THE TOLEDO EDISON COMPANY ANNUAL REPORT 1984

SUPPLYING ENERGY FOR THE LAND OF GOOD LIVING

THE LAND OF GOOD LIVING

A VIBRANT ECONOMY

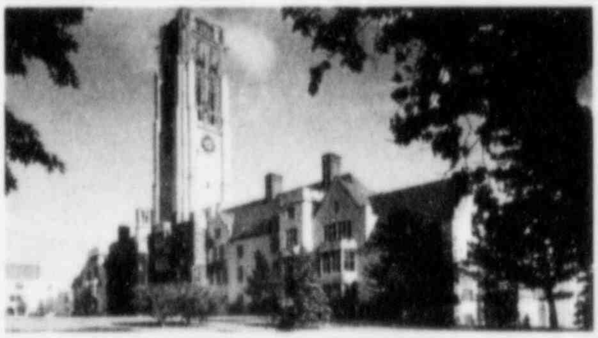
Northwestern Ohio is one of the most productive agricultural and industrial regions in the nation

A TRANSPORTATION HUB

The modern Port of Toledo connects Northwestern Ohio with markets throughout the world

A CENTER FOR THE ARTS

The Toledo Museum of Art ranks among the top ten in the United States



A LEADER IN EDUCATION

Two state universities, a medical college and several technical colleges serve the area

A COMMUNITY VITALITY

The redevelopment of Toledo's riverfront symbolizes the city's rejuvenation

TOLEDO . . . AN ALL-AMERICA CITY

ABOUT TOLEDO EDISON

The Toledo Edison Company is a public utility engaged in the generation, transmission, distribution and sale of electric energy in Toledo and Northwestern Ohio. The Company also provides small amounts of natural gas and steam heating services. The Company is owned by over 100,000 shareholders in all 50 states and worldwide.

ABOUT OUR SERVICE AREA

Toledo Edison describes its 2,500-square mile service area in Northwestern Ohio as the "Land of Good Living." And with good reason. A sophisticated industrial infrastructure, plenteous agricultural production, exceptional transportation, and abundant supplies of energy and water make the area highly attractive to business. Paddlewheel riverboats and historic forts blend with the latest in contemporary living trends to create an appealing ambiance.

The 750,000 people who call Northwestern Ohio home have the best of two worlds – the cultural, recreational and economic benefits of urbanization, but in a neighborly, small town atmosphere. Area residents can select the lifestyle best suited for their individual tastes. The lifestyles may be diverse, but the area's labor force is united in dedication to craftsmanship and pride in achievements.

Toledo is within 250 miles of 43% of the U.S. primary metal industry, and within 500 miles of 58% of U.S. fabricated metal production and 53% of U.S. electric and electronic manufacturing.

HIGHLIGHTS

	1984	1983	Change
Earnings Per Common Share	$3.70	$3.50	+ 20¢
Dividends Declared Per Common Share	2.52	2.46	+ 6¢
Return on Average Common Equity	15.3%	14.5%	
Financial Results (millions of dollars)			
Income from operations	71	63	+ 13%
Allowance for equity funds used during construction	83	65	+ 28%
Net income	154	128	+ 20%
Operating Results			
Sales (millions of kilowatt-hours)			
Retail customers	7 240	6 811	+ 6%
Wholesale customers	305	320	– 5%
Generating efficiency (BTU per kilowatt-hour)			
System heat rate	10 193	10 337	– 1%
Fossil-fueled heat rate	9 855	10 053	– 2%

TO OUR SHAREOWNERS:

1984 was a good year for The Toledo Edison Company.

New records were set for retail sales revenues and earnings. Our total revenues of $551 million included electric sales to retail customers of $528 million. Our sales to industry also established a new mark of $195 million. These gains helped enable us to attain earnings per common share of $3.70, 6 percent higher than in 1983.

Substantial gains in kilowatt-hour usage resulted from the rebounding Northwestern Ohio economy. Our total kilowatt-hour sales increased a healthy 6 percent over 1983, while our kilowatt-hour sales to industry rose 10 percent.

Since a mild summer and an exceptionally warm fall and winter more than offset a cooler spring, the extremes in weather that cause higher than normal usage of electric heaters and air conditioners were not in evidence in 1984. Thus, our gains in kilowatt-hour sales stemmed primarily from economic growth.

Economic studies show there is a high correlation between a growing economy and increased electricity use. Economic growth depends upon the availability of a reliable source of energy, and the viability of an electric utility depends upon the economy of the area it serves.

We are seeking to recognize this interdependence by devoting a portion of our Annual Report to point out the attributes that make Northwestern Ohio the "Land of Good Living." We are also doing our share to boost Northwestern Ohio as an attractive place for industry through our area development and marketing activities.

Our creative marketing approach enabled us to add new customers in 1984. To cite only one example, we added a 20-megawatt load customer who will install new electroplating technology to serve the automobile industry. We obtained this new business by negotiating a contract with highly competitive energy cost provisions that made the customer's process competitive and our profit reasonable.

Our proximity to Detroit's auto assembly plants is a plus. The major automobile companies plan a greater emphasis on the "just-in-time" delivery concept, which means they will be utilizing parts suppliers located near their Detroit assembly lines. Our service area will benefit from this trend. Assembly and machine plants have been operating at high production levels. These are not just temporary surges, but are being built into the long-range planning of these manufacturers.

We continue to enhance our operating efficiencies as part of our program to ensure an adequate supply of electricity for our service area. Since it started operating nearly 30 years ago, our Bay Shore Station has been one of the most reliable plants in the United States. It enabled the Company to be ranked tenth overall, among fossil-fueled stations of the 100 largest investor-owned utilities in the nation, for 1983 in system heat-rate efficiency.

Our Davis-Besse Nuclear Power Station also operated reliably. Prior to a scheduled maintenance and refueling outage during the fourth quarter, the station was available to produce electricity 88 percent of the time during the 1983-84 fuel cycle. Nuclear energy continues to be a bargain for our customers because its fuel cost per kilowatt-hour is about one-fourth the cost of coal. The station is now going from a 12-month refueling cycle to an even more productive 18-month refueling cycle.

The combined effectiveness of our coal and nuclear facilities has helped control the prices customers pay for electricity. Although our fuel adjustment cost factor was higher in 1984 than in 1983, our fuel charges were lower than they would have been if we relied only on coal.

Construction of two nuclear plants is moving ahead as part of our power-pooling arrangements with other utilities. The major emphasis is being placed upon completing the Perry No. 1 Unit. Located near Cleveland, this unit is 97 percent complete and is expected to go on-line about the end of 1985. The Beaver Valley No. 2 Unit, near Pittsburgh, is more than 80 percent complete and is now scheduled to go into service about the end of 1987.

Construction of a third unit, the Perry No. 2 Unit, has been placed in a "minimal expenditure" mode pending evaluation of future economic growth and electricity needs. The construction activity may be reduced to such a level by about mid-1985 that related allowance for funds used during construction accruals may need to be offset, and a corresponding reserve established in the financial statements. This would not affect cash flow, but would reduce earnings below what they otherwise would be. Allowance for funds used during construction accruals are expected to average about $2 million per month in 1985 for Perry 2.

John P. Williamson
Chairman and Chief Executive Officer

Wendell A. Johnson
President and Chief Operating Officer

Because of its large scale, our nuclear construction program creates financial difficulties for the Company. Our cash income must be sufficient so that we can maintain our credit and attract the capital needed to finance our construction program. An inability to raise capital or a failure to obtain necessary increases in our customer charges could pose serious problems. Our concerns in this area are dealt with in more detail in the Financial Analysis section beginning on page 6.

