

The Toledo Edison Company

1983
Annual
Report



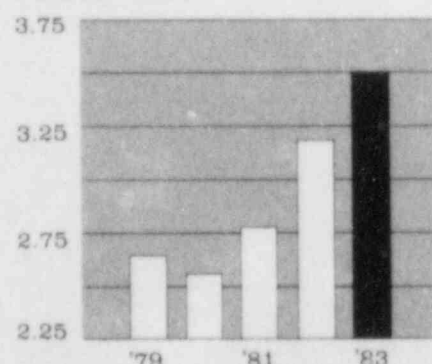
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HIGHLIGHTS

	1983	1982	Change
Earnings Per Common Share	\$3.50	\$3.18	+ 32¢
Dividends Declared Per Common Share (current quarterly rate is 63¢ – equivalent to \$2.52 per year)	2.46	2.38	+ 8¢
Return on Average Common Equity	14.5%	13.3%	
Financial Results (millions of dollars)			
Income from operations	63	57	+ 11%
Allowance for equity funds used during construction	65	49	+ 33%
Net income	128	106	+ 21%
Operating Results (millions of kilowatt-hours)			
Sales			
Retail customers	6811	6523	+ 4%
Wholesale customers	320	395	- 19%
System Performance			
Nuclear generation	2383	1569	+ 52%
Fossil generation	4683	5306	- 12%
Employees	2405	2458	- 2%

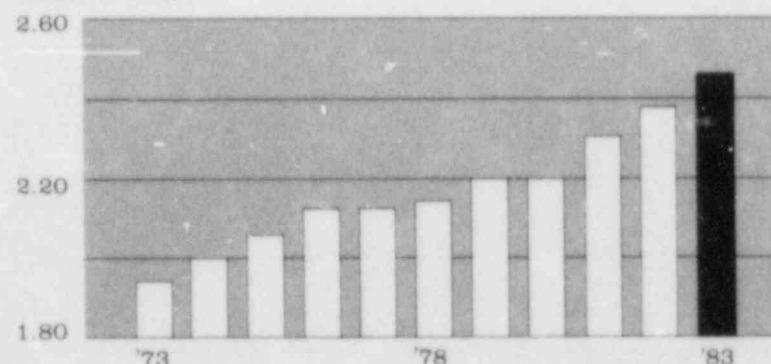
Earnings per Common Share

Dollars/Share



Dividends Declared per Common Share

Dollars/Share



ABOUT TOLEDO EDISON

The Toledo Edison Company is a public utility whose primary activities are the generation, transmission, distribution and sale of electric energy in Toledo and northwestern Ohio. Servicing approximately 2,500 square miles with an

estimated population of 750,000, the company also provides relatively small amounts of natural gas and steam heating services. Toledo Edison is owned by over 100,000 shareholders in all 50 states and worldwide.

TO OUR SHAREOWNERS:

It is a pleasure to report a significant earnings gain, especially in the second half of 1983.

Shareowners and customers alike are benefiting from the results of our successful, on-going cost reduction and control efforts. And an upturn occurred in kilowatt-hour sales due to the improving economy and a return to more normal weather patterns.

The price per kilowatt-hour of electricity to our customers was reduced significantly. Our power generation facilities, particularly nuclear, set new records for production and efficiency.

The dividend rate was increased two cents, to 63 cents per common share, by your board of directors in December. This was the 21st increase declared in the last 23 years. The new rate is equivalent to \$2.52 on an annualized basis. 1983 also was the 62nd consecutive year of dividend payments.

Earnings rose to \$3.50 per common share from the \$3.18 of the previous year, a 10 percent increase.

Leading the way to a 9 percent increase in industrial kilowatt-hour sales were the substantial gains registered by automotive-related customers. Their power use was up 18 percent for the year.

The improving economy also means employment in our eight-county service area has been on the rise. By late 1983, total employment was at its highest level in four years.

Locally, two major automotive-related employers are operating at pre-recessionary levels. They've invested in retooling their existing northwest Ohio plants and have called back laid-off workers. We see

that as further evidence of a direct correlation between industrial electric consumption and the economic health of the community.

Total 1983 kilowatt-hour sales rose 3 percent. This was the first overall sales increase in the last four years. Sales to municipal customers decreased as a result of their increased purchases of power from other government entities.

Residential and commercial kilowatt-hour sales showed only a slight annual increase. The first half of the year saw exceptionally mild temperatures and low sales. However, the weather returned to more normal patterns in the summer and fall, with December temperatures being very cold.

We decreased our prices to customers during the year. Most of this is attributable to a 50 percent decrease in the "fuel charge" portion of our customers' bills in August. This reflected our lower fuel costs over the prior six-month period. It resulted primarily from the low-cost generation of the Davis-Besse Nuclear Station, along with continued efficient production from our coal-fired Bay Shore Station.

Also in August, the Public Utilities Commission of Ohio approved a partially offsetting increase in our base prices. The commission approved a 5 percent, or \$23 million, annual increase in retail electric rates.

The net effect of the two decisions was that our average total price per kilowatt-hour decreased about 10 percent for the six-month

fuel adjustment period. This came at a time when it could be most beneficial — right before the winter heating season.

Of particular significance in this commission decision was the partial allowance of carrying charges on Construction Work in Progress (CWIP) for the Perry No. 1 generating addition project as part of the basic price increase. The first Perry Unit is now over 90 percent complete. Work on a second unit, about 40 percent complete, is being minimized pending completion of the first unit and future evaluation of capacity timing needs. Your company has a 20 percent ownership share in the two units, which are being built by Cleveland Electric Illuminating Company on behalf of the Central Area Power Coordination Group (CAPCO). We also have about a 20 percent ownership share in the Beaver Valley Unit No. 2, now about 80 percent complete and under the construction supervision of Duquesne Light Company.

Our Davis-Besse station set a new record for annual production in 1982. The nuclear unit provided over 5.2 billion kilowatt-hours, a six-year high. In 1983 the unit rated in the upper one-third for production of all of the nuclear units in the country. Of the company's total electricity output, 31 percent was from the nuclear station. With the consequent lowering of costs and prices, it is not difficult to point out to customers the advantages of nuclear generation. We look forward to continued efficient service in 1984.



John P. Williamson
Chairman and
Chief Executive Officer



Wendell A. Johnson
President and
Chief Operating Officer

Coal-fired units provided about 66 percent of company generated power in 1983, a dependable complement to our nuclear generating source.

We'll continue fine-tuning the procedures and equipment at our generating stations to keep their performance at peak efficiency. Our coal-fired units, in particular, have been the recipients of many modifications in recent years, most of which are designed to minimize any harmful environmental impact.

Improving air quality is the reason we have already made substantial environmental equipment investments at our Acme and Bay Shore Stations in Toledo. We have also changed to higher-cost, low sulfur coal sources for our boilers. Your management team believes the company probably should be minimally affected and, in fact, will be less affected than most other utilities in this part of the country by proposed acid rain legislation.

Cost-control programs lowered costs in 1983. For instance, our operating expenses for the year showed only a slight increase and maintenance expenses actually decreased by 16 percent. We achieved this by carefully evaluating even the most routine projects for ways to reduce expenses.

Cost-control continues to be truly an all-around effort. All of our employees deserve a great deal of credit for making the cost-reduction program work. Partially through their hard work and sacrifices, including wage freezes, we were able to experience an improved financial condition compared to the previous year.

Management was strengthened and re-aligned in 1983. Donald G. Nicholson was elected senior vice president, finance. He continues to direct the extensive financing of our construction program and has the additional responsibilities for accounting and treasury activities. Paul M. Smart joined the company as senior vice president, with prime responsibility for corporate development. He was recently elected to the board of

directors. The board also elected Lyman C. Phillips vice president, corporate planning and administration. He has the added responsibilities of administration of personnel, procurement, industrial security, transportation, building and office services, and business analysis and planning, as well as corporate planning activities.

Frank W. Keith, vice president, administration, retired after 36 meritorious years with the company.

1983 was a gratifying year. Our earnings were up while customer prices were down. And we continued monitoring and evaluating the CAPCO generating unit projects still under construction. Shareowners can be assured that the same scrutiny and thought that went into our past year's successes will be applied to all of our future efforts.

But we entered 1984 with what could best be termed cautious optimism. For even the most prudent decisions and the highest quality work are no guarantee against adversity. In the last few months we have seen how capricious use of regulatory standards can make a mockery of the carefully balanced relationship between utilities, shareowners and customers.

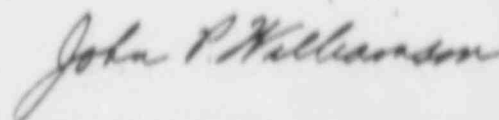
Providing future capacity involves risks, particularly financial risks these days. New capacity additions have become needlessly expensive. The regulatory process has created many uncertainties, driven up construction costs and contributed to lowered bond ratings and higher financing costs. Yet new capacity is vital for new jobs and businesses. Since this capacity benefits society as a whole, it stands to reason that electric customers, who benefit from the power supply, should share the risk. But there are those who believe that the investment risk should fall only on the shoulders of utility "companies" and their shareowners. This is patently unfair and a real threat to our nation's ability to power its economic future.

