CENTERIOR ENERGY

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Murray R. Edelman
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April 21, 1993
PY-CEI/NRR-1628L (Perry)
Serial Number 2124 (Davis-Besse)

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

Subject: Annual Financial Reports and Certified Financial Statements for the Perry Nuclear Power Plant (Docket Number 50-440) and the Davis-Besse Nuclear Power Station (Docket Number 50-346).

Gentlemen:

Centerior Energy is the parent company for The Cleveland Electric Illuminating Company and The Toledo Edison Company, operators of the Perry Nuclear Power Plant and Davis-Besse Nuclear Power Station, respectively. In accordance with 10CFR50.71(b), Centerior Energy hereby submits the annual financial reports, including the certified financial statements for the two licensees. Also enclosed is Form 10-K, the Annual Report to the United States Securities and Exchange Commission, for the fiscal year ending December 31, 1992.

If you have any questions, please contact Mr. Terrence Moran, Manager - Investor Relations, at (216) 447-2882.

Sincerely,

Murray R Edelman

MRE:mrb

Enclosures

cc: A. B. Davis, Regional Administrator, NRC Region III
J. B. Hopkins, NRC Senior Project Manager (Davis-Besse)
D. Kosloff, NRC Senior Resident Inspector (Perry)
S. Stasek, NRC Senior Resident Inspector (Davis-Besse)
R. J. Stransky, NRC Senior Project Manager (Perry)
Utility Radiological Safety Board of Ohio

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Operating Companies:
Cleveland Electric Illuminating
Toledo Edison

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 1992

OR

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

For the transition period from to

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

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

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

The aggregate market value of Centerior Energy Corporation Common Stock, without par value, held by non-affiliates was $2,821,330,015 on February 26, 1993 based on the closing sale price of $19.625 as quoted for that date on a composite transactions basis in *The Wall Street Journal* and on the 143,762,039 shares of Common Stock outstanding on that date. Centerior Energy Corporation is the sole holder of the 79,590,689 shares and 39,133,887 shares of the outstanding common stock of The Cleveland Electric Illuminating Company and The Toledo Edison Company, respectively.

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

Description	Part of Form 10-K Into Which Document Is Incorporated
Portions of Proxy Statement of Centerior Energy Corporation, dated March 8, 1993	Part III

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

GLOSSARY OF TERMS

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

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

Term	Definition
Davis-Besse	Davis-Besse Nuclear Power Station.
Detroit Edison	Detroit Edison Company, an electric utility.
District of Columbia Circuit Appeals Court	United States Court of Appeals for the District of Columbia Circuit.
DOE	United States Department of Energy.
Duquesne	Duquesne Light Company, an electric utility subsidiary of DQE, Inc. and a member of the CAPCO Group.
ECAR	East Central Area Reliability Coordination Group.
Energy Act	Energy Policy Act of 1992.
Federal Power Act	Federal Power Act, as amended, codified in Chapter 12 of Title 16 of the United States Code.
FERC	Federal Energy Regulatory Commission.
General Electric	General Electric Company.
GPU	General Public Utilities Corporation, an electric utility holding company.
Holding Company Act	Public Utility Holding Company Act of 1935.
Ludington Plant	Ludington Pumped Storage Power Plant, a pumped-storage, hydro-electric generating station jointly owned by Detroit Edison and Consumers Power.
Mansfield Plant	Bruce Mansfield Generating Plant, a coal-fired power plant, in which the Operating Companies have leasehold interests as joint and several lessees.
Note or Notes	Note or Notes to the Financial Statements in the Centerior Energy, Cleveland Electric and Toledo Edison Annual Reports for 1992 (Note or Notes, where used, refers to all three companies unless otherwise specified).
NPDES	National Pollutant Discharge Elimination System.

Term	Definition
NRC	United States Nuclear Regulatory Commission.
Ohio Edison	Ohio Edison Company, an electric utility and a member of the CAPCO Group.
Ohio EPA	Ohio Environmental Protection Agency.
Ohio Power	Ohio Power Company, an electric utility subsidiary of American Electric Power Company, Inc.
Ohio Valley	The Ohio Valley Coal Company, the successor corporation to The Nacco Mining Company and a subsidiary of Ohio Valley Resources, Inc.
Operating Companies (individually, Operating Company)	Cleveland Electric and Toledo Edison.
OPSB	Ohio Power Siting Board.
PaPUC	Pennsylvania Public Utility Commission.
Penelec	Pennsylvania Electric Company, an electric utility subsidiary of GPU.
Pennsylvania Power	Pennsylvania Power Company, an electric utility subsidiary of Ohio Edison and a member of the CAPCO Group.
Perry Plant	Perry Nuclear Power Plant.
Perry Unit 1 and Perry Unit 2	Unit 1 and Unit 2 of the Perry Plant, in which the Operating Companies have ownership interests.
PUCO	The Public Utilities Commission of Ohio.
Quarto	Quarto Mining Company, a subsidiary of Consol.
SEC	United States Securities and Exchange Commission.
Seneca Plant	Seneca Power Plant, a pumped-storage, hydroelectric generating station jointly owned by Cleveland Electric and Penelec.

Term	Definition
Service Company	Centerior Service Company, a service subsidiary of Centerior Energy.
Sixth Circuit Appeals Court	United States Court of Appeals for the Sixth Circuit.
Superfund	Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the Superfund Amendments and Reauthorization Act of 1986.
Toledo Edison	The Toledo Edison Company, an electric utility subsidiary of Centerior Energy and a member of the CAPCO Group.
U.S. EPA	United States Environmental Protection Agency.
Westinghouse	Westinghouse Electric Corporation.

PART I

Item 1. Business

THE CENTERIOR SYSTEM

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

The Operating Companies' combined service areas encompass approximately 4,200 square miles in northeastern and northwestern Ohio with an estimated population of about 2,600,000. At December 31, 1992, the Centerior System had 8,376 employees. Centerior Energy has no employees.

Cleveland Electric, which was incorporated under the laws of the State of Ohio in 1892, is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in an area of approximately 1,700 square miles in northeastern Ohio, including the City of Cleveland. Cleveland Electric also provides electric energy at wholesale to other electric utility companies and to two municipal electric systems (directly and through AMP-Ohio) in its service area. Cleveland Electric serves approximately 749,000 customers and derives approximately 75% of its total electric revenue from customers outside the City of Cleveland. Principal industries served by Cleveland Electric include those producing steel and other primary metals; automotive and other transportation equipment; chemicals; electrical and nonelectrical machinery; fabricated metal products; and rubber and plastic products. Nearly all of Cleveland Electric's operating revenues are derived from the sale of electric energy. At December 31, 1992, Cleveland Electric had 4,466 employees of which about 52% were represented by one union having a collective bargaining agreement with Cleveland Electric.

Toledo Edison, which was incorporated under the laws of the State of Ohio in 1901, is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in an area of approximately 2,500 square miles in northwestern Ohio, including the City of Toledo. Toledo Edison also provides electric energy at wholesale to other electric utility companies and to 13 municipally owned distribution systems (through AMP-Ohio) and one rural electric cooperative distribution system in its service area. Toledo Edison serves approximately 286,000 customers and derives approximately 55% of its total electric revenue from customers outside the City of Toledo. Among the principal industries served by Toledo Edison are metal casting, forming and fabricating; petroleum refining; automotive equipment and assembly; food processing; and glass. Nearly all of Toledo Edison's operating revenues are derived from the sale of electric energy. At December 31, 1992, Toledo Edison had 2,422 employees of which about 56% were represented by three unions having collective bargaining agreements with Toledo Edison.

The Service Company, which was incorporated in 1986 under the laws of the State of Ohio, is also a wholly owned subsidiary of Centerior Energy. It provides management, financial, administrative, engineering, legal, governmental and public relations and other services to Centerior Energy and the Operating Companies. At December 31, 1992, the Service Company had 1,488 employees.

On March 23, 1993, Centerior announced a program to reduce the number of employees in the Centerior System by approximately 1,200 in 1993 through a voluntary early retirement program and a selective severance program. The reduction will occur in the Operating Companies and the Service Company in amounts to be determined. The programs are expected to cost about $130,000,000, partially offset by an estimated $80,000,000 pension plan gain resulting from the settlement of the liabilities of employees electing a lump-sum pension and about $30,000,000 of labor savings, all in 1993. The net charge for these programs in 1993 is estimated to be $14,000,000 after taxes. Annual savings in 1994 and beyond are expected to approximate $64 million (before taxes).

CAPCO GROUP

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

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

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

CONSTRUCTION AND FINANCING PROGRAMS

Construction Program

The Centerior System carries on a continuous program of constructing transmission, distribution and general facilities and modifying existing generating facilities to meet anticipated demand for electric service, to comply with governmental regulations and to protect the environment. The Operating Companies' 1992 long-term (20-year) forecast, as filed with and approved by the PUCO (see "General Regulation--State Utility Commissions"), projects long-term annual growth rates in peak demand and kilowatt-hour sales for the Operating Companies of 1.3% and 1.7%, respectively, after demand-side management considerations. The Centerior System's integrated resource plan for the 1990s (which is included in the long-term forecast) combines demand-side management programs with maximum utilization of existing generating capacity to postpone the need for new generating units until early in the next decade. Demand-side management programs, such as energy-efficient lighting and motors, curtailable load and energy management, are expected to assist customers in achieving greater energy efficiency. Late in 1992, Centerior reached agreement with customer and environmental groups on a plan to invest $35,000,000 in demand-side programs for 1993 through 1995. This will be part of the $90,000,000 the Centerior System plans to invest in such programs over the next ten years.

Operable capacity margins over the next ten years are expected to be adequate without adding generating capacity. According to the current long-term integrated resource plan, and assuming construction on Perry Unit 2 is not resumed in the interim (see Note 3(c)), the next increment of generating capacity that the Centerior System plans to put into service will be two 136,000-kilowatt units in 2003, with additional small, short-lead-time capacity in subsequent years.

The following tables show, categorized by major components, the construction expenditures by Cleveland Electric and Toledo Edison and, by aggregating them, for the Centerior System during 1990, 1991 and 1992 and the estimated cost of their construction programs for 1993, 1994 and 1995, in each case including AFUDC and excluding nuclear fuel:

	Actual			Estimated		
	1990	1991	1992	1993	1994	1995
Cleveland Electric	(Millions of Dollars)					
Perry Unit 2*	$ 0	$ 0	$ 3	$ 0	$ 0	$ 0
Transmission, Distribution and General Facilities	82	77	73	95	107	105
Renovation and Modification of Generating Units						
Perry Unit 1	8	5	15	14	9	9
Beaver Valley Unit 2**	(3)	4	5	4	3	5
Davis-Besse	40	16	3	16	12	11
Nonnuclear Units	37	48	56	79	72	73
Clean Air Act Amendments Compliance	0	0	1	23	51	9
Total	$164	$150	$156	$231	$254	$212

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

Toledo Edison	Actual 1990	1991	1992	Estimated 1993	1994	1995
	(Millions of Dollars)					
Perry Unit 2*	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Transmission, Distribution and General Facilities	29	30	25	28	35	36
Renovation and Modification of Generating Units						
Perry Unit 1	5	2	5	9	5	6
Beaver Valley Unit 2**	(2)	4	5	3	3	4
Davis-Besse	39	11	2	15	11	11
Nonnuclear Units	16	7	7	7	14	20
Clean Air Act Amendments Compliance	0	0	0	0	4	2
Total	$ 87	$ 54	$ 44	$ 62	$ 72	$ 79

Centerior System	Actual 1990	1991	1992	Estimated 1993	1994	1995
	(Millions of Dollars)					
Perry Unit 2*	$ 0	$ 0	$ 3	$ 0	$ 0	$ 0
Transmission, Distribution and General Facilities	111	107	98	123	142	141
Renovation and Modification of Generating Units						
Perry Unit 1	13	7	20	23	14	15
Beaver Valley Unit 2**	(5)	8	10	7	6	9
Davis-Besse	79	27	5	31	23	22
Nonnuclear Units	53	55	63	86	86	93
Clean Air Act Amendments Compliance	0	0	1	23	55	11
Total	$251	$204	$200	$293	$326	$291

*Construction of Perry Unit 2 has been suspended. In February 1992, Cleveland Electric purchased Duquesne's ownership share of Perry Unit 2 for $3,324,000 (see Note 3(c)).

**The amount shown for Beaver Valley Unit 2 in 1990 includes prior-period adjustments for AFUDC.

Each company in the CAPCO Group is responsible for financing the portion of the capital costs of nuclear fuel equivalent to its ownership and leased interest in the unit in which the fuel will be utilized. See "Operations--Fuel Supply--Nuclear" for information regarding nuclear fuel supplies and Note 5 regarding leasing arrangements to finance nuclear fuel capital costs. Nuclear fuel capital costs incurred by Cleveland Electric, Toledo Edison and the Centerior System during 1990, 1991 and 1992 and their estimated nuclear fuel capital costs for 1993, 1994 and 1995 are as follows:

	Actual			Estimated		
	1990	1991	1992	1993	1994	1995
	(Millions of Dollars)					
Cleveland Electric	$ 38	$ 32	$ 30	$ 25	$ 30	$ 25
Toledo Edison	$ 24	$ 27	$ 22	$ 20	$ 26	$ 19
Centerior System	$ 62	$ 59	$ 52	$ 45	$ 56	$ 44

Financing Program

Reference is made to Centerior Energy's, Cleveland Electric's and Toledo Edison's Management's Financial Analysis contained under Item 7 of this Report and to Notes 10 and 11 for discussions of the Centerior System's financing activity in 1992; debt and preferred stock redemption requirements during the 1993-1995 period; expected external financing needs during such period; restrictions on the issuance of additional debt securities and preferred stock; short-term and long-term financing capability; and securities ratings for the Operating Companies.

In February 1993, Cleveland Electric issued $30,000,000 of first mortgage bonds as collateral security for the sale by a public authority of an equal principal amount of tax-exempt bonds with an annual interest rate of 6.85% and due in 2023. The proceeds from the sale of the public authority's bonds will be used to refund $30,000,000 of tax-exempt bonds issued in 1988. Also in February 1993, Cleveland Electric sold $150,000,000 of 30-year, 9% first mortgage bonds, the proceeds of which were used to repay $142,500,000 of secured medium-term notes and first mortgage bonds that matured in February and March 1993 and for general corporate purposes. In March 1993, the company issued $35,000,000 aggregate principal amount of medium-term notes secured by first mortgage bonds. The notes have a weighted average interest rate of 7.56% and mature in 2001 and 2003. Cleveland Electric's financing plans for the remainder of 1993 include extending a $40,000,000 bank loan that matures in May 1993 and issuing up to $100,000,000 of preferred stock and up to $150,000,000 of first mortgage bonds. The proceeds from the planned issuances of the preferred stock and bonds will be used to retire about $28,000,000 of preferred stock under mandatory redemption provisions and about $129,000,000 of maturing debt, and the remaining proceeds will be added to the general funds of Cleveland Electric and used to finance Cleveland Electric's construction program, including the repayment of short-term debt, if any, incurred in connection therewith and for general corporate purposes.

In February 1993, Toledo Edison issued $20,200,000 of first mortgage bonds as collateral security for the sale by a public authority of an equal principal amount of tax-exempt bonds with an annual interest rate of 6-7/8% and due in 2023. The proceeds from the sale of the public authority's bonds will be used to refund $20,200,000 of tax-exempt bonds issued in 1988. In March 1993, Toledo Edison issued $93,000,000 aggregate principal amount of medium-term notes secured by first mortgage bonds. The notes have a weighted average interest rate of 7.69% and mature in 2000 and 2003.

Centerior expects to raise about $60,000,000 in 1993 from the sale of authorized but unissued common stock under certain of its employee and share owner stock purchase plans.

GENERAL REGULATION

Holding Company Regulation

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

In October 1992, the Energy Act was signed into law. Among other provisions, the Energy Act amended the Holding Company Act and the Federal Power Act. The Energy Act also adopted nuclear power licensing and related regulations, energy efficiency standards and incentives for the use of alternative transportation fuels.

Amendments to the Holding Company Act create a new class of independent power producers known as "Exempt Wholesale Generators", which are exempt from the Holding Company Act corporate structure regulations and operate without SEC approval or regulation. Exempt Wholesale Generators may be owned by holding companies, electric utility companies or any other person. The existence of Exempt Wholesale Generators is expected to cause increased competition in the wholesale market for electricity.

State Utility Commissions

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

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

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

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

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

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

The PUCO must hold a public hearing on the long-term forecast at least once every five years to determine the reasonableness of such forecast. The PUCO and the OPSB are required to consider the record of such hearings in proceedings for approving facility sites, changing rates, approving security issues and initiating energy conservation programs. Ohio law also permits electric utilities under PUCO jurisdiction to submit environmental compliance plans for PUCO review and approval. Ohio law requires that the PUCO make certain statutory findings prior to approving the environmental compliance plan, which includes that the plan is a reasonable least cost strategy for compliance with air quality requirements. In 1992, the PUCO held hearings on the Operating Companies' 1992 long-term forecast and environmental compliance plan. Centerior and the parties intervening in the proceeding reached agreement on the forecast and environmental compliance plan, and the agreement was subsequently approved by the PUCO in February 1993.

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

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

Ohio Power Siting Board

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

Federal Energy Regulatory Commission

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

An amendment to the Federal Power Act under the Energy Act permits the FERC to order a utility to transmit power over its lines for another supplier in a wholesale transaction. The amendment is not expected to have a material effect on the Operating Companies because the Davis-Besse and Perry Plant licenses already require the Operating Companies to wheel power to municipal electric systems within their respective service territories.

Nuclear Regulatory Commission

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

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

The nuclear-related provisions of the Energy Act generally encourage further development of the nuclear power industry through a variety of measures, including the consolidation of the construction and operating license steps into one proceeding and limiting the amount required to be deposited in decommissioning funds. The Energy Act also lowered the Federal income tax rate on funds held in a decommissioning trust and liberalized permitted investments. The impact of these provisions on the Operating Companies is not expected to be material.

Other Regulation

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

ENVIRONMENTAL REGULATION

General

The Operating Companies are subject to regulation with respect to air quality, water quality and waste disposal matters. Federal environmental legislation affecting the operations and properties of the Operating Companies includes the Clean Air Act, the Clean Air Act Amendments, the Clean Water Act, Superfund, and the Resource Conservation and Recovery Act. The requirements of these statutes and related state and local laws are continually changing due to the promulgation of new or revised laws and regulations and the results of judicial and agency proceedings. Compliance with such laws and regulations may require the Operating Companies to modify, supplement, abandon or replace facilities and may delay or impede construction and operation of facilities, all at costs which could be substantial. The Operating Companies expect that the impact of such costs would eventually be reflected in their respective rate schedules. Cleveland Electric and Toledo Edison plan to spend, during the period 1993-1995, \$108,000,000 and \$6,000,000, respectively, for pollution control facilities, including Clean Air Act Amendments compliance costs.

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

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

Air Quality Control

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

In November 1990, the Clean Air Act Amendments were signed into law imposing restrictions on nitrogen oxides emissions and making sulfur dioxide emission limitations significantly more severe beginning in 1995. See Note 3(b) for a description of the Operating Companies' compliance strategy, which was included in the agreement approved by the PUCO in February 1993 in connection with the Operating Companies' 1992 long-term forecast, to meet the new requirements. The Clean Air Act Amendments also require studies to be conducted on the emission of certain potentially hazardous air pollutants which could lead to additional restrictions.

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

In 1986, the Sixth Circuit Appeals Court ruled on a challenge filed by an environmental group and several states east of Ohio seeking to overturn the Federal sulfur dioxide emission limitations for the Eastlake and Avon Lake Plants. The Court ruled that the validity of the air quality model used by the U.S. EPA to set the sulfur dioxide emission limitations for those plants had not been adequately established. The Court permitted the Ohio sulfur dioxide emission limitations to remain in effect while the U.S. EPA completed

its review of the application of the air quality model. The U.S. EPA, along with Centerior, demonstrated the validity of the model used to establish the sulfur dioxide emission limitations for those plants. In January 1990, the U.S. EPA proposed to reinstate the overturned emission limitations; however, final action has not been taken by the U.S. EPA.

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

Water Quality Control

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

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

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

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

The U.S. EPA is developing guidelines for water quality standards under an effort known as the "Great Lakes Water Quality Initiative". These guidelines are expected to be published in proposed form by the U.S. EPA in the second quarter of 1993. Ohio, along with the other states abutting the Great Lakes, would be required to adopt state water quality standards and procedures consistent with the guidelines within two years of final publication. Preliminary reviews indicate that the cost of complying with these guidelines could be significant. However, Centerior cannot determine what impact these guidelines will have on its operations until final guidelines are published and incorporated into Ohio regulations.

Waste Disposal

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

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

ELECTRIC RATES

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

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

year for determining rates may not end more than nine months after the date the application for a rate increase is filed.

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

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

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

See Note 6 and Management's Financial Analysis contained under Item 7 of this Report for discussions of the rate increases and other matters relating to the PUCO's January 1989 rate orders and the Rate Stabilization Program that was approved by the PUCO for the Operating Companies in October 1992.

OPERATIONS

Sales of Electricity

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

The Centerior System's largest customer is a steel manufacturer which has two major steel producing facilities served by Cleveland Electric. Sales to these facilities in 1992 accounted for 2.7% and 3.7% of the 1992 total electric operating revenues of Centerior Energy and Cleveland Electric, respectively. The loss of these facilities (and the resultant loss of another large customer whose primary product is purchased by the two steel producing facilities) would reduce Centerior Energy's and Cleveland Electric's net income by about $36,000,000 based on 1992 sales levels.

The largest customer served by Toledo Edison is a major automobile manufacturer. Sales to this customer in 1992 accounted for 1% and 3% of the 1992 total electric operating revenues of Centerior Energy and Toledo Edison, respectively. The loss of this customer would reduce Centerior Energy's and Toledo Edison's net income by about $10,000,000 based on 1992 sales levels.

Operating Statistics

Centerior System

	Years Ended December 31,		
	1992	1991	1990
Energy Generated (Millions of kWh):			
Net Generation	31,185	31,495	30,595
Purchases	(122)	40	413
Total Energy	31,063	31,535	31,008
Electric Sales (Millions of kWh):			
Residential	6,666	6,981	6,666
Commercial	7,086	7,176	6,848
Industrial	11,551	11,559	12,168
Wholesale	2,814	2,690	2,487
Other	1,011	1,048	959
Total Electric Sales	29,128	29,454	29,128
Customers (End of Period):			
Residential	925,099	921,995	918,965
Commercial	96,813	96,449	94,522
Industrial & Other	12,741	12,843	12,906
Total Electric Customers	1,034,653	1,031,287	1,026,393
Operating Revenues (In Millions):			
Residential	$ 732	$ 777	$ 719
Commercial	706	723	669
Industrial	766	783	779
Other	143	188	190
Total Retail	2,347	2,471	2,357
Wholesale	91	89	70
Total Operating Revenues	$2,438	$2,560	$2,427

Cleveland Electric

	Years Ended December 31,		
	1992	1991	1990
Energy Generated (Millions of kWh):			
Net Generation	20,236	20,644	20,841
Purchases	1,649	2,144	964
Total Energy	21,885	22,788	21,805
Electric Sales (Millions of kWh):			
Residential	4,725	4,940	4,716
Commercial	5,467	5,493	5,234
Industrial	7,988	8,017	8,551
Wholesale	1,989	2,442	1,607
Other	533	565	463
Total Electric Sales	20,702	21,457	20,571
Customers (End of Period):			
Residential	669,800	667,495	665,000
Commercial	70,943	70,405	68,700
Industrial & Other	8,375	8,398	8,351
Total Electric Customers	749,118	746,298	742,051
Operating Revenues (In Millions):			
Residential	$ 517	$ 547	$ 495
Commercial	531	540	494
Industrial	530	547	544
Other	101	117	123
Total Retail	1,679	1,751	1,656
Wholesale	64	75	35
Total Operating Revenues	$1,743	$1,826	$1,691

Toledo Edison

	Years Ended December 31,		
	1992	1991	1990
Energy Generated (Millions of kWh):			
Net Generation	10,949	10,851	9,754
Purchases	(82)	95	902
Total Energy	10,867	10,946	10,656
Electric Sales (Millions of kWh):			
Residential	1,941	2,041	1,950
Commercial	1,619	1,683	1,614
Industrial	3,563	3,543	3,617
Wholesale	2,753	2,587	2,333
Other	478	482	496
Total Electric Sales	10,354	10,336	10,010
Customers (End of Period):			
Residential	255,299	254,500	253,965
Commercial	25,870	26,044	25,822
Industrial & Other	4,372	4,444	4,555
Total Electric Customers	285,541	284,988	284,342
Operating Revenues (In Millions):			
Residential	$215	$230	$224
Commercial	175	184	175
Industrial	236	236	236
Other	61	90	78
Total Retail	687	740	713
Wholesale	158	147	150
Total Operating Revenues	$845	$887	$863

Nuclear Units

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

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

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

The relevant industry standards for the 1990-1992 period are 76.1% for pressurized water reactors such as Davis-Besse and Beaver Valley Unit 2 and 72.0% for boiling water reactors such as Perry Unit 1. The 1990-1992 availability average was 85.3% for Davis-Besse and Beaver Valley Unit 2 and 76.3% for Perry Unit 1. At December 31, 1992, the total banked benefit for the Operating Companies is estimated to be between $12,000,000 and $14,000,000.

All three nuclear units have received favorable evaluations from the NRC in its most recent Systematic Assessment of Licensee Performance or SALP reviews. Each of the functional areas evaluated is rated according to three performance categories, with category 1 indicating performance substantially exceeding regulatory requirements and that reduced NRC attention may be appropriate; category 2 indicating performance above that needed to meet regulatory requirements and that NRC attention may be maintained at normal levels; and category 3 indicating performance does not significantly exceed that needed to meet minimal regulatory requirements and that NRC attention should be increased above normal levels. The review periods and SALP review scores are:

	Perry Unit 1	Davis-Besse	Beaver Valley Unit 2
SALP Review Period	8/1/90-10/31/91	7/1/90-11/30/91	1/1/91-6/13/92
Plant Operations	2	2	1
Radiological Controls	2	2	1
Maintenance/Surveillance	2	1	2
Emergency Preparedness	1	1	1
Security and Safeguards	1	1	1
Engineering/Technical Support	2	2	2
Safety Assessment/Quality Verif.	2	2	2

The Operating Companies ship low-level radioactive waste produced at their nuclear plants to an offsite disposal facility which may not accept such shipments after mid-1994. The Operating Companies' ability to continue offsite disposal depends on whether the State of Ohio develops a low-level radioactive waste disposal facility within the next several years. If offsite disposal becomes unavailable, the Operating Companies have facilities to temporarily store such waste on site at each of the nuclear plants. However, the Operating Companies do not intend to store such waste on site until all available off-site options have been exhausted.

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

Competitive Conditions

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

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

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

Cleveland Electric and Toledo Edison also periodically compete with other producers of electricity for sales to electric utilities which are in the market for bulk power purchases. The Operating Companies have interconnections with other electric utilities (see "Item 2. Properties--General")

and provide a transmission system for wheeling power from the Midwest to the East.

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

One of those systems, CPP, is operated by the City of Cleveland in competition with Cleveland Electric. CPP is primarily an electric distribution system which currently supplies electric power in approximately 35% of the City's area (expected to increase to 70% by the end of 1996) and to approximately 25% (about 53,000) of the electric consumers in the City--equal to about 7% of all customers served by Cleveland Electric. CPP's kilowatt-hour sales and revenues are equal to about 3% of Cleveland Electric's kilowatt-hour sales and revenues. Much of the area served by CPP overlaps that of Cleveland Electric. Cleveland Electric is obligated to make available up to 100,000 kilowatts of CPP's energy requirements over three 138 kV interconnections. However, in recent years, CPP has not made significant power purchases from Cleveland Electric. In 1992, Cleveland Electric directly and through AMP-Ohio provided about 15% of CPP's energy requirements. The balance of CPP's power is purchased from other sources and transmitted or "wheeled" over Cleveland Electric's transmission system. For all classes of customers, Cleveland Electric's rates are higher than CPP's rates due largely to CPP's exemption from taxation, its reliance on short- and medium-term power supply contracts and the spot market which are lower in cost and the lower-cost financing available to CPP.

CPP is constructing new transmission and distribution facilities extending into eastern portions of Cleveland and plans to expand to western portions of Cleveland, both of which now are served exclusively by Cleveland Electric. Over the past three years, Cleveland Electric has experienced the net loss of an insignificant number of customers (about 3,000), which were primarily residential, to the CPP system. During 1991 and 1992, CPP completed work which enabled the City to convert three water pumping stations from Cleveland Electric service. The annual sales effect of this conversion on Cleveland Electric is a loss of about 100,000,000 kilowatt-hours with related lost revenues of about $7,000,000. In 1992, about 50 large commercial and industrial customers converted to CPP resulting in an annual loss of revenues to Cleveland Electric of about $8,000,000. The 1991 and 1992 conversions have reduced Cleveland Electric's annual net income by about $10,000,000 to date. The expansion, as now planned, could take away about 35,000 more of Cleveland Electric's customers over the next several years. This could eventually reduce Cleveland Electric's annual revenues by an additional $35,000,000 and net income by about $20,000,000. Cleveland Electric has retained many large commercial and industrial customers in Cleveland despite CPP's expansion efforts. Long-term contracts with many of these customers provide them with economic incentives to remain with Cleveland Electric.

In June 1991, the City of Brook Park, located within the Cleveland Electric service territory, announced that it had commissioned a feasibility study regarding the establishment of a municipal electric system. Ford Motor Company operates a large engine manufacturing plant in Brook Park. Cleveland Electric has continued separate discussions with officials of Brook Park and Ford Motor Company in an effort to address their concerns. In 1992, Cleveland Electric derived about 3% of its total revenues and Centerior Energy derived about 2% of its total revenues from sales to the 8,500 customers located in Brook Park.

Currently, two commercial customers and one industrial customer of Cleveland Electric have cogeneration installations. A number of customers have inquired about cogeneration applications although there were no new installations in 1991 or 1992. Cogeneration vendors continue to be active in Cleveland Electric's service area.

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

Also located within Toledo Edison's service area are 16 municipally owned electric distribution systems, three of which are supplied by other electric systems. Toledo Edison provides a portion of the power purchased by the other 13 municipalities at wholesale rates through a contract with AMP-Ohio that expires in 2009. Rates under this agreement are permitted to increase annually to compensate for increased costs of operation. Less than 2% of Toledo Edison's total electric operating revenues in 1992 were derived from sales under the AMP-Ohio contract.

In October 1989, the City of Toledo adopted an ordinance establishing an Electric Franchise Review Committee for the purpose of studying Toledo Edison's franchise agreement with the City to determine whether alternate energy sources may be utilized. The Committee investigated the feasibility of establishing a municipal electric system within the City of Toledo and the feasibility of utilizing other alternative electric power sources. In May 1992, the Committee recommended that the City negotiate with Toledo Edison with regard to rates and other customer initiatives rather than create its own municipal electric system. The Committee recommended that if negotiations with Toledo Edison are unsuccessful, the City should create a small municipal utility to serve approximately 20% of the City's electricity load, primarily City facilities, such as the waste water treatment plant, and businesses with large electricity consumption. In March 1993, the City and Toledo Edison announced that they had reached agreement on a non-exclusive franchise. The proposed franchise, which is subject to the approval of voters in a general election, would run through 2000. The franchise would terminate two years earlier if Toledo Edison files for a rate increase with the PUCO prior to 1999. The City would retain its right to establish a municipal electric system. If the franchise is approved by the voters, Toledo Edison will provide $6,000,000 for demand-side management programs; energy efficiency programs for senior citizens, low income customers and small businesses; and economic development programs. These expenditures would be in addition to the demand-side management expenditures currently planned by the Centerior System. The agreement does not call for a reduction in base electric rates.

The last commercial customer of Toledo Edison having a cogeneration unit ceased operation of its unit during the first quarter of 1992. However, cogeneration vendors continue to be active in Toledo Edison's service area.

Fuel Supply

Generation by type of fuel for 1992 was 63% coal-fired and 37% nuclear for Cleveland Electric; 43% coal-fired and 57% nuclear for Toledo Edison; and 56% coal-fired and 44% nuclear for the Centerior System.

Coal. In 1992, Cleveland Electric and Toledo Edison burned 5,194,000 tons and 1,837,000 tons of coal, respectively, for electric generation. Each utility normally maintains a reserve supply of coal sufficient for about 40 days of normal operations. On March 1, 1993, this reserve was about 53 days for plants operated by Cleveland Electric, 50 days for plants operated by Toledo Edison and 81 days for the Mansfield Plant, which is operated by Pennsylvania Power.

In 1992, about 70% of Cleveland Electric's coal requirements were purchased under long-term contracts, with the longest remaining term being almost 11 years. In most cases, these contracts provide for adjusting the price of the coal on the basis of changes in coal quality and mining costs. The sulfur content of the coal purchased under these contracts ranges from less than 1% to about 4%. The balance of Cleveland Electric's coal was purchased on the spot market with sulfur content ranging from less than 1% to 3.5%.

In 1992, all of Toledo Edison's coal requirements were purchased under long-term contracts, with the longest remaining term being almost eight years. In most cases, these contracts provide for adjusting the price of the coal on the basis of changes in coal quality and mining costs. The sulfur content of the coal purchased under these contracts ranges from less than 1% to 4%.

One of Cleveland Electric's long-term coal supply contracts is with Ohio Valley. Cleveland Electric has agreed to pay Ohio Valley certain amounts to cover Ohio Valley's costs regardless of whether coal is actually delivered. Included in those costs are amounts sufficient to service certain long-term debt and lease obligations incurred by Ohio Valley. If the coal sales agreement is terminated for any reason, including the inability to use the coal, Cleveland Electric must assume certain of Ohio Valley's debt and lease obligations and may incur other expenses. Cleveland Electric believes that the cost of assuming such obligations and incurring such expenses would not have a material adverse effect upon its financial position. The principal amount of debt and termination values of leased property covered by Cleveland Electric's agreement was $32,552,000 at December 31, 1992. Centerior and Cleveland Electric expect that Ohio Valley revenues from sales of coal to Cleveland Electric will continue to be sufficient for Ohio Valley to meet its debt and lease obligations. The contract with Ohio Valley expires in 1997.

The CAPCO Group companies, including the Operating Companies, have a long-term contract with Quarto and Consol for the supply of about 75%-85% of the annual coal needs of the Mansfield Plant. The contract runs through at least the end of 1999, and the price of coal is adjustable to reflect changes in labor, materials, transportation and other costs. The CAPCO Group companies have guaranteed, severally and not jointly, the debt and lease obligations incurred by Quarto to develop, equip and operate two of the mines which supply the Mansfield Plant. At December 31, 1992, the total dollar amount of Quarto's debt and lease obligations guaranteed by Cleveland Electric was $38,015,000 and by Toledo Edison was $22,249,000. Centerior, Cleveland Electric and Toledo Edison expect that Quarto revenues from sales of coal to the CAPCO Group companies will continue to be sufficient for Quarto to meet its debt and lease obligations.

The Operating Companies' least cost plan for complying with the Clean Air Act Amendments, which was included in the agreement approved by the PUCO in February 1993 in connection with the Operating Companies' 1992 long-term forecast, calls for greater use of low-sulfur coal and less use of high-sulfur coal. Some of the low-sulfur coal required to comply with Phase 1 of the

Clean Air Act Amendments was contracted for in 1992. Additional supplies of low-sulfur coal will be contracted for in 1993. The only long-term coal contract affected by the Clean Air Act Amendments is Cleveland Electric's contract with Ohio Valley. Centerior and Cleveland Electric believe that steps can be taken to mitigate any costs associated with the termination of the Ohio Valley contract should the contract be terminated.

Nuclear. The acquisition and utilization of nuclear fuel involves six distinct steps: (i) supply of uranium oxide raw material, (ii) conversion to uranium hexafluoride, (iii) enrichment, (iv) fabrication into fuel assemblies, (v) utilization as fuel in a nuclear reactor and (vi) storing or disposing of spent fuel. The Operating Companies have inventories of raw material sufficient to provide nuclear fuel through 1996 for the operation of their nuclear generating units and have contracts for fabrication services for all of that fuel. The CAPCO Group companies have a 30-year contract with the DOE which will supply all of the needed enrichment services for their nuclear units' fuel supply through 1995. Beyond 1995, the amount of enrichment services under the DOE contract varies by CAPCO Group company, with Cleveland Electric's and Toledo Edison's enrichment services reduced to 70% in 1996-1999 and reduced to 0% in 2000-2002. The additional required enrichment services are available. Substantial additional fuel will have to be obtained in the future over the remaining useful lives of the units and if Perry Unit 2 is completed. There is a plentiful supply of uranium oxide raw material to meet the industry's nuclear fuel needs.

Off-site disposal of spent nuclear fuel is unavailable, but the CAPCO Group companies have contracts with the DOE which provide for the future acceptance of spent fuel for disposal by the Federal government. Pursuant to the Nuclear Waste Policy Act of 1982, the Federal government has indicated it will begin accepting spent fuel from utilities by the year 2010. On-site storage capacity at Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2 should be sufficient through 1996, 2007 and 2010, respectively. Any additional storage capacity needed for the period until the government accepts the fuel can be provided for either on-site or off-site by the time it is needed.

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

EXECUTIVE OFFICERS OF THE REGISTRANTS AND THE SERVICE COMPANY

Set forth below are the names, ages as of March 15, 1993, and business experience during the past five years (effective dates of positions in parentheses) of the executive officers of Centerior Energy, the Service Company, Cleveland Electric and Toledo Edison. Positions currently held are designated with an asterisk (*).

