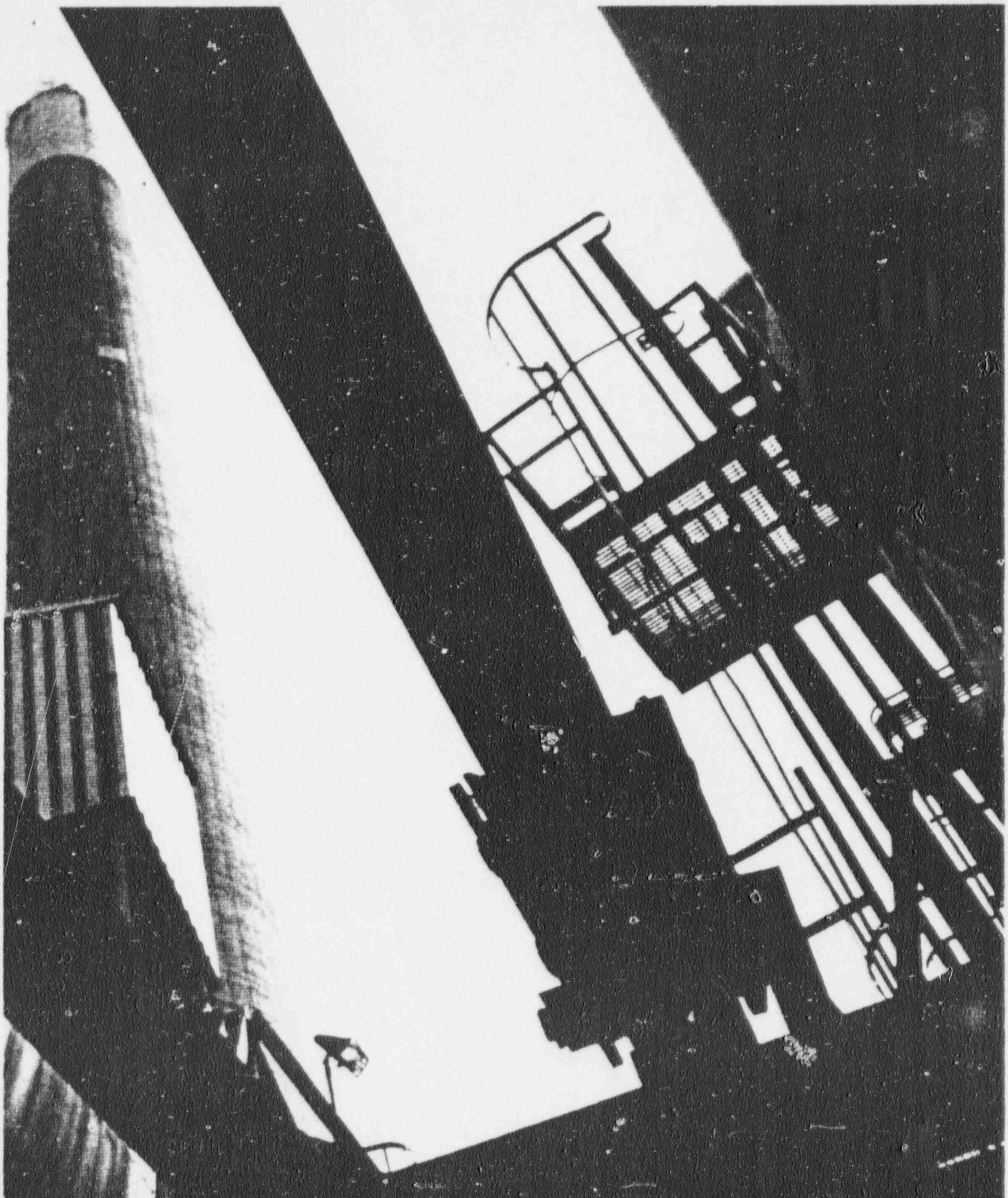


Ohio Edison 1980 Annual Report

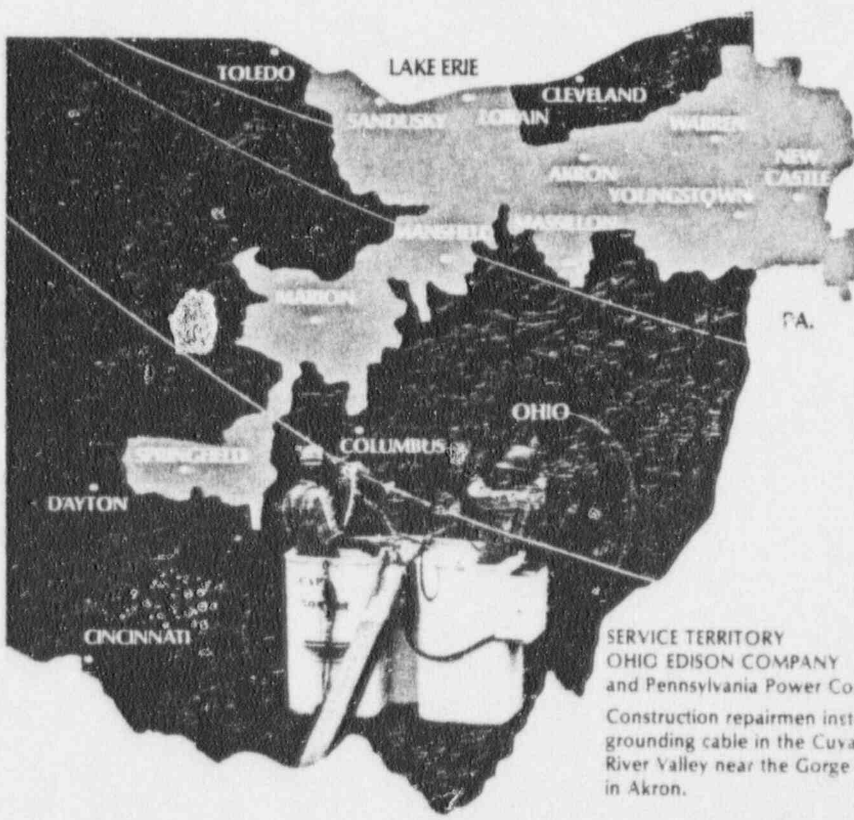
Ohio Edison Company and Subsidiary

Ohio Edison Company, with headquarters at Akron, Ohio, provides electric service to about 834,000 customers in an area of approximately 7,500 square miles in central and northeastern Ohio. The Company's wholly-owned subsidiary, Pennsylvania Power Company, with headquarters at New Castle, Pennsylvania, provides electric service to about 123,000 customers in an area of approximately 1,500 square miles in western Pennsylvania.

Continuing Commitment

Ohio Edison's 50th anniversary last year provided us an opportunity to recall the many ways electricity has improved people's lives over the years. Ever since the incandescent light bulb replaced the kerosene lamp, electricity has grown in importance—so much so that it has become an indispensable ingredient in every segment of today's society.

People at Ohio Edision are proud of our past achievements, and we will continue our commitment of meeting customers' ever-changing and growing need for electricity.



SERVICE TERRITORY
OHIO EDISON COMPANY
and Pennsylvania Power Company

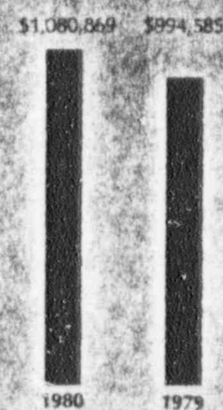
Construction repairmen install grounding cable in the Cuyahoga River Valley near the Gorge Plant in Akron.

Table of Contents

ABOUT THE COVER: View from underneath the 950-foot chimney for Units 1 and 2 at the Bruce Mansfield Plant. The Plant's third coal-fired unit was placed in commercial operation in September, 1980.

Financial Highlights

Brief Summary of Operations
Ohio Edison Company and subsidiary, Pennsylvania Power Company



Total Operating Revenues

For the Years Ended December 31	1980	1979
	(In thousands, except per share amounts)	
SOURCES OF INCOME:		
Operating revenues—		
From sale of electricity and steam and miscellaneous revenues	$1,080,869	$ 994,585
Other income and deductions, net	96,836	73,159
Total	$1,177,705	$1,067,744
DISTRIBUTION OF INCOME:		
Wages to employees, including costs of pensions, group life insurance, hospitalization and other benefits	$ 119,181	$ 103,097
Cost of fuel	364,894	316,536
Operating taxes—Federal, state and local	136,762	131,120
Provision for depreciation	85,455	81,224
Materials and supplies and other expenses	179,105	138,551
Electricity purchased, plus net interchange with other electric utility companies	26,089	60,313
Net interest charges	125,837	97,436
Capital stock issuance expense	249	564
Preferred and preference stock dividends	38,956	34,610
Common stock dividends	118,137	103,356
Retained income	(16,960)	937
Total	$1,177,705	$1,067,744
EARNINGS PER SHARE OF COMMON STOCK	$1.52	$1.80

Year In Review

Justin T. Rogers, Jr.

The year 1980 was one of tough decisions and important accomplishments for the Companies. It was a year in which we achieved a marked improvement in power plant performance, eased our financial burden, resolved complex environmental and legal matters, negotiated a long-term, no-strike agreement with plant employees, initiated innovative financing programs and ended our involvement in the unprofitable steam-heating business in Akron and Youngstown.

However, the benefits we derived from these achievements were not fully realized because of last year's adverse economic conditions. The effects of inflation and high interest rates coupled with a 9.4 percent drop in kilowatt-hour sales to industrial customers were largely responsible for the 15.6 percent decrease in earnings per share of common stock in 1980. Earnings per share for the year were $1.52 compared to $1.80 in 1979.

Even though earnings per share in 1980 were below our goal and less than the current annual dividend ($1.76 per share), your Board of Directors, utilizing $16.7 million in retained earnings, was able to declare an unchanged quarterly dividend of 44¢ per share of common stock for each quarter of 1980.

New Rates Approved

On March 4, 1981, we filed an application with The Public Utilities Commission of Ohio (PUCO) seeking a $139.2 million rate increase. A final ruling by the PUCO on this proposed rate increase is not expected until late 1981 or early 1982.

You will recall that on January 30, 1980, the PUCO granted the Company an additional $25.4 million of the $128.4 million permanent rate increase request we filed for in April, 1979. The Commission in May, 1979, granted us an $86.2 million emergency rate increase pending their final decision in the case. The total increase amounted to $111.6 million of the $128.4 million requested.

While we were successful in obtaining other rate increases later in 1980 and in February, 1981, the rates approved by the Ohio and Pennsylvania regulatory commissions fell short of what was needed to offset the effects of inflation and mounting environmental costs. We were granted a total of $101.2 million, or 75 percent, of the $135.7 million applied for in rate increase applications filed with the regulatory commissions last year.

A $10.6 million interim rate increase affecting the 21 Ohio municipal electric systems we serve at wholesale became effective January 10, 1981. This interim increase, which is subject to refund, is part of the $13.9 million we originally sought in an application filed with the Federal Energy Regulatory Commission on June 10, 1980. Public hearings to consider the full amount of our request are scheduled to begin in May.

Power Plant Performance Continues to Improve

It is a pleasure to report that we exceeded our objective of achieving an equivalent generating unit availability of 71 percent in 1980 with a 72.1 percent rating, improving upon the 65 percent availability we averaged in 1979. Overall, we realized better operating results at all our power plants last year—an accomplishment which is properly a source of pride to the employees involved.

We also achieved a 21 percent reduction in the amount of power received from other companies compared to 1979. At the same time, our deliveries of power to other companies increased 38 percent.