For example, if a regulated company such as ours were required to cancel any of its

generating units under construction, and were directed to charge off the investment **only** against shareowners, the resultant write-off could exceed the balance in its Earnings Reinvested Account and probably result in a consequent suspension of dividend payments. Even a forced suspension in construction of a unit could result in a reduction in the accrual for Allowance for Funds Used During Construction credits and a possible reduction or termination of dividend payments. Either of these events could, in turn, preclude a company from selling additional equity and debt securities. This, then, could result in a company being unable to obtain funds sufficient to finance its share of the construction costs of other units, unless the company was able to obtain the necessary financing by other means. Therefore, politicians and regulators need to be made very aware of the serious consequences of any actions to "protect customers" that would affect utility construction and financing programs and, ultimately, adequacy and reliability of customer service, as well as bills.

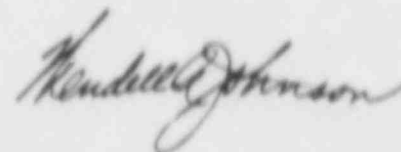
We at Toledo Edison are not wavering in any of our convictions. But as one of the most heavily regulated of American industries, much of our fate is beyond our immediate control. Thus our cautious optimism. We can only ask that authorities carefully weigh all the repercussions of their actions in the years ahead, especially with respect to utilities.

Cordially,



John P. Williamson

Chairman and Chief Executive Officer



Wendell A. Johnson

President and Chief Operating Officer

BOARD OF DIRECTORS INSPECTS GENERATING PROJECT



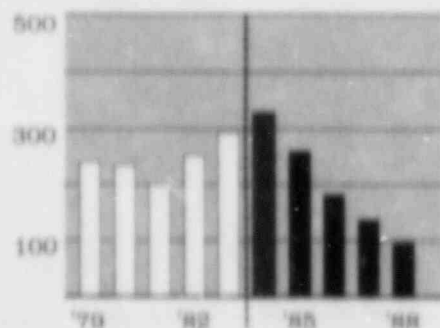
The company's board of directors (right) inspected the Perry No. 1 and No. 2 generating projects, being built northeast of Cleveland. The tour provided an opportunity for first-hand inspection of construction quality and progress. Most of the time and effort on this project is involved with the first unit, which is over 90 percent complete. Work on the second unit, about 40 percent complete, is being minimized pending completion of the first unit and future evaluation of capacity timing needs.

The company's board and senior management will continue to closely monitor developments and progress at Perry during 1984. Meanwhile, work at a third CAPCO generating project, Beaver Valley No. 2 in southwestern Pennsylvania, is about 80 percent complete and on schedule.