In any event, we are confident that our financial integrity will be maintained. Management is determined to make every effort to resolve our financial problems in a way that benefits our shareowners, our customers and the economy we serve.

This determination is exemplified by a compromise agreement into which we entered in early 1985 with the staff of The Public Utilities Commission of Ohio. As part of our interim rate increase request proceeding that started late in 1984, the staff agreed to recommend to the Commission that the Company be allowed to collect $30 million in additional annual revenues through collection of a temporary surcharge on customer bills.

During the period this surcharge would be in effect, our accrual of allowance for funds used during construction would be offset by the net-of-tax amount of the interim relief received. The terms of the agreement also provide that the Company would report on the feasibility of reducing its participation in the construction program of the Central Area Power Coordination Group. In addition, the Company would agree to withdraw its pending permanent rate increase request. The Commission was expected to act on the agreement in February, 1985.

Our Board of Directors was strengthened by the addition of Edwin D. Dodd, a director, consultant and chairman emeritus of Owens-Illinois, Inc. He brings an impressive level of business statesmanship and civic leadership to our Board.

A new member of our senior management team is Joseph E. Murray, who was elected Vice President, Energy Supply, in March. He succeeded Lowell E. Roe, who took early retirement after a distinguished 35-year career with the Company.

Increased competition is the way of life in the electric utility industry. However, the industry's foremost challenge is to obtain adequate prices for its services. A closely related problem involves phasing in rates for newly completed generating units. Gradually including the costs of the new unit in a utility's rate base over a period of years avoids the "rate shock" that could result if the cost were added to the rate base in one lump sum.

We are convinced that electricity is the energy source of the future. Electricity prices in Toledo were 12 cents per kilowatt-hour at the turn of the century, a time when 12 cents represented an hour of hard work for many people. Despite many years of inflation, today's electric prices are slightly more than half of that 1900 price, and the typical employee works about 30 seconds to pay for a kilowatt-hour of electricity.

That electricity is a bargain is suggested by the fact that electric energy consumption in the U.S. has increased significantly since 1975, while consumption of other types of energy has dropped. Electricity is in its second century of helping power America's economic engine, and we are taking actions to ensure that Toledo Edison will continue to generate growth in Ohio. If Gross National Product rises substantially, some regions may face shortages of electricity by the 1990s. Northwestern Ohio will not be among those regions.

The following pages provide an in-depth perspective about our past, present and future prospects. We are proud of our accomplishments and of our solid reputation for reliability. And we are grateful for the continuing dedication of our talented employees and for the support of our loyal shareowners.

There is no doubt that we face major challenges in completing our nuclear construction program, just as there are challenges to the state to attract new business and industry to Ohio.

However, we are confident that the completion of our nuclear construction program will strengthen our financial situation, and that the availability over the long-term of a reliable, reasonably priced supply of energy will play a vital role in the economic growth in the *Land of Good Living*.

Cordially,

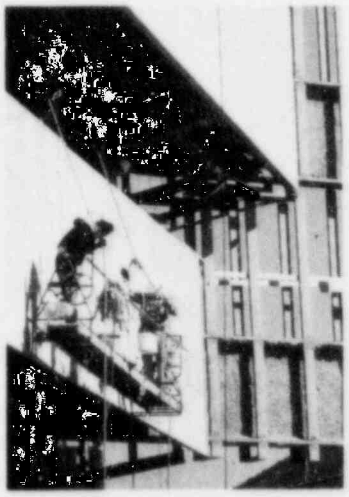
John P. Williamson

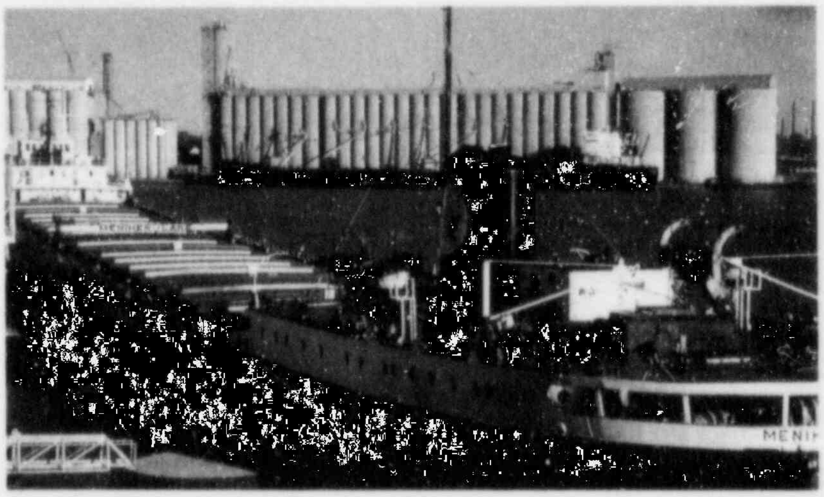
John P. Williamson
Chairman and Chief Executive Officer

Wendell A. Johnson

Wendell A. Johnson
President and Chief Operating Officer

TOLEDO: AT THE CROSSROADS OF COMMERCE





The "All-America" city of Toledo is a transportation crossroads located in the heart of a rich agricultural and industrial region. A manufacturing community with strong ties to the glass and automobile industries, Toledo has a well-educated labor force of 275,000. In recent years, the labor force has grown more rapidly than the population.

Toledo is a focal point of international trade. The Port of Toledo lies at the hub of a transportation network that includes five rail systems and nearly 100 motor freight carriers. This ideal location provides Midwestern shippers with inland transportation costs that are lower than those to many East Coast ports. In addition, downtown Toledo is currently undergoing a rejuvenation that includes a Portside Marketplace composed of numerous shops and boutiques.

None of this vibrant economy would be possible without the existence of a reliable supply of electricity. The Toledo Edison Company has been a driving force in the area's economy for many years. The Company is in the midst of a $2 billion construction program to guarantee the continuation of a dependable energy supply for both business and residents. In the process of providing reliable service at reasonable costs, Toledo Edison expects to continue a trend of recent years – increasing its share of the Northwestern Ohio energy market.

THE HANDS-ON APPROACH TO MANAGEMENT

The Company's Board of Directors and senior management continued their practice of closely monitoring Toledo Edison and Central Area Power Coordination Group facilities. This hands-on management approach is designed to maintain the Company's fine record in:

Operating efficiency – out of hundreds of fossil-fueled generating units owned by the 100 largest investor-owned utilities, the Company ranked 10th in 1983 for system heat-rate efficiency.

Employee safety – the Davis-Besse Nuclear Station has consistently ranked among the top five in the U.S. for the lowest worker exposure to radiation.

Environmental protection – Toledo Edison has the lowest weighted average sulfur dioxide emission limit for coal-fired units of any major Ohio utility.

FINANCIAL ANALYSIS

RESULTS OF OPERATIONS

Earnings per common share increased to $3.70 in 1984, about 6 percent higher than in 1983. The resulting annual return on average shareowners' investment of 15.3 percent, although due largely to non-cash credits, was the highest return achieved in the past 17 years.

The 1984 economic rebound in Northwestern Ohio helped spur a healthy 6 percent increase in the Company's kilowatt-hour sales. Paced by sales to the motor vehicle and primary metals industries and to petroleum refineries, industrial sales rose 10 percent. Sales to residential and commercial customers were also higher.

Total revenues increased in 1984 as a result of greater consumption by retail customers and the full-year impact of an August, 1983 price increase. Revenues from wholesale electricity users declined as municipal customers continued their 1983 trend of buying part of their electric needs from other suppliers.

