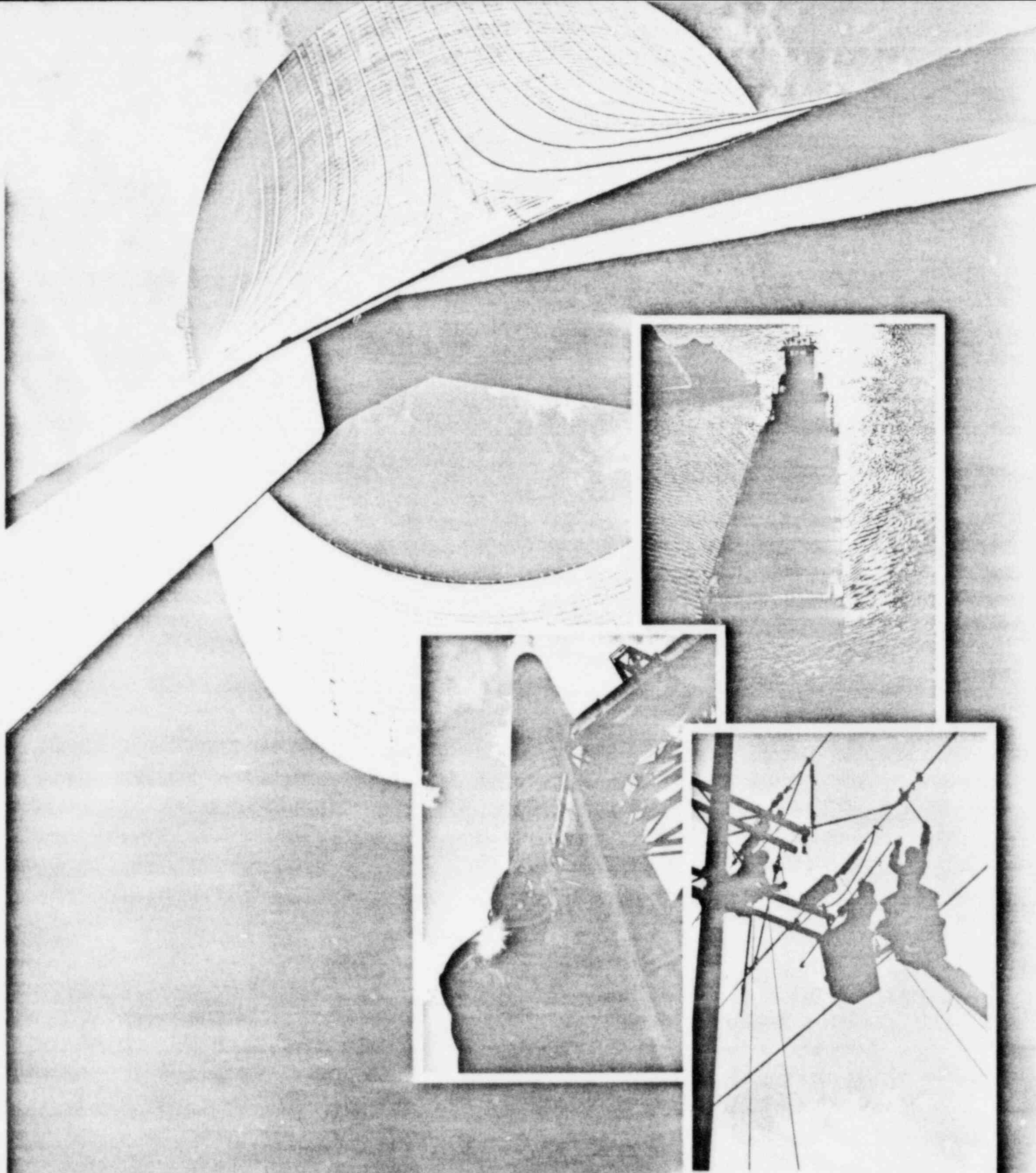


OHIO EDISON
The Energy Makers

1981 Annual Report

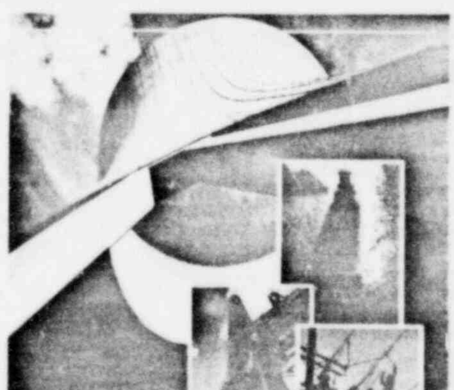
Ohio Edison System

Ohio Edison Company, with its headquarters in Akron, Ohio, provides electric service to about 839,000 customers in an area of approximately 7,500 square miles in central and northeastern Ohio. The Company's wholly owned subsidiary, Pennsylvania Power Company, with its headquarters in New Castle, Pennsylvania, provides electric service to about 124,000 customers in an area of approximately 1,500 square miles in western Pennsylvania. Based on total kilowatt-hour sales, the Ohio Edison System is the 19th largest investor-owned electric system in the United States.

The Companies' electric service reaches an estimated 2.8 million people in 666 communities and rural areas and supplies power for resale by 26 municipal electric systems and 8 rural cooperatives. Also, Ohio Edison participates in the sale, purchase and interchange of power with other electric companies.

We own or share in the ownership of 11 plants comprising 44 generating units. In 1981, our total system power plant generating capacity of 5,686 megawatts included 86.3 percent (4,907 megawatts) coal-fired, 7.5 percent (425 megawatts) nuclear, and 6.2 percent (354 megawatts) oil-fired generation.

Table of Contents



ABOUT THE COVER: The 502-foot cooli[ng] tower under construction at the Beaver Valley Unit 2 nuclear plant in Shippingpo[rt], Pennsylvania, will process 507,400 gallons water every minute. It serves as a backgr[ound] to photographs showing three aspects of power production. (Counterclockwise, to[p] bottom.) Delivered by barge, train or truc[k] the 10.1 million tons of coal burned represented 90 percent of our generation 1981. Our plants (including ownership sh[ares]) produced 24.9 billion kilowatt-hours of electricity. The power produced was transmitted and distributed to customers through 32,000 miles of power lines.

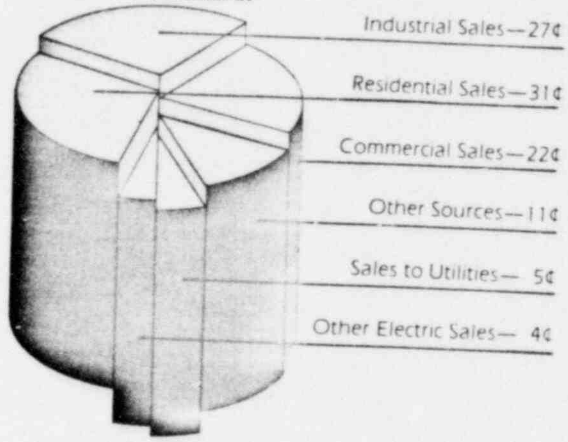
Ohio Edison's new identification symbol appears on the cover. The design was ch[osen] for its modern graphic appeal to reflect t[he] Company's progressive attitude toward meeting the challenges of the future.

Financial Highlights

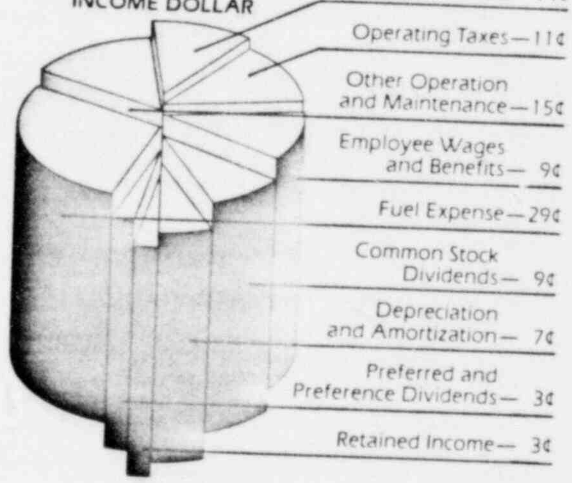
Brief Summary of Operations

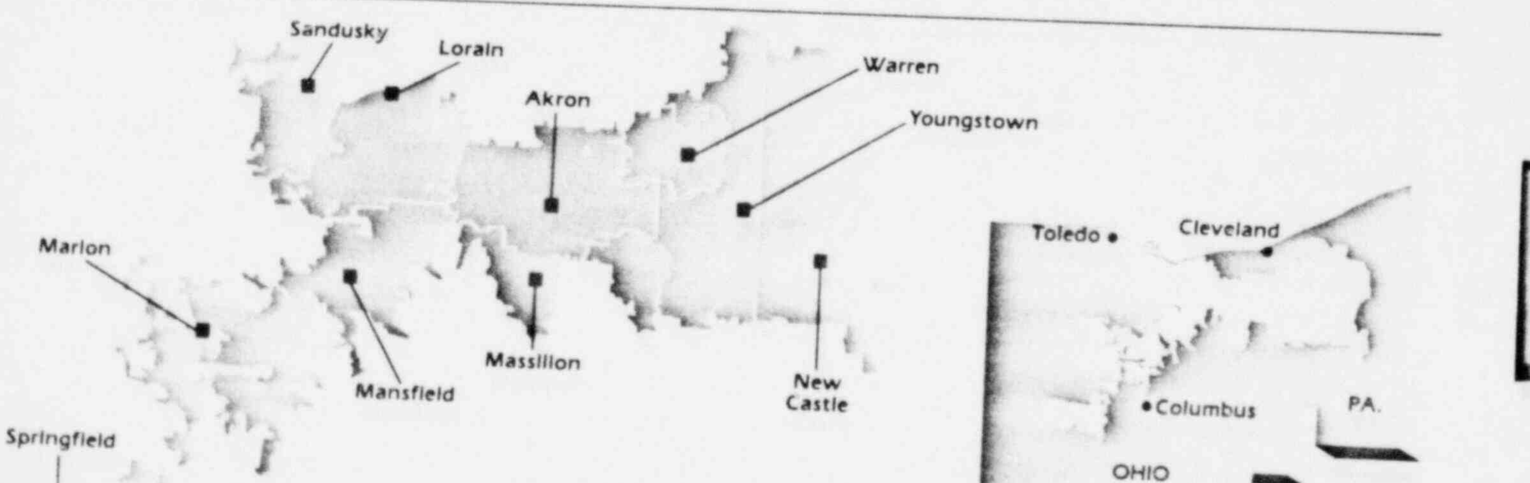
For the Years Ended December 31	**1981**	1980	Change
Kilowatt-Hour Sales	**24.7 Billion**	22.4 Billion	+10.1%
Operating Revenues	**$ 1.3 Billion**	$ 1.1 Billion	+18.4%
Fuel Expense	**$413.7 Million**	$364.9 Million	+13.4%
Operating Income	**$252.4 Million**	$169.4 Million	+49.0%
Allowance for Funds Used During Construction	**$127.8 Million**	$106.5 Million	+20.0%
Interest Expense	**$267.5 Million**	$179.9 Million	+48.7%
Income Before Extraordinary Item	**$183.0 Million**	$135.2 Million	+35.4%
Net Income	**$197.1 Million**	$135.2 Million	+45.8%
Net Income for Common Stock	**$163.9 Million**	$101.4 Million	+61.6%
Earnings Per Common Share:			
Income Before Extraordinary Item	**$2.10**	$1.52	+38.2%
Net Income for Common Stock	**$2.30**	$1.52	+51.3%
Dividends Per Common Share	**$1.76**	$1.76	—
Capital Stock Dividends	**$159.2 Million**	$151.9 Million	+4.8%
Construction Expenditures	**$568.0 Million**	$515.0 Million	+10.3%
Net Financing Activities	**$385.6 Million**	$514.6 Million	-25.1%
Return on Average Common Equity	**14.6%**	**9.7%**	

SOURCE OF 1981 INCOME DOLLAR



DISTRIBUTION OF 1981 INCOME DOLLAR





SERVICE AREA
OHIO EDISON COMPANY
and Pennsylvania Power Company

President's Message

Justin T. Rogers, Jr.

The Companies achieved a marked improvement in 1981 earnings, despite a depressed economy that had adverse effects on us and the nation as a whole.

Rate increases received during the year, increased sales of electricity, and continued improvement in the major facets of our operations were the main contributing factors to this achievement. Operating results in 1981, compared to the previous year, show that:

- Operating revenues increased 18.4 percent to $1.3 billion;
- Operating income increased 49.0 percent to $252.4 million; and
- Earnings per share of common stock reached $2.30, an increase of 51.3 percent from the $1.52 earned in 1980. (Of the 1981 earnings, approximately 30 cents per share represented the combined effect of the gain on the purchase of Company bonds and settlement of a claimed tax liability.)

Rate increases totaling $199 million on an annual basis helped to bring our income closer to necessary levels. Also, in early 1982 Pennsylvania Power began collecting rates which will add nearly $27 million to our annual revenue. Yet, recognizing the need to keep pace with inflation, increased operating costs, and high interest rates, we continue our efforts to obtain rates that cover expenses and provide a fair rate of return to our stockholders. Applications for additional rate increases now pending before the various regulatory commissions total more than $131 million and are detailed in the "Electric Rates" section of this report.

Two things contributed to our 10.1 percent increase in 1981 total electric energy sales, which reached 24.7 billion kilowatt-hours. First, while residential sales were down 0.8 percent, sales to commercial and industrial customers were up 2.2 percent and 5.0 percent, respectively. Second, with the continued improvement in the performance and availability of our coal-fired generating units—76.3 percent compared to 72.1 percent in 1980—we sold $74 million worth of power to other electric companies. That gain marked the first time since the mid-1970s that we sold more power to other utilities than we bought for our own needs.

The improved availability of the Beaver Valley Power Statior also contributed to our results and at the same time helped hc down the cost of fuel to our customers. The 810-megawatt nuclear generating unit had an equivalent availability rating of 73.6 percent in 1981—a noteworthy achievement in its sixth year of operation. Due in part to the availability of Beaver Vall our use of more expensive oil- and coal-fired generation decreased from 99.3 percent of total generation in 1980 to 9C percent in 1981. We believe this trend will continue when Beaver Valley Unit 2 and Units 1 and 2 at the Perry Nuclear Plant assume more of our generating load after their schedule completion in the mid- to late-1980s.

While 1981 was a good year, overall, it was not without problems:

In February 1981, The Public Utilities Commission of Ohio (PUCO) authorized us to begin recovering, through electric ra over a ten-year period, the preliminary costs for cancelled generating units. However, in July the Supreme Court of Ohi ruled, in a case involving The Cleveland Electric Illuminating Company (CEI), that the PUCO could not authorize recovery these costs as service-related costs in retail rate cases and an appeal by CEI to the U.S. Supreme Court was denied in Janu 1982. Since that denial, CEI has appealed a subsequent order the PUCO requiring the utility to reduce its rates to reflect the elimination of these costs. Although the outcome of this matte and its effect upon the Company are still uncertain, we face a possible after-tax write-off of about $48 million, or 67 cents per share of common stock, based on the average number of share outstanding during 1981. Whether a write-off will occur, and if so, its timing, will depend upon a number of developments, including the outcome of the CEI appeal and possible future actions by the PUCO.

As a result of the Ohio Supreme Court decision, we were a to obtain, within two weeks of that decision, a $90 million rat increase (effective August 1) after reaching agreement with all the participants in our pending rate case. All parties agreed to the level and the timing of the increase. The Company also agreed, at the insistence of one of the parties, to a hearing to determine whether there should be a management audit of th Company. We agreed to the hearing in order to avoid any de in receiving an immediate increase. However, in granting the

ncrease on an emergency basis, the Commission ordered a management audit, without the hearing to which the parties agreed.

The Commission selected Cresap, McCormick and Paget, Inc. —a nationally recognized management consulting firm—to conduct an audit of management and operations.

The audit, which began in January 1982, is nearing completion, and, according to the PUCO, we can expect a final report with recommendations later this spring or early summer. We will, of course, make maximum use of any recommendations which will benefit the Company and its stockholders, employees and customers.

Management audits are not new to us. In the mid-1970s we hired an outside consulting firm to conduct a management audit of Ohio Edison. While the firm did recommend changes which we implemented, on the whole they found that our management compared very well with other utilities, but that economic and regulatory obstacles already at work could cause problems for all electric companies in the future. Their findings were obviously on target.

The current business climate is one of those obstacles, causing a lower-than-forecasted rise in electric sales to customers, especially the auto and steel industries. We believe, however, that when the economy recovers, we will benefit from the increased use of new and recently expanded auto and steel manufacturing facilities in our service areas. Major industrial projects already underway in our service areas could, by the end of 1982, increase our annual operating revenues by some $28 million. In addition, we anticipate greater use of electricity in industrial processes as the decontrol of oil and the expected decontrol of natural gas restrict the use of those fossil fuels.

A winding down of our plant and environmental construction programs should also improve our financial future. Although we will need about $2.9 billion in capital during the next five years, 1982 will be our peak year in expenditures at $726 million, with a tapering off in the years that follow. By 1985, our plant construction program will be limited to two nuclear units scheduled for completion in 1986 and 1988. At that time, our major construction programs should be behind us until we are well into the 1990s.

In the regulatory area, which has a dramatic influence on our business, there is evidence that government agencies at both the state and federal levels are expressing concern for our industry's financial health. This concern is apparent in recent decisions by the PUCO, including: a quick response to our emergency rate increase request; the granting of higher rates of return on common equity investment, which are essential to a utility's economic stability; possible acceptance of a future test year concept in setting electric rates, which would more accurately reflect the real costs of providing electric service during the period that the rates are in effect; and a ruling that Ohio's electric utilities should not be drawn into the social welfare programs through the establishment of so-called "lifeline" electric rates.

Along with these encouraging developments, much of our optimism lies in the contributions of our employees. They continue to perform in an outstanding manner, as evidenced by the significant improvement in our sales to other utilities. Their skill and ingenuity, however, touch all aspects of our operations.

We hope you share our pride in what the employees have accomplished. Yet, while those accomplishments have been significant, they would not have been possible without your understanding and support, which is sincerely appreciated.

Justin T. Rogers, Jr.

Justin T. Rogers, Jr.
President
March 16, 1982

Financial Review

Electric Sales and Revenues Increase

Ohio Edison and Pennsylvania Power sold 24.7 billion kilowatt-hours of electricity in 1981, 10.1 percent more than the amount sold in 1980. Led by a 10.6 percent increase in sales to the steel industry, kilowatt-hour sales to industrial customers increased 5.0 percent, and sales to commercial customers increased 2.2 percent. Sales to residential customers declined 0.8 percent from 1980 mainly because of a drop in home construction and moderate temperatures that resulted in less use of heating and air conditioning. Also, a major increase in sales to other utilities contributed 2.0 billion kilowatt-hours to the overall increase in sales.

This improvement in kilowatt-hour sales, combined with new rates, resulted in an 18.4 percent increase in operating revenues to $1.3 billion, compared to $1.1 billion in 1980.

Operating Expenses and Taxes

Operating expenses and taxes increased by $115.8 million, or 12.7 percent, from the 1980 amount of $911.5 million.

The purchase of fuel needed to generate electricity continued to be our largest operating expenditure, accounting for 32 cents of every revenue dollar received in 1981. These costs totaled $413.7 million—a 13.4 percent increase over 1980.

Net costs of power purchased and interchanged (exchanged with other electric companies) reflected an expense of $29.3 million in 1981, up 12.4 percent from $26.1 million in 1980 primarily because more power was delivered to other utilities as revenue sales in 1981, as opposed to interchange sales.

Other operation and maintenance costs for 1981 increased by $21.0 million, or 7.0 percent, to $319.3 million. These increases resulted mainly from increases in the cost of labor, materials, and services. The total increase was partially offset, however, because with the improved availability of our generating plants, maintenance costs were reduced by $3.7 million.

Taxes associated with utility operations increased to $165.1 million in 1981 from $136.7 million in 1980. Income taxes increased by $29.2 million in 1981, but general taxes decreased by $0.8 million because of a $14.4 million credit from the settlement of a Pennsylvania excise tax on gross receipts liability which had been established in prior years. Ten cents per share of 1981 earnings resulted from the settlement of this tax.

Construction Expenditures

Expenditures for environmental, plant, and other system improvement projects totaled $568.0 million in 1981, compared to $515.0 million in 1980. The Companies currently estimate that construction costs, including nuclear fuel costs, will total about $726 million in 1982 and $2.9 billion for 1982 through 1986. The five-year period reflects substantial expenditures for three nuclear generating units scheduled for completion between 1984 and 1988, an a large environmental program schedule for completion in 1984. A significant portion of funds for these projects has an will come from the sale of securities.

Interest and Dividends

Net interest and other charges increase 52.7 percent to $200.2 million in 1981, compared to $131.1 million in 1980, because of increased long- and short-term debt borrowing and high interest rates.

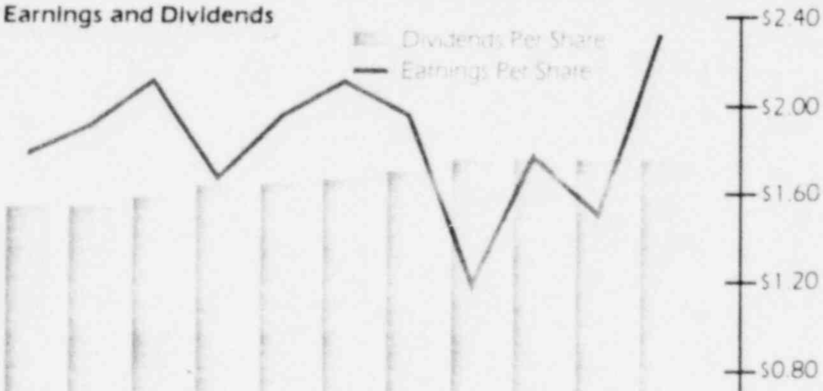
Preferred and preference stock dividen requirements decreased to $33.2 million i 1981, from $33.7 million in 1980 becaus of sinking fund transactions and other pre ferred stock repurchases during the year.