Contributing to these achievements was the joining of employee and management efforts at the W. H. Sammis Plant, which represents 36 percent of our total generating capacity. These efforts included reorganizing the Plant into two subplants—four generating units in one,

three in the other. By dividing the Plant, we were able to place greater emphasis on planning and maintenance to reduce costly downtime and improve unit availability.

In September, 1980, the third and final coal-fired generating unit at the $1.3 billion Bruce Mansfield Plant was placed in commercial operation and has performed well. We own 50.7 percent, or 1,196 megawatts, of the total generating capacity of the Plant, which is jointly owned by the five companies comprising the Central Area Power Coordination Group (CAPCO).

'No-Strike' Agreement Negotiated

We were successful in negotiating new two-year agreements with union-represented employees which included improved benefits and wage increases that satisfied federal wage guidelines.

The agreement with Edison employees represented by [illegible]ility Workers Union of America at [illegible]ur of our largest power plants contains a provision unique to the electric utility industry—it provides the means for settling the next three labor agreements without the threat of strikes.

Major Cost Savings Achieved

As reported to you last year, the CAPCO companies agreed to terminate construction of four nuclear generating units in northern Ohio, the estimated cost of which was $7.3 billion, with $3.1 billion of that amount representing our share. We also delayed, for up to three years, three CAPCO nuclear units now under construction which are scheduled to be operational in the mid- to late [illegible].

We eliminated continuing operating losses that in 1979 alone totaled nearly $2 million by selling two of the Company's three steam-heating systems. In September, 1980, the city of Akron assumed ownership of our downtown steam-heating system, and an order issued by the PUCO allowed us to sell our downtown Youngstown steam system to the Youngstown Thermal Corporation. Also, we received approval from the PUCO to phase out steam service for our last few customers in Springfield by May, 1981.

Innovative Financing Programs Initiated

In fulfilling our obligations to meet customer needs for electricity, we spent more than $5[illegible]5 million last year on system improvements and power plant construction. Through 1985, system improvements and additions will amount to about $2.7 billion, with approximately $518 million of that amount earmarked for environmental projects.

However, high interest rates and a tight money market have made it increasingly difficult to raise the capital required to meet these needs.

In an innovative response to these obligations, we established the Ohio Edison Energy Trust to finance a portion of our share of the cost for Beaver Valley Unit 2 and completed negotiations which will make European money available to us. Together, these new sources of funding make available up to $530 million in financing.

Favorable Settlements Reached

We settled, in the past year, long-standing environmental cases which threatened to impose heavy fines and penalties on the Company.

The most critical cases involved suits filed by the Justice Department on behalf of the U.S. Environmental Protection Agency (EPA) over alleged particulate emission excesses primarily from the Sammis Plant and also other plants in Ohio. In December, 1980, after nearly four years of negotiations, a tentative agreement was reached in which we will pay a civil penalty amounting to nearly $1.4 million, considerably less than the $35 million the Agency originally sought. And, as long as we comply with the two consent orders we signed, the EPA will not enforce actions relating to other civil penalties and will assign low priority to non-compliance penalties. The latter could involve millions of dollars.

We also agreed to operate the Sammis Plant's three largest units under a reduced particulate emission rate for 10 years and install air pollution monitors on a number of generating units in our system.

A favorable settlement was reached earlier in 1980 resulting in our dismissal from legal proceedings in an antitrust case brought by the city of Cleveland against the CAPCO Group. The $327 million lawsuit alleged, in part, that the CAPCO companies violated the Sherman and Clayton Acts to the detriment of the operation of the city's municipal electric plant.

The agreement, which in no way conceded any liability, included providing the Cleveland system our engineering expertise over a two-year period and a cash payment of $500,000. In doing so, we eliminated our unnecessary involvement in a lengthy, complicated and extremely costly trial. Moreover, we avoided a burdensome expense to our customers and to you, our stockholders.

Groundwork Laid for Future Progress

While there's no denying that the challenges ahead will be no easier than the ones we experienced this past year, I believe our achievements in 1980 have placed us in a stronger position to improve our financial condition and performance. I am optimistic that the proven performance of our people and the support of our stockholders and customers will enable us to attain those goals.

Justin T. Rogers, Jr.

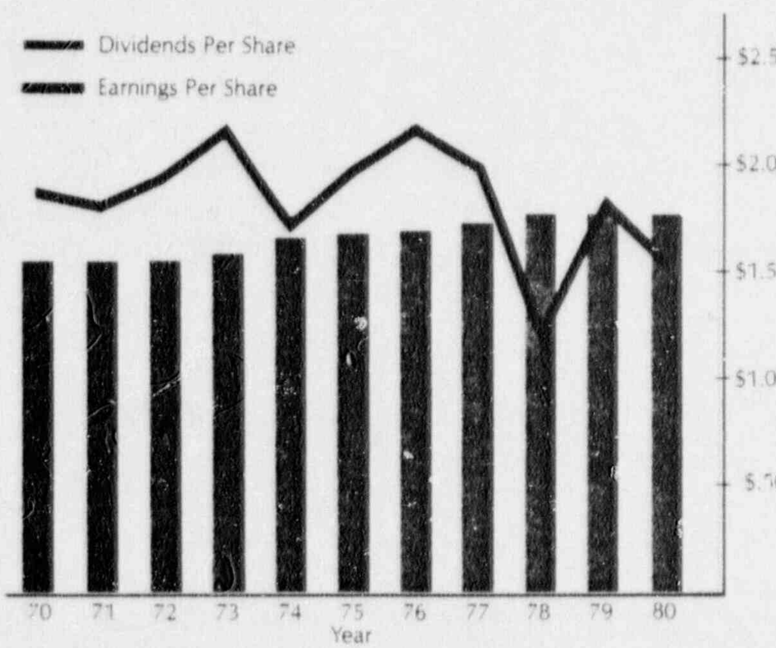
Justin T. Rogers, Jr.
President
March 13, 1981, Akron, Ohio

Financial Performance

Electric Sales and Revenues

Ohio Edison and Pennsylvania Power customers used approximately 22.4 billion kilowatt-hours of electricity in 1980, a decrease of 2.5 percent as compared to customer use in 1979. The main reason for the decrease in total kilowatt-hour sales last year was the 9.4 percent drop in electric use by industrial customers whose operations were curtailed as a result of the recession. Kilowatt-hour sales to residential customers increased 2.3 percent and sales to commercial customers were up 2.5 percent.

Despite the sharp decrease in sales to industrial customers, revenues from electric sales increased by 9.5 percent, from $968.7 million in 1979 to $1.1 billion in 1980. This increase was due primarily to rate increases which became effective during the year and through fuel adjustment clause recoveries which reflected increases in the cost of coal and other fuels in 1980.



Operating Expenses

Operating expenses for the year totaled $774.7 million—an increase of $75 million, or 10.7 percent, over 1979.

Fuel costs continued to be the major expense item, accounting for 34 cents out of every revenue dollar received in 1980. These costs totaled $364.9 million—a 15.3 percent increase over 1979.

Net purchased and interchange power costs—our exchanges of electricity with other electric companies—totaling $26.1 million in 1980, decreased by $34.2 million, or 56.7 percent, from 1979. This drop was attributable to the improved availability of our generating units.

Other operation and maintenance costs for 1980 increased by $56.6 million, or 23.4 percent, to $298.3 million. These increases resulted mainly from increases in the cost of labor, materials, services and an intensified preventive maintenance program at our power plants.

Interest and Dividends

Interest and other charges increased 28.4 percent to $131.1 million in 1980, compared to $102.1 million in 1979, due to increased long-term debt outstanding and abnormally high interest rates, as well as dividends paid on a new series of preferred stock issued by Pennsylvania Power in April, 1980.

Preferred and preference stock dividends were $33.7 million in 1980, compared to $29.7 million in 1979. This increase reflects payment of a full-year's dividend on preference stock sold by Ohio Edison in July and October, 1979.

Net Income for Common Stock

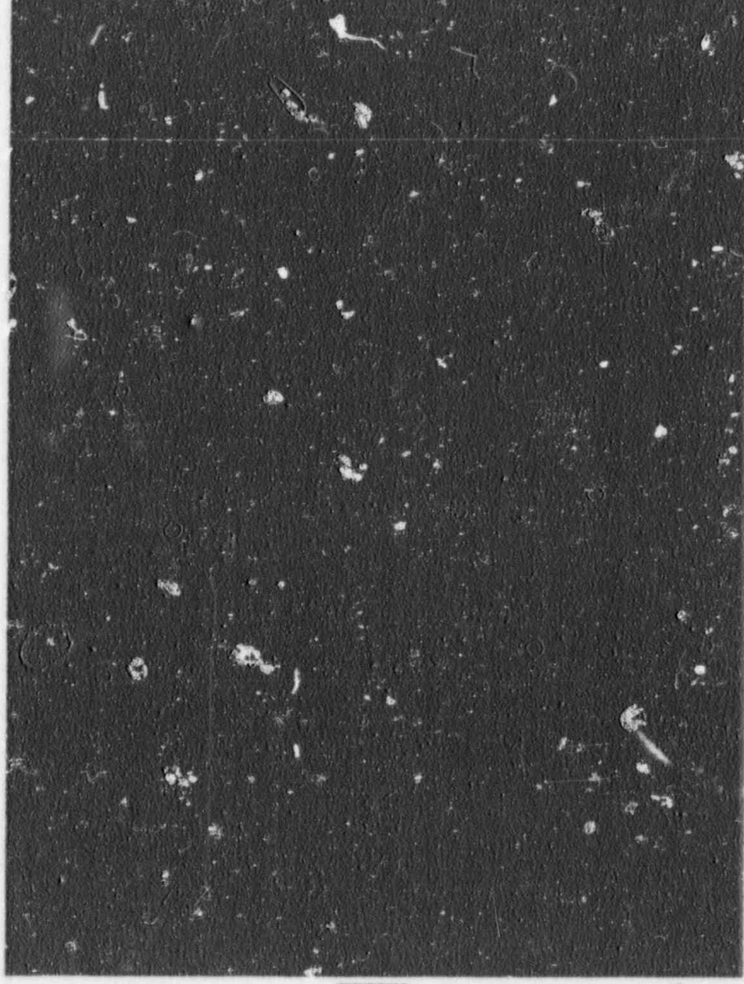
After we made provisions for payment of preferred and preference stock dividends, net income available for common stock for the year was $101.4 million, compared with $105.1 million for 1979. The average number of shares of common stock outstanding increased during the year to 66.7 million from 58.3 million shares in 1979. On a per share basis, earnings were $1.52 in 1980, compared to $1.80 in 1979.

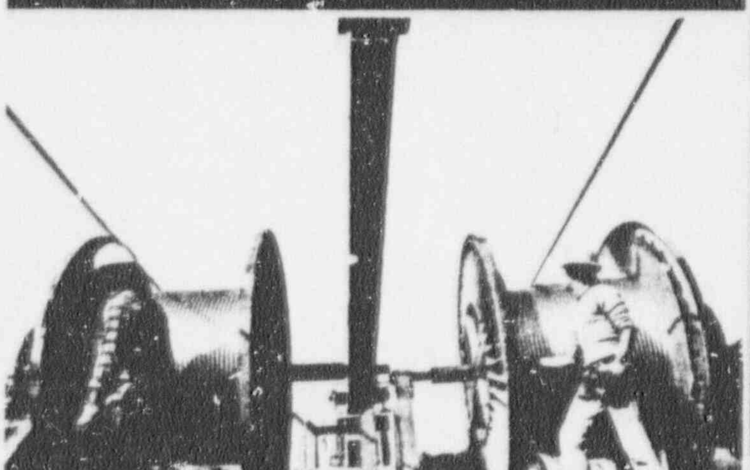
Dividends of 44 cents per share on the common stock of Ohio Edison Company were declared by the Company's Board of Directors for each quarter of 1980.