	Business Experience			
Name (Age)	Centerior Energy	Service Company	Cleveland Electric	Toledo Edison
Robert J. Farling (56)	*Chairman of the Board and Chief Executive Officer (March 1992) *President (October 1988)	*Chairman of the Board and Chief Executive Officer (March 1992) *President (July 1988)	Chairman of the Board and Chief Executive Officer (February 1989) President (April 1986)	Chairman of the Board and Chief Executive Officer (October 1988)
Murray R. Edelman (53)	*Executive Vice President (July 1988)	*Executive Vice President-Power Generation (April 1990) Vice President-Nuclear (April 1986)	Senior Vice President-Nuclear (April 1986)	President (July 1988)
Edgar H. Maugans (58)	*Executive Vice President (April 1990) Senior Vice President-Finance (April 1988)	*Executive Vice President-Finance & Administration (April 1990) Senior Vice President-Finance (April 1986)	*Vice President and Chief Financial Officer (April 1990)	*Vice President and Chief Financial Officer (April 1990)

Name (Age)	Business Experience			
	Centerior Energy	Service Company	Cleveland Electric	Toledo Edison
Lyman C. Phillips (53)	*Executive Vice President (July 1988) Senior Vice President (June 1987)	*Executive Vice President-Customer Operations (April 1990)	*Chief Executive Officer (April 1990) *President (July 1988)	*Chairman of the Board and Chief Executive Officer (April 1990) Executive Vice President (June 1987)
Fred J. Lange, Jr. (43)	*Senior Vice President-Legal, Human & Corporate Affairs (March 1992) Vice President-Legal & Corporate Affairs (April 1990)	*Senior Vice President-Legal, Human & Corporate Affairs (March 1992) Vice President-Legal & Corporate Affairs (April 1990) General Attorney and Senior Director of Governmental Affairs (July 1989) Assistant General Counsel and Principal Corporate Counsel (November 1986)	*Vice President (April 1990)	*Vice President (April 1990)
Richard P. Crouse (53)		*Vice President-Fossil Operations (April 1990) Vice President-Fossil Engineering & Operations (August 1987)		Senior Vice President (April 1988)

Name (Age)	Business Experience: Centerior Energy	Service Company	Cleveland Electric	Toledo Edison
Gary J. Greben (55)		*Vice President-Transmission and Distribution Engineering & Services (April 1990)	Vice President-Marketing (July 1987)	
Jacquita K. Hauserman (50)		*Vice President-Customer Service & Community Affairs (April 1990)	Vice President-Administration (October 1988) Director-Consumer Services Dept. (April 1986)	
Alvin Kaplan (54)		*Vice President-System Engineering & Control (April 1990)	Vice President-Nuclear (December 1987)	
John S. Levicki (53)		*Vice President-Human Resources & Strategic Planning (April 1990) Vice President-Public Affairs & Rates (October 1988)	Vice President-Finance, Administration & Legal (January 1988) Vice President-Finance & Administration (April 1986)	

Name (Age)	Business Experience			
	Centerior Energy	Service Company	Cleveland Electric	Toledo Edison
Terrence G. Linnert (46)		*Vice President-Legal and General Counsel (March 1992) General Counsel and Director-Legal Services Dept. (May 1990) General Counsel (July 1989) Principal Counsel (June 1987)		
David L. Monseau (52)		*Vice President-Transmission & Distribution Operations (April 1990)		Vice President-Customer Operations (September 1987)
Thomas M. Quinn (53)		*Vice President-Marketing (April 1990)		Vice President-Marketing (September 1987)
Donald H. Saunders (57)		*Vice President (April 1990)		*President (April 1990) Vice President-Administration & Governmental Affairs (January 1990) Vice President-Finance & Administration (Ju[illegible] 1986)

Name (Age)	Business Experience			
	Centerior Energy	Service Company	Cleveland Electric	Toledo Edison
Donald C. Shelton (59)		*Vice President-Nuclear-Davis-Besse (April 1990)		Vice President-Nuclear (August 1986)
Robert A. Stratman (44)		*Vice President-Nuclear-Perry (December 1992)	General Manager-Perry Plant Operations Dept. (April 1990) Director-Perry Plant Nuclear Engineering Dept. (January 1989) Manager-Operations Section of Perry Plant Operations Dept. (January 1986)	
Paul G. Busby (44)	*Controller (April 1988)	*Controller (June 1986)	*Controller (April 1990)	*Controller (April 1990)
Gary M. Hawkinson (44)	*Treasurer (February 1986)	*Treasurer (April 1986)	*Treasurer (April 1990) Assistant Treasurer (August 1987)	*Treasurer (April 1990)
E. Lyle Pepin (51)	*Secretary (February 1986)	*Secretary (April 1986)	*Secretary (October 1988)	*Secretary (October 1988)

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

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

Item 2. Properties

GENERAL

The Centerior System

The wholly owned, jointly owned and leased electric generating facilities of the Operating Companies in commercial operation as of March 31, 1993 provide the Centerior System with a net demonstrated capability of 6,261,000 kilowatts during the winter. These facilities include 22 generating units (3,954,000 kilowatts) at seven fossil-fired steam electric generation stations; three nuclear generating units (1,856,000 kilowatts); a 312,000 kilowatt share of the Seneca Plant; seven combustion turbine generating units (135,000 kilowatts) and one diesel generator (4,000 kilowatts). Operations at two fossil-fired generating units (320,000 kilowatts) will cease in the Fall of 1993 and the units will be preserved for future use. All of the Centerior System's generating facilities are located in Ohio and Pennsylvania.

The Centerior System's net 60-minute peak load of its service area for 1992 was 5,091,000 kilowatts and occurred on August 10. At the time of the 1992 peak load, the operable capacity available to serve the load was 6,430,000 kilowatts. The Centerior System's 1993 service area peak load is forecasted to be 5,120,000 kilowatts, after demand-side management considerations. The operable capacity expected to be available to serve the Centerior System's 1993 peak is 6,187,000 kilowatts. Over the 1993-1995 period, Centerior Energy forecasts its operable capacity margins at the time of the projected Centerior System peak loads to range from 14% to 17%.

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

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

Cleveland Electric

The wholly owned, jointly owned and leased electric generating facilities of Cleveland Electric in commercial operation as of March 31, 1993 provide a net demonstrated capability of 4,354,000 kilowatts during the winter. These facilities include 17 generating units (2,954,000 kilowatts) at five fossil-fired steam electric generation stations; its share of three nuclear generating units (1,026,000 kilowatts); a 312,000 kilowatt share of the Seneca Plant; two combustion turbine generating units (58,000 kilowatts) and one diesel generator (4,000 kilowatts). Operations at one fossil-fired generating unit (245,000 kilowatts) will cease in the Fall of 1993 and the unit will be preserved for future use. All of Cleveland Electric's generating facilities are located in Ohio and Pennsylvania.

The net 60-minute peak load of Cleveland Electric's service area for 1992 was 3,605,000 kilowatts and occurred on August 10. The operable capacity at the time of the 1992 peak was 4,703,000 kilowatts. Cleveland Electric's 1993 service area peak load is forecasted to be 3,690,000 kilowatts, after demand-side management considerations. The operable capacity, which includes firm purchases, expected to be available to serve Cleveland Electric's 1993 peak is 4,461,000 kilowatts. Over the 1993-1995 period, Cleveland Electric forecasts its operable capacity margins at the time of its projected peak loads to range from 15% to 17%.

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

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

Toledo Edison

The wholly owned, jointly owned and leased electric generating facilities of Toledo Edison in commercial operation as of March 31, 1993 provide a net demonstrated capability of 1,907,000 kilowatts during the winter. These facilities include seven generating units (1,000,000 kilowatts) at three fossil-fired steam electric generation stations; its share of three nuclear generating units (830,000 kilowatts) and five combustion turbine generating units (77,000 kilowatts). Operations at one fossil-fired generating unit (75,000 kilowatts) will cease in the Fall of 1993 and the unit will be preserved for future use. All of Toledo Edison's generating facilities are located in Ohio and Pennsylvania.

The net 60-minute peak load of Toledo Edison's service area for 1992 was 1,514,000 kilowatts and occurred on August 10. The operable capacity at the time of the 1992 peak was 1,727,000 kilowatts. Toledo Edison's 1993 service area peak load is forecasted to be 1,450,000 kilowatts, after demand-side

management considerations. The operable capacity, which includes the effect of firm sales, expected to be available to serve Toledo Edison's 1993 peak is 1,726,000 kilowatts. Over the 1993-1995 period, Toledo Edison forecasts its operable capacity margins at the time of its projected peak loads to range from 9% to 16%.

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

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

TITLE TO PROPERTY

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

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

(2) Most of the facilities of Cleveland Electric's Lake Shore Plant are situated on artificially filled land, extending beyond the natural shoreline of Lake Erie as it existed in 1910. As of December 31, 1992, the cost of Cleveland Electric's facilities, other than water intake and discharge facilities, located on such artificially filled land aggregated approximately $88,875,000. Title to land under the water of Lake Erie within the territorial limits of Ohio (including artificially filled land) is in the State of Ohio in trust for the people of the State for the public uses to which it may be adapted, subject to the powers of the United States, the public rights of navigation, water commerce and fishery and the rights of upland owners to wharf out or fill to make use of the water. The State is required by statute, after appropriate proceedings, to grant a lease to an upland owner, such as Cleveland Electric, which erected and maintained facilities on such filled land prior to October 13, 1955. Cleveland Electric does not have such a lease from the State with respect to the artificially filled land on which its Lake Shore Plant facilities are located, but Cleveland Electric's position, on advice of counsel for Cleveland Electric, is that its facilities and

occupancy may not be disturbed because they do not interfere with the free flow of commerce in navigable channels and constitute (at least in part) and are on land filled pursuant to the exercise by it of its property rights as owner of the land above the shoreline adjacent to the filled land. Cleveland Electric holds permits, under Federal statutes relating to navigation, to occupy such artificially filled land.

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

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

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

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

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

Item 3. Legal Proceedings

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

Westinghouse Lawsuit. In April 1991, the CAPCO Group companies filed a lawsuit against Westinghouse in the United States District Court for the Western District of Pennsylvania. The suit alleges that six steam generators supplied by Westinghouse for Beaver Valley Power Station Units 1 and 2 contain serious defects, particularly defects causing tube corrosion and cracking. Steam generator maintenance costs have increased due to these defects and will likely continue to increase. The condition of the steam generators is being

monitored closely. If the corrosion and cracking continue, replacement of the steam generators could be required earlier than their 40-year design life. The suit seeks monetary and corrective relief.

General Electric Lawsuit. In August 1991, the CAPCO Group companies filed suit against General Electric in the United States District Court in Cleveland alleging that General Electric provided defective design information relating to the containment vessels for Perry Units 1 and 2. The suit further alleges that necessary correction of the inadequate engineering services provided by General Electric caused extensive delays and cost increases in the construction of the Perry Plant. The suit seeks monetary relief. As constructed, Perry Unit 1 is properly designed and safe and has consistently met or exceeded the requirements of the NRC.

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

CENTERIOR ENERGY, CLEVELAND ELECTRIC AND TOLEDO EDISON

None.

PART II

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

CENTERIOR ENERGY

Market Information

Centerior Energy's common stock is traded on the New York, Midwest and Pacific Stock Exchanges. The quarterly high and low prices of Centerior common stock (as reported on the composite tape) in 1991 and 1992 were as follows:

	1991		1992	
	High	Low	High	Low
1st Quarter	$19-7/8	$16-7/8	$20	$17-7/8
2nd Quarter	19-7/8	16-1/4	18-5/8	16-3/8
3rd Quarter	18-1/4	15	17-3/4	15-3/4
4th Quarter	19-7/8	17-5/8	20	17-1/8

Share Owners

As of March 17, 1993, Centerior Energy had 168,100 common stock share owners.

Dividends

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

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

At December 31, 1992, Centerior had earnings retained in the business of about $652,000,000 and capital surplus of about $1,962,000,000, both of which were available to pay dividends. Cleveland Electric and Toledo Edison can make cash available for the funding of Centerior's common stock dividends by paying dividends on their own common stocks. At December 31, 1992, Cleveland Electric had about $545,000,000 of retained earnings and about $1,320,000,000 of capital surplus and Toledo Edison had about $137,000,000 of retained earnings and about $602,000,000 of capital surplus available under Ohio law for the declaration of dividends on their respective preferred and common stocks. However, the payment of dividends out of capital surplus by the Operating Companies may be restricted under the Federal Power Act. In addition, Toledo Edison is prohibited from paying common stock dividends out of capital surplus by its mortgage indenture.

CLEVELAND ELECTRIC AND TOLEDO EDISON

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

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

Item 6. Selected Financial Data

CENTERIOR ENERGY

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

CLEVELAND ELECTRIC

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

TOLEDO EDISON

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

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

CENTERIOR ENERGY

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

CLEVELAND ELECTRIC

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

TOLEDO EDISON

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

Item 8. Financial Statements and Supplementary Data

CENTERIOR ENERGY

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

CLEVELAND ELECTRIC

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

TOLEDO EDISON

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

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

CENTERIOR ENERGY, CLEVELAND ELECTRIC AND TOLEDO EDISON

None.

PART III

Item 10. Directors and Executive Officers of the Registrants

CENTERIOR ENERGY

The information required by this Item for Centerior regarding directors is incorporated herein by reference to Pages 2 through 9 of Centerior's definitive proxy statement dated March 8, 1993. Reference is also made to "Executive Officers of the Registrants and the Service Company" in Part I of this Report for information regarding the executive officers of Centerior Energy.

CLEVELAND ELECTRIC

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

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

Edgar H. Maugans
(1992)

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

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

TOLEDO EDISON

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

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

Edgar H. Maugans
(1992)

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

Donald H. Saunders
(1988)

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

Item 11. Executive Compensation

CENTERIOR ENERGY, CLEVELAND ELECTRIC AND TOLEDO EDISON

The information required by this Item for Centerior is incorporated herein by reference to the information concerning compensation of directors and the information under the heading "Certain Matter Involving a Director" on Page 9 and the information concerning compensation of executive officers, stock option transactions and pension benefits on Pages 13 through 19 of Centerior's

definitive proxy statement dated March 8, 1993. The five named officers for Centerior are included for Cleveland Electric and Toledo Edison regardless of whether they are officers of Cleveland Electric or Toledo Edison because they are key policymakers for the Centerior System.

Item 12. Security Ownership of Certain Beneficial Owners and Management

CENTERIOR ENERGY

The following table sets forth the beneficial ownership of Centerior common stock by individual directors of Centerior, the five named executive officers and all directors and executive officers of Centerior Energy and the Service Company as a group as of February 28, 1993:

Name of Beneficial Owner	Number of Common Shares Owned (1)
Richard P. Anderson	1,323
Albert C. Bersticker	1,000
Leigh Carter	2,257
Thomas A. Commes	5,000
Wayne R. Embry	1,000
Robert J. Farling	28,026 (2)
George H. Kaull	4,842
Richard A. Miller	17,835 (2)
Frank E. Mosier	1,458
Sister Mary Marthe Reinhard, SND	2,220 (3)
Robert C. Savage	1,000
Paul M. Smart	3,729
William J. Williams	1,511
Richard P. Crouse	2,781
Murray R. Edelman	20,144
Edgar H. Maugans	11,124
Lyman C. Phillips	2,712
All directors and executive officers as a group	156,234 (2)

(1) Beneficially owned shares include any shares with respect to which voting or investment power is attributed to a director or executive officer because of joint or fiduciary ownership of the shares or relationship to the record owner, such as a spouse, even though the director or executive officer does not consider himself or herself the beneficial owner. On February 28, 1993, all directors and executive officers of Centerior Energy and the Service Company as a group were considered to own beneficially 0.1% of Centerior's common stock and none of the preferred stock of Cleveland Electric and Toledo Edison, except for Mr. Crouse who owns 50 shares of Toledo Edison 8.84% Preferred Stock. Certain individuals disclaim beneficial ownership of some of those shares.

(2) Includes the following numbers of shares which are not owned but could have been purchased within 60 days after February 28, 1993 upon exercise of options to purchase shares of Centerior common stock: Mr. Farling - 12,730; Mr. Edelman - 18,870; Mr. Maugans - 1,665; and all directors and executive officers as a group - 54,651. None of those options have been exercised as of March 26, 1993.

(3) Owned by the Sisters of Notre Dame.

CLEVELAND ELECTRIC

Individual directors of Cleveland Electric, the five named executive officers and all directors and executive officers of Cleveland Electric as a group as of March 15, 1993 beneficially owned the following number of shares of Centerior common stock on February 28, 1993:

Name of Beneficial Owner	Number of Common Shares Owned (1)
Robert J. Farling	28,026 (2)
Edgar H. Maugans	11,124 (2)
Lyman C. Phillips	2,712
Richard P. Crouse	2,781
Murray R. Edelman	20,144
All directors and executive officers as a group	69,795 (2)

(1) Beneficially owned shares include any shares with respect to which voting or investment power is attributed to a director or executive officer because of joint or fiduciary ownership of the shares or relationship to the record owner, such as a spouse, even though the director or executive officer does not consider himself or herself the beneficial owner. On February 28, 1993, all directors and executive officers of Cleveland Electric as a group were considered to own beneficially 0.1% of Centerior's common stock and none of Cleveland Electric's serial preferred stock. Certain individuals disclaim beneficial ownership of some of those shares.

(2) Includes the following numbers of shares which are not owned but could have been purchased within 60 days after February 28, 1993 upon exercise of options to purchase shares of Centerior common stock: Mr. Farling - 12,730; Mr. Edelman - 18,870; Mr. Maugans - 1,665; and all directors and executive officers as a group - 34,747. None of those options have been exercised as of March 26, 1993.

TOLEDO EDISON

Individual directors of Toledo Edison, the five named executive officers and all directors and executive officers of Toledo Edison as a group as of March 15, 1993 beneficially owned the following number of shares of Centerior common stock on February 28, 1993:

Name of Beneficial Owner	Number of Common Shares Owned (1)
Robert J. Farling	28,026 (2)
Edgar H. Maugans	11,124 (2)
Lyman C. Phillips	2,712
Donald H. Saunders	1,839
Richard P. Crouse	2,781
Murray R. Edelman	20,144
All directors and executive officers as a group	71,634 (2)

(1) Beneficially owned shares include any shares with respect to which voting or investment power is attributed to a director or executive officer because of joint or fiduciary ownership of the shares or relationship to the record owner, such as a spouse, even though the director or executive officer does not consider himself or herself the beneficial owner. On February 28, 1993, all directors and executive officers of Toledo Edison as a group were considered to own beneficially 0.1% of Centerior's common stock. In addition, Mr. Crouse owns 50 shares of Toledo Edison 8.84% Preferred Stock. Certain individuals disclaim beneficial ownership of some of those shares.

(2) Includes the following numbers of shares which are not owned but could have been purchased within 60 days after February 28, 1993 upon exercise of options to purchase shares of Centerior common stock: Mr. Farling - 12,730; Mr. Edelman - 18,870; Mr. Maugans - 1,665; and all other executive officers as a group - 34,747. None of those options have been exercised as of March 26, 1993.

Item 13. Certain Relationships and Related Transactions

CENTERIOR ENERGY, CLEVELAND ELECTRIC AND TOLEDO EDISON

None.

PART IV

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

(a) Documents Filed as a Part of the Report

1. Financial Statements:

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

2. Financial Statement Schedules:

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

3. Exhibits:

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

(b) Reports on Form 8-K

Centerior Energy, Cleveland Electric and Toledo Edison filed three Current Reports on Form 8-K during the fourth quarter of 1992 as follows:

Date of Report	Date Filed with SEC	Items Reported
August 24, 1992	October 6, 1992	Item 5. Other Events: 1. Regulatory Matters (discussion of the terms of the joint recommendation, including a rate stabilization program, between the Operating Companies and certain customer representative groups filed with the PUCO) and 2. Ratings Downgrade (downgrading of Cleveland Electric commercial paper by Moody's Investors Service)
October 22, 1992	October 23, 1992	Item 5. Other Events: 1. Regulatory Matters (approval by PUCO of rate stabilization program as set forth in previously filed joint recommendation)
November 5, 1992	November 5, 1992	Item 5. Other Events: 1. Selected Financial Information of Toledo Edison and 2. Selected Financial Information of Cleveland Electric Item 7. Financial Statements and Exhibits: Exhibit 12(a) and Exhibit 12(b)

SIGNATURES

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

CENTERIOR ENERGY CORPORATION
Registrant

March 29, 1993

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

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

Signature	Title	Date
Principal Executive Officer: *ROBERT J. FARLING	Chairman of the Board, President and Chief Executive Officer	
Principal Financial Officer: *EDGAR H. MAUGANS	Executive Vice President	
Principal Accounting Officer: *PAUL G. BUSBY	Controller	
Directors:		
*RICHARD P. ANDERSON	Director	
*ALBERT C. BERSTICKER	Director	
*LEIGH CARTER	Director	
*THOMAS A. COMMES	Director	March 29, 1993
*WAYNE R. EMBRY	Director	
*ROBERT J. FARLING	Director	
*GEORGE H. KAULL	Director	
*RICHARD A. MILLER	Director	
*FRANK E. MOSIER	Director	
*SR. MARY MARTHE REINHARD, SND	Director	
*ROBERT C. SAVAGE	Director	
*PAUL M. SMART	Director	
*WILLIAM J. WILLIAMS	Director	

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

SIGNATURES

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

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
Registrant

March 29, 1993

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

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

Signature	Title	Date
Principal Executive Officer:		
*LYMAN C. PHILLIPS	President and Chief Executive Officer	
Principal Financial Officer:		
*EDGAR H. MAUGANS	Vice President and Chief Financial Officer	March 29, 1993
Principal Accounting Officer:		
*PAUL G. BUSBY	Controller	
Directors:		
*ROBERT J. FARLING	Director	
*EDGAR H. MAUGANS	Director	
*LYMAN C. PHILLIPS	Director	

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

SIGNATURES

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

THE TOLEDO EDISON COMPANY
Registrant

March 29, 1993

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

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

Signature	Title	Date
Principal Executive Officer:		
*LYMAN C. PHILLIPS	Chairman of the Board and Chief Executive Officer	
Principal Financial Officer:		
*EDGAR H. MAUGANS	Vice President and Chief Financial Officer	
Principal Accounting Officer:		March 29, 1993
*PAUL G. BUSBY	Controller	
Directors:		
*ROBERT J. FARLING	Director	
*EDGAR H. MAUGANS	Director	
*LYMAN C. PHILLIPS	Director	
*DONALD H. SAUNDERS	Director	

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

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

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheet and consolidated statement of preferred stock of Centerior Energy Corporation (an Ohio corporation) and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1992. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centerior Energy Corporation and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

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

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

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

Arthur Andersen & Co.

Cleveland, Ohio
February 12, 1993

Summary of Significant Accounting Policies

GENERAL

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

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

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

REVENUES

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

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

FUEL EXPENSE

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

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

DEFERRED CARRYING CHARGES AND OPERATING EXPENSES

As discussed in Note 6, the January 1989 PUCO rate orders for the Operating Companies included approved rate phase-in plans for their investments in Perry Nuclear Power Plant Unit 1 (Perry Unit 1) and Beaver Valley Power Station Unit 2 (Beaver Valley Unit 2). These plans called for the Operating Companies to begin deferring in January 1989 operating expenses and both interest and equity carrying charges on deferred rate-based investment. These deferrals, called phase-in deferrals, will be amortized and recovered by December 31, 1998. Previously, the PUCO authorized the Operating Companies to defer operating expenses and carrying charges for Perry Unit 1 and Beaver Valley Unit 2 from their respective in-service dates in 1987 through December 1988. The amortization and recovery of these deferrals, called pre-phase-in deferrals, also began in January 1989 and will continue over the lives of the related property.

Beginning in January 1992, the Operating Companies deferred charges for depreciation, property taxes and interest carrying charges related to plant placed in service after February 29, 1988 and not yet included in rate base. The PUCO authorized these deferrals in October 1992 under a Rate Stabilization Program. Similar deferrals may be recorded through December 31, 1995. Amortization and recovery of these deferrals will occur over the average life of the assets and will commence with future rate recognition. See Notes 6 and 13. Toledo Edison is also deferring operating expenses equivalent to an accumulated excess rent reserve for Beaver Valley Unit 2 over a 39-month period commencing October 1, 1992. Amortization and recovery of this deferral will occur over the unit's remaining lease term beginning in 1996. See Note 6.

DEPRECIATION AND AMORTIZATION

The cost of property, plant and equipment is depreciated over their estimated useful lives on a straight-line basis. The annual straight-line depreciation provision for nonnuclear property expressed as a percent of average depreciable utility plant in service was 3.4% in both 1992 and 1991 and 3.3% in 1990. Effective January 1, 1991, the Operating Companies, after obtaining PUCO approval, changed their method of accounting for nuclear plant depreciation from the units-of-production method to the straight-line method at about a 3% rate. This change decreased 1991 depreciation expense $36 million and increased 1991 net income $28 million (net of $8 million of income taxes) and earnings per share $.20 from what they otherwise would have been. The PUCO subsequently approved in 1991 a change to lower the 3%

rate to 2.5% retroactive to January 1, 1991. See Note 13.

The Operating Companies use external funding of future decommissioning costs for their operating nuclear units pursuant to a PUCO order. Cash contributions are made to the trust funds on a straight-line basis over the remaining licensing period for each unit. The current level of expense being funded and recovered from customers over the remaining licensing periods of the units is approximately $8 million annually. Amounts currently in rates are based on past estimates of decommissioning costs of $122 million in 1986 dollars for the Davis-Besse Nuclear Power Station (Davis-Besse) and $72 million and $63 million in 1987 dollars for Perry Unit 1 and Beaver Valley Unit 2, respectively. Actual decommissioning costs are expected to significantly exceed these estimates. We expect to complete our assessment of these estimates in 1993 to update the decommissioning cost amounts and to continue to satisfy the external funding requirements. It is expected that increases in the cost estimates will be recoverable in future rates. The present funding requirements for Beaver Valley Unit 2 also satisfy a similar commitment made as part of the sale and leaseback transaction discussed in Note 2. In the Balance Sheet at December 31, 1992, Accumulated Depreciation and Amortization included $58 million for the cumulative total of decommissioning costs previously expensed and the earnings on the external funding. This amount exceeds the Balance Sheet amount of the external Nuclear Plant Decommissioning Trusts because the reserve began prior to the external trust funding.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at original cost less any amounts ordered by the PUCO to be written off. Construction costs include related payroll taxes, pensions, fringe benefits, management and general overheads and allowance for funds used during construction (AFUDC). AFUDC represents the estimated composite debt and equity cost of funds used to finance construction. This noncash allowance is credited to income, except for certain AFUDC for Perry Nuclear Power Plant Unit 2 (Perry Unit 2). See Note 3(c). The AFUDC rates averaged 10.8% in 1992, 10.7% in 1991 and 10.8% in 1990.

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

DEFERRED GAIN AND LOSS FROM SALES OF UTILITY PLANT

The sale and leaseback transactions discussed in Note 2 resulted in a net gain for the sale of the Bruce Mansfield Generating Plant (Mansfield Plant) and a net loss for the sale of Beaver Valley Unit 2. The net gain and net loss were deferred and are being amortized over the terms of leases. These amortizations and the lease expense amounts are recorded as other operation and maintenance expenses. See Note 6.

INTEREST CHARGES

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

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

FEDERAL INCOME TAXES

The Financial Accounting Standards Board (FASB) issued a new standard for accounting for income taxes (SFAS 109) in February 1992. We adopted the new standard in 1992. The new standard amends certain provisions of SFAS 96 previously adopted in 1988. Adoption of the new standard in 1992 did not materially affect our results of operations, but did affect certain Balance Sheet accounts. See Note 7.

The financial statements reflect the liability method of accounting for income taxes. This method requires that deferred taxes be recorded for all temporary differences between the book and tax bases of assets and liabilities. The majority of these temporary differences are attributable to property-related basis differences. Included in these basis differences is the equity component of AFUDC, which will increase future tax expense when it is recovered through rates. Since this component is not recognized for tax purposes, we must record a liability for our tax obligation. The PUCO permits recovery of such taxes from customers when they become payable. Therefore, the net amount due from customers through rates has been recorded as a regulatory asset in deferred charges and will be recovered over the lives of the related assets.

Investment tax credits are deferred and amortized over the estimated lives of the applicable property as a reduction of depreciation expense. See Note 6 for a discussion of the amortization of certain unrestricted excess deferred taxes and unrestricted investment tax credits available after 1998 under the Rate Stabilization Program.

RECLASSIFICATIONS

Certain reclassifications were made to prior years financial statements to make them comparable with the 1992 financial statements. A reserve for Perry Unit 2 AFUDC, which was previously reported under Deferred Credits in the Balance Sheet, was reclassified as an offset against the Perry Unit 2 asset balance. See Note 3(c).

Management's Financial Analysis

RESULTS OF OPERATIONS

Overview

In recent years, our efforts to add our substantial nuclear investment to rate base while maintaining a competitive rate structure have resulted in a series of agreements with the major intervenors in our rate cases. One agreement was approved by the PUCO in January 1989 and is described more fully in Note 6. It established our rate phase-in plans to recognize in rates our allowed investment in Perry Unit 1 and Beaver Valley Unit 2. The phase-in plans increased revenues and cash flows but were designed to have a relatively neutral impact on earnings. Gains in revenues were to be initially offset by a reduction in the deferral of operating expenses and carrying charges and subsequently offset by the amortization of such deferrals. A key assumption underlying the phase-in plans was that revenues would increase as a result of projected sales growth. When sales decreased primarily because of a sluggish economy, earnings were adversely affected.

A number of other factors also exerted a negative influence on earnings. These factors included the recording of nuclear plant depreciation at levels in excess of that reflected in rates, the recording of depreciation and interest charges on facilities placed in service after February 1988 as current expenses even though such items were not being recovered in rates and the effect of inflation on expenses. Also, the need to meet competitive forces, coupled with a desire to encourage economic growth in our service area, prompted us to reduce rates for various communities and certain industrial and commercial customers.

We determined that the best solution to address these factors was to delay rate increases and implement cost-reduction and revenue-enhancement strategies. Furthermore, we sought PUCO approval of regulatory accounting measures designed to recognize the effects of a delay in rate recovery of certain costs and provide a better match of current revenues and operating expenses. In 1991, we obtained PUCO approval to change the method and rate of accruing nuclear plant depreciation. In October 1992, the PUCO approved a Rate Stabilization Program, which was supported by certain customer representative groups, as discussed in Note 6. Under the terms of the Rate Stabilization Program, we agreed to freeze base rates until 1996 and to limit rate increases through 1998. In exchange, we are permitted to defer and subsequently recover certain costs not currently recovered in rates and to accelerate amortization of certain benefits. However, our ability to utilize these regulatory accounting measures is dependent upon our taking significant actions to reduce costs and increase revenues. It is also dependent upon an ongoing determination that recovery of the deferred costs in rates is probable.

We face further challenges in the years to come. In 1994, expense deferrals provided in the 1989 agreement will cease. The amortization of the deferrals taken from 1989 through 1993 will also begin and continue through 1998. The amortization schedule provides for $27 million in 1994, increasing to $318 million in 1998. An additional $39 million of expense deferrals for 1990 and 1991, related to certain provisions of the phase-in plans, will be amortized and recovered by December 31, 1998. In addition, we are still confronted with competitive threats from municipal electric systems within our service territory and from cities contemplating creation of their own electric systems. Although the rate of inflation has eased in recent years, we are still affected by even modest inflation which causes increases in the unit cost of labor, materials and services.

To combat the forces described above, we have embarked on the following course. Reductions in other operation and maintenance expenses and capital expenditures were implemented in 1991 and 1992 and will be vigorously pursued in 1993 and beyond. We will further reduce staffing levels and look to improve efficiency of operations wherever possible. We are aggressively attempting to increase revenues by seeking additional long-term power sales agreements with wholesale customers and by exploring various corporate asset transactions. The Energy Policy Act of 1992 (Energy Act), which requires utilities to transmit electricity from wholesale suppliers to wholesale customers, will provide new opportunities for us to make wholesale power transactions. To counter municipal electric system initiatives, we have continued programs that demonstrate the value inherent in our service, beyond what one might expect from a municipal system. Such programs include providing services to communities to help them retain and attract businesses, providing consulting services to customers to improve their energy efficiency and developing demand-side management programs.

Increases in sales are expected to be modest with annual sales growth projected at about 1-2% for the next several years, depending upon the economic climate in our service area. Recognizing the fact that costs can be reduced only so far and the limitations imposed by our sales forecasts and competition in the wholesale power market, rate increases will be necessary eventually to recognize the cost of our new capital investment, including that being deferred under the Rate Stabilization Program, and inflation.

We believe that our Rate Stabilization Program and our strategies to reduce costs and increase revenues give us the opportunity to improve our competitive position and our earnings. Nevertheless, we operate in a changing industry and market. We must monitor the impact of these changes on our

strategy and the continued appropriateness of the regulatory accounting provided by our various agreements.

1992 vs. 1991

Factors contributing to the 4.8% decrease in 1992 operating revenues are as follows:

Decrease in Operating Revenues	*Millions of Dollars*
Sales Volume and Mix	$ 79
Base Rates and Miscellaneous	32
Fuel Cost Recovery Revenues	11
	$122

The revenue decreases resulted primarily from the different weather conditions in both years and the changes in the composition of the sales mix among customer categories. Weather accounted for approximately $77 million of the lower 1992 revenues. Winter and spring in 1992 were milder than in 1991. In addition, the 1992 summer was the coolest in 56 years in Northern Ohio as contrasted with the summer of 1991 which was much hotter than normal. As a result, total kilowatt-hour sales decreased 1.1% in 1992. Residential and commercial sales decreased 4.5% and 1.3%, respectively, as moderate temperatures in 1992 reduced electric heating and cooling demands. Industrial sales were virtually the same as in 1991 as sales increases to steel producers and auto manufacturers of 10.9% and 2.7%, respectively, offset a decline in sales to other industrial customers. Other sales increased 2.3% because of increased sales to wholesale customers. Operating revenues in 1991 included the recognition by Toledo Edison of $24 million of deferred revenues over the period of a refund to customers under a provision of its January 1989 rate order. No such revenues were reflected in 1992 as the refund period ended in December 1991. The decreases in 1992 fuel cost recovery revenues resulted primarily because of the good performance of our generating units, which in turn decreased our fuel cost factors. The weighted averages of these factors decreased approximately 3% for the Operating Companies.

Operating expenses decreased 4% in 1992. Lower fuel and purchased power expense resulted from less amortization of previously deferred fuel costs than the amount amortized in 1991 and lower generation requirements stemming from less electric sales. A reduction of $17 million in other operation and maintenance expenses resulted primarily from cost-cutting measures. Federal income taxes decreased because of the Rate Stabilization Program's amortization of certain tax benefits and the effects of adopting SFAS 109 in 1992. These decreases were partially offset by higher depreciation and amortization, caused primarily by the adoption of SFAS 109, and by higher taxes, other than federal income taxes, caused by increased Ohio property and gross receipts taxes. Deferred operating expenses increased as a result of the deferrals under the Rate Stabilization Program as mentioned in Note 6.

The federal income tax provision for nonoperating income decreased because of lower carrying charge credits and a greater tax allocation of interest charges to nonoperating activities. Credits for carrying charges recorded in nonoperating income decreased primarily because of lower phase-in carrying charge credits. Interest charges decreased as a result of debt refinancings at lower interest rates and lower short-term borrowing requirements.

1991 vs. 1990

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

Increase in Operating Revenues	*Millions of Dollars*
Base Rates and Miscellaneous	$ 86
Sales Volume and Mix	28
Wholesale Sales	19
	$133

The increases in base rates and miscellaneous revenues resulted primarily from rate increases in the January 1989 PUCO rate orders for the Operating Companies as discussed in Note 6. Total kilowatt-hour sales increased 1.1% in 1991. Residential and commercial sales increased 4.7% and 4.8%, respectively, as a result of higher usage of cooling equipment in response to the unusually warm late spring and summer 1991 temperatures. The commercial sales increase was also influenced by some improvement in the economy for the commercial sector. Industrial sales declined 5% largely because of the recession-driven slump in the steel, auto and chemical industries. Other sales increased 8.5% because of increased sales to wholesale customers and public authorities.

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

Credits for carrying charges recorded in nonoperating income decreased in 1991 because a greater share of our investments and leasehold interests in Perry Unit 1 and Beaver Valley Unit 2 were recovered in rates. The federal income tax provision for nonoperating income increased mainly because the 1990 provision was reduced $38 million for unamortized investment tax credits on the 1988 write-off of nuclear plant investments.

Income Statement

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

	1992	1991	1990
	For the years ended December 31, (millions of dollars, except per share amounts)		
Operating Revenues	$2,438	$2,560	$2,427
Operating Expenses			
Fuel and purchased power	473	500	472
Other operation and maintenance	784	801	863
Total operation and maintenance	1,257	1,301	1,335
Depreciation and amortization	256	243	242
Taxes, other than federal income taxes	318	305	283
Deferred operating expenses, net	(52)	(6)	(34)
Federal income taxes	122	138	96
	1,901	1,981	1,922
Operating Income	537	579	505
Nonoperating Income			
Allowance for equity funds used during construction	2	9	8
Other income and deductions, net	9	6	(1)
Deferred carrying charges	100	110	205
Federal income taxes — credit (expense)	(7)	(30)	(13)
	104	95	199
Income Before Interest Charges and Preferred Dividends	641	674	704
Interest Charges and Preferred Dividends			
Debt interest	365	381	384
Allowance for borrowed funds used during construction	(1)	(5)	(6)
Preferred dividend requirements of subsidiaries	65	61	62
	429	437	440
Net Income	$ 212	$ 237	$ 264
Average Number of Common Shares Outstanding (millions)	141.7	139.1	138.9
Earnings Per Common Share	$ 1.50	$ 1.71	$ 1.90
Dividends Declared Per Common Share	$ 1.60	$ 1.60	$ 1.60

Retained Earnings

	1992	1991	1990
	For the years ended December 31, (millions of dollars)		
Balance at Beginning of Year	$ 669	$ 655	$ 614
Additions			
Net income	212	237	264
Deductions			
Common stock dividends	(226)	(222)	(222)
Other, primarily preferred stock redemption expenses of subsidiaries	(3)	(1)	(1)
Net Increase (Decrease)	(17)	14	41
Balance at End of Year	$ 652	$ 669	$ 655

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

Management's Financial Analysis

CAPITAL RESOURCES AND LIQUIDITY

We need cash for normal corporate operations, the mandatory retirement of securities and an ongoing program of constructing new facilities and modifying existing facilities. The construction program is needed to meet anticipated demand for electric service, comply with governmental regulations and protect the environment. Over the three-year period of 1990-1992, these construction and mandatory retirement needs totaled approximately $1.3 billion. In addition, we exercised various options to redeem and purchase approximately $1 billion of our securities.