Net Income for Common Stock Increases

After allowance was made for paymer of preferred and preference stock dividen net income available for common stock was $163.9 million, compared to $101.4 million for 1980. With the November sal of 7 million new shares and the issuance of 3.1 million shares through the Dividen Reinvestment and Stock Purchase Plan, th weighted average number of shares of common stock outstanding increased during the year to 71.2 million from 66.7 million in 1980. On a per share basis, earnings were $2.30 in 1981, compared to $1.52 in 1980. However, 20 cents per share resulted from the Company's purchase of $65.8 million of its outstanding first mortgage bonds at market prices below their face value.

Dividends of 44 cents per share on the common stock of Ohio Edison Company were declared by the Company's Board o Directors for each quarter of 1981.

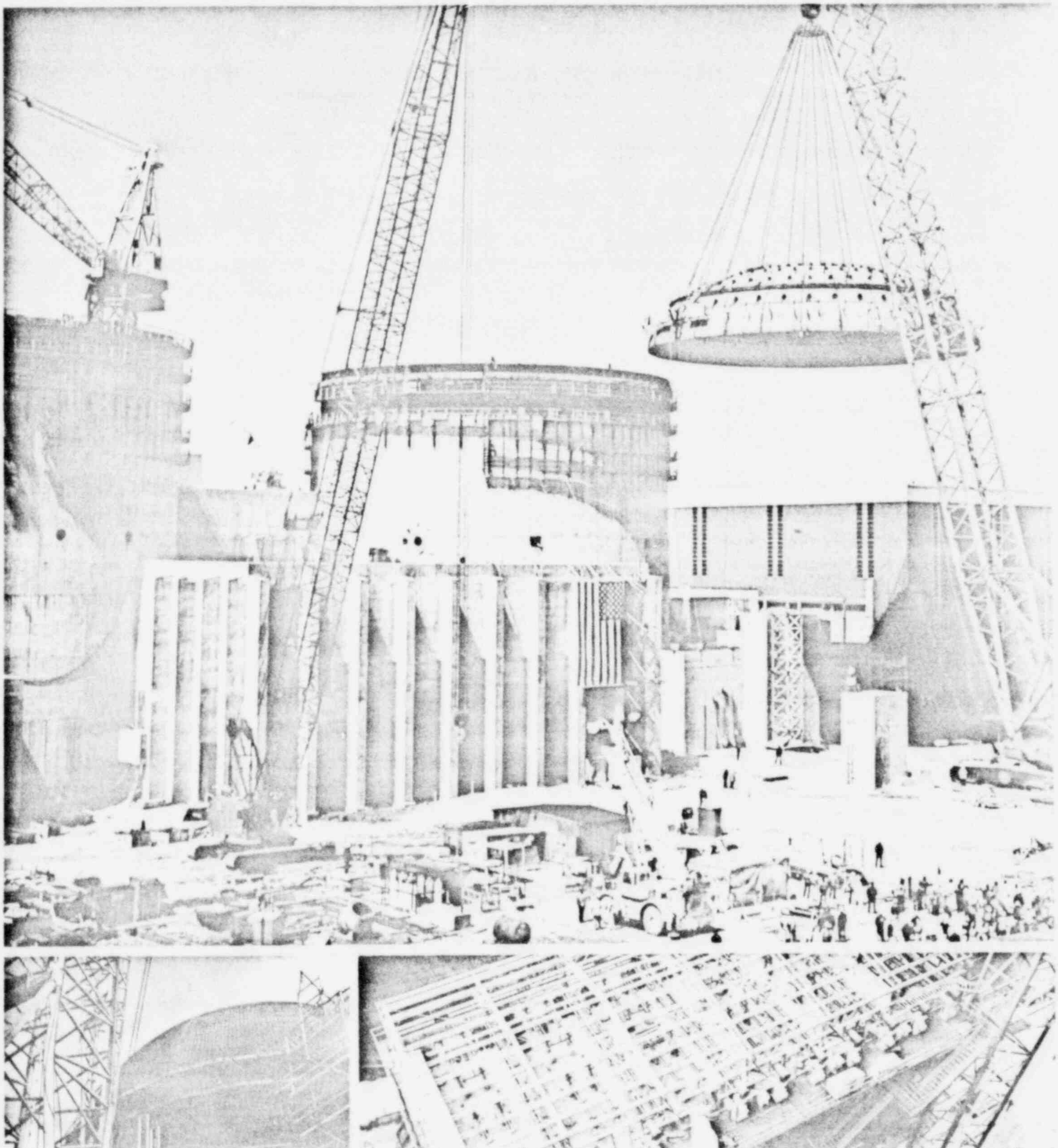
Earnings and Dividends

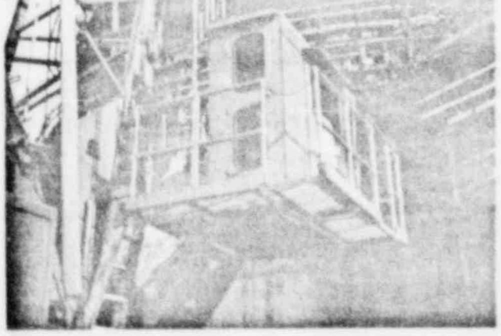


Top: A crane lifts the 700-ton dome onto th containment building of the Perry Nuclear Plant Unit 1 which is 80 percent complete a scheduled for operation in 1984.

Bottom Left: The Beaver Valley Unit 2 nucle plant, scheduled for operation in 1986, is being financed, in part, by the innovative Ohio Edison Energy Trust.

Bottom Right: Installation of an electrostati precipitator at the Edgewater Plant was par of our construction program to meet clean a standards, for which $119.4 million was spe in 1981.





System Operations

Generating Unit Availability

Our major commitment to improving power plant performance continued to be successful in 1981. Intensive maintenance programs and plant design modifications contributed significantly to achieving a generating unit equivalent availability of 76.3 percent in 1981. This was an improvement of 4 percentage points over 1980 and approximately 18 percentage points better than the same period in 1978 when we initiated our generating unit reliability program. The improved performance enabled us to sell 97.0 percent more power to other electric companies than in 1980. Also, our purchase of power to meet customer demand represented only 7.6 percent of total sales, compared to 11.0 percent in 1980.

Beaver Valley Unit 1

During 1981, Beaver Valley Unit 1 in Shippingport, Pennsylvania, with an availability of 73.6 percent, experienced its best year of performance since it began operation in 1976. We own 52.5 percent, or 425 megawatts of the 810-megawatt nuclear unit, which is operated by Duquesne Light Company of Pittsburgh, Pennsylvania.

On December 25, 1981, the unit was shut down for refueling and maintenance. During the scheduled 20-week shutdown, further modifications will be made to meet operating requirements which the Nuclear Regulatory Commission imposed on all nuclear plants after the Three Mile Island accident.

System Dispatching Center Nearing Completion

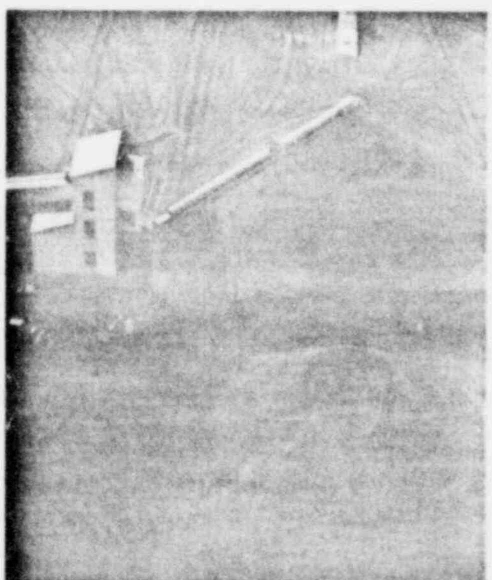
The $9.1 million System Dispatching Center, which will increase the operating efficiency of our transmission and distribution system, is scheduled for operation in late 1982. The structure has been completed and work is continuing i preparation for installation of the comput equipment. The center's computer will provide for more efficient use of the system's generating units, increase the operating security of the transmission system, and improve generating unit response to the minute-to-minute change in customer demand for electricity.

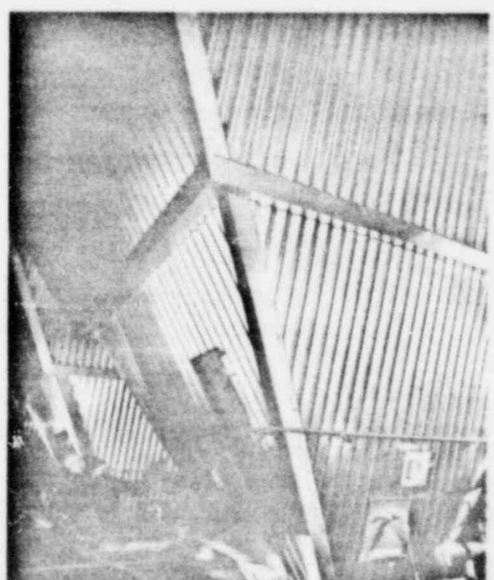
Youngstown Service Center Renovation Project Finished

A $5.1 million, nine-year renovation project at the Youngstown Service Center was completed in 1981. The three-phase project alleviated crowded conditions anc improved the work environment. The firs two phases were construction of a servic garage and parking deck, plus yard improvements (completed in 1974) and construction of a storeroom and truck garage (completed in 1975). The final phase included renovation of the facilities and the purchase of a building to house the substation maintenance section.

Steam System Shut Down

With approval from the PUCO, the Company closed its last steam heating plant on May 1, 1981. The plant, in Springfield, Ohio, was shut down becaus of rising fuel costs, a declining number of customers, and the prospect of having to install costly equipment to meet stringent environmental regulations. Steam plants i Akron and Youngstown, Ohio, were solc in 1980.

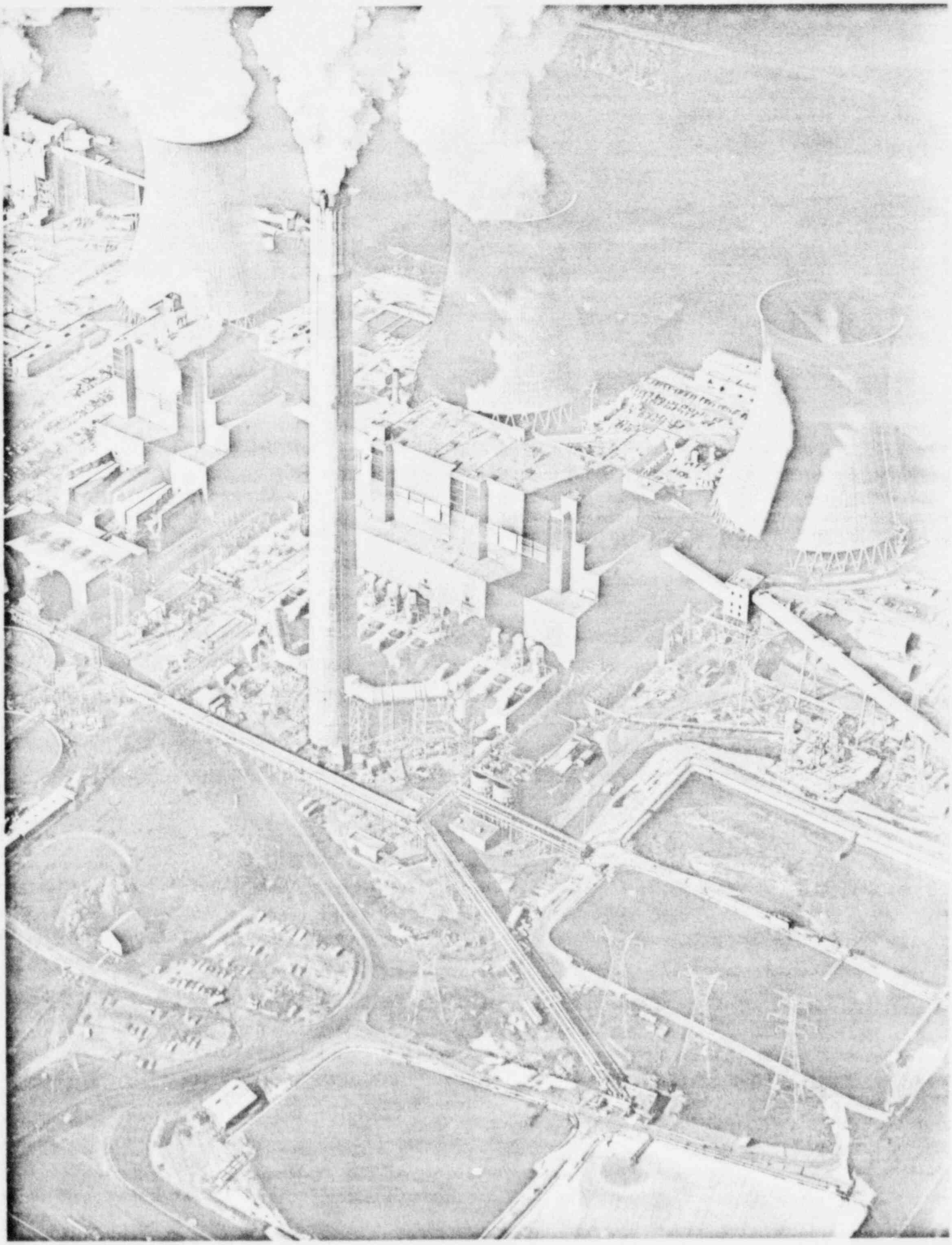


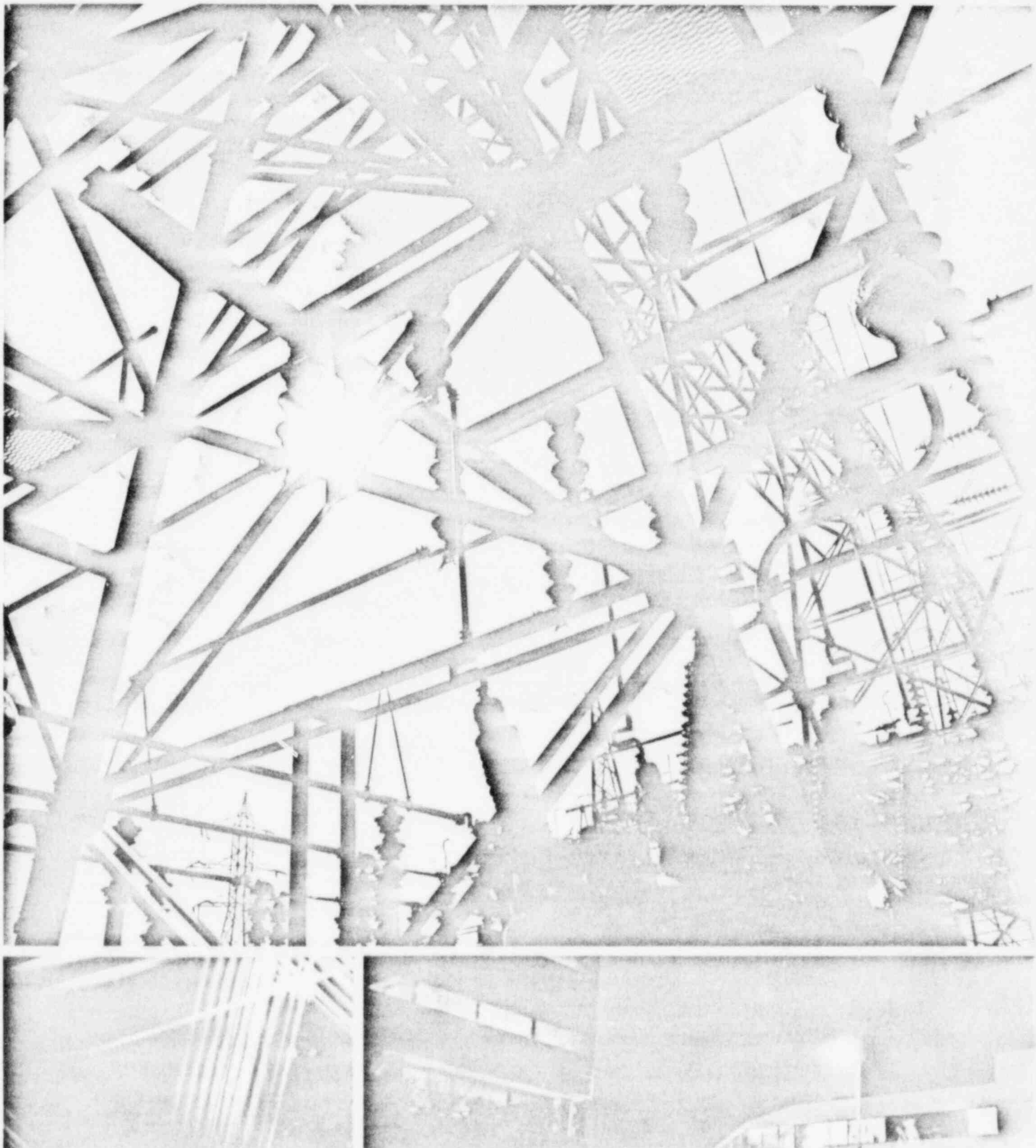


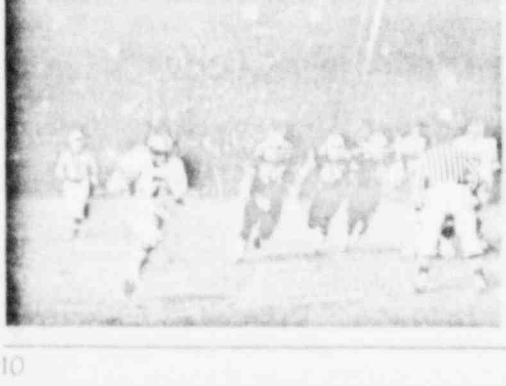
Far Left: At the R. E. Burger Plant, coal is pi above hoppers which empty onto an underground conveyor that carries the coal inside the plant where it is ground into powder, then fed into the Plant's boilers.

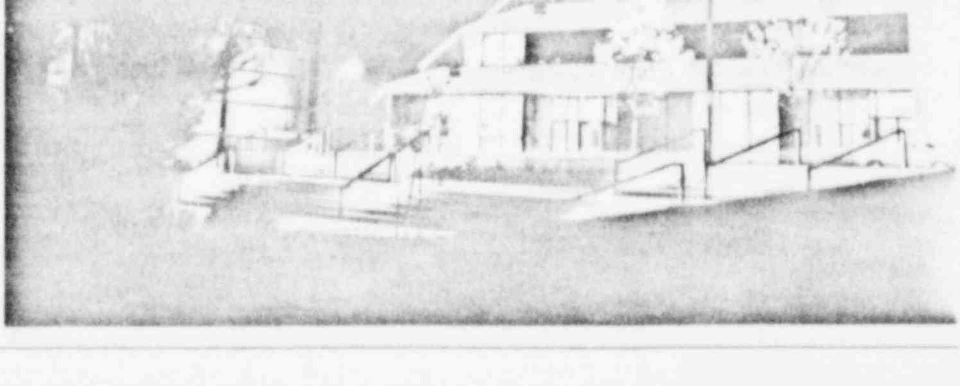
Left: Large hoppers of a new electrostatic precipitator collect more than 99 percent of the fly ash from emissions at the Niles Plant.

Right: The $1.3 billion coal-fired Bruce Mansfield Plant is equipped with the most sophisticated environmental control technology in the electric utility industry. What appears to be smoke coming from the cooling towers (background) and the chimne is actually water vapor – a by-product of the environmental systems.









Electric Rates and Regulatory Developments

Retail Rate Cases

In February, The Public Utilities Commission of Ohio (PUCO) granted a $91 million rate increase to Ohio Edison, which was subsequently increased to $98 million by the PUCO. This increase was the result of a $118.1 million request filed in May 1980.

The PUCO granted the Company an emergency rate increase of $90 million in August after an agreement was reached between principal parties on a $139.2 million retail rate increase request filed in March 1981 with the Commission.

The Company filed an application with the PUCO in January 1982 for a 9.8 percent rate increase, which is expected to become effective in late 1982. If granted in the full amount requested, the increase would result in approximately $117.7 million in additional revenue annually.

Also in January 1982, Pennsylvania Power was granted $24.9 million of the $32.7 million retail rate increase request filed with the Pennsylvania Public Utility Commission in April 1981.

Wholesale Rate Cases

In January 1981, the Federal Energy Regulatory Commission (FERC) authorized Ohio Edison to place into effect wholesale rates which would produce an additional $10.6 million in revenue annually. The increase, which is subject to refund, represents part of a $13.9 million request that was filed in June 1980 and is currently being collected from the Company's 21 municipal customers.

The Company filed an application with FERC in November for authority to increase wholesale rates in January 1982. The Commission has postponed the effective date of the increase until June 9, 1982. This proposed increase would produce an additional $14.2 million in revenue on an annual basis, compared to rates currently in effect.

Pennsylvania Power began collecting an additional $1.7 million in January 1982 from its five municipal resale customers as the result of a ruling by FERC on the first of a two-part request made in September 1981. In the request for a total increase of $2.3 million, Pennsylvania Power proposed that if, at the conclusion of hearings, FERC finds that more than the $1.7 million in additional revenue is warranted, the higher rates will be collected annually from the date of the decision.

Construction Allowance Upheld

A ruling by the Supreme Court of Ohio in May upheld a decision by the PUCO which allowed the Company to include $23.5 million in construction costs for Bruce Mansfield Unit 3 in our rate base prior to the unit's commercial operation. The recovery of costs (Construction Work in Progress) was allowed because the unit was 75 percent complete by March 31, 1979.

New Fuel Adjustment Used

In August, the Company changed its method of recovering fuel costs by using a new fuel adjustment procedure required by recent Ohio legislation. Under the new procedure, a flat rate is collected for six months, based on a predetermined fuel cost level. After that period, the difference between the amount collected for fuel costs and the actual fuel expenses is calculated and, with approval of the PUCO, is included as an adjustment in the fuel cost level for a subsequent six-month period.

