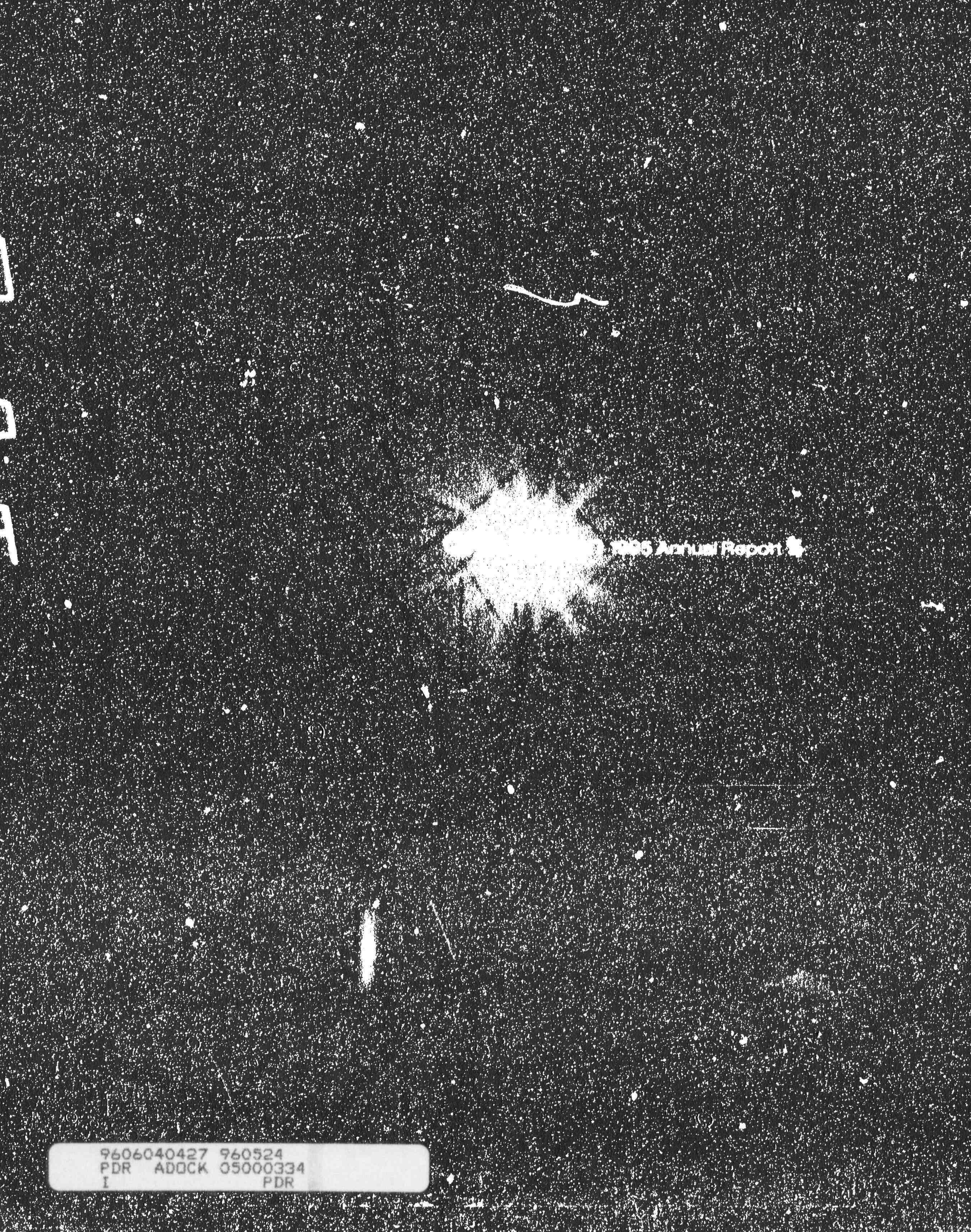
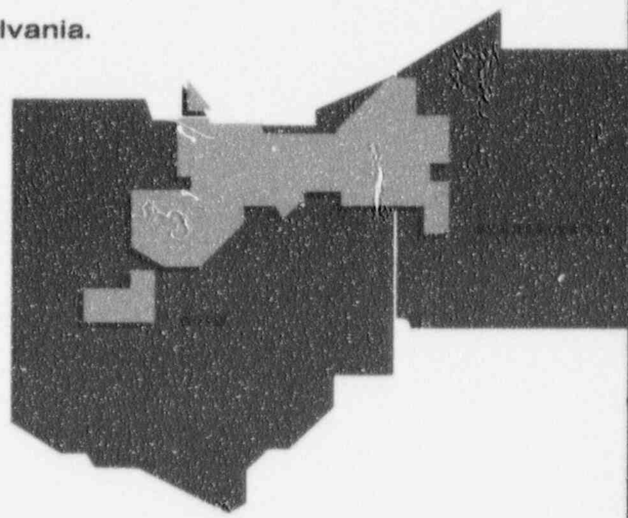

1995 Annual Report

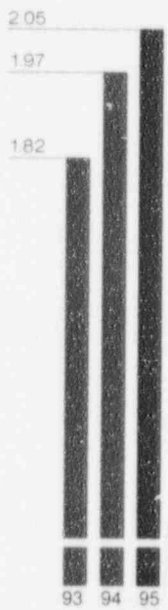
STRATEGIC VISION

WE WILL BECOME THE BEST-PERFORMING ENERGY SERVICE COMPANY IN OUR REGION AND REMAIN OUR CUSTOMERS' SUPPLIER OF CHOICE.

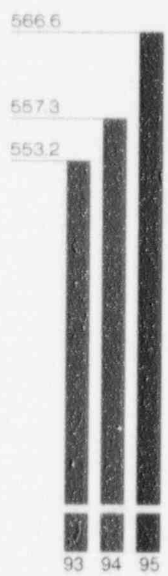
Corporate Profile Ohio Edison Company is headquartered in Akron, Ohio, and its subsidiary, Pennsylvania Power Company, is based in New Castle, Pennsylvania. We provide electric service to more than one million customers within 9,000 square miles of central and northeastern Ohio and western Pennsylvania.



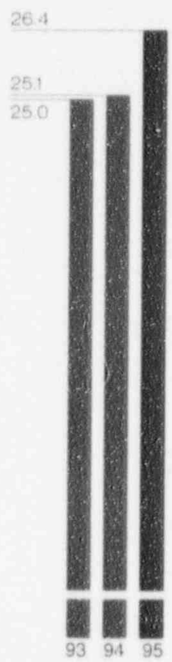
Highlights	1995	1994
OPERATING PERFORMANCE		
Kilowatt-Hour Sales (Millions)	33,276	30,950
Peak Load (Megawatts)	6,332	5,744
Cost of Fuel per Million Btu	$1.18	$1.21
Customers Served	1,095,672	1,083,327
Number of Employees	4,812	5,166
Customers per Employee	228	210
FINANCIAL PERFORMANCE		
Operating Revenues	$2,465,846,000	$2,368,191,000
Operating Income	$566,618,000	$557,254,000
Net Income	$317,241,000	$303,531,000
Cash Provided From Operations	$753,214,000	$695,064,000
Earnings per Common Share	$2.05	$1.97
Dividends per Common Share	$1.50	$1.50
Return on Average Common Equity	12.5%	12.4%
Dividend Payout Ratio	73%	76%



Earnings Per Share Before Nonrecurring Charges (Dollars)



Operating Income Before Nonrecurring Charges ($ Millions)



Retail Kilowatt-Hour Sales (Billions)

President's message

We took bold actions in 1995 that produced strong results.

We attained our highest level of common-stock earnings in six years, posted our third consecutive year of record retail sales, and achieved significant savings in capital and operating costs.

These accomplishments moved us closer to our Strategic Vision — to become the best-performing energy service company in our region and remain our customers' energy supplier of choice.

Making Solid Financial Gains Earnings increased 8 cents per share over 1994's results, reaching $2.05 per share of common stock — even after we recognized $38 million of additional expense for the accelerated recovery of nuclear and regulatory assets. This growth in earnings was largely due to retail sales of 26.4 billion kilowatt-hours and our ongoing cost-cutting efforts.

While these are clearly positive results, we must continue to aggressively reduce our debt to succeed in the competitive scenarios that may develop in the electric utility industry. As we face this challenge, our first objective is to maintain our dividend and provide sustained dividend growth in the years ahead.

One of the key actions we took in 1995 to prepare for a more competitive industry was the introduction of our Rate Reduction and Economic Development Plan. Approved by the Public Utilities Commission of Ohio in October, the plan will minimize the risk we would face in a more competitive environment by providing customers with long-term, stable prices for energy services and promoting economic growth throughout our service area.

Rate decreases totaling $600 million over the next ten years will lead to an average reduction of 20 percent for customers by the year 2006. While this plan will have an impact on our financial results, we expect to fully fund it through improvements in our operations. In addition, the plan enables us to accelerate the recovery of fixed costs, which largely determine our prices.

Improving Cash Flow We're continuing to cut costs through the streamlining of our operations, made possible by the use of new technologies and efficiencies. These efforts enabled us to reduce our work force in 1995, and we expect further reductions during the first half of 1996 in our divisions and at the Bruce Mansfield Plant. Including these actions, we will be serving 51,000 more customers with approximately 2,000 fewer employees than we had in 1992.

Other 1995 actions strengthened our financial position and will serve us well in the future:

- We cut $72 million in capital spending by eliminating a number of projects, replacing others with less-costly alternatives, and using new technologies and efficiencies in our operations.
- We pared $26 million from our annual expenses by redeeming or refinancing $437 million in securities.
- We more than doubled 1994 results for new sales in competitive markets, which include home heating systems and industrial process applications.

These and other achievements highlighted in this report helped us reach $753 million in operating cash flow — an 8-percent increase over the previous year. More important, they enable us to focus our efforts on what we do best — providing reliable electric service, and a wealth of energy-related expertise, to our customers.

Delivering Superior Value Through our Customer Value Improvement Program, we're delivering superior value to our customers. This means being readily accessible and responsive, and ensuring that all problems are resolved to the customer's satisfaction.

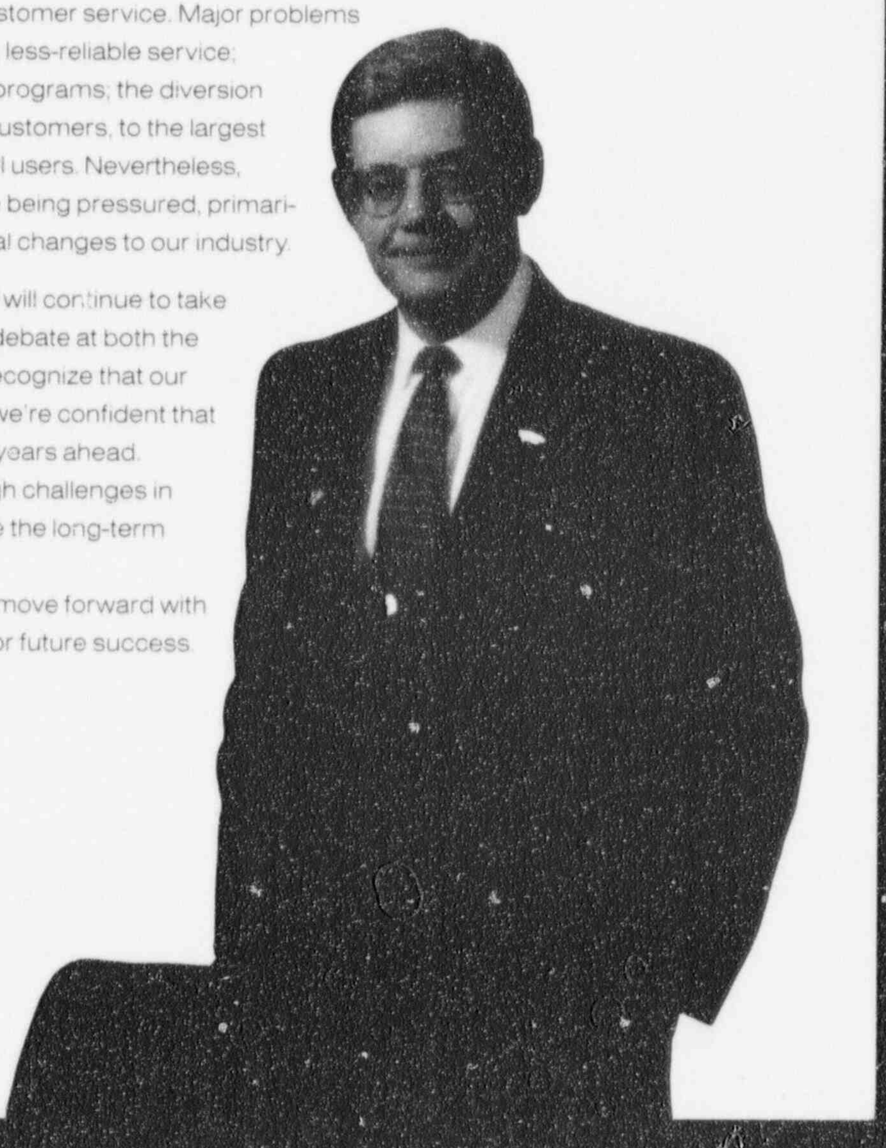
We're also adding value to the services we provide our business customers through new partnerships that promote economic growth throughout our region. Whether we're meeting the special energy needs of a major industry or helping small businesses take advantage of the latest technologies, we're doing our part to build on our service area's success in economic development and job creation.

Once again, the proof is in the results. For three consecutive years, the largest area we serve, Akron and Summit County, has been ranked among the nation's top 20 metropolitan areas for siting new manufacturing plants. Over the same period, economic growth across our service area has contributed to Ohio's top ranking in attracting new and expanded corporate facilities. In 1995 alone, we added 2,628 industrial and commercial businesses.

Meeting The Challenges Ahead These results underscore our determination to compete and succeed in a future that may bring significant challenges to our Company and our industry. These challenges could result from increased competition with traditional sources, such as natural gas suppliers, or changes in our industry that would allow greater competition among electricity suppliers. Either way, we are positioning ourselves to succeed and to enhance the long-term value of your investment.

One challenge involves the ongoing debate surrounding retail wheeling, which would permit retail customers to bypass their local utility and purchase electricity from any supplier.