We raised $2.1 billion through security issues and term bank loans during the 1990-1992 period as shown in the Cash Flows statement. During the three-year period, the Operating Companies also utilized their short-term borrowing arrangements (explained in Note 11) to help meet their cash needs. The Operating Companies had $50 million of short-term borrowings outstanding at December 31, 1992.

Estimated cash requirements for 1993-1995 for Cleveland Electric and Toledo Edison, respectively, are $658 million and $203 million for their construction programs and $627 million and $154 million for the mandatory redemption of debt and preferred stock. Cleveland Electric and Toledo Edison expect to finance externally about 75% of their total 1993 cash requirements of approximately $530 million and $118 million, respectively. About 50-60% of the Operating Companies' 1994 and 1995 requirements are expected to be financed externally. If economical, additional securities may be redeemed under optional redemption provisions. See Notes 10(d) and (e) for information concerning limitations on the issuance of preferred stock and debt.

Our capital requirements after 1995 will depend on our implementation strategy to achieve compliance with the Clean Air Act Amendments of 1990 (Clean Air Act). Expenditures for our optimal plan are estimated to be approximately $208 million over the 1993-2002 period. See Note 3(b).

The Operating Companies are aware of their potential involvement in the cleanup of nine hazardous waste sites. However, we believe that the ultimate outcome of these matters will not have a material adverse effect on our liquidity. See Note 3(d).

We expect to be able to raise cash as needed. The availability and cost of capital to meet our external financing needs, however, depends upon such factors as financial market conditions and our credit ratings. Apparently, the market perceives the Operating Companies as having a greater risk than their credit ratings would indicate. Therefore, in 1992, the Operating Companies had to offer interest and dividend rates on certain of their new debt and preferred stock securities which were significantly higher than those that would be expected for securities having the credit ratings of the Operating Companies. Current securities ratings for the Operating Companies are as follows:

	Standard & Poor's Corporation	*Moody's Investors Service*
Cleveland Electric		
First mortgage bonds	BBB−	Baa3
Unsecured notes	BB+	Ba1
Preferred stock	BB+	ba1
Toledo Edison		
First mortgage bonds	BBB−	Baa3
Unsecured notes	BB+	Ba1
Preferred stock	BB+	ba2

The ratings of Moody's Investors Service, Inc. for Cleveland Electric set forth above reflect a downgrade in February 1993.

Barring unforeseen circumstances, we believe that the 1989 rate agreement and the 1992 Rate Stabilization Program afford us a reasonable opportunity to take the significant actions necessary to achieve financial results which should permit Centerior Energy to continue the current quarterly common stock dividend of $.40 per share. Nevertheless, dividend action by our Board of Directors will continue to be decided on a quarter-to-quarter basis after the evaluation of financial results, potential earning capacity and cash flow. A write-off of our investment in Perry Unit 2, as discussed in Note 3(c), would not reduce our retained earnings sufficiently to impair our ability to declare common stock dividends and would not affect our cash flow.

Cash Flows

	For the years ended December 31,		
	1992	1991	1990
	(millions of dollars)		
Cash Flows from Operating Activities (1)			
Net Income	$ 212	$ 237	$ 264
Adjustments to Reconcile Net Income to Cash from Operating Activities:			
Depreciation and amortization	256	243	242
Deferred federal income taxes	95	85	142
Investment tax credits, net	(14)	43	(34)
Deferred and unbilled revenues	(6)	(51)	(61)
Deferred fuel	1	18	(12)
Deferred carrying charges	(100)	(110)	(205)
Leased nuclear fuel amortization	126	123	84
Deferred operating expenses, net	(52)	(6)	(34)
Allowance for equity funds used during construction	(2)	(9)	(8)
Pension settlement gain	—	—	(41)
Changes in amounts due from customers and others, net	7	14	(26)
Changes in inventories	(10)	(22)	(29)
Changes in accounts payable	(5)	(49)	46
Changes in working capital affecting operations	8	19	(25)
Other noncash items	3	1	7
Total Adjustments	307	299	46
Net Cash from Operating Activities	519	536	310
Cash Flows from Financing Activities (2)			
Bank loans, commercial paper and other short-term debt	50	(110)	110
Debt issues:			
First mortgage bonds	600	—	167
Secured medium-term notes	138	285	338
Term bank loans and other long-term debt	135	108	31
Preferred stock issues	74	125	—
Common stock issues	53	32	—
Reacquired common stock	(3)	—	(26)
Maturities, redemptions and sinking funds	(1,013)	(312)	(395)
Nuclear fuel lease obligations	(117)	(116)	(99)
Common stock dividends paid	(226)	(222)	(222)
Premiums, discounts and expenses	(14)	(7)	(7)
Net Cash from Financing Activities	(323)	(217)	(103)
Cash Flows from Investing Activities (2)			
Cash applied to construction	(200)	(189)	(237)
Interest capitalized as allowance for borrowed funds used during construction	(1)	(5)	(6)
Sale and leaseback restructuring fees	(43)	—	—
Other cash applied	(36)	(1)	(14)
Net Cash from Investing Activities	(280)	(195)	(257)
Net Change in Cash and Temporary Cash Investments	(84)	124	(50)
Cash and Temporary Cash Investments at Beginning of Year	177	53	103
Cash and Temporary Cash Investments at End of Year	$ 93	$ 177	$ 53

(1) Interest paid (net of amounts capitalized) was $299 million, $339 million and $297 million in 1992, 1991 and 1990, respectively. Income taxes paid were $32 million, $57 million and $21 million in 1992, 1991 and 1990, respectively.

(2) Increases in Nuclear Fuel and Nuclear Fuel Lease Obligations in the Balance Sheet resulting from the noncash capitalizations under nuclear fuel agreements are excluded from this statement.

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

Balance Sheet

	December 31, 1992	December 31, 1991
	(millions of dollars)	
ASSETS		
Property, Plant and Equipment		
Utility plant in service	$ 9,449	$ 8,888
Less: accumulated depreciation and amortization	2,488	2,274
	6,961	6,614
Construction work in progress	167	215
Perry Unit 2	614	638
	7,742	7,467
Nuclear fuel, net of amortization	385	458
Other property, less accumulated depreciation	39	45
	8,166	7,970
Current Assets		
Cash and temporary cash investments	93	177
Amounts due from customers and others, net	222	229
Unbilled revenues	114	108
Materials and supplies, at average cost	129	126
Fossil fuel inventory, at average cost	65	58
Taxes applicable to succeeding years	247	234
Other	7	9
	877	941
Deferred Charges and Other Assets		
Amounts due from customers for future federal income taxes	975	1,146
Unamortized loss from Beaver Valley Unit 2 sale	110	114
Unamortized loss on reacquired debt	101	75
Carrying charges and operating expenses, phase-in	846	762
Carrying charges and operating expenses, other	687	613
Nuclear plant decommissioning trusts	42	32
Other	267	176
	3,028	2,918
Total Assets	$12,071	$11,829

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

	December 31, 1992	December 31, 1991
	(millions of dollars)	
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shares, without par value (stated value of $274 million and $221 million for 1992 and 1991, respectively): 180.0 million authorized; 142.9 million (excluding 2.7 million shares in Treasury) and 140.2 million (excluding 2.5 million shares in Treasury) outstanding in 1992 and 1991, respectively	$ 2,237	$ 2,186
Retained earnings	652	669
Common stock equity	2,889	2,855
Preferred stock		
With mandatory redemption provisions	364	332
Without mandatory redemption provisions	354	427
Long-term debt	3,694	3,841
	7,301	7,455
Other Noncurrent Liabilities		
Nuclear fuel lease obligations	303	341
Other	119	83
	422	424
Current Liabilities		
Current portion of long-term debt and preferred stock	368	216
Current portion of nuclear fuel lease obligations	118	145
Notes payable to banks and others	50	—
Accounts payable	143	148
Accrued taxes	368	351
Accrued interest	84	84
Other	59	58
	1,190	1,002
Deferred Credits		
Unamortized investment tax credits	3[illegible]	366
Accumulated deferred federal income taxes	2,035	1,785
Unamortized gain from Bruce Mansfield Plant sale	578	602
Accumulated deferred rents for Bruce Mansfield Plant and Beaver Valley Unit 2	116	131
Other	76	64
	3,158	2,948
Total Capitalization and Liabilities	$12,071	$11,829

Statement of Preferred Stock

	1992 Shares Outstanding	Current Call Price Per Share	December 31, 1992	December 31, 1991
			(millions of dollars)	
CLEVELAND ELECTRIC				
Without par value, 4,000,000 preferred shares authorized				
Subject to mandatory redemption:				
$ 7.35 Series C	160,000	$ 101.00	$ 16	$ 17
88.00 Series E	24,000	1,026.78	24	27
Adjustable Series M	300,000	101.00	30	39
9.125 Series N	750,000	104.06	74	74
91.50 Series Q	75,000	—	75	75
88.00 Series R	50,000	—	50	50
90.00 Series S	75,000	—	74	—
			343	282
Less: Current maturities			29	14
			314	268
Not subject to mandatory redemption:				
$ 7.40 Series A	500,000	101.00	50	50
7.56 Series B	450,000	102.26	45	45
Adjustable Series L	500,000	103.00	49	49
Remarketed Series P	97	100,000.00	9	73
			153	217
Less: Current maturities			9	—
			144	217
TOLEDO EDISON				
$100 par value, 3,000,000 preferred shares authorized and $25 par value, 12,000,000 preferred shares authorized				
Subject to mandatory redemption:				
$100 par $11.00	—	—	—	3
9.375	116,800	102.96	12	13
25 par 2.81	2,000,000	26.25	50	50
			62	66
Less: Current maturities			12	2
			50	64
Not subject to mandatory redemption:				
$100 par $ 4.25	160,000	104.625	16	16
4.56	50,000	101.00	5	5
4.25	100,000	102.00	10	10
8.32	100,000	102.46	10	10
7.76	150,000	102.437	15	15
7.80	150,000	101.65	15	15
10.00	190,000	101.00	19	19
25 par 2.21	1,000,000	25.25	25	25
2.365	1,400,000	27.75	35	35
Series A Adjustable	1,200,000	25.75	30	30
Series B Adjustable	1,200,000	25.75	30	30
			210	210
CENTERIOR ENERGY				
Without par value, 5,000,000 preferred shares authorized, none outstanding			—	—
Total Preferred Stock, with Mandatory Redemption Provisions			$364	$332
Total Preferred Stock, without Mandatory Redemption Provisions			$354	$427

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

Notes to the Financial Statements

(1) *PROPERTY OWNED WITH OTHER UTILITIES AND INVESTORS*

The Operating Companies own, as tenants in common with other utilities and those investors who are owner-participants in various sale and leaseback transactions (Lessors), certain generating units as listed below. Each owner owns an undivided share in the entire unit. Each owner has the right to a percentage of the generating capability of each unit equal to its ownership share. Each utility owner is obligated to pay for only its respective share of the construction and operating costs. Each Lessor has leased its capacity rights to a utility which is obligated to pay for such Lessor's share of the construction and operating costs. The Operating Companies' share of the operating costs of these generating units is included in the Income Statement. Property, plant and equipment at December 31, 1992 includes the following facilities owned by the Operating Companies as tenants in common with other utilities and Lessors:

Generating Unit	In-Service Date	Ownership Share	Ownership Megawatts	Power Source	Plant in Service	Construction Work in Progress and Suspended	Accumulated Depreciation
					(millions of dollars)		
In Service:							
Seneca Pumped Storage	1970	80.00%	351	Hydro	$ 62	$ 1	$ 20
Eastlake Unit 5	1972	68.80	411	Coal	155	1	—
Perry Unit 1 and Common Facilities	1987	51.02	609	Nuclear	2,817	7	407
Beaver Valley Unit 2 and Common Facilities (Note 2)	1987	26.12	214	Nuclear	1,480	4	215
Construction Suspended:							
Perry Unit 2 (Note 3(c))	Uncertain	64.76	780	Nuclear	—	614	—
					$4,514	$627	$642

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

(2) *UTILITY PLANT SALE AND LEASEBACK TRANSACTIONS*

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

Under these leases, the Operating Companies are responsible for paying all taxes, insurance premiums, operation and maintenance costs and all other similar costs for their interests in the units sold and leased back. The Operating Companies may incur additional costs in connection with capital improvements to the units. The Operating Companies have options to buy the interests back at the end of the leases for the fair market value at that time or to renew the leases. Additional lease provisions provide other purchase options along with conditions for mandatory termination of the leases (and possible repurchase of the leasehold interests) for events of default. These events include noncompliance with several financial covenants discussed in Note 10(e).

In April 1992, nearly all of the outstanding Secured Lease Obligation Bonds (SLOBs) issued by a special purpose corporation in connection with financing the sale and leaseback of Beaver Valley Unit 2 were refinanced through a tender offer for the outstanding SLOBs and the sale by another special purpose corporation of new bonds having a lower interest rate. As part of the refinancing transaction, Toledo Edison paid $43 million as supplemental rent to fund transaction expenses and part of the tender premium. This amount has been deferred and is being amortized over the remaining lease term. The refinancing transaction reduced the straight-line annual rental expense for the Beaver Valley Unit 2 lease by $9 million.

Future minimum lease payments under the operating leases at December 31, 1992 are summarized as follows:

Year	Amount (millions of dollars)
1993	$ 166
1994	166
1995	165
1996	188
1997	165
Later Years	3,576
Total Future Minimum Lease Payments	$4,426

Rental expense is accrued on a straight-line basis over the terms of the leases. The amount recorded

in 1992, 1991 and 1990 as annual rental expense for the Mansfield Plant leases was $115 million. The amounts recorded in 1992 and both 1991 and 1990 as annual rental expense for the Beaver Valley Unit 2 lease were $66 million and $72 million, respectively. Amounts charged to expense in excess of the lease payments are classified as Accumulated Deferred Rents in the Balance Sheet.

Toledo Edison is selling 150 megawatts of its Beaver Valley Unit 2 leased capacity entitlement to Cleveland Electric. We anticipate that this sale will continue at least until 1998.

(3) CONSTRUCTION AND CONTINGENCIES

(a) CONSTRUCTION PROGRAM

The estimated cost of our construction program for the 1993-1995 period is $910 million, including AFUDC of $49 million and excluding nuclear fuel.

(b) CLEAN AIR LEGISLATION

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

We developed a compliance strategy which was submitted to the PUCO in 1992 for review. We subsequently reached agreement with intervening parties and are awaiting formal PUCO approval. We also are seeking United States Environmental Protection Agency approval of our Phase 1 plans. The compliance plan which results in the least cost and the greatest flexibility provides for compliance with both phases through at least 2005. The plan calls for greater use of low-sulfur coal at some of our units and the banking of emission allowances. The plan would require capital expenditures over the 1993-2002 period of approximately $208 million for nitrogen oxide control equipment, emission monitoring equipment and plant modifications. In addition, higher fuel and other operation and maintenance expenses would be incurred. The least cost plan also calls for Cleveland Electric to place a scrubber or other sulfur emission control technology in service at one of its generating plants sometime after 2004 with expenditures beginning in 2001. The anticipated rate increase associated with the capital expenditures and higher expenses would be about 1-2% in the late 1990s. Another increase would be needed after the year 2000, for an aggregate rate increase in the range of 3-6%. Cleveland Electric would incur substantially more of these costs than Toledo Edison.

Our compliance plan will depend upon future environmental regulations and input from the PUCO, other regulatory bodies and other concerned entities. In addition, we are continuing to monitor developments in new technologies that may be incorporated into our compliance strategy. If a plan other than the least cost plan is required, significantly higher capital expenditures could be required during the 1993-2002 period. We believe Ohio law permits the recovery of compliance costs from customers in rates.

(c) PERRY UNIT 2

Perry Unit 2, including its share of the common facilities, is approximately 50% complete. Construction of Perry Unit 2 was suspended in 1985 pending future consideration of various options. These options include resumption of full construction with a revised estimated cost, conversion to a nonnuclear design, sale of all or part of our ownership share, or cancellation. No option may be implemented without the unanimous approval of the owners. A request by Cleveland Electric, the company responsible for the construction of Perry Unit 2, for an extension of the construction license is pending with the Nuclear Regulatory Commission (NRC).

In February 1992, Cleveland Electric purchased Duquesne's 13.74% ownership share of Perry Unit 2 and all Perry real property for $3.3 million. This purchase increased the Operating Companies' ownership share of the unit to 64.76%. The remainder is owned by Ohio Edison and Pennsylvania Power.

The license extension request and the purchase of Duquesne's share do not indicate any plans to resume construction of Perry Unit 2. They were made to keep our options open.

If we canceled Perry Unit 2, the net-of-tax investment would have to be written off. Such a write-off (based on our investment as of the end of 1992) would be about $434 million. Note 10(e) discusses more about the effects of a write-off.

If we decide to convert Perry Unit 2 to a nonnuclear design, we would expect to write-off a portion of our investment for nuclear plant construction costs not transferable to the nonnuclear construction project.

Perry Unit 2 AFUDC was credited to a deferred income account from July 1985 until January 1, 1988, when the accrual was discontinued. The total deferred AFUDC amount of $213 million is reflected in the Balance Sheet as a reduction in the Perry Unit 2 investment.

(d) SUPERFUND SITES

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended (Superfund) established programs addressing the cleanup of hazardous waste disposal sites, emergency preparedness and other issues. The Operating Companies are aware of their potential involvement in the cleanup of nine hazardous waste sites. The Operating Companies have recorded reserves based on estimates of their proportionate responsibility for these sites. We be-

lieve that the ultimate outcome of these matters will not have a material adverse effect on our financial condition or results of operations.

(4) NUCLEAR OPERATIONS AND CONTINGENCIES

(a) OPERATING NUCLEAR UNITS

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

(b) NUCLEAR INSURANCE

The Price-Anderson Act limits the liability of the owners of a nuclear power plant to the amount provided by private insurance and an industry assessment plan. In the event of a nuclear incident at any unit in the United States resulting in losses in excess of the level of private insurance (currently $200 million), our maximum potential assessment under that plan would be $129 million (plus any inflation adjustment) per incident. The assessment is limited to $20 million per year for each nuclear incident. These assessment limits assume the other CAPCO companies contribute their proportionate share of any assessment.

The CAPCO companies have insurance coverage for damage to property at the Davis-Besse, Perry and Beaver Valley sites (including leased fuel and clean-up costs). Coverage amounted to $2.625 billion for each site as of January 1, 1993. Damage to property could exceed the insurance coverage by a substantial amount. If it does, our share of such excess amount could have a material adverse effect on our financial condition and results of operations.

We also have extra expense insurance coverage. It includes the incremental cost of any replacement power purchased (over the costs which would have been incurred had the units been operating) and other incidental expenses after the occurrence of certain types of accidents at our nuclear units. The amounts of the coverage are 100% of the estimated extra expense per week during the 52-week period starting 21 weeks after an accident and 67% of such estimate per week for the next 104 weeks. The amount and duration of extra expense could substantially exceed the insurance coverage.

(c) NUCLEAR DECONTAMINATION AND DECOMMISSIONING ASSESSMENT

The Energy Act permits special assessments on investor-owned electric utilities which own nuclear generating plants for the decontamination and decommissioning of nuclear enrichment facilities operated by the Department of Energy. The assessments to individual utilities are based upon the amount of enrichment services used in prior years and cannot be imposed for more than 15 years. At December 31, 1992, the Operating Companies accrued a liability of $34 million for their share of the total assessments. These costs are recorded as deferred charges since, based on the legislation, we believe the PUCO will allow the Operating Companies to recover the assessments through their fuel cost factors.

(5) NUCLEAR FUEL

The Operating Companies have inventories for nuclear fuel which should provide an adequate supply into the mid-1990s. Substantial additional nuclear fuel must be obtained to supply fuel for the remaining useful lives of their nuclear generating units.

Nuclear fuel is financed for the Operating Companies through leases with a special-purpose corporation. The total amount of financing currently available under these lease arrangements is $509 million ($309 million from intermediate-term notes and $200 million from bank credit arrangements). Financing in an amount up to $900 million is permitted. The intermediate-term notes mature in the period 1993-1997, with $77 million maturing in September 1993. The bank credit arrangements terminate in October 1993 at which time the corporation will obtain alternate financing. As of December 31, 1992, $425 million of nuclear fuel was financed. The Operating Companies severally lease their respective portions of the nuclear fuel and are obligated to pay for the fuel as it is consumed in a reactor. The lease rates are based on various intermediate-term note rates, bank rates and commercial paper rates.

The amounts financed include nuclear fuel in the Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2 reactors with remaining lease payments of $88 million, $103 million and $41 million, respectively, as of December 31, 1992. The nuclear fuel amounts financed and capitalized also included interest charges incurred by the lessors amounting to $15 million in 1992, $21 million in 1991 and $33 million in 1990. The estimated future lease amortization payments based on projected consumption are $103 million in 1993, $105 million in 1994, $99

million in 1995, $94 million in 1996 and $86 million in 1997.

(6) *REGULATORY MATTERS*

On January 31, 1989, the PUCO issued orders which provided for three annual rate increases for the Operating Companies of approximately 9%, 7% and 6% effective with bills rendered on and after February 1, 1989, 1990 and 1991, respectively. The 6% increase effective February 1, 1991 was reduced to 4.35% for Cleveland Electric and 2.74% for Toledo Edison as 50% of the savings identified by a management audit were used to reduce the 6% rate increase for each of the Operating Companies. Toledo Edison waived its 2.74% rate increase for residential and small commercial customers and reduced its residential rate by 3% effective in March 1991 and by an additional 1% effective in September 1991 to improve its competitive position in its service area. The resulting annualized revenue increases in 1990 and 1991 associated with the rate orders were $106 million and $71 million, respectively, for Cleveland Electric and $44 million and $2 million, respectively, for Toledo Edison. Toledo Edison's increase in 1991 reflects the net of $19 million of annualized revenues authorized for the 2.74% increase less $17 million for the waiver and rate reductions.

Under the January 1989 rate orders, phase-in plans were designed so that the three rate increases, coupled with then-projected sales growth, would provide revenues over the ten years beginning January 1, 1989 sufficient to recover all operating expenses and provide a fair rate of return on the Operating Companies' allowed investments in Perry Unit 1 and Beaver Valley Unit 2. Revenues in the first five years of the plans were expected to be less than that required to recover operating expenses and provide a fair return on investment. Therefore, the amounts of operating expenses and return on investment not currently recovered are deferred and capitalized as deferred charges. The unrecovered investment will decline over the period of the phase-in plans because of depreciation and deferred federal income taxes that result from the use of accelerated tax depreciation. Therefore, the amount of revenues required to provide a fair return also declines. This results in decreasing amounts of annual deferrals in the early years of the plans and then increasing amounts of amortization and recovery in the later years of the plans. The Operating Companies deferred $84 million, $132 million and $256 million in 1992, 1991 and 1990, respectively, of operating expenses and carrying charges pursuant to such phase-in plans. The amount of deferrals scheduled to be recorded in 1993 total $31 million. Beginning in the sixth year (1994) and continuing through the tenth year, the revenue levels authorized pursuant to the phase-in plans were designed to be sufficient to recover that period's operating expenses, a fair return on the unrecovered investments, and the amortization of the deferred operating expenses and carrying charges recorded during the first five years of the plans. The phase-in deferrals relating to these two units will total $838 million after 1993 and are scheduled to be amortized and recovered as follows: $27 million in 1994, $91 million in 1995, $162 million in 1996, $240 million in 1997 and $318 million in 1998. Additional carrying charges totaling $39 million deferred for 1990 and 1991 pursuant to certain provisions of the phase-in plans will also be amortized and recovered by December 31, 1998. These amortizations can be accelerated at the option of the Operating Companies.

On October 22, 1992, the PUCO approved a Rate Stabilization Program as set forth in a joint recommendation filed by the Operating Companies and certain customer representative groups involved in the 1989 rate case settlement. Under the Rate Stabilization Program, the Operating Companies agreed to freeze base rates until 1996 and limit subsequent rate increases for Cleveland Electric and Toledo Edison to no more than $93 million and $38 million, respectively, in 1996; $69 million and $28 million, respectively, in 1997; and $54 million and $23 million, respectively, in 1998. For purposes of any rate increase proceeding in the 1996-1998 period, we agreed to cap operation and maintenance expenses (other than fuel and purchased power) at $784 million, subject to adjustment for inflation and other specified expenses. During the 1996-1998 period, PUCO approval of any base rate increases and any additional regulatory accounting measures would be dependent upon our success in implementing cost-reduction and revenue-enhancement initiatives. We agreed to seek authorization for acceleration of the post-1998 Mansfield Plant unamortized gain in any rate increase proceeding for the Operating Companies in the 1996-1998 period. See Summary of Significant Accounting Policies.

As part of the Rate Stabilization Program, the Operating Companies are allowed to defer and subsequently recover certain costs not currently recovered in rates and to accelerate amortization of certain benefits. Such regulatory accounting measures provide for rate stabilization by rescheduling the timing of rate recovery of certain costs and the amortization of certain benefits, thereby preventing what otherwise would be an erosion in earnings during the 1992-1995 period. The continued use of these regulatory accounting measures during this period will be dependent upon a continuing assessment and determination that there will be probable recovery of such deferrals and carrying charges in future rates. The aggregate effect of these measures over this period could be as much as $495 million on an after-tax basis dependent upon our success in implementing cost-reduction and other revenue-enhancement initiatives, among other factors. Such regulatory accounting

measures which are eligible to be recorded through December 31, 1995 on an after-tax basis are as follows:

- Deferral of up to $327 million of accrued post-in-service interest carrying charges, depreciation expense and property taxes on assets placed in service after February 29, 1988. The deferrals recorded in 1992 were retroactive to January 1, 1992. Deferrals are based on actual capital expenditures relating to assets placed in service within the 1988-1995 period. Consequently, the deferrals will be lower than $327 million if we continue to reduce capital expenditures. Amortization and recovery of these deferrals will occur over the average life of the assets and will commence with future rate recognition.
- Deferral of up to $19 million of Toledo Edison operating expenses equivalent to an accumulated excess rent reserve for Beaver Valley Unit 2 which resulted from the April 1992 refinancing of SLOBs as discussed in Note 2. The deferral commenced October 1, 1992. Amortization of this deferral will occur over the remaining term of the unit's lease beginning in 1996.
- Acceleration of the amortizations of an estimated $89 million in unrestricted excess deferred taxes and $34 million in unrestricted investment tax credits available after 1998. The amortizations commenced October 1, 1992. The amortization of investment tax credits is reported as a reduction of depreciation expense.
- Amortization of up to $26 million in interim spent fuel storage accrual balances for Davis-Besse. The amortization commenced October 1, 1992.

The Operating Companies also are allowed to defer and subsequently recover the incremental expenses associated with adoption of the accounting standard for postretirement benefits other than pensions. See Note 8(b).

The Rate Stabilization Program provides for PUCO regulatory approval of certain corporate transactions, including major asset sales, after an evaluation of the customer benefit of these transactions. The Rate Stabilization Program may be renegotiated under certain force majeure and other events.

Deferred Operating Expenses, Net, and Deferred Carrying Charges shown in the Income Statement consist of the following:

	1992	1991	1990
	(millions of dollars)		
Deferred Operating Expenses, Net:			
Phase-in	$(17)	$(22)	$(51)
Rate Stabilization	(51)	—	—
Amortization of Pre-Phase-in Deferrals	16	16	17
Total	$(52)	$ (6)	$(34)
Deferred Carrying Charges:			
Phase-in:			
Debt	$ 25	$ 31	$ 73
Equity	42	79	132
Total Phase-in	67	110	205
Rate Stabilization (Debt)	33	—	—
Total	$100	$110	$205

(7) FEDERAL INCOME TAX

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

	1992	1991	1990
	(millions of dollars)		
Book Income Before Federal Income Tax	$406	$466	$435
Tax on Book Income at Statutory Rate	$138	$158	$148
Increase (Decrease) in Tax:			
Depreciation	(9)	1	6
Investment tax credits on disallowed nuclear plant	—	—	(38)
Rate Stabilization	(7)	—	—
Taxes, other than federal income taxes	1	(2)	(12)
Other items	6	11	5
Total Federal Income Tax Expense	$129	$168	$109

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

	1992	1991	1990
	(millions of dollars)		
Operating Expenses:			
Current Tax Provision	$ 71	$ 88	$ 43
Changes in Accumulated Deferred Federal Income Tax:			
Accelerated depreciation and amortization	39	17	42
Alternative minimum tax credit	(31)	(46)	(24)
Sale and leaseback transactions and amortization	8	4	9
Property tax expense	19	—	(15)
Rate Stabilization	4	—	—
Reacquired debt costs	10	22	1
Deferred construction work in progress revenues	—	7	20
Deferred fuel costs	(1)	(9)	1
Other items	3	16	16
Investment Tax Credits	—	39	3
Total Charged to Operating Expenses	122	138	96

	1992	1991	1990
	(millions of dollars)		
Nonoperating Income:			
Current Tax Provision	(38)	(46)	(42)
Changes in Accumulated Deferred Federal Income Tax:			
Write-off of nuclear costs	14	—	(22)
Rate Stabilization	11	—	—
AFUDC and carrying charges	24	41	74
Net operating loss carryforward	—	35	—
Other items	(4)	—	3
Total Expense Charged to Nonoperating Income	7	30	13
Total Federal Income Tax Expense	$129	$168	$109

In 1990, adjustments for unamortized investment tax credits on the 1988 write-off of nuclear plant investments decreased the federal income tax provision for nonoperating income $38 million and increased earnings per share $.27. Also in 1990, the resolution of a property tax deduction issue resulted in a reduction in federal income tax expense of $14 million, thereby increasing earnings per share by $.10.

The adoption of SFAS 109 in 1992 affected certain Balance Sheet accounts. The most significant impact was an increase in Utility Plant In Service and an offsetting increase in Accumulated Deferred Federal Income Taxes.

Under SFAS 109, temporary differences and carryforwards gave rise to deferred tax assets of $563 million and deferred tax liabilities of $2.598 billion at December 31, 1992. These are summarized as follows:

	Millions of Dollars
Property, plant and equipment	$2,125
Deferred carrying charges and operating expenses	368
Net operating loss carryforwards	(137)
Investment tax credits	(190)
Other	(131)
Net deferred tax liability	$2,035

For tax purposes, net operating loss (NOL) carryforwards of approximately $404 million are available to reduce future taxable income and will expire in 2003 through 2005. The 34% tax effect of the NOLs is $137 million.

The Tax Reform Act of 1986 provides for an alternative minimum tax (AMT) credit to be used to reduce the regular tax to the AMT level should the regular tax exceed the AMT. AMT credits of $114 million are available to offset future regular tax. The credits may be carried forward indefinitely.

(8) *RETIREMENT AND POSTEMPLOYMENT BENEFITS*

(a) RETIREMENT INCOME PLANS

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

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

Net pension and VEROP costs (credits) for 1990 through 1992 were comprised of the following components:

	1992	1991	1990
	(millions of dollars)		
Pension Costs (Credits):			
Service cost for benefits earned during the period	$ 15	$ 14	$ 15
Interest cost on projected benefit obligation	38	36	37
Actual return on plan assets	(24)	(129)	5
Net amortization and deferral	(45)	65	(65)
Net pension costs (credits)	(16)	(14)	(8)
VEROP cost	—	—	15
Settlement gain	—	—	(41)
Net costs (credits)	$(16)	$ (14)	$(34)

The following table presents a reconciliation of the funded status of the plans at December 31, 1992 and 1991.

	December 31, 1992	December 31, 1991
	(millions of dollars)	
Actuarial present value of benefit obligations:		
Vested benefits	$ 310	$ 301
Nonvested benefits	40	33
Accumulated benefit obligation	350	334
Effect of future compensation levels	121	113
Total projected benefit obligation	471	447
Plan assets at fair market value	754	757
Surplus of plan assets over projected benefit obligation	283	310
Unrecognized net gain from variance between assumptions and experience	(140)	(177)
Unrecognized prior service cost	12	13
Transition asset at January 1, 1987 being amortized over 19 years	(99)	(106)
Net prepaid pension cost included in other deferred charges in the Balance Sheet	$ 56	$ 40

At December 31, 1992 and 1991, the settlement (discount) rate and long-term rate of return on plan assets assumptions were 8.5% and the long-term rate of annual compensation increase assumption was 5%.

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

(b) OTHER POSTRETIREMENT BENEFITS

The FASB accounting standard for postretirement benefits other than pensions (SFAS 106) requires the accrual of the expected cost of such benefits during the employees' years of service. The assumptions and calculations involved in determining the accrual closely parallel pension accounting requirements.

We currently provide certain postretirement health care, death and other benefits and expense such costs as these benefits are paid, which is consistent with current ratemaking practices. Such costs totaled $9 million in 1992, $10 million in 1991 and $8 million in 1990, which included medical benefits of $8 million in 1992, $9 million in 1991 and $7 million in 1990.

We will adopt the standard effective January 1, 1993. We plan to amortize the present value of the accumulated postretirement benefit obligation to expense over a 20-year period. Based on our actuaries' review of 1992 data, the accumulated postretirement benefit obligation as of December 31, 1992 is estimated to be in the range of $200 million to $250 million (pretax). Had the standard been adopted in 1992, the additional 1992 postretirement benefit cost would have been in the range of $20 million to $27 million (pretax). We believe the 1993 effect of actual adoption may be similar, although it could be significantly different because of changes in health care costs, the assumed health care cost trend rate, work force demographics, plan provisions or interest rates. Like the retirement income plans, these estimates reflect a discount rate assumption of 8.5% per year. The annual health care cost trend assumption is 12% in 1992, reducing gradually to an ultimate annual rate of 6% in 1996 and later years.

The PUCO authorized us to defer for subsequent recovery postretirement benefit costs that exceed our actual payments for the period 1993-1997. This provision was part of the Rate Stabilization Program discussed in Note 6. The amount we can defer will be determined by the extent to which we are successful in reducing the added obligation by $37 million or 25% of the incremental costs expected when we got the order. We have until December 31, 1997 to make the reductions.

(c) POSTEMPLOYMENT BENEFITS

In November 1992, the FASB issued a new accounting standard for postemployment benefits (SFAS 112), such as severance pay, disability, worker's compensation and supplemental unemployment benefits. We are required to adopt the new standard no later than 1994. We have not completed an analysis to determine the effect of adopting the new standard.

(9) GUARANTEES

Cleveland Electric has guaranteed certain loan and lease obligations of two mining companies under two long-term coal purchase arrangements. Toledo Edison is also a party to one of these guarantee arrangements. This arrangement requires payments to the mining company for any actual out-of-pocket idle mine expenses (as advance payments for coal) when the mines are idle for reasons beyond the control of the mining company. At December 31, 1992, the principal amount of the mining companies' loan and lease obligations guaranteed by the Operating Companies was $93 million.

(10) CAPITALIZATION

(a) CAPITAL STOCK TRANSACTIONS

Shares sold, retired and purchased for treasury during the three years ended December 31, 1992 are listed in the following table.

	1992	1991	1990
	(thousands of shares)		
Centerior Energy Common Stock:			
Dividend Reinvestment and Stock Purchase Plan	2,570	1,422	—
Employee Savings Plan	322	348	—
Total Common Stock Sales	2,892	1,770	—
Treasury Shares	(172)	(11)	(1,391)
Net Change	2,720	1,759	(1,391)
Preferred Stock of Subsidiaries Subject to Mandatory Redemption:			
Cleveland Electric Sales			
$ 91.50 Series Q	—	75	—
88.00 Series R	—	50	—
90.00 Series S	75	—	—
Cleveland Electric Retirements			
$ 7.35 Series C	(10)	(10)	(10)
88.00 Series E	(3)	(3)	(3)
75.00 Series F	—	(2)	—
80.00 Series G	—	—	(1)
145.00 Series H	—	—	(14)
145.00 Series I	—	(14)	(4)
113.50 Series K	—	(10)	—
Adjustable Series M	(100)	(100)	—
Toledo Edison Retirements			
$100 par $11.00	(25)	(10)	(10)
9.375	(17)	(17)	(17)
Preferred Stock of Subsidiaries Not Subject to Mandatory Redemption:			
Cleveland Electric Retirements			
Remarketed Series P	(1)	—	—
Net Change	(81)	(41)	(59)

Shares of common stock required for our stock plans in 1992 were either acquired in the open market, issued as new shares or issued from treasury.

The Board of Directors has authorized the purchase in the open market of up to 1,500,000 shares of our common stock until June 30, 1994. As of December 31, 1992, 225,500 shares had been purchased at a total cost of $4 million. Under a prior authorization, 2,510,000 shares were purchased between March 1989 and March 1991 at a cost of $46 million. Such shares are being held as treasury shares.

(b) COMMON SHARES RESERVED FOR ISSUE

Common shares reserved for issue under the Employee Savings Plan and the Employee Purchase Plan were 2,506,550 and 521,423 shares, respectively, at December 31, 1992.