Lifeline Rates

The PUCO ruled in November that Ohio electric utilities will not be required to implement so-called "lifeline" rates for which qualifying customers pay rates below the cost of service. The Commission said electric utility rates are not an appropriate or efficient method of providing financial assistance to low-income or elderly customers.

Future Test Year Concept Proposed

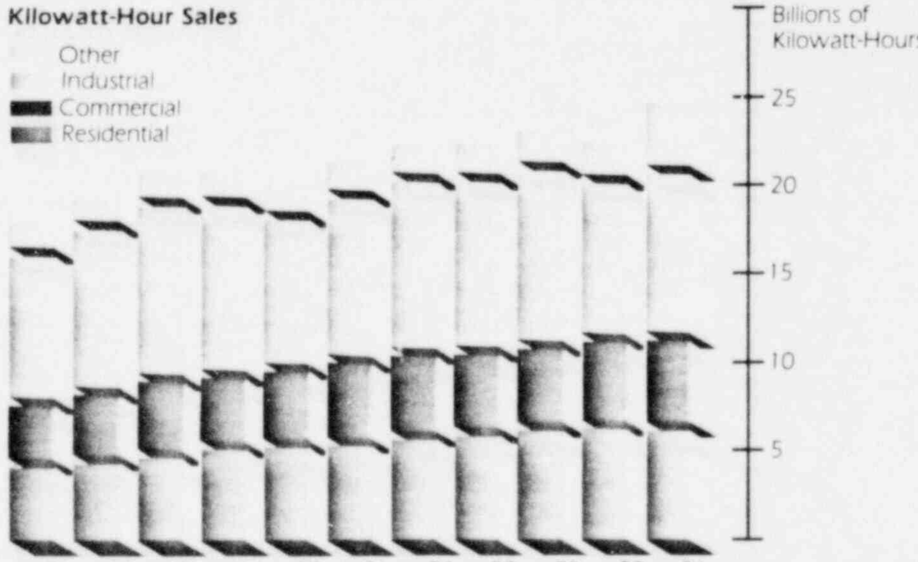
Last fall, the PUCO permitted the Company to include two test periods in determining its need for revenue in the January 1982 rate increase application. The normal test year is based on actual past levels of revenue and expenses for the first six months and on estimates for the second six months. The future test year is based entirely on estimates for the year after the normal test year. Use of the future test year concept should enable the Company to more accurately reflect the effects of inflation in its rates during the period that the rates are in effect. The PUCO will base its decision on one of the two test periods.

Top: Substations for transmission and distribution of power are an integral part of supplying adequate and reliable electric service to more than 960,000 customers.

Bottom Left: Brighter, energy-efficient lights provide better visibility and improve camera coverage for high school football fans at the Paul Brown Tiger Stadium in Massillon.

Bottom Right: In downtown Springfield, Ohio, major renovations have occurred in the Core Block area, represented by this nighttime scene. For its new ten-story office building (left), Credit Life Corporation is considering economical load management by shifting from gas heat during the day to electric heat during off-peak hours.

Kilowatt-Hour Sales



Financing

Security Sales

During 1981, the Companies raised $411 million in long-term capital to finance a major portion of the Companies' construction programs. The majority of proceeds from the sales of various securities were applied to reduce short-term debt incurred for the construction and acquisition of new facilities and other System improvements.

Common Stock

In November, the Company received approximately $85 million from the sale of seven million shares of common stock at $12.125 per share.

We also raised $35.9 million from the issuance of 3.1 million shares of common stock through our Dividend Reinvestment and Stock Purchase Plan.

First Mortgage Bonds

In June, Pennsylvania Power sold $20 million of bonds. This series, at 16-1/8 percent interest, will mature on June 1, 1989.

In a public offering in September, the Company issued $75 million of bonds, carrying an interest rate of 18-3/4 percent and a maturity date of October 1, 1991.

Pollution Control Bonds

In January, $4.6 million principal amount of Pollution Control Revenue Bonds, 1981 Series G, and $1 million principal amount of Environmental Improvement Revenue Bonds, 1981 Series A, were issued, on behalf of Pennsylvania Power, by the Beaver County Industrial Development Authority. On behalf of Ohio Edison, the Authority sold $14.3 million principal amount of Pollution Control Revenue Bonds, 1981 Series H. These series mature in 1983 and bear interest at 60 percent of the floating prime rate.

In April, on behalf of the Company, the Ohio Air Quality Development Authority sold $100 million of a new series of pollution control revenue bonds. The new bonds, 1981 Series A (Ohio Edison Company Project), carry an interest rate of 8-1/2 percent and mature in 1984 and are entitled to the benefit of a bank letter of credit.

Proceeds from the sale of these bonds by each Authority have been or will be used to finance the installation of air pollution control facilities at various coal-fired power plants in Ohio or at the Bruce Mansfield Plant in Shippingport, Pennsylvania.

International Financing

To expand our capital market opportunities, the Company established a subsidiary, Ohio Edison Finance N.V., in the Netherlands Antilles (West Indies), which enables the Company to obtain funds through the sale of notes to foreign investors. The interest on these notes is exempt from United States and Netherlands Antilles withholding taxes. The first offering made through the subsidiary was 17-1/2 percent Guaranteed Notes in the principal amount of $75 million. The sale of these notes, which will mature in 1988, was completed in October. The Company has guaranteed the payment of principal and interest of those notes and has secured its guaranty with a pledge of a new series of its First Mortgage Bonds.

Ohio Edison Energy Trust

In 1980, the Ohio Edison Energy Trust was established to make available up to $500 million to finance, in part, the construction of Beaver Valley Unit 2, an 833-megawatt nuclear generating unit being built in Shippingport, Pennsylvania. The Company's share of the estimated total construction cost of the unit is $1.07 billion. The Trust allows us to increase our financial flexibility by deferring a portion of the long-term financing requirements for the project until investment in the unit can be included in electric rates established by the regulatory commissions.

By the end of 1980, $265 million of the unit's construction costs had been financed through the Trust. In 1981, an additional $167.5 million was provided.

Tax Benefits Transferred

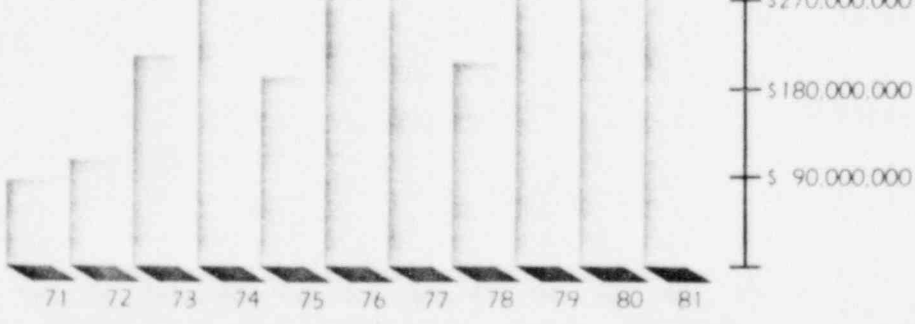
Through provisions of the Economic Recovery Tax Act of 1981, we were able to raise $37.5 million by transferring certain tax benefits related to facilities placed into service during the year.

The transaction enabled us to gain immediate benefit from investment tax credits and accelerated tax depreciation deductions that otherwise would not have been available for several years. Proceeds from the transfer were used to reduce short-term loans incurred for System improvements.

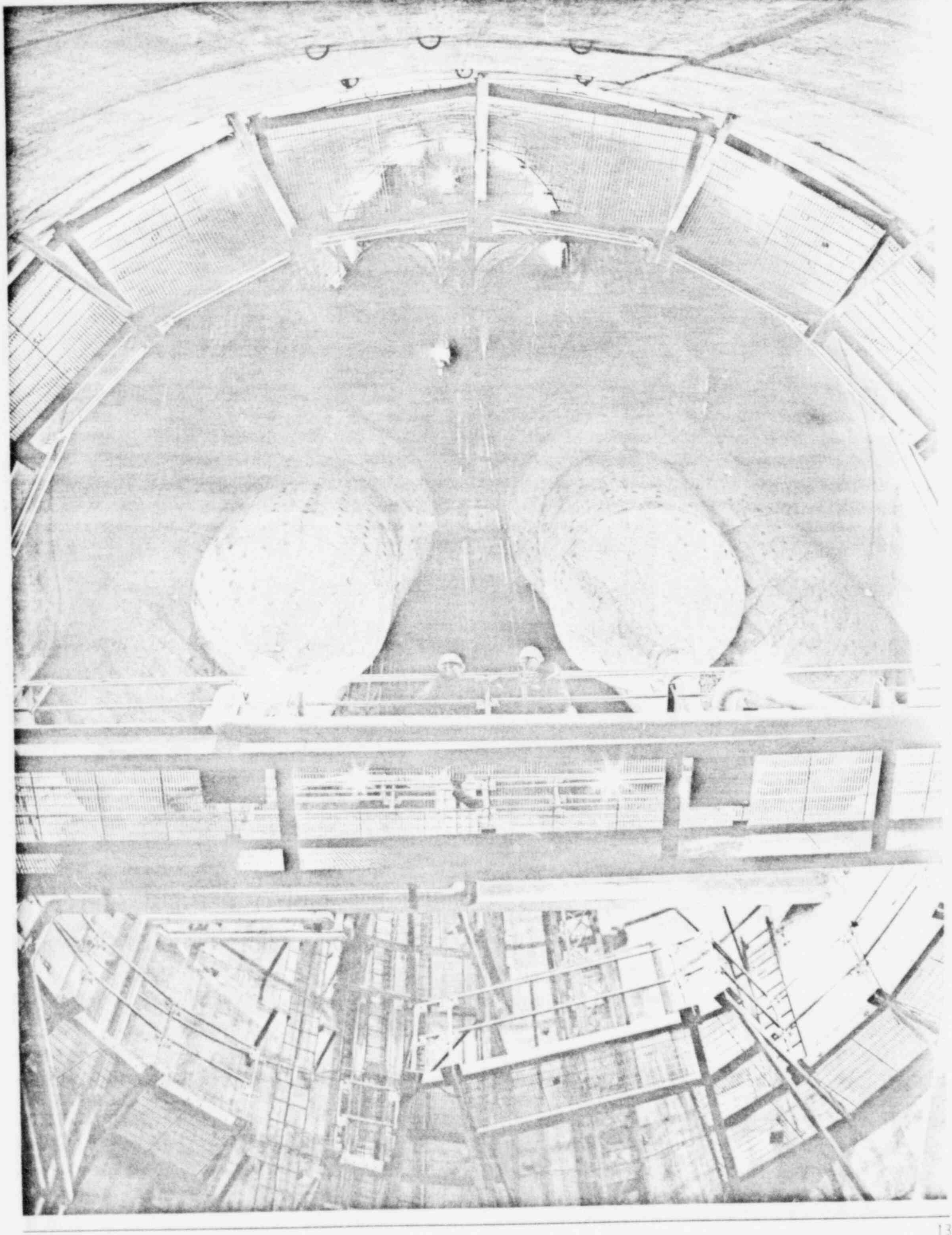
Securities Purchased

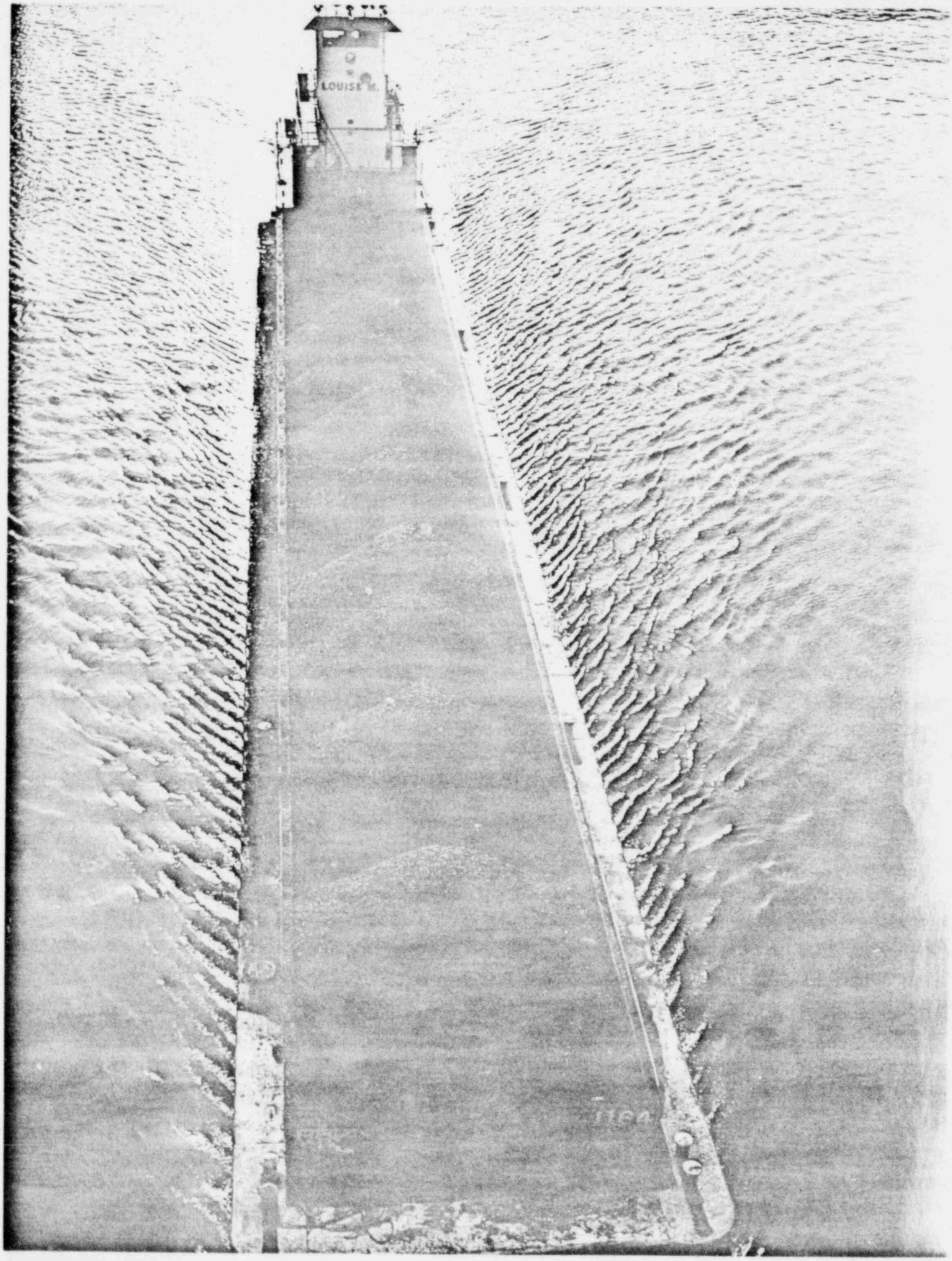
To strengthen the Company's common equity base and reduce long-term debt and preferred stock, in 1981 we purchased some outstanding first mortgage bond and preferred stock securities at prices below their face value. In total, $65.8 million of first mortgage bonds were purchased, which resulted in an extraordinary gain equivalent to approximately $14 million, or 20 cents per share of common stock. We also purchased approximately 27,000 shares of our preferred stock, $100 par value, further increasing common equity by approximately $1.8 million.

New Long-Term Capital



Right: Inside the Niles Plant chimney, flue gas which has passed through dust collection equipment is channeled upward through the new 393-foot structure.

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Nuclear Fuel Financing

To provide funds for financing the costs of nuclear fuel, the Company entered into an arrangement in December involving the formation of a special purpose corporation unrelated to the Company. The corporation will issue commercial paper or make bank borrowings to finance these costs and will lease the fuel to the Company. As the arrangement currently exists, up to $135 million is available. As of December 31, $15 million was financed through this arrangement. Pennsylvania Power expects to enter into a similar arrangement in early 1982 for $30 million to finance its nuclear fuel costs.

Securities Ratings Lowered

In July, two investor services lowered their ratings of the Company's securities, citing the Company's financial condition, high money costs and the continued high cash demands resulting from the construction program.

Moody's Investors Service, Inc., lowered ratings on our 19 series of publicly held first mortgage bonds from A to Baa and downgraded the rating on six series of pollution control revenue bonds from Baa to Ba. However, their ratings on our preferred and preference stock remained Baa and Ba, respectively.

Also, Standard and Poor's Corporation lowered our first mortgage bonds to Triple B-minus from Triple B-plus. The Company's pollution control revenue bonds were downgraded to Double B-plus from Triple B, preferred stock to Double B from Triple B and preference stock to Double B-minus from Double B.

Coal Supplies

Approximately 10.1 million tons of coal were burned at our nine coal-fired power plants in 1981. About half of our coal purchases are made through long-term contracts for supplies coming from southeastern Ohio and western Pennsylvania. The balance is purchased on the open market from the same region and from eastern Kentucky and West Virginia. Pennsylvania Power buys coal from central and western Pennsylvania.

Coal Quality Improved; By-Products Sold

During 1981, we continued to purchase better-quality coal for our power plants. In addition to higher heating values, the coal represented an approximately 22 percent decrease in ash and an 18 percent decrease in sulfur content compared to coal received in 1977. The higher heat content of coal resulted in higher boiler efficiency, less maintenance, and lower ash handling costs.

The Company has also continued to reduce its expenditures for ash disposal by finding buyers for some of its ash. The ash can be used as a partial replacement for portland cement in concrete and concrete products, in various construction applications such as a structural fill or a road base material, and for highway snow and ice control. The sale of coal ash in the last three years totaled approximately $236,000.

North American Coal Agreement Reached

As part of an agreement reached in March between Ohio Edison and the North American Coal Corporation, up to 1.2 million tons of coal per year will be delivered through November 1982 to the R. E. Burger Plant in Shadyside, Ohio. The coal will be washed and the resulting lower ash content will assist us in meeting environmental regulations at the plant.

This agreement resolved a lawsuit filed by North American in September 1980 involving a sales agreement to purchase a minimum of 1.6 million tons of coal per year from two of North American's southeastern Ohio mines. In June 1980, we notified North American of our intention to terminate the sales agreement because the mines were not producing coal in the quantity or quality specified in the agreement.

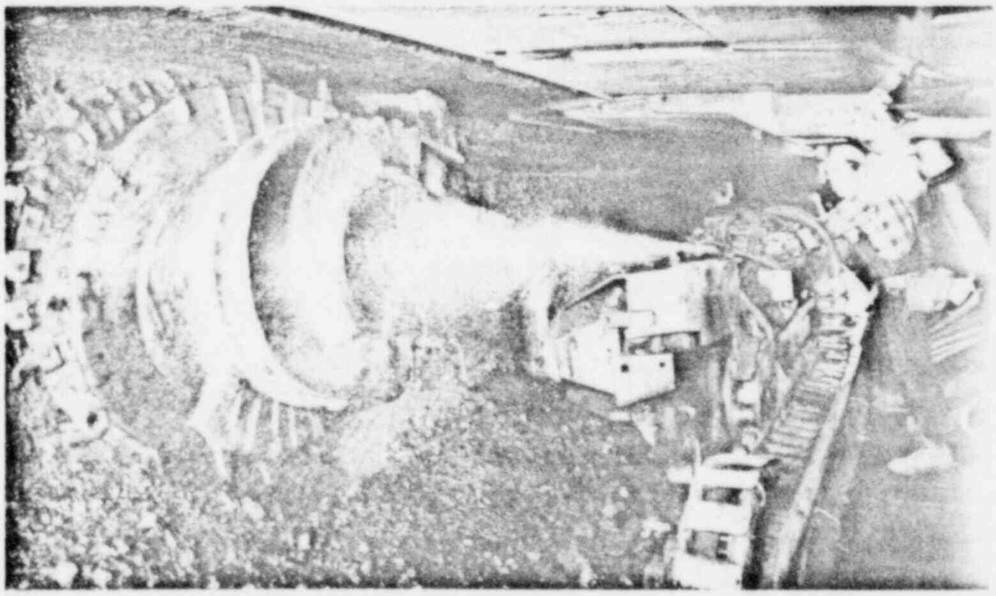
Also included in the agreement is a revised pricing arrangement that will initially save the Company approximately $3 per ton because it fixes the cost of coal at a level comparable to the average price for all coal we purchase.

Quarto Coal Contract Amended

To reduce overall coal costs for the Bruce Mansfield Plant, the Central Area Power Coordination Group (CAPCO), which includes Ohio Edison and Pennsylvania Power, reached agreement with the Quarto Mining Company to amend two coal sales contracts. The amendments allow CAPCO to specify tonnage requirements and approve mining plans for Quarto's three southeastern Ohio coal mines. Under the amendments, less Quarto coal will be bought, enabling CAPCO to buy a greater portion of coal from more economical sources that are now available. In a separate agreement with Quarto's parent company, the North American Coal Corporation, CAPCO was granted an open-end option to acquire Quarto.

Left: A barge adds 1,500 tons of coal to the [illegible]8 million barge tons delivered in 1981 to our plants on the Ohio River – Burger, Mansfield, Sammis and Toronto.

Right: At an underground coal mine in southern Ohio, the rotating blades of shearing equipment mine coal which is shipped by barge to the Bruce Mansfield Plant.



Legislative Developments

With the Clean Air Act subject to review in 1981, we were in frequent contact with federal legislators and their staffs with our suggestions for improving the Act. These improvements would decrease the complexities and administrative burdens imposed by the current Act.

We are also working to discourage inappropriate legislation directed at the so-called "acid rain" problem in which precipitation is thought, by some people, to contain acidic materials introduced by the chemical transformation of industrial emissions. We believe that the level of scientific knowledge on "acid rain" is insufficient to justify enactment of legislation which could require utilities to spend billions of dollars on more air pollution control with no reasonable assurance that the theoretical effects of "acid rain" would be reduced.

Also, we are actively participating in the activities of the Coalition for Environmental-Energy Balance (CEEB). Made up of approximately 30 midwestern utilities and other industries, CEEB is working to improve the level of public and legislative understanding of energy-related issues such as the current "acid rain" controvers The Coalition has commissioned a study t determine the cost-effectiveness of current and proposed environmental laws and regulations, and it has begun a series of advertisements in major newspapers in th Northeast to bring focus to the issue.