A rate increase authorized by The Public Utilities Commission of Ohio was significantly below the amount requested by the Company. In September 1984, the Commission granted the Company a $17 million increase in annual retail electric rates. This was only 28 percent of the Company's December, 1983 request. In particular, the Commission allowed just $7 million of construction work in progress in the rate base out of the Company's $186 million request. Instead of increasing the allowance for Perry Unit No. 1 over the amount allowed for it in the Company's prior rate order, the Commission eliminated the Perry Unit No. 1 construction work in progress allowance altogether. As it had concluded earlier in 1984 in another utility's rate case, the Commission reasoned there would be no significant generation from Perry Unit No. 1 during the period the rates would be in effect and excluded it from rate base.

The Company filed a request in late 1984 for an 8 percent permanent rate increase in its customer charges. The Company also requested an interim rate increase of $45 million. In early 1985 the Company reached a compromise agreement with the staff of the Commission in connection with these requests. The terms of the agreement, if approved by the Commission, would allow the Company to collect $30 million in additional annual revenues through collection of a temporary surcharge on customer bills.

During the period this surcharge would be in effect, the Company's accrual of allowance for funds used during construction would be offset by the net-of-tax amount of the interim relief received. The agreement also provides that the Company would report on the feasibility of reducing its participation in the construction program of the Central Area Power Coordination Group. In addition, the Company would withdraw its pending permanent rate increase request. Commission action on the agreement was expected in February, 1985.

A non-taxable extraordinary gain of $11 million in the Company's 1981 earnings had been in doubt as a result of rulings by The Public Utilities Commission of Ohio and by the Ohio Supreme Court. The gain involved an exchange of common stock for outstanding bonds owned by an investment banking firm. A September Commission ruling allowed the gain to be treated as a component of the Company's capital structure in determining the rate of return. This decision supported the Company's treatment of the 1981 extraordinary gain.

Steam heating services will be discontinued as of June 1, 1985. The system had incurred annual losses in recent years.

Fuel and net purchased power expense increased 16 percent over 1983, reflecting greater reliance on higher cost fossil fuel generation in 1984 (see "Summary of Significant Accounting Policies" on page 12).

Maintenance expenses also rose in 1984, due to the extensive scheduled refueling and maintenance outage at the Davis-Besse Nuclear Power Station during the fourth quarter. Among the improvements made during the outage were nuclear fuel changes that will extend the time between refuelings from 12 months to 18 months. This will increase the station's availability for future power generation. The Davis-Besse Station returned to service in early 1985. The repair of electric plant and substation equipment at Bruce Mansfield Units 2 and 3 also contributed to higher maintenance expense.

Allowance for debt and equity funds used during construction increased due to a higher investment in nuclear generating units under construction. Allowance for debt and equity funds used during construction is a non-cash credit to the Results of Operations statement. Through this allowance, the Company capitalized a substantial amount of the financing costs associated with its ongoing construction program, including a return on equity funds used.

The funding of the Company's construction program was accomplished through external financings. These financings caused increased interest expense and larger dividend payments on preferred and common stock. In addition, the financings resulted in a greater number of common shares outstanding and diluted earnings per common share.

About 79 percent of the Company's common dividend paid in 1984 will be regarded as a return of capital, and therefore nontaxable as ordinary income for federal income tax purposes in 1984. The Deficit Reduction Act of 1984 requires certain changes in the way corporations calculate earnings and profits in determining the portion of dividends treated as a return of capital. These changes are expected to eliminate the return of capital portion of dividends paid in 1985, when the Act takes effect, and in subsequent years.

Note 12 on page 17 explains the effect of inflation on the Company's operations.

LIQUIDITY AND CAPITAL RESOURCES

Capital Commitments

The Company is engaged in a nuclear construction program as part of a power-pooling arrangement with four other utilities. In the interest of reliable power generation and economy, Toledo Edison joined in 1967 with The Cleveland Electric Illuminating Company, Duquesne Light Company, Ohio Edison Company and Pennsylvania Power Company to form the Central Area Power Coordination Group. The companies are building three nuclear generating units: Perry Unit Nos. 1 and 2 near Cleveland, and Beaver Valley Unit No. 2 north of Pittsburgh. Toledo Edison's share in each of these units is 19.91 percent (see Note 1 on page 13). During 1984, the Company invested $316 million in these units. Other 1984 investments in plant and equipment, including nuclear fuel, totaled $73 million.

During the five-year period 1985-89, the Company expects its construction program to cost about $1 billion. This excludes nuclear fuel, but includes $440 million of allowance for funds used during construction. However, the levels of direct cash expenditures for the Perry Unit No. 2 beyond 1985 are indeterminable, pending completion of the studies referred to in the following paragraph. Therefore, the construction program does not reflect such amounts for that unit beyond 1985. Construction delays or cost escalations may cause additional expenditures. Nuclear fuel acquisition and related costs will require about $101 million during 1985-89, excluding financing costs.

In keeping with the Group's ongoing evaluation of electric generation needs, Perry Unit No. 2 has been placed in a minimal expenditure mode pending the completion of Perry Unit No. 1 (see Note 2 on page 13). Should Perry Unit No. 2 be mothballed, the Company would have to cease the related accrual of allowance for funds used during construction. Such accruals for Perry Unit No. 2 are expected to average about $2 million per month in 1985. The construction activity may be reduced to such a level by about mid-1985 that related allowance for funds used during construction accruals may need to be offset, and a corresponding reserve established in the financial statements. Creation of such a reserve would not affect cash flow, but would reduce earnings below what they otherwise would be.

If the Perry Unit No. 2 is cancelled and the Company were not provided a way to recover its investment in the unit, the Company would be required to write off this investment. Preliminary estimates project a write-off of $154 million, net-of-income tax effect, as of December 31, 1984. Such a write-off would reduce Earnings Reinvested from $222 million to $68 million. The Company believes its ability to maintain its current common stock dividend would not be impaired solely because of such a write-off. However, any reduction in Earnings Reinvested resulting from such a write-off may require modifications to future financing programs. This could include a greater reliance on sales of common stock in order to maintain a more balanced capital structure.

Sources of Funds

The Company's cash construction outlays in 1984 were provided almost entirely by issues of short and long-term debt and equity securities. This compared with 81 percent for 1983 and 96 percent in 1982. In 1984 the Company used some of its increased working capital in addition to all of its remaining cash available from operations for common dividends, leaving minimal internal cash to fund its construction program. The Company expects that almost all of its cash construction expenditures will continue to require external financings through 1986. External financings will continue to increase the Company's interest and dividend requirements. External sources provided $342 million in 1984. Of this, the Company used $227 million to fund construction and $25 million for nuclear fuel inventory, about $69 million for short-term investments, and the balance to pay off maturing obligations (see Notes 5, 8 and 9 on pages 15 through 17).

Company earnings for the year ended December 31, 1984 would permit the issuance of about $48 million of first mortgage bonds or about $98 million of preferred stock, assuming no additional issues of long-term debt, at assumed interest and dividend rates of 15 percent. Should the Company be required to write off its investment in Perry Unit No. 2, the Company believes its ability to issue first mortgage bonds would not be affected. However, such a write-off could reduce the amount of preferred stock issuable or prohibit the issuance of preferred stock during the subsequent 12-month period and perhaps longer. The Company would not be restricted in issuing preference stock authorized in April, 1984 by the common shareowners. Issuance of this stock is not subject to earnings coverage restrictions as are first mortgage bonds and preferred stock (see Note 5 on page 15).