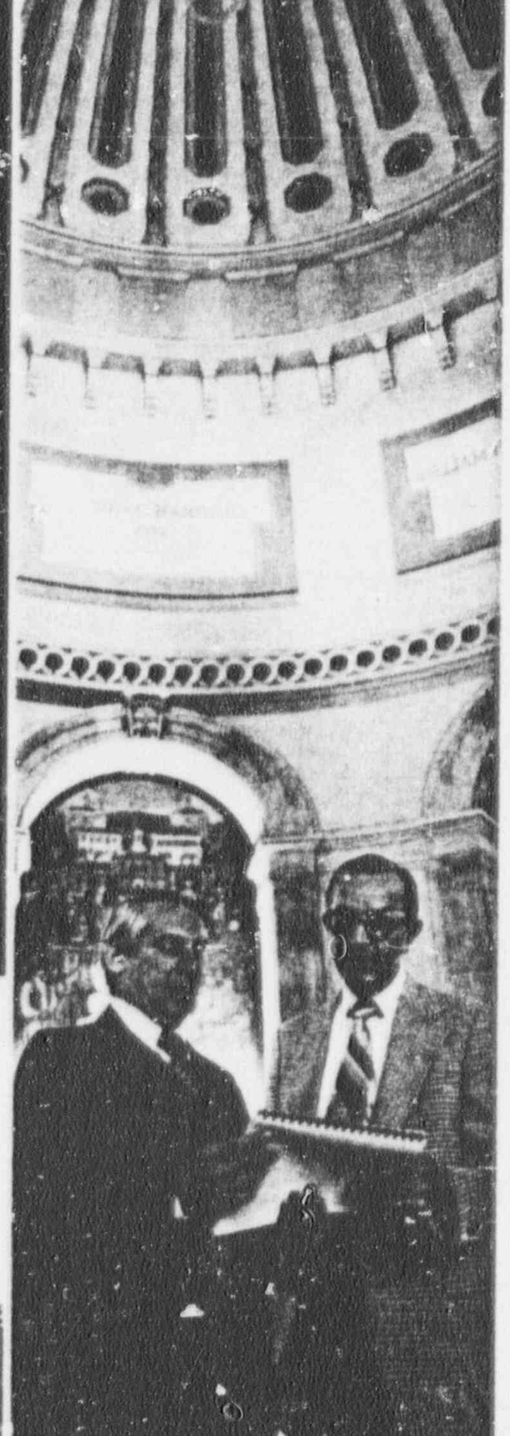
Top left: Verna Sisco, a plant operator, uses a lance to clean slag off of boiler tubes at the Sammis Plant. ▸

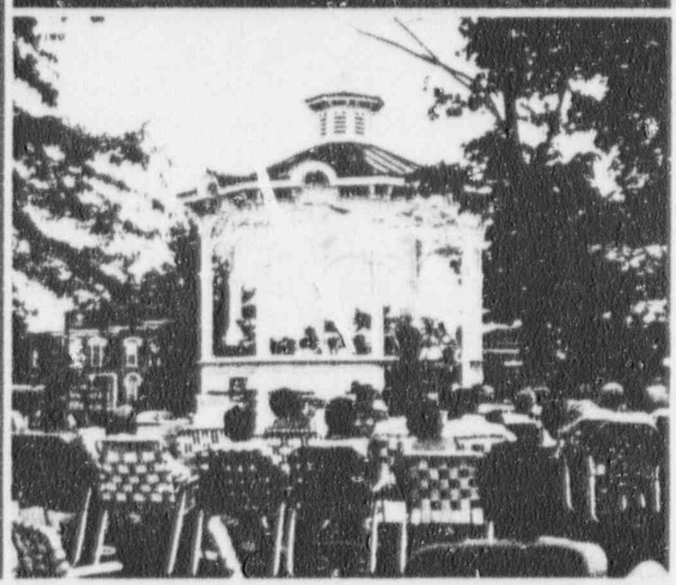
Bottom left: Workmen string cable on the 345-kilovolt Perry-Hanna transmission line in Portage County. ▸

Right: Daniel P. Zeno (l.), manager, government affairs, and James D. Wilson, manager, rate department, review upcoming legislation at the State House in Columbus. ▸









Electric Rates

Rate Applications

As the cost of producing and delivering electricity continues to climb due to high inflation and environmental costs, we are obligated to be aggressive in our efforts to obtain electric rates that will enable us to maintain the quality and reliability of our electric service and provide a reasonable return on investment.

Retail Rates

On January 30, 1980, we were granted $111.6 million of the $128.4 million rate increase request we filed with The Public Utilities Commission of Ohio (PUCO) in April, 1979, including $86.2 million the Commission authorized on an emergency basis in May, 1979.

We filed a $118.1 million permanent rate increase with the PUCO in May, 1980, and, in February, 1981, the Commission granted us a $91 million increase.

Pennsylvania Power was granted, in June, 1980, a $10.2 million rate increase from the Pennsylvania Public Utility Commission, thus settling a $17.6 million rate increase request filed in January, 1980. A new rate filing will be made in April, 1981.

We also filed an application with the PUCO, in March, 1981, requesting a $139.2 million rate increase.

Wholesale Rates

In an application to the Federal Energy Regulatory Commission filed in June, 1980, we requested a $13.9 million increase in wholesale rates for the 21 Ohio municipalities owning electric systems and buying bulk power from us.

Although we intend to pursue the full $13.9 million increase, we did implement on January 10, 1981, a $10.6 million interim rate increase, which is being collected subject to refund. Public hearings on our rate request are scheduled to begin in May, 1981.

Fuel Adjustment

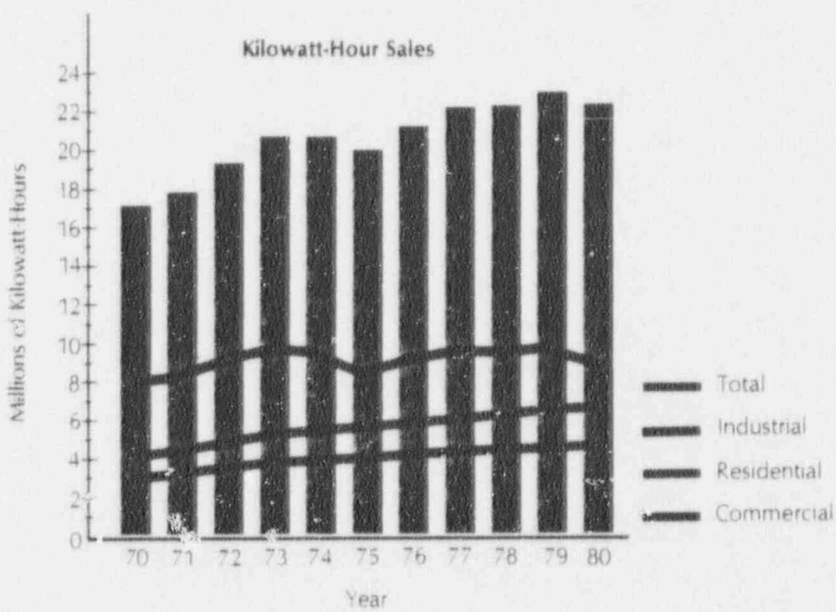
Last April, a bill was passed in Ohio designed to eliminate the fuel adjustment clause, which allowed electric companies to pass a portion of their fuel costs along to customers on a month-to-month basis, subject to review every six months. The new law will require public hearings every six months to determine the amount of fuel costs to be included in electric rates for the subsequent six-month period.

Customer Refund

As a result of a Company audit of our coal suppliers and a subsequent order issued by the PUCO, we began a $1.8 million refund to our customers in August. Because the PUCO directed that the refund be made over a 10-month period, we are making the refund by deducting $180,000 per month from our recoverable fuel costs in the fuel adjustment calculation.

The refund stems from a dispute involving the price of coal the Company received under a long-term contract with the North American Coal Corporation.

The dispute became the subject of litigation when North American filed suit after we notified the Corporation that, as of April, 1981, we intended to terminate our agreement with them for coal received from two of their mines.



◂ Left: Many vacationers enjoy recreational activities along the shores of Lake Erie—here, fishing at sunrise near Vermilion, Ohio.

◂ Top right: The renovated former Quaker Oats factory houses numerous shops and a new Hilton Hotel in Akron.

◂ Bottom right: An outdoor July 4 concert is conducted under a gazebo at Public Square in Medina.

System Operations

Generating Unit Availability Improved

In 1980, we exceeded our goal of achieving an equivalent overall generating unit availability of 71 percent. The 72.1 percent rating achieved was a marked improvement over the 65 percent availability rating we averaged in 1979. This improved performance not only helped hold down increases in operation and maintenance costs, but also enabled us to deliver 38 percent more power to other electric companies than in 1979. In 1980 we generated 94 percent and purchased 6 percent of the energy required to meet customer demand for electricity.

Our total power plant generating capacity of 5,688 megawatts includes about 86 percent (4,899 megawatts) coal-fired, 8 percent (425 megawatts) nuclear and 6 percent (364 megawatts) oil-fired generation. We own or share in the ownership of 17 plants comprising 44 generating units.

Sammis Plant Reorganized

With the cooperation and support of the union and employees, we reorganized the Sammis Plant near Stratton, Ohio, into two sub-plants—four generating units in one, three in the other. This division of our largest plant allowed us to narrow the area of responsibility for two new superintendents, each of whom report to a chief plant superintendent. In effect, greater emphasis is being placed on planning and maintenance to improve unit availability.

Another major change in the seven-unit, 2,233-megawatt coal-fired Plant was the restructuring of its engineering section to improve operation, performance and maintenance.

In addition, the reorganization will allow us to more effectively determine causes for generating unit outages, thus minimizing generating unit downtime.

Mansfield Plant Complete

The third and final coal-fired generating unit at the Bruce Mansfield Plant in Shippingport, Pennsylvania, was placed in commercial operation by Pennsylvania Power in September, 1980. We own 50.7 percent, or 1,196 megawatts of the total generating capacity of the Plant—comprising two 780-megawatt units and one 800-megawatt unit—which we jointly own with the other three Central Area Power Coordination Group (CAPCO) companies: The Cleveland Electric Illuminating Company, Duquesne Light Company and The Toledo Edison Company.

Utilizing the most sophisticated environmental control technology in the electric utility industry, construction of the $1.3 billion power plant began in June, 1971. More than one dollar out of every three dollars in construction costs was spent for the installation of environmental controls.

Beaver Valley Unit 1 Returned to Service

On November 20, Unit 1 at the Beaver Valley Power Station in Shippingport, Pennsylvania, was returned to commercial service. The 810-megawatt nuclear unit, operated by Duquesne Light Company and of which we own 52.5 percent or 425 megawatts, was taken out of service on November 30, 1979, for refueling, inspection and maintenance, and for modifications called for by the Nuclear Regulatory Commission (NRC) as a result of revised requirements following the accident at the Three Mile Island Plant.