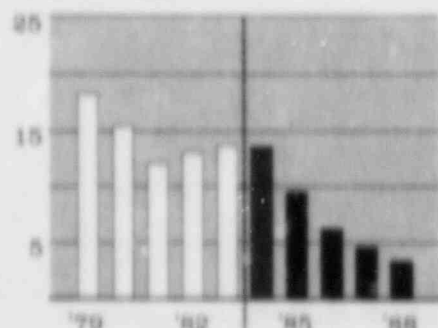


Construction Expenditures Declining

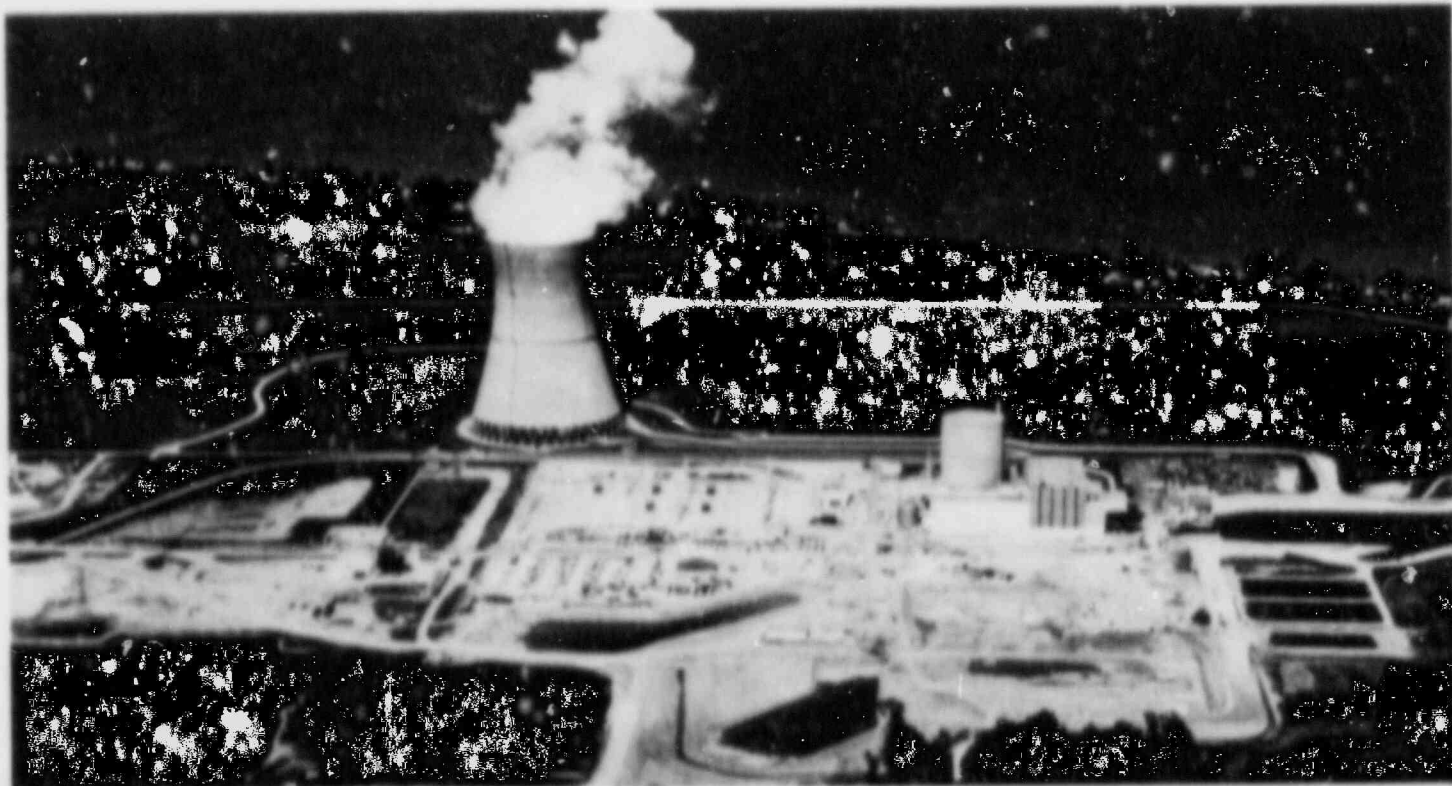
Millions of Dollars



% of Net Plant



BALANCED COAL/NUCLEAR ENERGY MIX WORKS FOR NORTHWEST OHIO



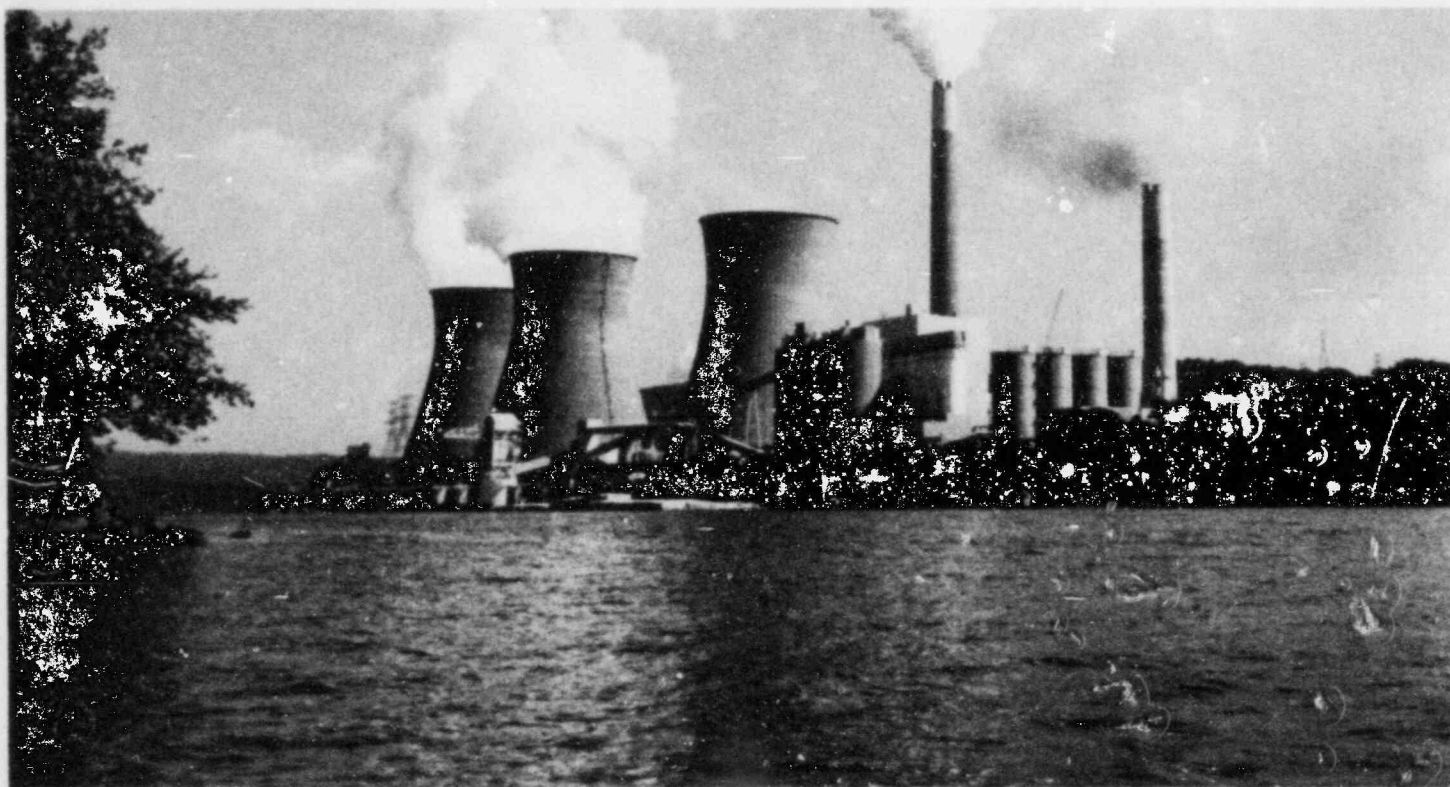
A balance of coal and nuclear generating capacity helped lower energy prices for customers in our service area last year.

The Davis-Besse Nuclear Power Station (above) had its best operating year ever in 1983 and generated 5.2 billion kilowatt-hours. The low cost of its nuclear fuel, being unloaded (left) upon arrival at the station, enabled us to initiate about a 30 percent reduction in the fuel charges, which make up about 25 percent of a customer's bill.

Coal-fired generating stations of the company provide efficient, reliable electricity generation. These include Bruce Mansfield station (opposite page, top) in Pennsylvania and Acme and Bay Shore stations in Toledo. Coal was the fuel source for 4.7 billion kilowatt-hours generated by Toledo Edison in 1983.

We will continue examining operations at these facilities to keep costs to a minimum. As an example, last year a maintenance outage schedule for a unit at Bay Shore Station (opposite page, bottom) was revised to reduce overtime work. The result was a cost reduction of about \$40,000. Maintenance and operating costs for the total system were reduced \$4 million in 1983 thanks to the cost-reduction program.

Our Bay Shore units have ranked in the top ten of the entire nation's coal-fired stations for efficiency for many years. Bay Shore No. 1 had a 91 percent capacity factor from 1955, when it came on-line, through 1983.



ECONOMIC ACTIVITY ON THE UPSWING



Northwest Ohio has been experiencing renewed business investment. Construction activity (below left) in downtown Toledo will lead to new office space and hotel and convention facilities. It will also bring added tax revenue and jobs. Portside Marketplace (top), along the Maumee River, is scheduled to open in May 1984. Its many restaurants and shops will help bring in commercial business and diversify the economy. Toledo Edison's 12-year-old headquarters is centered in this redevelopment area.

Toledo's largest employer, American Motors-Jeep (below right), reinvested substantially in production facilities and recently returned to full employment for the first time in four years.



Financial Analysis

Results of Operations

Earnings per common share were \$3.50 in 1983, 10 percent higher than last year. The resulting return on average shareowner's investment of 14.5 percent is the highest return achieved since 1975.

Total revenues increased in 1983 due to higher kilowatt-hour sales to our retail electric customers and the full-year effect of our June 1982 price increase. Sales to electric wholesale customers declined in 1983 as our municipal customers purchased a portion of their electric needs from other suppliers.

The Public Utilities Commission of Ohio granted us an annual increase of \$23 million in our retail electric rates in August 1983. Approximately \$12 million of the rate increase was due to the inclusion of \$63 million of Construction Work In Progress (CWIP) in our rate base. The CWIP included in rate base was primarily due to the Perry Nuclear Unit. In addition, the PUCO allowed us to continue to amortize over ten years our share of the costs of the four nuclear generating units cancelled by the Central Area Power Coordination Group (CAPCO) in 1980 (see Note 6).

We requested a 50 percent reduction in the fuel component of our electric rates and received PUCO approval in August 1983. This reduction was attributed largely to the good operating performance of our Davis-Besse Nuclear Unit combined with continued efficient production from our coal-fired Bay Shore Station. The net result of this, combined with the rate increase described above, was a reduction of our rates by approximately 10 percent. The next revision of the fuel component will be in February 1984.

We filed a price increase request in November 1983 with the PUCO for a \$61 million increase in retail electric rates. Continuing high financing costs associated with our construction program make these added revenues necessary. The PUCO will probably rule on this matter in the summer of 1984.

Total kilowatt-hour sales increased by 3.1 percent over 1982. Industrial sales showed a healthy increase indicating that our service area is recovering from the recession. Leading the way in the industrial category were increases in sales to motor vehicle manufacturers, petroleum refineries and foundries. The increase in industrial sales was due to a surge in manufacturing output. Favorable weather conditions also contributed to the increase.

Fuel and net purchased power decreased in 1983. Greater use of low-cost nuclear fuel resulted in a decrease in fuel expense. This was partially offset by a decline in short-term power sales to other elec-

tric utilities. Sales of power under these contracts declined in 1983 because many neighboring utilities had more of their own low-cost generation available.

Operation and maintenance expenses were reduced reflecting an intense cost reduction program during 1983. A well planned and efficiently executed maintenance schedule helped to minimize the costs associated with the Davis-Besse Nuclear Power Station refueling and maintenance outage, which started in late July 1983. The outage schedule included inspection and testing of various components, routine major maintenance and government required changes. The station returned to service in early October.

Depreciation expense increased, due mainly to the increased production from the Davis-Besse unit and the resultant unit-of-production depreciation provision. An increase in depreciable plant assets also contributed to the increase.

State and local taxes increased due to a higher temporary state excise tax rate on increased revenues and to higher property taxes resulting from increases in plant assets. In May 1983, the Ohio public utility tax was temporarily increased from 4.75 percent to 5.28 percent. The effects of this temporary increase expire in April 1984. We are barred by statute from collecting this increase from our customers. The one-time cost to us is \$2.5 million, of which \$1.7 million was charged to expense in 1983. The increase in federal income taxes resulted from higher taxable earnings.

Allowance for Debt and Equity Funds Used During Construction (collectively known as AFUDC) increased substantially due to a higher CWIP base and higher average AFUDC rates. Through AFUDC, we capitalized a substantial amount of the financing costs associated with our continuing construction program, including a return on equity funds used.

Long-term financings in 1983 resulted in increased interest and preferred stock dividend payments, as well as more common shares outstanding. These financings, which were necessary to fund our construction program, also affected our earnings.

76.5 percent of 1983 common stock dividends are not taxable as current income for federal income tax purposes and will be considered a return of capital instead.

Note 11 explains the effect of inflation on our operations.

Liquidity and Capital Resources

We are engaged in a major nuclear construction program that has been, and will continue to be, modified as necessary for changing economic conditions.

Construction expenditures totaled \$294 million for 1983. Most of this was due to the continuing construction on three CAPCO nuclear generating units: Perry No. 1, Perry No. 2, and Beaver Valley No. 2. (See Note 2 for additional discussion regarding Perry No. 2.) These units are currently planned to be in commercial service between 1985 and 1988. However, an on-going review of the construction schedule of Perry No. 2 continues by the members of the CAPCO group. Our ownership share in each of these units is just under 20 percent (see Note 5).

Public and private security markets continue to be a major source of our financing. Long-term external financings provided \$231 million in 1983. Of this, we used about \$161 million to fund the construction program, \$43 million to pay off the short-term debt that existed at the start of 1983, about \$14 million to invest in short-term investments at year end and the balance to pay off maturing long-term obligations.

Funding of our construction program in the future is dependent on obtaining external financing at reasonable terms and the amount of cash provided from internal operations. Our ability to obtain external financing and the cost of such funds depends upon financial market conditions, earnings sufficient to maintain debt and preferred stock coverage ratios, and changes in our construction program and credit ratings, among other factors. Rating agencies lowered our security ratings in 1983, making the cost of raising new capital more expensive. Recent adverse developments in the nuclear power

industry will probably increase our external financing costs and may result in increased levels of short-term debt. A reversal of our 1981 extraordinary gain (see Note 1) should not affect our ability to issue first mortgage bonds. However, this charge could reduce the amount of preferred stock issuable during the subsequent twelve month period.