The Company's continued financial viability depends upon adequate and timely rate increases and ready access to capital markets. Rate increases granted by The Public Utilities Commission of Ohio during the past three years have been significantly lower than amounts requested by the Company. In particular, the Company's opportunity to generate significant additional cash was adversely impacted by the Commission's September, 1984 decision that denied any Perry Unit No. 1 construction work in progress in the rate base (see "Results of Operations" on page 6). As a result, common stock earnings in 1985 are expected to continue to be composed entirely or almost entirely of non-cash allowance for debt and equity funds used during construction. This allowance was 91, 100 and 108 percent of earnings on common stock in 1982, 1983 and 1984, respectively.

The Company's ability to obtain external financing and the cost of such funds depend upon financial market conditions, the Company's earnings, changes in the Company's construction program, and its credit ratings, among other factors. In 1984, rating agencies lowered the Company's security ratings, making the cost of raising new capital more expensive. If sufficient rate relief is not granted in future rate orders, it could be extremely difficult for the Company to maintain interest and dividend coverage ratios necessary to issue first mortgage bonds and preferred stock. If the Company were unable to obtain sufficient external financing, it would have to consider postponing construction expenditures and conserving internally generated cash by reducing other cash outlays.

RESULTS OF OPERATIONS

	For the years ended December 31, 1984	1983	1982
		(millions of dollars)	
REVENUES AND OTHER INCOME			
Electricity sales to retail customers	528	478	453
Electricity sales to wholesale customers	14	17	21
Gas and steam heating sales	9	9	8
Other income	8	2	1
	559	506	483
EXPENSES			
Fuel and net purchased power	146	126	128
Operating and administrative	81	78	76
Maintenance of equipment and facilities	38	33	39
Depreciation and amortization	50	51	44
State and local taxes	46	45	41
Debt interest	140	111	95
Allowance for debt funds used during construction	(45)	(33)	(23)
	456	411	400
Income Before Federal Income Taxes	103	95	83
Federal income taxes	32	32	26
Income From Operations	71	63	57
Allowance for equity funds used during construction	83	65	49
Net Income	154	128	106
Preferred stock dividends accrued	35	30	27
EARNINGS ON COMMON STOCK	119	98	79
Average Number of Common Shares Outstanding (millions)	32	28	25
EARNINGS PER COMMON SHARE	$3.70	$3.50	$3.18
RETURN ON AVERAGE COMMON EQUITY	15.3%	14.5%	13.3%

The notes on pages 12 through 18 are an integral part of this statement.

EARNINGS REINVESTED

	For the years ended December 31, 1984	1983	1982
		(millions of dollars)	
Balance, at the beginning of year	188	161	143
Add – Net Income	154	128	106
Deduct – Preferred stock dividends declared	37	31	27
Common stock dividends declared	83	70	61
Earnings Reinvested During the Year	34	27	18
Balance, at the end of year	222	188	161

SOURCE OF FUNDS INVESTED IN PLANT AND FACILITIES

	For the years ended December 31, 1984	1983	1982
		(millions of dollars)	
Provided From Internal Sources			
Net Income	154	128	106
Principal non-cash items:			
Depreciation and amortization	50	51	44
Deferred federal income taxes	19	19	13
Investment tax credits – net	9	9	14
Allowance for funds used during construction (debt and equity)	(128)	(98)	(72)
Other – net	12	2	2
Funds provided from operations	116	111	107
Dividends	(120)	(101)	(88)
Net change in current assets and liabilities and other accounts	13	26	(10)
Allowance for funds used during construction (debt and equity)	128	98	72
Provided from internal sources	137	134	81
Provided From External Sources			
Sale of Securities:			
Common stock	64	71	49
Preferred stock	65	30	20
First mortgage bonds	107	130	120
Term loans	29	–	–
Pollution control notes – proceeds at issuance	45	–	–
– deposited in escrow account	(21)	–	–
Net increase (decrease) in short-term notes payable	28	(43)	21
Net (increase) decrease in temporary cash investments	(69)	(14)	2
Redemption of long-term debt and preferred stock	(21)	(8)	(41)
Net increase in nuclear fuel obligations	25	49	45
Provided from external sources	252	215	216
Total Sources Of Funds	389	349	297
Invested in:			
Construction Expenditures	356	294	249
Increase in Nuclear Fuel Inventory	33	55	48
Total Invested in Plant and Facilities	389	349	297

The notes on pages 12 through 18 are an integral part of these statements.

BALANCE SHEET

	December 31, 1984	1983
	(millions of dollars)	
ASSETS		
Property, Plant and Equipment		
Plant in service	1 391	1 358
Less accumulated provision for depreciation	365	325
	1 026	1 033
Construction work in progress	1 480	1 154
Nuclear fuel in service, at amortized cost	40	23
	2 546	2 210
Current Assets		
Cash and temporary cash investments	88	16
Accounts receivable – net	54	51
Fossil fuel, at average cost	25	25
Materials and supplies, at average cost	9	12
Prepaid taxes	18	17
Special deposits and other	20	15
	214	136
Other Assets		
Property taxes – subsequent years	21	21
Deferred charge – cancelled generating projects	33	38
Construction funds held in escrow and miscellaneous	51	32
	105	91
Total Assets	2 865	2 437
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareowners' equity	814	716
Cumulative preferred stock	200	200
Cumulative preferred stock with mandatory redemption provisions	158	94
Cumulative preference stock	–	–
Long-term debt	1 110	985
	2 282	1 995
Nuclear Fuel Obligations		
Nuclear fuel trust	48	41
Nuclear fuel leases	63	50
	111	91
Current Liabilities		
Short-term notes payable	28	–
Long-term obligations due within one year	72	30
Accounts payable	50	44
Accrued taxes	50	49
Accrued interest	30	23
Dividends declared	32	26
Accrued expenses and other	7	9
	269	181
Accumulated Provisions and Other		
Deferred federal income taxes related to:		
Accelerated depreciation and amortization	89	77
Cancelled generating projects	13	15
Property taxes and other	33	22
Investment tax credits	49	40
Deferred credits and other	19	16
	203	170
Total Capitalization and Liabilities	2 865	2 437

The notes on pages 12 through 18 are an integral part of this statement.

CAPITALIZATION

					December 31, 1984	1983
					(millions of dollars)	
Common Shareowners' Equity						
Common stock, $5 par value, 40 million shares authorized, 34 and 30 million shares outstanding					171	148
Premium on capital stock					421	380
Earnings reinvested in the business					222	188
					814	716
Cumulative Preferred Stock						
	Par Value	Annual Dividend Rate	Shares Outstanding December 31, 1984 (millions)	Current Redemption Price		
Not	$100	$ 4.25 - $ 4.56	.3	$101 - $105	31	31
Subject to		7.76 - 10.00	.6	103 - 105	59	59
Mandatory Redemption	25	4.28	.8	32	20	20
		2.21	1.0	27	25	25
		2.37	1.4	29	35	35
		3.47	1.2	31	30	30
					200	200
Subject to	100	11.00	.1	106	6	6
Mandatory		9.38	.2	107	24	25
Redemption		13.25	.1	110	13	13
Provisions		12.65	.2	113	20	20
		14.80	.3	115	30	30
	25	3.75	1.2	29	30	–
		3.72	1.4	29	35	–
					158	94
Cumulative Preference Stock, $25 par value					–	–
Long-Term Debt						
First Mortgage Bonds, excluding current maturities						
Maturities	Interest Rates					
1985	9.35%				–	50
1986	3⅜%				15	15
1988	4%				15	15
1990 - 1994	11¼ - 16¼%				373	265
1997 - 2000	6⅛ - 10%				66	66
2002 - 2006	7½ - 9.65%				112	112
2008 - 2013	9⅝ - 15%				247	247
Discount in process of amortization					(1)	(1)
					827	769
Other Long-Term Debt, excluding current maturities						
Notes, 8.75%, due 1986 - 1997					90	97
Term bank loan, average interest rate 11.53%, due 1987 - 1989					50	50
Term bank loans, 13.57 - 14.49%, due 1989 - 1990					29	–
Pollution control notes, 5.71 - 7⅞%, due 1986 - 2009					37	37
Pollution control loan agreement, 9.93 - 10%, due 1990 - 2010					32	32
Pollution control notes, 13¼%, due 2014					45	–
					1 110	985
Total Capitalization					2 282	1 995