Air Quality Projects In Progress

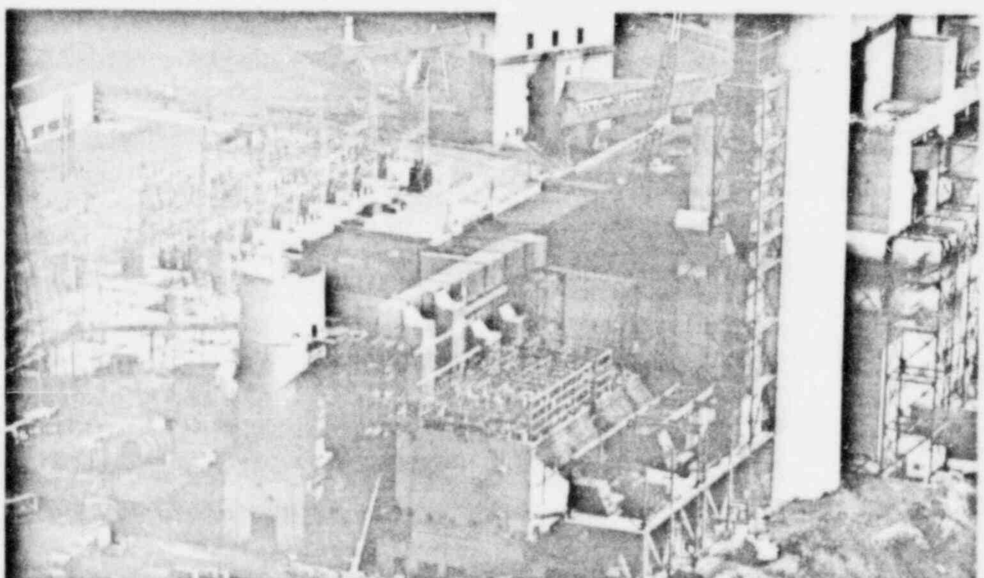
Retrofitting existing power plants to me revised clean air standards will cost the Companies $464.8 million from 1981 through 1986, with $119.4 million of that amount spent in 1981.

Sammis Air Quality Control Project

The largest air quality control project is underway at the coal-fired W. H. Sammis Plant near Stratton, Ohio. The $450 millio project, which is pictured on this page, is on schedule and planned for completion i August 1984. In November 1981, the bridge-like deck (140 feet wide and 915 feet long) needed to support pollution control equipment was completed. Constructed over a four-lane highway, th deck will support six large dust collectors which will replace existing equipment to control particulate emissions. A seventh dust collector will be constructed on the ground south of the plant. The project is about 25 percent complete.

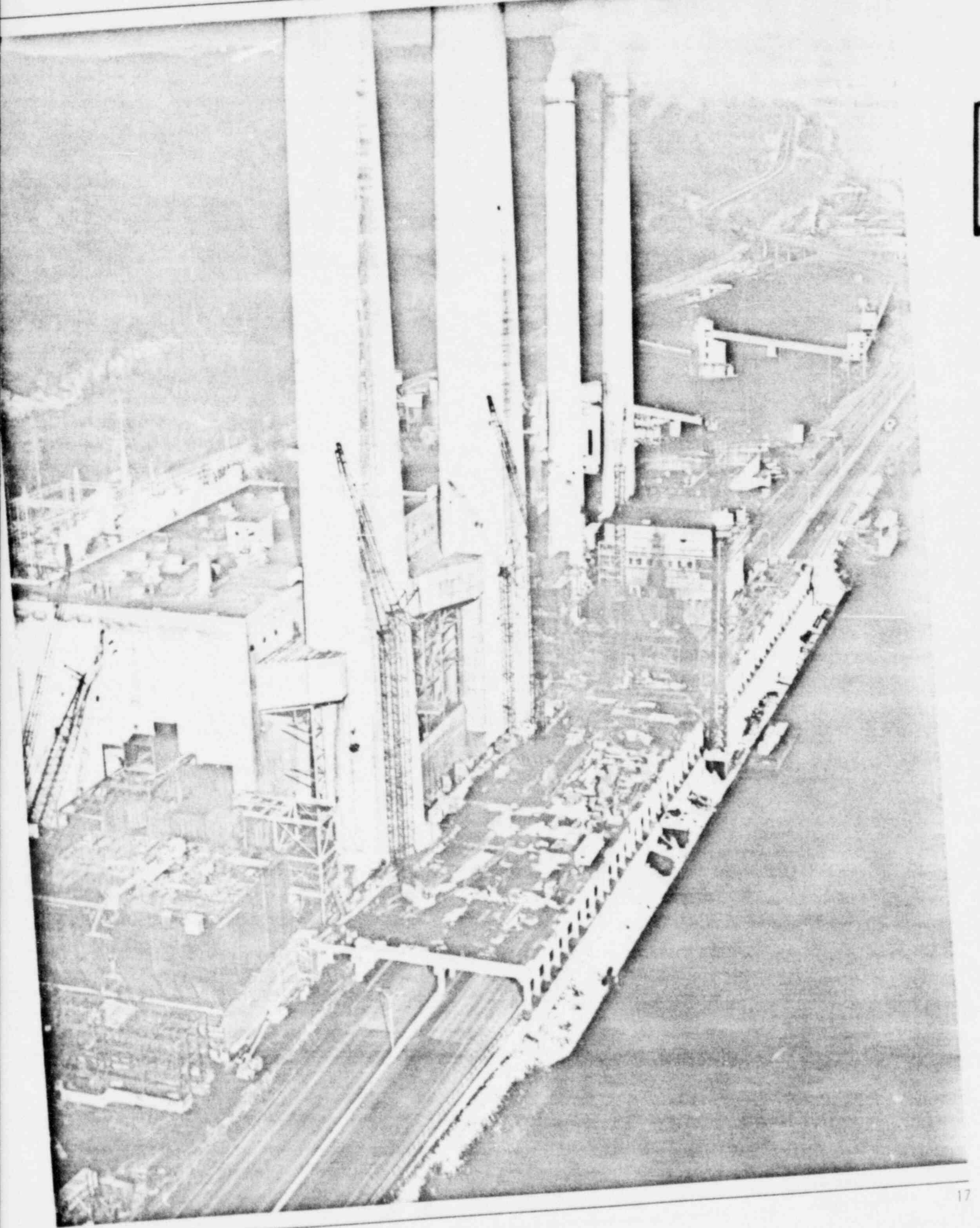
Additional Air Quality Control Projects

In July, we placed into service a $31.1 million installation of two electrostatic precipitators and a 393-foot chimney at th Niles Plant in Niles, Ohio. At the R. E. Burger Plant in Shadyside, Ohio, two electrostatic precipitators are being installe for two boilers at a cost of $45.3 million and are scheduled for completion in Marc 1982. Also scheduled for March 1982 completion is a $21.8 million electrostatic precipitator at the Edgewater Plant in Lorain, Ohio.



Left: At the R. E. Burger Plant, two electro-static precipitators for Units 7 and 8 will b operation in April 1982. The environmental project includes a silo (left) which will load trucks with fly ash for transportation to a landfill.

Right: Because of the lack of available spac $28 million deck that is ten times the streng of a highway bridge will support replacemen dust collectors for six units at the W. H. Samm Plant. In the bottom left, the dust collector for Unit 7 is also under construction. The environmental project is scheduled for com-pletion in 1984 at a cost of about $450 milli



Power Supply Planning

The projected rate of growth for customer demand is approximately 2 percent per year for the period 1982 through 1991. With the three nuclear generating units scheduled for commercial operation in the mid- to late-1980s, adequate generating capacity should be available to meet the energy demands of our customers with adequate reserve margins well into the 1990s.

Nuclear Plant Construction Proceeds

Construction is continuing on three nuclear-powered generating units being financed and built by the five CAPCO companies: Ohio Edison, Pennsylvania Power, The Cleveland Electric Illuminating Company, The Toledo Edison Company and Duquesne Light Company.

Construction that began in 1974 continues at the $4 billion Perry Nuclear Plant in North Perry, Ohio, which is being built and will be operated by The Cleveland Electric Illuminating Company. The 1,205-megawatt Unit 1 is now about 80 percent complete and scheduled for commercial operation in May 1984. The 1,205-megawatt Unit 2 is also progressing well and is scheduled for commercial operation in May 1988. Ohio Edison and Pennsylvania Power will own 35.24 percent, or 850 megawatts, of the total generating capacity from these nuclear units.

Beaver Valley Unit 2 at Shippingport, Pennsylvania, which is being built and will be operated by Duquesne Light Company, is about 50 percent complete. Construction began in May 1974 and commercial operation is scheduled for May 1986. The 833-megawatt unit, of which we will own 41.88 percent, or 349 megawatts, will cost an estimated $2.4 billion.

Coal Gasification Research Project

Along with the Allis-Chalmers Corporation, the state of Illinois, and a number of other utilities, we are participating in a $135 million coal gasification research project at Illinois Power's Wood River Plant near East Alton, Illinois. The project is intended to demonstrate the feasibility of converting a high-sulfur coal, like that found in Ohio, to a clean-burning gaseous fuel.

In October 1982, that plant is schedulec to begin 18 months of testing and demon stration. It will process 600 tons of coal pe day for use in an existing 50-megawatt plant. In helping plants meet strict air pollu tion standards, the process will produce ash and solid sulfur by-products which wi require minimal disposal. Following successful demonstration, larger capacity plant are expected to be built by Allis-Chalmers.

To date, we have contributed $2.3 million to the project, with $1.5 million more scheduled through 1984.

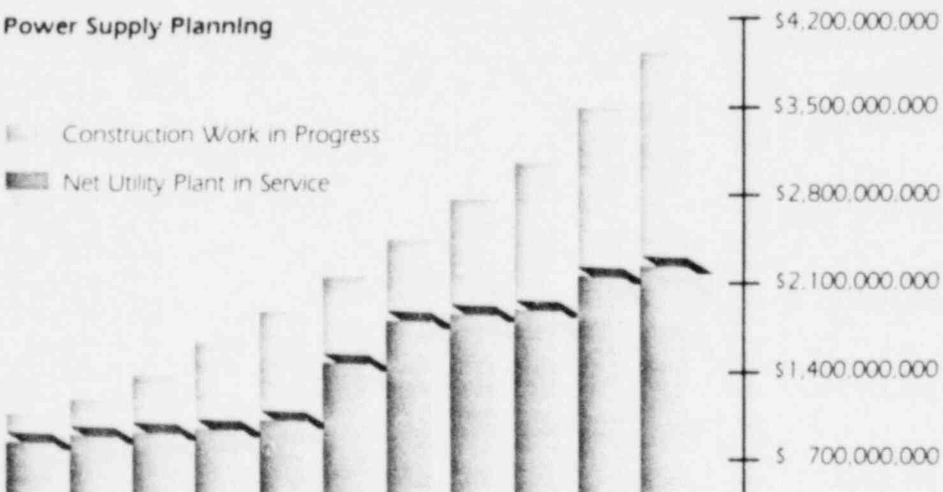
System Load Management Program Reduces Demands

Through our load management program, we are actively encouraging our customers to modify their time of electrical use—in effect, to shift their loads to off-peak periods so that system peak demand is reduced without adversely affecting elec tric revenues. The emphasis of this program is to either help customers shift existing loads or help to design new customer loads to operate at off-peak periods. Shifts to off-peak help reduce the need for costly new generating plants to meet peak demands and delay the time when we will have to finance and put those facilities into service.

In 1981, the program resulted in a reduc tion of 20 megawatts in average system peak demand. Over the five-year period beginning in 1977, we were able to reduce our customers' contribution to pea system demand by 132 megawatts.

Large industrial and commercial customers were primarily responsible for the results achieved. Residential customers are encouraged to install load control devices and change the time of use for major appliances.

Power Supply Planning



Right: The more than 7,600 men and women who make up Ohio Edison and Pennsylvania Power know the importance of providing customers with good service. Their skills and hard work are the primary reason that we deliver service which is 99.9 percent reliable.

Customer Relations

Customer Contact

Ohio Edison and Pennsylvania Power strive to maintain good customer relations. In 1981, over 300 employees attended the training program on "Handling Customer Inquiries and Complaints." Also, meetings have been held with customers to help them find ways to use electricity more efficiently and at less cost.

The Companies have maintained a program of monthly meetings, through divisions, with seven customer panels of 10 to 15 volunteers. These customer panel members relay our information to the organizations they represent, such as senior citizens, labor, minorities, and social service agencies. In addition, in 1981, Speakers Bureaus and Customer Services employees from both Companies gave energy-related talks to 4,755 groups which totaled 124,823 participants.

Statement Billing Instituted

In August, the Company replaced its postcard bills with statement bills mailed in envelopes. This new billing format will enable us to better meet mailing of information to customers frequently required by law and regulators, and at the same time provide the means for including other messages of customer interest.

Customer Attitudes

Periodically, we conduct surveys to determine customer attitude about our service and identify the subjects of their concern. Of 500 Ohio Edison customers surveyed in August, 93 percent of respondents considered electricity an average to above average value, and the same number indicated that we provide good service.

Management Changes

Board Members Retire

In 1982, three members of the Board of Directors will retire, following a 1980 Board resolution which makes members ineligible for nomination by the Board if they are 69 years or older. Accordingly, D. Bruce Mansfield, Fred H. Zuck, and John L. Feudner, Jr., will not be designated for reelection at the 1982 Annual Meeting of Stockholders. Mr. Mansfield, whose career with the Company spanned nearly 35 years, served as president of Ohio Edison and Chairman of the Board of Pennsylvania Power. He is widely recognized for his contributions to the electric utility industry and the community. Mr. Zuck, a director since 1960, was formerly Chairman of the Board at the Sandusky Foundry & Machine Company. Mr. Feudner, Executive Director of Akron Community Trusts, served as director since 1967.

We are grateful for the long and active service these men provided. Their leadership and wisdom will be missed.

New Board Members Elected

At the 1981 Annual Meeting of Stockholders in April, two new members were elected to the Board: Donald C. Blasius, president of The Tappan Company, Mansfield, Ohio, and Glenn H. Meadows, president of the McNeil Corporation, Akron, Ohio.

Employees

Employee Programs

On December 1, employees were mailed a statement listing their individual health, life, and pension benefits. Annually, a similar statement will be prepared and mailed to help maintain employee awareness of the value of benefits they receive.

In October, we established an Employee Suggestion System, which encourages employees to submit ideas for reducing operating costs and improving productivity.

Work has begun on a new $700,000 classroom facility at the Employee Training Center in Massillon, Ohio. The building, which is scheduled for 1982 completion, will include a high bay area with poles enabling trainees to learn climbing skills without weather interruption.

Also, through coordinating our management development activities with the University of Akron, 545 employees attended training courses designed to improve their managerial effectiveness.

Affirmative Action Promoted

Ohio Edison is committed to Equal Employment Opportunity and Affirmative Action Programs. This commitment is supported by participation in responsible programs to improve the employment opportunities of minorities, females, the handicapped, and veterans.

Ohio Edison Company

Officers

Justin T. Rogers, Jr.
President

Victor A. Owoc
Executive Vice President

Douglas W. Tschappat
Executive Vice President

Lynn Firestone
Senior Vice President

Robert J. McWhorter
Senior Vice President

Robert G. Zimmerman
Senior Vice President

Russell J. Spetrino
Vice President and General Counsel

Frank E. Derry
Vice President

Clyde W. Frederickson
Vice President

Donald J. List
Vice President

William B. Marvin
Comptroller

Gregory F. LaFlame
Secretary

H. Peter Burg
Treasurer

Warren G. Fouch
Assistant Comptroller

Charles N. Glasgow
Assistant Secretary

Joanne Martin
Assistant Secretary

Mark T. Clark
Assistant Treasurer

Division Managers

David R. Gundry
Akron Division

Anthony N. Gorant
Bay Division

James E. Markle
Lake Erie Division

Malcolm E. Cash
Mansfield Division

Donald L. Rearick, Jr.
Marion Division

N. Rod Monahan
Springfield Division

Robert E. Dawson
Stark Division

David C. Bixler, Jr.
Warren Division

Peter A. Fetterolf
Youngstown Division

Board of Directors

Donald C. Blasius
President of The Tappan Company, Mansfield, Ohio, manufacturer of microwave ovens, appliances, kitchen cabinets and bathroom vanities. Member, Nominating Committee.

William A. Derrick
Independent Electrical and Mechanical Engineering Consultant, also President of Leisure Industries, Inc., Sandusky, Ohio, developer of real estate and residential building. Chairman, Salary Committee.

John L. Feudner, Jr.
Executive Director of Akron Community Trusts, Akron, Ohio. Chairman, Audit Committee, Member, Finance Committee.

Dr. Lucille G. Ford
Vice President and Dean of Business Administration, Economics, and Director, Gill Center for Business and Economic Education, Ashland College, Ashland, Ohio. Member, Nominating Committee, Finance Committee.

Robert L. Loughhead
President of Copperweld Steel Company, Warren, Ohio, manufacturer of carbon and alloy blooms, billets, and bars. Member, Salary Committee.

D. Bruce Mansfield
Retired—formerly President of this Company and Chairman of the Board of its subsidiary, Pennsylvania Power Company. Member, Audit Committee.

Glenn H. Meadows
President of McNeil Corporation, Akron, Ohio, manufacturer of industrial and automotive lubrication systems, pumps, systems for automated production and material handling, heating and air conditioning equipment, swimming pool chemicals and equipment, and automatic beverage dispensing/control systems. Member, Salary Committee.

Victor A. Owoc
Executive Vice President of this Company. Member, Finance Committee.

Justin T. Rogers, Jr.
President of this Company and Chairman of the Board of its subsidiary, Pennsylvania Power Company. Chairman, Finance Committee, Nominating Committee.

Douglas W. Tschappat
Executive Vice President of this Company.

Frank C. Watson
President of The Youngstown Welding and Engineering Company, Youngstown, Ohio, fabricator of non-ferrous alloys. Member, Nominating Committee, Audit Committee.

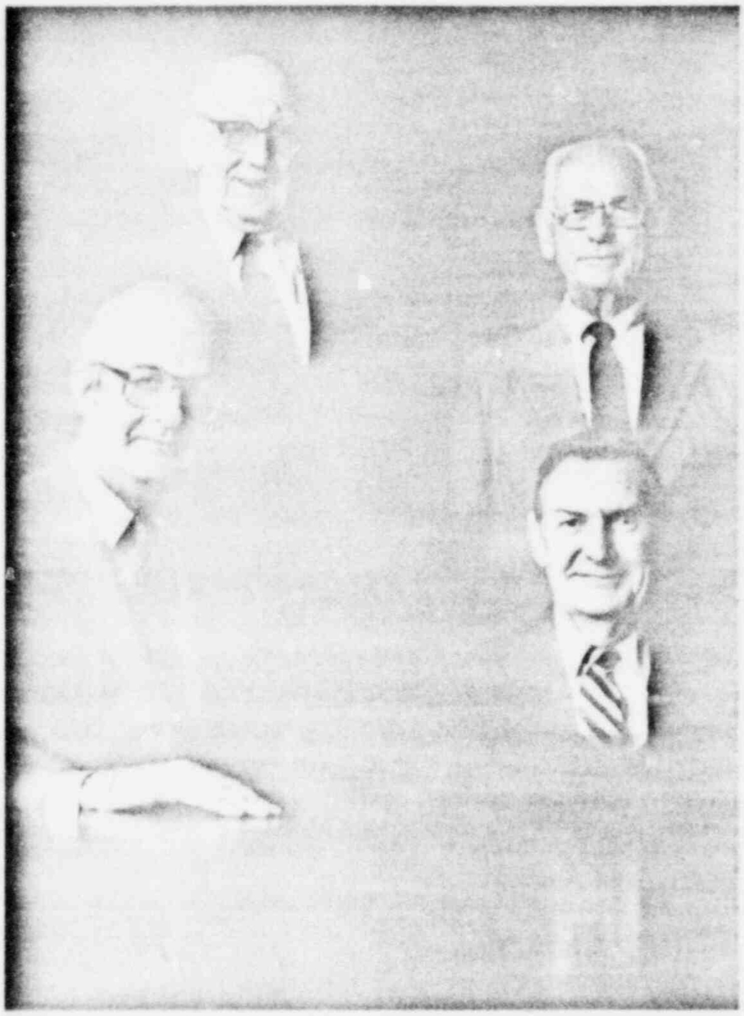
Robert G. Zimmerman
Senior Vice President of this Company. Member, Nominating Committee.