The amount of cash that is provided from internal operations depends primarily upon the level of electricity sales, the timing and amount of rate increases and our ability to reduce or contain cash expenses. Although our net income has increased in 1983, a substantial portion of that increase is attributable to AFUDC, a non-cash income credit. We expect this condition to continue until the generating units under construction are completed and included in our rate base.

Our 1984 construction expenditures are estimated to be \$328 million. Most of this will be invested in the three CAPCO units discussed above. Net proceeds from long-term debt, preferred and common stock issues are expected to provide about \$211 million in external financing for the construction program. In addition, we will need \$21 million for long-term debt maturities and preferred stock sinking fund requirements in 1984.

In 1984, nuclear fuel acquisition and related costs will require an estimated \$31 million. This estimate excludes financing costs. Nuclear fuel financing arrangements are in place covering these expenditures (see Note 8).

AUDITORS' REPORT

To The Shareowners and Board of Directors of The Toledo Edison Company

We have examined the balance sheets and statements of capitalization of The Toledo Edison Company (an Ohio corporation) as of December 31, 1983 and 1982, and the related statements of results of operations, earnings reinvested and source of funds invested in plant and facilities for each of the three years in the period ended December 31, 1983. 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 further in Note 1, the PUCO has ordered that the extraordinary gain on an exchange of common stock for bonds recognized in 1981 be reversed and amortized over twenty years. The Company has appealed this decision and cannot predict the outcome of this matter.

In our opinion, subject to the effect on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty discussed in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of The Toledo Edison Company as of December 31, 1983 and 1982, and the results of its operations and the source of funds invested in plant and facilities for each of the three years in the period ended December 31, 1983, all in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Toledo, Ohio,
January 30, 1984.

Results of Operations

(thousands of dollars)	For the years ended December 31,		
	1983	1982	1981
REVENUES AND OTHER INCOME			
Electricity sales to retail customers	478 547	452 687	413 436
Electricity sales to wholesale customers	16 824	20 508	21 417
Gas and steam heating sales	9 245	8 530	7 431
Other income	1 617	1 017	8 852
	<u>506 233</u>	<u>482 742</u>	<u>451 136</u>
EXPENSES			
Fuel and net purchased power	125 975	127 658	122 442
Operating and administrative	77 632	75 834	63 976
Maintenance of equipment and facilities	32 734	38 839	31 908
Depreciation and amortization	51 138	43 838	43 427
State and local taxes	45 210	41 260	36 699
Debt interest	108 612	94 713	86 310
Allowance for debt funds used during construction	(30 443)	(22 505)	(15 491)
	<u>410 858</u>	<u>399 637</u>	<u>369 271</u>
Income Before Federal Income Taxes	95 375	83 105	81 865
Federal income taxes	32 616	26 277	31 226
Income From Operations	62 759	56 828	50 639
Allowance for equity funds used during construction	35 585	48 706	32 498
Net Income	128 344	105 534	83 137
Preferred stock dividends	30 129	26 221	23 542
Earnings Before Extraordinary Item	98 215	79 313	59 595
Extraordinary gain (exchange of common stock for bonds)	—	—	10 807
EARNINGS ON COMMON STOCK	98 215	79 313	70 402
Average Number of Common Shares Outstanding (thousands)	28 040	24 917	21 507
EARNINGS PER COMMON SHARE			
Before extraordinary gain	\$3.50	\$3.18	\$2.77
After extraordinary gain	\$3.50	\$3.18	\$3.27
RETURN ON AVERAGE COMMON EQUITY			
(before extraordinary gain)	14.5%	13.3%	11.6%

The notes on pages 13 through 18 are an integral part of this statement.

Balance Sheet

(thousands of dollars)

December 31,
1983 1982

ASSETS			
Property, Plant and Equipment			
Plant in service	1 358 467	1 306 677	
Less accumulated provision for depreciation	324 826	285 453	
	1 033 641	1 021 224	
Construction work in progress	1 118 802	878 535	
Nuclear fuel in service, at amortized cost	22 904	18 390	
	2 175 347	1 918 149	
Current Assets			
Cash and temporary cash investments	16 005	1 639	
Accounts receivable – net	51 225	44 550	
Fossil fuel, at average cost	25 145	36 818	
Materials and supplies, at average cost	11 457	10 680	
Prepaid taxes	16 495	14 330	
Special deposits and other	15 396	9 126	
	135 723	117 143	
Other Assets			
Property taxes – subsequent years	20 984	20 947	
Deferred charges – cancelled generating projects	38 074	42 902	
Quarto coal costs	11 678	11 618	
Miscellaneous	19 972	14 064	
	90 708	89 531	
Total Assets	2 401 778	2 124 823	

CAPITALIZATION AND LIABILITIES			
Capitalization			
Common shareowners' equity	715 584	617 127	
Cumulative preferred stock	200 000	170 000	
Cumulative preferred stock with mandatory redemption provisions	94 002	95 027	
Long-term debt	984 976	875 859	
	1 994 562	1 758 013	
Nuclear Fuel Obligations			
Nuclear fuel trust	41 513	34 780	
Nuclear fuel lease	14 715	10 309	
	56 228	45 089	
Current Liabilities			
Short-term notes payable	–	43 000	
Long-term obligations due within one year	29 508	13 184	
Accounts payable	44 152	31 354	
Accrued taxes	48 665	46 231	
Accrued interest	23 489	20 556	
Dividends declared	26 505	22 798	
Accrued expenses and other	8 903	7 979	
	181 222	185 102	
Accumulated Provisions and Other			
Deferred federal income taxes			
Accelerated depreciation and amortization	77 426	66 488	
Cancelled generating projects	14 905	16 714	
Property taxes and other	21 570	14 755	
Investment tax credits	40 164	30 963	
Deferred credits and other	15 701	7 699	
	169 766	136 619	
Total Capitalization and Liabilities	2 401 778	2 124 823	

The notes on pages 13 through 18 are an integral part of this statement.

Capitalization

(thousands of dollars)

December 31,
1983 1982

Common Shareowners' Equity

Common stock, \$5 par value, (in thousands) 40,000 shares authorized, (Outstanding shares - 29,669 and 26,223)	148 343	131 116
Premium on capital stock	379 766	325 540
Earnings reinvested in the business	187 475	160 471
	<u>715 584</u>	<u>617 127</u>

Cumulative Preferred Stock

Annual Dividend Rate	1983 Shares Outstanding (thousands)	Current Redemption Price		
Not subject to mandatory redemption, \$100 par value				
\$ 4.25 - \$ 4.56	310	\$101 - \$105	31 000	31 000
\$ 7.76 - \$10.00	590	\$103 - \$106	59 000	59 000
Not subject to mandatory redemption, \$25 par value				
\$ 4.28	800	\$32	20 000	20 000
2.21	1 000	27	25 000	25 000
2.37	1 400	29	35 000	35 000
3.47	1 200	31	30 000	—
			<u>200 000</u>	<u>170 000</u>
Subject to mandatory redemption provisions, \$100 par value				
\$11.00	60	\$111	6 002	7 027
9.38	250	107	25 000	25 000
13.25	130	111	13 000	13 000
12.65	200	113	20 000	20 000
14.80	300	115	30 000	30 000
			<u>94 002</u>	<u>95 027</u>

Long-Term Debt

First Mortgage Bonds, excluding current maturities

Maturities	Interest Rates		
1984	3 ³ / ₈ %	—	14 000
1985	9.35%	50 000	50 000
1986	3 ³ / ₈ %	15 000	15 000
1988	4%	15 000	15 000
1990 - 1993	13 ³ / ₈ - 16 ¹ / ₄ %	265 000	195 000
1997 - 2000	6 ¹ / ₈ - 10%	66 378	66 378
2002 - 2006	7 ¹ / ₂ - 9.65%	111 725	111 725
2008 - 2013	9 ⁵ / ₈ - 15%	246 900	186 900
Discount in process of amortization		(727)	(544)
		<u>769 276</u>	<u>653 459</u>

Other Long-Term Debt, excluding current maturities

Notes, 8.75%, due 1985 - 1997	96 800	103 400
Term bank loan, average interest rate 10.08%, due 1987 - 1989	50 000	50 000
Pollution control notes, 5.71 - 7 ⁷ / ₈ %, due 1985 - 2009	37 400	37 500
Pollution control loan agreement, 9.93 - 10%, due 1990 - 2010	31 500	31 500
	<u>984 976</u>	<u>875 859</u>

Total Capitalization 1 994 562 1 758 013

The notes on pages 13 through 18 are an integral part of this statement.