System Dispatching Center Progresses on Schedule

Our new $10.1 million System Dispatching Center, designed to increase the operating efficiency of our generation and transmission system, is progressing on schedule. The building's exterior is complete, and work is continuing on the interior construction. The Center will utilize a dual computer arrangement to improve the automatic, economic operation of the System's generating units, increase operating security of the transmission system and improve generating unit response to changes in customer demand that occur on a minute-to-minute basis. The facility is scheduled for operation by fall, 1982.

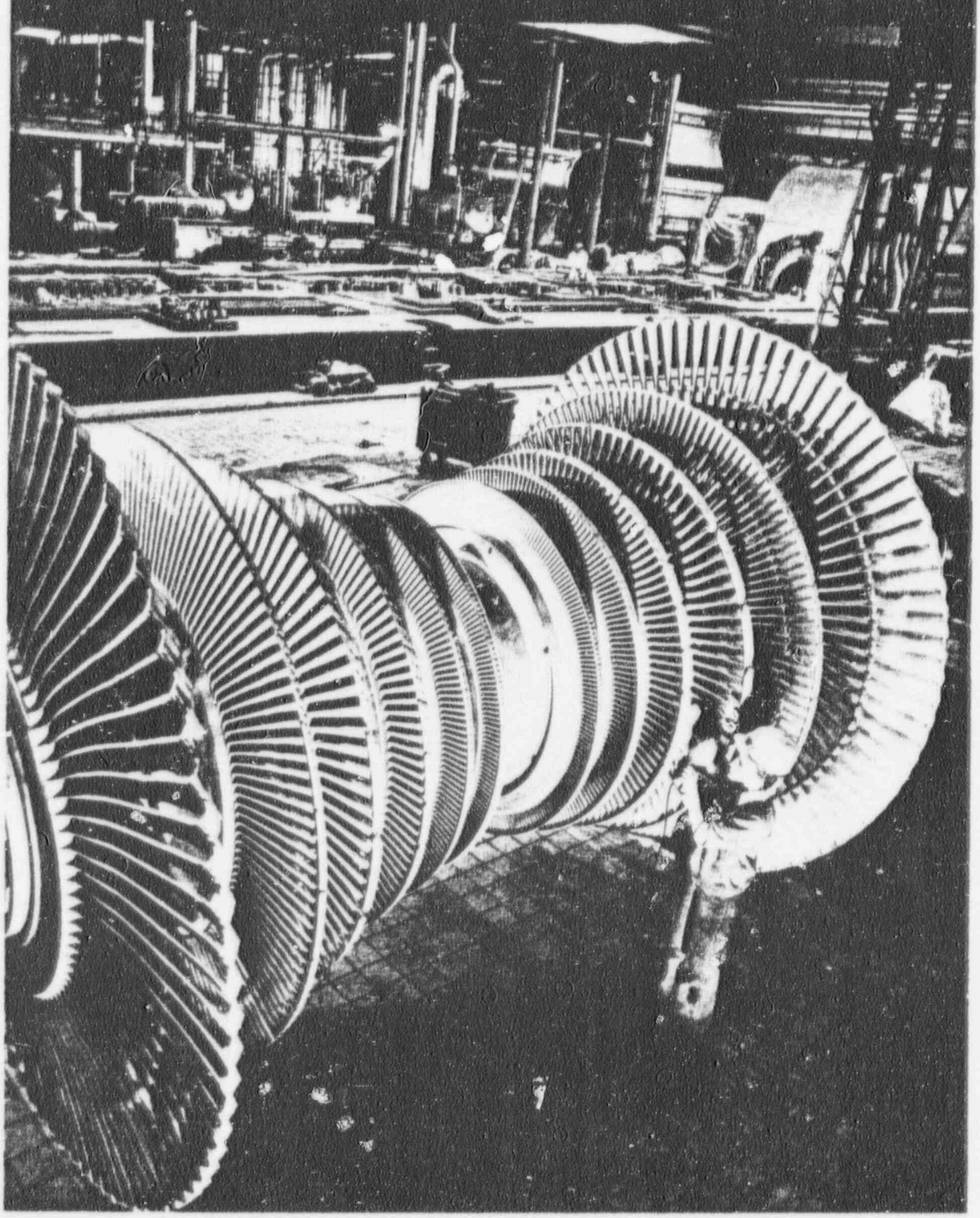
System Peak Load Record Set

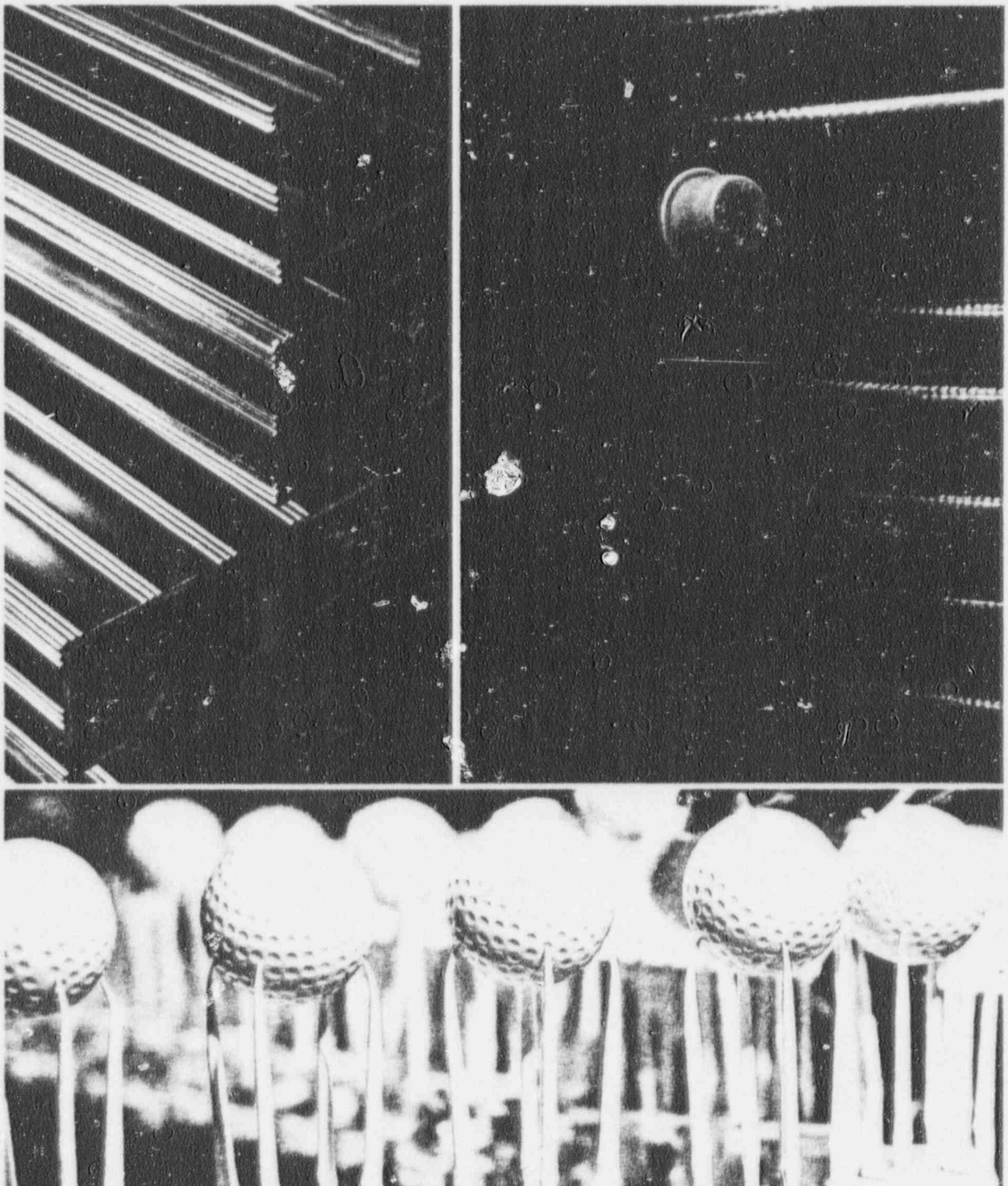
On July 21, 1980, we recorded a new System peak load record of 4,210 megawatts per hour. The new energy-demand mark, resulting from an extremely hot and humid period, surpassed the previous record of 4,134 megawatts per hour set on July 20, 1977.

Steam Business Ending

By selling two of our three steam-heating systems last year, we began eliminating continuing operating losses that totaled nearly $2 million in 1979 alone. In September, 1980, the city of Akron assumed ownership of our downtown steam-heating system, and an order issued by the PUCO allowed us to sell our downtown Youngstown system to the Youngstown Thermal Corporation. Also, we received approval from the PUCO to phase out steam service for our last few customers in Springfield by May, 1981.

Right: Turbine blades are inspected for damage as part of an overhaul of a generating unit at the Bruce Mansfield Plant. The unit takes repairmen about 10 weeks and 24,000 work-hours to dismantle, clean, repair and reassemble.





Financing

Security Sales

During 1980, we raised approximately $496 million in long-term capital. A major portion of the proceeds from our various sales of securities reduced short-term loans and were used for construction and acquisition or betterment of facilities. The following security sales were concluded during the year:

Common Stock

In February, Ohio Edison offered 6.5 million shares of common stock with a realization to the Company of $12.97 per share, or $84.3 million.

We also raised $29.6 million from the issuance of 2.4 million shares of common stock through our Dividend Reinvestment and Stock Purchase Plan.

First Mortgage Bonds

Pennsylvania Power finalized a private placement of $22 million in bonds in January. This issue carries an interest rate of 10.90 percent and an average life of 13 years.

In February, Ohio Edison completed arrangements for a $100 million private placement of bonds at an interest rate of 12.75 percent with an average life of 13 years. Of the proceeds from this issue, $16 million were made available in February and $84 million in May.

Ohio Edison issued, through a public offering, two series of bonds in April. These consisted of two $50 million issues—a 15.25 percent series maturing in 1987 and a 15.50 percent series maturing in 2010.

In June, Ohio Edison sold, by public offering, $100 million of bonds carrying an interest rate of 11.875 percent and a maturity date in 2010.

Pollution Control Notes

In August, Ohio Edison sold, through the Ohio Air Quality Development Authority, two series of pollution control notes. One series in the amount of $25 million carries an interest rate of 10 percent and matures in the year 2000. A second series, also for $25 million, has an interest rate of 10.125 percent and matures in 2010.

The proceeds from these issues were used to finance certain air pollution control facilities being installed at our Sammis and Niles Plants.

Preferred Stock

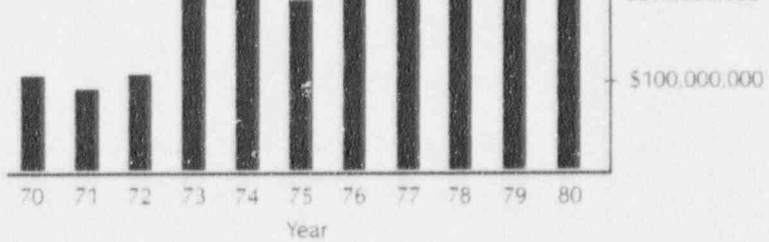
Pennsylvania Power completed a private placement of preferred stock in April. This issue totaled $10 million and has a dividend rate of 10.50 percent.

Ohio Edison Energy Trust

In addition to the security sales, we were also involved in a number of other financing efforts. The most innovative was the establishment of the Ohio Edison Energy Trust, which affords us additional financing flexibility and improves our borrowing position in the highly competitive money market.

