check inquiries and other information:
1-800-736-3404

The 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 call 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.

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 or you are both a stockholder and an Ohio Edison employee or retiree. 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.

Management Developments

In August 1990, Ohio Edison's Board of Directors elected Assistant Comptroller Harvey L. Wagner comptroller, succeeding Comptroller William A. Daniels, who retired January 1, 1991, after more than 42 years of distinguished service.

Board Of Directors

Donald C. Blasius, 61

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

H. Peter Burg, 44

Senior Vice President of Ohio Edison. Member, Finance Committee. Elected 1989

Robert H. Carlson, 64

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

Dan R. Carmichael, 46

Chairman of the Board, President and Chief Executive Officer of The Shelby Insurance Company, Shelby, Ohio (diversified insurance). Elected 1990

Dr. Lucille G. Ford, 69

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

Robert L. Loughhead, 61

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, 61

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, 68

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

John Nelson, 68

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, 57

President of Sandusky Foundry & Machine Company, Sandusky, Ohio (centrifugal castings). Member, Compensation Committee. Elected 1987

Justin T. Rogers, Jr., 61

President of Ohio Edison and Chairman of the Board of its subsidiary, Pennsylvania Power. Chairman, Finance Committee; Member, Nominating Committee. Elected 1970

George M. Smart, 45

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

Douglas W. Tschappat, 63

Executive Vice President of Ohio Edison. Elected 1980

Frank C. Watson, 66

City Manager for the City of Canfield, Ohio. Chairman, Audit Committee; Member, Nominating Committee. Elected 1974

Director Emeritus

Fred H. Zuck

Officers

Justin T. Rogers, Jr.
President

Douglas W. Tschappat
Executive Vice President

H. Peter Burg
Senior Vice President

Robert J. McWhorter
Senior Vice President

Anthony J. Alexander
Vice President
and General Counsel

John A. Gill
Vice President

Anthony N. Gorant
Vice President

Barry M. Miller
Vice President

David L. Yeager
Vice President

Gregory E. LaFlame
Secretary

Kenneth J. Verbic
Treasurer

Harvey L. Wagner
Comptroller

Nancy C. Brink
Assistant Secretary

Theodore E. Struck II
Assistant Treasurer

Howard J. Tuber
Assistant Comptroller

Division Managers

Robert L. Kensinger
Akron Division

Gary M. Stair
Bay Division

Malcolm E. Cash
Lake Erie Division

Fred M. Lentz
Mansfield Division

Fred K. White
Marion Division

Mark T. Clark
Springfield Division

Earl T. Carey
Stark Division

Edward T. Beil
Warren Division

Peter A. Fetterolf
Youngstown Division



printed on recycled paper



OHIO EDISON
The Energy Makers

76 South Main Street
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