The notes on pages 12 through 18 are an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Company's accounting records are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission and adopted by The Public Utilities Commission of Ohio. In accordance with the Statement of Financial Accounting Standards No. 71, the Company's 1983 financial statements were restated to reflect the capitalization of nuclear fuel lease commitments entered into after December 31, 1982.

Revenues

Customers are billed on a monthly cycle basis for their electricity consumption, based on rates authorized by the Commission. 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 periods through a fuel recovery rate. The rate is based on both actual and projected costs and generation. The Commission reviews and approves the projected rate and historical performance. The differences between actual and estimated fuel costs are deferred until they are applied to the customer's bill. This allows a better match of fuel expenses with fuel adjusted revenues. At December 31, 1984, the Company had a deferred fuel recovery balance of $7 million.

The cost of nuclear fuel is charged to fuel expense based on consumption. In addition, the estimated future nuclear fuel disposal costs are included in fuel expense. The Company has contracted with the Department of Energy for permanent disposal of spent nuclear fuel. The Company is currently collecting the fee from its customers and paying the Department of Energy.

Depreciation and Amortization

The original cost of properties, except for the Davis-Besse Nuclear Power Station, is depreciated 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 the Company's share of the total estimated decommissioning costs of $53 million previously approved by the Commission. The equivalent straight-line provisions for depreciation overall averaged 3.5 percent in 1984, 3.6 percent in 1983 and 3.5 percent in 1982.

Costs associated with the four Central Area Power Coordination Group nuclear generating units cancelled in 1980 are being amortized over a 10-year period ending in 1991 in accordance with the Company's rate orders. Amortization of these costs amounted to $5 million annually from 1982 through 1984. At December 31, 1984, the unamortized balance of the costs associated with the cancelled generating units, $33 million, is not included in rate base for rate determination purposes.

Maintenance

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, the Company takes its cost plus removal cost, net of salvage, and charges it to the 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, as well as the tax effects of certain other timing differences. Remaining timing differences are considered in rates in the year in which they affect taxes payable. The estimated cumulative effect on earnings of the flow-through treatment of the timing differences at December 31, 1984 and 1983 is $75 million and $76 million, respectively. Based on Commission and Ohio Supreme Court decisions, the Company believes such taxes can be recovered in future revenues. For federal income tax purposes, all interest costs are deducted as they occur, except for the amounts required to be capitalized for real property.

For certain property, the Company receives investment tax credits which are accounted for as deferred credits. These tax credits are reflected as reductions to tax expense over the life of the related property. Investment tax credits generated from 1980 to 1984, amounting to $27 million, are available to offset future taxes payable and will be recorded when utilized.

Property, Plant and Equipment

Property, plant and equipment are 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. This allowance 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. They are concurrently credited to income as allowance for debt and equity funds used during construction on the Results of Operations statement. The Company's allowance rates, net-of-income tax effect, ranged from 10 percent to 10¼ percent in 1984 and 1983, and 9¼ percent to 10¼ percent in 1982.

Reclassifications

Certain reclassifications have been made in the prior years' financial statements to make them comparable with 1984 classifications.

(1) Power Pooling Arrangement

As noted on page 7, the Company is a member of the Central Area Power Coordination Group. The five member utilities own, as tenants in common, various power generating facilities. Toledo Edison is obligated to pay its share of each of the units under construction and its related nuclear fuel inventory. The Company's portion of operating expenses associated with these facilities is included in the corresponding expenses on the Results of Operations statement. The amounts reflected on the Balance Sheet under property, plant and equipment at December 31, 1984, include the following:

Generating Unit	Actual or Scheduled In-Service Date	Ownership Share	Ownership Megawatts	Fuel	Plant In-Service	Accumulated Depreciation	Construction Work in Progress
						(millions of dollars)	
Completed:							
Mansfield No. 2	1977	17.30%	135	Coal	71	14	1
Davis-Besse No. 1	1977	48.62%	428	Nuclear	444	66	18
Mansfield No. 3	1980	19.91%	159	Coal	129	20	1
Under Construction (see Note 2):							
Perry No. 1	1985	19.91%	240	Nuclear	—	—	642*
Beaver Valley No. 2	1987	19.91%	166	Nuclear	17**	—	498
Perry No. 2	Uncertain	19.91%	240	Nuclear	—	—	222

**Includes common facilities for Perry Unit No. 1 and Perry Unit No. 2*
***Common facilities with Beaver Valley Unit No. 1*

(2) Construction Commitments and Contingencies

The estimated cost to complete Perry Unit No. 1 was revised upward in March and September 1984 as a result of rising expenditures for construction labor, support staff and equipment. The Company calculates that its total investment in Perry Unit No. 1 and common facilities, including allowance for debt and equity funds used during construction, will amount to approximately $800 million, a $190 million increase over 1983 estimates. Of the total investment, $56 million represents the Company's share of construction expenditures reallocated to Perry Unit No. 1 from Perry Unit No. 2 in 1984. The reallocation involved costs that were properly allocable to Perry Unit No. 1 and common facilities regardless of the future of Perry Unit No. 2 discussed on page 14. Completion of Perry Unit No. 1 is expected about year-end 1985.

In late January 1985, the Central Area Power Coordination Group Executive Committee announced that the Group would concentrate on completing Perry Unit No. 1. The estimated completion date of Beaver Valley Unit No. 2 has been delayed from late 1986 to about year-end 1987 and the estimated cost to complete the unit was increased. Based on preliminary estimates, the Company calculates that its total investment in Beaver Valley Unit No. 2 and related common facilities, including allowance for debt and equity funds used during construction, will amount to approximately $890 million, a $237 million increase over 1983 estimates.

(continued on next page)

The Group has also reaffirmed their early 1984 decision to minimize work and cash expenditures on Perry Unit No. 2 pending completion of the studies concerning the unit's cost and in-service date. Accelerated or extended construction schedules, mothballing (including suspension of allowance for debt and equity funds used during construction accruals) or cancellation are among the alternative courses of action being considered for Perry Unit No. 2.

Moreover, construction activity may be reduced to such a level by about mid-1985 that related allowance for funds used during construction accruals may need to be offset, and a corresponding reserve established in the financial statements. Creation of such a reserve would not affect cash flow, but would reduce earnings below what they otherwise would be. Allowance for funds used during construction accruals are expected to average about $2 million per month in 1985 for Perry Unit No. 2.

If construction were terminated on Perry Unit No. 2, and the Company was not provided a means to recover its investment in that unit through customer rates, and no other basis for recovery were anticipated, the Company would be required to write off this investment against that year's earnings. At December 31, 1984, such a write-off would approximate $222 million, or $154 million net-of-federal income tax effect.