A number of states, including Ohio and Pennsylvania, are currently evaluating retail wheeling and its consequences on industry structure and customer service. Major problems have been identified, such as lost tax revenues; less-reliable service; reduced support for environmental and social programs; the diversion of low-cost power, which currently benefits all customers, to the largest users; and the shifting of costs and risks to small users. Nevertheless, state and federal regulators and lawmakers are being pressured, primarily by large manufacturers, to make fundamental changes to our industry.



Becoming A Top Performer We will continue to take an active leadership role in the retail-wheeling debate at both the state and federal levels. At the same time, we recognize that our industry is becoming more competitive — and we're confident that we will take our place as a top performer in the years ahead.

Our employees have met a number of tough challenges in years past, and they're working hard to improve the long-term value of your investment.

I appreciate your continued support as we move forward with our corporate strategy and achieve our vision for future success.

Willard R. Holland

Willard R. Holland
President and Chief Executive Officer

February 23, 1996

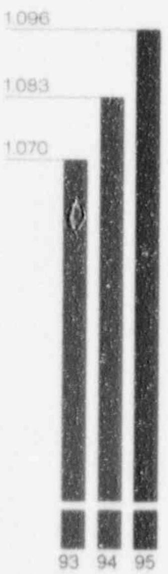
vision

Our Strategy For Future Success Our Strategic Vision clearly defines where we want to be in tomorrow's energy business. Our corporate strategy outlines how we intend to get there — by focusing on our core business and taking aggressive actions today that will make us a stronger competitor in the future.

In 1995, we developed specific strategies in five key areas of our business that will help us become an industry leader:

- **Generation** — We are pursuing the most cost-effective power supply options. We're also developing generation-related products and services that we can market to our customers.
- **Energy services/marketing** — We're working to retain customers and expand our business by providing competitively priced energy and identifying additional ways to market profitable, value-added services.
- **Wholesale power marketing** — We're building the skills necessary to capitalize on short- and long-term regional power supply opportunities. We're also developing strategies that maximize use of our assets and minimize market risks.
- **Transmission** — We're taking advantage of new opportunities in the bulk power market by adopting a comparable price structure for transmission services that reflects all of our costs.
- **Distribution** — We're working to achieve additional cost savings through improvements in our productivity, practices and training while marketing related services to other electricity suppliers.

Together, these strategies will help us become a top performer in the years ahead.



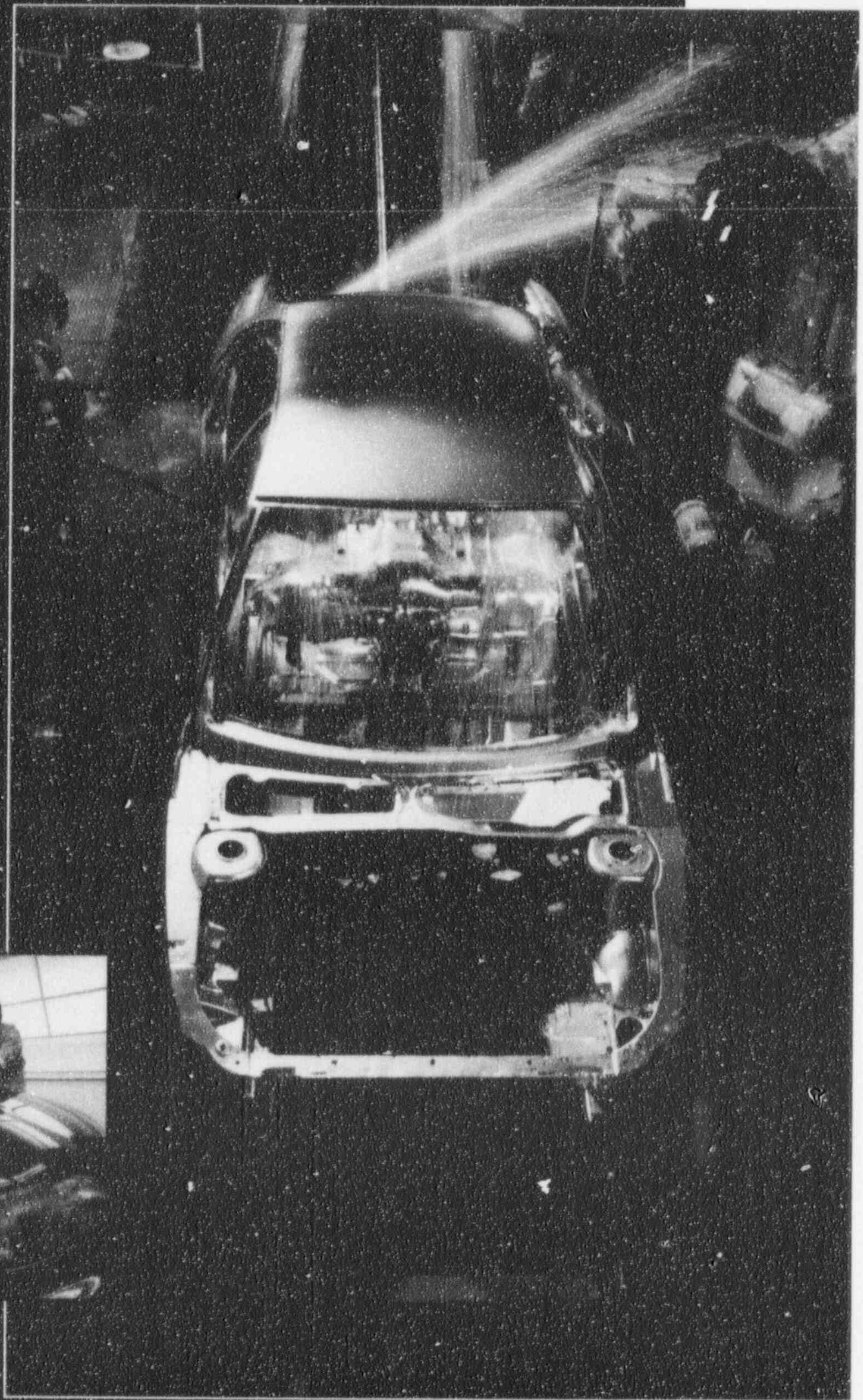
Customers Served
(Millions)

Making Our Rates More Competitive A key feature of our corporate strategy is a comprehensive plan that provides customers with long-term, stable prices for energy services while enhancing our competitive position and promoting economic development within our service area.

Approved by the Public Utilities Commission of Ohio (PUCO) on October 18, our Rate Reduction and Economic Development Plan lowers customer costs for electric service and caps base rates until 2006, effectively extending our current freeze of 1990 rates for an additional ten-year period.

The plan provides customers with decreases in base rates totaling approximately $600 million over the next ten years. Residential and small business customers receive interim reductions of $1 per month, and an additional 50 cents per month beginning January 1, 2001.

Robotic welding at General Motors' Lordstown, Ohio, plant is used to make chassis for the newly redesigned and popular Chevrolet Cavalier.



Major industrial and commercial customers benefit from annual reductions based on their electricity use. In 2006, base rates for all customers will be reduced by approximately 20 percent below current levels. We expect the plan to be fully funded through ongoing improvements in our operations and additional cash flow.

Our rate plan also includes regulatory and accounting measures that provide us with greater financial and operating flexibility. They will enable us to accelerate the recovery of approximately $2 billion in fixed costs related to nuclear operations and regulatory assets.

In addition, the plan builds on our recent success in attracting new businesses and job growth to the communities we serve. It targets up to $10 million in grants, loans and leases to schools, local governments and downtown redevelopment projects — funds that can be used to achieve energy savings or make efficiency improvements. And, it continues our commitment of $75 million in loans and grants to governmental, business and residential customers who improve the efficiency of their energy use or the productivity of their operations.

Average Interest on Debt (Percent)

strategy

We've also directed $5 million over the ten-year period to the Ohio Department of Development, which will use these funds to enhance business development in and around our service area.

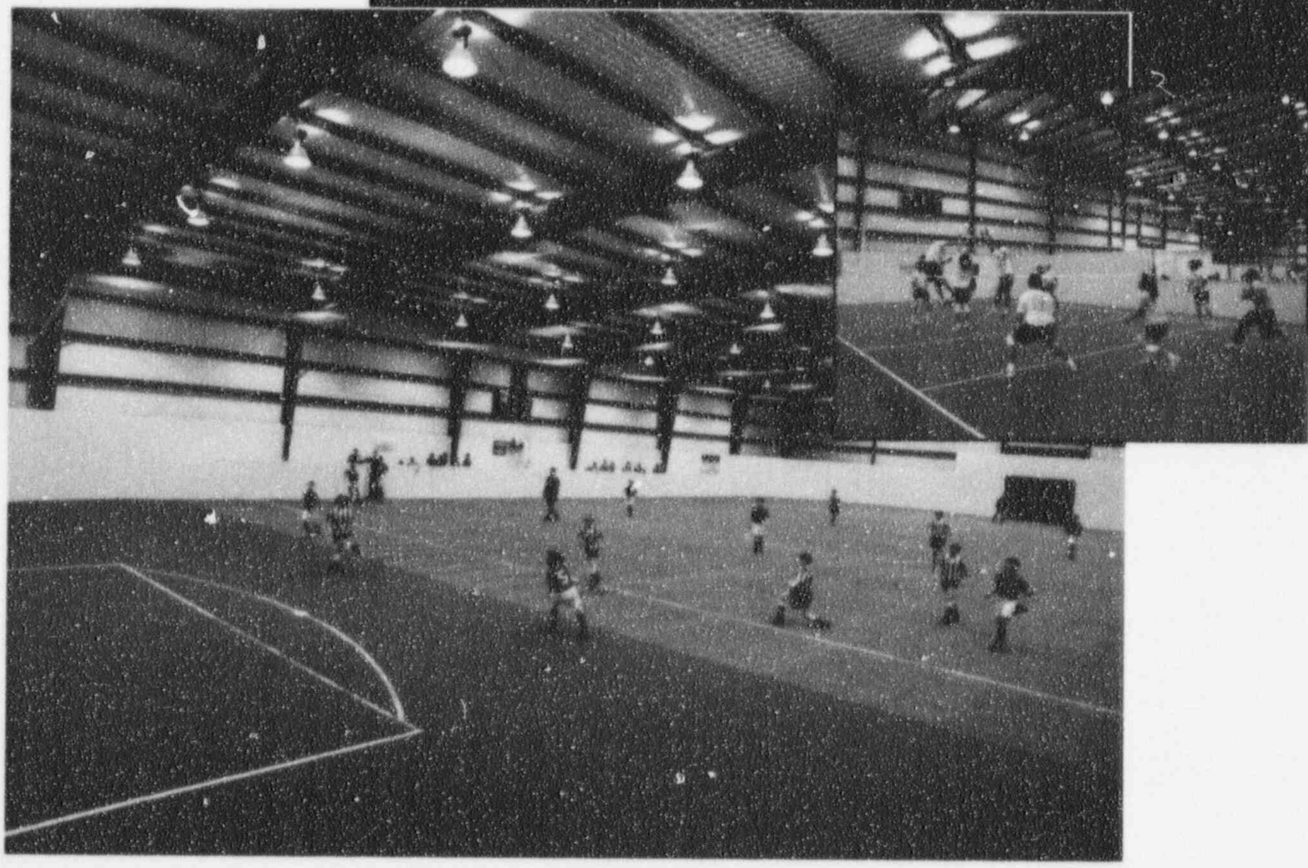
Special incentive rates for companies that locate or expand in our service area — and meet criteria related to increased employment and electricity use — have been extended from the current five-year period to as long as ten years. In 1995, 34 companies took advantage of these rates while investing more than $100 million in new facilities and creating 1,900 jobs.

Restructuring Our Generation And Transmission Assets Another important element of our corporate strategy is the restructuring of our Generation and Transmission Group, which was designed to improve our competitive position in the generation business.

The new organizational structure will help ensure continuous improvement in our plants and their support groups. Among other changes, we created a Business Support Department that is coordinating and developing strategies to promote the growth of our generation business. A new Technical Support Department is responsible for all technical support services requested by the plants — including engineering, construction, production training, plant performance improvement and environmental policy and compliance.

We will continue to evaluate every facet of our operations, focusing on new strategies or organizational changes that can enhance our competitive edge in the energy business of the future.

Heating for Sports Plex, a 42,000-square-foot indoor sports complex in Springfield, Ohio, is provided by a highly efficient network of electric resistance heating grids located under the building's concrete slab.



Improving Cash Flow With key improvements and cost savings throughout our business, including those resulting from our Performance Initiatives program, we achieved $753 million in operating cash flow — an 8-percent increase over 1994 results. This and other financial gains helped us place 30th on the Edison Electric Institute's *100 Index of Investor-Owned Electrics* for total return — dividends plus stock appreciation — to shareholders.

Our most significant cost savings were in the area of capital spending, where reductions of $72 million resulted from the elimination of many capital projects, the replacement of others with lower-cost alternatives and the use of new technologies and efficiencies.

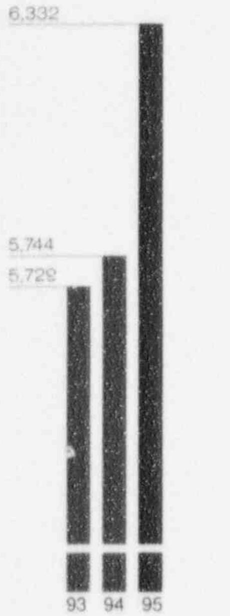
We also refinanced or redeemed $437 million of securities in 1995, which will lower annual expenses by more than $26 million.

In addition, the restructuring of our Generation and Transmission Group, the use of new technologies and ongoing efforts to improve productivity and performance have made possible work-force reductions in 1995 and in the first half of 1996 that will save $34 million annually.

Aggressive Marketing Efforts Our aggressive marketing efforts are also having a positive impact on our cash flow.

In the first full year of our marketing strategy, we more than doubled 1994 results for new sales in competitive markets, which include home heating systems and industrial process applications. The projected lifetime contribution of these sales exceeded $150 million in 1995. Lifetime contribution is new revenue minus costs over the estimated life of new facilities or equipment.

We also achieved our third consecutive year of record retail sales. With continued growth in our service area's economy — and the addition of 12,345 customers — retail sales reached 26.4 billion kilowatt-hours, up 5.1 percent from 1994.



Peak Customer Demand (Megawatts)

Our customers are finding more ways to use our product: Peak customer demand reached an all-time high of 6,332 megawatts on August 15 — 588 megawatts higher than the record set the previous summer, when customer demand reached 5,744 megawatts.