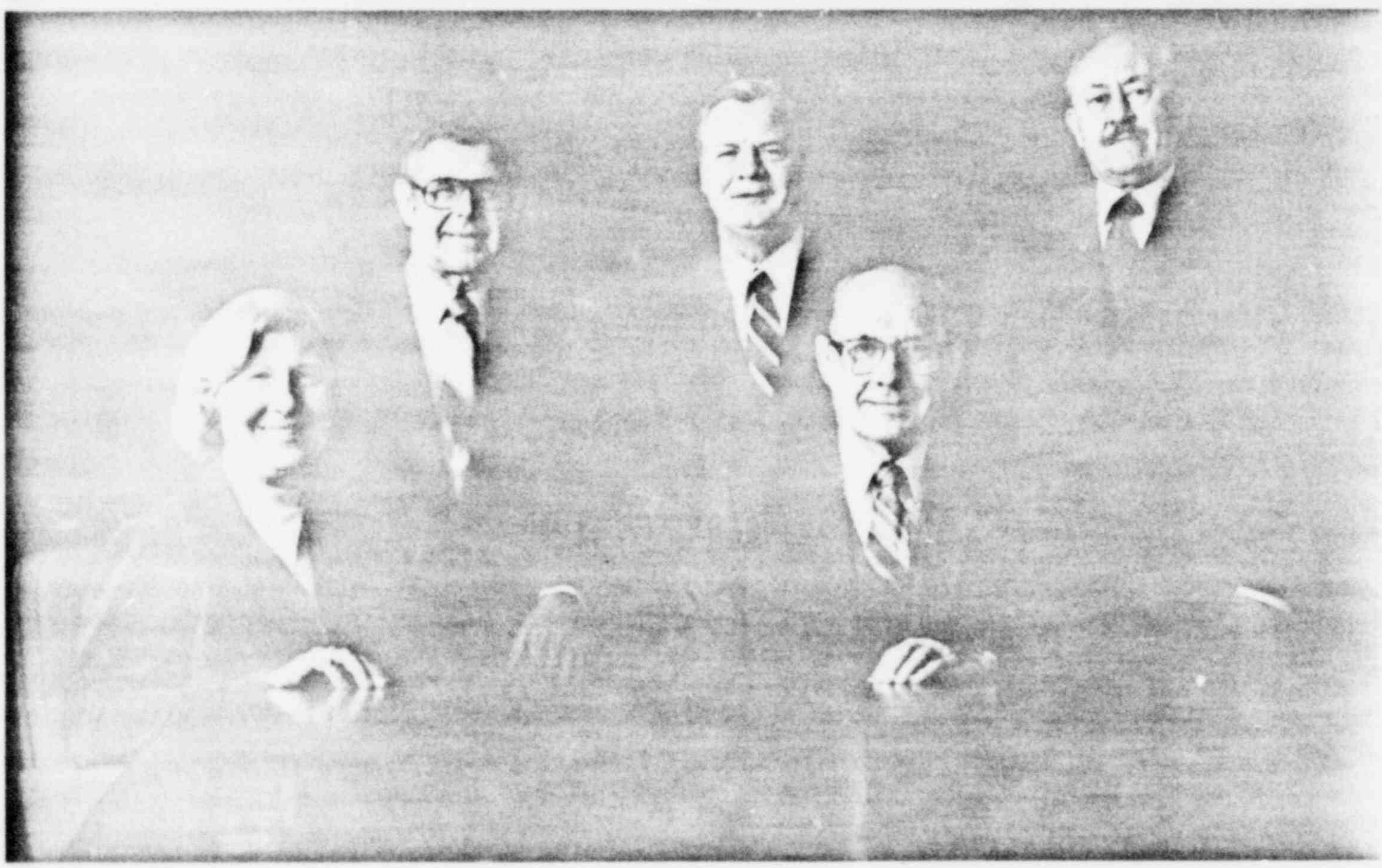
Fred H. Zuck
Retired—formerly Chairman of the Boar of Sandusky Foundry & Machine Company, Sandusky, Ohio, manufacturer of centrifugal castings.

Top Left: (rear) D. Bruce Mansfield, Fred H. Zuck, (front) Justin T. Rogers, Jr., and John L. Feudner, Jr.

Top Right: (left to right) Robert L. Loughhead, Robert G. Zimmerman, Glenn H. Meadows and Douglas W. Tschappat.

Bottom: (left to right) Dr. Lucille G. Ford, Frank C. Watson, Donald C. Blasius, Victor A. Owoc, and William A. Derrick.





Consolidated Financial Information

Management Report

The consolidated financial statements were prepared by the management of Ohio Edison Company, who takes responsibility for their integrity and objectivity. The statements were prepared in conformity with generally accepted accounting principles and are consistent with other financial information appearing elsewhere in this report. Arthur Andersen & Co., independent public accountants, have expressed an opinion on the Company's financial statements, as shown on page 40.

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

The Audit Committee consists of three non-employee directors whose duties include: inquiry into the number, extent, adequacy and validity of regular and special audits conducted by independent public accountants and the internal auditors, the recommendation of independent accountants to conduct the normal annual audit and special purpose audits as may be required, and reporting to the Board of Directors the Committee's findings and any recommendation for changes in scope, methods, or procedures of the auditing functions. The Audit Committee held three meetings during 1981.

V. A. Owoc
Executive Vice President
Chief Financial Officer

W. B. Marvin
Comptroller

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Results of operations for 1981 showed a significant improvement over 1980 results with the Company achieving a rate of return on average common equity of 14.6% compared to 9.7% and 11.2% in 1980 and 1979, respectively. Two unusual factors were present in 1981 which helped to increase earnings. First, was an after-tax extraordinary gain of $14,042,000 applicable to the Company's purchase of $65,821,000 principal amount of its outstanding first mortgage bonds. This program is further described below. Second, was the successful settlement of a claimed Pennsylvania tax liability which the Company, along with other utilities, had disputed. The Company had made provision for possible payment of the tax from 1977 through 1979; this settlement resulted in an increase to 1981 net income of $7,012,000. Absent these two factors, the average return on common equity would have been 12.9% in 1981.

Rate increases implemented by the Companies in 1981 were the major factors toward the marked earnings improvement. Approximately two-thirds of the increase in operating revenues is a result of those rate increases. The remainder was due primarily to increased sales of short-term power to other utilities. In addition to the effect of rate increases in 1980, approximately one-fourth of the revenue increase in that year was due to increased fuel-related revenues. Kilowatt-hour sales to customers other than utilities increased 1.4% in 1981 after having decreased 2.8% in 1980. The 1981 increase was principally the result of a 5.0% increase in kilowatt-hour sales to industrial customers.

The price of fuel has been increasing from 1979 through 1981 but the increase in fuel costs in 1981 compared to 1980 is primarily due to greater quantities of fuel consumed. This was due to the combined effect of placing Bruce Mansfield Unit No. 3 into commercial operation in late September 1980 and the improved generating unit availability achieved in 1981 compared to 1980. Were it not for the deferral of Quarto coal costs, however, total fuel costs would have increased by approximately $43,200,000 more than the reported increase for 1981 (see below and Note 1 of Notes to Consolidated Financial Statements). Reduced dependence upon generation from more costly oil-fired units in 1980 held down the increase in total fuel costs by approximately $19,000,000 under the

amount that the continually increasing prices for coal and oil would have otherwise produced in that year.

The large reduction in purchased and interchanged power, net, in 1980 resulted primarily from improved generating unit performance compared to the prior year. The increase in 1981 reflects a reduction of power deliveries to other utilities classified as "interchange" power. Instead, the Company sold substantially more short-term power, which is included in operating revenues on the Statements of Consolidated Income, as discussed above. Comparing net power transactions with other utilities by combining the short-term sales and net purchased and interchanged power expense, the Companies moved from a "net buyer" position of $13,700,000 in 1980 to a "net seller" position of $44,600,000 in 1981.

Approximately one-third of the total increase in other operation expenses is attributable to the increased operation of Bruce Mansfield Unit No. 3 and Beaver Valley Unit No. 1 in 1981 compared to 1980. Correspondingly, substantially all of the decrease in 1981 maintenance expense was from the resulting reduced maintenance at Beaver Valley Unit No. 1. The Companies' maintenance costs had been rising substantially in prior years because of efforts toward enhancing the availability of their generating units, the results of which have been indicated above.

The significant increase in miscellaneous income included in other income and deductions is mainly attributable to interest earned on funds held in escrow for the construction of pollution control facilities at the Companies' generating units.

Increased interest costs of 53% and 28% in 1981 and 1980, respectively, reflect significantly increased interest rates and increased borrowings during both years. The Companies issued approximately $316,000,000 of new intermediate and long-term debt during 1981 having interest rates which range from 8-1/2% for unsecured pollution control notes to 18-3/4% for first mortgage bonds. In addition, $167,500,000 and $15,000,000 of financing was completed through the Ohio Edison Energy Trust and the Ohio Edison Fuel Corporation in 1981, respectively, at average costs of 18.7% and 13.9%, respectively (see below and Note 5 of Notes to Consolidated Financial Statements). Average short-term borrowings in 1981 were at approximately the same level as in 1980, however the average interest rate on those borrowings increased from 14.9% to 18.0%.

Information with respect to the estimated effects of inflation upon the Companies is given in Note 10 of Notes to Consolidated Financial Statements.

Capital Resources and Liquidity

The cost of the Companies' construction programs over the last five years was approximately $2,300,000,000, which required permanent financing (net of debt and preferred stock redemptions) of $1,400,000,000, in addition to the incurrence of long-term obligations of $447,500,000. The Companies expect to spend approximately $2,900,000,000 for new construction from 1982 through 1986. A major portion of this new construction will be funded through the issuance of additional securities. In addition, the Companies' debt maturities and preferred and preference stock sinking fund requirements amount to approximately $422,500,000 during this five-year period.

In order to strengthen its common equity base by taking advantage of existing favorable market conditions, the Company began a program of purchasing certain amounts of its outstanding first mortgage bonds and preferred stock during the first half of 1981. The purchase of $65,821,000 principal amount of first mortgage bonds and 26,650 shares of preferred stock under this program helped to increase the common equity ratio from 34.2% at December 31, 1980 to 35.7% at December 31, 1981.

New methods of financing initiated by the Company in 1981 included establishing a wholly-owned finance subsidiary, Ohio Edison Finance N.V. (Finance), and arrangements entered into with Ohio Edison Fuel Corporation (see Note 5 of Notes to Consolidated Financial Statements). Because of the effect of certain tax treaties, Finance is better able to attract funds available from European investors than the Company and has enhanced the Company's financing flexibility by allowing it to take advantage of lower-cost money which may exist from time to time in foreign money markets.

The Company took advantage of a provision of the Economic Recovery Tax Act of 1981 by selling tax benefits associated with property placed in service in 1981. The Company received approximately $37,500,000 from the sale. This transaction has greatly accelerated capital recovery associated with this property since available tax credits and depreciation deductions would probably have taken many years to realize in full.

The Companies have deferred approximately $63,400,000 in unrecovered costs applicable to Quarto coal, as discussed in Note 1 of Notes to Consolidated Financial Statements. The Company was granted an allowance in a 1981 rate order for the additional financing costs which result from the deferred recovery of the coal costs, but that allowance amounts to an annual return of only 4.3% based upon unrecovered costs as of December 31, 1981.

The Supreme Court of Ohio decision declaring the impropriety under Ohio law of recovering the costs of a terminated construction project through electric rates, as service related costs, had an impact on 1981 operations. As a result of that decision, the sale of common stock originally planned for August was delayed until November. Also, an offering for $75,000,000 principal amount of first mortgage bonds, which had been priced to carry an interest rate of 16-7/8%, was withdrawn in July after the Ohio Supreme Court decision. The bond sale was delayed until October at which time the interest rate was increased to 18-3/4%. That delay will increase the Company's total interest costs by over $14,000,000 until the bonds mature in 1991. However, in light of the Ohio Supreme Court decision, the Company made application for, and was granted, an emergency rate increase effective August 1, 1981, which is designed to provide additional annaul revenues of $90,000,000.

The Company filed an application with the PUCO for a rate increase in January 1982 which would increase annual revenues by approximately $117,700,000. This increase would take effect in the latter part of 1982. In a January 1982 decision, the PPUC granted Penn Power a rate increase which will add approximately $24,900,000 to its annual operating revenues.

Selected Financial Data

	1981	1980	1979	1978	1977
	(In thousands, except per share amounts)				
Operating Revenues	**$1,279,649**	$1,080,869	$ 994,585	$ 862,956	$ 796,289
Operating Income	**$ 252,381**	$ 169,383	$ 163,744	$ 123,945	$ 146,508
Income Before Extraordinary Item	**$ 183,020**	$ 135,150	$ 134,807	$ 86,030	$ 111,574
Net Income	**$ 197,062**	$ 135,150	$ 134,807	$ 86,030	$ 111,574
Net Income for Common Stock	**$ 163,392**	$ 101,403	$ 105,120	$ 61,25[illegible]	$ 87,863
Earnings per Share of Common Stock: (based on weighted average number of shares outstanding during the year)					
Income Before Extraordinary Item	**$2.10**	$1.52	$1.80	$1.19	$1.97
Net Income for Common Stock	**$2.30**	$1.52	$1.80	$1.19	$1.97
Dividends Declared per Share of Common Stock	**$1.76**	$1.76	$1.76	$1.76	$1.715
Total Assets at December 31	**$4,456,130**	$3,979,965	$3,446,454	$3,010,914	$2,715,903
Preferred and Preference Stock Subject to Mandatory Redemption	**$ 151,141**	$ 156,450	$ 150,850	$ 98,000	$ 98,000
Long-Term Debt	**$1,759,771**	$1,594,384	$1,410,782	$1,343,195	$1,189,821
Energy Trust and Nuclear Fuel Obligations	**$ 447,484**	$ 265,000	$ —	$ —	$ —

Common Stock Data

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

Price Range of Common Stock

	1981		1980	
First Quarter High-Low	**13**	**11-3/4**	15-1/4	11-3/4
Second Quarter High-Low	**13-1/2**	**11-7/8**	15	12
Third Quarter High-Low	**12-7/8**	**11**	14-7/8	12-1/2
Fourth Quarter High-Low	**13**	**11**	13-1/2	11-1/8
Yearly High-Low	**13**	**11**	15-1/4	11-1/8

Prices are as quoted on the New York Stock Exchange Composite Transactions.

Classification of Holders of Common Stock as of December 31, 1981

	Holders of Record		Shares Held	
	Number	%	Number	%
Individuals	161,551	88.4	41,689,691	53.0
Fiduciaries	16,853	9.2	3,568,427	4.5
Brokers	66	—	473,905	0.6
Nominees	995	0.6	30,415,022	38.7
Banks & Financial Institutions	50	—	104,404	0.1
Insurance Companies & Other Corporations	1,594	0.9	1,438,371	1.8
Charitable, Religious & Educational Institutions	552	0.3	441,873	0.6
Pensions, Profit Sharing & Other Investment Trusts	1,117	0.6	544,010	0.7
TOTAL	182,778	100.0	78,675,703	100.0

As of January 31, 1982, there were 183,434 holders of 78,774,178 shares of the Company's Common Stock.

Quarterly dividends of 44¢ per share were paid on the Company's Common Stock during 1981 and 1980. Information regarding retained earnings available for payment of cash dividends is given in Notes 2 and 4b.

Statements of Consolidated Income

For the Years Ended December 31	1981	1980	1979
	(In thousands, except per share amounts)		
OPERATING REVENUES	$1,279,649	$1,080,869	$994,585
OPERATING EXPENSES AND TAXES:			
Operation—			
Cost of fuel	413,698	364,894	316,536
Purchased and interchanged power, net	29,321	26,089	60,313
Other operation expenses	195,075	170,351	138,712
Total operation	638,094	561,334	515,561
Maintenance	124,213	127,935	102,936
Provision for depreciation	95,830	85,455	81,224
Amortization of terminated construction projects (Note 2)	3,995	—	—
General taxes	84,316	85,143	89,122
Income taxes	80,820	51,619	41,998
Total operating expenses and taxes	1,027,268	911,486	830,841
OPERATING INCOME	252,381	169,383	163,744
OTHER INCOME AND DEDUCTIONS:			
Allowance for equity funds used during construction	60,421	57,715	50,571
Miscellaneous, net	17,021	2,104	1,399
Income taxes—credit	53,360	37,017	21,189
Total other income and deductions	130,802	96,836	73,159
TOTAL INCOME	383,183	266,219	236,903
NET INTEREST AND OTHER CHARGES:			
Interest on long-term debt	166,378	147,290	108,401
Interest on long-term obligations (Note 5)	69,183	5,057	—
Allowance for borrowed funds used during construction, net of deferred income taxes	(67,381)	(48,814)	(29,388)
Other interest expense	26,378	22,304	18,423
Subsidiary's preferred stock dividend requirements	5,605	5,232	4,660
Net interest and other charges	200,163	131,069	102,096
INCOME BEFORE EXTRAORDINARY ITEM	183,020	135,150	134,807
EXTRAORDINARY ITEM—Gain on reacquisition of first mortgage bonds, net of related income taxes (Note 8)	14,042	—	—
NET INCOME	197,062	135,150	134,807
PREFERRED AND PREFERENCE STOCK DIVIDEND REQUIREMENTS	33,170	33,747	29,687
NET INCOME FOR COMMON STOCK	$ 163,892	$101,403	$105,120
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING	71,180	66,683	58,290
EARNINGS PER SHARE OF COMMON STOCK (based on weighted average number of shares outstanding during the year):			
Income before extraordinary item (after preferred and preference stock dividend requirements)	$ 2.10	$ 1.52	$ 1.80
Extraordinary item	.20	—	—
Net income for common stock	$ 2.30	$ 1.52	$ 1.80
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$ 1.76	$ 1.76	$ 1.76

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

Consolidated Balance Sheets

At December 31	1981	1980
ASSETS	(In Thousands)	
UTILITY PLANT:		
In service, at original cost	$3,160,271	$3,010,662
Less—Accumulated provision for depreciation	871,740	806,739
	2,288,531	2,203,923
Construction work in progress	1,112,810	948,228
Energy trust construction (Note 5)	434,412	270,057
Nuclear fuel in process (Note 5)	32,004	13,059
	3,867,757	3,435,267
OTHER PROPERTY AND INVESTMENTS	43,338	54,946
CURRENT ASSETS:		
Cash	11,746	12,924
Temporary cash investments, at cost, which approximates market value	4,300	—
Receivables—		
Customers (less accumulated provision of $1,863,000 and $1,247,000, respectively, for uncollectible accounts)	105,037	96,586
Other	26,809	37,975
Materials and supplies, at average cost—		
Fuel	84,503	93,861
Other	40,602	34,393
Prepayments and other	18,962	14,268
	291,959	290,007
DEFERRED DEBITS:		
Deferred fuel and energy costs	61,537	12,144
Property taxes applicable to subsequent period	41,450	38,772
Unamortized costs of terminated construction projects (Note 2)	96,489	99,997
Other	53,600	48,832
	253,076	199,745
	$4,456,130	$3,979,965
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION (See Statements of Consolidated Capitalization):		
Common stockholders' equity	$1,228,486	$1,066,957
Preferred stock—		
Not subject to mandatory redemption	262,851	265,525
Subject to mandatory redemption	68,000	72,000
Preference stock subject to mandatory redemption	56,843	57,250
Preferred stock of consolidated subsidiary—		
Not subject to mandatory redemption	41,947	41,947
Subject to mandatory redemption	26,298	27,200
Long-term debt	1,759,771	1,594,384
	3,444,196	3,125,263
LONG-TERM OBLIGATIONS (Note 5):		
Energy trust	432,500	265,000
Nuclear fuel	14,984	—
	447,484	265,000
CURRENT LIABILITIES:		
Current maturities of long-term debt and preferred stock	7,581	157,000
Notes payable to banks (Note 6)	74,400	41,482
Accounts payable	142,718	103,525
Accrued taxes	47,074	59,159
Accrued interest	39,982	39,697
Other	25,468	21,840
	337,223	422,703
DEFERRED CREDITS:		
Accumulated deferred income taxes	124,279	84,630
Accumulated deferred investment tax credits	40,646	28,743
Property taxes applicable to subsequent period	41,450	38,772
Other	20,852	14,854
	227,227	166,999
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Notes 2, 3 and 7)		
	$4,456,130	$3,979,965

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

Statements of Consolidated Capitalization

At December 31					1981	1980
					(In Thousands)	
COMMON STOCKHOLDERS' EQUITY:						
Common stock, $9 par value, authorized 100,000,000 shares— 78,675,703 and 68,526,172 shares outstanding, respectively (Note 4a)					$ 708,081	$ 616,736
Other paid-in capital					349,214	316,629
Retained earnings (Notes 2 and 4b)					171,191	133,592
Total common stockholders' equity					1,228,486	1,066,957
	Number of Shares Outstanding		Optional Redemption Price			
	1981	1980	Per Share	Aggregate (In Thousands)		
PREFERRED STOCK (Note 4c):						
Cumulative, $100 par value—						
Authorized 6,000,000 shares						
NOT SUBJECT TO MANDATORY REDEMPTION:						
3.90%—7.24%	973,350	1,000,000	$103.375-108.000	$102,693	97,335	100,000
7.36%—8.20%	800,000	800,000	106.520-107.400	85,612	80,000	80,000
8.64%—9.12%	850,000	850,000	106.480-109.120	91,696	85,000	85,000
Premium	—	—	—	—	516	525
Total not subject to mandatory redemption	2,623,350	2,650,000		$280,001	262,851	265,525
SUBJECT TO MANDATORY REDEMPTION (Note 4d):						
10.48%—10.76%	692,760	740,000	$107.860-111.870	$ 76,085	69,276	74,000
Redemption within one year					(1,276)	(2,000)
Total subject to mandatory redemption					68,000	72,000
PREFERENCE STOCK (Note 4c):						
Cumulative, no par value—						
Authorized 4,000,000 shares						
SUBJECT TO MANDATORY REDEMPTION (Note 4e):						
$95.00—$102.50 Series	27,000	27,000	$1,095.000-1,102.500	$ 29,700	27,000	27,000
$1.80 Series	1,973,100	2,000,000	$16.025	31,619	29,843	30,250
Total subject to mandatory redemption	2,000,100	2,027,000		$ 61,319	56,843	57,250
PREFERRED STOCK OF CONSOLIDATED SUBSIDIARY (Note 4c):						
Cumulative, $100 par value—						
Authorized 740,000 shares						
NOT SUBJECT TO MANDATORY REDEMPTION:						
4.24%—9.16%	419,049	419,049	$102.980-107.320	$ 44,238	41,947	41,947
SUBJECT TO MANDATORY REDEMPTION (Note 4d):						
8.24%—11.00%	267,984	272,000	$108.240-112.110	$ 29,460	26,798	27,200
Redemption within one year					(500)	—
Total subject to mandatory redemption					26,298	27,200
LONG-TERM DEBT (Note 4f):						
First mortgage bonds:						
Ohio Edison Company—						
10% Series due 1981					—	150,000
3-1/4% Series due 1984 and 1985					50,491	50,491
4-1/4%—18-3/4% Series due 1986 through 2000					325,000	250,000
7-1/2%—9-1/4% Series due 1995 through 2003					280,798	325,000
8-3/8%—15-1/2% Series due 2006 through 2010					443,381	465,000
					1,099,670	1,240,491
Pennsylvania Power Company— 3-1/4%—16-1/8% Series due 1981 through 2008					214,805	199,805
Total first mortgage bonds					1,314,475	1,440,296
Secured notes and obligations:						
Ohio Edison Company—						
1973 Series A, average interest rate 5.62%, due 1984 through 2008					35,000	35,000
1974 8%—8-3/8% Series A and B, due 1990 through 2004					30,453	30,453
1976 7-7/8% Series D, due 1992 through 2006					40,000	40,000
1978 7.30% Obligation, due 1988 through 2003					8,186	8,186
1979 7-5/8%—9.20% Series A, F and G, due 1995 through 2009					53,000	53,000
1980 10%—10-1/8% Series B, due 1990 through 2010					50,000	50,000
1981 Series H, 60% of floating prime, due 1983					14,275	—
					230,914	216,639
Ohio Edison Finance N.V.— 1981 17-1/2% Guaranteed Notes, due 1988					75,000	—
Pennsylvania Power Company— 1973—1981 5-3/4%—8-3/8% and 60% of floating prime, due 1983 unrough 2007					53,606	47,961
Total secured notes and obligations					359,520	264,600
Unsecured notes of Ohio Edison Company, 8-1/2%—13-13/16%, due 1984 through 1986					176,000	50,000
Less—Amount held by Trustee					75,686	—
Total unsecured notes of Ohio Edison Company (Note 4g)					100,314	50,000
Net unamortized discount on debt					(8,733)	(5,512)
Long-term debt due within one year					(5,805)	(155,000)
Total long-term debt					1,759,771	1,594,384
TOTAL CAPITALIZATION (Note 7)					$3,444,196	$3,125,263