Further delays in completing construction of the three units as well as delays in obtaining required licenses would substantially increase their costs and related nuclear fuel financing charges. Major changes in safety regulations have lengthened considerably nuclear unit construction schedules over the past ten years. Such changes, as well as high inflation and prolonged construction schedules, have greatly increased nuclear construction costs over the same period. If high inflation were to resume, major new safety regulations were imposed by the Nuclear Regulatory Commission, construction schedules were lengthened further, or additional licensing-related delays were experienced, nuclear construction costs would rise.

(3) Petition on Perry Unit No. 2 Construction

In September 1983, the Ohio Office of Consumers' Counsel and several other parties filed a petition with The Public Utilities Commission of Ohio and the Power Siting Board of Ohio asking that the two agencies investigate the need for Perry Unit No. 2. The petition also requested the Commission and the Board to order the Ohio Central Area Power Coordination Group companies to stop construction of Perry Unit No. 2 and prevent them from accruing further allowance for debt and equity funds used during construction on that unit. Finally, the petition asked the Commission and the Board not to approve the issuance of securities to finance further construction of Perry Unit No. 2. The petition alleged that completion of Perry Unit No. 2 will result in unreasonable excess generating capacity and that the rates charged to customers would therefore be excessive. The matter has not been scheduled for a hearing. If and when it becomes necessary, the Company will vigorously oppose any efforts to impede its construction program.

(4) Federal Income Tax Details

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

For the years ended December 31,	1984	1983	1982
	(millions of dollars)		
FEDERAL INCOME TAX EXPENSE WAS COMPUTED AS FOLLOWS:			
Tax at statutory rates on pre-tax income	85	74	61
Increases (reductions) in taxes due to:			
Allowance for funds used during construction	(54)	(41)	(33)
Accelerated depreciation methods and other depreciation differences	2	3	–
Miscellaneous	(1)	(4)	(2)
Total federal income tax expense	32	32	26

For the years ended December 31,	1984	1983	1982
	(millions of dollars)		
FEDERAL INCOME TAX EXPENSE DETAILS ARE AS FOLLOWS:			
Currently payable	4	2	2
Investment tax credits:			
Deferred	15	13	14
Amortized	(2)	(1)	(1)
Prior year adjustment	–	–	(3)
Deferred taxes:			
Accelerated depreciation (net)	12	11	12
Cancelled generating projects	(2)	(2)	–
Deferred fuel costs	(2)	3	2
Nuclear fuel interest charges	8	2	–
Other provisions	(1)	4	–
Total federal income tax expense	32	32	26

(5) Capitalization

a. Capital Stock Transactions

For the years ended December 31,	1984	1983	1982
	(thousands of shares)		
NUMBER OF SHARES SOLD (RETIRED):			
Common stock			
Public sales	3 000	2 500	2 200
Shareowner Dividend Reinvestment and Stock Purchase Plan	1 589	945	575
Total common shares	4 589	3 445	2 775
Cumulative preferred stock			
Public sales, $25 par			
$4.28 series	–	–	800
$3.47 series	–	1 200	–
Cumulative preferred stock with mandatory redemption			
Public sales, $25 par			
$3.75 series	1 200	–	–
$3.72 series	1 400	–	–
Retirement, $100 par			
$11.00 series	(5)	(5)	(5)
	(millions of dollars)		
PREMIUM ON CAPITAL STOCK			
Balance, beginning of year	380	326	291
Premium, net of expense –			
Common stock	44	52	34
Preferred stock	(3)	2	1
Balance, end of year	421	380	326

b. Cumulative Preferred Stock

The Company is authorized to issue 3 million shares of $100 par and 8 million shares of $25 par cumulative preferred stock under its amended articles of incorporation. The annual dividend requirement on cumulative preferred stock outstanding at December 31, 1984 is $41 million, or 11.4 percent.

The Company held as treasury stock 5,335 shares at December 31, 1984, and 10,335 shares at December 31, 1983 of the $11.00 series. The sinking fund requirements for the various series of cumulative preferred stock through 1989 are:

Dividend Rate	Minimum Yearly Shares	Effective Date
	(in thousands)	
$11.00	5	1979
9.38	17	1985
13.25	9	1986
12.65	8	1986
14.80	12	1987

Shares of these 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: $2 million in 1985; $4 million in 1986; and $5 million annually in 1987 through 1989.

c. Cumulative Preference Stock

The Company is authorized to issue 5 million shares of $25 par cumulative preference stock under its amended articles of incorporation. The preference stock's dividend and liquidation rights are junior in priority to the Company's cumulative preferred stock, but senior in priority to the Company's common stock. At December 31, 1984 there were no shares of cumulative preference stock outstanding.

d. Long-Term Debt

The annual interest requirement on long-term debt outstanding at December 31, 1984, excluding current maturities, is $130 million, or 11.7 percent. This includes amortization of debt discount and expense, but excludes interest on nuclear fuel obligations.

Sinking fund redemption requirements and scheduled maturities for long-term debt, excluding nuclear fuel leases, through 1989 are as follows:

Year	Sinking Fund Redemption Requirements	Scheduled Maturities
	(millions of dollars)	
1985	4	57
1986	3	22
1987	3	23
1988	3	38
1989	3	33

In addition, the first mortgage bond indenture provides for a required annual minimum payment (after certain credits, as defined) to the trustees as a maintenance and replacement fund. The Company has been satisfying the requirements by pledging property additions that otherwise might have been used as the basis for the issuance of additional bonds.

The first mortgage bond indenture constitutes a direct first mortgage lien on substantially all property and franchises owned. This does not include expressly exempted property, such as cash and securities, accounts receivable, fuel, supplies and automotive equipment.

(6) Retirement Income Plan

The Company's retirement income plan is non-contributory and covers all employee groups. The Company funds each year's cost currently and amortizes unfunded past service costs over a 30-year period. Pension costs are based on estimated salary levels and service years of employees at their retirement. Total pension costs were $4 million annually in 1982 through 1984. Experience gains and losses on investments 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. The weighted average assumed annual rate of return used in determining these values was 8 percent for both 1984 and 1983.

Accumulated pension benefit information as of the valuation dates follows:

January 1,	1984	1983
	(millions of dollars)	
Actuarial present value of accumulated plan benefits:		
Vested	46	42
Non-Vested	6	6
	52	48
Market value of net assets available for present and future plan benefits	89	75

(7) Quarto Coal Arrangements

a. Coal Supply Contracts

The Central Area Power Coordination Group companies have made long-term arrangements with Quarto Mining Company to supply coal to the Mansfield units. Each of the companies guaranteed its share of Quarto's debt and lease commitments incurred to develop and equip the mines. As of December 31, 1984, the Company's share of the guarantees was $27 million, or 7.3 percent. The Company's share of commitments incurred after December 31, 1984 will increase to 11 percent in 1985 and 12.4 percent in 1986.

The Company's coal supply contract with Quarto expires December 31, 1999. The contractual pricing provisions reflect Quarto's production costs, deferred mine development charges and fixed charges on debt and lease commitments, among other charges. The operation of one Quarto mine was suspended in 1984 and the future operation alternatives are being reviewed. The Company's share of the suspended mine's deferred mine development costs of $15 million will continue to be recovered in the delivered coal prices unless such price exceeds a prescribed market price test. The Company's total purchases under these contracts amounted to $16 million in 1984, $15 million in 1983 and $12 million in 1982.