During the year, we explored ways to deliver greater value to each market segment. We targeted specific customer categories — such as chain accounts; rubber and plastics; fabricated metals; and government and education — because they reflect the similarity of services we provide customers within each segment.

In the future, value-added services to customers could include economic development incentives for fast-growing plastics companies and improved billing and energy management services for government and educational facilities.

Enhancing Our Operating Efficiency Our service to customers benefits from new technologies and cooperative efforts that enhance the efficiency of our operations.

In 1995, we completed the conversion of our microwave system to state-of-the-art digital technology. This major improvement to our network of voice, data and control circuits is supporting the expansion of Automated Mapping and Facilities Management (AM/FM) — a computerized mapping system that helps us provide more responsive service to our customers. For example, AM/FM will quickly identify specific equipment that may be needed to make repairs in problem areas during storms or other emergencies. It also could be used as a marketing tool to show potential customers the location of schools, hospitals, shopping centers and other resources near a particular site. Our Lake Erie and Bay areas have already made the switch from paper to computer maps, and conversion work is underway across our system.

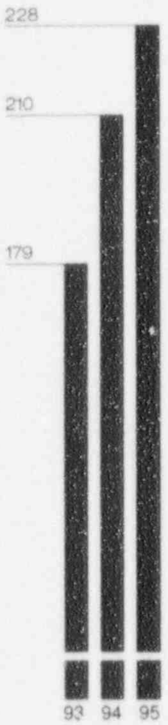
efficiency

Digital microwave also supports our new 800-megahertz radio system. Completed in 1995, the system provides more direct and immediate communication between various work groups, such as line crews restoring service in emergency situations.

Dispatchers at our System Control Center take advantage of new technologies to improve the efficiency of our transmission and generation networks.

A new, $20-million computer system at our System Control Center ensures the efficient and economical use of our transmission and generation networks. The computer helps us avoid costly investments in new power lines and electrical facilities by enabling dispatchers to run the transmission system closer to its full potential without jeopardizing reliability. It also improves the system's efficiency by helping us monitor power losses.

The computer accurately models variations in a number of generation-related factors such as fuel, environmental impact and operating costs — information that we need to economically and environmentally dispatch our generating units under various operating conditions. And, by simulating virtually any routine or emergency scenario, it serves as an invaluable training resource for dispatchers, especially as our system's operating demands continue to grow.



Employee Productivity (Number of Customers Served Per Employee)

Promoting Cooperative Efforts Among Employees Our future success is tied to these and other technologies as well as the cooperative efforts of the people who use them. We forged strong partnerships with our bargaining units by reaching new, three-year agreements with Locals 118, 126 and 140 of the Utility Workers Union of America (UWUA) and Local 1194 of the International Brotherhood of Electrical Workers (IBEW), representing division employees. We also reached three-year agreements with Locals 140, 350, 351 and 457 of the UWUA and Local 272 of the IBEW, representing power-plant employees.

Recognizing the competitive challenges facing our industry and our Company, the agreements will improve productivity and cooperation through innovative work-rule changes and performance incentives.

Throughout our operations, employees are coming up with new ways to work together. In 1995, teams of employees from various work groups spearheaded a number of major improvements, such as an enhanced process for handling new business requests and our new work management system — a computerized data base that ties together all of the information needed to conduct work in the field. These cooperative efforts will continue to help us improve our productivity and service to customers.

Working Closely With Customers We're also working closely with our customers and communities to promote economic development. Our support played a key role in helping Armco, Inc., reopen its steel plant in Mansfield, Ohio. As part of a comprehensive funding package, we are providing up to $3 million for a continuous caster, which is greatly improving the plant's energy efficiency and long-term competitiveness. The new caster began production in April 1995.

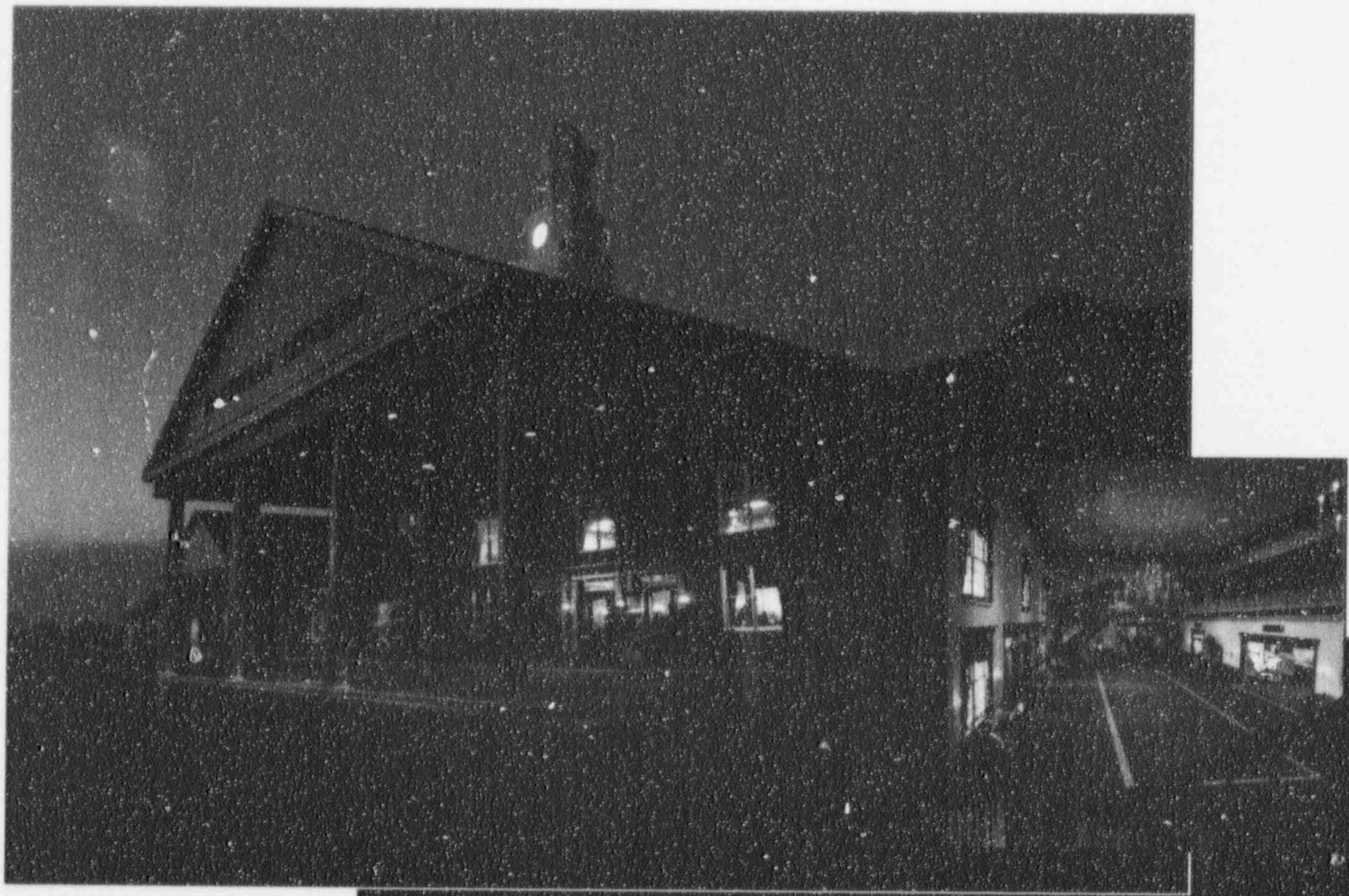
new business

At Ford Motor Company's plant in Lorain, Ohio, we financed the installation of six generators that help us meet customer demand during peak-use periods. By leasing the units from us,

Ford benefits from uninterrupted service. We're also financing and building a new, 138-kilovolt substation that Ford will lease to ensure reliable electric service well into the future.

Programs such as Community Partners promote the wise use of our product while strengthening our ties with the communities we serve. As part of our rate reduction plan, Community Partners is targeting approximately $5 million over the next several years for energy-efficiency programs that benefit customers with low incomes, senior citizens and community-based agencies. Through one new program, we contributed high-efficiency electric appliances to new homes built by the non-profit agency, Habitat for Humanity. We also worked together with The Salvation Army to provide $50,000 in energy-saving items that were included in some 4,500 baskets distributed during the holiday season.

These and other partnerships will help us remain our customers' supplier of choice for years to come.



The 84,000-square-foot Hartville Kitchen restaurant in Hartville, Ohio, uses the latest electrical technologies for space cooling, water heating and lighting.

Management Report

The consolidated financial statements were prepared by the management of Ohio Edison Company, who takes responsibility for their integrity and objectivity. The statements were prepared in conformity with generally accepted accounting principles and are consistent with other financial information appearing elsewhere in this report. Arthur Andersen LLP, independent public accountants, have expressed an opinion on the Company's consolidated financial statements, as shown on page 30.

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

The Audit Committee consists of four nonemployee directors whose duties include: consideration of the adequacy of the internal controls of the Company and the objectivity of financial reporting; inquiry into the number, extent, adequacy and validity of regular and special audits conducted by independent public accountants and the internal auditors; recommendation to the Board of Directors of independent accountants to conduct the normal annual audit and special purpose audits as may be required; and reporting to the Board of Directors the Committee's findings and any recommendation for changes in scope, methods or procedures of the auditing functions. The Audit Committee held four meetings during 1995.

H. P. Burg
Senior Vice President
Chief Financial Officer

H. L. Wagner
Comptroller

Selected Financial Data

Ohio Edison Company

(In thousands, except per share amounts)

	1995	1994	1993	1992	1991
Operating Revenues	**$2,465,846**	$2,368,191	$2,369,940	$2,332,378	$2,358,946
Operating Income	**$566,618**	$557,254	$525,330	$522,115	$550,452
Net Income	**$317,241**	$303,531	$82,724	$276,986	$264,823
Earnings on Common Stock	**$294,747**	$281,852	$59,017	$253,060	$240,069
Earnings per Share of Common Stock	**$2.05**	$1.97	$ .39	$1.70	$1.60
Dividends Declared per Share of Common Stock	**$1.50**	$1.50	$1.50	$1.50	$1.50
Total Assets	**$8,823,934**	$8,993,964	$8,918,267	$7,830,026	$7,812,345
Capitalization at December 31:					
Common Stockholders' Equity	**$2,407,871**	$2,317,197	$2,243,292	$2,408,164	$2,371,946
Preferred and Preference Stock:					
Not Subject to Mandatory Redemption	**211,870**	328,240	328,240	354,240	354,240
Subject to Mandatory Redemption	**160,000**	40,000	45,500	59,862	65,582
Long-Term Debt	**2,786,256**	3,166,593	3,039,263	3,121,647	3,243,167
Total Capitalization	**$5,565,997**	$5,852,030	$5,656,295	$5,943,913	$6,034,935

Common Stock Data

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

PRICE RANGE OF COMMON STOCK	1995		1994	
First Quarter High-Low	**21-1/2**	**18-1/2**	22-3/4	18-7/8
Second Quarter High-Low	**22-5/8**	**19-3/4**	19-1/4	16-1/2
Third Quarter High-Low	**22-7/8**	**21-1/4**	19-5/8	17-1/2
Fourth Quarter High-Low	**23-3/4**	**22-1/4**	19-1/4	17-7/8
Yearly High-Low	**23-3/4**	**18-1/2**	22-3/4	16-1/2

Prices are based on reports published in *The Wall Street Journal* for New York Stock Exchange Composite Transactions.

Classification of Holders of Common Stock as of December 31, 1995

	Holders of Record		Shares Held	
	Number	%	Number	%
Individuals	112,643	82.35	50,036,860	32.79
Fiduciaries	22,503	16.45	9,503,345	6.23
Nominees	47	.04	91,491,883	59.97
All Others	1,590	1.16	1,537,349	1.01
Total	136,783	100.00	152,569,437	100.00

As of January 31, 1996, there were 136,828 holders of 152,569,437 shares of the Company's Common Stock. Quarterly dividends of 37.5¢ per share were paid on the Company's Common Stock during 1995 and 1994. Information regarding retained earnings available for payment of cash dividends is given in Note 5A.

Results of Operations

We continued making significant progress in 1995 as our Company prepares for the rapidly changing environment within the electric utility industry.

The most significant event during the year was the approval by the Public Utilities Commission of Ohio (PUCO) of the Company's Rate Reduction and Economic Development Plan (Regulatory Plan). The Regulatory Plan is designed to enhance and accelerate economic development within the Company's service area and to assure our customers of long-term competitive pricing for energy services.

The Regulatory Plan, which went into effect November 1, 1995, freezes base electric rates until January 1, 2006, at which time base rates will be reduced by $300,000,000, or approximately 20 percent below current levels, on an annual basis. During the ten-year rate-freeze period, which will remain in effect unless certain significant events occur, transition rate credits will be implemented for customers served under the General Service-Large rates (primarily industrial customers). Also, the monthly customer charge will be reduced for customers served under the General Service-Secondary and Residential rates. Combined, these transition rate credits are expected to reduce operating revenues by approximately $600,000,000 during the ten-year period.

A major component of the Regulatory Plan is our commitment to reduce fixed costs during the ten-year period. The PUCO ordered the Company to recognize additional depreciation expense related to our generating assets and additional amortization of regulatory assets during the ten-year Regulatory Plan period of at least $2,000,000,000 more than the amount that would have been recognized if the Regulatory Plan were not in effect. The Regulatory Plan includes a cap (based upon the most recent common equity return authorized for the Company by the PUCO) on the amount the Company may earn applicable to its common stockholders in any calendar year during the Regulatory Plan period. If the cap is exceeded, the excess will be credited to our customers in a future period.

The Companies achieved record operating revenues in 1995, a 4.0% increase over the previous record set in 1993. The increased revenues, in combination with our aggressive cost-control efforts, raised earnings on common stock to $2.05 per share in 1995 from $1.97 a year earlier. The 1993 amount of $.39 was adversely affected by nonrecurring charges of $1.43 per share, which included a $276,578,000 after-tax write-off of Perry Unit 2, the expected resolution of fuel cost recovery issues in Pennsylvania and certain costs associated with the Performance Initiatives program. The effect of the 1993 write-off was partially offset by a $58,201,000 credit from the cumulative effect of a change in accounting to accrue metered but unbilled revenue (see Note 2).