Earnings Reinvested

(thousands of dollars)	For the years ended December 31,		
	1983	1982	1981
Balance, at the beginning of year	160 471	142 220	122 743
Add – Net Income	128 344	105 534	83 137
Extraordinary gain	—	—	10 807
Deduct – Preferred stock dividends declared	30 803	26 766	24 222
Common stock dividends declared	70 537	60 517	50 245
Earnings Reinvested During The Year	27 004	18 251	19 477
Balance, at the end of year	187 475	160 471	142 220

Source of Funds Invested in Plant and Facilities

(thousands of dollars)	For the years ended December 31,		
	1983	1982	1981
Provided From Internal Sources			
Net Income	128 344	105 534	83 137
Principal non-cash items:			
Depreciation and amortization	51 138	43 838	43 427
Deferred federal income taxes	18 523	13 380	13 295
Investment tax credits – net	9 201	13 393	9 466
Total allowance for funds used during construction	(96 028)	(71 211)	(47 989)
Other – net	1 818	1 834	1 400
Funds provided from operations	112 996	106 768	102 736
Dividends	(101 340)	(87 283)	(74 467)
Reinvested funds provided from operations	11 656	19 485	28 269
Net change in current assets and liabilities, and other accounts	26 634	(9 998)	3 609
Total allowance for funds used during construction	96 028	71 211	47 989
Provided from internal sources	134 318	80 698	79 867
Provided From External Financing			
Sale of Securities:			
Common stock	71 453	48 700	51 706
Preferred stock	30 000	20 000	30 000
First mortgage bonds	130 000	120 000	70 000
Conversion of short-term debt to a term bank loan	—	—	50 000
Net change in short-term borrowings	(43 000)	20 500	(66 500)
Net change in temporary cash investments	(14 178)	2 533	4 482
Redemption of long-term debt and preferred stock	(7 625)	(40 473)	(15 840)
Net change in nuclear fuel obligations	13 364	44 838	(2 797)
Provided from external financing	180 014	216 098	121 051
Total Sources Of Funds	314 332	296 796	200 918
Construction Expenditures	294 010	248 515	200 918
Increase in Capitalized Nuclear Fuel	20 322	48 281	—
INVESTED IN PLANT AND FACILITIES	314 332	296 796	200 918

The notes on pages 13 through 18 are an integral part of these statements.

Summary of Significant Accounting Policies

General

Our accounting records are maintained in accordance with the Uniform System of Accounts as prescribed by The Federal Energy Regulatory Commission (FERC) and adopted by The Public Utilities Commission of Ohio (PUCO).

Revenues

Customers are billed on a monthly cycle basis, based on rates authorized by the PUCO that are applied to electricity consumption. The larger industrial and wholesale customers are billed on a month-end meter-reading basis.

Fuel

The company collects estimated fuel costs over subsequent six-month time periods through a fuel recovery rate. The rate is based on actual and partially projected costs and generation. The PUCO reviews and approves the projected rate and historical performance. The difference between actual and estimated fuel charges are deferred until they are applied to the customer's bill. This enables us to better match fuel expenses with fuel adjusted revenues.

The company charges the cost of nuclear fuel to fuel expense based on the rate of consumption. In addition, the estimated nuclear fuel disposal costs are included in fuel expense. The company contracted with the Department of Energy (DOE) for permanent disposal of spent nuclear fuel. For fuel used before 1983, we owe the DOE \$8.9 million, which will be paid on or after June 1985. We have already collected \$4.6 million from our customers and have requested additional revenues of \$4.3 million in our current PUCO rate case. For fuel used after April 1983, we are currently collecting the fee from our customers and paying the DOE.

Retirement Income Plan

Our retirement income plan is non-contributory and covers all employee groups. The company funds each year's cost and amortizes unfunded past service costs over a 30-year period. Pension cost is based on estimated salary levels and service years of employees at their retirement. Total pension costs were: \$4.5 million in 1983; \$4.4 million in 1982; and \$3.7 million in 1981. Experience gains and losses are amortized over 15 years.

The actuarial present value of total vested and nonvested plan benefits is based on salary levels and years of employees' service as of January 1 for each year. These were: \$42 million and \$6 million in 1983; and \$39 million and \$6 million in 1982. The weighted average assumed rate of return used in determining these values was 8 percent for both 1983 and 1982. Market value of net assets available for benefits amounted to \$75 million as of January 1, 1983 and \$58 million as of January 1, 1982.

Depreciation and Maintenance

The company provides for the depreciation of the original cost of properties, except for the Davis-Besse Nuclear Power Station, over their estimated useful lives on a straight-line basis. Depreciation expense on the Davis-Besse Nuclear Power Station is based on the unit-of-production method. This includes a provision for our share of the total estimated decommissioning costs of \$53 million. The straight-line provisions for depreciation averaged 3.6 percent in 1983, 3.5 percent in 1982 and 3.4 percent in 1981.

Maintenance expense includes repairs of property and renewal of minor items. Costs of replacements and those renewal items that are units of property are charged to the utility plant accounts. For retired property, we take its cost plus removal cost, net of salvage, and charge it to accumulated provision for depreciation.

Taxes

The company provides for deferred federal income taxes as required on the differences between straight-line depreciation and tax depreciation amounts for property additions since December 31, 1973. For tax purposes, all interest costs are deducted as they occur, except for the amounts required to be capitalized for real property. Other depreciation timing differences are considered in rates in the year that they affect taxes payable. We believe such taxes can be recovered in future revenues based on PUCO and Ohio Supreme Court decisions.

For certain property, the company receives investment tax credits that are deferred and added to income over the life of that property. Unrealized investment tax credits from 1980 to 1983 total \$33.1 million. We will record them as they are used in future years.

Property, Plant and Equipment

Property, plant and equipment is stated at original cost. Included in the costs of construction are such items as related payroll taxes, pensions, fringe benefits, management and general overheads and allowance for debt and equity funds used during construction (AFUDC). AFUDC represents the estimated composite debt interest and equity costs of capital funds used to finance construction. These costs are charged to property, plant and equipment and credited to income as AFUDC on the Results of Operations statement. Our AFUDC rates, net-of-tax, ranged from 10 percent to 10 1/4 percent in 1983, 9 1/4 percent to 10 1/4 percent in 1982, and 8 1/2 percent to 8 3/4 percent in 1981.

Reclassifications

Certain reclassifications have been made in the prior years' amounts to make them comparable with 1983 classifications.

Notes to Financial Statements

December 31, 1983

(1) Possible Charge Against Earnings

In November 1981, we exchanged 946,293 shares of common stock for \$25.6 million of outstanding bonds owned by an investment banking firm. The stock's exchange value was \$16.025 per share. This exchange provided a non-taxable extraordinary gain of \$10.8 million. This is the difference between the value of the stock traded and the principal amount of the bonds redeemed plus their accrued interest.

As part of the June 1982 and August 1983 rate case decisions, the PUCO prescribed an accounting method different from the one used for this gain. The PUCO required that this gain be treated as a deferred credit and amortized over 20 years. We opposed this decision and have it on appeal to the Ohio Supreme Court.

An unfavorable decision would result in a reversal of the extraordinary gain. This would involve an extraordinary charge against current earnings of \$9.5 million, or 32 cents per share, based on the number of common shares outstanding at December 31, 1983.

(2) Petition on Perry No. 2 Construction

In September 1983, the Ohio Office of Consumers' Counsel (OCC) and several other parties filed a petition with the PUCO and the Power Siting Board of Ohio (the board) asking that the PUCO and the board investigate the need for the 1,205 megawatt Perry No. 2. The petition also asked the PUCO and the board to order the Ohio CAPCO companies to stop construction of Perry No. 2 and prevent them from accruing further AFUDC on that unit. Finally, the petition asked the PUCO and the board not to approve the issuance of securities to finance further construction of Perry No. 2. The petition alleges that the completion of Perry No. 2 will result in an unreasonable level of excess capacity and that the resulting rates charged to customers would be excessive.

If the construction of Perry No. 2 is not completed and we are not provided a means to recover our investment in the unit, we could be required to immediately write off that investment including any cancellation charges against current earnings. Our investment in Perry No. 2 approximated \$203 million at December 31, 1983. Our net-of-tax write off at December 31, 1983 would be \$135 million, which would reduce Earnings Reinvested from \$187 million to \$52 million. This reduction in Earnings Reinvested would have to be replaced with additional common equity funds. The amount of cancellation charges and other costs payable if work on Perry No. 2 were to be stopped is not presently determinable, but could be substantial. AFUDC related to Perry No. 2, which accrues in increasing amounts, was \$16 million in 1983. Any termination of the accrual of such AFUDC before Perry No. 2 is included in rate base would reduce earnings by the amount of AFUDC that would otherwise have been accrued.