Under these arrangements, the Company expects the minimum yearly payments for fixed charges on debt and lease commitments to decline from $6 million in 1985 to $5 million in 1989.

b. Coal Cost Recovery

In January 1984, The Public Utilities Commission of Ohio prescribed a methodology to allow the Company to recover specified Quarto coal costs plus a portion of prior cost deferrals within the six-year period ending in 1989. As of December 31, 1984, $6 million remains on the Company's Balance Sheet as a miscellaneous other asset pending recovery in rates. The Company believes such prior deferred costs will be recoverable within the periods specified by the Commission.

(8) Nuclear Fuel Obligations

The Company's leasing and trust arrangements can finance up to $298 million of the cost of acquiring nuclear material, processing it into fuel and holding the fuel until it is used up in the reactor. The Company expects these arrangements for financing nuclear fuel to be adequate through 1986. At December 31, 1984, the Company had a $48 million obligation to its Central Area Energy Trust (nuclear fuel trust) resulting from the acquisition, conversion and enrichment of nuclear fuel materials. This included $5 million of interest capitalized during 1984. The 1984 interest was calculated at an average interest rate of 11.9%.

In addition to the nuclear fuel trust, the Company had obligations of $149 million under other nuclear fuel leasing arrangements at December 31, 1984. These obligations resulted from the financing of nuclear fuel assemblies at various stages of completion. Of these obligations, the Company had capitalized $77 million at December 31, 1984. Included in the capitalized balance was $5 million related to interest on the leases during 1984. The 1984 interest on the leases was calculated at an average interest rate of 11.4%.

The lease payments are made to coincide with the usage of nuclear fuel in the reactor. Estimated lease payments, including interest, are: $20 million in 1985; $31 million in 1986; $38 million in 1987; $47 million annually in 1988 and 1989.

(9) Short-Term Borrowing Arrangements

At December 31, 1984, the Company had line of credit arrangements with various banks for $73 million. Of this amount, $45 million was unused. The Company pays commitment fees on almost all of those lines. The rest are based on informal compensating balance arrangements. Banks expect the Company to maintain average deposits equal to 5-20 percent of the line of credit, depending on the borrowed amount. The deposits provide operating balances for the Company and are not legally restricted.

(10) Environmental Matters

On November 8, 1984, the United States Environmental Protection Agency proposed revised regulations governing the use of smokestacks to disperse pollutants into the air. The proposal is in response to a 1983 federal court decision. The agency intends to issue final regulations during April, 1985. The Company is currently unable to determine the impact that the proposed regulations, if adopted, would have upon its operations. However, the final regulations may require the Company either to install flue gas desulfurization equipment or to use lower sulfur coal at its Bay Shore Station. The installation of such equipment would involve substantial capital expenditures and increased operating costs. The alternate use of lower sulfur coal would likely result in higher fuel and operating costs.

(11) 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:

	(millions of dollars)				(dollars per common share)			
							Market Price*	
Quarter ended	Revenues and Other Income	Income Before Income Taxes	Net Income	Earnings on Common Stock	Earnings	Dividends Paid	High	Low
1984								
March 31	141	31	39	31	1.03	.63	18⅜	16
June 30	133	23	35	26	.87	.63	17½	13¾
September 30	144	27	40	31	.92	.63	17¾	13⅜
December 31	141	22	40	31	.89	.63	18⅞	16⅜
1983								
March 31	129	20	29	22	.84	.61	22½	20
June 30	127	19	28	21	.78	.61	22⅛	20¼
September 30	132	35	40	32	1.10	.61	21⅞	19¼
December 31	118	21	31	23	.78	.61	21⅝	17½

*The Common Stock is listed on the New York, Midwest and Pacific Stock Exchanges. The price quotations are from The Wall Street Journal. There were 86,209 common stock shareholders as of December 31, 1984, compared to 87,781 in 1983.

(12) Effects of Changing Prices (Unaudited)

This section shows the effects on the Company of changes in prices of specific assets, namely property, plant and equipment, using Current Cost Accounting.

Current costs reflect 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. It was determined by indexing the surviving plant by the Handy-Whitman Index of Public Utility Construction Costs.

Because its rates are regulated, the Company cannot recover through revenues more than the original cost of plant assets, even though the cost to replace such assets will substantially exceed the original cost. In 1984, the added cost, due to inflation, of replacing the Company's plant assets is shown under "Inflation effect during 1984 on capital investment."

(continued next page)

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

The comparative 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 inflationary impact on capital investment. The Company has calculated depreciation provisions for 1984 on the Current Cost amounts of property, plant and equipment. The calculation was made 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 above right table shows the net effect of inflation on common stock equity in 1984 from Current Cost Accounting:

Inflation effect in 1984 on capital investment (millions of dollars):	
Increase in specific prices to current costs	149
Effect of change in general price level	(127)
Reduction to net recoverable cost	(89)
Additional provision for depreciation	(31)
	(98)
Gain from decline in purchasing power of net amounts owed (primarily debt)	66
Net effect of inflation on common stock equity	(32)

The table below presents selected operating and financial data for the past five years adjusted for inflation as measured by the Consumer Price Index for All Urban Consumers. Earnings on common stock and earnings per share are shown as if only the amount reportable as an additional provision for depreciation were deducted from the reported amount of such income. Data from 1983 were revised to reflect actual indices.

(millions of dollars except per share amounts)	1984	1983	1982	1981	1980
Operating Revenues	551	526	519	505	507
Earnings on Common Stock	87	67	49	28	32
Gain from Decline in Purchasing Power of Net Amounts Owed	66	52	45	93	113
Increase in General Price Level Over (Under) Increase in Specific Prices	(22)	(29)	(42)	5	84
Net Property, Plant and Equipment	4 380	3 926	3 555	3 177	2 804
Net Assets at Net Recoverable Cost	801	704	610	532	457
Per Common Share Amounts:					
Earnings	2.73	2.38	1.96	1.30	1.66
Dividends Declared	2.52	2.57	2.56	2.63	2.77
Market Price at Year End	18.88	18.77	22.72	18.55	19.44
Consumer Price Index:					
Annual Average	311.2	298.4	289.1	272.4	246.8
Year End	316.4	303.5	292.4	281.5	258.4

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, 1984 and 1983, 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, 1984. 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 2, the Company has incurred construction costs in a nuclear generating unit, Perry Unit No. 2. The Company cannot now predict when, if ever, Perry Unit No. 2 will go in service or, if cancelled, that the investment is recoverable from its customers.

In our opinion, subject to the effects on the 1984 and 1983 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, 1984 and 1983, 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, 1984, all in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.
Toledo, Ohio,
January 30, 1985.

FINANCIAL AND STATISTICAL REVIEW

Revenues and Other Income (millions of dollars)

Year	Residential	Commercial	Industrial	Other	Total Retail	Wholesale	Total Electric	Gas & Steam Heating	Other Income	Total Revenues & Other Income
1984	**173**	**115**	**195**	**45**	**528**	**14**	**542**	**9**	**8**	**559**
1983	161	105	170	42	478	17	495	9	2	506
1982	154	102	159	38	453	21	474	8	1	483
1981	139	91	151	32	413	22	435	7	9	451
1980	126	81	138	28	373	22	395	7	1	403
1974	47	30	49	6	132	12	144	4	–	148

Expenses (millions 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
1984	**146**	**81**	**38**	**50**	**46**	**140**	**(45)**	**456**	**103**	**32**
1983	126	78	33	51	45	111	(33)	411	95	32
1982	128	76	39	44	41	95	(23)	400	83	26
1981	122	64	32	43	37	86	(15)	369	82	31
1980	156	56	29	26	31	71	(15)	354	49	10
1974	61	23	7	13	13	21	(5)	133	15	1

Income (millions 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 (millions)	Earnings	Return on Average Equity	Dividends Declared	Market Price High	Market Price Low	Market Price Year End	Book Value
1984	**71**	**83**	**154**	**35**	**119**	**32**	**3.70**	**15.3**	**2.52**	**18.88**	**13.38**	**18.88**	**23.76**
1983	63	65	128	30	98	28	3.50	14.5	2.46	22.50	17.50	18.00	24.12
1982	57	49	106	27	79	25	3.18	13.3	2.38	21.13	15.75	21.00	23.53
1981	51	32	83	23	60*	22	2.77*	11.6*	2.30	18.38	15.00	16.50	23.46
1980	39	28	67	18	49	19	2.56	10.5	2.20	20.75	15.00	15.88	23.77
1974	14	11	25	5	20	7	2.85	12.5	2.00	28.00	15.25	16.13	21.73

*In 1981, excludes extraordinary gain from exchange of common stock for bonds (after giving effect to the extraordinary gain, earnings on common were equal to $70 million; earnings per share to $3.27, and return on average common equity to 13.5 percent).