Operation and maintenance expenses were up by 2.5 percent in 1995, mostly due to incremental fuel and purchased power costs incurred to meet the increased demand from our customers. With our revenues increasing at a higher rate than our variable costs, we were able to achieve record operating income for the second consecutive year. A review of the work we do was an integral part of Performance Initiatives which began in 1993 and continues as a part of our Corporate Strategy program. Efficiencies continue to be identified that have resulted in further opportunities for restructuring. In 1995, we reduced our work force by 293 employees following the shutdown of several old generating units and the restructuring of our generation and transmission group. We expect these actions to result in annual savings of approximately $18,000,000. Also, using economic value added-based justification for capital spending contributed to a $67,000,000 reduction in our construction expenditures in 1995 compared to our base year of 1993.

For the third straight year, the Companies achieved record retail kilowatt-hour sales. The following table summarizes the sources of changes in operating revenues for 1995 and 1994 as compared to the previous year:

	1995	1994
	(In millions)	
Increased retail kilowatt-hour sales	$105.1	$ 2.4
Reduced average retail electric price	(23.3)	(3.1)
Sales to utilities	16.6	2.2
Other	(0.7)	(3.2)
Net Increase (Decrease)	$ 97.7	$(1.7)

An improving local economy and increased weather-related demand during the second half of 1995 helped us achieve record retail sales of 26.4 billion kilowatt-hours. Our customer base continues to grow with more than 12,300 new retail customers added in 1995, after gaining approximately 13,100 customers the previous year. Residential sales increased 4.2% in 1995 after falling slightly the previous year. Commercial sales rose 3.9% during the year, which follows a 1.4% gain in 1994. A 6.8% increase in industrial sales resulted, in part, from the resumption of operations by two major customers that had reduced operations in 1994. Excluding sales to these customers, industrial sales were 3.8% higher than last year's level. We began supplying

300 megawatts of power to another utility in the second quarter of 1995 under a short-term contract that expired at the end of 1995. This contract was the principal cause for an 18.2% increase in sales to other utilities in 1995, which followed an 18.2% decrease the previous year. We have signed short-term contracts with other utilities in 1996 to replace the expired 1995 contract. As a result of all of these factors, total kilowatt-hour sales were up 7.5% compared with sales in 1994, which were down 3.9% from 1993.

Because of higher kilowatt-hour sales, we spent 5.6% more on fuel and purchased power in 1995. During the same period, our nuclear expenses fell 4.9% compared to the previous year—nuclear expenses were higher in 1994 mainly due to corrective maintenance work at the Perry Plant. Expenses associated with scheduled maintenance outages at our fossil-fueled generating units contributed to a 4.6% increase in other operating costs during 1995, compared to last year. Other operating costs were down significantly in 1994 from the previous year due to a one-time $39,000,000 charge in 1993 related to Performance Initiatives. That charge consisted of $9,000,000 for obsolete materials and supplies and $30,000,000 estimated for costs of early retirement programs offered to qualifying employees resulting from strategies identified in the Performance Initiatives program.

Higher depreciation charges in 1995 resulted mainly from $27,000,000 of additional nuclear depreciation authorized under our Regulatory Plan discussed earlier. A higher level of depreciable utility plant and an increase in the accrual for nuclear decommissioning costs also contributed to the increase. The change between 1995 and 1994 in the amortization of net regulatory assets was due to increased amortization of deferred nuclear costs and the discontinuation of deferral accounting for postretirement benefits, also in accordance with the Regulatory Plan. Penn Power provided an $8,728,000 reserve for deferred postretirement benefit costs in 1994, which was responsible for the majority of the change in net amortization of regulatory assets compared to 1993.

Overall, interest costs were lower in 1995 than in 1994. Interest on long-term debt decreased due to refinancing and redemption of higher-cost debt. Other interest expense increased compared to last year due primarily to higher levels of short-term borrowing. We also discontinued deferring nuclear unit interest in the second half of 1995, consistent with our Regulatory Plan. Preferred and preference stock dividend requirements in 1995 include approximately $2,300,000 for premiums paid on preferred stock redemptions.

Capital Resources and Liquidity

We have significantly improved our financial position over the past five years. Cash generated from operations was 62% higher in 1995 than it was in 1990 due to higher revenues and aggressive cost controls. By the end of 1995, we were serving about 60,000 more customers than we were five years ago, with approximately 2,000 fewer employees. As a result, our customer/employee ratio has improved significantly over the past five years, standing at 228 customers per employee at the end of 1995, compared to 152 at the end of 1990. In addition, capital expenditures have dropped substantially during that period. Expenditures in 1995 were approximately 28% lower than they were in 1990, and annual depreciation charges have exceeded property additions since the end of 1987. In fact, our projections for the next five years indicate that annual depreciation charges will exceed construction program expenditures by at least two to three times because of our reduced capital requirements, coupled with the additional depreciation in accordance with the Regulatory Plan.

Over the past five years, we have aggressively taken advantage of opportunities in the financial markets to reduce our embedded capital costs. Through refinancing activities, we have reduced the average cost of outstanding debt from 9.28% at the end of 1990 to 8.00% at the end of 1995. Also, the cost of outstanding preferred and preference stock was reduced from 8.59% at the end of 1990 to 7.59% at the end of 1995. We have improved our financial position as a result of these actions. For example, we have enhanced our fixed charge coverage ratios and the percentage of common equity to total capitalization. Our SEC ratio of earnings to fixed charges improved to 2.32 at the end of 1995 from 1.97 at the end of 1990. The Company's indenture ratio, which is used to determine the ability to issue first mortgage bonds, improved from 4.79 at the end of 1990 to 5.78 at the end of 1995. Over the same period, the charter ratio, a measure of our ability to issue preferred stock, improved from 1.87 to 2.31, and, our common equity percentage of capitalization (excluding the Employee Stock Ownership Plan Trust adjustment) rose from approximately 42% at the end of 1990 to about 45% at the end of 1995.

At the end of 1995, we had the capability to issue $1,466,000,000 principal amount of first mortgage bonds and $1,673,000,000 of preferred stock (assuming no additional debt was issued). However, our cash requirements in 1996 for operations and scheduled debt maturities are expected to be met without issuing additional securities. During 1995, we reduced our total debt by approximately $285,000,000. We expect to pay off over $1,300,000,000 of debt over the next five years with internal cash, including $264,000,000 in 1996.

We had about $30,000,000 of cash and temporary investments and $120,000,000 of short-term indebtedness on December 31, 1995. Through OES Fuel credit facilities, we had the capability to borrow approximately $128,000,000 as of the end of 1995. We also had $52,000,000 of unused short-term bank lines of credit, and $50,000,000 of bank facilities that provide for borrowings on a short-term basis at the banks' discretion.

Our capital spending for the period 1996-2000 is expected to be about $650,000,000 (excluding nuclear fuel), of which approximately $160,000,000 applies to 1996. This spending level is more than $400,000,000 lower than actual capital outlays over the past five years.

Investments for additional nuclear fuel during the 1996-2000 period are estimated to be approximately $180,000,000, of which about $29,000,000 applies to 1996. During the same periods, our nuclear fuel investments are expected to be reduced by approximately $191,000,000 and $39,000,000, respectively, as the nuclear fuel is consumed. Also, we have operating lease commitments of approximately $594,000,000 for the 1996-2000 period, of which approximately $108,000,000 relates to 1996. We recover the cost of nuclear fuel consumed and operating leases through our electric rates.

Reference is made to Note 1 for a discussion of regulatory assets. In accordance with the Regulatory Plan the Company's rates include recovery of all regulatory assets and authorizes the Company to accelerate amortization of those regulatory assets over the next ten years.

One of Penn Power's former municipal customers signed a contract with another energy supplier in November. Penn Power and the former customer are in dispute over Penn Power's proposed transmission rate. Both parties have filed proposals with the Federal Energy Regulatory Commission requesting it to establish final terms. No ruling has yet been issued. Sales to this municipality were approximately $1,500,000 in 1995.

Outlook

Many competitive challenges lie ahead as the electric utility industry becomes less regulated and more energy suppliers enter the marketplace. Retail wheeling, which would allow retail customers to purchase electricity from other energy producers, could be one of those challenges, if legislators choose to move in that direction. The Company's Regulatory Plan provides the foundation to position us to meet those challenges by significantly reducing fixed costs and lowering rates to a more competitive level. For the Regulatory Plan to succeed, it is imperative that we build on the success of our Performance Initiatives and Corporate Strategy programs and continue to find ways to increase revenues, reduce costs and enhance shareholder value. In December 1995, we announced that we will offer a voluntary retirement program to 174 eligible union-represented employees beginning March 1, 1996. The program is expected to produce annual savings of up to $7,900,000. Also, in January 1996, employees at the Bruce Mansfield Plant were informed of future staff reductions that will affect approximately 105 bargaining unit employees and 35 management and administrative/office employees. The reduction is expected to occur between February 15, 1996, and April 1, 1996. This work force reduction is the result of continuing efforts to make the plant's costs more competitive.

Effective operation of the nuclear facilities we jointly own will also help us meet these competitive challenges. In 1995, we increased our annual funding of the decommissioning obligation. As discussed in Note 1, the Financial Accounting Standards Board (FASB) is reviewing the accounting for decommissioning costs regarding the recognition, measurement and classification of decommissioning costs in the financial statements of electric utilities. The FASB issued its proposed accounting standard in February 1996.

The Clean Air Act Amendments of 1990, discussed in Note 7, require additional emission reductions by 2000. We are pursuing cost-effective compliance strategies for meeting those requirements.

Through our Performance Initiatives and Corporate Strategy programs, we have identified substantial savings that will better position us to successfully compete in the future. We continue to identify opportunities for revenue enhancement and cost reduction. Also, our Regulatory Plan provides more regulatory assurance that we will collect our fixed costs and minimizes the risk of not recovering some portion of our assets from our customers. Our focus is to exceed customers' service expectations by providing superior value and high-quality products and services at competitive prices in order to maximize the value of our shareholders' investment in the Company.

Consolidated Statements Of Income

Ohio Edison Company

(In thousands, except per share amounts)

For the Years Ended December 31,	1995	1994	1993
OPERATING REVENUES	$2,465,846	$2,368,191	$2,369,940
OPERATING EXPENSES AND TAXES:			
Fuel and purchased power	465,483	440,936	456,494
Nuclear operating costs	289,717	304,716	290,321
Other operating costs	446,967	427,133	474,241
Total operation and maintenance expenses	1,202,167	1,172,785	1,221,056
Provision for depreciation	256,085	220,502	217,980
General taxes	243,179	237,020	245,554
Amortization of net regulatory assets	5,825	(884)	(6,753)
Income taxes	191,972	181,514	166,773
Total operating expenses and taxes	1,899,228	1,810,937	1,844,610
OPERATING INCOME	566,618	557,254	525,330
OTHER INCOME AND EXPENSE:			
Perry Unit 2 termination (Note 3)	—	—	(390,835)
Income tax benefit from Perry Unit 2 termination	—	—	142,092
Other	14,424	16,459	19,921
Total other income (expense)	14,424	16,459	(228,822)
TOTAL INCOME	581,042	573,713	296,508
NET INTEREST AND OTHER CHARGES:			
Interest on long-term debt	243,570	259,554	262,861
Deferred nuclear unit interest	(4,250)	(8,511)	(8,518)
Allowance for borrowed funds used during construction and capitalized interest	(5,668)	(5,156)	(4,666)
Other interest expense	22,944	18,931	16,445
Subsidiaries' preferred stock dividend requirements	7,205	5,364	5,863
Net interest and other charges	263,801	270,182	271,985
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING	317,241	303,531	24,523
Cumulative effect to January 1, 1993, of a change in accounting for unbilled revenues (net of income taxes of $33,632,000) (Note 2)	—	—	58,201
NET INCOME	317,241	303,531	82,724
PREFERRED AND PREFERENCE STOCK DIVIDEND REQUIREMENTS	22,494	21,679	23,707
EARNINGS ON COMMON STOCK	$ 294,747	$ 281,852	$ 59,017
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	143,692	143,237	152,569
EARNINGS PER SHARE OF COMMON STOCK:			
Before cumulative effect of a change in accounting	$2.05	$1.97	$ .01
Cumulative effect to January 1, 1993, of a change in accounting for unbilled revenues (Note 2)	—	—	.38
EARNINGS PER SHARE OF COMMON STOCK	$2.05	$1.97	$ .39
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$1.50	$1.50	$1.50

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

(In thousands)

At December 31,	1995	1994
ASSETS		
UTILITY PLANT:		
In service, at original cost	$8,556,722	$8,518,050
Less—Accumulated provision for depreciation	3,051,148	2,910,587
	5,505,574	5,607,463
Construction work in progress—		
Electric plant	150,262	174,970
Nuclear fuel	39,613	52,470
	189,875	227,440
	5,695,449	5,834,903
OTHER PROPERTY AND INVESTMENTS:		
Letter of credit collateralization (Note 4)	277,763	277,763
Other	252,005	197,546
	529,768	475,309
CURRENT ASSETS:		
Cash and cash equivalents	29,830	23,291
Receivables—		
Customers (less accumulated provisions of $2,528,000 and $2,517,000, respectively, for uncollectible accounts)	274,692	254,515
Other	54,988	54,713
Materials and supplies, at average cost—		
Owned	68,829	122,337
Under consignment	41,080	—
Prepayments	82,257	71,836
	551,676	526,692
DEFERRED CHARGES:		
Regulatory assets	1,786,543	1,898,875
Unamortized sale and leaseback costs	103,091	106,883
Property taxes	104,071	106,458
Other	53,336	44,844
	2,047,041	2,157,060
	$8,823,934	$8,993,964
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION (See Consolidated Statements of Capitalization):		
Common stockholders' equity	$2,407,871	$2,317,197
Preferred stock—		
Not subject to mandatory redemption	160,965	277,335
Subject to mandatory redemption	25,000	25,000
Preferred stock of consolidated subsidiary—		
Not subject to mandatory redemption	50,905	50,905
Subject to mandatory redemption	15,000	15,000
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Company subordinated debentures	120,000	—
Long-term debt	2,786,256	3,166,593
	5,565,997	5,852,030
CURRENT LIABILITIES:		
Currently payable long-term debt	376,716	227,496
Short-term borrowings (Note 6)	119,965	174,642
Accounts payable	100,536	100,884
Accrued taxes	131,432	140,629
Accrued interest	57,462	65,743
Other	196,482	152,856
	982,593	862,250
DEFERRED CREDITS:		
Accumulated deferred income taxes	1,772,434	1,799,324
Accumulated deferred investment tax credits	213,876	223,827
Other	289,034	256,533
	2,275,344	2,279,684
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Notes 4 and 7)		
	$8,823,934	$8,993,964