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

Statements of Consolidated Retained Earnings

For the Years Ended December 31	1981	1980	1979
		(In Thousands)	
Balance at beginning of period	**$133,592**	$150,552	$149,615
Net income	**197,062**	135,150	134,807
	330,654	285,702	284,422
Deduct:			
Preferred and preference stock dividends	**33,160**	33,724	29,950
Common stock dividends	**126,030**	118,137	103,356
Capital stock issuance expense	**273**	249	564
	159,463	152,110	133,870
Balance at end of period (See Notes 2 and 4b for dividend restriction)	**$171,191**	$133,592	$150,552

Statements of Consolidated Capital Stock and Other Paid-In Capital

	Common Stock			Preferred and Preference Stock: Not Subject to Mandatory Redemption			Preferred and Preference Stock: Subject to Mandatory Redemption	
	Number of Shares	Par Value	Other Paid-In Capital	Number of Shares	Par Value	Premium	Number of Shares	Par or Stated Value
				(Dollars in Thousands)				
Balance, January 1, 1979	52,120,230	$469,082	$232,422	3,069,049	$306,905	$ 567	980,000	$ 98,000
Sale of Common Stock	6,000,000	54,000	41,820	—	—	—	—	—
Dividend Reinvestment Plan	1,502,139	13,520	8,068	—	—	—	—	—
Sale of Preference Stock—								
$95.00 Series	—	—	—	—	—	—	9,000	9,000
$102.50 Series	—	—	—	—	—	—	18,000	18,000
$1.80 Series	—	—	—	—	—	—	2,000,000	30,250
Sinking Fund Redemption of 10.76% Series of Preferred Stock	—	—	79	—	—	—	(20,000)	(2,000)
Balance, December 31, 1979	59,622,369	536,602	282,389	3,069,049	306,905	567	2,987,000	153,250
Sale of Common Stock	6,500,000	58,500	25,805	—	—	—	—	—
Dividend Reinvestment Plan	2,403,803	21,634	7,979	—	—	—	—	—
Sale of 10.50% Series of Preferred Stock	—	—	—	—	—	—	100,000	10,000
Preferred Stock Sinking Fund Redemptions—								
10.48% Series	—	—	260	—	—	—	(20,000)	(2,000)
10.76% Series	—	—	175	—	—	—	(20,000)	(2,000)
11.00% Series	—	—	21	—	—	—	(8,000)	(800)
Balance, December 31, 1980	68,526,172	616,736	316,629	3,069,049	306,905	567	3,039,000	158,450
Sale of Common Stock	7,000,000	63,000	21,875	—	—	—	—	—
Dividend Reinvestment Plan	3,122,631	28,103	7,751	—	—	—	—	—
Preferred Stock Sinking Fund Redemptions—								
10.48% Series	—	—	585	—	—	—	(27,240)	(2,724)
10.76% Series	—	—	361	—	—	—	(20,000)	(2,000)
11.00% Series	—	—	53	—	—	—	(4,016)	(402)
Other Preferred Stock Redemptions—								
3.90% Series	—	—	271	(3,790)	(379)	—	—	—
4.40% Series	—	—	254	(3,720)	(372)	(3)	—	—
4.44% Series	—	—	902	(13,440)	(1,344)	(6)	—	—
4.56% Series	—	—	386	(5,700)	(570)	—	—	—
Conversion of $1.80 Preference Stock	26,900	242	147	—	—	—	(26,900)	(407)
Balance, December 31, 1981	78,675,703	$708,081	$349,214	3,042,399	$304,240	$ 558	2,960,844	$152,917

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

Statements of Consolidated Sources of Funds for Gross Property Additions

For the Years Ended December 31	1981	1980	1979
		(In Thousands)	
SOURCES OF FUNDS:			
Income before extraordinary item	$183,020	$135,150	$134,807
Principal non-cash items—			
Depreciation and amortization—			
Charged to provision for depreciation	95,830	85,455	81,224
Charged to other accounts	1,318	1,282	1,596
Amortization of terminated construction projects	3,995	—	—
Deferred income taxes, net	99,179	83,536	18,921
Investment tax credits, net	(772)	(27,201)	13,815
Allowance for equity funds used during construction	(60,421)	(57,715)	(50,571)
Deferred fuel and energy costs, net	(49,393)	(9,114)	1,687
	272,756	211,393	201,479
Less—Dividends on common stock	126,030	118,137	103,356
Dividends on preferred and preference stock	33,160	33,724	29,950
Net funds from operating activities	113,566	59,532	68,173
Income from extraordinary item	14,042	—	—
Gain on reacquisition of first mortgage bonds, a non-cash item	(26,276)	—	—
Net funds from earning activities	101,332	59,532	68,173
Financing activities—			
Common stock	120,729	113,918	117,408
Preferred stock	—	10,000	—
Preference stock	—	—	57,250
First mortgage bonds	95,000	322,000	20,000
Secured notes and obligations	94,920	50,000	59,000
Unsecured long-term notes, net	24,314	—	80,000
Energy trust and nuclear fuel obligations	182,484	265,000	—
Retirement of long-term debt and preferred stock	(202,336)	(95,800)	(32,000)
Increase (decrease) in notes payable to banks	32,918	(150,517)	95,395
Sale of tax benefits	37,531	—	—
	385,560	514,601	397,053
Net change in current assets and current liabilities excluding notes payable to banks and current maturities of long-term debt and preferred stock—			
Temporary cash investments	(4,300)	—	—
Receivables	2,715	(29,171)	(13,235)
Materials and supplies	3,149	(33,843)	(12,075)
Accounts payable	39,193	1,474	6,500
Accrued taxes	(12,085)	(1,186)	13,734
Miscellaneous, net	397	12,323	(4,005)
	29,069	(50,403)	(9,081)
Other, net—			
Construction funds held in escrow, including accrued interest	39,847	(20,938)	(3,545)
Allowance for equity funds used during construction	60,421	57,715	50,571
Deferred income taxes on allowance for borrowed funds used during construction	(59,530)	(38,690)	(16,892)
Miscellaneous, net	11,345	(6,797)	(9,533)
	52,083	(8,710)	20,601
GROSS PROPERTY ADDITIONS	$568,044	$515,020	$476,746

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

Statements of Consolidated Taxes

For the Years Ended December 31	1981	1980	1979
		(In Thousands)	
GENERAL TAXES			
Real and personal property	$ 39,193	$ 37,183	$ 41,042
State gross receipts (i)	34,144	38,753	41,127
Unemployment and old age benefits	8,010	6,408	5,569
Miscellaneous	2,969	2,799	1,384
Total general taxes	$ 84,316	$ 85,143	$ 89,122
PROVISION FOR INCOME TAXES			
Currently payable—			
Federal	$ 80	$ (3,043)	$ 3,731
State	678	—	1,234
Foreign	59	—	—
	817	(3,043)	4,965
Deferred, net (see below)—			
Federal	96,218	81,105	17,984
State	2,961	2,431	937
	99,179	83,536	18,921
Investment tax credits, net of amortization (ii)	(772)	(27,201)	13,815
Total provision for income taxes	$ 99,224	$ 53,292	$ 37,701
INCOME STATEMENT CLASSIFICATION OF PROVISION FOR INCOME TAXES			
Operating expenses	$ 80,820	$ 51,619	$ 41,998
Other income	(53,360)	(37,017)	(21,189)
Allowance for borrowed funds used during construction	59,530	38,690	16,892
Extraordinary item	12,234	—	—
Total provision for income taxes	$ 99,224	$ 53,292	$ 37,701
SOURCES OF DEFERRED TAX EXPENSE			
Cost of terminated construction projects, net (Note 2)	$ 5,197	$ 33,181	$ —
Deferred fuel and energy costs, net	12,308	4,210	(881)
Excess of tax depreciation allowed pursuant to the Class Life ADR and ACRS depreciation systems, net	13,669	9,334	5,345
Deferred interest on leased nuclear fuel, net	9,567	—	—
Other, net	(1,092)	(1,879)	(2,435)
	39,649	44,846	2,029
Allowance for borrowed funds used during construction, which is credited to plant	59,530	38,690	16,892
Total deferred tax expense, net	$ 99,179	$83,536	$ 18,921
RECONCILIATION OF FEDERAL INCOME TAX EXPENSE AT STATUTORY RATE TO TOTAL PROVISION FOR INCOME TAXES			
Book income before provision for income taxes	$296,286	$188,442	$172,508
Federal income tax expense at statutory rate	$136,292	$ 86,683	$ 79,354
Reductions in taxes resulting from:			
Allowance for funds used during construction, which does not constitute taxable income (iii)	(27,794)	(26,549)	(28,036)
Excess of tax over book depreciation	(2,422)	(5,874)	(9,918)
Other, net	(6,852)	(968)	(3,699)
Total provision for income taxes	$ 99,224	$ 53,292	$ 37,701

(i) Amount for 1981 includes a credit of $14,352,000 applicable to Pennsylvania Excise Tax on Gross Receipts accrued during the period January 1, 1977 through December 31, 1979. The tax, which was enacted in 1977, was repealed effective January 1, 1980 and had been the subject of litigation. A settlement was reached in December 1981 which provided for payment of approximately $1,596,000, representing 10% of the claimed tax liability.

(ii) Amount for 1980 reflects the reversal of previously recorded investment tax credits and related amortization, carried forward due to the carryback of tax net operating losses.

(iii) Represents the tax effects of the equity portion in 1981 and 1980, and the equity portion and 25% of the Company's debt portion in 1979.

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

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

The consolidated financial statements include Ohio Edison Company (Company) and its wholly-owned subsidiaries Pennsylvania Power Company (Penn Power) and Ohio Edison Finance N.V. (Finance). All significant intercompany transactions have been eliminated. The Company and Penn Power (Companies) follow the accounting policies and practices prescribed by The Public Utilities Commission of Ohio (PUCO), the Pennsylvania Public Utility Commission (PPUC) and the Federal Energy Regulatory Commission (FERC). The more significant policies are summarized below.

Revenues
The Companies' residential and commercial customers are metered on a cycle basis. Revenue is recognized for electric service based on meters read through the end of the month.

Operating revenues and net income for 1981 include approximately $8,905,000 and $4,755,000 ($.07 per share of common stock), respectively, applicable to a wholesale rate increase requested by the Company and permitted by the FERC to become effective January 10, 1981, which is subject to possible refund. Management believes that any refunds which may be required in this case would not have a material effect on 1981 results of operations.

Deferred Fuel and Energy Costs
The Companies record the cost of fuel when it is consumed, except as discussed below.

Effective August 1, 1981, the Company replaced its fuel adjustment clause (FAC) with a new electric fuel component (EFC), in accordance with a PUCO order. The EFC is an estimated fixed rate per kilowatt-hour included on customer bills for a six-month period and is based upon fuel-related costs for the preceding six-month period. Any over or under collection resulting from the operation of the EFC will be included as an adjustment to the new EFC rate in a subsequent six-month period. Accordingly, in August 1981, the Company began deferring the difference between actual fuel-related costs incurred and the amounts recovered from its customers.

The PUCO has ordered that the Company defer and not include the cost of coal purchased from Quarto Mining Company (Quarto) (see Note 7) in the FAC and subsequent EFC at more than generally prevailing market prices without prior PUCO approval. At December 31, 1981 such deferred costs amounted to $57,935,000, of which $48,083,000 and $9,852,000 is applicable to 1981 and 1980, respectively. In its order, the PUCO stated that it will permit the Company to recover its actual Quarto costs, including the previously deferred costs, when the weighted average price of Quarto coal for six consecutive months approaches the level of 25% above the generally prevailing market price of comparable coal. The Company, in connection with its regular semiannual fuel hearing, requested that the PUCO modify its present method for recovery of these costs. Although the Company believes that the methods it proposed at the hearing for recovery of the cost of Quarto coal, including recovery of the deferred costs, are reasonable, the PUCO in its order resulting from that hearing issued January 27, 1982, deferred any action on the Company's request until its next such hearing. In the meantime the Company will continue to defer and accumulate the cost of Quarto coal in excess of generally prevailing market prices.

Prior to May 1, 1981, Penn Power deferred certain increased energy costs which it estimated would be billable to most customers in future periods, in accordance with the energy clause adopted by the PPUC. The energy clause provided for: 1) the recovery or refund, over a six-month period beginning two months after incurrence, of energy costs which differed from established base energy costs; and 2) an adjustment for any over or under collection resulting from the operation of the clause. Effective May 1, 1981, by order of the PPUC, a "levelized" energy cost rate (ECR) was initiated. The ECR in effect in 1981 was based upon the anticipated energy costs for the last eight months of 1981. A new ECR which includes adjustment for any over or under collection from customers will be recalculated each subsequent year in November with an effective date of January 1. Accordingly, Penn Power defers the difference between actual energy costs and the amounts recovered from its customers.

In January 1981, the PPUC ordered that Penn Power not include the cost of Quarto coal in its energy clause and subsequent ECR at more than generally prevailing market prices pending completion of a PPUC investigation to determine the reasonableness of the costs of Quarto coal. Penn Power has deferred $5,428,000 of such costs through December 31, 1981, of which $5,321,000 and $107,000 is applicable to 1981 and 1980, respectively.

Reference is made to Note 7 for a further discussion of the Quarto project.

Utility Plant and Depreciation
Utility plant reflects the original cost of construction, including payroll and related costs such as taxes, pensions and other fringe benefits, administrative and general costs and allowance for funds used during construction (see AFUDC).

The Companies provide for depreciation on a straight-line basis at various rates over the estimated lives of the property. The effective composite rate for electric plant was 3.3% in 1981, 1980 and 1979. The Company's depreciation rates include provisions for the estimated decommissioning costs for its only nuclear generating unit in service. Penn Power provides for the cost of decommissioning radioactive components only, in accordance with a PPUC rate order.

Common Ownership of Generating Facilities
The Companies and other Central Area Power Coordination Group (CAPCO) companies own, as tenants in common, various power generating facilities. Each of the companies is obligated to pay a share of the costs of any jointly owned facility in the same proportion as its ownership interest. The Companies' portions of operating expenses associated with these jointly owned facilities are included in

the corresponding operating expenses on the Statements of Consolidated Income. The amounts reflected on the Consolidated Balance Sheet under utility plant at December 31, 1981 include the following:

Generating Units	Utility Plant in Service	Accumulated Provision for Depreciation	Utility Plant Under Construction	Companies' Ownership Interest
		(In Thousands)		
W. H. Sammis #7	$ 121,551	$ 22,853	$ 29,430	68.80%
Bruce Mansfield #1, #2 and #3	677,477	71,523	10,838	50.68%
Beaver Valley #1	383,137 (i)	55,468	46,286	52.50%
Beaver Valley #2	—	—	460,200	41.88% (ii)
Perry #1 and #2	—	—	786,557	35.24%
Total	$1,182,165	$149,844	$1,333,311	

(i) Includes common facilities applicable to Beaver Valley #2.
(ii) See Note 5.

All nuclear fuel in process relates to the CAPCO units but is not segregated among them.

Nuclear Fuel

The Companies charge the cost of nuclear fuel to fuel expense based on the rate of consumption. In addition, the Company includes in fuel expense the estimated spent nuclear fuel disposal costs which are being recovered from its customers. The storage of spent nuclear fuel is necessary until the manner of its disposal is determined, which may take many years. Penn Power received an allowance for the estimated permanent disposal costs in a January 1982 PPUC rate order.

Allowance for Funds Used During Construction (AFUDC)

AFUDC, a non-cash item charged to construction work in progress during the construction period, represents the net cost of borrowed funds and equity funds used for construction purposes. AFUDC varies according to changes in the level of construction work in progress and in the cost of capital. The Companies compute AFUDC utilizing a net of tax rate consistent with the rate treatment granted by the PUCO and the PPUC. The rates used by the Company were 9.84%, 10.14% and 8.75% during 1981, 1980 and 1979, respectively. Penn Power used rates of 8.50% in 1981 and 8.00% in 1980 and 1979. AFUDC applicable to long-term obligations is based on actual interest accrued during the period (see Note 5).

The Company's 1980 net of tax AFUDC rate reflects an adjustment in the FERC formula used to calculate the rate. The adjustment resulted from a Company study which found a significant undercapitalization of construction work in progress in 1980 as a result of the failure of the formula to give adequate effect to interest costs actually incurred in financing construction activities. This adjustment increased 1980 AFUDC by approximately $11,628,000, net of income tax effect. The Company received permission from the PUCO staff to record the additional AFUDC, subject to determination by the PUCO of its includability in future rate base. Management has no reason to believe that this amount will be disallowed in future PUCO rate proceedings.

Income Taxes

Details of the total provision for income taxes are shown on the Statements of Consolidated Taxes. Deferred tax expense results from timing differences in the recognition of revenues and expenses for tax and accounting purposes.

The Companies allocate the income tax credit resulting from interest expense related primarily to construction work in progress, to income taxes—credit included under other income and deductions on the Statements of Consolidated Income.

For income tax purposes, the Companies have claimed liberalized depreciation (double-declining balance, guideline lives, Class Life ADR System and Accelerated Cost Recovery System (ACRS) provision methods) and, consistent with the rate treatment, follow "normalization" accounting except as indicated on the Statements of Consolidated Taxes.

The Companies expect that deferred taxes not currently provided will be collected from their customers when the taxes become payable, based upon the established rate making practices of the PUCO, the PPUC and the FERC.

The Company received $37,531,000 in 1981 resulting from the sale of tax benefits applicable to property placed in service during 1981 in accordance with provisions of the Economic Recovery Tax Act of 1981. Of the total, $12,675,000 was recorded as additional deferred investment tax credits on the Company's Consolidated Balance Sheet and will be amortized over thirty years. The remaining $24,856,000 was recorded as a reduction to utility plant in service and will serve to reduce the total provision for depreciation over the life of the property.

The Companies defer investment tax credits utilized and amortize these credits to income over the estimated life of the related property. At December 31, 1981, approximately $91,000,000 of unused investment tax credits were available to offset future Federal income taxes payable. These credits expire at the end of the following years:

1991	$18,000,000
1992	20,000,000
1993	9,000,000
1994	7,000,000
1995	33,000,000
1996	4,000,000
	$91,000,000

In addition, the Companies had approximately $20,500,000 of tax net operating losses at December 31, 1981 available to carry forward until the end of 1995. Such tax net operating losses have been recognized by not providing deferred taxes of $3,500,000 and $5,700,000 in 1981 and 1980, respectively, which would otherwise have been provided.

Pensions

The Companies' trusteed, noncontributory pension plans cover almost all full-time employees. Upon retirement, employees receive a monthly pension based on length of service and compensation. Pension costs for 1981, 1980 and 1979 were $15,311,000, $14,931,000 and $13,731,000, respectively. Of those amounts, $9,237,000,

$9,259,000 and $9,163,000, respectively, were charged to operating expenses. The balances were charged primarily to construction. Such costs include the amortization of past service costs on an actuarial basis over 30 years. The Companies fund pension cos' accrued. A comparison of accumulated plan benefits and plan net assets from the two latest actuarial reports is as follows:

	June 30,	
	1981	1980
Actuarial present value of accumulated plan benefits:		
Vested	$144,407,000	$128,808,000
Nonvested	11,467,000	9,725,000
	$155,874,000	$138,533,000
Net assets available for benefits	$213,749,000	$191,678,000
Assumed rate of return for actuarial present value of accumulated plan benefits	8%	8%

Effective January 1, 1981 certain amendments were made to the plans relative to the calculation of benefit payments to retired members. The effect of these amendments increased the actuarial present value of accumulated plan benefits by approximately $5,018,000 through June 30, 1981.

The above total actuarial present value of accumulated plan benefits reflects pension benefits applicable to eligible employees based upon present salary levels and past years of service accumulated through the valuation date. This is the generally accepted reporting procedure set forth by the Financial Accounting Standards Board. The Companies' annual contributions to the plans, however, consider estimated ultimate salary increases due to inflation and other factors and the estimated total service expected to be accumulated by employees. This is a widely recognized funding technique and is consistent with the recommendation of the Companies' actuary. In addition, the actuary recommends, and the Companies utilize, a discount rate of 6% for funding purposes. Differences between funding bases and reporting requirements can have a significant effect on the comparisons above.

In January 1980, the Companies and all other CAPCO companies terminated plans to construct the following four nuclear generating units—Davis-Besse No. 2 and No. 3, and Erie No. 1 and No. 2. Construction costs unrecovered by the Company and Penn Power as of December 31, 1981 applicable to these units amounted to $81,892,000 and $14,597,000, respectively. The PUCO had authorized recovery of the applicable portion of the Company's share of the construction costs from its PUCO jurisdictional customers over a ten-year period beginning in February 1981.