FINANCIAL AND STATISTICAL REVIEW

Electric Sales (millions of kilowatt-hours)

Year	Residential	Commercial	Industrial	Wholesale	Other	Total
1984	**1 958**	**1 398**	**3 444**	**305**	**440**	**7 545**
1983	1 915	1 341	3 127	320	428	7 131
1982	1 911	1 325	2 873	395	414	6 918
1981	1 919	1 294	3 080	449	409	7 151
1980	1 971	1 282	3 165	560	410	7 388
1974	1 634	1 107	3 062	401	338	6 542

Electric Customers (year end)

Year	Residential	Commercial	Industrial & Other	Total
1984	**243 912**	**23 891**	**3 920**	**271 723**
1983	242 959	23 694	3 864	270 517
1982	241 492	23 495	3 815	268 802
1981	241 663	23 573	3 844	269 080
1980	240 142	23 532	3 818	267 492
1974	221 846	22 360	3 249	247 455

Residential Usage

Year	Annual KWH Per Customer	Price Per KWH (Cents)	Annual Revenue Per Customer (Dollars)
1984	**8 045**	**8.81**	**709**
1983	7 900	8.44	665
1982	7 906	8.04	636
1981	7 966	7.23	576
1980	8 232	6.40	527
1974	7 419	2.85	212

Load (megawatts)

Year	Net Capability at Time of Peak	Peak Load	Load Factor (%)	Capacity Margin (%)
1984	**1 726**	**1 327**	**68**	**23**
1983	1 777	1 325	66	25
1982	1 790	1 355	62	24
1981	1 773	1 315	66	26
1980	1 760	1 310	68	26
1974	1 453	1 249	64	14

Energy (millions of kilowatt-hours)

Year	Generated			Purchased & Net Interchanged Power	Total
	Fossil	Nuclear	Total		
1984	**5 182**	**2 091**	**7 273**	**719**	**7 992**
1983	4 683	2 383	7 066	593	7 659
1982	5 306	1 569	6 875	510	7 385
1981	5 349	2 142	7 491	157	7 648
1980	5 529	1 031	6 560	1 352	7 912
1974	5 259	–	5 259	1 737	6 996

Fuel

Year	Fuel Cost Per KWH (Cents)	Efficiency BTU Per KWH
1984	**1.73**	**10 193**
1983	1.67	10 337
1982	1.80	10 221
1981	1.68	10 274
1980	1.65	10 245
1974	.75	10 065

Investment (millions 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
1984	**1 391**	**365**	**1 026**	**1 480**	**40**	**2 546**	**356**	**2 865**
1983	1 358	325	1 033	1 154	23	2 210	294	2 437
1982	1 307	286	1 021	879	18	1 918	249	2 125
1981	1 261	252	1 009	657	11	1 677	201	1 870
1980	1 208	221	987	519	18	1 524	235	1 702
1974	439	116	323	276	–	599	121	655

Capitalization (millions of dollars)

Year	Common Shareowners Equity	%	Cumulative Preferred Stock	%	Cumulative Preferred with Mandatory Redemption	%	Long-Term Debt	%	Total
1984	**814**	**36**	**200**	**9**	**158**	**7**	**1 110**	**48**	**2 282**
1983	716	36	200	10	94	5	985	49	1 995
1982	617	35	170	10	95	5	876	50	1 758
1981	550	35	150	10	96	6	762	49	1 558
1980	479	34	150	11	67	5	708	50	1 404
1974	177	32	81	15	–	–	299	53	557

BOARD OF DIRECTORS

Richard P. Anderson (O)
Managing Partner
The Andersons (Agribusiness)

Samuel G. Carson (E)(N*)(S)
Chairman (Retired)
The Toledo Trust Company
(Commercial Banking)

Richard P. Crouse
Vice President, Nuclear

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

Edwin D. Dodd (C)(O)
Chairman Emeritus and Director
Owens-Illinois, Inc. (Packaging Products)

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

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

Isabel F. Martin (A)
Former 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 (Commercial Banking)

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

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

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

Donald G. Nicholson
Senior Vice President, Finance

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

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

Richard P. Crouse
Vice President, Nuclear

John R. Dyer
Vice President, Public Relations

Joseph E. Murray
Vice President, Energy Supply

Lyman C. Phillips
Vice President, Corporate Planning
and Administration

Stratman Cooke
Secretary

Donald H. Saunders
Treasurer

Paul G. Busby
Controller

THE ANNUAL MEETING

The Annual Meeting of The Toledo Edison Company will be held at 10 a.m. (E.D.T.) on April 23, 1985 in the Company's headquarters, Edison Plaza, 300 Madison Avenue, Toledo, Ohio. Formal notice of the meeting will be sent to shareowners with the proxy statement.

The Annual Report, including financial statements, is for the general information of the Company's shareowners. It is not intended to be used in connection with any sale or purchase of securities.

A copy of Form 10-K as filed with the Securities and Exchange Commission may be obtained by writing: D. G. Nicholson, Senior Vice President, Finance, 300 Madison Avenue, Toledo, Ohio 43652.

EXECUTIVE OFFICES
300 Madison Avenue
Toledo, Ohio 43652
Phone (419) 259-5000
(after 3/29/85 - 249-5000)

STOCK TRANSFER AGENT, REGISTRAR, DIVIDEND DISBURSING AND REINVESTMENT AGENT
The Toledo Trust Company
Toledo, Ohio 43603

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
Pacific 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, \$3.75 and \$3.72 series
New York Stock Exchange

Preferred – \$100 par value – 4¼%, 8.32%, 7.76% and 10% series
American Stock Exchange

Bonds

7½%	– Due 2002
8%	– Due 2003
9%	– Due 2000
9.35%	– Due 1985
9⅝%	– Due 2008
9.65%	– Due 2006
11%	– Due 2009

New York Stock Exchange

NEW DIRECTOR

Edwin D. Dodd, Director, Consultant and Chairman Emeritus of Owens-Illinois, Inc., was elected in July to the Toledo Edison Board of Directors. His election filled a vacancy left by the May 1984 death of Robert H. Davies, who had served ably on the Board for eight years.

Mr. Dodd joined the multinational packaging products company in 1946 and was named chief executive officer in 1972. He has played a leadership role in numerous Toledo, Ohio and national civic and business organizations, and has served on several Presidential commissions. He was 1983-84 chairman of the Chamber of Commerce of the United States.

TOLEDO
EDISON

EDISON PLAZA
300 MADISON AVENUE
TOLEDO, OHIO 43652

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