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

Consolidated Statements Of Retained Earnings

(In thousands)

For the Years Ended December 31,	1995	1994	1993
Balance at beginning of year	**$389,600**	$322,821	$490,564
Net income	**317,241**	303,531	82,724
Tax benefit from ESOP dividends	**—**	—	5,256
	706,841	626,352	578,544
Cash dividends on preferred and preference stock	**20,234**	21,926	23,275
Cash dividends on common stock	**215,512**	214,826	228,855
Premium on redemption of preferred stock	**—**	—	3,593
	235,746	236,752	255,723
Balance at end of year (Note 5A)	**$471,095**	$389,600	$322,821

Consolidated Statements Of Capital Stock And Other Paid-In Capital

	Common Stock			Unallocated ESOP Common Stock	Preferred and Preference Stock			
					Not Subject to Mandatory Redemption		Subject to Mandatory Redemption	
	Number of Shares	Par Value	Other Paid-In Capital		Number of Shares	Par or Stated Value	Number of Shares	Par or Stated Value
				(Dollars in thousands)				
Balance, January 1, 1993	152,569,437	$1,373,125	$731,793	$(187,318)	3,542,399	$354,240	592,016	$64,062
Allocation of ESOP Shares				6,799				
Sale of 7.75% Class A Preferred Stock			(3,361)		4,000,000	100,000		
Sale of 7.75% Preferred Stock			(345)		250,000	25,000		
Redemptions—								
$102.50 Series			(216)				(5,400)	(5,400)
8.24% Series							(45,000)	(4,500)
8.48% Series			(6)		(80,000)	(8,000)		
8.64% Series					(400,000)	(40,000)		
9.12% Series					(450,000)	(45,000)		
9.16% Series					(80,000)	(8,000)		
11.00% Series							(8,000)	(800)
11.50% Series							(60,000)	(6,000)
13.00% Series							(10,000)	(1,000)
Balance, December 31, 1993	152,569,437	1,373,125	727,865	(180,519)	6,782,399	378,240	463,616	46,362
Minimum liability for unfunded retirement benefits			(3,053)					
Allocation of ESOP Shares			36	10,143				
Redemptions—								
Market Auction Series					(500,000)	(50,000)		
11.00% Series							(3,616)	(362)
13.00% Series							(60,000)	(6,000)
Balance, December 31, 1994	152,569,437	1,373,125	724,848	(170,376)	6,282,399	328,240	400,000	40,000
Minimum liability for unfunded retirement benefits			2,446					
Allocation of ESOP Shares			1,274	7,720				
Sale of 9% Preferred Stock							4,800,000	120,000
Redemptions—								
7.24% Series			(720)		(363,700)	(36,370)		
7.36% Series			(609)		(350,000)	(35,000)		
8.20% Series			(932)		(450,000)	(45,000)		
Balance, December 31, 1995	152,569,437	$1,373,125	$726,307	$(162,656)	5,118,699	$211,870	5,200,000	$160,000

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

Consolidated Statements Of Capitalization

(In thousands, except per share amounts)

At December 31,	Number of Shares Outstanding 1995	Number of Shares Outstanding 1994	Optional Redemption Price Per Share	Optional Redemption Price Aggregate	1995	1994
COMMON STOCKHOLDERS' EQUITY:						
Common stock, $9 par value, authorized 175,000,000 shares— 152,569,437 shares outstanding					**$1,373,125**	$1,373,125
Other paid-in capital					**726,307**	724,848
Retained earnings (Note 5A)					**471,095**	389,600
Unallocated employee stock ownership plan common stock— 8,663,575 and 9,076,489 shares, respectively (Note 5B)					**(162,656)**	(170,376)
Total common stockholders' equity					**2,407,871**	2,317,197
PREFERRED STOCK (Note 5C):						
Cumulative, $100 par value—						
Authorized 6,000,000 shares						
Not Subject to Mandatory Redemption:						
3.90%	152,510	152,510	$103.63	$ 15,804	**15,251**	15,251
4.40%	176,280	176,280	108.00	19,038	**17,628**	17,628
4.44%	136,560	136,560	103.50	14,134	**13,656**	13,656
4.56%	144,300	144,300	103.38	14,917	**14,430**	14,430
7.24%	—	363,700	—	—	**—**	36,370
7.36%	—	350,000	—	—	**—**	35,000
8.20%	—	450,000	—	—	**—**	45,000
	609,650	1,773,350		63,893	**60,965**	177,335
Cumulative, $25 par value—						
Authorized 8,000,000 shares						
Not Subject to Mandatory Redemption:						
7.75%	4,000,000	4,000,000			**100,000**	100,000
Total not subject to mandatory redemption	4,609,650	5,773,350		$ 63,893	**160,965**	277,335
Cumulative, $100 par value—						
Subject to Mandatory Redemption (Note 5D):						
8.45%	250,000	250,000			**25,000**	25,000
PREFERRED STOCK OF CONSOLIDATED SUBSIDIARY (Note 5C):						
Pennsylvania Power Company						
Cumulative, $100 par value—						
Authorized 1,200,000 shares						
Not Subject to Mandatory Redemption:						
4.24%	40,000	40,000	$103.13	$ 4,125	**4,000**	4,000
4.25%	41,049	41,049	105.00	4,310	**4,105**	4,105
4.64%	60,000	60,000	102.98	6,179	**6,000**	6,000
7.64%	60,000	60,000	101.42	6,085	**6,000**	6,000
7.75%	250,000	250,000	—	—	**25,000**	25,000
8.00%	58,000	58,000	102.07	5,920	**5,800**	5,800
Total not subject to mandatory redemption	509,049	509,049		$26,619	**50,905**	50,905
Subject to Mandatory Redemption (Note 5D):						
7.625%	150,000	150,000			**15,000**	15,000
COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY COMPANY SUBORDINATED DEBENTURES (Note 5E):						
Cumulative, $25 par value —						
Authorized 4,800,000 shares						
Subject to Mandatory Redemption:						
9.00%	4,800,000	—			**120,000**	—

Consolidated Statements Of Capitalization (Continued)

Ohio Edison Company

(In thousands)

At December 31,	1995	1994		1995	1994	1995	1994
LONG-TERM DEBT (Note 5F):							
First mortgage bonds:							
Ohio Edison Company—			Pennsylvania Power Company—				
12.740% due 1995	—	30,000	9.000% due 1996	50,000	50,000		
8.500% due 1996	150,000	150,000	9.740% due 1999-2019	20,000	20,000		
8.750% due 1998	150,000	150,000	7.500% due 2003	40,000	40,000		
6.875% due 1999	150,000	150,000	6.375% due 2004	50,000	50,000		
6.375% due 2000	80,000	80,000	6.625% due 2004	20,000	20,000		
7.375% due 2002	120,000	120,000	8.500% due 2022	27,250	50,000		
7.500% due 2002	34,265	34,265	7.625% due 2023	19,500	40,000		
8.250% due 2002	125,000	125,000					
8.625% due 2003	150,000	150,000					
6.875% due 2005	80,000	80,000					
9.750% due 2019	35,300	35,300					
8.750% due 2022	94,210	100,000					
7.625% due 2023	75,000	75,000					
7.875% due 2023	100,000	100,000					
Total first mortgage bonds	1,343,775	1,379,565		226,750	270,000	1,570,525	1,649,565
Secured notes:							
Ohio Edison Company—			Pennsylvania Power Company—				
8.380% due 1996	16,464	53,718	4.750% due 1998	850	850		
7.930% due 2002	69,579	77,997	6.080% due 2000	23,000	23,000		
7.680% due 2005	200,000	200,000	5.400% due 2013	1,000	1,000		
6.750% due 2015	40,000	—	8.125% due 2015	—	14,250		
10.500% due 2015	—	60,000	5.400% due 2017	10,600	10,600		
10.625% due 2015	—	40,000	7.150% due 2017	17,925	17,925		
7.450% due 2016	47,725	47,725	5.900% due 2018	16,800	16,800		
7.100% due 2018	26,000	26,000	8.100% due 2018	10,300	10,300		
7.050% due 2020	60,000	—	8.100% due 2020	5,200	5,200		
7.000% due 2021	69,500	69,500	7.150% due 2021	14,482	14,482		
7.150% due 2021	443	443	6.150% due 2023	12,700	12,700		
7.625% due 2023	50,000	50,000	6.450% due 2027	14,500	14,500		
8.100% due 2023	30,000	30,000	5.450% due 2028	6,950	6,950		
7.750% due 2024	108,000	108,000	6.000% due 2028	14,250	—		
5.625% due 2029	50,000	50,000	5.950% due 2029	238	238		
5.950% due 2029	56,212	56,212					
5.450% due 2033	14,800	14,800					
	838,723	884,395		148,795	148,795	987,518	1,033,190
OES Fuel—							
6.08% weighted average interest rate						97,162	124,984
Total secured notes						1,084,680	1,158,174
Unsecured notes:							
Ohio Edison Company—							
9.440% due 1995						—	75,000
7.430% due 1997						100,000	100,000
8.635% due 1997						50,000	50,000
4.900% due 2012						50,000	50,000
4.250% due 2014						50,000	50,000
3.450% due 2015						50,000	50,000
4.400% due 2018						56,000	56,000
4.750% due 2018						57,100	57,100
4.300% due 2032						53,400	53,400
Total unsecured notes						466,500	541,500
Capital lease obligations (Note 4)						48,221	54,180
Net unamortized discount on debt						(6,954)	(9,330)
Long-term debt due within one year						(376,716)	(227,496)
Total long-term debt						2,786,256	3,166,593
TOTAL CAPITALIZATION						$5,565,997	$5,852,030

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

Consolidated Statements Of Cash Flows

Ohio Edison Company

(In thousands)

For the Years Ended December 31,	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$317,241	$303,531	$ 82,724
Adjustments to reconcile net income to net cash from operating activities:			
Provision for depreciation	256,085	220,502	217,980
Nuclear fuel and lease amortization	70,849	72,141	59,858
Deferred income taxes, net	53,395	21,156	(26,233)
Investment tax credits, net	(9,951)	(8,036)	(8,345)
Allowance for equity funds used during construction	—	(5,277)	(4,257)
Deferred fuel costs, net	3,916	(2,656)	(1,078)
Perry Unit 2 termination	—	—	390,835
Cumulative effect of a change in accounting for unbilled revenues	—	—	(58,201)
Receivables	(20,452)	32,113	(1,962)
Materials and supplies	12,428	6,865	41,467
Accounts payable	3,545	(18,261)	9,823
Other	66,158	72,986	20,272
Net cash provided from operating activities	753,214	695,064	722,883
CASH FLOWS FROM FINANCING ACTIVITIES:			
New Financing—			
Preferred stock	120,000	—	121,294
Long-term debt	254,365	434,759	765,358
Short-term borrowings, net	—	70,516	—
Redemptions and Repayments—			
Preferred and preference stock	117,528	56,362	122,502
Long-term debt	499,276	483,347	773,128
Short-term borrowings, net	54,677	—	47,445
Dividend Payments—			
Common stock	217,192	216,782	224,943
Preferred and preference stock	20,623	21,483	20,926
Net cash used for financing activities	534,931	272,699	302,292
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property additions	198,103	258,249	256,746
Letter of credit collateralization deposit	—	277,763	—
Other	13,641	22,752	18,367
Net cash used for investing activities	211,744	558,764	275,113
Net increase (decrease) in cash and cash equivalents	6,539	(136,399)	145,478
Cash and cash equivalents at beginning of year	23,291	159,690	14,212
Cash and cash equivalents at end of year	$ 29,830	$ 23,291	$159,690
SUPPLEMENTAL CASH FLOWS INFORMATION:			
Cash Paid During the Year—			
Interest (net of amounts capitalized)	$254,789	$267,319	$262,410
Income taxes	178,643	143,202	94,272

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

Consolidated Statements Of Taxes

Ohio Edison Company

(In thousands)

For the Years Ended December 31,	1995	1994	1993
GENERAL TAXES:			
Real and personal property	$ 118,707	$ 113,484	$ 124,709
State gross receipts	100,591	100,996	97,348
Social security and unemployment	15,787	14,822	15,626
Other	8,094	7,718	7,871
Total general taxes	$ 243,179	$ 237,020	$ 245,554
PROVISION FOR INCOME TAXES:			
Currently payable—			
Federal	$ 145,511	$ 161,219	$ 61,920
State	10,352	14,547	5,544
	155,863	175,766	67,464
Deferred, net—			
Federal	50,631	20,796	489
State	2,764	360	6,455
	53,395	21,156	6,944
Investment tax credit amortization	(9,951)	(8,036)	(8,345)
Total provision for income taxes	$ 199,307	$ 188,886	$ 66,063
INCOME STATEMENT CLASSIFICATION OF PROVISION FOR INCOME TAXES:			
Operating income	$ 191,972	$ 181,514	$ 166,773
Other income	7,335	7,372	(134,342)
Cumulative effect of a change in accounting	—	—	33,632
Total provision for income taxes	$ 199,307	$ 188,886	$ 66,063
RECONCILIATION OF FEDERAL INCOME TAX EXPENSE AT STATUTORY RATE TO TOTAL PROVISION FOR INCOME TAXES:			
Book income before provision for income taxes	$ 516,548	$ 492,417	$ 148,787
Federal income tax expense at statutory rate	$ 180,792	$ 172,346	$ 52,075
Increases (reductions) in taxes resulting from—			
Amortization of investment tax credits	(9,951)	(8,036)	(8,345)
State income taxes net of federal income tax benefit	8,525	9,690	7,799
Amortization of tax regulatory assets	19,690	14,503	15,412
Other, net	251	383	(878)
Total provision for income taxes	$ 199,307	$ 188,886	$ 66,063
ACCUMULATED DEFERRED INCOME TAXES AT DECEMBER 31:			
Property basis differences	$1,047,387	$1,024,737	$ 972,501
Allowance for equity funds used during construction	263,465	278,172	282,525
Deferred nuclear expense	271,114	277,951	283,134
Customer receivables for future income taxes	204,978	237,826	244,540
Deferred sale and leaseback costs	82,381	87,068	90,878
Unamortized investment tax credits	(77,777)	(82,491)	(85,459)
Other	(19,114)	(23,939)	10,432
Net deferred income tax liability	$1,772,434	$1,799,324	$1,798,551

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

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements include Ohio Edison Company (Company) and its wholly owned subsidiaries. Pennsylvania Power Company (Penn Power) is the Company's principal subsidiary. All significant intercompany transactions have been eliminated. The Company and Penn Power (Companies) follow the accounting policies and practices prescribed by the Public Utilities Commission of Ohio (PUCO), the Pennsylvania Public Utility Commission (PPUC) and the Federal Energy Regulatory Commission (FERC). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period.