(3) Federal Income Tax Details

Supplementary information regarding federal income taxes is set forth in the following tables:

	(thousands of dollars)		
For the years ended December 31,	1983	1982	1981
FEDERAL INCOME TAX EXPENSE WAS COMPUTED AS FOLLOWS:			
Tax at statutory rates on pre-tax income	74042	60633	57578
Increases (reductions) in taxes due to —			
Allowance for funds used during construction	(42270)	(32521)	(22075)
Extraordinary gain from exchange of common stock for bonds	—	—	(4971)
Accelerated depreciation methods and other depreciation differences ..	3286	428	2375
Miscellaneous	(2442)	(2263)	(1681)
Total federal income tax expense	32616	26277	31226

	(thousands of dollars)		
For the years ended December 31,	1983	1982	1981
FEDERAL INCOME TAX EXPENSE DETAILS ARE AS FOLLOWS:			
Currently payable	2441	1930	7477
Investment tax credits —			
Deferred	13127	14334	10119
Amortized	(1439)	(940)	(653)
Prior year adjustment	(65)	(2357)	233
Deferred taxes —			
Accelerated depreciation (net)	11179	11806	12377
Cancelled generating projects	(1809)	468	(1118)
Deferred fuel costs	3276	1886	2435
Other provisions	5906	(350)	356
Total federal income tax expense	32616	26277	31226

(4) Quarto Coal Arrangements

a. Coal Supply Contracts

The CAPCO companies have made long-term arrangements with Quarto Mining Company (Quarto) to supply coal to the Mansfield units. The CAPCO companies each have agreed to guarantee their respective shares of Quarto's debt and lease commitments incurred to develop and equip the mines. As of December 31, 1983, our share of the guarantees was \$27.8 million. Our share of these commitments incurred prior to 1983 is 6.89 percent. Our share of commitments incurred after December 31, 1982 will increase in steps from 6.89 percent to 12.4 percent in 1986.

Our coal supply contract with Quarto expires December 31, 1999. Under its terms, the pricing provisions reflect Quarto's production costs and deferred mine development charges. Our total purchases under these contracts amounted to \$14.5 million in 1983, \$12.4 million in 1982 and \$15.5 million in 1981.

Under these arrangements, we expect our minimum yearly payments for fixed charges on debt and lease commitments to decline from \$6.6 million in 1983 to \$5.8 million in 1988.

b. Coal Cost Deferral

At present, the average cost of Quarto coal is higher than other coal currently available. Prior to July 30, 1982, the PUCO had ordered us not to charge customers more than market prices. We deferred the difference between market price and actual cost. Beginning on July 30, 1982, the PUCO permitted us to recover additional Quarto coal costs plus a portion of cost deferrals under a revised market price formula. We had recovered \$3.0 million of deferred Quarto coal costs in rates through July 1983. In August 1983, the PUCO ordered us to discontinue recovery of Quarto coal costs in excess of market price, pending further consideration of this matter. Accordingly, we resumed the deferral of the difference between market price and actual cost.

A January 1984 PUCO order permits us to recover specified Quarto coal costs plus a portion of cost deferrals within a specified six-year period using a "new market price" formula. In the event that we do not recover at least one-sixth of our deferred fuel costs of \$11.7 million as of December 31, 1983 in any of the next six years beginning in 1984, the amount of previous cost deferrals not so recovered in that year shall be written off to expense. The "new market price" formula also provides for the recovery of current Quarto coal costs to the extent that such costs do not exceed 125 percent of market price. Quarto coal costs in excess of 125 percent of market price must be written off to expense. We believe current and deferred costs will be recoverable within the periods specified by the PUCO.

(5) CAPCO Power Pooling Arrangements

The company has entered with four other utilities into a power-pooling arrangement (known as CAPCO), in the interest of reliability and economy. This involves substantial commitments for generation and transmission facilities.

CAPCO is currently building three nuclear generating units. We are obligated to pay for our share of each of these units under construction and related nuclear fuel inventory. Our total investment in the three units,

based on our ownership share, is currently estimated at completion to be \$1.8 billion.

We provide our own financing for this investment. "Expenses" in Results of Operations includes our share of direct expenses for operation of three CAPCO units presently in service.

The following represents our ownership in each of the CAPCO units at December 31, 1983:

Generating Unit	Actual or (Scheduled)	Ownership Share	Ownership Megawatts	Fuel	Plant In-Service	Accumulated Depreciation	Construction Work in Progress
(thousands of dollars)							
Completed:							
Davis-Besse No. 1	1977	48.62%	428	Nuclear	429 300	52 700	21 200
Mansfield No. 2	1977	17.30%	135	Coal	69 900	11 700	800
Mansfield No. 3	1980	19.91%	159	Coal	128 400	14 900	800
Under Construction:							
Perry No. 1	(1985)***	19.91%	240	Nuclear	—	—	462 400**
Beaver Valley No. 2	(1986)	19.91%	166	Nuclear	15 700*	—	381 900
Perry No. 2	(1988)***	19.91%	240	Nuclear	—	—	203 000

*Common facilities with Beaver Valley No. 1

**Includes common facilities for Perry No. 1 and Perry No. 2

***Currently, construction at the Perry site is being concentrated to complete basic construction of Perry No. 1 in 1985 and to minimize expenditures on Perry No. 2 pending future rescheduling.

(6) Previously Cancelled Generating Projects

In January 1980, the company, along with the other CAPCO companies, cancelled the construction of four nuclear generating units. All cancellation costs related to these units have now been paid.

In April 1981, the PUCO approved rate recovery of these costs over a ten-year period as an operating expense. Since April 1981, we have been amortizing these costs to expense over that ten-year period.

In June 1982, the PUCO disallowed recovery of these costs as an operating expense, based upon a 1981 Ohio Supreme Court decision. This disallowance has been appealed to the Ohio Supreme Court and the decision is still pending. The PUCO did allow continued ten-year

amortization on our books and allowed a specific additional risk factor as additional return on common equity in our rates. This treatment was affirmed by the Ohio Supreme Court.

In our August 1983 rate order, the PUCO again provided incremental revenues to recover these costs through the method used to calculate the allowed rate of return on common equity. The PUCO reaffirmed the continued amortization of these costs over a ten-year period ending in 1991.

The amortization of these costs amounted to \$4.9 million in 1983, \$4.7 million in 1982 and \$3.3 million in 1981 and is classified in depreciation and amortization on the Results of Operations statements.

(7) Capitalization

a. Capital Stock Transactions

For the years ended December 31,	1983	1982	1981
CAPITAL STOCK SHARES SOLD (RETIRED):			
Common stock			
Public sales	2 500 000	2 200 000	2 053 707
Exchange of common stock for bonds	—	—	946 293
Shareowner Dividend Reinvestment and Stock Purchase Plan ...	945 474	574 680	300 201
Total common shares	3 445 474	2 774 680	3 300 201
Cumulative preferred stock			
Public sales, \$25 par			
\$4.28 series	—	800 000	—
\$3.47 series	1 200 000	—	—
Cumulative preferred stock with mandatory redemption			
Public sales, \$100 par			
\$14.80 series	—	—	300 000
Retirement, \$100 par			
\$11.00 series	(5 000)	(5 000)	(5 000)
	(thousands of dollars)		
PREMIUM ON CAPITAL STOCK:			
Balance, beginning of year	325 540	290 713	255 508
Premium, net of expense —			
Common stock	52 502	33 783	35 569
Preferred stock	1 724	1 044	(364)
Balance, end of year	379 766	325 540	290 713

b. Cumulative Preferred Stock

We are authorized to issue 3,000,000 shares of \$100 par and 8,000,000 shares of \$25 par Cumulative Preferred Stock under our amended articles of incorporation. The annual dividend requirement on Cumulative Preferred Stock outstanding at December 31, 1983 is \$31.2 million for an average dividend rate of 10.61 percent.

c. Cumulative Preferred Stock With Mandatory Redemption

The company held 10,335 shares at December 31, 1983, and 4,730 shares at December 31, 1982 of the \$11.00 series as treasury stock.

The sinking fund requirements for the various series of Cumulative Preferred Stock are:

Dividend Rate	Minimum Yearly Shares	Effective Date
\$ 11.00	5 000	1979
9.38	16 650	1985
13.25	8 660	1986
12.65	8 000	1986
14.80	12 000	1987

The shares of the above series may be purchased at the sinking fund redemption price of \$100 per share plus accrued and unpaid dividends. Future sinking fund redemption requirements are: \$500,000 in 1984; \$2,165,000 in 1985; \$3,831,000 in 1986 and \$5,031,000 in 1987 and 1988.

d. Long-Term Debt

The annual interest requirement on long-term debt outstanding at December 31, 1983 is \$109.2 million for an average interest rate of 11.13 percent. This includes amortization of debt discount and expense but excludes interest on the nuclear fuel obligations.

Sinking fund redemption requirements and scheduled maturities for long-term debt, excluding nuclear fuel leases, through 1988 are as follows:

	Sinking Fund Redemption Requirements	Scheduled Maturities
	(thousands of dollars)	
1984	3 600	20 700
1985	3 600	56 700
1986	3 450	21 700
1987	3 450	23 367
1988	3 300	38 367

In addition, the first mortgage bond indenture provides for a required annual payment after certain credits, as defined, to the Trustees as a Maintenance and Replacement Fund. We have been satisfying the requirements under the indenture by pledging more property additions which might have otherwise been used as the basis for the issuance of additional bonds.

The mortgage securing first mortgage bonds issued by us constitutes a direct first mortgage lien on substantially all property and franchises owned by us. This does not include expressly excepted property, such as cash and securities, accounts receivable, fuel, supplies and automotive equipment.