Stock options to purchase unissued shares of common stock under the 1978 Key Employee Stock Option Plan were granted at an exercise price of 100% of the fair market value at the date of the grant. No additional options may be granted. The exercise prices of option shares purchased during the three years ended December 31, 1992 ranged from $14.09 to $17.41 per share. Shares and price ranges of outstanding options held by employees were as follows:

	1992	*1991*	*1990*
Options Outstanding at December 31:			
Shares	93,312	129,798	168,655
Option Prices	$14.09 to $20.73	$14.09 to $20.73	$14.09 to $20.73

(c) EQUITY DISTRIBUTION RESTRICTIONS

At December 31, 1992, consolidated retained earnings were comprised almost entirely of the undistributed retained earnings of the Operating Companies. Substantially all of their retained earnings were available for the declaration of dividends on their respective preferred and common shares. All of their common shares are held by Centerior Energy.

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

(d) PREFERRED AND PREFERENCE STOCK

Amounts to be paid for preferred stock which must be redeemed during the next five years are $50 million in 1993, $41 million in 1994, $52 million in 1995 and $42 million in both 1996 and 1997.

The annual mandatory redemption provisions are as follows:

	Shares To Be Redeemed	*Beginning in*	*Price Per Share*
Cleveland Electric Preferred:			
$ 7.35 Series C	10,000	1984	$ 100
88.00 Series E	3,000	1981	1,000
Adjustable Series M	100,000	1991	100
9.125 Series N	150,000	1993	100
91.50 Series Q	10,714	1995	1,000
88.00 Series R	50,000	2001*	1,000
90.00 Series S	18,750	1999	1,000
Toledo Edison Preferred:			
$100 par $9.375	16,650	1985	100
25 par 2.81	400,000	1993	25

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

Cleveland Electric has called for redemption the remaining 97 outstanding shares of its Serial Preferred Stock, Remarketed Series P, in August 1993 at a redemption price of $100,000 per share.

The annualized preferred dividend requirement as of December 31, 1992 was $66 million.

The preferred dividend rates on Cleveland Electric's Series L, M and P and Toledo Edison's Series A and B fluctuate based on prevailing interest rates and market conditions. The dividend rates for these issues averaged 7.59%, 7.04%, 6.73%, 8.24% and 9.09%, respectively, in 1992.

Under its articles of incorporation, Toledo Edison cannot issue preferred stock unless certain earnings coverage requirements are met. Based on earnings for the 12 months ended December 31, 1992, Toledo Edison could not issue additional preferred stock. The issuance of additional preferred stock in the future will depend on earnings for any 12 consecutive months of the 15 months preceding the date of issuance, the interest on all long-term debt outstanding and the dividends on all preferred stock issues outstanding.

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

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

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

(e) LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

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

Year of Maturity	*Actual or Average Interest Rate at December 31, 1992*	*December 31, 1992*	*December 31, 1991*
		(millions of dollars)	
First mortgage bonds:			
1993	3.875%	$ —	$ 30
1993	8.55	—	50
1993	13.75	—	4
1994	4.375	25	25
1994	13.75	4	4
1995	13.75	4	4
1995	7.00	1	1
1996	13.75	4	4
1996	7.00	1	1
1996	9.375	—	100
1997	10.88	6	6
1997	13.75	4	4
1997	7.00	1	1
1997	6.125	31	31
1998-2002	8.02	433	122
2003-2007	8.32	308	218
2008-2012	7.72	341	462
2013-2017	8.90	538	663
2018-2022	7.88	445	445
2023	6.34	211	211
		2,357	2,386
Term bank loans due 1994-1997	8.56	121	197
Medium-term notes due 1994-2021	8.92	860	835
Notes due 1994-1997	9.69	60	102
Debentures due 2002	8.70	135	—
Debentures due 1997	—	—	125
Pollution control notes due 1994-2015	10.10	158	190
Other — net	—	3	6
Total Long-Term Debt		$3,694	$3,841

Long-term debt matures during the next five years as follows: $318 million in 1993, $88 million in 1994, $232 million in 1995, $242 million in 1996 and $139 million in 1997.

The Operating Companies issued $760 million aggregate principal amount of secured medium-term notes during the 1990-1992 period. The notes are secured by first mortgage bonds. At December 31, 1992, Cleveland Electric and Toledo Edison had $35 million and $93 million, respectively, aggregate principal amount of secured medium-term notes registered with the SEC and available for issuance.

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

Additional first mortgage bonds may be issued by Cleveland Electric under its mortgage on the basis of bondable property additions, cash or substitution for refundable first mortgage bonds. The issuance of additional first mortgage bonds by Cleveland Electric on the basis of property additions is limited by two provisions of its mortgage. One relates to the amount of bondable property available and the other to earnings coverage of interest on the bonds. Under the more restrictive of these provisions (currently, the amount of bondable property available), Cleveland Electric would have been permitted to issue approximately $329 million of bonds based upon available bondable property at December 31, 1992. Cleveland Electric also would have been permitted to issue approximately $432 million of bonds based upon refundable bonds at December 31, 1992. If Perry Unit 2 had been canceled and written off as of December 31, 1992, Cleveland Electric would not have been permitted to issue any bonds based upon available bondable property, but would have been permitted to issue approximately $432 million of bonds based upon refundable bonds.

The issuance of additional first mortgage bonds by Toledo Edison also is limited by provisions in its mortgage similar to those in Cleveland Electric's mortgage. Under the more restrictive of these provisions (currently, the earnings coverage test), Toledo Edison would have been permitted to issue approximately $173 million of bonds at an assumed interest rate of 9.5% based upon available bondable property at December 31, 1992. Toledo Edison also would have been permitted to issue approximately $266 million of bonds based upon refundable bonds at December 31, 1992. If Perry Unit 2 had been canceled and written off as of December 31, 1992, the amount of bonds which could have been issued by Toledo Edison would not have changed.

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

(11) SHORT-TERM BORROWING ARRANGEMENTS

Our bank credit arrangements at December 31, 1992 were as follows:

	Cleveland Electric	Toledo Edison	Service Company	Total
	(millions of dollars)			
Bank Lines of Credit	$137	$70	$8	$215

There were no borrowings under these bank credit arrangements at December 31, 1992. An additional $5 million line of credit is available to the Service Company under a $30 million Cleveland Electric line of credit, if unused by Cleveland Electric. The $5 million line of credit is included in the Cleveland Electric total.

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

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

At December 31, 1992, Cleveland Electric and Toledo Edison had $10 million and $40 million, respectively, of short-term notes outstanding under an uncommitted financing facility. Each of the Operating Companies can borrow up to $40 million until the agreement is canceled by any party.

At December 31, 1992, the Operating Companies had no commercial paper outstanding. If commercial paper were outstanding, it would be backed by at least an equal amount of unused bank lines of credit.

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

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

(12) FINANCIAL INSTRUMENTS' FAIR VALUE

The estimated fair values at December 31, 1992 of financial instruments that do not approximate their carrying amounts are as follows:

	Carrying Amount	Fair Value
	(millions of dollars)	
Nuclear Plant Decommissioning Trusts	$ 42	$ 45
Preferred Stock, with Mandatory Redemption Provisions (including current portion)	405	408
Long-Term Debt (including current portion)	4,017	4,107

The fair value of the nuclear plant decommissioning trusts is estimated based on the quoted market prices for the investment securities. The fair value of the Operating Companies' preferred stock with mandatory redemption provisions and long-term debt is estimated based on the quoted market prices for the respective or similar issues or on the basis of the discounted value of future cash flows. The discounted value used current dividend or interest rates (or other appropriate rates) for similar issues and loans with the same remaining maturities.

The estimated fair values of all other financial instruments approximate their carrying amounts in the Balance Sheet at December 31, 1992 because of their short-term nature.

(13) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 1992.

	Quarters Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(millions of dollars, except per share amounts)			
1992				
Operating Revenues	$592	$581	$665	$600
Operating Income	$122	$115	$191	$109
Net Income	$ 23	$ 20	$122	$ 47
Average Common Shares (millions)	140.6	141.6	142.0	142.5
Earnings Per Common Share	$ .16	$ .14	$ .86	$ .33
Dividends Paid Per Common Share	$ .40	$ .40	$ .40	$ .40
1991				
Operating Revenues	$609	$645	$716	$590
Operating Income	$129	$146	$182	$123
Net Income	$ 35	$ 52	$ 95	$ 55
Average Common Shares (millions)	138.4	138.9	139.3	139.7
Earnings Per Common Share	$ .26	$ .37	$ .68	$ .39
Dividends Paid Per Common Share	$ .40	$ .40	$ .40	$ .40

Earnings for the quarter ended September 30, 1992 were increased by $41 million, or $.29 per share, as a result of the recording of deferred operating expenses and carrying charges for the first nine months of 1992 totaling $61 million under the Rate Stabilization Program approved by the PUCO in October 1992. See Note 6.

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

Financial and Statistical Review

Operating Revenues (millions of dollars)

Year	Residential	Commercial	Industrial	Other	Total Retail	Wholesale	Total Electric	Steam Heating & Gas	Total Operating Revenues
1992	$732	706	766	143	2 347	91	2 438	—	$2 438
1991	777	723	783	188	2 471	89	2 560	—	2 560
1990	719	669	779	190	2 357	70	2 427	—	2 427
1989	686	617	747	204	2 254	107	2 361	—	2 361
1988	637	538	676	84	1 935	120	2 055	—	2 055
1982	502	407	553	74	1 536	47	1 583	26	1 609

Operating Expenses (millions of dollars)

Year	Fuel & Purchased Power	Other Operation & Maintenance	Depreciation & Amortization	Taxes, Other Than FIT	Deferred Operating Expenses, Net	Federal Income Taxes	Total Operating Expenses
1992	$473	784	256	318	(52)	122	$1 901
1991	500	801	243(a)	305	(6)	138	1 981
1990	472	863	242	283	(34)	96	1 922
1989	473	860	273	260	(59)	122	1 929
1988	408	866	265	268	(188)	124	1 743
1982	474	367	130	148	—	152	1 271

Income (Loss) (millions of dollars)

Year	Operating Income	AFUDC—Equity	Other Income & Deductions, Net	Deferred Carrying Charges	Federal Income Taxes—Credit (Expense)	Income Before Interest Charges	Debt Interest	AFUDC—Debt	Preferred & Preference Stock Dividends
1992	$537	2	9	100	(7)	641	365	(1)	65
1991	579	9	6	110	(30)	674	381	(5)	61
1990	505	8	(1)	205	(13)	704	384	(6)	62
1989	432	17	14	299	(73)	689	369	(13)	66
1988	312	14	(489)(b)	372	131	340	378	(6)	70
1982	338	126	(2)	—	41	503	239	(50)	64

Income (Loss) (millions of dollars) Common Stock (dollars per share & %)

Year	Income (Loss) Before Cumulative Effect of an Accounting Change	Cumulative Effect of an Accounting Change	Net Income (Loss)	Average Shares Outstanding (millions)	Earnings (Loss)	Return on Average Common Stock Equity	Dividends Declared	Book Value
1992	$212	—	$212	141.7	$ 1.50	7.4%	$1.60	$20.22
1991	237	—	237	139.1	1.71	8.4	1.60	20.37
1990	264	—	264	138.9	1.90	9.4	1.60	20.30
1989	267	—	267	140.5	1.90	9.6	1.60	19.99
1988	(102)	28(c)	(74)	140.8	(0.53)	(2.5)	1.84	19.68
1982	250	—	250	87.8(d)	2.84(d)	14.8	2.09(d)	19.39(d)

NOTE: 1982 data is the result of combining and restating Cleveland Electric and Toledo Edison data.

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

(b) Includes write-off of nuclear costs in the amount of $534 million in 1988.

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

Year	Electric Sales (millions of KWH) Residential	Commercial	Industrial	Wholesale	Other	Total	Electric Customers (year end) Residential	Commercial	Industrial & Other	Total	Residential Usage Average KWH Per Customer	Average Price Per KWH	Average Revenue Per Customer
1992	6 666	7 086	11 551	2 814	1 011	29 128	925 099	96 813	12 741	1 034 653	7 227	10.98¢	$793.68
1991	6 981	7 176	11 559	2 690	1 048	29 454	921 995	96 449	12 843	1 031 287	7 410	11.16	827.10
1990	6 666	6 848	12 168	2 487	959	29 128	918 965	94 522	12 906	1 026 393	7 079	10.82	765.93
1989	6 806	6 830	12 520	3 235	996	30 387	914 020	93 833	12 763	1 020 616	7 295	10.08	737.58
1988	6 920	6 577	12 793	1 828	946	29 064	909 182	92 132	12 305	1 013 619	7 462	9.21	690.06
1982	6 247	5 520	9 955	1 526	827	24 075	883 197	85 356	11 471	980 024	6 884	8.04	555.37

Year	Load (MW & %) Operable Capacity at Time of Peak	Peak Load	Capacity Margin	Load Factor	Energy (millions of KWH) Company Generated Fossil	Nuclear	Total	Purchased Power	Total	Fuel Fuel Cost Per KWH	Efficiency—BTU Per KWH
1992	6 430	5 091	20.8%	63.4%	17 371	13 814	31 185	(122)	31 063	1.45¢	10 395
1991	6 453	5 361	16.9	62.9	18 041	13 454	31 495	40	31 535	1.48	10 442
1990	6 437	5 261	18.3	63.6	21 114	9 481	30 595	413	31 008	1.52	10 354
1989	6 430	5 389	16.2	63.3	20 174	12 122	32 296	21	32 317	1.47	10 435
1988	5 525(e)	5 673	(2.7)	60.8	21 576	7 805	29 381	1 885	31 266	1.59	10 410
1982	6 546	4 296	34.4	66.5	20 882	3 219	24 101	1 720	25 821	1.80	10 404

Investment (millions of dollars)

Year	Utility Plant In Service	Accumulated Depreciation & Amortization	Net Plant	Construction Work In Progress & Perry Unit 2	Nuclear Fuel and Other	Total Property, Plant and Equipment	Utility Plant Additions	Total Assets
1992	$9 449	2 488	6 961	781	424	$8 166	$200	$12 071
1991	8 888	2 274	6 614	853	503	7 970	204	11 829
1990	8 636	2 039	6 597	921	568	8 086	251	11 681
1989	8 398	1 824	6 574	945	592	8 111	217	11 454
1988	8 144	1 569	6 575	1 010	643	8 228	343	11 360
1982	4 019	965	3 054	2 142	277(f)	5 473	671	6 152

Capitalization (millions of dollars & %)

Year	Common Stock Equity		Preferred & Preference Stock, with Mandatory Redemption Provisions		Preferred Stock, without Mandatory Redemption Provisions		Long-Term Debt		Total
1992	$2 889	39%	364	5%	354	5%	3 694	51%	$7 301
1991	2 855	38	332	4	427	6	3 841	52	7 455
1990	2 810	39	237	3	427	6	3 729	52	7 203
1989	2 795	40	281	4	427	6	3 534	50	7 037
1988	2 772	39	304	4	427	6	3 552	51	7 055
1982	1 838	38	418	9	265	5	2 318	48	4 839

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

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

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

Report of Independent Public Accountants

To the Share Owners of
The Cleveland Electric Illuminating Company:

We have audited the accompanying consolidated balance sheet and consolidated statement of preferred stock of The Cleveland Electric Illuminating Company (a wholly owned subsidiary of Centerior Energy Corporation) and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1992. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cleveland Electric Illuminating Company and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

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

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

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

Arthur Andersen & Co.

Cleveland, Ohio
February 12, 1993

Summary of Significant Accounting Policies

GENERAL

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

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

RELATED PARTY TRANSACTIONS

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

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

Centerior Service Company (Service Company), the third wholly owned subsidiary of Centerior Energy, provides management, financial, administrative, engineering, legal and other services at cost to the Company and other affiliated companies. The Service Company billed the Company $150 million, $138 million and $106 million in 1992, 1991 and 1990, respectively, for such services.

REVENUES

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

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

FUEL EXPENSE

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

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

DEFERRED CARRYING CHARGES AND OPERATING EXPENSES

As discussed in Note 6, the January 1989 PUCO rate order for the Company included an approved rate phase-in plan for its investments in Perry Nuclear Power Plant Unit 1 (Perry Unit 1) and Beaver Valley Power Station Unit 2 (Beaver Valley Unit 2). The plan called for the Company to begin deferring in January 1989 operating expenses and both interest and equity carrying charges on deferred rate-based investment. These deferrals, called phase-in deferrals, will be amortized and recovered by December 31, 1998. Previously, the PUCO authorized the Company to defer operating expenses and carrying charges for Perry Unit 1 and Beaver Valley Unit 2 from their respective in-service dates in 1987 through December 1988. The amortization and recovery of these deferrals, called pre-phase-in deferrals, also began in January 1989 and will continue over the lives of the related property.

Beginning in January 1992, the Company deferred charges for depreciation, property taxes and interest carrying charges related to plant placed in service after February 29, 1988 and not yet included in rate base. The PUCO authorized these deferrals in October 1992 under a Rate Stabilization Program. Similar deferrals may be recorded through December 31, 1995. Amortization and recovery of these deferrals will occur over the average life of the assets and will commence with future rate recognition. See Notes 6 and 13.

DEPRECIATION AND AMORTIZATION

The cost of property, plant and equipment is depreciated over their estimated useful lives on a straight-line basis. The annual straight-line depreciation provision for nonnuclear property expressed as a percent of average depreciable utility plant in service was 3.4% in both 1992 and 1991 and 3.3% in 1990. Effective January 1, 1991, the Company, after obtaining PUCO approval, changed its method of accounting for nuclear plant depreciation from the units-of-production method to the straight-line method at about a 3% rate. This change decreased 1991 depreciation expense $22 million and increased 1991 net income $17 million (net of $5 million of income taxes) from what they otherwise would have been. The PUCO subsequently approved in 1991 a change to lower the 3% rate to 2.5% retroactive to January 1, 1991. See Note 13.

The Company uses external funding of future decommissioning costs for its operating nuclear units pursuant to a PUCO order. Cash contributions are made to the trust funds on a straight-line basis over the remaining licensing period for each unit. The current level of expense being funded and recovered from customers over the remaining licensing periods of the

units is approximately $4 million annually. Amounts currently in rates are based on past estimates of decommissioning costs of $63 million in 1986 dollars for the Davis-Besse Nuclear Power Station (Davis-Besse) and $44 million and $35 million in 1987 dollars for Perry Unit 1 and Beaver Valley Unit 2, respectively. Actual decommissioning costs are expected to significantly exceed these estimates. We expect to complete our assessment of these estimates in 1993 to update the decommissioning cost amounts and to continue to satisfy the external funding requirements. It is expected that increases in the cost estimates will be recoverable in future rates. In the Balance Sheet at December 31, 1992, Accumulated Depreciation and Amortization included $32 million for the cumulative total of decommissioning costs previously expensed and the earnings on the external funding. This amount exceeds the Balance Sheet amount of the external Nuclear Plant Decommissioning Trusts because the reserve began prior to the external trust funding.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at original cost less any amounts ordered by the PUCO to be written off. Construction costs include related payroll taxes, pensions, fringe benefits, management and general overheads and allowance for funds used during construction (AFUDC). AFUDC represents the estimated composite debt and equity cost of funds used to finance construction. This noncash allowance is credited to income, except for certain AFUDC for Perry Nuclear Power Plant Unit 2 (Perry Unit 2). See Note 3(c). The AFUDC rate was 10.56% in 1992, 10.47% in 1991 and 10.48% in 1990.

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

DEFERRED GAIN FROM SALE OF UTILITY PLANT

The sale and leaseback transaction discussed in Note 2 resulted in a net gain for the sale of the Bruce Mansfield Generating Plant (Mansfield Plant). The net gain was deferred and is being amortized over the term of leases. The amortization and the lease expense amounts are recorded as other operation and maintenance expenses. See Note 6.

INTEREST CHARGES

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

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

FEDERAL INCOME TAXES

The Financial Accounting Standards Board (FASB) issued a new standard for accounting for income taxes (SFAS 109) in February 1992. We adopted the new standard in 1992. The new standard amends certain provisions of SFAS 96 previously adopted in 1988. Adoption of the new standard in 1992 did not materially affect our results of operations, but did affect certain Balance Sheet accounts. See Note 7.

The financial statements reflect the liability method of accounting for income taxes. This method requires that deferred taxes be recorded for all temporary differences between the book and tax bases of assets and liabilities. The majority of these temporary differences are attributable to property-related basis differences. Included in these basis differences is the equity component of AFUDC, which will increase future tax expense when it is recovered through rates. Since this component is not recognized for tax purposes, we must record a liability for our tax obligation. The PUCO permits recovery of such taxes from customers when they become payable. Therefore, the net amount due from customers through rates has been recorded as a regulatory asset in deferred charges and will be recovered over the lives of the related assets.

Investment tax credits are deferred and amortized over the estimated lives of the applicable property as a reduction of depreciation expense. See Note 6 for a discussion of the amortization of certain unrestricted excess deferred taxes and unrestricted investment tax credits available after 1998 under the Rate Stabilization Program.

RECLASSIFICATIONS

Certain reclassifications were made to prior years financial statements to make them comparable with the 1992 financial statements. A reserve for Perry Unit 2 AFUDC, which was previously reported under Deferred Credits in the Balance Sheet, was reclassified as an offset against the Perry Unit 2 asset balance. See Note 3(c).

Management's Financial Analysis

RESULTS OF OPERATIONS

Overview

In recent years, our efforts to add our substantial nuclear investment to rate base while maintaining a competitive rate structure have resulted in a series of agreements with the major intervenors in our rate cases. One agreement was approved by the PUCO in January 1989 and is described more fully in Note 6. It established our rate phase-in plan to recognize in rates our allowed investment in Perry Unit 1 and Beaver Valley Unit 2. The phase-in plan increased revenues and cash flows but was designed to have a relatively neutral impact on earnings. Gains in revenues were to be initially offset by a reduction in the deferral of operating expenses and carrying charges and subsequently offset by the amortization of such deferrals. A key assumption underlying the phase-in plan was that revenues would increase as a result of projected sales growth. When sales decreased primarily because of a sluggish economy, earnings were adversely affected.

A number of other factors also exerted a negative influence on earnings. These factors included the recording of nuclear plant depreciation at levels in excess of that reflected in rates, the recording of depreciation and interest charges on facilities placed in service after February 1988 as current expenses even though such items were not being recovered in rates and the effect of inflation on expenses. Also, the need to meet competitive forces, coupled with a desire to encourage economic growth in our service area, prompted us to reduce rates for certain industrial and commercial customers.

We determined that the best solution to address these factors was to delay rate increases and implement cost-reduction and revenue-enhancement strategies. Furthermore, we sought PUCO approval of regulatory accounting measures designed to recognize the effects of a delay in rate recovery of certain costs and provide a better match of current revenues and operating expenses. In 1991, we obtained PUCO approval to change the method and rate of accruing nuclear plant depreciation. In October 1992, the PUCO approved a Rate Stabilization Program, which was supported by certain customer representative groups, as discussed in Note 6. Under the terms of the Rate Stabilization Program, we agreed to freeze base rates until 1996 and to limit rate increases through 1998. In exchange, we are permitted to defer and subsequently recover certain costs not currently recovered in rates and to accelerate amortization of certain benefits. However, our ability to utilize these regulatory accounting measures is dependent upon our taking significant actions to reduce costs and increase revenues. It is also dependent upon an ongoing determination that recovery of the deferred costs in rates is probable.

We face further challenges in the years to come. In 1994, expense deferrals provided in the 1989 agreement will cease. The amortization of the deferrals taken from 1989 through 1993 will also begin and continue through 1998. The amortization schedule provides for $23 million in 1994, increasing to $217 million in 1998. An additional $50 million of expense deferrals for 1990 and 1991, related to certain provisions of the phase-in plan, will be amortized and recovered by December 31, 1998. In addition, we are still confronted with competitive threats from municipal electric systems within our service territory and from cities contemplating creation of their own electric systems. Although the rate of inflation has eased in recent years, we are still affected by even modest inflation which causes increases in the unit cost of labor, materials and services.

To combat the forces described above, we have embarked on the following course. Reductions in other operation and maintenance expenses and capital expenditures were implemented in 1991 and 1992 and will be vigorously pursued in 1993 and beyond. We will further reduce staffing levels and look to improve efficiency of operations wherever possible. We are aggressively attempting to increase revenues by seeking additional long-term power sales agreements with wholesale customers and by exploring various corporate asset transactions. The Energy Policy Act of 1992 (Energy Act), which requires utilities to transmit electricity from wholesale suppliers to wholesale customers, will provide new opportunities for us to make wholesale power transactions. To counter municipal electric system initiatives, we have continued programs that demonstrate the value inherent in our service, beyond what one might expect from a municipal system. Such programs include providing services to communities to help them retain and attract businesses, providing consulting services to customers to improve their energy efficiency and developing demand-side management programs.

Increases in sales are expected to be modest with annual sales growth projected at about 1-2% for the next several years, depending upon the economic climate in our service area. Recognizing the fact that costs can be reduced only so far and the limitations imposed by our sales forecasts and competition in the wholesale power market, rate increases will be necessary eventually to recognize the cost of our new capital investment, including that being deferred under the Rate Stabilization Program, and inflation.

We believe that our Rate Stabilization Program and our strategies to reduce costs and increase revenues give us the opportunity to improve our com-

petitive position and our earnings. Nevertheless, we operate in a changing industry and market. We must monitor the impact of these changes on our strategy and the continued appropriateness of the regulatory accounting provided by our various agreements.

1992 vs. 1991

Factors contributing to the 4.5% decrease in 1992 operating revenues are as follows:

Decrease in Operating Revenues	*Millions of Dollars*
Sales Volume and Mix	$50
Base Rates and Miscellaneous	23
Fuel Cost Recovery Revenues	10
	$83

The revenue decreases resulted primarily from the different weather conditions in both years and the changes in the composition of the sales mix among customer categories. Weather accounted for approximately $55 million of the lower 1992 revenues. Winter and spring in 1992 were milder than in 1991. In addition, the 1992 summer was the coolest in 56 years in Northeastern Ohio as contrasted with the summer of 1991 which was much hotter than normal. As a result, total kilowatt-hour sales decreased 3.5% in 1992. Residential and commercial sales decreased 4.4% and 0.5%, respectively, as moderate temperatures in 1992 reduced electric heating and cooling demands. Industrial sales declined 0.4% as an 8.1% decrease in sales to the broad-based, smaller industrial customer group completely offset an 8.8% increase in sales to the larger industrial customer group. Sales to steel producers and auto manufacturers within the large industrial customer group rose 10.9% and 7%, respectively. Other sales decreased 16.1% because of decreased sales to wholesale customers and public authorities. The decrease in 1992 fuel cost recovery revenues resulted primarily because of the good performance of our generating units, which in turn decreased our fuel cost factors. The weighted averages of these factors decreased approximately 3%.

Operating expenses decreased 3.6% in 1992. Lower fuel and purchased power expense resulted from lower generation requirements stemming from less electric sales and less amortization of previously deferred fuel costs than the amount amortized in 1991. Federal income taxes decreased because of the Rate Stabilization Program's amortization of certain tax benefits and the effects of adopting SFAS 109 in 1992. These decreases were partially offset by higher depreciation and amortization, caused primarily by the adoption of SFAS 109, and by higher taxes, other than federal income taxes, caused by increased Ohio property and gross receipts taxes. Deferred operating expenses increased as a result of the deferrals under the Rate Stabilization Program as mentioned in Note 6.

The federal income tax provision for nonoperating income decreased because of lower carrying charge credits and a greater tax allocation of interest charges to nonoperating activities. Credits for carrying charges recorded in nonoperating income decreased primarily because of lower phase-in carrying charge credits. Interest charges decreased as a result of debt refinancings at lower interest rates and lower short-term borrowing requirements.

1991 vs. 1990

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

Increase in Operating Revenues	*Millions of Dollars*
Base Rates and Miscellaneous	$ 74
Wholesale Sales	40
Sales Volume and Mix	21
	$135

The increases in base rates and miscellaneous revenues resulted primarily from rate increases in the January 1989 PUCO rate order for the Company as discussed in Note 6. Total kilowatt-hour sales increased 4.3% in 1991. Residential and commercial sales increased 4.8% and 4.9%, respectively, as a result of higher usage of cooling equipment in response to the unusually warm late spring and summer 1991 temperatures. The commercial sales increase was also influenced by some improvement in the economy for the commercial sector. Industrial sales declined 6.3% largely because of the recession-driven slump in the steel, auto and chemical industries. Other sales increased 45.3% because of increased sales to wholesale customers and public authorities.

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

Credits for carrying charges recorded in nonoperating income decreased in 1991 because a greater share of our investments in Perry Unit 1 and Beaver Valley Unit 2 were recovered in rates. The federal income tax provision for nonoperating income increased mainly because the 1990 provision was reduced $19 million for unamortized investment tax credits on the 1988 write-off of nuclear plant investments.

Income Statement

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

	For the years ended December 31,		
	1992	1991	1990
		(millions of dollars)	
Operating Revenues	$1,743	$1,826	$1,691
Operating Expenses			
Fuel and purchased power (1)	434	455	412
Other operation and maintenance	465	470	514
Total operation and maintenance	899	925	926
Depreciation and amortization	179	171	170
Taxes, other than federal income taxes	226	216	197
Deferred operating expenses, net	(35)	(7)	(24)
Federal income taxes	89	106	75
	1,358	1,411	1,344
Operating Income	385	415	347
Nonoperating Income			
Allowance for equity funds used during construction	1	8	5
Other income and deductions, net	8	6	1
Deferred carrying charges	59	88	162
Federal income taxes — credit (expense)	(5)	(24)	(20)
	63	78	148
Income Before Interest Charges	448	493	495
Interest Charges			
Debt interest	243	251	255
Allowance for borrowed funds used during construction	—	(4)	(3)
	243	247	252
Net Income	205	246	243
Preferred Dividend Requirements	41	36	37
Earnings Available for Common Stock	$ 164	$ 210	$ 206

(1) Includes purchased power expense of $130 million, $128 million and $112 million in 1992, 1991 and 1990, respectively, for all purchases from Toledo Edison.

Retained Earnings

	For the years ended December 31,		
	1992	1991	1990
		(millions of dollars)	
Balance at Beginning of Year	$ 578	$ 564	$ 507
Additions			
Net income	205	246	243
Deductions			
Dividends declared:			
Common stock	(195)	(194)	(149)
Preferred stock	(41)	(36)	(36)
Other, primarily preferred stock redemption expenses	(2)	(2)	(1)
Net Increase (Decrease)	(33)	14	57
Balance at End of Year	$ 545	$ 578	$ 564

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

Management's Financial Analysis

CAPITAL RESOURCES AND LIQUIDITY

We need cash for normal corporate operations, the mandatory retirement of securities and an ongoing program of constructing new facilities and modifying existing facilities. The construction program is needed to meet anticipated demand for electric service, comply with governmental regulations and protect the environment. Over the three-year period of 1990-1992, these construction and mandatory retirement needs totaled approximately $760 million. In addition, we exercised various options to redeem and purchase approximately $500 million of our securities.

We raised $1.2 billion through security issues and term bank loans during the 1990-1992 period as shown in the Cash Flows statement. During the three-year period, the Company also utilized its short-term borrowing arrangements (explained in Note 11) to help meet its cash needs. The Company had $21 million of short-term borrowings outstanding at December 31, 1992, including $11 million of notes payable to affiliates.

Estimated cash requirements for 1993-1995 for the Company are $658 million for its construction program and $627 million for the mandatory redemption of debt and preferred stock. The Company expects to finance externally about 85% of its total 1993 cash requirements of approximately $530 million. About 50-60% of the Company's 1994 and 1995 requirements are expected to be financed externally. If economical, additional securities may be redeemed under optional redemption provisions. See Note 10(d) for information concerning limitations on the issuance of debt.

Our capital requirements after 1995 will depend on our implementation strategy to achieve compliance with the Clean Air Act Amendments of 1990 (Clean Air Act). Expenditures for our optimal plan are estimated to be approximately $172 million over the 1993-2002 period. See Note 3(b).

The Company is aware of its potential involvement in the cleanup of seven hazardous waste sites. However, we believe that the ultimate outcome of these matters will not have a material adverse effect on our liquidity. See Note 3(d).

We expect to be able to raise cash as needed. The availability and cost of capital to meet our external financing needs, however, depends upon such factors as financial market conditions and our credit ratings. Apparently, the market perceives the Company as having a greater risk than its credit ratings would indicate. Therefore, in 1992, the Company had to offer interest and dividend rates on certain of its new debt and preferred stock securities which were significantly higher than those that would be expected for securities having the credit ratings of the Company. Current securities ratings for the Company are as follows:

	Standard & Poor's Corporation	*Moody's Investors Service*
First mortgage bonds	BBB−	Baa3
Unsecured notes	BB+	Ba1
Preferred stock	BB+	ba1

The ratings of Moody's Investors Service, Inc. set forth above reflect a downgrade in February 1993.

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

Cash Flows

	For the years ended December 31,		
	1992	1991	1990
	(millions of dollars)		
Cash Flows from Operating Activities (1)			
Net Income	$ 205	$ 246	$ 243
Adjustments to Reconcile Net Income to Cash from Operating Activities:			
Depreciation and amortization	179	171	170
Deferred federal income taxes	66	51	111
Investment tax credits, net	(8)	13	(17)
Deferred and unbilled revenues	(7)	(25)	(38)
Deferred fuel	6	13	(11)
Deferred carrying charges	(59)	(88)	(162)
Leased nuclear fuel amortization	70	69	47
Deferred operating expenses, net	(35)	(7)	(24)
Allowance for equity funds used during construction	(1)	(8)	(5)
Pension settlement gain	—	—	(35)
Changes in amounts due from customers and others, net	6	12	(17)
Changes in inventories	(2)	(15)	(22)
Changes in accounts payable	7	(24)	32
Changes in working capital affecting operations	(4)	37	(5)
Other noncash items	(11)	(13)	(10)
Total Adjustments	207	186	14
Net Cash from Operating Activities	412	432	257
Cash Flows from Financing Activities (2)			
Bank loans, commercial paper and other short-term debt	10	(87)	87
Notes payable to affiliates	(13)	7	(157)
Debt issues:			
First mortgage bonds	324	—	100
Secured medium-term notes	90	150	338
Term bank loans	—	—	16
Preferred stock issues	74	125	—
Maturities, redemptions and sinking funds	(481)	(133)	(212)
Nuclear fuel lease obligations	(65)	(64)	(56)
Dividends paid	(235)	(230)	(186)
Premiums, discounts and expenses	(7)	(5)	(6)
Net Cash from Financing Activities	(303)	(237)	(76)
Cash Flows from Investing Activities (2)			
Cash applied to construction	(152)	(138)	(157)
Interest capitalized as allowance for borrowed funds used during construction	—	(4)	(3)
Loans to affiliates	—	11	(11)
Other cash received (applied)	(20)	2	(7)
Net Cash from Investing Activities	(172)	(129)	(178)
Net Change in Cash and Temporary Cash Investments	(63)	66	3
Cash and Temporary Cash Investments at Beginning of Year	97	31	28
Cash and Temporary Cash Investments at End of Year	$ 34	$ 97	$ 31

(1) Interest paid (net of amounts capitalized) was $205 million, $221 million and $189 million in 1992, 1991 and 1990, respectively. Income taxes paid were $28 million, $50 million and $19 million in 1992, 1991 and 1990, respectively.

(2) Increases in Nuclear Fuel and Nuclear Fuel Lease Obligations in the Balance Sheet resulting from the noncash capitalizations under nuclear fuel agreements are excluded from this statement.