Revenues — The Companies' principal business is providing electric service to customers in central and northeastern Ohio and western Pennsylvania. The Companies' retail customers are metered on a cycle basis. Revenue is recognized for unbilled electric service through the end of the year (see Note 2).

Receivables from customers include sales to residential, commercial and industrial customers located in the Companies' service area and sales to wholesale customers. There was no material concentration of receivables at December 31, 1995 or 1994, with respect to any particular segment of the Companies' customers.

Regulatory Plan — In the second half of 1995 the PUCO approved the Company's Rate Reduction and Economic Development Plan (Regulatory Plan). As part of the Regulatory Plan, transition rate credits were implemented for customers on November 1, 1995, which are expected to reduce operating revenues by approximately $600,000,000 during the Regulatory Plan period, which expires December 31, 2005. The Regulatory Plan also established a revised fuel recovery rate formula, which eliminated the automatic pass-through of fuel costs to the Company's retail customers. Under the revised formula the fuel recovery rate will be adjusted based upon annual changes in the Gross Domestic Product Implicit Price Deflator.

All of the Company's regulatory assets are now being recovered under provisions of the Regulatory Plan. In addition, the PUCO ordered the Company to recognize additional depreciation expense related to its generating assets and additional amortization of regulatory assets during the ten-year Regulatory Plan period of at least $2,000,000,000 more than the amount that would have been recognized if the Regulatory Plan were not in effect. These additional amounts are being recovered through current rates. Among other provisions, the Regulatory Plan also limits the Company's annual earnings on common stock; any amounts otherwise earned in excess of the limitation would be credited to the Company's retail customers in a future period.

Materials and Supplies — The Companies recover fuel-related costs not otherwise included in base rates from retail customers through separate energy rates. Penn Power defers the difference between actual fuel-related costs incurred and the amounts currently recovered from customers, with any over or under collection from customers included as an adjustment to a subsequent energy rate. The Company followed this practice until July 1, 1995, at which time current period deferral for over or under collections ceased in accordance with the Regulatory Plan.

In 1995, the Company sold substantially all of its materials and supplies, except for those located at generating units not operated by the Company. No gain or loss resulted from this transaction. The buyer now provides all of the Company's materials and supplies under a consignment arrangement. In accordance with Statement of Financial Accounting Standards (SFAS) No. 49, "Accounting for Product Financing Arrangements," the materials and supplies continue to be reflected as assets on the Consolidated Balance Sheet even though the supplier owns the material.

Utility Plant and Depreciation — Utility plant reflects the original cost of construction, including payroll and related costs such as taxes, employee benefits, administrative and general costs and financing costs (allowance for funds used during construction).

The Companies provide for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. The annual composite rate for electric plant was approximately 3.0% in 1995, 1994 and 1993. In addition to the straight-line depreciation recognized in 1995, the Company also recognized $27,000,000 of additional depreciation in accordance with the Regulatory Plan.

Annual depreciation expense includes approximately $7,600,000 for future decommissioning costs applicable to the Companies' ownership and leasehold interests in three nuclear generating units. The Companies' share of the future obligation to decommission these units is approximately $399,000,000 in current dollars and (using a 2.8% escalation rate) approximately $865,000,000 in future dollars. The estimated obligation (based on site-specific studies) and the escalation rate were developed using information obtained from consultants. Payments for decommissioning are expected to begin in 2016, when actual decommissioning work begins. The Companies have recovered approximately $55,000,000 for decommissioning through their electric rates from customers through December 31, 1995; such amounts are reflected in the reserve for depreciation on the Consolidated Balance Sheet. If the actual costs of decommissioning the units exceed the funds accumulated from investing amounts recovered from customers, the Companies expect that additional amount will be recoverable from their customers. The Companies have approximately $65,100,000 invested in external decommissioning trust funds as of December 31, 1995. Earnings on these funds are reinvested with a corresponding increase to the depreciation reserve. The Companies have also recognized an estimated liability of approximately $18,000,000 related to decontamination and decommissioning of nuclear enrichment facilities operated by the United States Department of Energy (DOE), as required by the Energy Policy Act of 1992. The Companies recover these costs through their respective energy rates.

The Financial Accounting Standards Board (FASB) is reviewing the accounting for nuclear decommissioning costs. If current electric utility industry accounting prac-

tices for decommissioning are changed: (1) annual provisions for decommissioning could increase; (2) the full estimated cost for decommissioning could be recorded as a liability rather than as accumulated depreciation; and (3) income from the external decommissioning trusts could be reported as investment income. The FASB issued its proposed accounting standard in February 1996.

Common Ownership of Generating Facilities — The Companies and other Central Area Power Coordination Group (CAPCO) companies own, as tenants in common, various power generating facilities. Each of the companies is obligated to pay a share of the costs associated with any jointly owned facility in the same proportion as its interest. The Companies' portions of operating expenses associated with jointly owned facilities are included in the corresponding operating expenses on the Consolidated Statements of Income. The amounts reflected on the Consolidated Balance Sheet under utility plant at December 31, 1995, include the following:

Generating Units	Utility Plant in Service	Accumulated Provision for Depreciation	Construction Work in Progress	Companies' Ownership/ Leasehold Interest
	(In thousands)			
W.H. Sammis #7	$ 303,700	$ 89,900	$ 1,700	68.80%
Bruce Mansfield #1, #2 and #3	777,500	336,500	3,600	50.68%
Beaver Valley #1 and #2	1,849,900	606,600	3,600	47.11%
Perry #1	1,624,500	356,000	9,600	35.24%
Total	$4,555,600	$1,389,000	$18,500	

Nuclear Fuel — Nuclear fuel is recorded at original cost, which includes material, enrichment, fabrication and interest costs incurred prior to reactor load. The Companies amortize the cost of nuclear fuel based on the rate of consumption. The Companies' electric rates include amounts for the future disposal of spent nuclear fuel based upon the formula used to compute payments to the DOE.

Income Taxes — Details of the total provision for income taxes are shown on the Consolidated Statements of Taxes. Deferred income taxes result from timing differences in the recognition of revenues and expenses for tax and accounting purposes. Investment tax credits, which were deferred when utilized, are being amortized over the recovery period of the related property. The liability method is used to account for deferred income taxes. Deferred income tax liabilities related to tax and accounting basis differences are recognized at the statutory income tax rates in effect when the liabilities are expected to be paid.

Retirement Benefits — The Companies' trusteed, noncontributory defined benefit pension plan covers almost all full-time employees. Upon retirement, employees receive a monthly pension based on length of service and compensation. The Companies use the projected unit credit method for funding purposes and were not required to make pension contributions during the three years ended December 31, 1995.

The following sets forth the funded status of the plan and amounts recognized on the Consolidated Balance Sheets as of December 31:

	1995	1994
	(In thousands)	
Actuarial present value of benefit obligations:		
Vested benefits	$546,936	$483,850
Nonvested benefits	36,548	27,312
Accumulated benefit obligation	$583,484	$511,162
Plan assets at fair value	$857,961	$719,310
Actuarial present value of projected benefit obligation	685,180	593,931
Plan assets in excess of projected benefit obligation	172,781	125,379
Unrecognized net loss (gain)	(43,564)	8,868
Unrecognized prior service cost	24,704	12,755
Unrecognized net transition asset	(41,830)	(49,775)
Net pension asset	$112,091	$ 97,227

The assets of the plan consist primarily of common stocks, United States government bonds and corporate bonds. Net pension costs for the three years ended December 31, 1995, were computed as follows:

	1995	1994	1993
	(In thousands)		
Service cost – benefits earned during the period	$ 12,794	$ 15,159	$ 13,171
Interest on projected benefit obligation	48,135	45,299	42,723
Return on plan assets	(194,465)	8,344	(97,849)
Net deferral (amortization)	118,672	(89,324)	14,954
Voluntary early retirement program expense	—	37,299	6,014
Net pension cost	$(14,864)	$ 16,777	$(20,987)

The assumed discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5% in 1995 and 1993, and 8.5% in 1994. The assumed rate of increase in future compensation levels used to measure this obligation was 4.5% in each year. Expected long-term rates of return on plan assets were assumed to be 10% in 1995 and 1994 and 11% in 1993.

The Companies provide a minimum amount of noncontributory life insurance to retired employees in addition to optional contributory insurance. Health care benefits, which include certain employee deductibles and copayments, are also available to retired employees, their dependents and, under certain circumstances, their survivors. The Companies pay insurance premiums to cover a portion of these benefits in excess of set limits; all amounts up to the limits are paid by the Companies. The Companies recognize the expected cost of providing other postretirement benefits to employees and their beneficiaries and covered dependents from the time employees are hired until they become eligible to receive those benefits.

The following sets forth the funded status of the plan and amounts recognized on the Consolidated Balance Sheets as of December 31:

	1995	1994
	(In thousands)	
Accumulated postretirement benefit obligation allocation:		
Retirees	$148,169	$165,386
Fully eligible active plan participants	12,578	12,381
Other active plan participants	77,550	77,599
Accumulated postretirement benefit obligation	238,297	255,366
Plan assets at fair value	1,269	—
Accumulated postretirement benefit obligation in excess of plan assets	237,028	255,366
Unrecognized transition obligation	(152,263)	(183,196)
Unrecognized net loss	(17,038)	(23,425)
Net postretirement benefit liability	$ 67,727	$ 48,745

Net periodic postretirement benefit costs for the three years ended December 31, 1995, were computed as follows:

	1995	1994	1993
		(In thousands)	
Service cost – benefits attributed to the period	$ 4,499	$ 4,865	$ 3,929
Interest cost on accumulated benefit obligation	21,073	19,332	18,039
Amortization of transition obligation	10,178	10,178	10,178
Amortization of loss	110	787	—
Voluntary early retirement program expense	—	2,815	1,533
Net periodic postretirement benefit cost	$35,860	$37,977	$33,679

The health care trend rate assumption is 6.0% in the first year gradually decreasing to 4.0% for the year 2008 and later. The discount rates used to compute the accumulated postretirement benefit obligation were 7.5% in 1995 and 1993, and 8.5% in 1994. An increase in the health care trend rate assumption by one percentage point in all years would increase the accumulated postretirement benefit obligation by approximately $29,400,000 and the aggregate annual service and interest costs by approximately $3,500,000.

The Company deferred postretirement benefits until the Regulatory Plan became effective. The costs are no longer being deferred and are currently being recovered through rates along with the deferred amounts.

Earnings Per Share Of Common Stock — The American Institute of Certified Public Accountants issued its Statement of Position 93-6 (SOP) in late 1993, which changed generally accepted accounting principles relating to employee stock ownership plans (ESOP) for shares purchased after December 31, 1992. The Company's ESOP shares were purchased prior to that date, but the Company elected to adopt the SOP effective January 1, 1994. This change in accounting reduced net income by approximately $8,700,000 in 1994; the net effect to earnings per common share resulting from this change was an increase of six cents after eliminating unallocated ESOP shares from the computation.

Supplemental Cash Flows Information — All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Consolidated Balance Sheets. The Companies reflect temporary cash investments at cost, which approximates their market value. Noncash financing and investing activities included capital lease transactions amounting to $1,017,000, $3,613,000 and $1,487,000 for the years 1995, 1994 and 1993, respectively. Commercial paper transactions of OES Fuel (a wholly owned subsidiary of the Company) have initial maturity periods of three months or less, and accordingly are reported net within financing activities under long-term debt and are reflected as long-term debt on the Consolidated Balance Sheets (see Note 5F).

All borrowings with initial maturities of less than one year are defined as financial instruments under generally accepted accounting principles and are reported on the Consolidated Balance Sheets at cost, which approximates their fair market value. The following sets forth the approximate fair value and related carrying amounts of all other long-term debt, preferred stock subject to mandatory redemption and investments other than cash and cash equivalents as of December 31:

	1995		1994	
	Carrying Value	Fair Value	Carrying Value	Fair Value
		(In Millions)		
Long-term debt	$3,025	$3,152	$3,224	$3,062
Preferred stock	$ 160	$ 163	$ 40	$ 38
Investments other than cash and cash equivalents	$ 353	$ 394	$ 320	$ 317

The fair values of long-term debt and preferred stock reflect the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective year. The yields assumed were based on securities with similar characteristics offered by a corporation with credit ratings similar to the Companies' ratings.

The fair value of investments other than cash and cash equivalents represent cost (which approximates fair value) or the present value of the cash inflows based on the yield to maturity. The yields assumed were based on financial instruments with similar characteristics and terms. Investments other than cash and cash equivalents consist primarily of decommissioning trust investments of approximately $65,100,000 and a letter of credit collateral deposit of $277,763,000. Unrealized gains and losses applicable to the decommissioning trust have been recognized in the trust investment with a corresponding offset to the reserve for depreciation. The collateral deposit is in the held-to-maturity category with a maturity date of July 15, 2004. The fair value of the deposit at December 31, 1995, was $318,383,000. The Companies have no securities held for trading purposes.

Regulatory Assets — The Companies recognize, as regulatory assets, costs which the FERC, PUCO and PPUC have authorized for recovery from customers in future periods. Without such authorization, the costs would have been charged to income as incurred. All regulatory assets are being recovered from customers under the Company's Regulatory Plan. Penn Power's rates currently exclude approximately $61,000,000 of deferred costs. Based on the Company's Regulatory Plan and

Penn Power's expected rate treatment based on PPUC precedent, it is improbable that the Companies will be required to terminate application of SFAS No. 71 "Accounting for the Effects of Certain Types of Regulation" in the foreseeable future.