(8) Nuclear Fuel Financings

In November 1982, the CAPCO companies created the Central Area Energy Trust (the trust). The trust will oversee the financing of procurement, conversion and enrichment stages of nuclear fuel for the CAPCO units. Each company's role in the trust is independent of its ownership share of any CAPCO unit. Also, each company's rights and requirements in connection with the trust are separate and distinct from the other companies. As of December 31, 1983, we have an obligation of \$41.5 million to the trust. This includes \$4.7 million in capitalized interest incurred through December 31, 1983. The 1983 interest was calculated at an average rate of 10.6 percent.

In addition, the company has lease arrangements for nuclear fuel to be loaded into the CAPCO nuclear units.

In September 1983, we capitalized our share of the Davis-Besse No. 1 fuel lease related to the portion of the nuclear fuel loaded into the reactor. This is in accordance with the provisions of PUCO orders. Total commitments under the lease arrangements were \$123.2 million at December 31, 1983.

Financing under these agreements, including the trust, of up to \$298 million is available. We expect our nuclear fuel leasing arrangements to be adequate through 1985. Estimated payments based on burn-up, including interest, are: \$12.1 million in 1984; \$33.0 million in 1985; \$42.0 million in 1986; \$45.4 million in 1987; and \$69.4 million in 1988.

(9) Short-Term Borrowing Arrangements

We had \$96.1 million in unused credit lines at December 31, 1983 with various banks and pay commitment fees for about two-thirds of those lines. The rest are based on informal compensating balance arrangements,

whereby banks expect us to maintain average deposits equal to 5 percent to 20 percent of the line of credit, depending on the borrowed amount. The deposits provide operating balances for us and are not legally restricted.

(10) Selected Quarterly Data (Unaudited)

The following quarterly results reflect all adjustments (that are of a normal recurring nature) to ensure a fair statement of results for such periods:

Three months ended	(thousands of dollars)				(dollars per common share)			
	Revenues and Other Income	Income before Income Taxes	Net Income	Earnings on Common Stock	Earnings	Dividends Paid	Market Price*	
							High	Low
1983								
March 31	129 457	20 403	28 845	22 031	.84	.61	22½	20
June 30	126 722	19 259	28 536	20 903	.78	.61	22½	20¼
September 30	131 978	35 167	40 064	32 218	1.10	.61	21½	19¼
December 31	118 076	20 546	30 899	23 063	.78	.61**	21½	17½
1982								
March 31	124 738	23 841	25 650	19 683	.84	.59	17½	15¼
June 30	112 217	15 983	24 078	17 387	.72	.59	18½	16½
September 30	126 914	27 757	32 108	25 359	.98	.59	19½	16¼
December 31	118 873	15 524	23 698	16 884	.65	.59	21½	18½

* The Common Stock is listed on the New York Stock Exchange. The price quotations are from The Wall Street Journal. The number of common stock shareholders as of December 31, 1983 and 1982 were 87,781 and 86,710, respectively.

** The dividend declared in December 1983 and paid in January 1984 was increased to 63 cents per share.

(11) Effects of Changing Prices (Unaudited)

The following financial information shows the effects on our company of general inflation (Constant Dollar Accounting) and changes in prices of specific assets, namely property, plant and equipment (Current Cost Accounting).

Constant dollar amounts represent historical dollars stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers (CPI). Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present. The current cost of plant estimates the probable cost of replacing existing plant assets and was determined by indexing the surviving plant by the Handy-Whitman Index of Public Utility Construction Costs.

Because our rates are regulated, we cannot recover through revenues any more than the original cost of plant assets, even though the cost to replace such assets will substantially exceed the original cost. In 1983, the added cost, due to inflation, of replacing our plant assets is shown in the following statement under the caption: "Inflation effect during 1983 on capital investment."

Inflation effect during 1983 on capital investment:

Increase in specific prices to current costs	—	171
Effect of change in general price level	—	(147)
Reduction to net recoverable cost	(52)	(72)
Additional provision for depreciation	(28)	(32)
	(80)	(80)

Gain from decline in purchasing power of net amounts owed (primarily debt)

Constant Dollar Accounting	Current Cost Accounting
(millions of dollars)	
—	171
—	(147)
(52)	(72)
(28)	(32)
(80)	(80)
54	54
(26)	(26)

Total effect of inflation on common stock equity

The table below presents selected operating and financial data for the past five years adjusted for inflation as measured by the CPI. Earnings on common stock and earnings per share are shown as if only the amount

During a period of inflation, issuers of debt experience an economic gain. This is especially important for us due to the substantial amounts of debt issued to finance our construction program. This gain is shown in the following statement under the caption "Gain from decline in purchasing power of net amounts owed".

The comparative Constant Dollar and Current Cost values of all items on the income statement, except depreciation, represent the amounts recorded in the historical cost income statement. Income taxes are not adjusted because current tax laws do not allow for the inflation effect on capital investment. We have calculated depreciation provisions, for the current year, on the Constant Dollar and Current Cost amounts of property, plant and equipment. We figured this by applying the ratio of the provision for depreciation over the average property, plant and equipment on the Historical Cost basis, to the indexed plant values.

The following table shows the net effect of inflation on common stock equity in 1983:

reportable as an additional provision for depreciation were deducted from the reported amount of such income. We revised the 1982 data to reflect actual indices.

(millions of dollars except per share amounts)	1983	1982	1981	1980	1979
General Inflation (constant dollars)					
Operating Revenues	505	497	485	486	501
Earnings on Common Stock	70	53	34	36	29
Earnings per Common Share	2.52	2.14	1.59	1.89	1.70
Dividends Declared per Common Share	2.46	2.46	2.52	2.66	3.02
Market Price per Common Share (year-end)	18.00	21.84	17.82	18.69	23.18
Specific Prices (current cost)					
Earnings on Common Stock	66	49	23	32	23
Earnings per Common Share	2.37	1.96	1.30	1.66	1.39
Increase in General Price Level Over (Under)					
Increase in Specific Prices	(24)	(42)	5	84	77
Net Plant	3,951	3,555	3,177	2,804	2,390
General Information					
Gain From Decline in Purchasing Power of Net Amounts Owed	54	45	93	113	102
Net Assets at Net Recoverable Cost	702	610	532	457	408
Consumer Price Index					
- Annual Average	298.5	289.1	272.4	246.8	217.4
- Year End	304.1	292.4	281.5	258.4	229.6

Financial Review

Revenues and Other Income (thousands of dollars)

Year	Residential	Commercial	Industrial	Other	Total Retail	Wholesale	Total Electric	Gas & Steam Heating	Other Income	Total Revenues & Other Income
1983	161 275	105 482	169 672	42 118	478 547	16 824	495 371	9 245	1 617	506 233
1982	153 662	101 789	158 930	38 306	452 687	20 508	473 195	8 530	1 017	482 742
1981	138 781	90 863	151 539	32 253	413 436	21 417	434 853	7 431	8 852	451 136
1980	126 085	80 836	137 860	28 458	373 239	21 647	394 886	6 982	879	402 747
1979	113 464	72 354	128 931	25 119	339 868	18 839	358 707	6 414	1 017	366 138
1973	40 696	27 390	43 632	10 426	122 144	4 271	126 415	2 732	227	129 374

Expenses (thousands of dollars)

Year	Fuel & Net Purchased Power	Operation	Maintenance	Depreciation & Amortization	State & Local Taxes	Debt Interest	AFUDC - Debt	Expenses Before FIT	Income Before FIT	Federal Income Taxes
1983	125 975	77 632	32 734	51 138	45 210	108 612	(30 443)	410 858	95 375	32 616
1982	127 658	75 834	38 839	43 838	41 260	94 713	(22 505)	399 637	83 105	26 277
1981	122 442	63 976	31 908	43 427	36 699	86 310	(15 491)	369 271	81 865	31 226
1980	155 771	55 842	29 319	26 002	31 202	70 866	(15 148)	353 854	48 893	10 158
1979	146 869	44 691	21 137	29 117	29 760	52 584	(9 991)	314 167	51 971	16 888
1973	42 507	22 098	7 471	12 318	11 822	14 126	- *	110 342	19 032	5 746

Income (thousands of dollars)

Common Stock (dollars per share and %)

Year	Income From Operations	AFUDC-Equity	Net Income	Preferred Stock Dividends	Earnings on Common	Average Shares Outstanding	Earnings	Return on Average Equity	Dividends Declared	Market Price			Book Value
										High	Low	Year End	
1983	62 759	65 585	128 344	30 129	98 215	28 040	3.50	14.5	2.46	22.50	17.50	18.00	24.12
1982	56 828	48 706	105 534	26 221	79 313	24 917	3.18	13.3	2.38	21.13	15.75	21.00	23.53
1981	50 639	32 498	83 137	23 542	59 595**	21 507	2.77**	11.6**	2.30	18.38	15.00	16.50	23.46
1980	38 735	28 443	67 178	18 021	49 157	19 226	2.56	10.5	2.20	20.75	15.00	15.88	23.77
1979	35 083	23 512	58 595	13 894	44 701	16 848	2.65	10.7	2.20	23.38	17.38	17.50	24.15
1973	13 286	10 282 *	23 568	3 911	19 657	6 282	3.13	14.3	1.94	30.88	23.13	26.88	22.20

*In 1973, allowance for debt funds was included in allowance for equity funds.