The Energy Trust will make available up to $500 million to pay part of our costs for Beaver Valley Unit 2, an 833-megawatt nuclear generating unit under construction in Shippingport, Pennsylvania. The Company's share of the total construction cost of the Unit, which is jointly owned by four of the five CAPCO companies, is projected at $875 million. The Unit is scheduled to be complete in 1986.

The Trust will enable us to defer a portion of the long-term financing requirements for the project until investment in the unit can be included in electric rates established by the regulatory commissions. A further advantage is that the permanent financing for this project will occur at a time when our capital requirements are expected to be lower than they are now.



◄ Diversified area industry makes such products as extruded aluminum parts (top left) by General Extrusion Company in Youngstown, Ohio; cable (top right) by Parker Hannifin Corporation in Ravenna, and golf balls (bottom) by Victor Comptometer Corporation in Elyria.

Financing (Continued)

European Money Market

We entered into a two-year agreement in 1980 that makes available up to $30 million in short-term, unsecured loans from a group of foreign banks and permits us to take advantage of any cost benefits that may exist between domestic and European interest rates. In addition, the agreement provides us name recognition in the European market for possible future eurobond financing.

Bond Rating

In March, 1980, Standard and Poor's, a New York-based investor's service, announced a reduction in the rating of Ohio Edison's first mortgage bonds from Single-A-minus to Triple-B-plus. General positive developments were acknowledged, but inadequate recovery in several key financial performance areas were cited in their decision to lower our bond rating. However, our bonds still carry a Single-A rating from Moody's Investors' Service.

Power Supply Planning

Nuclear Plant Construction Continues

Construction is continuing on three nuclear-powered generating units being financed and built by the CAPCO companies.

The two 1,205-megawatt units at the $4 billion Perry Nuclear Plant, which is being built and will be operated by The Cleveland Electric Illuminating Company, are about 58 percent complete. Construction on the units began in September, 1974. Unit 1 is scheduled for commercial operation in May, 1984, and Unit 2 in May, 1988. We will own 35.2 percent, or approximately 850 megawatts, of the generating capacity of the two nuclear units.

Beaver Valley Unit 2 at Shippingport, Pennsylvania, which is being built and will be operated by Duquesne Light Company, and for which construction began in May, 1978, is about 40 percent complete and is scheduled to be operational in May, 1986. The 833-megawatt unit, of which we will own 41.9 percent, or 349 megawatts, will cost an estimated $2.2 billion.

Nuclear Units Terminated

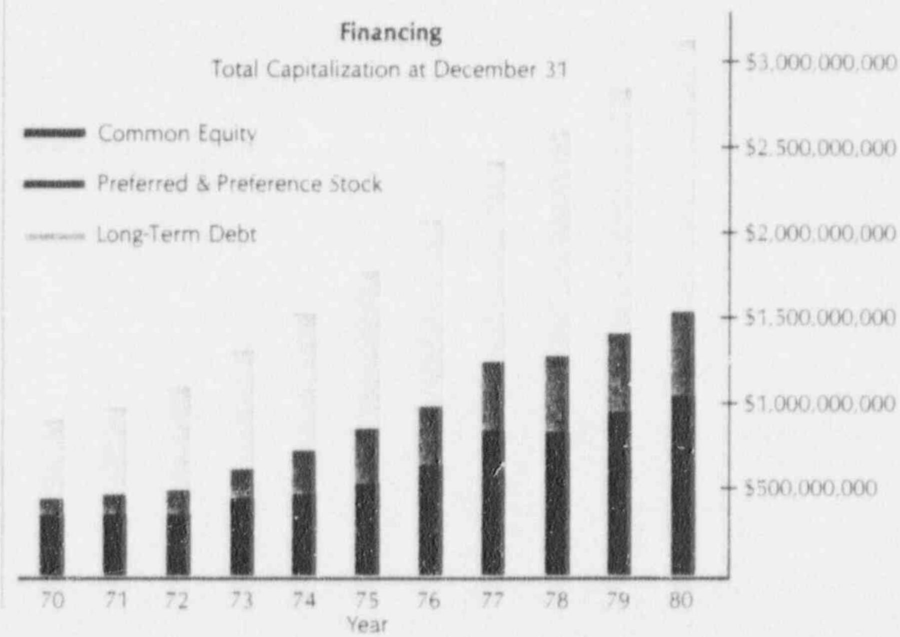
As we shared with you in last year's report, the CAPCO companies terminated in January, 1980, plans to build four nuclear units that were in the design stage.

The four terminated units were Units 2 and 3 at the Davis-Besse Nuclear Power Station near Port Clinton, Ohio, and Units 1 and 2 at the Erie Nuclear Plant near Berlin Heights, Ohio. The estimated cost to build those four units was $7.3 billion.

The companies also made changes affecting the ownership of Units 1 and 2 at the Perry Nuclear Plant near North Perry, Ohio, reducing our ownership in each of the two units by 80 megawatts. Ownership by The Cleveland Electric Illuminating Company will be increased by a corresponding amount.

Load Management Urged

In these demanding times of inflation and energy shortages, with everyone seeking ways to save energy and hold down costs, we are deeply involved in programs geared to reduce or limit increases in the system peak demand for electricity. In doing so, we not only reduce the need to build costly new generating plants but also make available to our customers ways they can use electricity more efficiently—thus, helping our customers draw more



value from each energy dollar they spend.

Last year's System load management results were the best since our program was started in 1976. We reduced the average system peak demand by 41,000 kilowatts and, over the four-year period, achieved a 112,000-kilowatt reduction.

Large industrial and commercial customers, who shifted their use of electricity to off-peak periods or controlled their use during on-peak periods, were primarily responsible for the results we achieved.

In addition, our load management programs for residential customers in 1980 encouraged the installation of energy control devices and changing the customers' time-of-use for major appliances. Also, residential customers were advised on a new total-home energy-control system to manage electricity—230 of these control systems were reported installed in 1980.

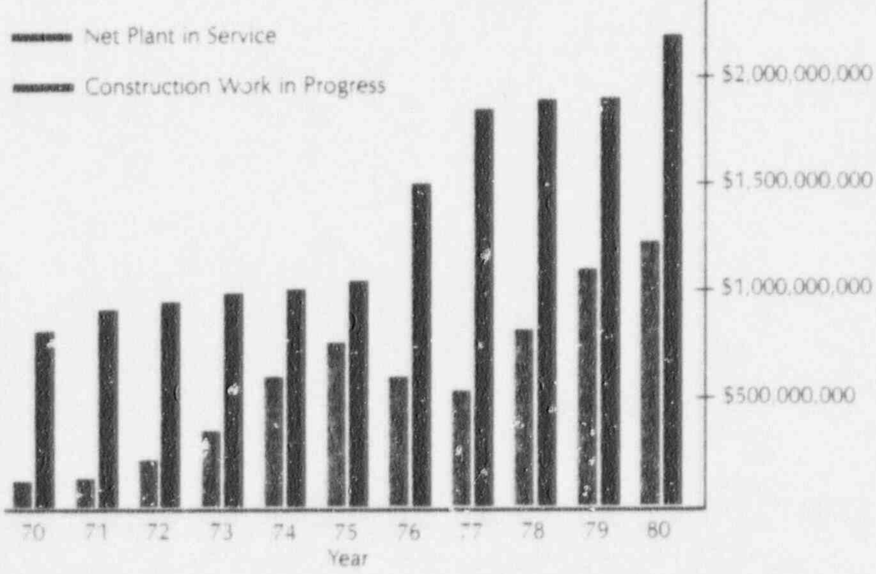
Work Begins on Coal Gasification Project

We participated in groundbreaking ceremonies at East Alton, Illinois, on October 31, 1980, for a $135 million coal gasification project, which will produce a clean-burning fuel for power plants from high-sulfur coal like that mined in Ohio.

The demonstration plant, to be built by Allis-Chalmers Corporation, will process 600 tons of coal per day and produce a low-Btu gas for an existing 50-megawatt generating unit at Illinois Power's Wood River Plant near East Alton.

Following the planned completion and successful operation of the project, large-scale plants capable of processing up to 5,000 tons of coal per day will be commercially marketed by Allis-Chalmers. So far, we have spent $1.3 million on the project and will invest another $2.5 million through 1984.

Power Supply Planning



Fuel Supplies

Coal Supplies

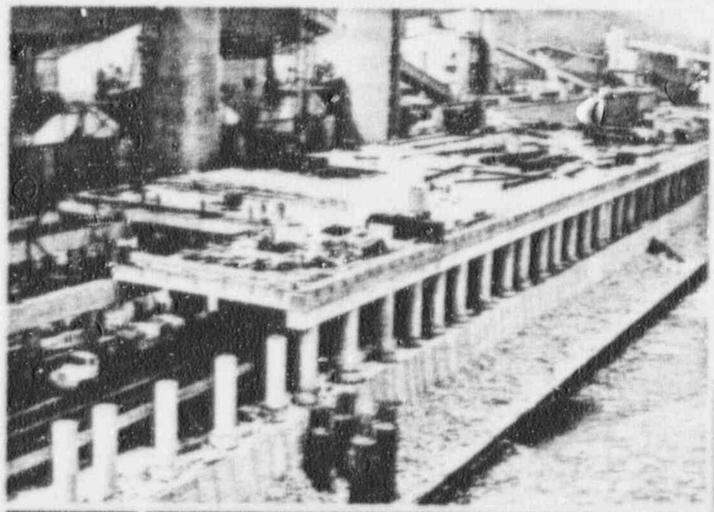
More than 9.9 million tons of coal were burned at the Companies' 11 power plants in 1980. A substantial portion of Ohio Edison's coal purchases are made through long-term contracts, with those coal supplies coming from southeastern Ohio and western Pennsylvania. The remainder is purchased on the open market from the same region and from eastern Kentucky. Pennsylvania Power buys its coal from central and western Pennsylvania.

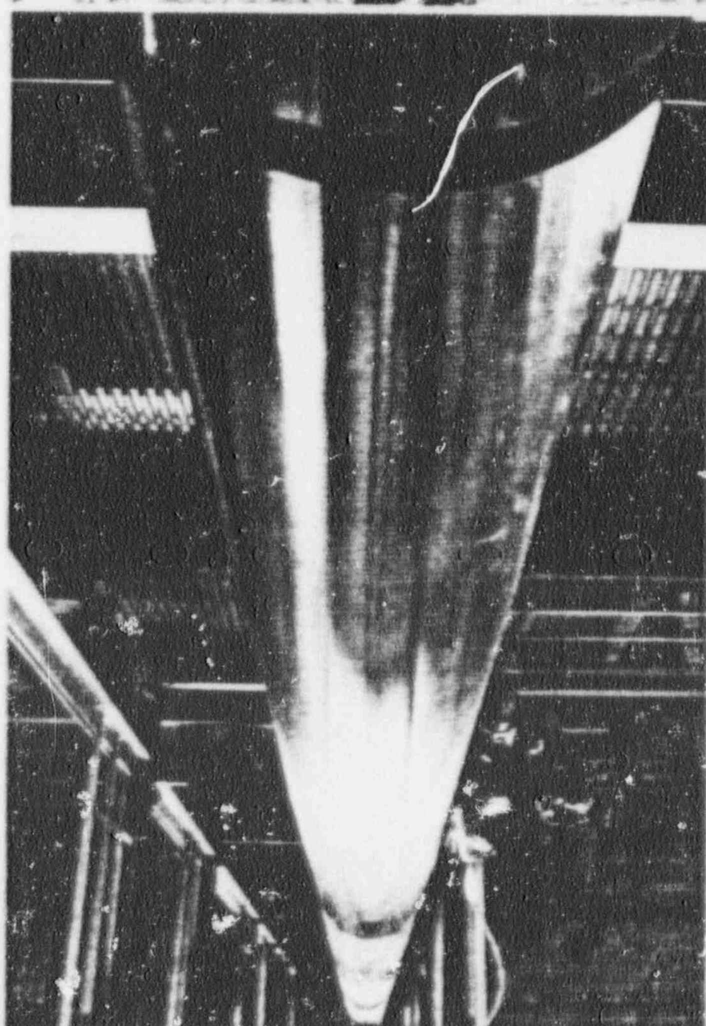
Improved Coal Quality

Last year we realized continued improvement in the quality of coal we received at our power plants from suppliers—coal that is higher in heat value and lower in ash content. As a result, we were able to further improve the operation of our power plants.