Regulatory assets on the Consolidated Balance Sheets are comprised of the following:

	1995	1994
	(In thousands)	
Nuclear unit expenses	$ 758,434	$ 771,538
Customer receivables for future income taxes	559,660	639,592
Sale and leaseback costs	231,435	242,033
Loss on reacquired debt	96,738	99,384
Employee postretirement benefit costs	32,397	27,055
Uncollectible customer accounts	32,540	44,368
Perry Unit 2 termination	39,639	38,066
DOE decommissioning and decontamination costs	19,310	21,170
Other	16,390	15,669
Total	$1,786,543	$1,898,875

2. CHANGE IN ACCOUNTING FOR UNBILLED REVENUES:

On January 1, 1993, the Companies changed their accounting policies to recognize revenue relating to metered sales which remain unbilled at the end of the accounting period. This change was made to more closely match the Companies' revenues with the costs of services provided. The cumulative effect to January 1, 1993, was $58,201,000 (net of $33,632,000 of income taxes) or $.38 per share.

3. PERRY UNIT 2 TERMINATION:

In December 1993, the Companies announced that they would not participate in further construction of Perry Unit 2 and abandoned Perry Unit 2 as a possible electric generating plant. The Company determined that recovery from customers of its Perry Unit 2 investment was improbable, resulting in a $366,377,000 write-off of its investment in 1993. Penn Power expects its Perry Unit 2 investment to be recoverable from its retail customers based on Section 520 of the Pennsylvania Public Utility Code. Due to the anticipated delay in commencement of recovery and taking into account the expected rate treatment, Penn Power recognized an impairment to its Perry Unit 2 investment of $24,458,000 in 1993. As a result, net income for the year ended December 31, 1993, was reduced by $248,743,000 ($1.63 per share of common stock).

4. LEASES:

The Companies lease a portion of their nuclear generating facilities, certain transmission facilities, office space and other property and equipment under cancelable and noncancelable leases.

The Company sold portions of its ownership interests in Perry Unit 1 and Beaver Valley Unit 2 and entered into operating leases on the portions sold for basic lease terms of approximately 29 years. During the terms of the leases the Company continues to be responsible, to the extent of its combined ownership and leasehold interest, for costs associated with the units including construction expenditures, operation and maintenance expenses, insurance, nuclear fuel, property taxes and decommissioning. The basic rental payments are adjusted when applicable federal tax law changes. The Company has the right, at the end of the respective basic lease terms, to renew the leases for up to two years. The Company also has the right to purchase the facilities at the expiration of the basic lease term or renewal term (if elected) at a price equal to the fair market value of the facilities.

OES Finance, Incorporated (OES Finance), a wholly owned subsidiary of the Company, was established in 1994 for the sole purpose of maintaining deposits pledged as collateral to secure reimbursement obligations relating to certain letters of credit supporting the Company's obligations to lessors under the Beaver Valley Unit 2 sale and leaseback arrangements. The deposits pledged to the financial institution providing those letters of credit are the sole property of OES Finance. In the event of liquidation, OES Finance, as a separate corporate entity, would have to satisfy its obligations to creditors before any of its assets could be made available to the Company as sole owner of OES Finance common stock.

Consistent with the regulatory treatment, the rental payments for capital and operating leases are charged to operating expenses on the Consolidated Statements of Income. Such costs for the three years ended December 31, 1995, are summarized as follows:

	1995	1994	1993
		(In thousands)	
Operating leases			
Interest element	$104,551	$100,980	$ 96,804
Other	13,896	14,530	15,418
Capital leases			
Interest element	6,983	7,483	7,896
Other	6,636	6,960	6,843
Total rental payments	$132,066	$129,953	$126,961

The future minimum lease payments as of December 31, 1995, are:

	Capital Leases	Operating Leases
	(In thousands)	
1996	$ 15,425	$ 108,495
1997	13,916	113,873
1998	12,678	120,779
1999	11,216	125,630
2000	9,888	124,887
Years thereafter	94,228	2,237,913
Total minimum lease payments	157,351	$2,831,577
Executory costs	40,527	
Net minimum lease payments	116,824	
Interest portion	68,603	
Present value of net minimum lease payment	48,221	
Less current portion	5,741	
Noncurrent portion	$ 42,480	

5. CAPITALIZATION:

(A) Retained Earnings — Under the Company's first mortgage indenture, the Company's consolidated retained earnings unrestricted for payment of cash dividends on the Company's common stock were $404,276,000 at December 31, 1995.

(B) Employee Stock Ownership Plan — The Companies fund the matching contribution for their 401(k) savings plan through an ESOP Trust. All full-time

employees eligible for participation in the 401(k) savings plan are covered by the ESOP. The ESOP borrowed $200,000,000 from the Company and acquired 10,654,114 shares of the Company's common stock on the open market. Dividends on ESOP shares are used to service the debt. Shares are released from the ESOP on a pro-rata basis as debt service payments are made. In 1995, 1994 and 1993, 412,914 shares, 532,250 shares and 369,956 shares, respectively, were allocated to employees with the corresponding expense recognized based on the shares allocated method. The fair value of 8,663,575 shares unallocated as of December 31, 1995, was approximately $203,594,000. Total ESOP-related compensation expense was calculated as follows:

	1995	1994	1993
		(In thousands)	
Base compensation	$ 8,994	$10,179	$ 6,799
Interest on ESOP debt	—	—	19,985
Dividends on common stock held by the ESOP and used to service debt	(2,503)	(1,966)	(15,944)
Interest earned by the ESOP	—	—	(275)
Total expense	$ 6,491	$ 8,213	$10,565

(C) Preferred Stock — Penn Power's 7.625% and 7.75% series of preferred stock have restrictions which prevent early redemption prior to October 1997 and July 2003, respectively. The Company's 8.45% series of preferred stock has no optional redemption provision, and its 7.75% series is not redeemable before April 1998. All other preferred stock may be redeemed by the Companies in whole, or in part, with 30-60 days' notice.

(D) Preferred Stock Subject to Mandatory Redemption — The Company's 8.45% series of preferred stock has an annual sinking fund requirement for 50,000 shares beginning on September 16, 1997. Penn Power's 7.625% series has an annual sinking fund requirement for 7,500 shares beginning on October 1, 2002.

The Companies' preferred shares are retired at $100 per share plus accrued dividends. Sinking fund requirements for the next five years are $5,000,000 in each year from 1997 through 2000.

(E) Company Obligated Mandatorily Redeemable Preferred Securities Of Subsidiary Trust Holding Solely Company Subordinated Debentures — Ohio Edison Financing Trust, a wholly owned subsidiary of the Company, was established in 1995 and issued $120,000,000 of 9% Cumulative Trust Preferred Capital Securities. The Company purchased all of the Trust's Common Securities and simultaneously issued to the Trust $123,711,350 principal amount of 9% Junior Subordinated Debentures due 2025 in exchange for the proceeds that the Trust received from its sale of Preferred and Common Securities. The sole assets of the Trust are the Subordinated Debentures whose interest and other payment dates coincide with the distribution and other payment dates on the Trust Securities. Under certain circumstances the Subordinated Debentures could be distributed to the holders of the outstanding Trust Securities in the event the Trust is liquidated. The Subordinated Debentures may be optionally redeemed beginning December 31, 2000, by the Company at a redemption price of $25 per Subordinated Debenture plus accrued interest, in which event the Trust Securities will be redeemed on a pro-rata basis at $25 per share plus accumulated distributions. The Company's obligations under the Subordinated Debentures along with the related Indenture, amended and restated Trust Agreement, Guarantee Agreement and the Agreement for expenses and liabilities constitute a full and unconditional guarantee by the Company of payments due on the Preferred Securities.

(F) Long-Term Debt — The first mortgage indentures and their supplements, which secure all of the Companies' first mortgage bonds, serve as direct first mortgage liens on substantially all property and franchises, other than specifically excepted property, owned by the Companies.

Based on the amount of bonds authenticated by the Trustee through December 31, 1995, the Company's annual sinking and improvement fund requirement for all bonds issued under the mortgage amounts to $30,056,000. The Company expects to deposit funds in 1996 that will be withdrawn upon the surrender for cancellation of a like principal amount of bonds, which are specifically authenticated for such purposes against unfunded property additions or against previously retired bonds. This method can result in minor increases in the amount of the annual sinking fund requirement.

Sinking fund requirements for first mortgage bonds and maturing long-term debt (excluding capital leases) for the next five years are:

1996	$370,975,000
1997	369,261,000
1998	258,683,000
1999	162,036,000
2000	116,473,000

Amounts shown above for 1996 include $38,300,000 of first mortgage bonds optionally redeemed in January 1996.

The Companies' obligations to repay certain pollution control revenue bonds are secured by several series of first mortgage bonds and, in some cases, by subordinate liens on the related pollution control facilities. Certain pollution control revenue bonds are entitled to the benefit of irrevocable bank letters of credit of $338,831,000. To the extent that drawings are made under those letters of credit to pay principal of, or interest on, the pollution control revenue bonds, the Company is entitled to a credit against its obligation to repay those bonds. The Company pays annual fees of 0.55% to 0.875% of the amounts of the letters of credit to the issuing banks and is obligated to reimburse the banks for any drawings thereunder.

Nuclear fuel purchases are financed through the issuance of OES Fuel commercial paper and loans, both of which are supported by a $225,000,000 long-term bank credit agreement which expires March 31, 1998. Accordingly, the commercial paper and loans are reflected as long-term debt on the Consolidated Balance Sheets. OES Fuel must pay an annual facility fee of 0.1875% on the total line of credit and an annual commitment fee of 0.0625% on any unused amount.

6. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT:

Short-term borrowings outstanding at December 31, 1995, represent debt of OES Capital, Incorporated (OES Capital), a wholly owned subsidiary of the Company. Those borrowings are secured by customer accounts receivable. OES Capital can borrow up to $120,000,000 under a receivables financing agreement at rates based on certain bank commercial paper. OES Capital is required to pay an annual fee of 0.41% on the amount of the entire finance limit. The receivables financing agreement expires April 23, 1996. The Company plans to negotiate an extension to this agreement.

The Companies have lines of credit with domestic banks that provide for borrowings of up to $52,000,000 under various interest rate options. Short-term borrowings may be made under these lines of credit on the Companies' unsecured notes. To assure the availability of these lines, the Companies are required to pay annual commitment fees that vary from 0.22% to 0.50%. These lines expire at various times during 1996. The weighted average interest rates on short-term borrowings outstanding at December 31, 1995 and 1994, were 5.67% and 5.76%, respectively.

7. COMMITMENTS, GUARANTEES AND CONTINGENCIES:

Construction Program — The Companies' current forecasts reflect expenditures of approximately $650,000,000 for property additions and improvements from 1996-2000, of which approximately $160,000,000 is applicable to 1996. Investments for additional nuclear fuel during the 1996-2000 period are estimated to be approximately $180,000,000, of which approximately $29,000,000 applies to 1996. During the same periods, the Companies' nuclear fuel investments are expected to be reduced by approximately $191,000,000 and $39,000,000, respectively, as the nuclear fuel is consumed.

Nuclear Insurance — The Price-Anderson Act limits the public liability relative to a single incident at a nuclear power plant to $8,920,000,000. The amount is covered by a combination of private insurance and an industry retrospective rating plan. Based on their present ownership and leasehold interests in the Beaver Valley Station and the Perry Plant, the Companies' maximum potential assessment under the industry retrospective rating plan (assuming the other CAPCO companies were to contribute their proportionate share of any assessments under the retrospective rating plan) would be $102,800,000 per incident but not more than $13,000,000 in any one year for each incident.

The Companies are also insured as to their respective interests in the Beaver Valley Station and the Perry Plant under policies issued to the operating company for each plant. Under these policies, up to $2,750,000,000 is provided for property damage and decontamination and decommissioning costs. The Companies have also obtained approximately $414,000,000 of insurance coverage for replacement power costs for their respective interests in Perry and Beaver Valley. Under these policies, the Companies can be assessed a maximum of approximately $17,400,000 for incidents at any covered nuclear facility occurring during a policy year which are in excess of accumulated funds available to the insurer for paying losses.

The Companies intend to maintain insurance against nuclear risks as described above as long as it is available. To the extent that replacement power, property damage, decontamination, decommissioning, repair and replacement costs and other such costs arising from a nuclear incident at any of the Companies' plants exceed the policy limits of the insurance in effect with respect to that plant, to the extent a nuclear incident is determined not to be covered by the Companies' insurance policies, or to the extent such insurance becomes unavailable in the future, the Companies would remain at risk for such costs.

Guarantees — The Companies, together with the other CAPCO companies, have each severally guaranteed certain debt and lease obligations in connection with a coal supply contract for the Bruce Mansfield Plant. As of December 31, 1995, the Companies' shares of the guarantees (which approximate fair market value) were $72,851,000. The price under the coal supply contract, which includes certain minimum payments, has been determined to be sufficient to satisfy the debt and lease obligations. The Companies' total payments under the coal supply contract were $120,015,000, $99,774,000 and $114,572,000 during 1995, 1994 and 1993, respectively. Under the coal supply contract, the Companies' minimum payments in each year during the period 1996 through 1999 are approximately $35,000,000.

Environmental Matters — Various federal, state and local authorities regulate the Companies with regard to air and water quality and other environmental matters. The Companies have estimated additional capital expenditures for environmental compliance of approximately $17,000,000, which is included in the construction forecast provided under "Construction Program" for 1996 through 2000.

The Companies are in compliance with the sulfur dioxide (SO_2) and nitrogen oxides (NO_x) reduction requirements for 1995 under the Clean Air Act Amendments of 1990. SO_2 reductions for the years 1995 through 1999 are being achieved by burning lower-sulfur fuel, generating more electricity from lower-emitting plants, and/or purchasing emission allowances. Plans for complying with reductions required for the year 2000 and thereafter have not been finalized. The Environmental Protection Agency (EPA) is conducting additional studies which could indicate the need for additional NO_x reductions from the Companies' Pennsylvania facilities by the year 2003. The cost of such reductions, if required, may be substantial. The Companies continue to evaluate their compliance plans and other compliance options.

The Companies are required to meet federally approved SO_2 regulations. Violations of such regulations can result in shutdown of the generating unit involved and/or civil or criminal penalties of up to $25,000 for each day the unit is in violation. The EPA has an interim enforcement policy for SO_2 regulations in Ohio that allows for compliance based on a 30-day averaging period. The EPA has proposed regulations that could change the interim enforcement policy, including the method of determining compliance with emission limits. The Companies cannot predict what action the EPA may take

in the future with respect to proposed regulations or the interim enforcement policy.