**In 1981, excludes extraordinary gain from exchange of common stock for bonds (after gain, earnings on common - \$70,402; earnings per share - \$3.27; return on average common equity - 13.5 percent).

Statistical Review

Electric Sales (millions of kilowatt-hours)

Electric Customers (end of year)

Residential Usage

Year	Electric Sales (millions of kilowatt-hours)						Electric Customers (end of year)				Residential Usage		
	Residential	Commercial	Industrial	Wholesale	Other	Total	Residential	Commercial	Industrial & Other	Total	Annual KWH Per Customer	Price Per KWH (Cents)	Annual Revenue Per Customer
1983	1 915	1 341	3 127	320	428	7 131	242 959	23 694	3 864	270 517	7 900	8.44	665
1982	1 911	1 325	2 873	395	414	6 918	241 492	23 495	3 815	268 802	7 906	8.04	636
1981	1 919	1 294	3 080	449	409	7 151	241 663	23 573	3 844	269 080	7 966	7.23	576
1980	1 971	1 282	3 165	560	410	7 388	240 142	23 532	3 818	267 492	8 232	6.40	527
1979	1 934	1 256	3 559	559	401	7 709	238 353	23 636	3 695	265 684	8 166	5.87	479
1973	1 552	1 085	3 249	356	349	6 591	218 105	21 399	4 119	243 623	7 187	2.62	188

Load (megawatts)

Energy (millions of kilowatt-hours)

Fuel

Year	Load (megawatts)				Energy (millions of kilowatt-hours)					Fuel	
	Net Capability at Time of Peak	Peak Load	Load Factor (%)	Reserve Factor (%)	Fossil	Generated Nuclear	Total	Purchased & Net Interchanged Power	Total	Fuel Cost Per KWH (Cents)	Efficiency BTU Per KWH
1983	1 777	1 325	66	34	4 683	2 383	7 066	593	7 659	1.67	10 337
1982	1 790	1 355	62	32	5 306	1 569	6 875	510	7 385	1.80	10 220
1981	1 773	1 315	66	35	5 349	2 142	7 491	157	7 648	1.68	10 274
1980	1 760	1 310	68	34	5 529	1 031	6 560	1 352	7 912	1.65	10 246
1979	1 825	1 395	67	31	5 349	1 535	6 884	1 348	8 232	1.33	10 262
1973	1 358	1 246	64	9	5 376	—	5 376	1 670	7 046	.52	9 880

Investment (thousands of dollars)

Year	Plant In Service	Accumulated Provisions For Depreciation	Net Plant	Construction Work In Progress	Nuclear Fuel In Service	Total Plant	Annual Construction Expenditures	Total Assets
1983	1 358 467	324 826	1 033 641	1 118 802	22 904	2 175 347	294 010	2 401 778
1982	1 306 677	285 453	1 021 224	878 535	18 390	1 918 149	248 515	2 124 823
1981	1 261 174	252 310	1 008 864	656 999	10 951	1 676 814	200 918	1 869 967
1980	1 208 001	220 629	987 372	518 746	17 644	1 523 762	234 827	1 701 655
1979	979 809	201 895	777 914	519 464	11 786	1 309 164	239 010	1 467 512
1973	407 195	108 467	298 728	192 133	—	490 861	119 524	540 896

Capitalization (thousands of dollars)

Year	Common Shareowners Equity	%	Cumulative Preferred Stock	%	Cumulative Preferred with Mandatory Redemption	%	Long-Term Debt	%	Total
1983	715 584	36	200 000	10	94 002	5	984 976	49	1 994 562
1982	617 127	35	170 000	10	95 027	5	875 859	50	1 758 013
1981	550 176	35	150 000	10	95 500	6	762 584	49	1 558 260
1980	478 993	34	150 000	11	66 500	5	708 295	50	1 403 788
1979	432 554	35	150 000	12	34 000	3	611 137	50	1 227 691
1973	145 665	31	71 000	15	—	—	259 164	54	475 829

Board of Directors

Richard P. Anderson (O)
Partner and General Manager
The Andersons

Samuel G. Carson (E)(N*)(S)
Chairman
Toledo Trust Company and
Toledo Trust Corporation, Inc.

Richard P. Crouse
Vice President, Nuclear

Robert H. Davies (C*)(O)(S)
Senior Vice President
Owens-Illinois, Inc.

Chester Devenow (A)(C)
Chairman and Chief
Executive Officer
Sheller-Globe Corporation

Elwood L. Elbersson (C)
Chairman, President and
Chief Executive
Dinner Bell Foods, Inc.

Stanley W. Gustafson (Deceased)
President, Dana Corporation

Wendell A. Johnson (E)
President and Chief
Operating Officer

Isabel F. Martin (A)
Consultant
Toledo Area United Way

Donald G. Nicholson
Senior Vice President, Finance

Henry A. Page, Jr. (E)(N)
Director of Development
The Medical College of Ohio
at Toledo

Lyman C. Phillips
Vice President, Corporate
Planning and Administration

Paul M. Smart
Senior Vice President
Corporate Development and
General Counsel

Willard I. Webb, III (A*)(E)(S)
Chairman and Chief
Executive Officer
Ohio Citizens Bank

John P. Williamson (E*)(S*)
Chairman and Chief
Executive Officer

Robert G. Wingerter (N)(O*)(S)
Chairman, Executive Committee
Libbey-Owens-Ford Company

Key to Directors' Committees

- (A) Audit Committee
- (C) Compensation Committee
- (E) Executive Committee
- (N) Nominating Committee
- (O) Operations Committee
- (S) Strategic Planning

* denotes committee chairman

Directors Emeriti

Floyd M. Canter
William S. Carlson
Virgil A. Gladieux
Marvin S. Kobacker

Officers

John P. Williamson
Chairman and
Chief Executive Officer

Wendell A. Johnson
President and Chief
Operating Officer

Anthony A. Bosch, Jr.
Vice President, Customer Services

Richard P. Crouse
Vice President, Nuclear

John R. Dyer
Vice President, Public Relations

Donald G. Nicholson
Senior Vice President, Finance

Lyman C. Phillips
Vice President, Corporate Planning
and Administration

Lowell E. Roe
Vice President, Energy Supply

Paul M. Smart
Senior Vice President,
Corporate Development and
General Counsel

Stratman Cooke
Secretary

Donald H. Saunders
Treasurer

Paul G. Busby
Controller

Executive Offices

300 Madison Avenue
Toledo, Ohio 43652
Phone (419) 259-5000

Dividend Disbursing and Reinvestment Agent

The Toledo Trust Company
Toledo, Ohio 43603

Stock Transfer Agents

The Toledo Trust Company
Toledo, Ohio 43603
Morgan Guaranty Trust
Company of New York
New York, N.Y. 10015

Stock Registrars

Ohio Citizens Bank
Toledo, Ohio 43603
Morgan Guaranty Trust
Company of New York
New York, N.Y. 10015

Mortgage Trustee

The Chase Manhattan Bank, N.A.
New York, N.Y. 10081

Auditors

Arthur Andersen & Co.
300 Madison Avenue
Toledo, Ohio 43604

Exchange Listings

Common
New York Stock Exchange (TED)
Midwest Stock Exchange

Unlisted Trading Privileges
Boston Stock Exchange
Cincinnati Stock Exchange
Philadelphia, Baltimore and
Washington Stock Exchange

Preferred - \$25 par value - 8.84%
\$2.365, \$4.28, \$3.47 series
New York Stock Exchange

Preferred - \$100 par value - 4 1/4%
8.32%, 7.76% and 10% series
American Stock Exchange

Bonds

7 1/4% - Due 2002, 9 1/4% - Due 2008
8% - Due 2003, 9.65% - Due 2006
9% - Due 2000, 11% - Due 2009
9.35% - Due 1985,
New York Stock Exchange



Director Changes

Chester Devenow, chairman and chief executive officer, Sheller-Globe Corporation, was elected to the board of directors in August, 1983. Sheller-Globe, a Toledo-based company, is a major manufacturer of parts and assemblies for cars, trucks and off-highway equipment. Mr. Devenow is a graduate of New York University.

He replaces **Marvin S. Kobacker**, who was elected director emeritus after 14 years of distinguished board service.



Paul M. Smart, senior vice president, corporate development, was elected to the board of directors in January 1984.

A former senior partner with Fuller & Henry, with specialization in Toledo Edison regulatory matters, Mr. Smart continues as the company's general counsel, with added responsibilities for marketing, rates, area development, and research and development.

He replaced board member **Stanley W. Gustafson**, who died shortly before year's end. We will miss Mr. Gustafson's talent, energy and keen advice.



TOLEDO
EDISON

EDISON PLAZA
300 MADISON AVENUE
TOLEDO, OHIO 43662

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