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

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Balance Sheet

	December 31, 1992	December 31, 1991
	(millions of dollars)	
ASSETS		
Property, Plant and Equipment		
Utility plant in service	$6,602	$6,196
Less: accumulated depreciation and amortization	1,728	1,565
	4,874	4,631
Construction work in progress	130	162
Perry Unit 2	371	383
	5,375	5,176
Nuclear fuel, net of amortization	224	263
Other property, less accumulated depreciation	37	42
	5,636	5,481
Current Assets		
Cash and temporary cash investments	34	97
Amounts due from customers and others, net	161	167
Amounts due from affiliates	10	4
Unbilled revenues	93	86
Materials and supplies, at average cost	90	89
Fossil fuel inventory, at average cost	40	39
Taxes applicable to succeeding years	176	168
Other	3	5
	607	655
Deferred Charges and Other Assets		
Amounts due from customers for future federal income taxes	583	674
Unamortized loss on reacquired debt	64	50
Carrying charges and operating expenses, phase-in	620	568
Carrying charges and operating expenses, other	413	368
Nuclear plant decommissioning trusts	23	17
Other	177	129
	1,880	1,806
Total Assets	$8,123	$7,942

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

	December 31,	
	1992	1991
	(millions of dollars)	
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shares, without par value: 105.0 million authorized; 79.6 million outstanding in 1992 and 1991	$1,241	$1,241
Other paid-in capital	79	79
Retained earnings	545	578
Common stock equity	1,865	1,898
Preferred stock		
With mandatory redemption provisions	314	268
Without mandatory redemption provisions	144	217
Long-term debt	2,515	2,683
	4,838	5,066
Other Noncurrent Liabilities		
Nuclear fuel lease obligations	177	197
Other	57	34
	234	231
Current Liabilities		
Current portion of long-term debt and preferred stock	310	93
Current portion of nuclear fuel lease obligations	67	81
Notes payable to banks and others	10	—
Accounts payable	104	97
Accounts and notes payable to affiliates	50	59
Accrued taxes	291	282
Accrued interest	55	53
Other	37	34
	924	699
Deferred Credits		
Unamortized investment tax credits	250	258
Accumulated deferred federal income taxes	1,392	1,204
Unamortized gain from Bruce Mansfield Plant sale	359	375
Accumulated deferred rents for Bruce Mansfield Plant	70	64
Other	56	45
	2,127	1,946
Total Capitalization and Liabilities	$8,123	$7,942

Statement of Preferred Stock

	1992 Shares Outstanding	Current Call Price Per Share	December 31, 1992	December 31, 1991
			(millions of dollars)	
Without par value, 4,000,000 preferred shares authorized				
Subject to mandatory redemption:				
$ 7.35 Series C	160,000	$ 101.00	$ 16	$ 17
88.00 Series E	24,000	1,026.78	24	27
Adjustable Series M	300,000	101.00	30	39
9.125 Series N	750,000	104.06	74	74
91.50 Series Q	75,000	—	75	75
88.00 Series R	50,000	—	50	50
90.00 Series S	75,000	—	74	—
			343	282
Less: Current maturities			29	14
Total Preferred Stock, with Mandatory Redemption Provisions			$314	$268
Not subject to mandatory redemption:				
$ 7.40 Series A	500,000	101.00	$ 50	$ 50
7.56 Series B	450,000	102.26	45	45
Adjustable Series L	500,000	103.00	49	49
Remarketed Series P	97	100,000.00	9	73
			153	217
Less: Current maturities			9	—
Total Preferred Stock, without Mandatory Redemption Provisions			$144	$217

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

Notes to the Financial Statements

(1) *PROPERTY OWNED WITH OTHER UTILITIES AND INVESTORS*

The Company owns, as a tenant in common with other utilities and those investors who are owner-participants in various sale and leaseback transactions (Lessors), certain generating units as listed below. Each owner owns an undivided share in the entire unit. Each owner has the right to a percentage of the generating capability of each unit equal to its ownership share. Each utility owner is obligated to pay for only its respective share of the construction and operating costs. Each Lessor has leased its capacity rights to a utility which is obligated to pay for such Lessor's share of the construction and operating costs. The Company's share of the operating costs of these generating units is included in the Income Statement. Property, plant and equipment at December 31, 1992 includes the following facilities owned by the Company as a tenant in common with other utilities and Lessors:

Generating Unit	In-Service Date	Ownership Share	Ownership Megawatts	Power Source	Plant in Service	Construction Work in Progress and Suspended	Accumulated Depreciation
					(millions of dollars)		
In Service:							
Seneca Pumped Storage	1970	80.00%	351	Hydro	$ 62	$ 1	$ 20
Eastlake Unit 5	1972	68.80	411	Coal	155	1	—
Davis-Besse	1977	51.38	454	Nuclear	692	9	163
Perry Unit 1 and Common Facilities	1987	31.11	371	Nuclear	1,775	5	249
Beaver Valley Unit 2 and Common Facilities (Note 2)	1987	24.47	201	Nuclear	1,277	2	185
Construction Suspended:							
Perry Unit 2 (Note 3(c))	Uncertain	44.85	540	Nuclear	—	371	—
					$3,961	$389	$617

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

(2) *UTILITY PLANT SALE AND LEASEBACK TRANSACTIONS*

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

Under these leases, the Company and Toledo Edison are responsible for paying all taxes, insurance premiums, operation and maintenance costs and all other similar costs for their interests in the units sold and leased back. The Company and Toledo Edison may incur additional costs in connection with capital improvements to the units. The Company and Toledo Edison have options to buy the interests back at the end of the leases for the fair market value at that time or to renew the leases. Additional lease provisions provide other purchase options along with conditions for mandatory termination of the leases (and possible repurchase of the leasehold interests) for events of default. These events include noncompliance with several financial covenants discussed in Note 10(d).

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

Future minimum lease payments under the operating leases at December 31, 1992 are summarized as follows:

Year	For the Company	For Toledo Edison
	(millions of dollars)	
1993	$ 63	$ 103
1994	63	103
1995	63	102
1996	63	125
1997	63	102
Later Years	1,453	2,123
Total Future Minimum Lease Payments	$1,768	$2,658

Rental expense is accrued on a straight-line basis over the terms of the leases. The amount recorded in 1992, 1991 and 1990 as annual rental expense for the Mansfield Plant leases was $70 million. Amounts charged to expense in excess of the lease payments are classified as Accumulated Deferred Rents in the Balance Sheet.

The Company is buying 150 megawatts of Toledo Edison's Beaver Valley Unit 2 leased capacity entitlement. We anticipate that this purchase will

continue at least until 1998. Purchased power expense for this transaction was $108 million, $107 million and $103 million in 1992, 1991 and 1990, respectively. The future minimum lease payments associated with Beaver Valley Unit 2 aggregate $1.533 billion.

(3) CONSTRUCTION AND CONTINGENCIES

(a) CONSTRUCTION PROGRAM

The estimated cost of the Company's construction program for the 1993-1995 period is $697 million, including AFUDC of $39 million and excluding nuclear fuel.

(b) CLEAN AIR LEGISLATION

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

Centerior Energy developed a compliance strategy for the Company and Toledo Edison which was submitted to the PUCO in 1992 for review. Centerior Energy subsequently reached agreement with intervening parties and is awaiting formal PUCO approval. Centerior Energy also is seeking United States Environmental Protection Agency approval of the Phase 1 plans. The compliance plan which results in the least cost and the greatest flexibility provides for compliance with both phases through at least 2005. The plan calls for greater use of low-sulfur coal at some of our units and the banking of emission allowances. The plan would require capital expenditures for the Company over the 1993-2002 period of approximately $172 million for nitrogen oxide control equipment, emission monitoring equipment and plant modifications. In addition, higher fuel and other operation and maintenance expenses would be incurred. The least cost plan also calls for the Company to place a scrubber or other sulfur emission control technology in service at one of its generating plants sometime after 2004 with expenditures beginning in 2001. The anticipated rate increase associated with the Company's capital expenditures and higher expenses would be about 1-2% in the late 1990s. Another increase would be needed after the year 2000, for an aggregate rate increase in the range of 3-6%.

Our compliance plan will depend upon future environmental regulations and input from the PUCO, other regulatory bodies and other concerned entities. In addition, we are continuing to monitor developments in new technologies that may be incorporated into our compliance strategy. If a plan other than the least cost plan is required, significantly higher capital expenditures could be required during the 1993-2002 period. We believe Ohio law permits the recovery of compliance costs from customers in rates.

(c) PERRY UNIT 2

Perry Unit 2, including its share of the common facilities, is approximately 50% complete. Construction of Perry Unit 2 was suspended in 1985 pending future consideration of various options. These options include resumption of full construction with a revised estimated cost, conversion to a nonnuclear design, sale of all or part of our ownership share, or cancellation. No option may be implemented without the unanimous approval of the owners. A request by the Company, which is responsible for the construction of Perry Unit 2, for an extension of the construction license is pending with the Nuclear Regulatory Commission (NRC).

In February 1992, the Company purchased Duquesne's 13.74% ownership share of Perry Unit 2 and all Perry real property for $3.3 million. This purchase increased the Company's ownership share of the unit to 44.85%. The remainder is owned by Toledo Edison, Ohio Edison and Pennsylvania Power.

The license extension request and the purchase of Duquesne's share do not indicate any plans to resume construction of Perry Unit 2. They were made to keep the Company's options open.

If Perry Unit 2 were canceled, the net-of-tax investment would have to be written off. Such a write-off (based on the Company's investment as of the end of 1992) would be about $263 million. Note 10(d) discusses more about the effects of a write-off.

If a decision were made to convert Perry Unit 2 to a nonnuclear design, we would expect to write off a portion of our investment for nuclear plant construction costs not transferable to the nonnuclear construction project.

Perry Unit 2 AFUDC was credited to a deferred income account from July 1985 until January 1, 1988, when the accrual was discontinued. The total deferred AFUDC amount of $124 million is reflected in the Balance Sheet as a reduction in the Perry Unit 2 investment.

(d) SUPERFUND SITES

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

(4) NUCLEAR OPERATIONS AND CONTINGENCIES

(a) OPERATING NUCLEAR UNITS

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

(b) NUCLEAR INSURANCE

The Price-Anderson Act limits the liability of the owners of a nuclear power plant to the amount provided by private insurance and an industry assessment plan. In the event of a nuclear incident at any unit in the United States resulting in losses in excess of the level of private insurance (currently $200 million), the Company's maximum potential assessment under that plan would be $71 million (plus any inflation adjustment) per incident. The assessment is limited to $11 million per year for each nuclear incident. These assessment limits assume the other CAPCO companies contribute their proportionate share of any assessment.

The CAPCO companies have insurance coverage for damage to property at the Davis-Besse, Perry and Beaver Valley sites (including leased fuel and clean-up costs). Coverage amounted to $2.625 billion for each site as of January 1, 1993. Damage to property could exceed the insurance coverage by a substantial amount. If it does, the Company's share of such excess amount could have a material adverse effect on its financial condition and results of operations.

The Company also has extra expense insurance coverage. It includes the incremental cost of any replacement power purchased (over the costs which would have been incurred had the units been operating) and other incidental expenses after the occurrence of certain types of accidents at our nuclear units. The amounts of the coverage are 100% of the estimated extra expense per week during the 52-week period starting 21 weeks after an accident and 67% of such estimate per week for the next 104 weeks. The amount and duration of extra expense could substantially exceed the insurance coverage.

(c) NUCLEAR DECONTAMINATION AND DECOMMISSIONING ASSESSMENT

The Energy Act permits special assessments on investor-owned electric utilities which own nuclear generating plants for the decontamination and decommissioning of nuclear enrichment facilities operated by the Department of Energy. The assessments to individual utilities are based upon the amount of enrichment services used in prior years and cannot be imposed for more than 15 years. At December 31, 1992, the Company accrued a liability of $19 million for its share of the total assessments. These costs are recorded as deferred charges since, based on the legislation, the Company believes the PUCO will allow the recovery of the assessments through the Company's fuel cost factors.

(5) NUCLEAR FUEL

The Company has inventories for nuclear fuel which should provide an adequate supply into the mid-1990s. Substantial additional nuclear fuel must be obtained to supply fuel for the remaining useful lives of its nuclear generating units.

Nuclear fuel is financed for the Company and Toledo Edison through leases with a special-purpose corporation. The total amount of financing currently available under these lease arrangements is $509 million ($309 million from intermediate-term notes and $200 million from bank credit arrangements). Financing in an amount up to $900 million is permitted. The intermediate-term notes mature in the period 1993-1997, with $77 million maturing in September 1993. The bank credit arrangements terminate in October 1993 at which time the corporation will obtain alternate financing. As of December 31, 1992, $246 million of nuclear fuel was financed for the Company. The Company and Toledo Edison severally lease their respective portions of the nuclear fuel and are obligated to pay for the fuel as it is consumed in a reactor. The lease rates are based on various intermediate-term note rates, bank rates and commercial paper rates.

The amounts financed include nuclear fuel in the Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2 reactors with remaining lease payments for the Company of $46 million, $64 million and $23 million, respectively, as of December 31, 1992. The nuclear fuel amounts financed and capitalized also included interest charges incurred by the lessors amounting to $9 million in 1992, $12 million in 1991 and $19 million in 1990. The estimated future lease amortization payments based on projected consumption are $58 million in 1993, $59 million in

1994, $56 million in 1995, $54 million in 1996 and $50 million in 1997.

(6) REGULATORY MATTERS

On January 31, 1989, the PUCO issued a rate order which provided for three annual rate increases for the Company of approximately 9%, 7% and 6% effective with bills rendered on and after February 1, 1989, 1990 and 1991, respectively. The 6% increase effective February 1, 1991 was reduced to 4.35% as 50% of the savings identified by a management audit were used to reduce the rate increase. The resulting annualized revenue increases in 1990 and 1991 associated with the rate order were $106 million and $71 million, respectively.

Under the January 1989 rate order, a phase-in plan was designed so that the three rate increases, coupled with then-projected sales growth, would provide revenues over the ten years beginning January 1, 1989 sufficient to recover all operating expenses and provide a fair rate of return on the Company's allowed investments in Perry Unit 1 and Beaver Valley Unit 2. Revenues in the first five years of the plan were expected to be less than that required to recover operating expenses and provide a fair return on investment. Therefore, the amounts of operating expenses and return on investment not currently recovered are deferred and capitalized as deferred charges. The unrecovered investment will decline over the period of the phase-in plan because of depreciation and deferred federal income taxes that result from the use of accelerated tax depreciation. Therefore, the amount of revenues required to provide a fair return also declines. This results in decreasing amounts of annual deferrals in the early years of the plan and then increasing amounts of amortization and recovery in the later years of the plan. The Company deferred $51 million, $104 million and $196 million in 1992, 1991 and 1990, respectively, of operating expenses and carrying charges pursuant to the phase-in plan. The amount of deferrals scheduled to be recorded in 1993 total $16 million. Beginning in the sixth year (1994) and continuing through the tenth year, the revenue levels authorized pursuant to the phase-in plan were designed to be sufficient to recover that period's operating expenses, a fair return on the unrecovered investments, and the amortization of the deferred operating expenses and carrying charges recorded during the first five years of the plan. The phase-in deferrals relating to these two units will total $586 million after 1993 and are scheduled to be amortized and recovered as follows: $23 million in 1994, $66 million in 1995, $114 million in 1996, $166 million in 1997 and $217 million in 1998. Additional carrying charges totaling $50 million deferred for 1990 and 1991 pursuant to certain provisions of the phase-in plan will also be amortized and recovered by December 31, 1998. These amortizations can be accelerated at the option of the Company.

On October 22, 1992, the PUCO approved a Rate Stabilization Program as set forth in a joint recommendation filed by the Company, Toledo Edison and certain customer representative groups involved in the 1989 rate case settlement. Under the Rate Stabilization Program, the Company agreed to freeze base rates until 1996 and limit subsequent rate increases to no more than $93 million in 1996, $69 million in 1997 and $54 million in 1998. For purposes of any rate increase proceeding in the 1996-1998 period, the Company agreed to cap operation and maintenance expenses (other than fuel and purchased power) at $784 million on a consolidated basis for Centerior Energy, subject to adjustment for inflation and other specified expenses. During the 1996-1998 period, PUCO approval of any base rate increases and any additional regulatory accounting measures would be dependent upon our success in implementing cost-reduction and revenue-enhancement initiatives. The Company agreed to seek authorization for acceleration of the post-1998 Mansfield Plant unamortized gain in any rate increase proceeding in the 1996-1998 period. See Summary of Significant Accounting Policies.

As part of the Rate Stabilization Program, the Company is allowed to defer and subsequently recover certain costs not currently recovered in rates and to accelerate amortization of certain benefits. Such regulatory accounting measures provide for rate stabilization by rescheduling the timing of rate recovery of certain costs and the amortization of certain benefits, thereby preventing what otherwise would be an erosion in earnings during the 1992-1995 period. The continued use of these regulatory accounting measures during this period will be dependent upon a continuing assessment and determination that there will be probable recovery of such deferrals and carrying charges in future rates. The aggregate effect of these measures over this period could be as much as $316 million on an after-tax basis dependent upon the Company's success in implementing cost-reduction and other revenue-enhancement initiatives, among other factors. Such regulatory accounting measures which are eligible to be recorded through December 31, 1995 on an after-tax basis are as follows:

- Deferral of up to $227 million of accrued post-in-service interest carrying charges, depreciation expense and property taxes on assets placed in service after February 29, 1988. The deferrals recorded in 1992 were retroactive to January 1, 1992. Deferrals are based on actual capital expenditures relating to assets placed in service within the 1988-1995 period. Consequently, the deferrals will be lower than $227 million if the Company continues to reduce capital expenditures. Amortization and recovery of these defer-

rals will occur over the average life of the assets and will commence with future rate recognition.

- Acceleration of the amortizations of an estimated $57 million in unrestricted excess deferred taxes and $18 million in unrestricted investment tax credits available after 1998. The amortizations commenced October 1, 1992. The amortization of investment tax credits is reported as a reduction of depreciation expense.
- Amortization of up to $14 million in interim spent fuel storage accrual balances for Davis-Besse. The amortization commenced October 1, 1992.

The Company is also allowed to defer and subsequently recover the incremental expenses associated with adoption of the accounting standard for postretirement benefits other than pensions. See Note 8(b).

The Rate Stabilization Program provides for PUCO regulatory approval of certain corporate transactions, including major asset sales, after an evaluation of the customer benefit of these transactions. The Rate Stabilization Program may be renegotiated under certain force majeure and other events.

Deferred Operating Expenses, Net, and Deferred Carrying Charges shown in the Income Statement consist of the following:

	1992	1991	1990
	(millions of dollars)		
Deferred Operating Expenses, Net:			
Phase-in	$(11)	$(16)	$(34)
Rate Stabilization	(33)	—	—
Amortization of Pre-Phase-in Deferrals	9	9	10
Total	$(35)	$ (7)	$(24)
Deferred Carrying Charges:			
Phase-in:			
Debt	$ 15	$ 24	$ 52
Equity	25	64	110
Total Phase-in	40	88	162
Rate Stabilization (Debt)	19	—	—
Total	$ 59	$ 88	$162

(7) FEDERAL INCOME TAX

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

	1992	1991	1990
	(millions of dollars)		
Book Income Before Federal Income Tax	$299	$376	$338
Tax on Book Income at Statutory Rate	$102	$128	$115
Increase (Decrease) in Tax:			
Depreciation	(3)	(2)	7
Investment tax credits on disallowed nuclear plant	—	—	(19)
Rate Stabilization	(5)	—	—
Taxes, other than federal income taxes	1	(2)	(9)
Other items	(1)	6	1
Total Federal Income Tax Expense	$ 94	$130	$ 95

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

	1992	1991	1990
	(millions of dollars)		
Operating Expenses:			
Current Tax Provision	$ 47	$ 75	$ 27
Changes in Accumulated Deferred Federal Income Tax:			
Accelerated depreciation and amortization	32	9	40
Alternative minimum tax credit	(18)	(3)	(19)
Sale and leaseback transactions and amortization	4	(9)	3
Property tax expense	14	—	(11)
Rate Stabilization	2	—	—
Reacquired debt costs	6	16	2
Deferred construction work in progress revenues	—	(2)	11
Deferred fuel costs	(2)	(5)	5
Other items	4	14	15
Investment Tax Credits	—	11	2
Total Charged to Operating Expenses	89	106	75
Nonoperating Income:			
Current Tax Provision	(19)	(8)	(25)
Changes in Accumulated Deferred Federal Income Tax:			
Write-off of nuclear costs	7	—	(12)
Rate Stabilization	6	—	—
AFUDC and carrying charges	14	32	57
Other items	(3)	—	—
Total Expense Charged to Nonoperating Income	5	24	20
Total Federal Income Tax Expense	$ 94	$130	$ 95

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

In 1990, adjustments for unamortized investment tax credits on the 1988 write-off of nuclear plant investments decreased the federal income tax provision for nonoperating income $19 million. Also in 1990, the resolution of a property tax deduction issue resulted in a reduction in federal income tax expense of $10 million.

The adoption of SFAS 109 in 1992 affected certain Balance Sheet accounts. The most significant impact was an increase in Utility Plant In Service and an offsetting increase in Accumulated Deferred Federal Income Taxes.

Under SFAS 109, temporary differences and carryforwards gave rise to deferred tax assets of $415 million and deferred tax liabilities of $1.807 billion at December 31, 1992. These are summarized as follows:

	Millions of Dollars
Property, plant and equipment	$1,468
Deferred carrying charges and operating expenses	249
Sale and leaseback transactions	(123)
Net operating loss carryforwards	(79)
Investment tax credits	(132)
Other	9
Net deferred tax liability	$1,392

For tax purposes, net operating loss (NOL) carryforwards of approximately $234 million are available to reduce future taxable income and will expire in 2003 through 2005. The 34% tax effect of the NOLs is $79 million.

The Tax Reform Act of 1986 provides for an alternative minimum tax (AMT) credit to be used to reduce the regular tax to the AMT level should the regular tax exceed the AMT. AMT credits of $74 million are available to offset future regular tax. The credits may be carried forward indefinitely.

(8) RETIREMENT AND POSTEMPLOYMENT BENEFITS

(a) RETIREMENT INCOME PLAN

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

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

Net pension and VEROP costs (credits) for 1990 through 1992 were comprised of the following components:

	1992	1991	1990
	(millions of dollars)		
Pension Costs (Credits):			
Service cost for benefits earned during the period	$ 10	$ 9	$ 10
Interest cost on projected benefit obligation	27	25	26
Actual return on plan assets	(19)	(99)	3
Net amortization and deferral	(35)	50	(50)
Net pension costs (credits)	(17)	(15)	(11)
VEROP cost	—	—	8
Settlement gain	—	—	(36)
Net costs (credits)	$(17)	$(15)	$(39)

The following table presents a reconciliation of the funded status of the plan at December 31, 1992 and 1991.

	December 31, 1992	December 31, 1991
	(millions of dollars)	
Actuarial present value of benefit obligations:		
Vested benefits	$ 215	$ 209
Nonvested benefits	28	23
Accumulated benefit obligation	243	232
Effect of future compensation levels	86	79
Total projected benefit obligation	329	311
Plan assets at fair market value	585	585
Surplus of plan assets over projected benefit obligation	256	274
Unrecognized net gain from variance between assumptions and experience	(107)	(137)
Unrecognized prior service cost	7	8
Transition asset at January 1, 1987 being amortized over 19 years	(82)	(88)
Net prepaid pension cost	$ 74	$ 57

At December 31, 1992 and 1991, the settlement (discount) rate and long-term rate of return on plan assets assumptions were 8.5% and the long-term rate of annual compensation increase assumption was 5%.

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

(b) OTHER POSTRETIREMENT BENEFITS

The FASB accounting standard for postretirement benefits other than pensions (SFAS 106) requires the accrual of the expected cost of such benefits during the employees' years of service. The assumptions and calculations involved in determining the accrual closely parallel pension accounting requirements.

The Company currently provides certain postretirement health care, death and other benefits and expenses such costs as these benefits are paid, which is consistent with current ratemaking practices. Such costs totaled $5 million in 1992, $6

million in 1991 and $5 million in 1990, which included medical benefits of $4 million in 1992, $5 million in 1991 and $4 million in 1990.

The Company will adopt the standard effective January 1, 1993. The Company plans to amortize the present value of the accumulated postretirement benefit obligation to expense over a 20-year period. Based on our actuaries' review of 1992 data, the accumulated postretirement benefit obligation as of December 31, 1992 is estimated to be in the range of $110 million to $140 million (pretax). Had the standard been adopted in 1992, the additional 1992 postretirement benefit cost would have been in the range of $10 million to $14 million (pretax). The Company believes the 1993 effect of actual adoption may be similar, although it could be significantly different because of changes in health care costs, the assumed health care cost trend rate, work force demographics, plan provisions or interest rates. Like the retirement income plan, these estimates reflect a discount rate assumption of 8.5% per year. The annual health care cost trend assumption is 12% in 1992, reducing gradually to an ultimate annual rate of 6% in 1996 and later years.

The PUCO authorized the Company to defer for subsequent recovery postretirement benefit costs that exceed its actual payments for the period 1993-1997. This provision was part of the Rate Stabilization Program discussed in Note 6. The amount we can defer will be determined by the extent to which Centerior Energy is successful in reducing the added obligation on a consolidated basis by $37 million or 25% of the incremental costs expected when the Company got the order. The Company and Centerior Energy have until December 31, 1997 to make the reductions.

(c) POSTEMPLOYMENT BENEFITS

In November 1992, the FASB issued a new accounting standard for postemployment benefits (SFAS 112), such as severance pay, disability, worker's compensation and supplemental unemployment benefits. The Company is required to adopt the new standard no later than 1994. We have not completed an analysis to determine the effect of adopting the new standard.

(9) GUARANTEES

The Company has guaranteed certain loan and lease obligations of two mining companies under two long-term coal purchase arrangements. One of these arrangements requires payments to the mining company for any actual out-of-pocket idle mine expenses (as advance payments for coal) when the mines are idle for reasons beyond the control of the mining company. At December 31, 1992, the principal amount of the mining companies' loan and lease obligations guaranteed by the Company was $71 million.

(10) CAPITALIZATION

(a) CAPITAL STOCK TRANSACTIONS

Preferred stock shares sold and retired during the three years ended December 31, 1992 are listed in the following table.

	1992	*1991*	*1990*
	(thousands of shares)		
Subject to Mandatory Redemption:			
Sales			
$ 91.50 Series Q	—	75	—
88.00 Series R	—	50	—
90.00 Series S	75	—	—
Retirements			
$ 7.35 Series C	(10)	(10)	(10)
88.00 Series E	(3)	(3)	(3)
75.00 Series F	—	(2)	—
80.00 Series G	—	—	(1)
145.00 Series H	—	—	(14)
145.00 Series I	—	(14)	(4)
113.50 Series K	—	(10)	—
Adjustable Series M	(100)	(100)	—
Not Subject to Mandatory Redemption:			
Retirements			
Remarketed Series P	(1)	—	—
Net Change	(39)	(14)	(32)

(b) EQUITY DISTRIBUTION RESTRICTIONS

At December 31, 1992, consolidated retained earnings were $545 million. The retained earnings were available for the declaration of dividends on the Company's preferred and common shares. All of the Company's common shares are held by Centerior Energy.

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

(c) PREFERRED AND PREFERENCE STOCK

Amounts to be paid for preferred stock which must be redeemed during the next five years are $38 million in 1993, $29 million in 1994, $40 million in 1995 and $30 million in both 1996 and 1997.

The annual preferred stock mandatory redemption provisions are as follows:

	Shares To Be Redeemed	*Beginning in*	*Price Per Share*
$ 7.35 Series C	10,000	1984	$ 100
88.00 Series E	3,000	1981	1,000
Adjustable Series M	100,000	1991	100
9.125 Series N	150,000	1993	100
91.50 Series Q	10,714	1995	1,000
88.00 Series R	50,000	2001*	1,000
90.00 Series S	18,750	1999	1,000

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

The Company has called for redemption the remaining 97 outstanding shares of its Serial Pre-

ferred Stock, Remarketed Series P, in August 1993 at a redemption price of $100,000 per share.

The annualized preferred dividend requirement as of December 31, 1992 was $42 million.

The preferred dividend rates on the Company's Series L, M and P fluctuate based on prevailing interest rates and market conditions. The dividend rates for these issues averaged 7.59%, 7.04% and 6.73%, respectively, in 1992.

Preference stock authorized for the Company is 3,000,000 shares without par value. No preference shares are currently outstanding. There are no restrictions on the Company's ability to issue preferred or preference stock.

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

(d) LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

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

Year of Maturity	*Actual or Average Interest Rate at December 31, 1992*	*December 31, 1992*	*December 31, 1991*
		(millions of dollars)	
First mortgage bonds:			
1993	3.875%	$ —	$ 30
1993	8.55	—	50
1993	13.75	—	4
1994	4.375	25	25
1994	13.75	4	4
1995	13.75	4	4
1995	7.00	1	1
1996	13.75	4	4
1996	7.00	1	1
1997	10.88	6	6
1997	13.75	4	4
1997	7.00	1	1
1998-2002	8.31	306	61
2003-2007	8.92	127	132
2008-2012	8.20	310	410
2013-2017	8.90	538	663
2018-2022	7.84	337	337
2023	5.85	104	104
		1,772	1,841
Term bank loans due 1994-1996	7.31	8	81
Medium-term notes due 1994-2021	8.95	678	700
Pollution control notes due 1994-2012	6.31	53	54
Other — net	—	4	7
Total Long-Term Debt		$2,515	$2,683

Long-term debt matures during the next five years as follows: $272 million in 1993, $42 million in 1994, $206 million in 1995, $151 million in 1996 and $55 million in 1997.

The Company issued $578 million aggregate principal amount of secured medium-term notes during the 1990-1992 period. The notes are secured by first mortgage bonds. At December 31, 1992, the Company had $35 million aggregate principal amount of secured medium-term notes registered with the Securities and Exchange Commission and available for issuance.

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

Additional first mortgage bonds may be issued by the Company under its mortgage on the basis of bondable property additions, cash or substitution for refundable first mortgage bonds. The issuance of additional first mortgage bonds on the basis of property additions is limited by two provisions of our mortgage. One relates to the amount of bondable property available and the other to earnings coverage of interest on the bonds. Under the more restrictive of these provisions (currently, the amount of bondable property available), the Company would have been permitted to issue approximately $329 million of bonds based upon available bondable property at December 31, 1992. The Company also would have been permitted to issue approximately $432 million of bonds based upon refundable bonds at December 31, 1992. If Perry Unit 2 had been canceled and written off as of December 31, 1992, the Company would not have been permitted to issue any bonds based upon available bondable property, but would have been permitted to issue approximately $432 million of bonds based upon refundable bonds.

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

(11) SHORT-TERM BORROWING ARRANGEMENTS

The Company had $137 million of bank lines of credit arrangements at December 31, 1992. This included a $30 million line of credit which provided a $5 million line of credit to be available to the Service Company if unused by the Company. There were no borrowings under these bank credit arrangements at December 31, 1992.

Short-term borrowing capacity authorized by the PUCO annually is $300 million for the Company.

The Company and Toledo Edison are authorized by the PUCO to borrow from each other on a short-term basis.

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

At December 31, 1992, the Company had $10 million of short-term notes outstanding under an uncommitted financing facility. The Company can borrow up to $40 million until the agreement is canceled by either party.

At December 31, 1992, the Company had no commercial paper outstanding. If commercial paper were outstanding, it would be backed by at least an equal amount of unused bank lines of credit.

(12) *FINANCIAL INSTRUMENTS' FAIR VALUE*

The estimated fair values at December 31, 1992 of financial instruments that do not approximate their carrying amounts are as follows:

	Carrying Amount	*Fair Value*
	(millions of dollars)	
Nuclear Plant Decommissioning Trusts	$ 23	$ 24
Preferred Stock, with Mandatory Redemption Provisions (including current portion)	343	342
Long-Term Debt (including current portion)	2,793	2,886

The fair value of the nuclear plant decommissioning trusts is estimated based on the quoted market prices for the investment securities. The fair value of the Company's preferred stock with mandatory redemption provisions and long-term debt is estimated based on the quoted market prices for the respective or similar issues or on the basis of the discounted value of future cash flows. The discounted value used current dividend or interest rates (or other appropriate rates) for similar issues and loans with the same remaining maturities.

The estimated fair values of all other financial instruments approximate their carrying amounts in the Balance Sheet at December 31, 1992 because of their short-term nature.

(13) *QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)*

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 1992.

	Quarters Ended			
	March 31,	*June 30,*	*Sept. 30,*	*Dec. 31,*
	(millions of dollars)			
1992				
Operating Revenues	$422	$415	$479	$427
Operating Income	83	85	139	77
Net Income	27	33	102	43
Earnings Available for Common Stock	17	23	92	32
1991				
Operating Revenues	$431	$456	$518	$421
Operating Income	90	102	139	84
Net Income	38	52	95	61
Earnings Available for Common Stock	29	43	86	52

Earnings for the quarter ended September 30, 1992 were increased by $26 million as a result of the recording of deferred operating expenses and carrying charges for the first nine months of 1992 totaling $39 million under the Rate Stabilization Program approved by the PUCO in October 1992. See Note 6.

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

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Operating Revenues (millions of dollars)

Year	Residential	Commercial	Industrial	Other	Total Retail	Wholesale	Total Electric	Steam Heating	Total Operating Revenues
1992	$517	531	530	101	1 679	64	1 743	—	$1 743
1991	547	540	547	117	1 751	75	1 826	—	1 826
1990	495	494	544	123	1 656	35	1 691	—	1 691
1989	470	453	520	117	1 560	74	1 634	—	1 634
1988	436	395	476	60	1 367	86	1 453	—	1 453
1982	349	305	394	35	1 083	17	1 100	18	1 118

Operating Expenses (millions of dollars)

Year	Fuel & Purchased Power	Other Operation & Maintenance	Depreciation & Amortization	Taxes, Other Than FIT	Deferred Operating Expenses, Net	Federal Income Taxes	Total Operating Expenses
1992	$434	465	179	226	(35)	89	$1 358
1991	455	470	171(a)	216	(7)	106	1 411
1990	412	514	170	197	(24)	75	1 344
1989	427	508	188	183	(42)	85	1 349
1988	308	524	190	185	(104)	95	1 198
1982	339	250	87	107	—	106	889

Income (millions of dollars)

Year	Operating Income	AFUDC—Equity	Other Income & Deductions, Net	Deferred Carrying Charges	Federal Income Taxes—Credit (Expense)	Income Before Interest Charges
1992	$385	1	8	59	(5)	$448
1991	415	8	6	88	(24)	493
1990	347	5	1	162	(20)	495
1989	285	8	9	235	(56)	481
1988	255	8	(243)(b)	225	53	298
1982	229	77	(2)	—	22	326

Income (millions of dollars)

Year	Debt Interest	AFUDC—Debt	Income Before Cumulative Effect of an Accounting Change	Cumulative Effect of an Accounting Change	Net Income	Preferred & Preference Stock Dividends	Earnings Available for Common Stock
1992	$243	—	205	—	205	41	$164
1991	251	(4)	246	—	246	36	210
1990	255	(3)	243	—	243	37	206
1989	238	(7)	250	—	250	40	210
1988	229	(4)	73	22(c)	95	42	53
1982	144	(27)	209	—	209	38	171

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

(b) Includes write-off of nuclear costs in the amount of $257 million in 1988.

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

Year	Electric Sales (millions of KWH) Residential	Commercial	Industrial	Wholesale	Other	Total	Electric Customers (year end) Residential	Commercial	Industrial & Other	Total	Residential Usage Average KWH Per Customer	Average Price Per KWH	Average Revenue Per Customer
1992	4 725	5 467	7 988	1 989	533	20 702	669 800	70 943	8 375	749 118	7 071	10.94¢	$773.77
1991	4 940	5 493	8 017	2 442	565	21 457	667 495	70 405	8 398	746 298	7 170	11.08	797.25
1990	4 716	5 234	8 551	1 607	463	20 571	665 000	68 700	8 351	742 051	6 867	10.53	723.15
1989	4 789	5 208	8 780	2 132	501	21 410	660 786	68 030	8 329	737 145	7 025	9.81	691.83
1988	4 852	4 998	9 013	749	472	20 084	657 592	66 606	8 203	732 401	7 152	8.99	646.35
1982	4 336	4 194	7 082	687	414	16 713	641 705	61 861	7 656	711 222	6 490	8.08	524.63

Year	Load (MW & %) Operable Capacity at Time of Peak	Peak Load	Capacity Margin	Load Factor	Energy (millions of KWH) Company Generated Fossil	Company Generated Nuclear	Company Generated Total	Purchased Power	Total	Fuel Cost Per KWH	Fuel Efficiency—BTU Per KWH
1992	4 703	3 605	23.3%	63.0%	12 715	7 521	20 236	1 649	21 885	1.47¢	10 456
1991	4 695	3 886	17.2	61.8	13 193	7 451	20 644	2 144	22 788	1.49	10 503
1990	4 685	3 778	19.4	63.3	15 579	5 262	20 841	964	21 805	1.52	10 417
1989	4 536	3 866	14.8	65.2	14 968	6 570	21 538	1 268	22 806	1.49	10 506
1988	4 468(d)	4 067	9.0	59.8	15 756	4 480	20 236	1 359	21 595	1.59	10 517
1982	4 699	3 090	34.2	65.3	15 576	1 650	17 226	766	17 992	1.83	10 475

Investment (millions of dollars)

Year	Utility Plant In Service	Accumulated Depreciation & Amortization	Net Plant	Construction Work In Progress & Perry Unit 2	Nuclear Fuel and Other	Total Property, Plant and Equipment	Utility Plant Additions	Total Assets
1992	$6 602	1 728	4 874	501	261	$5 636	$156	$8 123
1991	6 196	1 565	4 631	545	305	5 481	150	7 942
1990	6 032	1 398	4 634	572	344	5 550	165	7 821
1989	5 869	1 259	4 610	603	354	5 567	144	7 546
1988	5 705	1 082	4 623	639	381	5 643	211	7 332
1982	2 725	680	2 045	1 286	158(e)	3 489	422	3 974

Capitalization (millions of dollars & %)

Year	Common Stock Equity		Preferred & Preference Stock, with Mandatory Redemption Provisions		Preferred Stock, without Mandatory Redemption Provisions		Long-Term Debt		Total
1992	$1 865	39%	314	6%	144	3%	2 515	52%	$4 838
1991	1 898	38	268	5	217	4	2 683	53	5 066
1990	1 884	38	171	3	217	4	2 632	55	4 904
1989	1 828	40	212	4	217	5	2 336	51	4 593
1988	1 780	40	233	5	217	5	2 260	50	4 490
1982	1 227	40	322	10	95	3	1 442	47	3 086

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

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

Report of Independent Public Accountants

To the Share Owners of
The Toledo Edison Company:

We have audited the accompanying balance sheet and statement of preferred stock of The Toledo Edison Company (a wholly owned subsidiary of Centerior Energy Corporation) as of December 31, 1992 and 1991, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1992. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Toledo Edison Company as of December 31, 1992 and 1991, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

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

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

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

Arthur Andersen & Co.

Cleveland, Ohio
February 12, 1993

Summary of Significant Accounting Policies

GENERAL

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

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

RELATED PARTY TRANSACTIONS

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

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

Centerior Service Company (Service Company), the third wholly owned subsidiary of Centerior Energy, provides management, financial, administrative, engineering, legal and other services at cost to the Company and other affiliated companies. The Service Company billed the Company $60 million, $61 million and $49 million in 1992, 1991 and 1990, respectively, for such services.

REVENUES

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

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

FUEL EXPENSE

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

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

DEFERRED CARRYING CHARGES AND OPERATING EXPENSES

As discussed in Note 6, the January 1989 PUCO rate order for the Company included an approved rate phase-in plan for its investments in Perry Nuclear Power Plant Unit 1 (Perry Unit 1) and Beaver Valley Power Station Unit 2 (Beaver Valley Unit 2). The plan called for the Company to begin deferring in January 1989 operating expenses and both interest and equity carrying charges on deferred rate-based investment. These deferrals, called phase-in deferrals, will be amortized and recovered by December 31, 1998. Previously, the PUCO authorized the Company to defer operating expenses and carrying charges for Perry Unit 1 and Beaver Valley Unit 2 from their respective in-service dates in 1987 through December 1988. The amortization and recovery of these deferrals, called pre-phase-in deferrals, also began in January 1989 and will continue over the lives of the related property.