Uranium Supply Agreement

Ohio Edison and the other CAPCO companies reached a settlement with Kerr-McGee Nuclear Corporation in December, 1980, which permitted the resumption of deliveries of more than 12 million pounds of uranium to the companies through 1985. Kerr-McGee filed a complaint in April, 1979, against the CAPCO Group alleging a breach of a provision of a 1973 contract relating to price adjustments.





Environmental Activities

Air Quality Control Projects Underway

Environmental regulations remain a major and costly concern for us in the 1980s. To comply with existing clean air standards, we will spend about $518 million through 1985 on pollution control refinements at our power plants.

Groundbreaking for our most extensive clean air project took place in March, 1980, at the Sammis Plant near Stratton, Ohio. The $450 million project is about $50 million greater than the total original capital investment at the Plant and includes erecting a bridge-shaped deck over a four-lane highway to support pollution control systems which will replace existing equipment.

The deck, which will be about 140 feet wide and 915 feet long, will support huge dust collectors which must be added to control particulate emissions from the Plant.

In addition, several retrofit projects are underway at three other power plants in Ohio. We are installing two electrostatic precipitators and a new 393-foot chimney at the Niles Plant in Niles, which is scheduled for completion in July, 1981, at a cost of $35.9 million. Two precipitators are under construction at the Burger Plant in Shadyside, scheduled for completion in March, 1982, at a cost of $45.3 million. At the Edgewater Plant in Lorain, one precipitator is being installed and is scheduled for completion in March, 1982, at a cost of $28.4 million.

◂ Top left: A total of 200 concrete columns will serve as a foundation for a deck to support dust collection equipment at the Sammis Plant.

◂ Bottom left: A boiler-to-turbine steam line undergoes inspection at the Bruce Mansfield Plant.

◂ Right: Under normal conditions, a coal supply of 60 days is maintained at our coal-fired plants.

Regulatory Changes Occur

Sulfur-in-Coal Averaging Extended

An important development in the area of regulatory policy took place in October, 1980, when the U.S. Environmental Protection Agency (EPA) announced it would extend 30-day sulfur-in-coal averaging for industries in Ohio until March 1, 1982. As compared with an earlier, more-restrictive federal policy, the new guideline allows for greater use of less-expensive Ohio coal.

Various communications and supporting documentation we supplied to the federal government in support of 30-day averaging were a factor in achieving this important regulatory relief.

New Sulfur Dioxide Limit Proposed

In Pennsylvania, the Department of Environmental Resources (DER) approved in October a proposal to ease the sulfur dioxide emission limit for the Lawrence County portion of the Beaver Valley Air Basin, which includes Pennsylvania Power's New Castle Plant. The previous limitation would have required the installation of scrubbers at the New Castle Plant, at a cost of approximately $85 million, and would have increased annual operating expenses by $15 million. The DER ruling is subject to approval by the U.S. EPA.

Clean Air Act Up for Review

This year the Clean Air Act comes before Congress for a scheduled review. We will aggressively work to improve the Act, especially as it relates to the feasibility of various requirements and their public benefit as compared to ultimate costs to the consumer.

Of particular concern is the possibility of premature regulation in the area of so-called "acid rain"—describing precipitation containing pollutants that bring about an increase in acidity. Although the majority of experts outside the EPA and the environmental movement believes current scientific knowledge is insufficient to justify "acid rain" regulation, environmentalists are advocating new and costly emission limitations.

Management Changes

A number of changes were made on the senior management level of both companies during the year:

Ohio Edison

On September 16, 1980, the Board of Directors of Ohio Edison elected Assistant Treasurer Gregory F. LaFlame to the office of secretary of the Company succeeding Donald D. Vowles, who retired on November 1 after more than 43 years of service. Financial Analyst Mark T. Clark was elected assistant treasurer succeeding Mr. LaFlame.

The Board also welcomed Robert L. Loughhead as a director. He had been unable to serve as director since his initial election to the Board in December, 1978, until authorized to do so by the Federal Energy Regulatory Commission on August 28, 1980.

Mr. Loughhead, 51, is president of Copperweld Steel Company in Warren, Ohio. He is a group vice president of that firm's parent company—Copperweld Corporation, Pittsburgh, Pennsylvania.

Pennsylvania Power

The Board of Directors of Pennsylvania Power on September 22, 1980, named Ohio Edison's Marion Division Manager Wayne Cole president of Pennsylvania Power succeeding Ray E. Semmler, who retired on January 1, 1981, after more than 41 years of dedicated service. Mr. Semmler had served as president of Penn Power since 1972.

At its meeting in May, the Board elected three officers. Secretary and General Counsel James R. Edgerly was elected vice president and general counsel; Robert P. Wushinske, senior attorney and acting treasurer, was elected secretary and treasurer, and Byron D. Burford, manager of general accounting, was elected comptroller.

Board of Directors Age Policy Revised

Earlier in 1980, the Board of Directors of Ohio Edison adopted a resolution which precludes election by the Board, or designation by the Board of nominees for election or reelection, persons who have attained the age of 69. The board passed a similar resolution in 1972, but it exempted those who were members of the board at that time. The May resolution eliminates that exemption. Four board positions are immediately affected.

To affect an orderly change in board membership, compliance will be achieved over a two-year period. Directors Walter H. Sammis and J. Robert Groff will not be designated as nominees for reelection at the 1981 Annual Meeting of Stockholders. Directors D. Bruce Mansfield and Fred H. Zuck will not stand for reelection in 1982.

Upon retirement from the board, Directors Sammis, Groff, Mansfield and Zuck will serve as directors emeritus, without compensation.

In an unrelated matter, William R. Tappan, a Board committee chairman, has elected to retire from the Board, effective April 30, 1981. Mr. Tappan has served as director since 1962.

We are grateful for the wisdom and leadership these men have provided the Company during their many years of service.

Employees

New Labor Agreements Negotiated

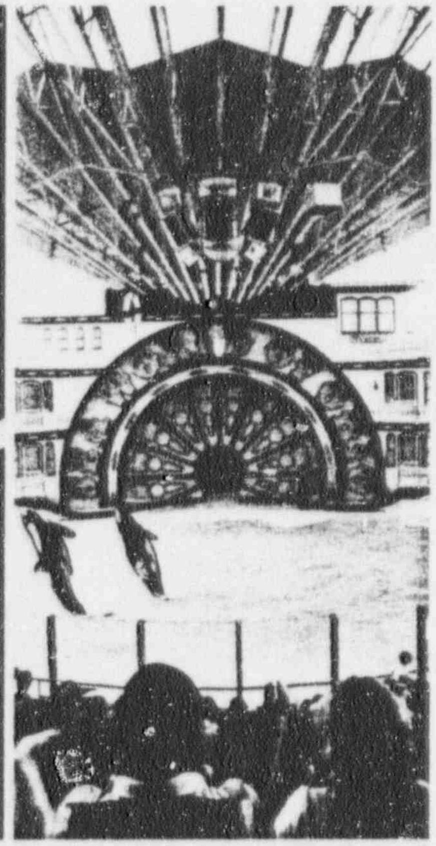
New two-year agreements were negotiated with The Utility Workers Union of America (UWUA) and the International Brotherhood of Electrical Workers. The agreements provided increases in wages and benefits which were in compliance with guidelines established by the Council on Wage and Price Stability.

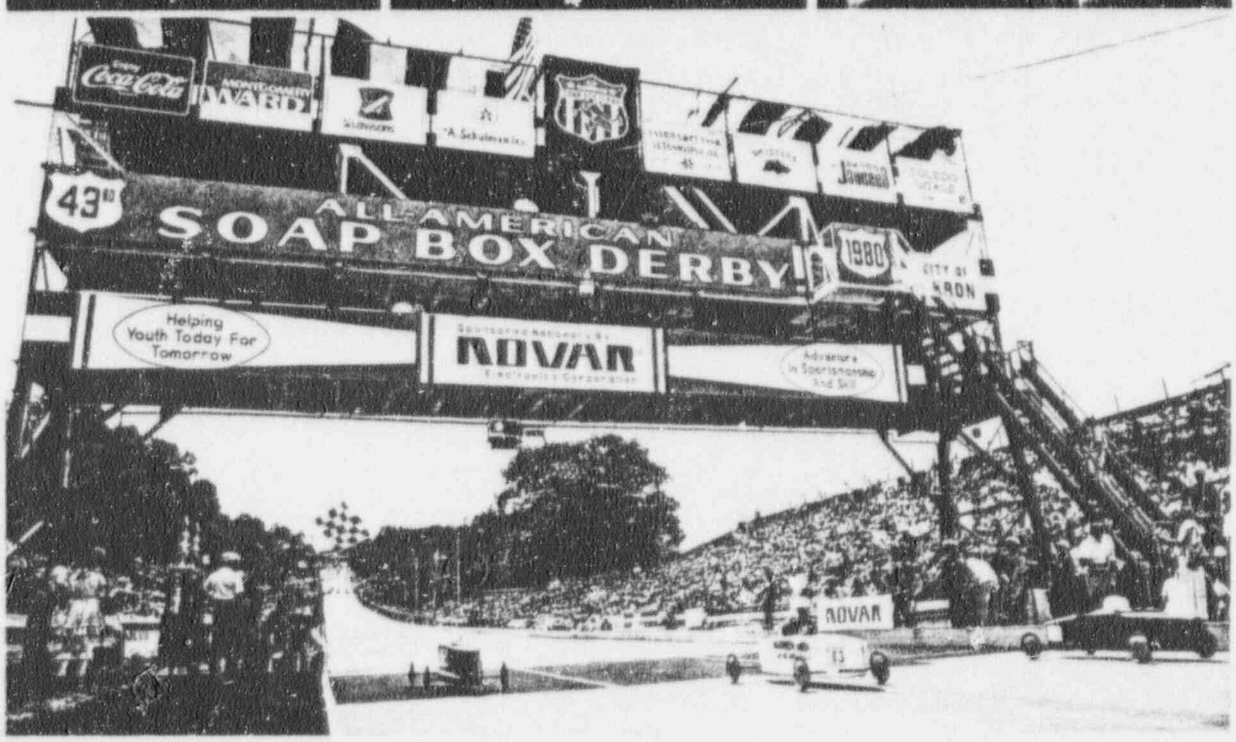
Worthy of special note is a new agreement with employees, represented by the UWUA at our four largest power plants, that contains a provision unique to the electric utility industry: a "final position arbitration" plan which, if previous agreement patterns continue, will eliminate the possibility of a strike at these plants through mid-1988.