Legislative, administrative and judicial actions will continue to change the way that the Companies must operate in order to comply with environmental laws and regulations. With respect to any such changes and to the environmental matters described above, the Companies expect that any resulting additional capital costs which may be required, as well as any required increase in operating costs, would ultimately be recovered from their customers.

8. SUMMARY OF QUARTERLY FINANCIAL DATA (UNAUDITED):

The following summarizes certain consolidated operating results by quarter for 1995 and 1994.

Three Months Ended	March 31, 1995	June 30, 1995	September 30, 1995	December 31, 1995
	(in thousands, except per share amounts)			
Operating Revenues	$587,734	$593,838	$667,013	$617,261
Operating Expenses and Taxes	453,921	454,424	508,024	482,859
Operating Income	133,813	139,414	158,989	134,402
Other Income	2,997	3,829	1,190	6,408
Net Interest and Other Charges	65,214	66,192	67,127	65,268
Net Income	$ 71,596	$ 77,051	$ 93,052	$ 75,542
Earnings on Common Stock	$ 66,237	$ 71,514	$ 87,703	$ 69,293
Earnings per Share of Common Stock	$.46	$.50	$.61	$.48

Three Months Ended	March 31, 1994	June 30, 1994	September 30, 1994	December 31, 1994
	(In thousands, except per share amounts)			
Operating Revenues	$601,248	$585,428	$614,390	$ 567,125
Operating Expenses and Taxes	468,850	447,353	462,573	432,161
Operating Income	132,398	138,075	151,817	134,964
Other Income	2,255	3,534	5,032	5,638
Net Interest and Other Charges	66,723	67,569	68,624	67,266
Net Income	$ 67,930	$ 74,040	$ 88,225	$ 73,336
Earnings on Common Stock	$ 62,329	$ 68,681	$ 82,869	$ 67,973
Earnings per Share of Common Stock	$.44	$.48	$.58	$.47

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of Ohio Edison Company (an Ohio corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, retained earnings, capital stock and other paid-in capital, cash flows and taxes for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Edison Company and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 1993, the Company changed its method of accounting for unbilled revenues.

Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Cleveland, Ohio
February 8, 1996

Consolidated Financial And Operating Statistics

Ohio Edison Company

	1995	1994	1993	1992	1991	1990	1985
GENERAL FINANCIAL INFORMATION (Dollars in thousands)							
Operating Revenues	$2,465,846	$2,368,191	$2,369,940	$2,332,378	$2,358,946	$2,240,646	$1,764,668
Operating Income	$ 566,618	$ 557,254	$ 525,330	$ 522,115	$ 550,452	$ 510,279	$ 380,354
Earnings on Common Stock	$ 294,747	$ 281,852	$ 59,017	$ 253,060	$ 240,069	$ 254,048	$ 318,073
SEC Ratio of Earnings to Fixed Charges	2.32	2.24	1.12	2.01	1.95	1.97	2.26
Net Utility Plant	$5,695,449	$5,834,903	$5,877,676	$5,938,410	$5,985,415	$6,049,219	$6,644,750
Capital Expenditures	$ 196,041	$ 258,642	$ 263,179	$ 252,592	$ 235,622	$ 270,993	$ 826,994
Total Capitalization	$5,565,997	$5,852,030	$5,656,295	$5,943,913	$6,034,935	$6,067,469	$6,343,339
Capitalization Ratios:							
Common Stockholders' Equity	43.3 %	39.6 %	39.7 %	40.5 %	39.3 %	41.9 %	35.2 %
Preferred and Preference Stock:							
Not Subject to Mandatory Redemption	3.8	5.6	5.8	6.0	5.9	5.9	7.4
Subject to Mandatory Redemption	2.9	0.7	0.8	1.0	1.1	1.0	2.8
Long-Term Debt	50.0	54.1	53.7	52.5	53.7	51.2	54.6
Total Capitalization	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Average Capital Costs:							
Preferred and Preference Stock	7.59 %	7.15 %	6.86 %	7.32 %	7.60 %	8.59 %	10.00 %
Long-Term Debt	8.00 %	8.17 %	8.27 %	8.53 %	8.75 %	9.28 %	10.88 %
COMMON STOCK DATA							
Earnings per Share*	$2.05	$1.97	$1.82	$1.70	$1.60	$1.67	$2.45
Return on Average Common Equity*	12.5 %	12.4 %	11.4 %	10.8 %	9.9 %	9.9 %	15.2 %
Dividends Paid per Share	$1.50	$1.50	$1.50	$1.50	$1.50	$1.73	$1.88
Dividend Payout Ratio*	73 %	76 %	82 %	88 %	94 %	104 %	77 %
Dividend Yield	6.4 %	8.1 %	6.6 %	6.5 %	7.3 %	8.8 %	11.5 %
Price/Earnings Ratio*	11.5	9.4	12.5	13.6	12.8	10.3	6.7
Book Value per Share	$16.73	$16.15	$14.70	$15.78	$15.55	$16.68	$16.30
Market Price per Share	$23.50	$18.50	$22.75	$23.125	$20.50	$17.125	$16.375
Ratio of Market Price to Book Value	140 %	115 %	155 %	147 %	132 %	103 %	100 %
KILOWATT-HOUR SALES (Millions):							
Residential	8,546	8,201	8,237	7,685	7,908	7,527	6,791
Commercial	7,151	6,885	6,787	6,479	6,608	6,370	5,266
Industrial	10,513	9,841	9,874	9,750	9,598	9,872	8,751
Other	146	144	144	145	143	144	161
Total Retail	26,356	25,071	25,042	24,059	24,257	23,913	20,969
Total Wholesale	6,920	5,879	7,162	8,126	7,456	8,210	8,352
Total	33,276	30,950	32,204	32,185	31,713	32,123	29,321
CUSTOMERS SERVED:							
Residential	978,118	968,483	957,867	944,927	935,547	928,026	888,107
Commercial	111,978	109,832	107,401	105,792	104,462	103,297	96,048
Industrial	4,268	3,786	3,685	3,467	3,361	3,032	2,021
Other	1,308	1,226	1,199	1,151	1,094	1,061	892
Total	1,095,672	1,083,327	1,070,152	1,055,337	1,044,464	1,035,416	987,068
Average Annual Residential kWh Usage	8,787	8,524	8,660	8,182	8,498	8,159	7,682
Cost of Fuel per Million Btu	$1.18	$1.21	$1.26	$1.26	$1.27	$1.27	$1.47
Peak Load-Megawatts	6,332	5,744	5,729	5,247	5,513	5,394	4,084
Number of Employees	4,812	5,166	5,978	6,263	6,481	6,792	7,496

*Before net nonrecurring charges in 1993.

Investor Services

Transfer Agent And Registrar

Ohio Edison acts as its own Transfer Agent and Registrar for its stock and first mortgage bonds.

For assistance or information, shareholders and first mortgage bondholders can write to Investor Services, Ohio Edison Company, 76 South Main Street, Akron, Ohio 44308-1890, or call the following toll-free telephone number: 1-800-736-3402. The toll-free number is valid in the United States, Canada, Puerto Rico and the Virgin Islands. Business hours are 8 a.m. to 4:30 p.m., Eastern time, Monday through Friday.

Stock Listing And Trading

Ohio Edison common stock is listed on the New York and Chicago stock exchanges under the "OEC" trading symbol. Newspapers usually use "OhioEd" in their listings.

Dividends

Proposed dates for the payment of common stock dividends in 1996 are as follows:

Ex-Dividend Date	Record Date	Payment Date
March 5	March 7	March 29
June 5	June 7	June 28
September 5	September 9	September 30
December 4	December 6	December 31

Direct Dividend Deposit

Shareholders can have their dividends electronically deposited into their bank checking or savings account. To receive an authorization form, contact Investor Services.

Sharebuilder Investment Plan

The Company's Sharebuilder Investment Plan provides an opportunity for registered shareholders to acquire or sell shares of Ohio Edison common stock. Participants may invest all or some of their dividends or make optional cash payments of up to $50,000 annually. To receive an enrollment form, contact Investor Services.

Safekeeping Of Shares

The Company will hold shares of common stock in safekeeping at the shareholder's request. To take advantage of this service, the shareholder should forward the common stock certificate(s) to the Company along with a signed letter requesting that the Company hold the shares and stating whether future dividends for the shares being forwarded are to be reinvested or paid in cash. The certificate(s) should not be endorsed, and registered mail is suggested. The Company will hold the shares in uncertificated form and will make certificates available to shareholders upon request.

Multiple Annual Reports

You may be receiving more than one copy of the annual report if you have more than one stock account. If you want to maintain separate stock accounts but eliminate multiple copies, please write to Investor Services and request that we stop mailing an annual report to a particular account. Be sure to provide the exact registration of the stock account for which you want the annual report mailing stopped. Dividends and proxy material will continue to be sent for each account.

Combining Stock Accounts

If you have more than one stock account and wish to combine them, please write or call Investor Services and specify the account that you would like to retain as well as the registration of each of your accounts. We will either combine your accounts or contact you if we need additional documentation.

Form 10-K Annual Report

Form 10-K, the Annual Report to the Securities and Exchange Commission, will be sent without charge upon written request to Nancy C. Ashcom, Secretary, Ohio Edison Company, 76 South Main Street, Akron, Ohio 44308-1890.

Institutional Investor/Security Analyst Inquiries

Institutional investors and security analysts should direct inquiries to:

Richard H. Marsh, Treasurer, 330-384-5318

Theodore F. Struck II, Assistant Treasurer and Assistant Secretary, 330-384-5202

Gregory F. LaFlame, Manager, Investor Relations, 330-384-5500

Annual Meeting Of Shareholders

We invite shareholders to attend the 1996 Annual Meeting of Shareholders on Thursday, April 25, at 10 a.m., in the Company's General Office in Akron, Ohio. Registered holders of common stock not attending can vote on the items of business by completing and returning the proxy card that is mailed about 40 days before the meeting. Shareholders whose shares are held in the name of a broker can attend the meeting if they present a letter from the broker indicating ownership of Ohio Edison common stock on March 7, 1996.

Board/Management Changes

The Board elected Russell W. Maier, chairman and chief executive officer of Republic Engineered Steels, Inc., to serve as a director of the Company, effective December 19, 1995.

Robert H. Carlson, a director of the Company since 1987 and a director of Pennsylvania Power since 1983, will retire from both Boards in 1996. We greatly benefited from his guidance and expertise during his years of service.

Anthony N. Gorant, former senior vice president in charge of division operations and customer service, retired in November 1995 after 42 years of outstanding service with the Company. Daniel P. Zeno, former vice president in charge of governmental affairs, retired in June 1995 following 20 years of distinguished service with the Company.

Charles E. Jones, former Lake Erie Division manager, was named president of our subsidiary, Pennsylvania Power. Mr. Jones replaced H. Peter Burg, who had been serving as interim president.

We are saddened to report the passing of Douglas W. Tschappat, retired executive vice president and vice chairman of the Board, in January 1996. Mr. Tschappat provided strong leadership, wise counsel and dedicated service during his 41-year career with the Company.

Board of Directors

Donald C. Blasius, 66
Retired, formerly President of White Consolidated Industries, Inc., Cleveland, Ohio (home and commercial appliances, outdoor and industrial products). Chairman, Nominating Committee; Member, Finance Committee. Elected 1981

H. Peter Burg, 49
Senior Vice President and Chief Financial Officer of Ohio Edison. Member, Finance Committee. Elected 1989

Robert H. Carlson, 69
Retired, formerly President and Chief Executive Officer of Universal-Rundle Corporation, New Castle, Pennsylvania (plumbing fixtures). Member, Audit and Nuclear committees. Elected 1987

Robert M. Carter, 45
Partner, Carter & Associates, Cleveland, Ohio (law firm). Member, Audit Committee. Elected 1994

Dr. Carol A. Cartwright, 54
President, Kent State University, Kent, Ohio. Member, Nominating Committee. Elected 1992

Willard R. Holland, 59
President and Chief Executive Officer of Ohio Edison and Chairman of the Board and Chief Executive Officer of its subsidiary, Pennsylvania Power. Chairman, Finance Committee; Member, Nominating Committee. Elected 1991

Robert L. Loughhead, 66
Retired, formerly Chairman of the Board, President and Chief Executive Officer of Weirton Steel Corporation, Weirton, West Virginia (steel products). Chairman, Compensation Committee; Member, Audit Committee. Elected 1980

Russell W. Maier, 59
Chairman and Chief Executive Officer of Republic Engineered Steels, Inc., Massillon, Ohio (specialty steel bar). Member, Nuclear Committee. Elected 1995

Glenn H. Meadows, 66
Retired, formerly President and Chief Executive Officer of McNeil Corporation, Akron, Ohio (manufactured products). Chairman, Audit Committee; Member, Compensation and Nuclear committees. Elected 1981

Paul J. Powers, 61
Chairman of the Board and Chief Executive Officer of Commercial Intertech Corporation, Youngstown, Ohio (engineered metal components). Member, Compensation Committee. Elected 1992

Charles W. Rainger, 62
President of Sandusky International Inc., Sandusky, Ohio (centrifugal castings). Member, Nominating and Nuclear committees. Elected 1987

George M. Smart, 50
Chairman of the Board and President of Phoenix Packaging Corporation, North Canton, Ohio (easy-opening lids). Member, Finance Committee. Elected 1988

Jesse T. Williams, Sr., 56
Vice President, Human Resources Policy and Employment Practices of The Goodyear Tire & Rubber Company, Akron, Ohio (tires and rubber-related products). Member, Compensation Committee. Elected 1992

Officers

Willard R. Holland
President and Chief Executive Officer

Anthony J. Alexander
Senior Vice President and General Counsel

H. Peter Burg
Senior Vice President and Chief Financial Officer

Robert J. McWhorter
Senior Vice President

Earl T. Carey
Vice President

Arthur R. Garfield
Vice President

John A. Gill
Vice President

Barry M. Miller
Vice President

David L. Yeager
Vice President

Nancy C. Ashcom
Secretary

Richard H. Marsh
Treasurer

Harvey L. Wagner
Comptroller

Theodore F. Struck II
Assistant Treasurer and Assistant Secretary

Howard J. Tuber
Assistant Comptroller

Division Managers

Guy L. Pipitone
Akron Division

Thomas A. Clark
Springfield Division

R. Joseph Hrach
Stark Division

Gary M. Stair
Western Division

Douglas S. Elliott
Youngstown Division

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