Beginning in January 1992, the Company deferred charges for depreciation, property taxes and interest carrying charges related to plant placed in service after February 29, 1988 and not yet included in rate base. The PUCO authorized these deferrals in October 1992 under a Rate Stabilization Program. Similar deferrals may be recorded through December 31, 1995. Amortization and recovery of these deferrals will occur over the average life of the assets and will commence with future rate recognition. See Notes 6 and 13. The Company is also deferring operating expenses equivalent to an accumulated excess rent reserve for Beaver Valley Unit 2 over a 39-month period commencing October 1, 1992. Amortization and recovery of this deferral will occur over the unit's remaining lease term beginning in 1996. See Note 6.

DEPRECIATION AND AMORTIZATION

The cost of property, plant and equipment is depreciated over their estimated useful lives on a straight line basis. The annual straight-line depreciation provision for nonnuclear property expressed as a percent of average depreciable utility plant in service was 3.6% in 1992, 3.4% in 1991 and 3.3% in 1990. Effective January 1, 1991, the Company, after obtaining PUCO approval, changed its method of accounting for nuclear plant depreciation from the units-of-production method to the straight-line method at about a 3% rate. This change decreased 1991 depreciation expense $14 million and increased 1991 net income $11 million (net of $3 million of income taxes) from what they otherwise would have been. The PUCO subsequently approved in 1991 a change to lower the 3% rate to 2.5% retroactive to January 1, 1991. See Note 13.

The Company uses external funding of future decommissioning costs for its operating nuclear units pursuant to a PUCO order. Cash contributions are made to the trust funds on a straight-line basis over the remaining licensing period for each unit. The current level of expense being funded and recovered from customers over the remaining licensing periods of the units is approximately $4 million annually. Amounts currently in rates are based on past estimates of decommissioning costs of $59 million in 1986 dollars for the Davis-Besse Nuclear Power Station (Davis-Besse) and $28 million in 1987 dollars each for Perry Unit 1 and Beaver Valley Unit 2. Actual decommissioning costs are expected to significantly exceed these estimates. We expect to complete our assessment of these estimates in 1993 to update the decommissioning cost amounts and to continue to satisfy the external funding requirements. It is expected that increases in the cost estimates will be recoverable in future rates. The present funding requirements for Beaver Valley Unit 2 also satisfy a similar commitment made as part of the sale and leaseback transaction discussed in Note 2. In the Balance Sheet at December 31, 1992, Accumulated Depreciation and Amortization included $26 million for the cumulative total of decommissioning costs previously expensed and the earnings on the external funding. This amount exceeds the Balance Sheet amount of the external Nuclear Plant Decommissioning Trusts because the reserve began prior to the external trust funding.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at original cost less any amounts ordered by the PUCO to be written off. Construction costs include related payroll taxes, pensions, fringe benefits, management and general overheads and allowance for funds used during construction (AFUDC). AFUDC represents the estimated composite debt and equity cost of funds used to finance construction. This noncash allowance is credited to income, except for certain AFUDC for Perry Nuclear Power Plant Unit 2 (Perry Unit 2). See Note 3(c). The AFUDC rate was 10.96% in both 1992 and 1991 and 11.17% in 1990.

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

DEFERRED GAIN AND LOSS FROM SALES OF UTILITY PLANT

The sale and leaseback transactions discussed in Note 2 resulted in a net gain for the sale of the Bruce Mansfield Generating Plant (Mansfield Plant) and a net loss for the sale of Beaver Valley Unit 2. The net gain and net loss were deferred and are being amortized over the terms of leases. These amortizations and the lease expense amounts are recorded as other operation and maintenance expenses. See Note 6.

INTEREST CHARGES

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

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

FEDERAL INCOME TAXES

The Financial Accounting Standards Board (FASB) issued a new standard for accounting for income taxes (SFAS 109) in February 1992. We adopted the new standard in 1992. The new standard amends certain provisions of SFAS 96 previously adopted in 1988. Adoption of the new standard in 1992 did not materially affect our results of operations, but did affect certain Balance Sheet accounts. See Note 7.

The financial statements reflect the liability method of accounting for income taxes. This method requires that deferred taxes be recorded for all temporary differences between the book and tax bases of assets and liabilities. The majority of these temporary differences are attributable to property-related basis differences. Included in these basis differences is the equity component of AFUDC, which will increase future tax expense when it is recovered through rates. Since this component is not recognized for tax purposes, we must record a liability for our tax obligation. The PUCO permits recovery of such taxes from customers when they become payable. Therefore, the net amount due from customers through rates has been recorded as a regulatory asset in deferred charges and will be recovered over the lives of the related assets.

Investment tax credits are deferred and amortized over the estimated lives of the applicable property as a reduction of depreciation expense. See Note 6 for a discussion of the amortization of certain unrestricted excess deferred taxes and unrestricted investment tax credits available after 1998 under the Rate Stabilization Program.

RECLASSIFICATIONS

Certain reclassifications were made to prior years financial statements to make them comparable with the 1992 financial statements. A reserve for Perry Unit 2 AFUDC, which was previously reported under Deferred Credits in the Balance Sheet, was reclassified as an offset against the Perry Unit 2 asset balance. See Note 3(c).

Management's Financial Analysis

RESULTS OF OPERATIONS

Overview

In recent years, our efforts to add our substantial nuclear investment to rate base while maintaining a competitive rate structure have resulted in a series of agreements with the major intervenors in our rate cases. One agreement was approved by the PUCO in January 1989 and is described more fully in Note 6. It established our rate phase-in plan to recognize in rates our allowed investment in Perry Unit 1 and Beaver Valley Unit 2. The phase-in plan increased revenues and cash flows but was designed to have a relatively neutral impact on earnings. Gains in revenues were to be initially offset by a reduction in the deferral of operating expenses and carrying charges and subsequently offset by the amortization of such deferrals. A key assumption underlying the phase-in plan was that revenues would increase as a result of projected sales growth. When sales decreased primarily because of a sluggish economy, earnings were adversely affected.

A number of other factors also exerted a negative influence on earnings. These factors included the recording of nuclear plant depreciation at levels in excess of that reflected in rates, the recording of depreciation and interest charges on facilities placed in service after February 1988 as current expenses even though such items were not being recovered in rates and the effect of inflation on expenses. Also, the need to meet competitive forces, coupled with a desire to encourage economic growth in our service area, prompted us to reduce rates for various communities and certain industrial and commercial customers.

We determined that the best solution to address these factors was to delay rate increases and implement cost-reduction and revenue-enhancement strategies. Furthermore, we sought PUCO approval of regulatory accounting measures designed to recognize the effects of a delay in rate recovery of certain costs and provide a better match of current revenues and operating expenses. In 1991, we obtained PUCO approval to change the method and rate of accruing nuclear plant depreciation. In October 1992, the PUCO approved a Rate Stabilization Program, which was supported by certain customer representative groups, as discussed in Note 6. Under the terms of the Rate Stabilization Program, we agreed to freeze base rates until 1996 and to limit rate increases through 1998. In exchange, we are permitted to defer and subsequently recover certain costs not currently recovered in rates and to accelerate amortization of certain benefits. However, our ability to utilize these regulatory accounting measures is dependent upon our taking significant actions to reduce costs and increase revenues. It is also dependent upon an ongoing determination that recovery of the deferred costs in rates is probable.

We face further challenges in the years to come. In 1994, expense deferrals provided in the 1989 agreement will cease. The amortization of the deferrals taken from 1989 through 1993 will also begin and continue through 1998. The amortization schedule provides for $4 million in 1994, increasing to $101 million in 1998. In addition, we are still confronted with competitive threats from municipal electric systems within our service territory and from cities contemplating creation of their own electric systems. Although the rate of inflation has eased in recent years, we are still affected by even modest inflation which causes increases in the unit cost of labor, materials and services.

To combat the forces described above, we have embarked on the following course. Reductions in other operation and maintenance expenses and capital expenditures were implemented in 1991 and 1992 and will be vigorously pursued in 1993 and beyond. We will further reduce staffing levels and look to improve efficiency of operations wherever possible. We are aggressively attempting to increase revenues by seeking additional long-term power sales agreements with wholesale customers and by exploring various corporate asset transactions. The Energy Policy Act of 1992 (Energy Act), which requires utilities to transmit electricity from wholesale suppliers to wholesale customers, will provide new opportunities for us to make wholesale power transactions. To counter municipal electric system initiatives, we have continued programs that demonstrate the value inherent in our service, beyond what one might expect from a municipal system. Such programs include providing services to communities to help them retain and attract businesses, providing consulting services to customers to improve their energy efficiency and developing demand-side management programs.

Increases in sales are expected to be modest with annual sales growth projected at about 1-2% for the next several years, depending upon the economic climate in our service area. Recognizing the fact that costs can be reduced only so far and the limitations imposed by our sales forecasts and competition in the wholesale power market, rate increases will be necessary eventually to recognize the cost of our new capital investment, including that being deferred under the Rate Stabilization Program, and inflation.

We believe that our Rate Stabilization Program and our strategies to reduce costs and increase revenues give us the opportunity to improve our competitive position and our earnings. Nevertheless, we operate in a changing industry and market. We must monitor the impact of these changes on our strategy and the continued appropriateness of the

regulatory accounting provided by our various agreements.

1992 vs. 1991

Factors contributing to the 4.8% decrease in 1992 operating revenues are as follows:

Increase (Decrease) in Operating Revenues	*Millions of Dollars*
Sales Volume and Mix	$(29)
Base Rates and Miscellaneous	(24)
Wholesale Sales	11
	$(42)

The revenue decreases resulted primarily from the different weather conditions in both years and the changes in the composition of the sales mix among customer categories. Weather accounted for approximately $22 million of the lower 1992 revenues. Winter and spring in 1992 were milder than in 1991. In addition, the 1992 summer was the coolest in 56 years in Northwestern Ohio as contrasted with the summer of 1991 which was much hotter than normal. Total kilowatt-hour sales increased 0.2% in 1992. Residential and commercial sales decreased 4.9% and 3.8%, respectively, as moderate temperatures in 1992 reduced electric heating and cooling demands. Industrial sales increased 0.6% as increased sales to glass and metal manufacturers and to the broad-based, smaller industrial customer group offset lower sales to petroleum refining and auto manufacturing customers. Other sales increased 5.2% because of increased sales to wholesale customers. Operating revenues in 1991 included the recognition of $24 million of deferred revenues over the period of a refund to customers under a provision of the January 1989 rate order. No such revenues were reflected in 1992 as the refund period ended in December 1991.

Operating expenses decreased 4.4% in 1992. A reduction of $14 million in other operation and maintenance expenses resulted primarily from cost-cutting measures. Lower fuel and purchased power expense resulted from less amortization of previously deferred fuel costs than the amount amortized in 1991. These decreases were partially offset by higher depreciation and amortization, caused primarily by the adoption of SFAS 109 in 1992, and by higher taxes, other than federal income taxes, caused by increased Ohio property taxes. Deferred operating expenses increased as a result of the deferrals under the Rate Stabilization Program as mentioned in Note 6.

The federal income tax provision for nonoperating income decreased because of a greater tax allocation of interest charges to nonoperating activities. Credits for carrying charges recorded in nonoperating income increased primarily because of Rate Stabilization Program carrying charge credits. Interest charges decreased as a result of debt refinancings at lower interest rates and lower short-term borrowing requirements.

1991 vs. 1990

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

Increase (Decrease) in Operating Revenues	*Millions of Dollars*
Base Rates and Miscellaneous	$20
Sales Volume and Mix	7
Wholesale Sales	(3)
	$24

A significant factor accounting for the increase in operating revenues resulted from the January 1989 PUCO rate order for the Company as discussed in Note 6. Total kilowatt-hour sales increased 3.3% in 1991. Residential and commercial sales increased 4.6% and 4.3%, respectively, as a result of higher usage of cooling equipment in response to the unusually warm late spring and summer 1991 temperatures. The commercial sales increase was also influenced by some improvement in the economy for the commercial sector. Industrial sales declined 2% largely because of the recession-driven slump in the auto, glass and metal industries. Other sales increased 8.5% because of increased sales to wholesale customers.

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

Credits for carrying charges recorded in nonoperating income decreased in 1991 because a greater share of our investments and leasehold interests in Perry Unit 1 and Beaver Valley Unit 2 were recovered in rates. The federal income tax provision for nonoperating income increased mainly because the 1990 provision was reduced $19 million for unamortized investment tax credits on the 1988 write-off of nuclear plant investment.

Income Statement

	1992	1991	1990
		(millions of dollars)	
Operating Revenues(1)	$845	$887	$863
Operating Expenses			
Fuel and purchased power	169	178	174
Other operation and maintenance	342	356	373
Total operation and maintenance	511	534	547
Depreciation and amortization	77	72	73
Taxes, other than federal income taxes	91	89	79
Deferred operating expenses, net	(17)	1	(10)
Federal income taxes	33	32	21
	695	728	710
Operating Income	150	159	153
Nonoperating Income			
Allowance for equity funds used during construction	1	1	3
Other income and deductions, net	1	5	5
Deferred carrying charges	41	22	43
Federal income taxes — credit (expense)	(1)	(6)	9
	42	22	60
Income Before Interest Charges	192	181	213
Interest Charges			
Debt interest	122	132	135
Allowance for borrowed funds used during construction	(1)	(1)	(3)
	121	131	132
Net Income	71	50	81
Preferred Dividend Requirements	24	25	25
Earnings Available for Common Stock	$ 47	$ 25	$ 56

For the years ended December 31.

(1) Includes revenues from all bulk power sales to Cleveland Electric of $130 million, $128 million and $112 million in 1992, 1991 and 1990, respectively.

Retained Earnings

For the years ended December 31.

	1992	1991	1990
		(millions of dollars)	
Balance at Beginning of Year	$ 90	$ 83	$100
Additions			
Net income	71	50	81
Deductions			
Dividends declared:			
Common stock	—	(18)	(73)
Preferred stock	(24)	(25)	(25)
Net Increase (Decrease)	47	7	(17)
Balance at End of Year	$137	$ 90	$ 83

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

Management's Financial Analysis

CAPITAL RESOURCES AND LIQUIDITY

We need cash for normal corporate operations, the mandatory retirement of securities and an ongoing program of constructing new facilities and modifying existing facilities. The construction program is needed to meet anticipated demand for electric service, comply with governmental regulations and protect the environment. Over the three-year period of 1990-1992, these construction and mandatory retirement needs totaled approximately $530 million. In addition, we exercised various options to redeem and purchase approximately $520 million of our securities.

We raised $784 million through security issues and term bank loans during the 1990-1992 period as shown in the Cash Flows statement. During the three-year period, the Company also utilized its short-term borrowing arrangements (explained in Note 11) to help meet its cash needs. The Company had $40 million of short-term borrowings outstanding at December 31, 1992.

Estimated cash requirements for 1993-1995 for the Company are $203 million for its construction program and $154 million for the mandatory redemption of debt and preferred stock. The Company expects to finance externally about 10% of its total 1993 cash requirements of approximately $118 million. About 40-50% of the Company's 1994 and 1995 requirements are expected to be financed externally. If economical, additional securities may be redeemed under optional redemption provisions. See Notes 10(c) and (d) for information concerning limitations on the issuance of preferred stock and debt.

Our capital requirements after 1995 will depend on our implementation strategy to achieve compliance with the Clean Air Act Amendments of 1990 (Clean Air Act). Expenditures for our optimal plan are estimated to be approximately $36 million over the 1993-2002 period. See Note 3(b).

The Company is aware of its potential involvement in the cleanup of two hazardous waste sites. However, we believe that the ultimate outcome of these matters will not have a material adverse effect on our liquidity. See Note 3(d).

We expect to be able to raise cash as needed. The availability and cost of capital to meet our external financing needs, however, depends upon such factors as financial market conditions and our credit ratings. Apparently, the market perceives the Company as having a greater risk than its credit ratings would indicate. Therefore, in 1992, the Company had to offer interest rates on certain of its new debt securities which were significantly higher than those that would be expected for securities having the credit ratings of the Company. Current securities ratings for the Company are as follows:

	Standard & Poor's Corporation	*Moody's Investors Service*
First mortgage bonds	BBB–	Baa3
Unsecured notes	BB+	Ba1
Preferred stock	BB+	ba2

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

Cash Flows

THE TOLEDO EDISON COMPANY

	For the years ended December 31,		
	1992	1991	1990
	(millions of dollars)		
Cash Flows from Operating Activities (1)			
Net Income	$ 71	$ 50	$ 81
Adjustments to Reconcile Net Income to Cash from Operating Activities:			
Depreciation and amortization	77	72	73
Deferred federal income taxes	28	32	31
Investment tax credits, net	(5)	30	(17)
Deferred and unbilled revenues	1	(26)	(23)
Deferred fuel	(4)	4	—
Deferred carrying charges	(41)	(22)	(43)
Leased nuclear fuel amortization	56	54	37
Deferred operating expenses, net	(17)	1	(10)
Allowance for equity funds used during construction	(1)	(1)	(3)
Pension settlement gain	—	—	(6)
Changes in amounts due from customers and others, net	—	3	(9)
Changes in inventories	(9)	(7)	(7)
Changes in accounts payable	(8)	(13)	7
Changes in working capital affecting operations	7	(26)	1
Other noncash items	13	14	15
Total Adjustments	97	115	46
Net Cash from Operating Activities	168	165	127
Cash Flows from Financing Activities (2)			
Bank loans, commercial paper and other short-term debt	40	(23)	23
Notes payable to affiliates	(30)	14	16
Debt issues:			
First mortgage bonds	276	—	67
Secured medium-term notes	48	135	—
Term bank loans and other long-term debt	135	108	15
Maturities, redemptions and sinking funds	(531)	(179)	(183)
Nuclear fuel lease obligations	(52)	(52)	(43)
Dividends paid	(24)	(43)	(98)
Premiums, discounts and expenses	(8)	(1)	(2)
Net Cash from Financing Activities	(146)	(41)	(205)
Cash Flows from Investing Activities (2)			
Cash applied to construction	(48)	(51)	(81)
Interest capitalized as allowance for borrowed funds used during construction	(1)	(1)	(3)
Loans to affiliates	12	(12)	114
Sale and leaseback restructuring fees	(43)	—	—
Other cash applied	(5)	(3)	(4)
Net Cash from Investing Activities	(85)	(67)	26
Net Change in Cash and Temporary Cash Investments	(63)	57	(52)
Cash and Temporary Cash Investments at Beginning of Year	79	22	74
Cash and Temporary Cash Investments at End of Year	$ 16	$ 79	$ 22

(1) Interest paid (net of amounts capitalized) was $95 million, $120 million and $114 million in 1992, 1991 and 1990, respectively. Income taxes paid were $3 million, $9 million and $2 million in 1992, 1991 and 1990, respectively.

(2) Increases in Nuclear Fuel and Nuclear Fuel Lease Obligations in the Balance Sheet resulting from the noncash capitalizations under nuclear fuel agreements are excluded from this statement.

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

Balance Sheet

	December 31, 1992	December 31, 1991
	(millions of dollars)	
ASSETS		
Property, Plant and Equipment		
Utility plant in service	$2,847	$2,692
Less: accumulated depreciation and amortization	760	709
	2,087	1,983
Construction work in progress	37	54
Perry Unit 2	243	254
	2,367	2,291
Nuclear fuel, net of amortization	161	195
Other property, less accumulated depreciation	3	3
	2,531	2,489
Current Assets		
Cash and temporary cash investments	16	79
Amounts due from customers and others, net	60	60
Accounts receivable from affiliates	23	22
Notes receivable from affiliates	—	12
Unbilled revenues	21	22
Materials and supplies, at average cost	40	37
Fossil fuel inventory, at average cost	25	19
Taxes applicable to succeeding years	71	66
Other	2	3
	258	320
Deferred Charges and Other Assets		
Amounts due from customers for future federal income taxes	391	472
Unamortized loss from Beaver Valley Unit 2 sale	110	114
Unamortized loss on reacquired debt	37	26
Carrying charges and operating expenses, phase-in	226	193
Carrying charges and operating expenses, other	274	244
Nuclear plant decommissioning trusts	20	15
Other	92	53
	1,150	1,117
Total Assets	$3,939	$3,926

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

	December 31, 1992	December 31, 1991
	(millions of dollars)	
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shares, $5 par value: 60.0 million authorized; 39.1 million outstanding in 1992 and 1991	$ 196	$ 196
Premium on capital stock	481	481
Other paid-in capital	121	121
Retained earnings	137	90
Common stock equity	935	888
Preferred stock		
With mandatory redemption provisions	50	64
Without mandatory redemption provisions	210	210
Long-term debt	1,178	1,158
	2,373	2,320
Other Noncurrent Liabilities		
Nuclear fuel lease obligations	126	143
Other	62	50
	188	193
Current Liabilities		
Current portion of long-term debt and preferred stock	58	123
Current portion of nuclear fuel lease obligations	51	64
Notes payable to banks and others	40	—
Accounts payable	47	55
Accounts and notes payable to affiliates	16	40
Accrued taxes	78	68
Accrued interest	28	31
Other	14	16
	332	397
Deferred Credits		
Unamortized investment tax credits	103	108
Accumulated deferred federal income taxes	640	577
Unamortized gain from Bruce Mansfield Plant sale	218	227
Accumulated deferred rents for Bruce Mansfield Plant and Beaver Valley Unit 2	46	67
Other	39	37
	1,046	1,016
Total Capitalization and Liabilities	$3,939	$3,926

Statement of Preferred Stock

		1992 Shares Outstanding	Current Call Price Per Share	December 31, 1992	December 31, 1991
				(millions of dollars)	
$100 par value, 3,000,000 preferred shares authorized and $25 par value, 12,000,000 preferred shares authorized					
Subject to mandatory redemption:					
$100 par	$11.00	—	$ —	$ —	$ 3
	9.375	116,800	102.96	12	13
25 par	2.81	2,000,000	26.25	50	50
				62	66
Less: Current maturities				12	2
Total Preferred Stock, with Mandatory Redemption Provisions				$ 50	$ 64
Not subject to mandatory redemption:					
$100 par	$ 4.25	160,000	104.625	$ 16	$ 16
	4.56	50,000	101.00	5	5
	4.25	100,000	102.00	10	10
	8.32	100,000	102.46	10	10
	7.76	150,000	102.437	15	15
	7.80	150,000	101.65	15	15
	10.00	190,000	101.00	19	19
25 par	2.21	1,000,000	25.25	25	25
	2.365	1,400,000	27.75	35	35
	Series A Adjustable	1,200,000	25.75	30	30
	Series B Adjustable	1,200,000	25.75	30	30
Total Preferred Stock, without Mandatory Redemption Provisions				$210	$210

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

Notes to the Financial Statements

(1) *PROPERTY OWNED WITH OTHER UTILITIES AND INVESTORS*

The Company owns, as a tenant in common with other utilities and those investors who are owner-participants in various sale and leaseback transactions (Lessors), certain generating units as listed below. Each owner owns an undivided share in the entire unit. Each owner has the right to a percentage of the generating capability of each unit equal to its ownership share. Each utility owner is obligated to pay for only its respective share of the construction and operating costs. Each Lessor has leased its capacity rights to a utility which is obligated to pay for such Lessor's share of the construction and operating costs. The Company's share of the operating costs of these generating units is included in the Income Statement. Property, plant and equipment at December 31, 1992 includes the following facilities owned by the Company as a tenant in common with other utilities and Lessors:

Generating Unit	In-Service Date	Ownership Share	Ownership Megawatts	Power Source	Plant in Service	Construction Work in Progress and Suspended	Accumulated Depreciation
					(millions of dollars)		
In Service:							
Davis-Besse	1977	48.62%	429	Nuclear	$ 672	$ 8	$151
Perry Unit 1 and Common Facilities	1987	19.91	238	Nuclear	1,042	2	158
Beaver Valley Unit 2 and Common Facilities (Note 2)	1987	1.65	13	Nuclear	203	3	30
Construction Suspended:							
Perry Unit 2 (Note 3(c))	Uncertain	19.91	240	Nuclear	—	243	—
					$1,917	$256	$339

(2) *UTILITY PLANT SALE AND LEASEBACK TRANSACTIONS*

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

Under these leases, the Company and Cleveland Electric are responsible for paying all taxes, insurance premiums, operation and maintenance costs and all other similar costs for their interests in the units sold and leased back. The Company and Cleveland Electric may incur additional costs in connection with capital improvements to the units. The Company and Cleveland Electric have options to buy the interests back at the end of the leases for the fair market value at that time or to renew the leases. Additional lease provisions provide other purchase options along with conditions for mandatory termination of the leases (and possible repurchase of the leasehold interests) for events of default. These events include noncompliance with several financial covenants discussed in Note 10(d).

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

In April 1992, nearly all of the outstanding Secured Lease Obligation Bonds (SLOBs) issued by a special purpose corporation in connection with financing the sale and leaseback of Beaver Valley Unit 2 were refinanced through a tender offer for the outstanding SLOBs and the sale by another special purpose corporation of new bonds having a lower interest rate. As part of the refinancing transaction, the Company paid $43 million as supplemental rent to fund transaction expenses and part of the tender premium. This amount has been deferred and is being amortized over the remaining lease term. The refinancing transaction reduced the straight-line annual rental expense for the Beaver Valley Unit 2 lease by $9 million.

Future minimum lease payments under the operating leases at December 31, 1992 are summarized as follows:

Year	For the Company	For Cleveland Electric
	(millions of dollars)	
1993	$ 103	$ 63
1994	103	63
1995	102	63
1996	125	63
1997	102	63
Later Years	2,123	1,453
Total Future Minimum Lease Payments	$2,658	$1,768

Rental expense is accrued on a straight-line basis over the terms of the leases. The amount recorded in 1992, 1991 and 1990 as annual rental expense for the Mansfield Plant leases was $45 million. The amounts recorded in 1992 and both 1991 and 1990 as annual rental expense for the Beaver Valley Unit 2 lease were $66 million and $72 million, respectively. Amounts charged to expense in excess of the lease payments are classified as Accumulated Deferred Rents in the Balance Sheet.

The Company is selling 150 megawatts of its Beaver Valley Unit 2 leased capacity entitlement to Cleveland Electric. We anticipate that this sale will continue at least until 1998. Revenues recorded for this transaction were $108 million, $107 million and $103 million in 1992, 1991 and 1990, respectively. The future minimum lease payments associated with Beaver Valley Unit 2 aggregate $1.533 billion.

(3) CONSTRUCTION AND CONTINGENCIES

(a) CONSTRUCTION PROGRAM

The estimated cost of the Company's construction program for the 1993-1995 period is $213 million, including AFUDC of $10 million and excluding nuclear fuel.

(b) CLEAN AIR LEGISLATION

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

Centerior Energy developed a compliance strategy for the Company and Cleveland Electric which was submitted to the PUCO in 1992 for review. Centerior Energy subsequently reached agreement with intervening parties and is awaiting formal PUCO approval. Centerior Energy also is seeking United States Environmental Protection Agency approval of the Phase 1 plans. The compliance plan which results in the least cost and the greatest flexibility provides for compliance with both phases through at least 2005. The plan calls for greater use of low-sulfur coal at some of our units and the banking of emission allowances. The plan would require capital expenditures for the Company over the 1993-2002 period of approximately $36 million for nitrogen oxide control equipment, emission monitoring equipment and plant modifications. In addition, higher fuel and other operation and maintenance expenses would be incurred. The anticipated rate increase associated with the Company's capital expenditures and higher expenses would be less than 2% over the ten-year period.

Our compliance plan will depend upon future environmental regulations and input from the PUCO, other regulatory bodies and other concerned entities. In addition, we are continuing to monitor developments in new technologies that may be incorporated into our compliance strategy. If a plan other than the least cost plan is required, significantly higher capital expenditures could be required during the 1993-2002 period. We believe Ohio law permits the recovery of compliance costs from customers in rates.

(c) PERRY UNIT 2

Perry Unit 2, including its share of the common facilities, is approximately 50% complete. Construction of Perry Unit 2 was suspended in 1985 pending future consideration of various options. These options include resumption of full construction with a revised estimated cost, conversion to a nonnuclear design, sale of all or part of our ownership share, or cancellation. No option may be implemented without the unanimous approval of the owners. A request by Cleveland Electric, the company responsible for the construction of Perry Unit 2, for an extension of the construction license is pending with the Nuclear Regulatory Commission (NRC).

The license extension request does not indicate any plans to resume construction of Perry Unit 2. It was made to keep the various options open.

If Perry Unit 2 were canceled, the net-of-tax investment would have to be written off. Such a write-off (based on the Company's investment as of the end of 1992) would be about $171 million. Notes 10(b) and (d) discuss more about the effects of a write-off.

If a decision were made to convert Perry Unit 2 to a nonnuclear design, we would expect to write off a portion of our investment for nuclear plant construction costs not transferable to the nonnuclear construction project.

Perry Unit 2 AFUDC was credited to a deferred income account from July 1985 until January 1, 1988, when the accrual was discontinued. The total deferred AFUDC amount of $88 million is reflected in the Balance Sheet as a reduction in the Perry Unit 2 investment.

(d) SUPERFUND SITES

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

(4) *NUCLEAR OPERATIONS AND CONTINGENCIES*

(a) OPERATING NUCLEAR UNITS

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

(b) NUCLEAR INSURANCE

The Price-Anderson Act limits the liability of the owners of a nuclear power plant to the amount provided by private insurance and an industry assessment plan. In the event of a nuclear incident at any unit in the United States resulting in losses in excess of the level of private insurance (currently $200 million), the Company's maximum potential assessment under that plan would be $59 million (plus any inflation adjustment) per incident. The assessment is limited to $9 million per year for each nuclear incident. These assessment limits assume the other CAPCO companies contribute their proportionate share of any assessment.

The CAPCO companies have insurance coverage for damage to property at the Davis-Besse, Perry and Beaver Valley sites (including leased fuel and clean-up costs). Coverage amounted to $2.625 billion for each site as of January 1, 1993. Damage to property could exceed the insurance coverage by a substantial amount. If it does, the Company's share of such excess amount could have a material adverse effect on its financial condition and results of operations.

The Company also has extra expense insurance coverage. It includes the incremental cost of any replacement power purchased (over the costs which would have been incurred had the units been operating) and other incidental expenses after the occurrence of certain types of accidents at our nuclear units. The amounts of the coverage are 100% of the estimated extra expense per week during the 52-week period starting 21 weeks after an accident and 67% of such estimate per week for the next 104 weeks. The amount and duration of extra expense could substantially exceed the insurance coverage.

(c) NUCLEAR DECONTAMINATION AND DECOMMISSIONING ASSESSMENT

The Energy Act permits special assessments on investor-owned electric utilities which own nuclear generating plants for the decontamination and decommissioning of nuclear enrichment facilities operated by the Department of Energy. The assessments to individual utilities are based upon the amount of enrichment services used in prior years and cannot be imposed for more than 15 years. At December 31, 1992, the Company accrued a liability of $15 million for its share of the total assessments. These costs are recorded as deferred charges since, based on the legislation, the Company believes the PUCO will allow the recovery of the assessments through the Company's fuel cost factors.

(5) *NUCLEAR FUEL*

The Company has inventories for nuclear fuel which should provide an adequate supply into the mid-1990s. Substantial additional nuclear fuel must be obtained to supply fuel for the remaining useful lives of its nuclear generating units.

Nuclear fuel is financed for the Company and Cleveland Electric through leases with a special-purpose corporation. The total amount of financing currently available under these lease arrangements is $509 million ($309 million from intermediate-term notes and $200 million from bank credit arrangements). Financing in an amount up to $900 million is permitted. The intermediate-term notes mature in the period 1993-1997, with $77 million maturing in September 1993. The bank credit arrangements terminate in October 1993 at which time the corporation will obtain alternate financing. As of December 31, 1992, $179 million of nuclear fuel was financed for the Company. The Company and Cleveland Electric severally lease their respective portions of the nuclear fuel and are obligated to pay for the fuel as it is consumed in a reactor. The lease rates are based on various inter-

mediate-term note rates, bank rates and commercial paper rates.

The amounts financed include nuclear fuel in the Davis-Besse, Perry Unit 1 and Beaver Valley Unit 2 reactors with remaining lease payments for the Company of $42 million, $39 million and $18 million, respectively, as of December 31, 1992. The nuclear fuel amounts financed and capitalized also included interest charges incurred by the lessors amounting to $6 million in 1992, $9 million in 1991 and $14 million in 1990. The estimated future lease amortization payments based on projected consumption are $45 million in 1993, $47 million in 1994, $43 million in 1995, $40 million in 1996 and $37 million in 1997.

(6) *REGULATORY MATTERS*

On January 31, 1989, the PUCO issued a rate order which provided for three annual rate increases for the Company of approximately 9%, 7% and 6% effective with bills rendered on and after February 1, 1989, 1990 and 1991, respectively. The 6% increase effective February 1, 1991 was reduced to 2.74% as 50% of the savings identified by a management audit were used to reduce the rate increase. The Company waived its 2.74% rate increase for residential and small commercial customers and reduced its residential rate by 3% effective in March 1991 and by an additional 1% effective in September 1991 to improve its competitive position in its service area. The resulting annualized revenue increases in 1990 and 1991 associated with the rate order were $44 million and $2 million, respectively. The increase in 1991 reflects the net of $19 million of annualized revenues authorized for the 2.74% increase less $17 million for the waiver and rate reductions.

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

The Company deferred $33 million, $28 million and $60 million in 1992, 1991 and 1990, respectively, of operating expenses and carrying charges pursuant to the phase-in plan. The amount of deferrals scheduled to be recorded in 1993 total $15 million. Beginning in the sixth year (1994) and continuing through the tenth year, the revenue levels authorized pursuant to the phase-in plan were designed to be sufficient to recover that period's operating expenses, a fair return on the unrecovered investments, and the amortization of the deferred operating expenses and carrying charges recorded during the first five years of the plan. The phase-in deferrals relating to these two units will total $241 million after 1993 which reflects an $11 million reduction of deferrals for 1990 and 1991 pursuant to the plan. The deferrals are scheduled to be amortized and recovered as follows: $4 million in 1994, $25 million in 1995, $48 million in 1996, $74 million in 1997 and $101 million in 1998; however, these amounts will be adjusted to reflect the $11 million reduction referred to in the preceding sentence. These amortizations can be accelerated at the option of the Company.

On October 22, 1992, the PUCO approved a Rate Stabilization Program as set forth in a joint recommendation filed by the Company, Cleveland Electric and certain customer representative groups involved in the 1989 rate case settlement. Under the Rate Stabilization Program, the Company agreed to freeze base rates until 1996 and limit subsequent rate increases to no more than $38 million in 1996, $28 million in 1997 and $23 million in 1998. For purposes of any rate increase proceeding in the 1996-1998 period, the Company agreed to cap operation and maintenance expenses (other than fuel and purchased power) at $784 million on a consolidated basis for Centerior Energy, subject to adjustment for inflation and other specified expenses. During the 1996-1998 period, PUCO approval of any base rate increases and any additional regulatory accounting measures would be dependent upon our success in implementing cost-reduction and revenue-enhancement initiatives. The Company agreed to seek authorization for acceleration of the post-1998 Mansfield Plant unamortized gain in any rate increase proceeding in the 1996-1998 period. See Summary of Significant Accounting Policies.

As part of the Rate Stabilization Program, the Company is allowed to defer and subsequently recover certain costs not currently recovered in rates and to accelerate amortization of certain benefits. Such regulatory accounting measures provide for rate stabilization by rescheduling the timing of rate recovery of certain costs and the amortization of certain benefits, thereby preventing what otherwise would be an erosion in earnings during the 1992-1995 period. The continued use of these regulatory accounting measures during this period will be dependent upon a continuing assessment and de-

termination that there will be probable recovery of such deferrals and carrying charges in future rates. The aggregate effect of these measures over this period could be as much as $179 million on an after-tax basis dependent upon the Company's success in implementing cost-reduction and other revenue-enhancement initiatives, among other factors. Such regulatory accounting measures which are eligible to be recorded through December 31, 1995 on an after-tax basis are as follows:

- Deferral of up to $100 million of accrued post-in-service interest carrying charges, depreciation expense and property taxes on assets placed in service after February 29, 1988. The deferrals recorded in 1992 were retroactive to January 1, 1992. Deferrals are based on actual capital expenditures relating to assets placed in service within the 1988-1995 period. Consequently, the deferrals will be lower than $100 million if the Company continues to reduce capital expenditures. Amortization and recovery of these deferrals will occur over the average life of the assets and will commence with future rate recognition.
- Deferral of up to $19 million of operating expenses equivalent to an accumulated excess rent reserve for Beaver Valley Unit 2 which resulted from the April 1992 refinancing of SLOBs as discussed in Note 2. The deferral commenced October 1, 1992. Amortization of this deferral will occur over the remaining term of the unit's lease beginning in 1996.
- Acceleration of the amortizations of an estimated $32 million in unrestricted excess deferred taxes and $16 million in unrestricted investment tax credits available after 1998. The amortizations commenced October 1, 1992. The amortization of investment tax credits is reported as a reduction of depreciation expense.
- Amortization of up to $12 million in interim spent fuel storage accrual balances for Davis-Besse. The amortization commenced October 1, 1992.

The Company is also allowed to defer and subsequently recover the incremental expenses associated with adoption of the accounting standard for postretirement benefits other than pensions. See Note 8(b).

The Rate Stabilization Program provides for PUCO regulatory approval of certain corporate transactions, including major asset sales, after an evaluation of the customer benefit of these transactions. The Rate Stabilization Program may be renegotiated under certain force majeure and other events.