Affirmative Action Promoted

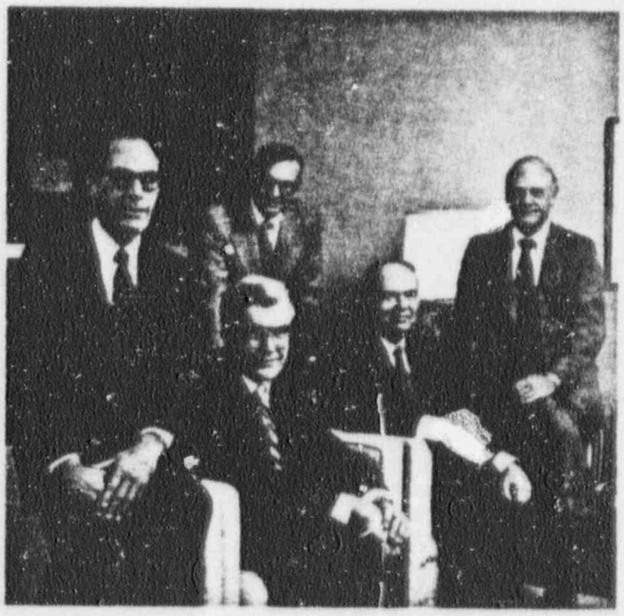
Ohio Edison has long been committed to Equal Employment Opportunity and Affirmative Action Programs. Our policy of positive action has been the cornerstone of this commitment and is expressed by activities directed toward responsible community involvement programs to improve the employment opportunities of minorities, females, the handicapped and veterans.

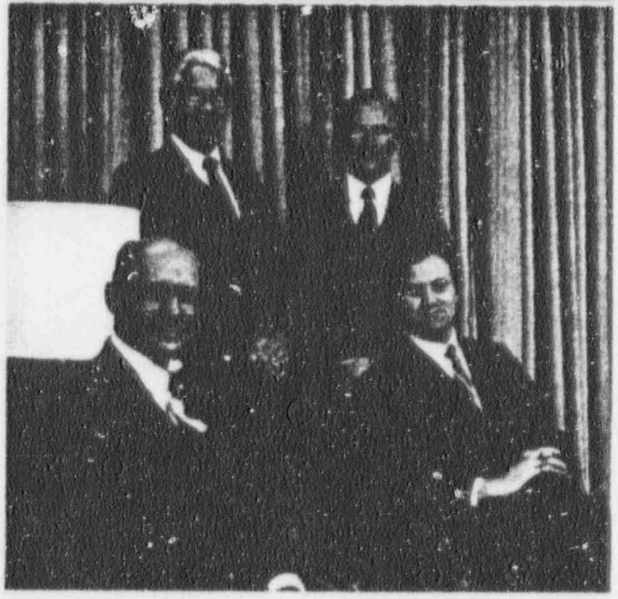
Service area activity includes The World Series of Golf (top left), The Ohio Ballet (top middle), Sea World (top right) and The All-American Soap Box Derby (bottom).




Coca-Cola
WARD
43RD
ALL-AMERICAN
SOAP BOX DERBY
1980
Helping Youth Today For Tomorrow
NOVAR
NOVAR

Company Officers





Top left: (l. to r.) Frank E. Derry, Vice President; Justin T. Rogers, Jr., President; Russell J. Spetrino, Vice President and General Counsel; D. J. List, Vice President.

Top right: (l. to r. front) D. W. Tschappat, Executive Vice President; Clyde W. Frederickson, Vice President; Robert J. McWhorter, Senior Vice President; R. G. Zimmerman, Senior Vice President; (back) Lynn Firestone, Senior Vice President.

Bottom (l. to r. front) Victor A. Owoc, Executive Vice President; H. Peter Burg, Treasurer; (l. to r. back) W. B. Marvin, Comptroller; G. F. LaFlame, Secretary.

Ohio Edison Company

Other Officers

Warren G. Fouch
Assistant Comptroller

Mark T. Clark
Assistant Treasurer

Charles N. Glasgow
Assistant Secretary

Joanne Martin
Assistant Secretary

Division Managers

Harold W. Miller
Akron Division

Anthony N. Gorant
Bay Division

James E. Markle
Lake Erie Division

Malcolm E. Cash
Mansfield Division

Donald L. Rearick, Jr.
Marion Division

Norman R. Monahan
Springfield Division

Robert E. Dawson
Stark Division

David C. Bixler, Jr.
Warren Division

David R. Gundry
Youngstown Division

Board of Directors

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

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

Dr. Lucille G. Ford
Vice President and Dean of Business Administration, Economics, and the Gill Center for Business and Economic Education, Ashland College, Ashland, Ohio.

J. Robert Groff
Consultant to The James Leffel & Company, Springfield, Ohio, manufacturer of hydraulic turbines and steam generating equipment.

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

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

Victor A. Owoc
Executive Vice President of this Company.

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

W. H. Sammis
Retired—formerly President of this Company and of its subsidiary, Pennsylvania Power Company. Member, Salary Committee.

William R. Tappan
Retired—formerly Chairman of the Board of the Tappan Company, Mansfield, Ohio, manufacturer of microwave ovens, appliances, kitchen cabinets and bathroom vanities. Chairman, Salary Committee.

Douglas W. Tschappat
Executive Vice President of this Company.

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

Robert G. Zimmerman
Senior Vice President of this Company.

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

Consolidated Financial Information

Management Report

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

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

The Audit Committee consists of three non-employee directors whose duties include: inquiry into the number, extent, adequacy and validity of regular and special audits conducted by independent public accountants and the internal auditors; the recommendation of independent accountants to conduct the normal annual audit and special purpose audits as may be required; and reporting to the Board of Directors the Committee's findings and any recommendation for changes in scope, methods, or procedures of the auditing functions. The Audit Committee held two meetings during 1980.

V. A. Owoc
Executive Vice President
Chief Financial Officer

W. B. Marvin
Comptroller

Selected Financial Data

	1980	1979	1978	1977	1976
	(In thousands, except per share amounts)				
Operating Revenues	**$1,080,869**	$ 994,585	$ 862,956	$ 796,289	$ 644,852
Operating Income	**$ 169,383**	$ 163,744	$ 123,945	$ 146,508	$ 122,217
Net Income	**$ 135,150**	$ 134,807	$ 8[illegible],030	$ 111,574	$ 103,176
Net Income for Common Stock	**$ 101,403**	$ 105,120	$ 61,259	$ 87,863	$ 82,777
Earnings per share of Common Stock (based on average number of shares outstanding during the year)	**$1.52**	$1.80	$1.19	$1.97	$2.14
Dividends Declared per Share of Common Stock	**$1.76**	$1.76	$1.76	$1.715	$1.67
Total Assets at December 31	**$3,979,965**	$3,446,454	$3,010,9[illegible]4	$2,715,903	$2,343,524
Preferred and Preference Stock Subject to Mandatory Redemption	**$ 156,450**	$ 150,850	$ 98,000	$ 98,000	$ 88,000
Long-Term Debt	**$1,594,384**	$1,410,782	$1,343,195	$1,189,821	$1,087,755
Energy Trust Obligation	**$ 265,000**	$ –	$ –	$ –	$ –

Common Stock Data

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

Price Range of Common Stock

	1980		1979	
First Quarter High-Low	**15-1/4**	**11-3/4**	16-7/8	14-7/8
Second Quarter High-Low	**15**	**12**	16-1/8	14-5/8
Third Quarter High-Low	**14-7/8**	**12-1/2**	16-1/2	14-1/2
Fourth Quarter High-Low	**13-1/2**	**11-1/8**	15-1/2	13-1/8
Yearly High-Low	**15-1/4**	**11-1/8**	16-7/8	13-1/8

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

Classification of Holders of Common Stock as of December 31, 1980

	Holders of Record		Shares Held	
	Number	%	Number	%
Individuals	162,083	88.2	39,519,897	57.7
Fiduciaries	16,811	9.2	3,415,228	5.0
Brokers	67	–	429,319	0.6
Nominees	1,203	0.7	22,418,376	32.7
Banks & Financial Institutions	62	–	134,342	0.2
Insurance Companies & Other Corporations	1,657	0.9	1,421,522	2.1
Charitable, Religious & Educational Institutions	602	0.3	472,782	0.7
Pensions, Profit Sharing & Other Investment Trusts	1,282	0.7	714,706	1.0
TOTAL	183,767	100.0	68,526,172	100.0

As of January 31, 1981, there were 183,525 holders of 68,613,719 shares of the Company's Common Stock.

Quarterly dividends of 44¢ per share were paid on the Company's Common Stock during 1980 and 1979. Information regarding retained earnings available for payment of cash dividends is given in Note 5b on page 34.

Results of Operations

The Companies' operating revenues have been increasing primarily because of rate increases and increased collections under the Company's fuel adjustment clause. Increased collections under the Company's fuel adjustment clause represented approximately one-fourth of the total increase in consolidated operating revenues in 1980. Revenues were adversely affected in 1980 by a 9.4% drop in kilowatt-hour sales to industrial customers as a result of the economic downturn experienced in Northeastern Ohio and Western Pennsylvania. Total kilowatt-hour sales decreased 2.5% in 1980 after having increased 2.9% in 1979.

Major cost savings were achieved in 1980 due to the substantially improved performance of the Companies' generating units. The placing in service of Bruce Mansfield Unit No. 3 further increased operating efficiencies in 1980. The increased generating availability reduced the Companies' dependence on generation from more costly oil-fired units, which held down the increase in 1980 fuel costs by approximately $19,000,000 under the amount that the continually increasing prices for coal and oil would have otherwise produced.

The Companies' dependence upon power supplied by other utilities has been greatly reduced, as evidenced by the decrease in purchased and interchanged power, net, from $91,509,000 in 1978 to $26,089,000 in 1980. This is due in large part to the improved generating unit performance discussed above. The Companies became net sellers of interchange power to other utilities in each of the last four months of 1980.

Maintenance costs have been increasing because of the Companies' ongoing efforts to enhance the availability of their generating units. Other maintenance performed at the Companies' Bruce Mansfield and Beaver Valley plants accounted for over one-half of the increase in maintenance expenses for 1980. Bruce Mansfield Unit No. 1 experienced a scheduled outage during most of the fourth quarter of 1980 for overhaul of its turbine and generator. Beaver Valley Unit No. 1, which was taken out of service in November 1979 for refueling and inspection, also required modification which was not part of the Companies' general plan to enhance unit availability. Beaver Valley Unit No. 1 resumed operations in November 1980.

Total interest costs in 1980 and 1979 increased substantially due to significantly increased interest rates and increased borrowings during both years, as discussed more fully below.

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

Capital Resources and Liquidity

In order to adequately serve the present and future needs of their customers, the Companies not only produce and distribute electricity but also construct new facilities. The cost of the Companies' construction programs over the last five years was approximately $2 billion, which required permanent financing of approximately $1.7 billion, in addition to $265 million received through the Ohio Edison Energy Trust (see Note 6). The Companies expect to spend approximately $2.7 billion for construction from 1981 through 1985. Thus, the Companies are faced with the challenge of funding this new construction in light of the difficult circumstances presently existing in the regulatory and economic climate under which they operate. The Companies currently expect to fund a major portion of this new construction through the issuance of additional securities.

The constant problem of regulatory lag has worsened in recent years due to rapidly rising inflation. This has resulted in an erosion of earnings and the amount of funds generated from operations, thus causing the Companies to initiate more frequent rate increase applications.

The most dramatic development currently plaguing the Companies is the extremely high level of interest rates. The Companies sold $322 million principal amount of first mortgage bonds with interest rates of 10.9–15.5% during 1980. In contrast, $61 million principal amount of first mortgage bonds with interest rates of 2-3/4–2-7/8% were redeemed at maturity during the year. The resulting increased interest costs have an immediate adverse effect upon earnings until they are considered in subsequent rate applications.