On July 15, 1981, the Supreme Court of Ohio ruled in a case involving another Ohio utility company (also a co-owner of the terminated units) that under existing statutes the PUCO had exceeded its authority in allowing these costs as service-related costs in that company's rate case, even though the decisions to construct and terminate were both, when made, prudent and reasonable. A subsequent appeal to the U.S. Supreme Court by that company was denied on January 25, 1982 because of the lack of a properly presented Federal question. That company has since taken further action which may still affect the ability of the Company to recover these costs and, in any event, further action by the PUCO is possible. The PUCO has in fact ordered the company that was a party to the Ohio Supreme Court case not to write off any of its unrecovered costs in the terminated units pending, among other things, such further action as the PUCO may take in that company's current rate case. Until an adequate resolution is reached of all uncertainties concerning the Company's ability to ultimately recover these costs, the Company believes a write-off of such costs would be premature. To the extent that it is ultimately determined that the Company can never recover these costs, the Company will be required to write them off. The unrecovered balance of such costs allocable to the Company's PUCO jurisdictional customers at December 31, 1981 approximated $77,612,000 ($47,742,000, net of income tax effect). Had the Company been required to write off the costs as of December 31, 1981, the Company would have had approximately $51,402,000 of consolidated retained earnings unrestricted for payment of cash dividends on the Company's Common Stock.

In light of the Ohio Supreme Court decision, the Company and all intervening parties reached a settlement in the Company's rate case which was pending at the time the decision was announced. The settlement will add approximately $90,000,000 to the Company's annual operating revenues, and was in lieu of the $139,000,000 increase previously sought by the Company. In order to make the settlement agreement effective with bills rendered on and after August 1, 1981, the Company made application for, and was granted, an emergency rate increase at the same $90,000,000 level. Neither the temporary emergency rates nor the permanent rate increase which is expected to supersede those emergency rates includes or will include provision for any continued amortization after July 31, 1981 of the costs applicable to the terminated units and thus the new rates will in no event be subject to further adjustment with respect to those costs. Accordingly, the Company discontinued amortization of those costs on August 1, 1981.

The Babcock & Wilcox Company, as supplier for the nuclear steam supply systems for the terminated units, has asserted claims in connection with delays in, and the termination of, the units. The Company's and Penn Power's shares of the claims are approximately $109,300,000 and $19,200,000, respectively, before the application of certain credits of undetermined amount. Representatives of Babcock & Wilcox and the owners of the terminated nuclear units, including the Companies, have been meeting to discuss the matter and the discussions have been proceeding in a manner that the Companies consider satisfactory. The Companies cannot predict at this time what, if

any, amounts they may ultimately pay in connection with these claims nor when such amounts might be paid, but believe any amounts they may pay in the future as a result of these claims will be substantially less than the amounts claimed. Depending on circumstances that exist at the time, any such payment allocable to the Company's retail customers may result in a write-off which would reduce net income for the then current period, the effect of which cannot be determined at this time.

The Companies are currently seeking approval from the FERC to recover the construction costs and any contractors' cancellation charges from FERC jurisdictional customers to the extent they are allocable to those customers. Penn Power requested recovery of the construction costs allocable to its PPUC jurisdictional customers in its recently concluded PPUC rate proceedings; the PPUC deferred its decision pending the outcome of a current investigation of the entire CAPCO construction program. The FERC gave the Companies permission, for accounting purposes only, to amortize these construction costs, plus contractors' cancellation charges, if any, over a ten-year period beginning with the date that rates in their next rate filings before such agencies which provide for recovery of the costs become effective. The Companies believe that the construction costs were prudently incurred and have no reason to believe that the PPUC and the FERC will not act favorably upon their requests.

The Companies lease nuclear fuel, certain transmission facilities, computer equipment, office space and other incidental property and equipment under cancelable and noncancelable leases. The total rental expenses included on the Statements of Consolidated Income for 1981, 1980 and 1979 were $20,731,000, $9,373,000 and $10,356,000, respectively. The future minimum rental commitments as of December 31, 1981 for all noncancelable leases are:

1982	$ 19,223,000
1983	18,638,000
1984	16,040,000
1985	10,812,000
1986	11,841,000
Years thereafter	311,356,000

If all noncapitalized financing leases had been capitalized, the effect on total assets, total liabilities and expenses would not be material.

(a) Common Stock

Through the Dividend Reinvestment and Stock Purchase Plan, holders of Common Stock and most of the Companies' full-time employees can acquire additional new shares of the Company's Common Stock by automatically reinvesting all or a portion of their Common Stock dividends and by making optional cash payments. Purchases made with reinvested Common Stock dividends are made at a price equal to 95% of the average of the high and low market prices on the investment dates, and purchases made with optional cash payments are made at a price equal to 97% of such average. The plan will be amended early in 1982 to include holders of shares of the Company's preferred and preference stock. The purchase of Common Stock made with reinvested cash dividends on preferred and preference stock will be at a price equal to 100% of the average market price. At December 31, 1981, the Company had 1,676,416 shares reserved for issuance under this plan and 1,973,100 shares of Common Stock reserved for possible conversion of the $1.80 Preference Stock. The Company has filed a Registration Statement with the Securities and Exchange Commission to increase the number of shares available for issuance under the Dividend Reinvestment and Stock Purchase Plan by 6,000,000 shares.

(b) Retained Earnings

Under the Company's indenture, the Company's consolidated retained earnings unrestricted for payment of cash dividends on the Company's Common Stock were $99,144,000 at December 31, 1981 (see Note 2). Under Penn Power's Charter, $27,905,000 of retained earnings at December 31, 1981 were unrestricted for payment of cash dividends to the Company.

(c) Preferred and Preference Stock

The Company has 4,000,000 authorized and unissued shares of cumulative $25 par value Class A Preferred Stock.

At the Companies' option, all preferred and preference stock may be redeemed in whole, or in part, at any time upon not less than 30 nor more than 60 days notice, unless otherwise noted. Redemption of all preferred and preference stock issued within the past five years is subject to certain restrictions regarding refunding operations. The optional redemption prices shown on the Statements of Consolidated Capitalization will decline to eventual minimums per share according to the Charter provisions establishing each series.

(d) Preferred Stock Subject to Mandatory Redemption

The Company's 10.48% Series and 10.76% Series each include provisions for a mandatory sinking fund to retire a minimum of 20,000 shares every year on December 1 and January 1, respectively, at $100 per share plus accrued dividends. Penn Power's 11% Series includes a provision for a mandatory sinking fund to retire a minimum of 4,000 shares every year on January 1, at $100 per share plus accrued dividends, and its 8.24% Series includes a provision for a mandatory sinking fund to retire a minimum of 5,000 shares on December 1 in each year beginning in 1982, at $100 per share plus accrued dividends. Penn Power's 10.50% Series includes a provision for mandatory redemption of the entire series on April 1, 2040 at $100 per share plus accrued dividends.

The sinking fund requirements are $1,776,000 and $4,898,000 for 1982 and 1983, respectively, and $4,900,000 for each of the three years 1984 through 1986.

(e) Preference Stock Subject to Mandatory Redemption

The $102.50 Series and the $95.00 Series each include

provisions for a mandatory sinking fund to retire a minimum of 900 and 1,800 shares, respectively, on July 1 in each year beginning in 1984 and 1985, respectively, at $1,000 per share plus accrued dividends. The $1.80 Series includes a provision for a mandatory sinking fund to retire a minimum of 100,000 shares on October 1 in each year beginning in 1985, at $15.125 per share plus accrued dividends.

The sinking fund requirements will begin on July 1, 1984 and will amount to $900,000, $4,213,000 and $4,213,000 for 1984, 1985 and 1986, respectively.

The $1.80 Series is convertible at any time into Common Stock at a price of $15.125 per share. Holders will receive one share of Common Stock for each share of $1.80 Preference Stock converted, subject to adjustment under certain conditions.

(f) Long-Term Debt

The mortgages and their supplements, which secure all of the Companies' first mortgage bonds, serve as a direct first mortgage lien on substantially all property and franchises, other than specifically excepted property, owned by the respective Companies.

Based on the amount of bonds authenticated by the Trustees through December 31, 1981, the Companies' annual sinking and improvement fund requirements amount to $21,187,000. The Company contemplates that funds deposited in 1982 will be withdrawn upon the surrender for cancellation of a like principal amount of bonds, which are specifically authenticated for such purposes against unfunded property additions or against previously retired bonds. These methods can result in minor increases in the amount of the annual sinking fund requirements. Penn Power contemplates that its requirements will be satisfied in 1982 by permanently waiving its right to issue bonds against $2,439,000 of the $6,120,000 of retired bonds that are presently available for that purpose. Under its mortgage, Penn Power is also permitted to fulfill its requirements by the issuance of bonds against unfunded property additions in the same manner as described above for the Company.

As of December 31, 1981, the Companies' sinking and improvement fund requirements and maturing long-term debt for the next five years are:

1982	$ 26,992,000
1983	41,107,000
1984	148,013,000
1985	74,330,000
1986	107,265,000

(g) Unsecured Notes

Total unsecured notes outstanding at December 31, 1981 exclude $75,686,000 of pollution control notes, the proceeds of which were then in escrow pending their disbursement for construction of certain pollution control facilities. The pollution control revenue bonds to which these notes relate are entitled to the benefit of an irrevocable bank letter of credit of $106,375,000. To the extent that drawings are made under that letter of credit to pay principal of, or interest on, the pollution control revenue bonds, the Company is entitled to a credit on the notes. The Company pays an annual fee of 1/2% of the amount of the letter of credit to the issuing bank and is obligated to reimburse the bank for any drawings thereunder.

(h) Subsequent Financing

In January 1982, Penn Power sold $15,000,000 principal amount of first mortgage bonds, 15-3/4% Series due 1989, and in February 1982, the Company sold $75,000,000 principal amount of first mortgage bonds, 17% Series due 1992.

Ohio Edison Energy Trust (Trust)

In November 1980, the Trust was created for financing part of the Company's investment in Beaver Valley Unit No. 2. The Trust has two lines of revolving credit available to it for $400,000,000 and $100,000,000. The latter credit also serves as a stand-by facility in connection with Trust commercial paper sales; total borrowings under that credit and commercial paper outstanding may not exceed $100,000,000 at any time.

The Company has transferred its interest in Beaver Valley Unit No. 2 (exclusive of common facilities and transmission facilities) to the Trust, where the assets are used to secure Trust borrowings. All Trust obligations will be assumed by the Company when they become due, but not later than December 31, 1986. At the Company's option, all obligations outstanding under the $400,000,000 revolving credit arrangement may be converted into a four-year term loan to the Company.

The Company accrues interest applicable to the Trust which is subsequently capitalized, net of income tax effect. Interest on borrowings under the $400,000,000 line of credit is computed at the applicable prevailing prime interest rate plus 1/4%, plus a commitment fee of 1/2% on the unused portion of this line. No direct borrowings are expected to be made against the $100,000,000 line of credit, but the Trust will issue and have outstanding commercial paper supported by this facility. To the extent that borrowings are less than the $100,000,000 available under this line of credit, the Company must pay a commitment fee of 1/2%. Under the stand-by support, an irrevocable bank letter of credit will be issued upon which the Trust will pay a fee of 1/8% of the amount of commercial paper notes outstanding. The average annual interest rate on Trust borrowings was 18.7% and 21.4% during 1981 and 1980, respectively. Of the $432,500,000 of Trust obligations outstanding at December 31, 1981, $100,000,000 relates to outstanding commercial paper and the balance to borrowings under the $400,000,000 line of credit.

Nuclear Fuel Financing

In December 1981, Ohio Edison Fuel Corporation and Pennsylvania Power Fuel Corporation (corporations in which the Companies have no ownership interest) were created to provide funds for the procurement of nuclear fuel. The fuel corporations will lease the fuel to the Companies under separate fuel leases which require lease payments sufficient to permit the fuel corporations to repay the

obligations. Under ordinary circumstances, the lease payments will be made at such time and in such amounts as will coincide with the burn-up of the nuclear fuel.

Financing on behalf of the Company of up to $135,000,000 is available through the Ohio Edison Fuel Corporation, either through revolving credit arrangements or the issuance of commercial paper which is supported by a bank letter of credit. The Company accrues interest applicable to the fuel corporation which is subsequently capitalized, net of income tax effect. Interest on bank borrowings is computed at 110% of the applicable prevailing prime interest rate, plus a commitment fee of 1/8% on the unused portion of the line of credit. The fuel corporation also pays a 5/8% letter of credit fee on the aggregate amount of outstanding borrowings. The average annual interest rate on outstanding borrowings in 1981 was 13.9%.

Pennsylvania Power Fuel Corporation did not make bank borrowings or issue commercial paper in 1981. Financing of up to $30,000,000 on behalf of Penn Power will be available in 1982 on terms similar to those of the Ohio Edison Fuel Corporation.

The Companies have lines of credit with domestic banks that provide for borrowings of up to $287,000,000 at the prevailing prime interest rates. Short-term borrowings may be made under these lines of credit on the Companies' unsecured notes. All of the current lines expire December 31, 1982, however, all unused lines may be cancelled by the banks.

The Companies maintain cash balances on deposit with banks to provide operating funds, to assure availability of $207,264,000 of the lines of credit and for other banking arrangements. Such compensating balances, net of "float," are expected to be maintained at an average of approximately $5,000,000 and are not subject to any contractual restriction against withdrawal. Penn Power is required to pay commitment fees that vary from a flat rate of 1/2% to a variable rate of 8% of the applicable prime interest rate to assure the availability of $21,000,000 of the lines of credit.

The Company also has a $30,000,000, Eurodollar line of credit from a group of foreign banks. Amounts borrowed are for a period of one, three or six months, and are renewable at the Company's option. The interest rate is currently 5/8% above the London Interbank Offered Rate. The Company is also required to pay a commitment fee of 1/2% on the unused portion of this credit line. There were no borrowings under this credit arrangement at December 31, 1981 or 1980. The revolving credit facility expires in August 1982.

Construction Program

The Companies expect to spend approximately $2,800,000,000 for property additions and improvements from 1982-1986, of which approximately $671,000,000 is applicable to 1982. In addition, the Companies expect to fund through the Ohio Edison and Pennsylvania Power Fuel Corporations approximately $150,000,000 for the procurement of nuclear fuel from 1982-1986, of which approximately $55,000,000 is applicable to 1982. The major portion of the Companies' construction activities during this five-year period relates to the CAPCO companies' program for the joint development of power generation and transmission facilities, and to bring the Companies' existing generating units into compliance with environmental regulations. The CAPCO companies have entered into other commitments (the Companies' share being $586,000,000) for the supply of nuclear fuel in connection with the future commercial operation of nuclear generating units.

The Companies' financing programs during 1982 through 1986 will include the sale or issuance, from time to time, of appropriate additional amounts of first mortgage bonds, secured or unsecured pollution control and environmental notes and obligations, unsecured long-term notes, preferred stock, preference stock, common stock and proceeds from other long-term financing arrangements (see Note 5). The Companies are limited by their respective indentures and Charters as to the amounts of additional first mortgage bonds and preferred stock they may issue.

Quarto Project

The Companies, together with the other CAPCO companies, have made long-term coal supply arrangements with Quarto. The CAPCO companies have agreed to severally, and not jointly, guarantee their proportionate shares of Quarto's debt and lease obligations incurred while developing and equipping the mines. The guarantees will remain even if environmental regulations prohibit the use of this coal. As of December 31, 1981, the Companies' share of the guarantee was $240,712,000 ($128,554,000 —long-term debt; $87,658,000—lease obligations; and $24,500,000— short-term bank credit). The guarantee is expected to increase to $250,000,000 based on budgeted mine construction costs of $431,000,000.

Under the terms of the coal supply contracts, which expire December 31, 1999, the Companies must reimburse Quarto for their share of the costs of operating the Quarto mines, including those costs associated with mine construction, whether or not they receive coal from Quarto. The Companies' total payments under these contracts amounted to $94,379,000 during 1981. The Companies' minimum payments under the coal supply contracts related to mine construction costs are:

1982	$ 26,306,000
1983	25,687,000
1984	25,069,000
1985	24,451,000
1986	23,833,000
Years thereafter	279,680,000

Based on recent studies concerning the economics of the Quarto project and the various alternatives available to provide the long-term fuel requirements of the Bruce

Mansfield Plant, the coal supply contracts were amended and changes were made in the mode of operation of the Quarto mines which have the effect of reducing the annual tonnage production of these mines. Additional coal requirements for the Bruce Mansfield Plant are currently being procured in the open market and the Company is presently continuing to evaluate the alternatives for making additional arrangements to fulfill, together with the use of coal from the Quarto project, the long-term fuel requirements of the Bruce Mansfield Plant. These changes are part of a fuel procurement strategy designed to reduce the weighted average price of coal used at the Bruce Mansfield Plant. The Company will continue to monitor the Quarto project and conduct such additional studies of the economics of the project as are deemed warranted by circumstances. Any action by the Company affecting the Quarto project as a result of such studies will now have to take into account the possible impact of the Ohio Supreme Court decision referred to in Note 2.

The current price of Quarto coal to the Companies is based on, among other things, the actual production costs plus amortization of certain production expenses which were not included in the price of coal to the Companies during the development period, which ended on May 31, 1980. The current price of Quarto coal exceeds the current generally prevailing market price of coal. Both the PUCO and the PPUC presently limit the recovery of the cost of Quarto coal to the generally prevailing market price of comparable coal. Reference is made to Note 1 for a discussion of PUCO and PPUC orders with respect to the cost of Quarto coal currently being recovered from customers. The Company believes that the present PUCO method for recovery of the costs of Quarto coal, including recovery of the deferred costs, may not be appropriate under the reduced mode of operation of the mines because this method is not consistent with the fuel procurement strategy for reducing the overall cost of coal for the Bruce Mansfield Plant and may result in further accumulation of deferred costs. Despite the delays in the final resolution of these matters by the PUCO and PPUC, the Company has no reason to believe that their ultimate disposition by the PUCO and PPUC will have a material adverse effect upon the Company's consolidated financial condition.

Environmental Matters

Various Federal, state and local authorities regulate the Companies with regard to air and water quality and other environmental matters. The Companies estimate that compliance requires capital expenditures of approximately $628,000,000 for projects remaining to be completed. Of this amount, approximately $193,000,000 was spent prior to 1982, and $435,000,000 is included in the above construction estimate for 1982 through 1986. Capital expenditures for environmental improvements amounted to $119,353,000 in 1981. If Penn Power is required to install off-stream cooling in connection with the operation of the New Castle Plant, costs estimated between $13,800,000 and $31,500,000, depending on the required thermal limitations, would be incurred. In addition, annual operating costs would increase substantially. Penn Power expects that the impact of any such capital and operating expenditures would eventually be reflected in its rate schedules.

On December 16, 1981, the United States Environmental Protection Agency (EPA) approved a change in the Pennsylvania State Implementation Plan (SIP) affecting Penn Power's New Castle Plant. The sulfur dioxide (SO_2) emission standard formerly in effect was shown to be more stringent than necessary to meet the Federal ambient air standards. This SIP revision enables the Plant to continue to burn the low sulfur coal it is now burning to meet the new SO_2 emission standard. The SIP revision was effective on January 15, 1982.

In a legal proceeding against Penn Power under the Clean Air Act, the Federal government is asking the court to assess civil penalties for alleged continuing violations of SO_2 emission regulations at Penn Power's New Castle Plant. The Clean Air Act Amendments, which became effective in August 1977, permit the imposition of civil penalties of up to $25,000 per day of violation. Because Penn Power is in compliance with the revised emission standard (as detailed above), it is expected that this legal proceeding will be terminated without the imposition of significant civil penalties or the necessity to shut down coal-fired capacity.

Final regulations implementing certain provisions of the Clean Air Act Amendments of 1977 have now been promulgated which provide for the imposition of noncompliance penalties based on any economic benefit realized by the operator of a pollution source as a result of failure to comply with pollution control laws and regulations after January 1, 1981. The Companies have filed Petitions for Review of these regulations. The Companies did not achieve compliance with all such regulations by January 1, 1981 so that such penalties could be sought against them, but the Companies cannot determine at this time whether they will be or, if they are, the amount of economic benefit that could be established. If sought and imposed, such penalties could be significant. However, the EPA has acknowledged in an earlier settlement of proceedings involving the Ohio Plants that its policy is to assign a low enforcement priority to companies in compliance with outstanding consent orders such as embodied in those settlements.

On December 19, 1980, the Commonwealth of Pennsylvania petitioned the EPA to make findings under Section 126 of the Clean Air Act. Section 126 provides a remedy for a downwind State that can show adverse impact because air pollution regulations in an upwind State cause nonattainment in the downwind State. Pennsylvania's petition complains of excessive particulate and SO_2 emissions from a number of sources in Ohio and West Virginia, including potentially all of the Companies' Ohio plants. The States of New York and Maine have filed similar petitions. The Section 126 proceeding could ultimately result in the revision of the particulate and SO_2 emission limitations for these plants, to make them more stringent. The Company is unable to predict the outcome of this proceeding.

Other Legal Actions and Complaints

In 1977, the Boroughs of Ellwood City and Grove City, Pennsylvania, filed a complaint against Penn Power, alleging that Penn Power, individually and in conspiracy with the Company and other CAPCO companies, has violated Sections 4 and 16 of the Clayton Act by restraining and monopolizing trade and commerce in alleged markets for electric power. Damages of $7,000,000 (to be trebled) and injunctions against the alleged unlawful acts are sought. In 1979, the Court granted summary judgment in favor of Penn Power as to certain allegations of the complaint. Management is unable to predict the ultimate outcome of this action.