Deferred Operating Expenses, Net, and Deferred Carrying Charges shown in the Income Statement consist of the following:

	1992	1991	1990
	(millions of dollars)		
Deferred Operating Expenses, Net:			
Phase-in	$ (6)	$ (6)	$(17)
Rate Stabilization	(18)	—	—
Amortization of Pre-Phase-in Deferrals	7	7	7
Total	$(17)	$ 1	$(10)
Deferred Carrying Charges:			
Phase-in:			
Debt	$ 10	$ 7	$ 21
Equity	17	15	22
Total Phase-in	27	22	43
Rate Stabilization (Debt)	14	—	—
Total	$ 41	$ 22	$ 43

(7) FEDERAL INCOME TAX

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

	1992	1991	1990
	(millions of dollars)		
Book Income Before Federal Income Tax	$105	$ 88	$ 93
Tax on Book Income at Statutory Rate	$ 36	$ 30	$ 32
Increase (Decrease) in Tax:			
Depreciation	(6)	3	(1)
Sale and leaseback transactions and amortization	5	5	7
Investment tax credits on disallowed nuclear plant	—	—	(19)
Rate Stabilization	(2)	—	—
Taxes, other than federal income taxes	—	(1)	(3)
Other items	1	1	(4)
Total Federal Income Tax Expense	$ 34	$ 38	$ 12

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

	1992	1991	1990
	(millions of dollars)		
Operating Expenses:			
Current Tax Provision	$ 26	$ 14	$ 17
Changes in Accumulated Deferred Federal Income Tax:			
Accelerated depreciation and amortization	7	9	2
Alternative minimum tax credit	(13)	(44)	(5)
Sale and leaseback transactions and amortization	4	13	5
Property tax expense	5	—	(4)
Rate Stabilization	2	—	—
Reacquired debt costs	4	7	(1)
Deferred construction work in progress revenues	—	8	9
Deferred fuel costs	1	(4)	(4)
Other items	(3)	2	1
Investment Tax Credits	—	27	1
Total Charged to Operating Expenses	33	32	21
Nonoperating Income:			
Current Tax Provision	(20)	(38)	(18)
Changes in Accumulated Deferred Federal Income Tax:			
Write-off of nuclear costs	7	—	(10)
Rate Stabilization	5	—	—
AFUDC and carrying charges	9	9	17
Net operating loss carryforward	—	35	—
Other items	—	—	2
Total Expense (Credit) to Nonoperating Income	1	6	(9)
Total Federal Income Tax Expense	$ 34	$ 38	$ 12

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

In 1990, adjustments for unamortized investment tax credits on the 1988 write-off of nuclear plant investment decreased the federal income tax provision for nonoperating income $19 million. Also in 1990, the resolution of a property tax deduction issue resulted in a reduction in federal income tax expense of $4 million.

The adoption of SFAS 109 in 1992 affected certain Balance Sheet accounts. The most significant impact was an increase in Utility Plant In Service and an offsetting increase in Accumulated Deferred Federal Income Taxes.

Under SFAS 109, temporary differences and carryforwards gave rise to deferred tax assets of $154 million and deferred tax liabilities of $794 million at December 31, 1992. These are summarized as follows:

	Millions of Dollars
Property, plant and equipment	$656
Deferred carrying charges and operating expenses	119
Net operating loss carryforwards	(56)
Investment tax credits	(58)
Other	(21)
Net deferred tax liability	$640

For tax purposes, net operating loss (NOL) carryforwards of approximately $165 million are available to reduce future taxable income and will expire in 2003 through 2005. The 34% tax effect of the NOLs is $56 million.

The Tax Reform Act of 1986 provides for an alternative minimum tax (AMT) credit to be used to reduce the regular tax to the AMT level should the regular tax exceed the AMT. AMT credits of $40 million are available to offset future regular tax. The credits may be carried forward indefinitely.

(8) *RETIREMENT AND POSTEMPLOYMENT BENEFITS*

(a) RETIREMENT INCOME PLAN

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

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

Net pension and VEROP costs for 1990 through 1992 were comprised of the following components:

	1992	1991	1990
	(millions of dollars)		
Pension Costs:			
Service cost for benefits earned during the period	$ 5	$ 5	$ 5
Interest cost on projected benefit obligation	11	11	11
Actual return on plan assets	(5)	(30)	2
Net amortization and deferral	(10)	15	(15)
Net pension costs	1	1	3
VEROP cost	—	—	7
Settlement gain	—	—	(5)
Net costs	$ 1	$ 1	$ 5

The following table presents a reconciliation of the funded status of the plan at December 31, 1992 and 1991.

	December 31, 1992	December 31, 1991
	(millions of dollars)	
Actuarial present value of benefit obligations:		
Vested benefits	$ 95	$ 92
Nonvested benefits	12	10
Accumulated benefit obligation	107	102
Effect of future compensation levels	35	34
Total projected benefit obligation	142	136
Plan assets at fair market value	169	172
Surplus of plan assets over projected benefit obligation	27	36
Unrecognized net gain from variance between assumptions and experience	(33)	(40)
Unrecognized prior service cost	5	5
Transition asset at January 1, 1987 being amortized over 19 years	(17)	(18)
Net accrued pension liability included in Deferred Credits - Other in the Balance Sheet	$(18)	$(17)

At December 31, 1992 and 1991, the settlement (discount) rate and long-term rate of return on plan assets assumptions were 8.5% and the long-term rate of annual compensation increase assumption was 5%.

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

(b) OTHER POSTRETIREMENT BENEFITS

The FASB accounting standard for postretirement benefits other than pensions (SFAS 106) requires the accrual of the expected cost of such benefits during the employees' years of service. The assumptions and calculations involved in determining the accrual closely parallel pension accounting requirements.

The Company currently provides certain postretirement health care, death and other benefits and expenses such costs as these benefits are paid, which is consistent with current ratemaking practices. Such costs totaled $4 million in 1992 and 1991 and $3 million in 1990, which included medical benefits of $3 million in 1992 and 1991 and $2 million in 1990.

The Company will adopt the standard effective January 1, 1993. The Company plans to amortize the present value of the accumulated postretirement benefit obligation to expense over a 20-year period. Based on our actuaries' review of 1992 data, the accumulated postretirement benefit obligation as of December 31, 1992 is estimated to be in the range of $90 million to $110 million (pretax). Had the standard been adopted in 1992, the additional 1992 postretirement benefit cost would have been in the range of $10 million to $13 million (pretax). The Company believes the 1993 effect of actual adoption may be similar, although it could be significantly different because of changes in health care costs, the assumed health care cost trend rate, work force demographics, plan provisions or interest rates. Like the retirement income plan, these estimates reflect a discount rate assumption of 8.5% per year. The annual health care cost trend assumption is 12% in 1992, reducing gradually to an ultimate annual rate of 6% in 1996 and later years.

The PUCO authorized the Company to defer for subsequent recovery postretirement benefit costs that exceed its actual payments for the period 1993-1997. This provision was part of the Rate Stabilization Program discussed in Note 6. The amount we can defer will be determined by the extent to which Centerior Energy is successful in reducing the added obligation on a consolidated basis by $37 million or 25% of the incremental costs expected when the Company got the order. The Company and Centerior Energy have until December 31, 1997 to make the reductions.

(c) POSTEMPLOYMENT BENEFITS

In November 1992, the FASB issued a new accounting standard for postemployment benefits (SFAS 112), such as severance pay, disability, worker's compensation and supplemental unemployment benefits. The Company is required to adopt the new standard no later than 1994. We have not completed an analysis to determine the effect of adopting the new standard.

(9) GUARANTEES

The Company has guaranteed certain loan and lease obligations of a mining company under a long-term coal purchase arrangement. This arrangement requires payments to the mining company for any actual out-of-pocket idle mine expenses (as advance payments for coal) when the mines are idle for reasons beyond the control of the mining company. At December 31, 1992, the principal amount of the mining company's loan and lease obligations guaranteed by the Company was $22 million.

(10) CAPITALIZATION

(a) CAPITAL STOCK TRANSACTIONS

Preferred stock shares retired during the three years ended December 31, 1992 are listed in the following table.

	1992	1991	1990
	(thousands of shares)		
Subject to Mandatory Redemption:			
$100 par $11.00	(25)	(10)	(10)
9.375	(17)	(17)	(17)
Total	(42)	(27)	(27)

(b) EQUITY DISTRIBUTION RESTRICTIONS

At December 31, 1992, retained earnings were $137 million. Substantially all of the retained earnings were available for the declaration of dividends on the Company's preferred and common shares. All of the Company's common shares are held by Centerior Energy. A write-off of the Company's investment in Perry Unit 2, depending upon the magnitude and timing of such a write-off, could reduce retained earnings sufficiently to impair the Company's ability to declare dividends.

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

(c) PREFERRED AND PREFERENCE STOCK

Amounts to be paid for preferred stock which must be redeemed during the five years 1993-1997 are $12 million in each year.

The annual preferred stock mandatory redemption provisions are as follows:

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

The annualized preferred dividend requirement as of December 31, 1992 was $24 million.

The preferred dividend rates on the Company's Series A and B fluctuate based on prevailing interest rates and market conditions. The dividend rates for these issues averaged 8.24% and 9.09%, respectively, in 1992.

Under its articles of incorporation, the Company cannot issue preferred stock unless certain earnings coverage requirements are met. Based on earnings for the 12 months ended December 31, 1992, the Company could not issue additional preferred stock. The issuance of additional preferred stock in the future will depend on earnings for any 12 consecutive months of the 15 months preceding the date of issuance, the interest on all long-term debt outstanding and the dividends on all preferred stock issues outstanding.

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

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

(d) LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

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

Year of Maturity	Actual or Average Interest Rate at December 31, 1992	December 31, 1992	December 31, 1991
		(millions of dollars)	
First mortgage bonds:			
1996	9.375%	$ —	$ 100
1997	6.125	31	31
1998-2002	7.32	127	61
2003-2007	7.90	181	86
2008-2012	2.90	31	52
2018-2022	8.00	108	108
2023	6.83	107	107
		585	545
Term bank loans due 1994-1997	8.65	113	116
Medium-term notes due 1994-2021	8.83	182	135
Notes due 1994-1997	9.69	60	102
Debentures due 2002	8.70	135	—
Debentures due 1997	—	—	125
Pollution control notes due 1994-2015	12.02	105	136
Other — net	—	(2)	(1)
Total Long-Term Debt		$1,178	$1,158

Long-term debt matures during the next five years as follows: $46 million in both 1993 and 1994, $26 million in 1995, $91 million in 1996 and $84 million in 1997.

The Company issued $182 million aggregate principal amount of secured medium-term notes during 1991 and 1992. The notes are secured by first mortgage bonds. At December 31, 1992, the Company had $93 million aggregate principal amount of secured medium-term notes registered with the Securities and Exchange Commission and available for issuance.

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

Additional first mortgage bonds may be issued by the Company under its mortgage on the basis of bondable property additions, cash or substitution for refundable first mortgage bonds. The issuance of additional first mortgage bonds on the basis of property additions is limited by two provisions of our mortgage. One relates to the amount of bondable property available and the other to earnings coverage of interest on the bonds. Under the more restrictive of these provisions (currently, the earnings coverage test), the Company would have been permitted to issue approximately $173 million of bonds at an assumed interest rate of 9.5% based upon available bondable property at December 31, 1992. The Company also would have been permitted to issue approximately $266 million of bonds based upon refundable bonds at December

31, 1992. If Perry Unit 2 had been canceled and written off as of December 31, 1992, the amount of bonds which could have been issued by the Company would not have changed.

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

(11) *SHORT-TERM BORROWING ARRANGEMENTS*

The Company had $70 million of bank lines of credit arrangements at December 31, 1992. There were no borrowings under these bank credit arrangements at December 31, 1992.

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

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

At December 31, 1992, the Company had $40 million of short-term notes outstanding under an uncommitted financing facility. The Company can borrow up to $40 million until the agreement is canceled by either party.

At December 31, 1992, the Company had no commercial paper outstanding. If commercial paper were outstanding, it would be backed by at least an equal amount of unused bank lines of credit.

(12) *FINANCIAL INSTRUMENTS' FAIR VALUE*

The estimated fair values at December 31, 1992 of financial instruments that do not approximate their carrying amounts are as follows:

	Carrying Amount	*Fair Value*
	(millions of dollars)	
Nuclear Plant Decommissioning Trusts	$ 20	$ 21
Preferred Stock, with Mandatory Redemption Provisions (including current portion)	62	66
Long-Term Debt (including current portion)	1,225	1,221

The fair value of the nuclear plant decommissioning trusts is estimated based on the quoted market prices for the investment securities. The fair value of the Company's preferred stock with mandatory redemption provisions and long-term debt is estimated based on the quoted market prices for the respective or similar issues or on the basis of the discounted value of future cash flows. The discounted value used current dividend or interest rates (or other appropriate rates) for similar issues and loans with the same remaining maturities.

The estimated fair values of all other financial instruments approximate their carrying amounts in the Balance Sheet at December 31, 1992 because of their short-term nature.

(13) *QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)*

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 1992.

	Quarters Ended			
	March 31,	*June 30,*	*Sept. 30,*	*Dec. 31,*
	(millions of dollars)			
1992				
Operating Revenues	$207	$202	$225	$210
Operating Income	38	29	52	31
Net Income	11	4	36	20
Earnings (Loss) Available for Common Stock	5	(3)	30	14
1991				
Operating Revenues	$213	$228	$238	$208
Operating Income	37	42	42	39
Net Income	12	14	14	9
Earnings Available for Common Stock	6	8	8	2

Earnings for the quarter ended September 30, 1992 were increased by $15 million as a result of the recording of deferred operating expenses and carrying charges for the first nine months of 1992 totaling $22 million under the Rate Stabilization Program approved by the PUCO in October 1992. See Note 6.

Earnings for the quarter ended December 31, 1991 were increased by $7 million as a result of a year-end adjustment of $9 million to reduce depreciation expense for the year for the change in the nuclear plant straight-line depreciation rate to 2.5% (see Summary of Significant Accounting Policies), which was partially offset by another adjustment of $1 million to reduce phase-in carrying charges for an adjustment to 1991 cost deferrals (see Note 6).

Financial and Statistical Review

Operating Revenues (millions of dollars)

Year	Residential	Commercial	Industrial	Other	Total Retail	Wholesale	Total Electric	Steam Heating & Gas	Total Operating Revenues
1992	$215	175	236	61	687	158	845	—	$845
1991	230	184	236	90	740	147	887	—	887
1990	224	175	236	78	713	150	863	—	863
1989	216	164	227	99	706	160	866	—	866
1988	201	143	200	34	578	72	650	—	650
1982	154	102	159	37	452	34	486	9	495

Operating Expenses (millions of dollars)

Year	Fuel & Purchased Power	Other Operation & Maintenance	Depreciation & Amortization	Taxes, Other Than FIT	Deferred Operating Expenses, Net	Federal Income Taxes	Total Operating Expenses
1992	$169	342	77	91	(17)	33	$695
1991	178	356	72(a)	89	1	32	728
1990	174	373	73	79	(10)	21	710
1989	172	373	85	72	(16)	37	723
1988	138	359	75	80	(84)	29	597
1982	138	118	44	41	—	45	386

Income (Loss) (millions of dollars)

Year	Operating Income	AFUDC—Equity	Other Income & Deductions, Net	Deferred Carrying Charges	Federal Income Taxes—Credit (Expense)	Income Before Interest Charges
1992	$150	1	1	41	(1)	$192
1991	159	1	5	22	(6)	181
1990	153	3	5	43	9	213
1989	143	9	20	82	(22)	232
1988	53	5	(247)(b)	130	86	27
1982	109	49	1	—	19	178

Income (Loss) (millions of dollars)

Year	Debt Interest	AFUDC—Debt	Income (Loss) Before Cumulative Effect of an Accounting Change	Cumulative Effect of an Accounting Change	Net Income (Loss)	Preferred Stock Dividends	Earnings (Loss) Available for Common Stock
1992	$122	(1)	71	—	71	24	$ 47
1991	132	(1)	50	—	50	25	25
1990	135	(3)	81	—	81	25	56
1989	145	(5)	92	—	92	25	67
1988	150	(2)	(121)	6(c)	(115)	27	(142)
1982	95	(22)	105	—	105	26	79

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

(b) Includes write-off of nuclear costs in the amount of $277 million in 1988.

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

ear	Electric Sales (millions of KWH) Residential	Commercial	Industrial	Wholesale	Other	Total	Electric Customers (year end) Residential	Commercial	Industrial & Other	Total	Residential Usage Average KWH Per Customer	Average Price Per KWH	Average Revenue Per Customer
992	1 941	1 619	3 563	2 753	478	10 354	255 299	25 870	4 372	285 541	7 632	11.08¢	$845.99
991	2 041	1 683	3 543	2 587	482	10 336	254 500	26 044	4 444	284 988	7 990	11.26	897.41
990	1 950	1 614	3 617	2 333	496	10 010	253 965	25 822	4 555	284 342	7 692	11.48	882.99
989	2 017	1 622	3 740	3 138	495	11 012	253 234	25 803	4 434	283 471	7 989	10.71	855.29
988	2 068	1 579	3 780	2 044	474	9 945	251 590	25 526	4 102	281 218	8 264	9.72	802.87
982	1 911	1 326	2 873	929	413	7 452	241 492	23 495	3 815	268 802	7 906	8.04	635.82

ear	Load (MW & %) Operable Capacity at Time of Peak	Peak Load	Capacity Margin	Load Factor	Energy (millions of KWH) Company Generated Fossil	Nuclear	Total	Purchased Power	Total	Fuel Fuel Cost Per KWH	Efficiency—BTU Per KWH
992	1 727	1 514	12.3%	63.2%	4 656	6 293	10 949	(82)	10 867	1.41¢	10 284
991	1 758	1 510	14.1	64.5	4 848	6 003	10 851	95	10 946	1.44	10 327
990	1 752	1 516	13.5	63.0	5 535	4 219	9 754	902	10 656	1.50	10 220
989	1 894	1 526	19.4	65.2	5 206	5 552	10 758	788	11 546	1.42	10 293
988	1 057(d)	1 614	(52.7)	62.8	5 820	3 325	9 145	1 491	10 636	1.59	10 174
982	1 790	1 355	24.3	61.8	5 306	1 569	6 875	1 044	7 919	1.80	10 221

Investment (millions of dollars)

ear	Utility Plant In Service	Accumulated Depreciation & Amortization	Net Plant	Construction Work In Progress & Perry Unit 2	Nuclear Fuel and Other	Total Property, Plant and Equipment	Utility Plant Additions	Total Assets
992	$2 847	760	2 087	280	164	$2 531	$ 44	$3 939
991	2 692	709	1 983	308	198	2 489	54	3 926
990	2 604	640	1 964	349	224	2 537	87	3 913
989	2 528	565	1 963	342	237	2 542	73	4 051
988	2 439	488	1 951	371	263	2 585	132	4 046
982	1 294	285	1 009	856	119(e)	1 984	249	2 181

Capitalization (millions of dollars & %)

ear	Common Stock Equity		Preferred Stock, with Mandatory Redemption Provisions		Preferred Stock, without Mandatory Redemption Provisions		Long-Term Debt		Total
992	$935	39%	50	2%	210	9%	1 178	50%	$2 373
991	888	38	64	3	210	9	1 158	50	2 320
990	881	39	66	3	210	9	1 097	49	2 254
989	898	38	69	3	210	9	1 197	50	2 374
988	887	36	71	3	210	9	1 291	52	2 459
982	617	35	96	5	170	10	876	50	1 759

d) Capacity data reflects extended generating unit outage for renovation and improvements.

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

INDEX TO SCHEDULES

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1992

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant (Electric):					
Intangible	$34,774	$266	$0	$0	$35,040
Production:					
Steam	1,413,761	45,619	(72,212)	14,492 (a)	1,401,660
Nuclear	5,227,393	78,403	(12,128)	355,080 (a)	5,648,748
Hydraulic	55,427	5,024	(594)	0	59,857
Other	14,750	0	0	0	14,750
Transmission	710,217	19,467	(1,051)	7,698 (a)	736,331
Distribution	1,233,176	99,503	(3,948)	2,120 (a)	1,330,851
General	198,721	24,809	(1,767)	0	221,763
Total Utility Plant	8,888,219	273,091	(91,700)	379,390	9,449,000
Perry Unit 2 (b)	850,573	(23,899)	0	0	826,674
Construction Work in Progress	215,855	(48,434)	(282)	0	167,139
Nuclear Fuel	985,781	52,546	0	0	1,038,327
Other Property	64,763	(671)	(16,749)	0	47,343
Total Property, Plant and Equipment	$11,005,191	$252,633	($108,731)	$379,390	$11,528,483

(a) Results from adoption of SFAS 109 in 1992, which requires the presentation of amounts on a pre tax basis. Such amounts were previously stated on a net-of-tax basis.

(b) Includes Perry Unit 2 AFUDC. See Schedule VIII.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant (Electric):					
Intangible	$22,035	$12,739	$0	$0	$34,774
Production:					
Steam	1,338,332	80,909	(5,480)	0	1,413,761
Nuclear	5,123,492	105,296	(1,395)	0	5,227,393
Hydraulic	56,354	(557)	(370)	0	55,427
Other	14,693	48	9	0	14,750
Transmission	694,181	16,667	(631)	0	710,217
Distribution	1,199,941	37,674	(4,439)	0	1,233,176
General	187,191	18,174	(6,644)	0	198,721
Total Utility Plant	8,636,219	270,950	(18,950)	0	8,888,219
Perry Unit 2 (a)	865,149	(14,576)	0	0	850,573
Construction Work in Progress	268,386	(52,531)	0	0	215,855
Nuclear Fuel	927,268	58,513	0	0	985,781
Other Property	63,524	1,254	(15)	0	64,763
Total Property, Plant and Equipment	$10,760,546	$263,610	($18,965)	$0	$11,005,191

(a) Includes Perry Unit 2 AFUDC. See Schedule VIII.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant (Electric):					
Intangible	$0	$22,035	$0	$0	$22,035
Production:					
Steam	1,301,892	39,495	(3,055)	0	1,338,332
Nuclear	5,016,127	131,973	(24,608)	0	5,123,492
Hydraulic	56,300	54	0	0	56,354
Other	13,995	749	(51)	0	14,693
Transmission	680,080	15,028	(927)	0	694,181
Distribution	1,143,810	62,309	(6,178)	0	1,199,941
General	185,434	3,406	(1,649)	0	187,191
Total Utility Plant	8,397,638	275,049	(36,468)	0	8,636,219
Perry Unit 2 (a)	869,048	(3,899)	0	0	865,149
Construction Work in Progress	288,225	(19,839)	0	0	268,386
Nuclear Fuel	864,821	62,447	0	0	927,268
Other Property	62,449	1,136	(22)	(39)	63,524
Total Property, Plant and Equipment	$10,482,181	$314,894	($36,490)	($39)	$10,760,546

(a) Includes Perry Unit 2 AFUDC. See Schedule VIII.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1992

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$2,260,186	$261,943	$52,593 (a)	($91,982)	($15,779)	$2,466,961
- Amortization	14,303	7,173	0	0	0	21,476
Total Utility Plant	2,274,489	269,116 (b)	52,593	(91,982)	(15,779)	2,488,437
Other Property - Depreciation	20,250	2,049 (c)	0	(14,129)	(4)	8,166
Total	$2,294,739	$271,165	$52,593	($106,111)	($15,783)	$2,496,603
Nuclear Fuel - Amortization	$527,367	$126,409 (d)	$0	$0	$0	$653,776

(a) Includes adjustment resulting from adoption of SFAS 109 in 1992 ($48.1 million), nuclear plant decommissioning trust earnings charged to the trust accounts, and depreciation charged to construction work in progress.

(b) Depreciation and amortization, as reported in the Income Statement, includes approximately $13 million of amortization of investment tax credits.

(c) Nonutility plant expense charged to other income and deductions, net.

(d) Charged to fuel and purchased power expense.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

		Additions		Deductions		
Description	Balance at Beginning of Period	Charged to Income Statement	Other	Retirements	Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$2,030,437	$248,231	$3,555 (a)(b)	($18,950)	($3,087)	$2,260,186
- Amortization	8,073	5,679	551 (b)	0	0	14,303
Total Utility Plant	2,038,510	253,910 (c)	4,106	(18,950)	(3,087)	2,274,489
Other Property - Depreciation	18,072	2,178 (d)	0	0	0	20,250
Total	$2,056,582	$256,088	$4,106	($18,950)	($3,087)	$2,294,739
Nuclear Fuel - Amortization	$404,596	$122,771 (e)	$0	$0	$0	$527,367

(a) Includes nuclear plant decommissioning trust earnings charged to the trust accounts and depreciation charged to construction work in progress.

(b) Transfer from accumulated depreciation to accumulated amortization.

(c) Depreciation and amortization, as reported in the Income Statement, includes approximately $11 million of amortization of investment tax credits.

(d) Nonutility plant expense charged to other income and deductions, net.

(e) Charged to fuel and purchased power expense.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$1,819,850	$249,381	$2,685 (a)	($36,468)	($5,011)	$2,030,437
- Amortization	3,670	4,403	0	0	0	8,073
Total Utility Plant	1,823,520	253,784 (b)	2,685	(36,468)	(5,011)	2,038,510
Other Property - Depreciation	15,132	2,957 (c)	(17)	0	0	18,072
Total	$1,838,652	$256,741	$2,668	($36,468)	($5,011)	$2,056,582
Nuclear Fuel - Amortization	$320,446	$84,150 (d)	$0	$0	$0	$404,596

(a) Depreciation charged to construction work in progress.

(b) Depreciation and amortization, as reported in the Income Statement, includes approximately $12 million of amortization of investment tax credits.

(c) Nonutility plant expense charged to other income and deductions, net.

(d) Charged to fuel and purchased power expense.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VII - GUARANTEES OF SECURITIES OF OTHER ISSUERS
YEAR ENDED DECEMBER 31, 1992

(Thousands of Dollars)

Name of Issuer of Securities Guaranteed	Title of Issue (a)	Principal Amount Guaranteed and Outstanding (a)	Nature of Guarantee
Quarto Mining Company (b)	Guaranteed Mortgage Bonds, due 2000		
	Series A 8.25%	$939	Principal and Interest
	Series B 9.70%	915	Principal and Interest
	Series C 9.40%	4,579	Principal and Interest
	Series EA 10.25%	1,089	Principal and Interest
	Series FA 10.50%	836	Principal and Interest
	Series G 9.05%	13,825	Principal and Interest
	Series HA 7.75%	10,638	Principal and Interest
	Series HB 8.31%	5,396	Principal and Interest
	Guaranteed Refunding Bonds, Series I, 7.45%, due 1997	9,227	Principal and Interest
	Unsecured Note, interest at prime (6.50% effective 7/1/92 and applicable through 12/31/92) plus 2%, due 2000	3,288	Principal and Interest
	Equipment Leases	9,532	Termination Value per Agreements
		60,264	
The Ohio Valley Coal Company	First Mortgage Notes,		
	Series D, 8.00%, due 1993 to 1997	5,800	Principal and Interest
	Series E, 10.25%, due 1993 to 1997	2,970	Principal and Interest
	Equipment Leases	4,809	Stipulated Loss Value per Agreements
	Term Notes,		
	9.53%, due 1993 to 1996	2,081	Principal and Interest
	10.85%, due 1993 to 1997	16,892	Principal and Interest
		32,552	
		$92,816	

(a) None of the securities were owned by the Operating Companies; none were held in the treasury of the issuer; and none were in default.

(b) The Operating Companies and the other CAPCO Group Companies have agreed to guarantee severally, and not jointly, their proportionate shares of Quarto Mining Company debt and lease obligations incurred while developing and equipping the mines. The amounts shown are the Operating Companies' proportionate share of the total obligations.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Deductions from Reserves	Deductions: Other	Balance at End of Period
Reflected as Reductions to the Related Assets:						
Accumulated Provision for Uncollectible Accounts (Deduction from Amounts Due from Customers and Others)						
1992	$3,703	$19,673 (a)	$2,376 (b)	$22,029 (a)(c)	$0	$3,723
1991	3,026	20,567 (a)	3,192 (b)	23,082 (a)(c)	0	3,703
1990	2,276	18,739 (a)	2,805 (b)	20,794 (a)(c)	0	3,026
Reserve for Perry Unit 2 Allowance for Funds Used During Construction (Deduction from Perry Unit 2)						
1992	$212,693	$0	$0	$0	$0	$212,693
1991	212,693	0	0	0	0	212,693
1990	212,693	0	0	0	0	212,693

(a) Includes a provision and corresponding write-off of uncollectible accounts of $5,968,000, $6,020,000 and $5,895,000 in 1992, 1991 and 1990, respectively, relating to customers which qualify for the PUCO mandated Percentage of Income Payment Plan. Such uncollectible accounts are recovered through a separate PUCO approved surcharge tariff.

(b) Collection of accounts previously written off.

(c) Uncollectible accounts written off.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS
FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Thousands of Dollars)

Category	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period	Average Daily Weighted Amount Outstanding During the Period	Average Daily Weighted Interest Rate During the Period
Commercial Paper					
1992	$0	0.0%	$101,800	$16,823 (a)	4.5% (b)
1991	0	0.0	170,900	61,781 (a)	7.4 (b)
1990	110,310	9.4	163,200	88,070 (a)	8.7 (b)
Uncommitted Financing Facility					
1992	$49,502	4.4%	$80,003	$38,952 (a)	4.1% (b)
Not applicable for 1991 and 1990.					

(a) Computed by dividing the total of the daily outstanding balances for the year by 365 days (366 for 1992).
(b) Computed by dividing total interest expense for the year by the average daily balance outstanding.

CENTERIOR ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Thousands of Dollars)

Item	1992	1991	1990
Maintenance and Repairs -- Charged to Operating Expenses	$184,183	$174,121	$202,248
Taxes, Other Than Payroll and Income Taxes:			
Charged to Operating Expenses:			
Real and Personal Property Taxes	$171,603	$163,123	$145,980
Ohio State Excise Taxes	111,316	106,672	101,918
Other	11,452	11,883	8,850
Total Charged to Operating Expenses	294,371	281,678	256,748
Total Charged to Nonoperating Income	129	684	719
Total	$294,500	$282,362	$257,467

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1992

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant (Electric):					
Intangible	$22,462	$185	$0	$0	$22,647
Production:					
Steam	1,104,815	38,830	(35,012)	12,423 (a)	1,121,056
Nuclear	3,461,108	51,556	(6,298)	230,737 (a)	3,737,103
Hydraulic	55,427	5,024	(594)	0	59,857
Other	8,075	0	0	0	8,075
Transmission	561,188	17,597	(1,028)	7,056 (a)	584,813
Distribution	857,392	66,747	(3,038)	1,921 (a)	923,022
General	125,478	20,512	(767)	0	145,223
Total Utility Plant	6,195,945	200,451	(46,737)	252,137	6,601,796
Perry Unit 2 (b)	507,806	(12,510)	0	0	495,296
Construction Work in Progress	161,890	(31,281)	(282)	0	130,327
Nuclear Fuel	551,934	30,446	0	0	582,380
Other Property	60,667	(688)	(16,719)	0	43,260
Total Property, Plant and Equipment	$7,478,242	$186,418	($63,738)	$252,137	$7,853,059

(a) Results from adoption of SFAS 109 in 1992, which requires the presentation of amounts on a pre-tax basis. Such amounts were previously stated on a net-of-tax basis.

(b) Includes Perry Unit 2 AFUDC. See Schedule VIII.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant (Electric):					
Intangible	$18,499	$3,963	$0	$0	$22,462
Production:					
Steam	1,046,921	63,374	(5,480)	0	1,104,815
Nuclear	3,405,230	56,601	(723)	0	3,461,108
Hydraulic	56,354	(557)	(370)	0	55,427
Other	7,967	99	9	0	8,075
Transmission	547,300	14,518	(630)	0	561,188
Distribution	833,153	27,823	(3,584)	0	857,392
General	116,912	11,184	(2,618)	0	125,478
Total Utility Plant	6,032,336	177,005	(13,396)	0	6,195,945
Perry Unit 2 (a)	521,464	(13,658)	0	0	507,806
Construction Work in Progress	175,232	(13,342)	0	0	161,890
Nuclear Fuel	520,762	31,172	0	0	551,934
Other Property	60,221	461	(15)	0	60,667
Total Property, Plant and Equipment	$7,310,015	$181,638	($13,411)	$0	$7,478,242

(a) Includes Perry Unit 2 AFUDC. See Schedule VIII.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant (Electric):					
Intangible	$0	$18,499	$0	$0	$18,499
Production:					
Steam	1,017,617	32,353	(3,049)	0	1,046,921
Nuclear	3,346,223	80,329	(21,322)	0	3,405,230
Hydraulic	56,300	54	0	0	56,354
Other	7,287	731	(51)	0	7,967
Transmission	534,813	13,381	(894)	0	547,300
Distribution	792,438	46,167	(5,452)	0	833,153
General	114,605	3,342	(1,035)	0	116,912
Total Utility Plant	5,869,283	194,856	(31,803)	0	6,032,336
Perry Unit 2 (a)	523,294	(1,830)	0	0	521,464
Construction Work in Progress	203,639	(28,407)	0	0	175,232
Nuclear Fuel	482,092	38,670	0	0	520,762
Other Property	59,107	1,136	(22)	0	60,221
Total Property, Plant and Equipment	$7,137,415	$204,425	($31,825)	$0	$7,310,015

(a) Includes Perry Unit 2 AFUDC. See Schedule VIII.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1992

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$1,552,870	$182,706	$34,385 (a)	($47,019)	($11,322)	$1,711,620
- Amortization	12,114	4,382	0	0	0	16,496
Total Utility Plant	1,564,984	187,088 (b)	34,385	(47,019)	(11,322)	1,728,116
Other Property - Depreciation	18,833	1,960 (c)	0	(14,099)	0	6,694
Total	$1,583,817	$189,048	$34,385	($61,118)	($11,322)	$1,734,810
Nuclear Fuel - Amortization	$288,805	$70,056 (d)	$0	$0	$0	$358,861

(a) Includes adjustment resulting from adoption of SFAS 109 in 1992 ($31.5 million), nuclear plant decommissioning trust earnings charged to the trust accounts, and depreciation charged to construction work in progress.

(b) Depreciation and amortization, as reported in the Income Statement, includes approximately $8 million of amortization of investment tax credits.

(c) Nonutility plant expense charged to other income and deductions, net.

(d) Charged to fuel and purchased power expense.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

		Additions		Deductions		
Description	Balance at Beginning of Period	Charged to Income Statement	Other	Retirements	Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$1,391,080	$173,126	$1,794 (a)(b)	($13,396)	$266	$1,552,870
- Amortization	7,178	4,385	551 (b)	0	0	12,114
Total Utility Plant	1,398,258	177,511 (c)	2,345	(13,396)	266	1,564,984
Other Property - Depreciation	16,793	2,040 (d)	0	0	0	18,833
Total	$1,415,051	$179,551	$2,345	($13,396)	$266	$1,583,817
Nuclear Fuel - Amortization	$219,938	$68,867 (e)	$0	$0	$0	$288,805

(a) Includes nuclear plant decommissioning trust earnings charged to the trust accounts and depreciation charged to construction work in progress.

(b) Transfer from accumulated depreciation to accumulated amortization.

(c) Depreciation and amortization, as reported in the Income Statement, includes approximately $7 million of amortization of investment tax credits.

(d) Nonutility plant expense charged to other income and deductions, net.

(e) Charged to fuel and purchased power expense.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$1,255,235	$174,744	$843 (a)	($31,803)	($7,939)	$1,391,080
- Amortization	3,670	3,508	0	0	0	7,178
Total Utility Plant	1,258,905	178,252 (b)	843	(31,803)	(7,939)	1,398,258
Other Property - Depreciation	13,915	2,878 (c)	0	0	0	16,793
Total	$1,272,820	$181,130	$843	($31,803)	($7,939)	$1,415,051
Nuclear Fuel - Amortization	$172,910	$47,028 (d)	$0	$0	$0	$219,938

(a) Depreciation charged to construction work in progress.

(b) Depreciation and amortization, as reported in the Income Statement, includes approximately $9 million of amortization of investment tax credits.

(c) Nonutility plant expense charged to other income and deductions, net.

(d) Charged to fuel and purchased power expense.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VII - GUARANTEES OF SECURITIES OF OTHER ISSUERS
YEAR ENDED DECEMBER 31, 1992

(Thousands of Dollars)

Name of Issuer of Securities Guaranteed	Title of Issue (a)	Principal Amount Guaranteed and Outstanding (a)	Nature of Guarantee
Quarto Mining Company (b)	Guaranteed Mortgage Bonds, due 2000		
	Series A 8.25%	$629	Principal and Interest
	Series B 9.70%	613	Principal and Interest
	Series C 9.40%	3,067	Principal and Interest
	Series EA 10.25%	681	Principal and Interest
	Series FA 10.50%	523	Principal and Interest
	Series G 9.05%	8,511	Principal and Interest
	Series HA 7.75%	6,549	Principal and Interest
	Series HB 8.31%	3,322	Principal and Interest
	Guaranteed Refunding Bonds, Series 1, 7.45%, due 1997	5,680	Principal and Interest
	Unsecured Note, interest at prime (6.50% effective 7/1/92 and applicable through 12/31/92) plus 2%, due 2000	2,055	Principal and Interest
	Equipment Leases	6,385	Termination Value per Agreements
		38,015	
The Ohio Valley Coal Company	First Mortgage Notes,		
	Series D, 8.00%, due 1993 to 1997	5,800	Principal and Interest
	Series E, 10.25%, due 1993 to 1997	2,970	Principal and Interest
	Equipment Leases	4,809	Stipulated Loss Value per Agreements
	Term Notes,		
	9.53%, due 1993 to 1996	2,081	Principal and Interest
	10.85%, due 1993 to 1997	16,892	Principal and Interest
		32,552	
		$70,567	

(a) None of the securities were owned by Cleveland Electric; none were held in the treasury of the issuer; and none were in default.

(b) Cleveland Electric and the other CAPCO Group Companies have agreed to guarantee severally, and not jointly, their proportionate shares of Quarto Mining Company debt and lease obligations incurred while developing and equipping the mines. The amounts shown are Cleveland Electric's proportionate share of the total obligations.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Thousands of Dollars)

		Additions		Deductions		
Description	Balance at Beginning of Period	Charged to Income Statement	Other	Deductions from Reserves	Other	Balance at End of Period
Reflected as Reductions to the Related Assets:						
Accumulated Provision for Uncollectible Accounts (Deduction from Amounts Due from Customers and Others)						
1992	$2,313	$16,359 (a)	$1,309 (b)	$17,648 (a)(c)	$0	$2,333
1991	1,826	15,669 (a)	1,686 (b)	16,868 (a)(c)	0	2,313
1990	926	15,207 (a)	1,628 (b)	15,935 (a)(c)	0	1,826
Reserve for Perry Unit 2 Allowance for Funds Used During Construction (Deduction from Perry Unit 2)						
1992	$124,398	$0	$0	$0	$0	$124,398
1991	124,398	0	0	0	0	124,398
1990	124,398	0	0	0	0	124,398

(a) Includes a provision and corresponding write-off of uncollectible accounts of $5,269,000, $5,616,000 and $5,597,000 in 1992, 1991 and 1990, respectively, relating to customers which qualify for the PUCO mandated Percentage of Income Payment Plan. Such uncollectible accounts are recovered through a separate PUCO approved surcharge tariff.

(b) Collection of accounts previously written off.

(c) Uncollectible accounts written off.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS
FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Thousands of Dollars)

Category	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period	Average Daily Weighted Amount Outstanding During the Period	Average Daily Weighted Interest Rate During the Period
Commercial Paper					
1992	$0	0.0%	$75,000	$9,473 (a)	4.3% (b)
1991	0	0.0	133,100	45,825 (a)	7.5 (b)
1990	87,110	9.5	140,000	87,584 (a)	8.7 (b)
Uncommitted Financing Facility					
1992	$10,000	4.3%	$40,001	$17,180 (a)	4.1% (b)
Not applicable for 1991 and 1990.					

(a) Computed by dividing the total of the daily outstanding balances for the year by 365 days (366 for 1992).
(b) Computed by dividing total interest expense for the year by the average daily balance outstanding.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE .EARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Thousands of Dollars)

Item	1992	1991	1990
Maintenance and Repairs -- Charged to Operating Expenses	$122,789	$115,816	$138,085
Taxes, Other Than Payroll and Income Taxes:			
Charged to Operating Expenses:			
Real and Personal Property Taxes	$125,200	$119,613	$106,776
Ohio State Excise Taxes	78,518	73,644	69,770
Other	10,560	11,366	6,742
Total Charged to Operating Expenses	214,278	204,623	183,288
Total Charged to Nonoperating Income	38	593	628
Total	$214,316	$205,216	$183,916

THE TOLEDO EDISON COMPANY

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1992

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant (Electric):					
Intangible	$12,312	$81	$0	$0	$12,393
Production:					
Steam	308,946	6,789	(37,200)	2,069 (a)	280,604
Nuclear	1,766,285	26,847	(5,830)	124,343 (a)	1,911,645
Other	6,675	0	0	0	6,675
Transmission	149,029	1,870	(23)	642 (a)	151,518
Distribution	375,784	32,756	(910)	199 (a)	407,829
General	73,243	4,297	(1,000)	0	76,540
Total Utility Plant	2,692,274	72,640	(44,963)	127,253	2,847,204
Perry Unit 2 (b)	342,767	(11,389)	0	0	331,378
Construction Work in Progress	53,965	(17,153)	0	0	36,812
Nuclear Fuel	433,847	22,100	0	0	455,947
Other Property	4,096	17	(30)	0	4,083
Total Property, Plant and Equipment	$3,526,949	$66,215	($44,993)	$127,253	$3,675,424

(a) Results from adoption of SFAS 109 in 1992, which requires the presentation of amounts on a pre-tax basis. Such amounts were previously stated on a net-of-tax basis.

(b) Includes Perry Unit 2 AFUDC. See Schedule VIII.

THE TOLEDO EDISON COMPANY

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant (Electric):					
Intangible	$3,536	$8,776	$0	$0	$12,312
Production:					
Steam	291,411	17,535	0	0	308,946
Nuclear	1,718,262	48,695	(672)	0	1,766,285
Other	6,726	(51)	0	0	6,675
Transmission	146,881	2,149	(1)	0	149,029
Distribution	366,788	9,851	(855)	0	375,784
General	70,279	6,990	(4,026)	0	73,243
Total Utility Plant	2,603,883	93,945	(5,554)	0	2,692,274
Perry Unit 2 (a)	343,685	(918)	0	0	342,767
Construction Work in Progress	93,154	(39,189)	0	0	53,965
Nuclear Fuel	406,506	27,341	0	0	433,847
Other Property	3,303	793	0	0	4,096
Total Property, Plant and Equipment	$3,450,531	$81,972	($5,554)	$0	$3,526,949

(a) Includes Perry Unit 2 AFUDC. See Schedule VIII.

THE TOLEDO EDISON COMPANY

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other	Balance at End of Period
Utility Plant (Electric):					
Intangible	$0	$3,536	$0	$0	$3,536
Production:					
Steam	284,275	7,142	(6)	0	291,411
Nuclear	1,669,904	51,644	(3,286)	0	1,718,262
Other	6,708	18	0	0	6,726
Transmission	145,267	1,647	(33)	0	146,881
Distribution	351,372	16,142	(726)	0	366,788
General	70,829	64	(614)	0	70,279
Total Utility Plant	2,528,355	80,193	(4,665)	0	2,603,883
Perry Unit 2 (a)	345,754	(2,069)	0	0	343,685
Construction Work in Progress	84,586	8,568	0	0	93,154
Nuclear Fuel	382,729	23,777	0	0	406,506
Other Property	3,342	0	0	(39)	3,303
Total Property, Plant and Equipment	$3,344,766	$110,469	($4,665)	($39)	$3,450,531

(a) Includes Perry Unit 2 AFUDC. See Schedule VIII.

THE TOLEDO EDISON COMPANY

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1992

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
Utility Plant:						
Electric - Depreciation	$707,316	$79,237	$18,208 (a)	($44,963)	($4,457)	$755,341
- Amortization	2,189	2,791	0	0	0	4,980
Total Utility Plant	709,505	82,028 (b)	18,208	(44,963)	(4,457)	760,321
Other Property - Depreciation	1,417	89 (c)	0	(30)	(4)	1,472
Total	$710,922	$82,117	$18,208	($44,993)	($4,461)	$761,793
Nuclear Fuel - Amortization	$238,562	$56,353 (d)	$0	$0	$0	$294,915

(a) Includes adjustment resulting from adoption of SFAS 109 in 1992 ($16.6 million), nuclear plant decommissioning trust earnings charged to the trust accounts, and depreciation charged to construction work in progress.

(b) Depreciation and amortization, as reported in the Income Statement, includes approximately $5 million of amortization of investment tax credits.

(c) Nonutility plant expense charged to other income and deductions, net.

(d) Charged to fuel and purchased power expense.

THE TOLEDO EDISON COMPANY

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1991

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Retirements	Deductions: Removal Cost Net of Salvage Add/(Deduct)	Balance a End of Period
Utility Plant:						
Electric - Depreciation	$639,357	$75,105	$1,761 (a)	($5,554)	($3,353)	$707,31
- Amortization	895	1,294	0	0	0	2,18
Total Utility Plant	640,252	76,399 (b)	1,761	(5,554)	(3,353)	709,50
Other Property - Depreciation	1,279	138 (c)	0	0	0	1,41
Total	$641,531	$76,537	$1,761	($5,554)	($3,353)	$710,92
Nuclear Fuel - Amortization	$184,658	$53,904 (d)	$0	$0	$0	$238,56

(a) Includes nuclear plant decommissioning trust earnings charged to the trust accounts and depreciation charged to construction work in progress.

(b) Depreciation and amortization, as reported in the Income Statement, includes approximately $4 million of amortization of investment tax credits.

(c) Nonutility plant expense charged to other income and deductions, net.

(d) Charged to fuel and purchased power expense.

THE TOLEDO EDISON COMPANY

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 1990

(Thousands of Dollars)

		Additions		Deductions		
cription	Balance at Beginning of Period	Charged to Income Statement	Other	Retirements	Removal Cost Net of Salvage Add/(Deduct)	Balance at End of Period
ity Plant:						
lectric - Depreciation	$564,615	$74,637	$1,842 (a)	($4,665)	$2,928	$639,357
- Amortization	0	895	0	0	0	895
Total Utility Plant	564,615	75,532 (b)	1,842	(4,665)	2,928	640,252
er Property - Depreciation	1,217	79 (c)	(17)	0	0	1,279
Total	$565,832	$75,611	$1,825	($4,665)	$2,928	$641,531
lear Fuel - Amortization	$147,536	$37,122 (d)	$0	$0	$0	$184,658

(a) Depreciation charged to construction work in progress.

(b) Depreciation and amortization, as reported in the Income Statement, includes approximately $3 million of amortization of investment tax credits.

(c) Nonutility plant expense charged to other income and deductions, net.

(d) Charged to fuel and purchased power expense.

THE TOLEDO EDISON COMPANY

SCHEDULE VII - GUARANTEES OF SECURITIES OF OTHER ISSUERS
YEAR ENDED DECEMBER 31, 1992

(Thousands of Dollars)

Name of Issuer of Securities Guaranteed	Title of Issue (a)	Principal Amount Guaranteed and Outstanding (a)	Nature of Guarantee
Quarto Mining Company (b)	Guaranteed Mortgage Bonds, due 2000		
	Series A 8.25%	$310	Principal and Interest
	Series B 9.70%	302	Principal and Interest
	Series C 9.40%	1,512	Principal and Interest
	Series EA 10.25%	408	Principal and Interest
	Series FA 10.50%	313	Principal and Interest
	Series G 9.05%	5,314	Principal and Interest
	Series HA 7.75%	4,089	Principal and Interest
	Series HB 8.31%	2,074	Principal and Interest
	Guaranteed Refunding Bonds, Series I, 7.45%, due 1997	3,547	Principal and Interest
	Unsecured Note, interest at prime (6.50% effective 7/1/92 and applicable through 12/31/92) plus 2%, due 2000	1,233	Principal and Interest
	Equipment Leases	3,147	Termination Value per Agreements
		$22,249	

(a) None of the securities were owned by Toledo Edison; none were held in the treasury of the issuer; and none were in default.

(b) Toledo Edison and the other CAPCO Group Companies have agreed to guarantee severally, and not jointly, their proportionate shares of Quarto Mining Company debt and lease obligations incurred while developing and equipping the mines. The amounts shown are Toledo Edison's proportionate share of the total obligations.

THE TOLEDO EDISON COMPANY

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income Statement	Additions: Other	Deductions: Deductions from Reserves	Deductions: Other	Balance at End of Period
Reflected as Reductions to the Related Assets:						
Accumulated Provision for Uncollectible Accounts (Deduction from Amounts Due from Customers and Others)						
1992	$1,390	$3,314 (a)	$1,067 (b)	$4,381 (a)(c)	$0	$1,390
1991	1,200	4,898 (a)	1,506 (b)	6,214 (a)(c)	0	1,390
1990	1,350	3,532 (a)	1,177 (b)	4,859 (a)(c)	0	1,200
Reserve for Perry Unit 2 Allowance for Funds Used During Construction (Deduction from Perry Unit 2)						
1992	$88,295	$0	$0	$0	$0	$88,295
1991	88,295	0	0	0	0	88,295
1990	88,295	0	0	0	0	88,295

(a) Includes a provision and corresponding write-off of uncollectible accounts of $699,000, $404,000 and $298,000 in 1992, 1991 and 1990, respectively, relating to customers which qualify for the PUCO mandated Percentage of Income Payment Plan. Such uncollectible accounts are recovered through a separate PUCO approved surcharge tariff.

(b) Collection of accounts previously written off.

(c) Uncollectible accounts written off.

THE TOLEDO EDISON COMPANY

SCHEDULE IX - SHORT-TERM BORROWINGS
FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Thousands of Dollars)

Category	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period	Average Daily Weighted Amount Outstanding During the Period	Average Daily Weighted Interest Rate During the Period
Commercial Paper					
1992	$0	0.0%	$31,000	$7,350 (a)	4.7% (b)
1991	0	0.0	45,000	15,956 (a)	7.1 (b)
1990	23,200	9.1	23,200	1,285 (a)	9.1 (b)
Uncommitted Financing Facility					
1992	$39,502	4.4%	$40,003	$21,772 (a)	4.0% (b)
Not applicable for 1991 and 1990.					

(a) Computed by dividing the total of the daily outstanding balances for the year by 365 days (366 for 1992).
(b) Computed by dividing total interest expense for the year by the average daily balance outstanding.

THE TOLEDO EDISON COMPANY

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Thousands of Dollars)

Item	1992	1991	1990
Maintenance and Repairs -- Charged to Operating Expenses	$61,394	$58,305	$64,163
Taxes, Other Than Payroll and Income Taxes:			
Charged to Operating Expenses:			
Real and Personal Property Taxes	$46,403	$43,510	$39,204
Ohio State Excise Taxes	32,798	33,028	32,148
Other	5,014	4,217	2,325
Total Charged to Operating Expenses	84,215	80,755	73,677
Total Charged to Nonoperating Income	91	91	91
Total	$84,306	$80,846	$73,768

EXHIBIT INDEX

The exhibits designated with an asterisk (*) are filed herewith. The exhibits not so designated have previously been filed with the SEC in the file indicated in parenthesis following the description of such exhibits and are incorporated herein by reference. An exhibit designated with a pound sign (#) is a management contract or compensatory plan or arrangement.

COMMON EXHIBITS

(The following documents are exhibits to the reports of Centerior Energy, Cleveland Electric and Toledo Edison.)

Exhibit Number	Document
10b(1)(a)	CAPCO Administration Agreement dated November 1, 1971, as of September 14, 1967, among the CAPCO Group members regarding the organization and procedures for implementing the objectives of the CAPCO Group (Exhibit 5(p), Amendment No. 1, File No. 2-42230, filed by Cleveland Electric).
10b(1)(b)	Amendment No. 1, dated January 4, 1974, to CAPCO Administration Agreement among the CAPCO Group members (Exhibit 5(c)(3), File No. 2-68906, filed by Ohio Edison).
10b(2)	CAPCO Transmission Facilities Agreement dated November 1, 1971, as of September 14, 1967, among the CAPCO Group members regarding the installation, operation and maintenance of transmission facilities to carry out the objectives of the CAPCO Group (Exhibit 5(q), Amendment No. 1, File No. 2-42230, filed by Cleveland Electric).
10b(3)	*CAPCO Basic Operating Agreement as Amended October 1, 1991 among the CAPCO Group members regarding coordinated operation of the members' systems.
10b(4)	Agreement dated September 1, 1980 for the Termination or Construction of Certain Agreements by and among the CAPCO Group members (Exhibit 10.25, 1980 Form 10-K, File No. 1-956, filed by Duquesne).
10b(5)	Construction Agreement, dated July 22, 1974, among the CAPCO Group members and relating to the Perry Nuclear Plant (Exhibit 5(yy), File No. 2-52251, filed by Toledo Edison).
10b(6)	Contract, dated as of December 5, 1975, among the CAPCO Group members for the construction of Beaver Valley Unit No. 2 (Exhibit 5(g), File No. 2-52996, filed by Cleveland Electric).
10b(7)	Amendment No. 1, dated May 1, 1977, to Contract, dated as of December 5, 1975, among the CAPCO Group members for the construction of Beaver Valley Unit No. 2 (Exhibit 5(d)(4), File No. 2-60109, filed by Ohio Edison).

Exhibit Number	Document
10d(1)(a)	Form of Collateral Trust Indenture among CTC Beaver Valley Funding Corporation, Cleveland Electric, Toledo Edison and Irving Trust Company, as Trustee (Exhibit 4(a), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(1)(b)	Form of Supplemental Indenture to Collateral Trust Indenture constituting Exhibit 10d(1)(a) above, including form of Secured Lease Obligation Bond (Exhibit 4(b), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(1)(c)	Form of Collateral Trust Indenture among Beaver Valley II Funding Corporation, The Cleveland Electric Illuminating Company and The Toledo Edison Company and The Bank of New York, as Trustee (Exhibit (4)(a), File No. 33-46665, filed by Cleveland Electric and Toledo Edison).
10d(1)(d)	Form of Supplemental Indenture to Collateral Trust Indenture constituting Exhibit 10d(1)(c) above, including form of Secured Lease Obligation Bond (Exhibit (4)(b), File No. 33-46665, filed by Cleveland Electric and Toledo Edison).
10d(2)(a)	Form of Collateral Trust Indenture among CTC Mansfield Funding Corporation, Cleveland Electric, Toledo Edison and IBJ Schroder Bank & Trust Company, as Trustee (Exhibit 4(a), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(2)(b)	Form of Supplemental Indenture to Collateral Trust Indenture constituting Exhibit 10d(2)(a) above, including forms of Secured Lease Obligation Bonds (Exhibit 4(b), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(3)(a)	Form of Facility Lease dated as of September 15, 1987 between The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the limited partnership Owner Participant named therein, Lessor, and Cleveland Electric and Toledo Edison, Lessees (Exhibit 4(c), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(3)(b)	Form of Amendment No. 1 to Facility Lease constituting Exhibit 10d(3)(a) above (Exhibit 4(e), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(4)(a)	Form of Facility Lease dated as of September 15, 1987 between The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the corporate Owner Participant named therein, Lessor, and Cleveland Electric and Toledo Edison, Lessees (Exhibit 4(d), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(4)(b)	Form of Amendment No. 1 to Facility Lease constituting Exhibit 10d(4)(a) above (Exhibit 4(f), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).

Exhibit Number	Document
10d(5)(a)	Form of Facility Lease dated as of September 30, 1987 between Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Lessor, and Cleveland Electric and Toledo Edison, Lessees (Exhibit 4(c), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(5)(b)	Form of Amendment No. 1 to the Facility Lease constituting Exhibit 10d(5)(a) above (Exhibit 4(f), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(6)(a)	Form of Participation Agreement dated as of September 15, 1987 among the limited partnership Owner Participant named therein, the Original Loan Participants listed in Schedule 1 thereto, as Original Loan Participants, CTC Beaver Valley Funding Corporation, as Funding Corporation, The First National Bank of Boston, as Owner Trustee, Irving Trust Company, as Indenture Trustee, and Cleveland Electric and Toledo Edison, as Lessees (Exhibit 28(a), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(6)(b)	Form of Amendment No. 1 to Participation Agreement constituting Exhibit 10d(6)(a) above (Exhibit 28(c), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(7)(a)	Form of Participation Agreement dated as of September 15, 1987 among the corporate Owner Participant named therein, the Original Loan Participants listed in Schedule 1 thereto, as Original Loan Participants, CTC Beaver Valley Funding Corporation, as Funding Corporation, The First National Bank of Boston, as Owner Trustee, Irving Trust Company, as Indenture Trustee, and Cleveland Electric and Toledo Edison, as Lessees (Exhibit 28(b), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(7)(b)	Form of Amendment No. 1 to Participation Agreement constituting Exhibit 10d(7)(a) above (Exhibit 28(d), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(8)(a)	Form of Participation Agreement dated as of September 30, 1987 among the Owner Participant named therein, the Original Loan Participants listed in Schedule II thereto, as Original Loan Participants, CTC Mansfield Funding Corporation, Meridian Trust Company, as Owner Trustee, IBJ Schroder Bank & Trust Company, as Indenture Trustee, and Cleveland Electric and Toledo Edison, as Lessees (Exhibit 28(a), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(8)(b)	Form of Amendment No. 1 to the Participation Agreement constituting Exhibit 10d(8)(a) above (Exhibit 28(b), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).

Exhibit Number	Document
10d(9)	Form of Ground Lease dated as of September 15, 1987 between Toledo Edison, Ground Lessor, and The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the Owner Participant named therein, Tenant (Exhibit 28(e), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(10)	Form of Site Lease dated as of September 30, 1987 between Toledo Edison, Lessor, and Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Tenant (Exhibit 28(c), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(11)	Form of Site Lease dated as of September 30, 1987 between Cleveland Electric, Lessor, and Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Tenant (Exhibit 28(d), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(12)	Form of Amendment No. 1 to the Site Leases constituting Exhibits 10d(10) and 10d(11) above (Exhibit 4(f), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(13)	Form of Assignment, Assumption and Further Agreement dated as of September 15, 1987 among The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the Owner Participant named therein, Cleveland Electric, Duquesne, Ohio Edison, Pennsylvania Power and Toledo Edison (Exhibit 28(f), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(14)	Form of Additional Support Agreement dated as of September 15, 1987 between The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the Owner Participant named therein, and Toledo Edison (Exhibit 28(g), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).
10d(15)	Form of Support Agreement dated as of September 30, 1987 between Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named there, Toledo Edison, Cleveland Electric, Duquesne, Ohio Edison and Pennsylvania Power (Exhibit 28(e), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(16)	Form of Indenture, Bill of Sale, Instrument of Transfer and Severance Agreement dated as of September 30, 1987 between Toledo Edison, Seller, and The First National Bank of Boston, as Owner Trustee under a Trust Agreement dated as of September 15, 1987 with the Owner Participant named therein, Buyer (Exhibit 28(h), File No. 33-18755, filed by Cleveland Electric and Toledo Edison).

Exhibit Number	Document
10d(17)	Form of Bill of Sale, Instrument of Transfer and Severance Agreement dated as of September 30, 1987 between Toledo Edison, Seller, and Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Buyer (Exhibit 28(f), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(18)	Form of Bill of Sale, Instrument of Transfer and Severance Agreement dated as of September 30, 1987 between Cleveland Electric, Seller, and Meridian Trust Company, as Owner Trustee under a Trust Agreement dated as of September 30, 1987 with the Owner Participant named therein, Buyer (Exhibit 28(g), File No. 33-20128, filed by Cleveland Electric and Toledo Edison).
10d(19)	Forms of Refinancing Agreement, including exhibits thereto, among the Owner Participant named therein, as Owner Participant, CTC Beaver Valley Funding Corporation, as Funding Corporation, Beaver Valley II Funding Corporation, as New Funding Corporation, The Bank of New York, as Indenture Trustee, The Bank of New York, as Collateral Trust Trustee, The Bank of New York, as New Collateral Trust Trustee, and The Cleveland Electric Illuminating Company and The Toledo Edison Company, as Lessees (Exhibit (28)(e)(i), File No. 33-46665, filed by Cleveland Electric and Toledo Edison).
18(a)	Letter regarding change in accounting principles (Exhibit 18, June 30, 1991 Form 10-Q, File Nos. 1-9130, 1-2323 and 1-3583).
28(a)	Financial Statements of the Centerior Energy Corporation Employee Savings Plan for the fiscal year ended December 31, 1992 (to be filed by amendment).

CENTERIOR ENERGY EXHIBITS

Exhibit Number	Document
3a	Amended Articles of Incorporation of Centerior Energy effective April 29, 1986 (Exhibit 4(a), File No. 33-4790).
3b	Regulations of Centerior Energy effective April 28, 1987 (Exhibit 3b, 1987 Form 10-K, File No. 1-9130).
10a	*Indemnity Agreements between Centerior and certain of its current directors and officers.
10e	#Employment and Consulting Agreement, dated November 30, 1989, with P. M. Smart regarding his employment with Toledo Edison through August 31, 1990 and his providing consulting services to Centerior and Toledo Edison for the period September 1, 1990 through January 31, 1994 (Exhibit 10e(2), 1989 Form 10-K, File No. 1-9130).
22	List of subsidiaries (Exhibit 22, 1986 Form 10-K, File No. 1-9130).
24a	*Consent of Independent Accountants.
24b	*Consent of Counsel for Centerior Energy.
25	*Powers of Attorney and certified resolution of Centerior Energy's Board of Directors authorizing the signing on behalf of Centerior pursuant to a power of attorney.

CLEVELAND ELECTRIC EXHIBITS

Exhibit Number	Document
3a	*Amended Articles of Incorporation of Cleveland Electric, as amended, effective November 16, 1992.
3b	Regulations of Cleveland Electric, dated April 29, 1981, as amended effective October 1, 1988 and April 24, 1990 (Exhibit 3b, 1990 Form 10-K, File No. 1-2323).
4b(1)	Mortgage and Deed of Trust between Cleveland Electric and Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York), as Trustee, dated July 1, 1940 (Exhibit 7(a), File No. 2-4450).
	Supplemental Indentures between Cleveland Electric and the Trustee, supplemental to Exhibit 4b(1), dated as follows:

Exhibit Number	Document
4b(2)	July 1, 1940 (Exhibit 7(b), File No. 2-4450).
4b(3)	August 18, 1944 (Exhibit 4(c), File No. 2-9887).
4b(4)	December 1, 1947 (Exhibit 7(d), File No. 2-7306).
4b(5)	September 1, 1950 (Exhibit 7(c), File No. 2-8587).
4b(6)	June 1, 1951 (Exhibit 7(f), File No. 2-8994).
4b(7)	May 1, 1954 (Exhibit 4(d), File No. 2-10830).
4b(8)	March 1, 1958 (Exhibit 2(a)(4), File No. 2-13839).
4b(9)	April 1, 1959 (Exhibit 2(a)(4), File No. 2-14753).
4b(10)	December 20, 1967 (Exhibit 2(a)(4), File No. 2-30759).
4b(11)	January 15, 1969 (Exhibit 2(a)(5), File No. 2-30759).
4b(12)	November 1, 1969 (Exhibit 2(a)(4), File No. 2-35008).
4b(13)	June 1, 1970 (Exhibit 2(a)(4), File No. 2-37235).
4b(14)	November 15, 1970 (Exhibit 2(a)(4), File No. 2-38460).
4b(15)	May 1, 1974 (Exhibit 2(a)(4), File No. 2-50537).
4b(16)	April 15, 1975 (Exhibit 2(a)(4), File No. 2-52995).
4b(17)	April 16, 1975 (Exhibit 2(a)(4), File No. 2-53309).
4b(18)	May 28, 1975 (Exhibit 2(c), June 5, 1975 Form 8-A, File No. 1-2323).
4b(19)	February 1, 1976 (Exhibit 3(d)(6), 1975 Form 10-K, File No. 1-2323).
4b(20)	November 23, 1976 (Exhibit 2(a)(4), File No. 2-57375).
4b(21)	July 26, 1977 (Exhibit 2(a)(4), File No. 2-59401).
4b(22)	September 27, 1977 (Exhibit 2(a)(5), File No. 2-67221).
4b(23)	May 1, 1978 (Exhibit 2(b), June 30, 1978 Form 10-Q, File No. 1-2323).
4b(24)	September 1, 1979 (Exhibit 2(a), September 30, 1979 Form 10-Q, File No. 1-2323).
4b(25)	April 1, 1980 (Exhibit 4(a)(2), September 30, 1980 Form 10-Q, File No. 1-2323).
4b(26)	April 15, 1980 (Exhibit 4(b), September 30, 1980 Form 10-Q, File No. 1-2323).
4b(27)	May 28, 1980 (Exhibit 2(a)(4), Amendment No. 1, File No. 2-67221).
4b(28)	June 9, 1980 (Exhibit 4(d), September 30, 1980 Form 10-Q, File No. 1-2323).
4b(29)	December 1, 1980 (Exhibit 4(b)(29), 1980 Form 10-K, File No. 1-2323).
4b(30)	July 28, 1981 (Exhibit 4(a), September 30, 1981, Form 10-Q, File No. 1-2323).
4b(31)	August 1, 1981 (Exhibit 4(b), September 30, 1981, Form 10-Q, File No. 1-2323).
4b(32)	March 1, 1982 (Exhibit 4(b)(3), Amendment No. 1, File No. 2-76029).
4b(33)	July 15, 1982 (Exhibit 4(a), September 30, 1982 Form 10-Q, File No. 1-2323).
4b(34)	September 1, 1982 (Exhibit 4(a)(1), September 30, 1982 Form 10-Q, File No. 1-2323).
4b(35)	November 1, 1982 (Exhibit 4(a)(2), September 30, 1982 Form 10-Q, File No. 1-2323).
4b(36)	November 15, 1982 (Exhibit 4(b)(36), 1982 Form 10-K, File No. 1-2323).

Exhibit Number	Document
4b(37)	May 24, 1983 (Exhibit 4(a), June 30, 1983 Form 10-Q, File No. 1-2323).
4b(38)	May 1, 1984 (Exhibit 4, June 30, 1984 Form 10-Q, File No. 1-2323).
4b(39)	May 23, 1984 (Exhibit 4, May 22, 1984 Form 8-K, File No. 1-2323).
4b(40)	June 27, 1984 (Exhibit 4, June 11, 1984 Form 8-K, File No. 1-2323).
4b(41)	September 4, 1984 (Exhibit 4b(41), 1984 Form 10-K, File No. 1-2323).
4b(42)	November 14, 1984 (Exhibit 4b(42), 1984 Form 10-K, File No. 1-2323).
4b(43)	November 15, 1984 (Exhibit 4b(43), 1984 Form 10-K, File No. 1-2323).
4b(44)	April 15, 1985 (Exhibit 4(a), May 8, 1985 Form 8-K, File No. 1-2323).
4b(45)	May 28, 1985 (Exhibit 4(b), May 8, 1985 Form 8-K, File No. 1-2323).
4b(46)	August 1, 1985 (Exhibit 4, September 30, 1985 Form 10-Q, File No. 1-2323).
4b(47)	September 1, 1985 (Exhibit 4, September 30, 1985 Form 8-K, File No. 1-2323).
4b(48)	November 1, 1985 (Exhibit 4, January 31, 1986 Form 8-K, File No. 1-2323).
4b(49)	April 15, 1986 (Exhibit 4, March 31, 1986 Form 10-Q, File No. 1-2323).
4b(50)	May 14, 1986 (Exhibit 4(a), June 30, 1986 Form 10-Q, File No. 1-2323).
4b(51)	May 15, 1986 (Exhibit 4(b), June 30, 1986 Form 10-Q, File No. 1-2323).
4b(52)	February 25, 1987 (Exhibit 4b(52), 1986 Form 10-K, File No. 1-2323).
4b(53)	October 15, 1987 (Exhibit 4, September 30, 1987 Form 10-Q, File No. 1-2323).
4b(54)	February 24, 1988 (Exhibit 4b(54), 1987 Form 10-K, File No. 1-2323).
4b(55)	September 15, 1988 (Exhibit 4b(55), 1988 Form 10-K, File No. 1-2323).
4b(56)	May 15, 1989 (Exhibit 4(a)(2)(i), File No. 33-32724).
4b(57)	June 13, 1989 (Exhibit 4(a)(2)(ii), File No. 33-32724).
4b(58)	October 15, 1989 (Exhibit 4(a)(2)(iii), File No. 33-32724).
4b(59)	January 1, 1990 (Exhibit 4b(59), 1989 Form 10-K, File No. 1-2323).
4b(60)	June 1, 1990 (Exhibit 4(a), September 30, 1990 Form 10-Q, File No. 1-2323).
4b(61)	August 1, 1990 (Exhibit 4(b), September 30, 1990 Form 10-Q, File No. 1-2323).
4b(62)	May 1, 1991 (Exhibit 4(a), June 30, 1991 Form 10-Q, File No. 1-2323).

Exhibit Number	Document
4b(63)	May 1, 1992 (Exhibit 4(a)(3), File No. 33-48845).
4b(64)	July 31, 1992 (Exhibit 4(a)(3), File No. 33-57292).
4b(65)	*January 1, 1993.
4b(66)	*February 1, 1993.
10a	Indemnity Agreements between Cleveland Electric and certain of its current directors (Exhibit 10a, 1988 Form 10-K, File No. 1-2323).
10a(1)	#1978 Key Employee Stock Option Plan (Exhibit 1, File No. 2-61712).
22	List of subsidiaries (Exhibit 22, 1991 Form 10-K, File No. 1-2323).
24a	*Consent of Independent Accountants.
24b	*Consent of Counsel for Cleveland Electric.
25	Powers of Attorney and certified resolution of Cleveland Electric's Board of Directors authorizing the signing on behalf of Cleveland Electric pursuant to a power of attorney (Exhibit 25, File No. 33-48057).

TOLEDO EDISON EXHIBITS

Exhibit Number	Document
3a	*Amended Articles of Incorporation of Toledo Edison, as amended effective October 2, 1992.
3b	Code of Regulations of Toledo Edison dated January 28, 1987, as amended effective July 1 and October 1, 1988 and April 24, 1990 (Exhibit 3b, 1990 Form 10-K, File No. 1-3583).
4b(1)	Indenture, dated as of April 1, 1947, between the Company and The Chase National Bank of the City of New York (now The Chase Manhattan Bank (National Association)) (Exhibit 2(b), File No. 2-26908).
	Supplemental Indentures between Toledo Edison and the Trustee, Supplemental to Exhibit 4b(1), dated as follows:
4b(2)	September 1, 1948 (Exhibit 2(d), File No. 2-26908).
4b(3)	April 1, 1949 (Exhibit 2(e), File No. 2-26908).
4b(4)	December 1, 1950 (Exhibit 2(f), File No. 2-26908).
4b(5)	March 1, 1954 (Exhibit 2(g), File No. 2-26908).
4b(6)	February 1, 1956 (Exhibit 2(h), File No. 2-26908).
4b(7)	May 1, 1958 (Exhibit 5(g), File No. 2-59794).

Exhibit Number	Document
4b(8)	August 1, 1967 (Exhibit 2(c), File No. 2-26908).
4b(9)	November 1, 1970 (Exhibit 2(c), File No. 2-38569).
4b(10)	August 1, 1972 (Exhibit 2(c), File No. 2-44873).
4b(11)	November 1, 1973 (Exhibit 2(c), File No. 2-49428).
4b(12)	July 1, 1974 (Exhibit 2(c), File No. 2-51429).
4b(13)	October 1, 1975 (Exhibit 2(c), File No. 2-54627).
4b(14)	June 1, 1976 (Exhibit 2(c), File No. 2-56396).
4b(15)	October 1, 1978 (Exhibit 2(c), File No. 2-62568).
4b(16)	September 1, 1979 (Exhibit 2(c), File No. 2-65350).
4b(17)	September 1, 1980 (Exhibit 4(s), File No. 2-69190).
4b(18)	October 1, 1980 (Exhibit 4(c), File No. 2-69190).
4b(19)	April 1, 1981 (Exhibit 4(c), File No. 2-71580).
4b(20)	November 1, 1981 (Exhibit 4(c), File No. 2-74485).
4b(21)	June 1, 1982 (Exhibit 4(c), File No. 2-77763).
4b(22)	September 1, 1982 (Exhibit 4(x), File No. 2-87323).
4b(23)	April 1, 1983 (Exhibit 4(c), March 31, 1983 Form 10-Q, File No. 1-3583).
4b(24)	December 1, 1983 (Exhibit 4(x), 1983 Form 10-K, File No. 1-3583).
4b(25)	April 1, 1984 (Exhibit 4(c), File No. 2-90059).
4b(26)	October 15, 1984 (Exhibit 4(z), 1984 Form 10-K, File No. 1-3583).
4b(27)	October 15, 1984 (Exhibit 4(aa), 1984 Form 10-K, File No. 1-3583).
4b(28)	August 1, 1985 (Exhibit 4(dd), File No. 33-1689).
4b(29)	August 1, 1985 (Exhibit 4(ee), File No. 33-1689).
4b(30)	December 1, 1985 (Exhibit 4(c), File No. 33-1689).
4b(31)	March 1, 1986 (Exhibit 4b(31), 1986 Form 10-K, File No. 1-3583).
4b(32)	October 15, 1987 (Exhibit 4, September 30, 1987 Form 10-Q, File No. 1-3583).
4b(33)	September 15, 1988 (Exhibit 4b(33), 1988 Form 10-K, File No. 1-3583).
4b(34)	June 15, 1989 (Exhibit 4b(34), 1989 Form 10-K, File No. 1-3583).
4b(35)	October 15, 1989 (Exhibit 4b(35), 1989 Form 10-K, File No. 1-3583).
4b(36)	May 15, 1990 (Exhibit 4, June 30, 1990 Form 10-Q, File No. 1-3583).
4b(37)	March 1, 1991 (Exhibit 4(b), June 30, 1991 Form 10-Q, File No. 1-3583).
4b(38)	May 1, 1992 (Exhibit 4(a)(3), File No. 33-48844).
4b(39)	*August 1, 1992.
4b(40)	*October 1, 1992.
4b(41)	*January 1, 1993.
10a	Indemnity Agreements between Toledo Edison and certain of its current directors (Exhibit 10a, 1988 Form 10-K, File No. 1-3583).

Exhibit Number	Document
24a	*Consent of Independent Accountants.
24b	*Consent of Counsel for Toledo Edison.
25	Powers of Attorney and certified resolution of Toledo Edison's Board of Directors authorizing the signing on behalf of Toledo Edison pursuant to a power of attorney (Exhibit 25, File No. 33-48228).

Pursuant to Paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K, the Registrants have not filed as an exhibit to this Form 10-K any instrument with respect to long-term debt if the total amount of securities authorized thereunder does not exceed 10% of the total assets of the applicable Registrant and its subsidiaries on a consolidated basis, but each hereby agrees to furnish to the Securities and Exchange Commission on request any such instruments.

Pursuant to Rule 14a-3(b)(10) under the Securities Exchange Act of 1934, copies of exhibits filed by the Registrants with this Form 10-K will be furnished by the Registrants to share owners upon written request and upon receipt in advance of the aggregate fee for preparation of such exhibits at a rate of $.25 per page, plus any postage or shipping expenses which would be incurred by the Registrants.