The PPUC is investigating an outage of Beaver Valley Unit No. 1 which occurred during the period March-August 1979. The outage had been ordered by the Nuclear Regulatory Commission to analyze possible seismic deficiencies of safety-related piping and pipe supports in the Unit. The PPUC has ordered that the operating company of the Unit refund an as yet undetermined amount to that company's customers based upon expenditures for purchased replacement power during the outage. The PPUC is currently investigating Penn Power's liability for the outage and whether refunds are due to Penn Power's customers for purchased replacement power expenses incurred during the outage which were included in its energy clause. If Penn Power is required at some future time to make such a refund, it is not expected that the amount would be material to the Company's consolidated results of operations. In a separate investigation, the PPUC is considering whether additional construction costs which resulted from deferral of construction projects should be excluded from rate base in future rate proceedings.

The Company purchased and subsequently retired $65,821,000 principal amount of its outstanding first mortgage bonds during 1981. This resulted in a gain of $26,276,000, which is included as an extraordinary item, net of related income taxes of $12,234,000, on the 1981 Statement of Consolidated Income.

The following summarizes consolidated operating results for the four quarters of 1981 and 1980.

	Three Months Ended							
	March 31, 1981	June 30, 1981	September 30, 1981	December 31, 1981	March 31, 1980	June 30, 1980	September 30, 1980	December 31, 1980
	(In thousands, except per share amounts)							
Operating Revenues	$308,837	$293,500	$337,249	$340,063	$279,789	$252,808	$274,981	$273,291
Operating Expenses and Taxes	254,891	237,668	270,449	264,260	232,155	212,633	231,853	234,845
Operating Income (i)	53,946	55,832	66,800	75,803	47,634	40,175	43,128	38,446
Other Income and Deductions	27,994	29,212	35,860	37,736	23,023	23,147	25,189	25,477
Net Interest and Other Charges	44,729	49,225	51,049	55,160	28,732	32,272	36,307	33,758
Income Before Extraordinary Item	37,211	35,819	51,611	58,379	41,925	31,050	32,010	30,165
Extraordinary Item	9,516	4,526	—	—	—	—	—	—
Net Income	$ 46,727	$ 40,345	$ 51,611	$ 58,379	$ 41,925	$ 31,050	$ 32,010	$ 30,165
Net Income for Common Stock	$ 38,354	$ 32,042	$ 43,369	$ 50,127	$ 33,434	$ 22,590	$ 23,607	$ 21,772
Weighted Average Number of Shares of Common Stock Outstanding	68,844	69,585	70,410	75,881	64,227	66,897	67,462	68,145
Earnings per Share of Common Stock:								
Income Before Extraordinary Item (after preferred and preference stock dividend requirements) (i)	$ .42	$ .40	$ .62	$ .66	$ .52	$ .34	$ .35	$ .32
Extraordinary Item	.14	.06	—	—	—	—	—	—
Net Income for Common Stock	$ .56	$ .46	$ .62	$ .66	$ .52	$ .34	$ .35	$ .32

(i) Results for the three months ended December 31, 1981 include a credit of approximately $7,012,000 ($.09 per share of common stock), net of income taxes, applicable to the reversal of previously accrued Pennsylvania Excise Tax on Gross Receipts (see Statements of Consolidated Taxes).

Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices" (SFAS No. 33), provides for the preparation of supplementary financial information to disclose the estimated effects of inflation and changes in prices on property, plant and equipment. This data is presented in accordance with SFAS No. 33, however, it is not intended as a substitute for earnings reported on a historical cost basis.

Adjusted for the Effects of Changing Prices For the Year Ended December 31, 1981 (in Thousands) (Unaudited)

	As Reported on the Primary Consolidated Statements	Adjusted for General Inflation	Adjusted for Change in Specific Prices (Current Cost)
		(Average 1981 Dollars)	
Operating Revenues	$1,279,649	$1,279,649	$1,279,649
Operating Expenses and Taxes:			
Operation and maintenance	762,307	762,307	762,307
Provision for depreciation and amortization	99,825	200,527	225,247
General taxes	84,316	84,316	84,316
Income taxes	80,820	80,820	80,820
Total operating expenses and taxes	1,027,268	1,127,970	1,152,690
Operating Income	252,381	151,679	126,959
Other Income and Deductions	130,802	130,802	130,802
Net Interest and Other Charges	200,163	200,163	200,163
Preferred and Preference Stock Dividend Requirements	33,170	33,170	33,170
Income from Continuing Operations (excluding reduction to net recoverable cost)	$ 149,850	$ 49,148 (i)	$ 24,428
Increase in specific prices (current cost) of property, plant and equipment held during the year (ii)			$ 562,450
Reduction to net recoverable cost		$ (210,755)	(149,213)
Effect of increase in the general price level on property, plant and equipment			(599,272)
Excess of increase in the general price level over increase in specific prices of property, plant and equipment after reduction to net recoverable cost			(186,035)
Advantage resulting from the decrease in purchasing power of net monetary liabilities		215,268	215,268
Net		$ 4,513	$ 29,233

(i) Including the reduction to net recoverable cost, the income (loss) from continuing operations adjusted for general inflation would have been $(161,607,000).
(ii) At December 31, 1981, property, plant and equipment, net of accumulated depreciation, adjusted for changes in specific prices (current cost) was $7,475,533,000 while historical cost (net recoverable cost) was $3,874,718,000.

Five-Year Comparison of Selected Supplementary Financial Data (Unaudited)

Adjusted for the Effects of Changing Prices

	Year Ended December 31,				
	1981	1980	1979	1978	1977
OPERATING REVENUES (In Thousands)					
As reported on the primary consolidated statements	$1,279,649	$1,080,869	$ 994,585	$ 862,956	$ 796,289
Adjusted to average 1981 dollars	$1,279,649	$1,192,985	$1,246,205	$1,203,015	$1,195,092
HISTORICAL COST INFORMATION ADJUSTED FOR GENERAL INFLATION (In Average 1981 Dollars)					
Income from continuing operations (excluding reduction to net recoverable cost) (in thousands)	$ 49,148	$ 23,064	$ 52,406		
Income from continuing operations per common share (excluding reduction to net recoverable cost)	$ .69	$ .35	$ .90		
CURRENT COST INFORMATION (In Average 1981 Dollars)					
Income (loss) from continuing operations (excluding reduction to net recoverable cost) (in thousands)	$ 24,428	$ (13,602)	$ 17,735		
Income (loss) from continuing operations per common share (excluding reduction to net recoverable cost)	$ .34	$(.20)	$ .30		
Excess of increase in the general price level over increase in specific prices of property, plant and equipment after reduction to net recoverable cost (in thousands)	$ (186,035)	$ (290,628)	$ (335,113)		
OTHER INFORMATION					
Common stockholders' equity at December 31 at net recoverable cost (in thousands of Average 1981 Dollars)	$1,190,126	$1,119,597	$1,151,691		
Advantage resulting from the decrease in purchasing power of net monetary liabilities (in thousands of Average 1981 Dollars)	$ 215,268	$ 279,494	$ 309,809		
Cash dividends declared per common share—					
As reported	$1.76	$1.76	$1.76	$1.76	$1.715
Adjusted to average 1981 dollars	$1.75	$1.92	$2.20	$2.43	$2.56
Market price per common share at December 31—					
As reported	$11.625	$11.875	$13.375	$14.875	$19.50
Adjusted to average 1981 dollars	$11.25	$12.52	$15.85	$19.98	$28.54
Average consumer price index	272.4	246.8	217.4	195.4	181.5

The Consumer Price Index for All Urban Consumers (CPI-U) was used for converting actual dollars spent for property, plant and equipment into average 1981 dollars. This adjustment illustrates the estimated effect that inflation has had upon the Companies' principal assets.

The Handy-Whitman Index of Public Utility Construction Costs for the North Central Division and the Bureau of Labor and Statistics engineering indices were used to calculate the current cost of property, plant and equipment, excluding land. These indices were applied to actual dollars spent on large construction projects according to the year of expenditure. Current cost of all other construction projects was based upon original cost in the year of its transfer to plant in service. The current cost of land is the same as the computed amount adjusted for general inflation. The current cost adjustment reflects the approximate dollars that would have to be spent today to acquire property, plant and equipment identical to assets currently owned.

Depreciation expense was determined using the same rates and methods under general inflation and changing prices as the provision for depreciation reported on the primary consolidated financial statements. The accumulated provision for depreciation was estimated by using the Handy-Whitman Index. A theoretical reserve balance was estimated for each class of property by year that the property was placed in service. The index was then applied to each reserve balance for the respective year to determine the composite current cost accumulated provision for depreciation.

The total provision for income taxes has not been adjusted for general inflation or changing prices, in conformity with the reporting requirements of SFAS No. 33.

The reduction to net recoverable cost arises because the current rate making policies to which the Companies are subject allow recovery through revenues of only the historical cost of utility property. During inflationary periods, however, the investment necessary to replace that property will be more than its original cost. In order to properly reflect property, plant and equipment at its economic value to the Companies, the adjustment for reduction to net recoverable cost must be made due to the additional constraints present in the rate making process.

Consolidated net monetary liabilities consist primarily of long-term debt and preferred stock. During inflationary periods, net monetary liabilities will be repaid with dollars having less purchasing power than dollars had when the liabilities were originally incurred. Adjustment for the advantage resulting from the decrease in purchasing power of net monetary liabilities is necessary to adequately reflect these differences and serves to partially offset the adverse inflationary effects of replacing the Companies' property, plant and equipment.

Auditors' Report

ARTHUR ANDERSEN & CO.
1345 Avenue of the Americas
New York, N.Y. 10105

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

We have examined the consolidated balance sheets and statements of consolidated capitalization of Ohio Edison Company (an Ohio corporation) and its subsidiary companies as of December 31, 1981, and 1980, and the related statements of consolidated income, retained earnings, capital stock and other paid-in capital, sources of funds for gross property additions and taxes for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed more fully in Note 2 to the consolidated financial statements, the Company has incurred construction costs related to four nuclear units which were terminated in early 1980. Pursuant to a Public Utilities Commission of Ohio (PUCO) order, the Company had been recovering these costs from its customers over a ten-year period. During 1981 the Ohio Supreme Court ruled in a case involving another Ohio utility company that the PUCO had exceeded its authority in allowing these costs as service related costs in that company's rate case. How that decision will affect the Company's recovery of these costs from its retail customers in future rate cases is uncertain at this time. In addition to the unamortized costs incurred by the Company, there are also asserted claims related to delays in, and the termination of the units, which may result in the incurrence of additional costs, the amount of which cannot be determined at this time.

In our opinion, subject to the effect of such adjustments, if any, that might have been required had the outcome of the matters referred to in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of Ohio Edison Company and its subsidiary companies as of December 31, 1981, and 1980, and the results of their operations and the sources of funds for gross property additions for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

February 12, 1982.

Consolidated Financial Statistics

General Financial Information	1981	1980	1979	1978	1977	1976	1971
Total Operating Revenues (000)	**$1,279,649**	$1,080,869	$ 994,585	$ 862,956	$ 796,289	$ 644,852	$ 308,821
Operating Income (000)	**$ 252,381**	$ 169,383	$ 163,744	$ 123,945	$ 146,508	$ 122,217	$ 68,130
Net Income for Common Stock (000)	**$ 163,892**	$ 101,403	$ 105,120	$ 61,259	$ 87,863	$ 82,777	$ 45,778
Ratio of Net Income for Common Stock to Operating Revenues	**12.8%**	9.4%	10.6%	7.1%	11.0%	12.8%	14.8%
Times Interest Earned Before Income Tax	**2.11x**	2.05x	2.31x	1.67x	2.38x	2.22x	3.41x
Net Utility Plant at December 31 (000)	**$3,867,757**	$3,435,267	$3,012,197	$2,717,820	$2,403,810	$2,115,798	$1,047,217
Gross Property Additions (000)	**$ 568,044**	$ 515,020	$ 476,746	$ 395,162	$ 358,105	$ 325,553	$ 156,045
Capitalization at December 31: (000)							
Common Stockholders' Equity	**$1,228,486**	$1,066,957	$ 969,543	$ 851,119	$ 866,725	$ 634,707	$ 350,121
Preferred Stock Not Subject to Mandatory Redemption	**304,798**	307,472	307,472	307,472	262,472	262,472	83,803
Preferred Stock Subject to Mandatory Redemption	**94,298**	99,200	93,600	98,000	98,000	88,000	—
Preference Stock Subject to Mandatory Redemption	**56,843**	57,250	57,250	—	—	—	—
Long-Term Debt	**1,759,771**	1,594,384	1,410,782	1,343,195	1,189,821	1,087,755	557,140
Total Capitalization	**$3,444,196**	$3,125,263	$2,838,647	$2,599,786	$2,417,018	$2,072,934	$ 991,064
Capitalization Ratios at December 31:							
Common Stockholders' Equity	**35.7%**	34.2%	34.2%	32.7%	35.9%	30.6%	35.3%
Preferred Stock Not Subject to Mandatory Redemption	**8.8**	9.8	10.8	11.8	10.9	12.7	8.5
Preferred Stock Subject to Mandatory Redemption	**2.7**	3.2	3.3	3.8	4.0	4.2	—
Preference Stock Subject to Mandatory Redemption	**1.7**	1.8	2.0	—	—	—	—
Long-Term Debt	**51.1**	51.0	49.7	51.7	49.2	52.5	56.2
Total Capitalization	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Long-Term Obligations at December 31 (000)	**$447,484**	$265,000	—	—	—	—	—
Cost of Preferred & Preference Stock Outstanding at December 31	**8.37%**	8.38%	8.36%	7.99%	7.85%	7.84%	4.94%
Cost of Long-Term Debt Outstanding at December 31	**9.99%**	9.16%	8.13%	7.71%	7.45%	7.47%	5.71%
Common Stock Data							
Earnings per Average Common Share	**$2.30**	$1.52	$1.80	$1.19	$1.97	$2.14	$1.78
Return on Average Common Equity	**14.6%**	9.7%	11.2%	7.1%	11.7%	13.9%	13.2%
Dividends Paid Per Share	**$1.76**	$1.76	$1.76	$1.76	$1.715	$1.67	$1.54
Common Stock Dividend Payout Ratio	**77%**	116%	98%	148%	87%	78%	87%
Common Stock Dividend Yield at December 31	**15.1%**	14.8%	13.2%	11.8%	9.0%	8.1%	6.3%
Price/Earnings Ratio at December 31	**5.1**	7.8	7.4	12.5	9.9	9.8	13.8
Shares of Common Stock Outstanding at December 31 (000)	**78,676**	68,526	59,622	52,120	51,207	39,856	25,695
Book Value per Common Share at December 31	**$15.61**	$15.57	$16.26	$16.33	$16.93	$15.93	$13.63
Market Price per Common Share at December 31	**$11.625**	$11.875	$13.375	$14.875	$19.50	$20.875	$24.50
Ratio of Market Price to Book Value per Share at December 31	**74%**	76%	82%	91%	115%	131%	180%

Consolidated Operating Statistics

	1981	1980	1979	1978	1977	1976	1971
Revenue From Electric Sales: (000)							
Residential	**$ 442,267**	$ 398,832	$360,273	$314,867	$284,512	$232,433	$114,081
Commercial	**308,599**	268,788	240,458	205,901	191,381	155,572	79,858
Industrial	**381,162**	330,717	315,185	258,767	236,434	195,311	92,692
Other	**53,993**	50,420	42,607	46,471	31,744	31,013	13,053
Sub-total	**1,186,021**	1,048,757	958,523	826,006	744,071	614,329	299,684
Sales to Utilities	**73,966**	12,381	10,185	9,346	7,825	6,749	2,281
Total	**$1,259,987**	$1,061,138	$968,708	$835,352	$751,896	$621,078	$301,965
Revenue From Electric Sales—%:							
Residential	**35.1%**	37.6%	37.2%	37.7%	37.8%	37.4%	37.8%
Commercial	**24.5**	25.3	24.8	24.6	25.5	25.1	26.4
Industrial	**30.2**	31.2	32.5	31.0	31.5	31.4	30.7
Other	**4.3**	4.7	4.4	5.6	4.2	5.0	4.3
Sub-total	**94.1**	98.8	98.9	98.9	99.0	98.9	99.2
Sales to Utilities	**5.9**	1.2	1.1	1.1	1.0	1.1	0.8
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Kilowatt-Hour Sales: (Millions)							
Residential	**6,747**	6,801	6,650	6,501	6,334	6,024	4,656
Commercial	**4,917**	4,812	4,693	4,470	4,549	4,358	3,421
Industrial	**9,352**	8,909	9,830	9,600	9,671	9,262	8,546
Other	**1,181**	1,370	1,346	1,309	1,253	1,171	933
Sub-total	**22,197**	21,892	22,519	21,880	21,807	20,815	17,558
Sales to Utilities	**2,465**	502	441	429	422	387	260
Total	**24,662**	22,394	22,960	22,309	22,229	21,202	17,818
Customers Served at December 31:							
Residential	**872,303**	867,447	861,196	848,268	836,500	824,851	743,532
Commercial	**89,231**	88,505	87,425	86,410	85,002	85,512	77,955
Industrial	**1,068**	1,059	1,161	1,160	1,147	1,111	1,094
Other	**711**	704	693	689	682	681	554
Total	**963,313**	957,715	950,475	936,527	923,331	912,155	823,135
Average Annual Residential KWH Usage	**7,760**	7,870	7,780	7,724	7,637	7,361	6,345
Average Residential Price Per KWH	**6.56¢**	5.86¢	5.42¢	4.84¢	4.49¢	3.86¢	2.45¢
Cost of Coal per Million BTU	**$1.81**	$1.50	$1.26	$1.16	$.96	$.93	$.29
Generating Capability at December 31: (Megawatts)							
Coal	**4,907**	4,899	4,861	4,861	4,861	4,481	3,793
Oil	**354**	364	423	423	423	423	6
Nuclear	**425**	425	425	420	420	190	—
Total	**5,686**	5,688	5,709	5,704	5,704	5,094	3,799
Sources of Electric Generation:							
Coal	**89.9%**	98.7%	93.9%	90.4%	90.0%	96.3%	100.0%
Oil	**0.2**	0.6	2.0	3.5	2.6	2.5	—
Nuclear	**9.9**	0.7	4.1	6.1	7.4	1.2	—
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Peak Load—Megawatts	**4,148**	4,210	4,105	4,038	4,134	3,817	3,307
Number of Employees at December 31	**7,669**	7,503	7,157	6,765	6,609	6,241	5,892

Stockholder Information

Stock Transfer and Registration Agents

Information and assistance pertaining to the transfer or registration of all classes of Company stock can be obtained by contacting one of the following Transfer Agents or Registrar of Ohio Edison Company:

Transfer Clerk
Ohio Edison Company
76 South Main Street
Akron, OH 44308

Continental Stock Transfer &
Trust Company
19 Rector Street
New York, NY 10006

BancOhio National Bank
One Cascade Plaza
Akron, OH 44308

Stock Listing

At the end of 1981, the Company had 78,675,703 shares of common stock outstanding, owned by 182,778 holders of record.

The Company's common stock is listed on the New York and Midwest Stock Exchanges and traded on other registered exchanges under the ticker symbol OEC. Newspaper stock listings generally use the symbol Ohio Ed.

Annual Meeting of Stockholders

The 1982 Annual Meeting of Stockholders will be held on Thursday, April 29, at 1:30 p.m. at Ohio Edison's General Office in Akron, Ohio. Stockholders unable or choosing not to attend the meeting can vote on the items of business presented at the meeting by filling out and returning the proxy card that is mailed to each stockholder approximately 30 days prior to the meeting date.

Dividend Reinvestment and Stock Purchase Plan

The Ohio Edison Dividend Reinvestment and Stock Purchase Plan raised $35.9 million of new capital in 1981, up 21 percent over 1980.

A total of 37,278 participants, or 20 percent of Edison's common stockholders of record, had been enrolled in the Plan by the end of the year. By reinvesting their dividends totaling $22.8 million and making optional cash payments of $13.1 million, participants purchased 3,122,631 additional shares of common stock in 1981.

Stockholders may invest all or part of their quarterly dividends automatically in additional shares of common stock. The purchase price of common stock purchased with reinvested common stock dividends is a price equal to 95 percent of market value. Stockholders participating in the Plan may buy additional shares at a price equal to 97 percent of market value through optional cash payments of up to $40,000 per year.

The Plan is being amended so that, commencing in early 1982, preferred and preference stockholders will be eligible to participate. The purchase price of common stock purchased with reinvested preferred or preference stock dividends will be equal to 100 percent of market value.

An added benefit of the Plan may be available from 1982 through 1985. The Economic Recovery Tax Act of 1981 provides that participants of qualified dividend reinvestment plans, such as that offered by Ohio Edison, may elect to exclude up to $750 a year ($1,500 on a joint return) of dividends that are reinvested. The Company anticipates that a substantial portion of common stock dividends paid in 1982 will be a return of capital, and thus nontaxable wholly apart from the provisions of the Act. If any part of a dividend is determined to be a return of capital, participants should consult their own tax advisers on the extent to which the election to exclude dividends should be made.

In addition to the benefit of tax deferral, if certain requirements are met with respect to holding periods for the Company's common stock, the proceeds of a sale of stock purchased under the Plan may be eligible for long-term capital gain treatment. Stock purchased with reinvested dividends will have a zero tax basis to stockholders.

Additional information about the Plan and a Prospectus can be obtained by writing to Stockholder Services or by calling 1-216-384-5513.

Dividend Income Taxability

Common stock dividend payments during 1981 are 100 percent a return of capital and, therefore, nontaxable for federal income tax purposes. Preference stock dividends for 1981 are 81 percent return of capital and nontaxable for that portion. Preferred stock dividend payments during 1981 are 100 percent taxable.

These percentages are subject to final determination by the Internal Revenue Service. Stockholders will be notified promptly if the determination results in a significant change.

Availability of Form 10-K

A copy of Ohio Edison's 1981 Annual Report to the Securities and Exchange Commission, Form 10-K, will be provided without charge to stockholders upon request. If you would like to receive a copy of this report, please write to Gregory F. LaFlame, Secretary, Ohio Edison Company, 76 South Main Street, Akron, Ohio 44308.

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The Energy Makers

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Akron, Ohio 44308

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