Since projects under construction are not included in rate base in Ohio until they are at least 75% complete, a portion of the financing costs applicable to such projects is capitalized by crediting allowance for funds used during construction, which correspondingly increases net income. These credits are not currently cash earnings, but, in future periods, will be included in rate base upon which cash earnings will then be derived. Thus, during periods when the Companies are undertaking massive construction programs, funds generated internally will be adversely affected due to the outflow of cash to service the capital with no corresponding cash return on the projects currently under construction.

To combat some of these obstacles and to increase financing flexibility, the Company established the Ohio Edison Energy Trust to finance a portion of the Company's investment in Beaver Valley Unit No. 2, which is currently under construction. As described in Note 6, up to $500 million may be financed through the Trust. This arrangement allows the Company to defer permanent financing for these facilities until Beaver Valley Unit No. 2 becomes part of rate base, at which time a cash return will be earned on those facilities.

A recent positive development which will improve the Company's near term financial capability is the $91 million rate increase received in February 1981, which included an allowance for recovery, over a ten year period, of the costs expended for the four nuclear units which were terminated by the CAPCO companies in January 1980. The Company expects that the gradual economic recovery which appears to be taking place in its service territory will increase kilowatt-hour sales. In addition, any downward trend in interest rates that may occur will moderate the level of the Company's intermediate financing costs.

Statements of Consolidated Income

For the Years Ended December 31	1980	1979	1978
	(In thousands, except per share amounts)		
OPERATING REVENUES:			
Electric	$1,076,582	$989,217	$857,545
Heating	4,287	5,368	5,411
Total operating revenues	1,080,869	994,585	862,956
OPERATING EXPENSES AND TAXES:			
Operation—			
Cost of fuel	364,894	316,536	276,570
Purchased and interchanged power, net	26,089	60,313	91,509
Other operation expenses	170,351	138,712	134,595
Total operation	561,334	515,561	502,674
Maintenance	127,935	102,936	87,738
Provision for depreciation	85,455	81,224	77,812
General taxes	85,143	89,122	76,804
Income taxes—provision (credit)	51,619	41,998	(6,017)
Total operating expenses and taxes	911,486	830,841	739,011
OPERATING INCOME	169,383	163,744	123,945
OTHER INCOME AND DEDUCTIONS:			
Allowance for equity funds used during construction	57,715	50,571	35,895
Miscellaneous, net	2,104	1,399	3,767
Income taxes—credit	37,017	21,189	9,143
Total other income and deductions, net	96,836	73,159	48,805
TOTAL INCOME	266,219	236,903	172,750
NET INTEREST AND OTHER CHARGES:			
Interest on long-term debt	147,290	108,401	98,100
Interest on energy trust (Note 6)	5,057	—	—
Allowance for borrowed funds used during construction	(48,814)	(29,388)	(21,044)
Other interest expense	22,304	18,423	5,004
Subsidiary's preferred stock dividend requirements	5,232	4,660	4,660
Net interest and other charges	131,069	102,096	86,720
NET INCOME	135,150	134,807	86,030
PREFERRED AND PREFERENCE STOCK DIVIDEND REQUIREMENTS	33,747	29,687	24,771
NET INCOME FOR COMMON STOCK	$ 101,403	$105,120	$ 61,259
AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING	66,683	58,290	51,620
EARNINGS PER SHARE OF COMMON STOCK (based on average number of shares outstanding during the year)	$ 1.52	$ 1.80	$ 1.19
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$ 1.76	$ 1.76	$ 1.76

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

Consolidated Balance Sheets

At December 31	1980	1979
	(In Thousands)	
ASSETS		
UTILITY PLANT:		
In service, at original cost	$3,010,662	$2,653,481
Less—Accumulated provision for depreciation	806,739	745,296
	2,203,923	1,908,185
Construction work in progress	948,228	1,091,708
Energy trust construction (Note 6)	270,057	—
Nuclear fuel in process	13,059	12,304
	3,435,267	3,012,197
OTHER PROPERTY AND INVESTMENTS:		
Construction funds held in escrow, including accrued interest	48,334	27,396
Common stock of Ohio Valley Electric Corporation, at cost (Note 2)	1,650	1,650
Other, at cost	4,962	3,614
	54,946	32,660
CURRENT ASSETS:		
Cash	12,924	11,208
Receivables—		
Customers (less accumulated provision of $1,247,000 and $1,094,000, respectively, for uncollectible accounts)	96,586	85,937
Other	37,975	19,453
Materials and supplies, at average cost—		
Fuel	93,861	64,649
Other	34,393	29,762
Prepayments and other	14,268	12,286
	290,007	223,295
DEFERRED DEBITS:		
Deferred fuel and energy costs	12,144	3,030
Property taxes applicable to subsequent period	38,772	37,742
Deferred cost of terminated construction projects (Note 3)	99,997	100,172
Other	48,832	37,358
	199,745	178,302
	$3,979,965	$3,446,454

Consolidated Balance Sheets

At December 31	1980	1979
	(In Thousands)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION (See Statements of Consolidated Capitalization):		
Common stockholders' equity	**$1,066,957**	$ 969,543
Preferred stock–		
Not subject to mandatory redemption	**265,525**	265,525
Subject to mandatory redemption	**72,000**	76,000
Preference stock subject to mandatory redemption	**57,250**	57,250
Preferred stock of consolidated subsidiary–		
Not subject to mandatory redemption	**41,947**	41,947
Subject to mandatory redemption	**27,200**	17,600
Long-term debt	**1,594,384**	1,410,782
	3,125,263	2,838,647
ENERGY TRUST OBLIGATION (Note 6)	**265,000**	–
CURRENT LIABILITIES:		
Current maturities of long-term debt and preferred stock	**157,000**	63,411
Notes payable to banks (Note 7)	**41,482**	191,999
Accounts payable	**103,525**	102,051
Accrued taxes	**59,159**	60,345
Accrued interest	**39,697**	28,975
Dividends declared on preferred and preference stock	**3,973**	4,159
Miscellaneous	**17,867**	12,382
	422,703	463,322
DEFERRED CREDITS:		
Accumulated deferred income taxes	**84,630**	39,784
Accumulated deferred investment tax credits	**28,743**	55,944
Property taxes applicable to subsequent period	**38,772**	37,742
Other	**14,854**	11,015
	166,999	144,485
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Notes 2, 4 and 8)		
	$3,979,965	$3,446,454

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

Statements of Consolidated Capitalization

At December 31	Number of Shares Outstanding 1980	Number of Shares Outstanding 1979	Optional Redemption Price Per Share	Optional Redemption Price Aggregate (In Thousands)	1980 (In Thousands)	1979 (In Thousands)
COMMON STOCKHOLDERS' EQUITY:						
Common stock, $9 par value, authorized 100,000,000 shares— 68,526,172 and 59,622,369 shares outstanding, respectively (Note 5a)					$ 616,736	$ 536,602
Other paid-in capital					316,629	282,389
Retained earnings (Note 5b)					133,592	150,552
Total common stockholders' equity					1,066,957	969,543
PREFERRED STOCK (Note 5c):						
Cumulative, $100 par value—						
Authorized 6,000,000 shares						
NOT SUBJECT TO MANDATORY REDEMPTION:						
3.90%–7.24%	1,000,000	1,000,000	$103.375-108.000	$105,468	100,000	100,000
7.36%–8.20%	800,000	800,000	106.520-107.400	85,612	80,000	80,000
8.64%–9.12%	850,000	850,000	108.640-109.120	92,560	85,000	85,000
Premium	–	–	–	–	525	525
Total not subject to mandatory redemption	2,650,000	2,650,000		$283,640	265,525	265,525
SUBJECT TO MANDATORY REDEMPTION (Note 5d):						
10.48%–10.76%	740,000	780,000	$107.860-111.870	$ 81,260	74,000	78,000
Redemption within one year					(2,000)	(2,000)
Total subject to mandatory redemption					72,000	76,000
PREFERENCE STOCK (Note 5c):						
Cumulative, no par value—						
Authorized 4,000,000 shares						
SUBJECT TO MANDATORY REDEMPTION (Note 5e):						
$95.00–$102.50 Series	27,000	27,000	$1,095.000-1,102.500	$ 29,700	27,000	27,000
$1.80 Series	2,000,000	2,000,000	$16.925	33,850	30,250	30,250
Total subject to mandatory redemption	2,027,000	2,027,000		$ 63,550	57,250	57,250
PREFERRED STOCK OF CONSOLIDATED SUBSIDIARY (Note 5c):						
Cumulative, $100 par value—						
Authorized 740,000 shares						
NOT SUBJECT TO MANDATORY REDEMPTION:						
4.24%–9.16%	419,049	419,049	$102.980-109.160	$ 44,538	41,947	41,947
SUBJECT TO MANDATORY REDEMPTION (Note 5d):						
8.24%–11.00%	272,000	180,000	$108.240-112.110	$ 29,946	27,200	17,600
LONG-TERM DEBT (Note 5f):						
First mortgage bonds:						
Ohio Edison Company—						
10% Series due 1981					–	150,000
3-1/4% Series due 1984 and 1985					50,491	50,491
4-1/4%–15-1/4% Series due 1987 through 1991					150,000	100,000
7-1/2%–12-3/4% Series due 1995 through 2003					425,000	325,000
6-3/8%–15-1/2% Series due 2006 through 2010					465,000	315,000
					1,090,491	940,491
Pennsylvania Power Company—						
3-1/4%–10.9% Series due 1981 through 2008					194,805	177,805
Total first mortgage bonds					1,285,296	1,118,296
Secured notes and obligations:						
Ohio Edison Company—						
1973 Series A, average interest rate 5.62%, due 1984 through 2008					35,000	35,000
1974 8%–8-3/8% Series A and B, due 1990 through 2004					30,453	30,453
1976 7-7/8% Series D, due 1992 through 2006					40,000	40,000
1978 7.30% Obligation, due 1988 through 2003					8,186	8,186
1979 7-5/8%–9.20% Series A, F and G, due 1995 through 2009					53,000	53,000
1980 10%–10-1/8% Series B, due 1990 through 2010					50,000	–
					216,639	166,639
Pennsylvania Power Company—						
1973–1979 5-3/4%–8-3/8% Series due 1984 through 2007					47,961	47,961
Total secured notes and obligations					264,600	214,600
Unsecured notes of Ohio Edison Company, 11-1/2%, due 1982					50,000	80,000
Net unamortized premium (discount) on debt					(5,512)	(2,114)
Total long-term debt					1,594,384	1,410,782
TOTAL CAPITALIZATION (Note 8)					$3,125,263	$2,838,647

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

Statements of Consolidated Retained Earnings

For the Years Ended December 31	1980	1979	1978
		(In Thousands)	
Balance at beginning of period	**$150,552**	$149,615	$180,530
Net income	**135,150**	134,807	86,030
	285,702	284,422	266,560
Deduct:			
Preferred and preference stock dividends	**33,724**	29,950	24,945
Common stock dividends	**118,137**	103,356	90,790
Capital stock issuance expense	**249**	564	1,210
	152,110	133,870	116,945
Balance at end of period (See Note 5b for dividend restriction)	**$133,592**	$150,552	$149,615

Statements of Consolidated Capital Stock and Other Paid-In Capital

	Common Stock			Preferred Stock: Not Subject to Mandatory Redemption			Preferred Stock: Subject to Mandatory Redemption	
	Number of Shares	Par Value	Other Paid-In Capital	Number of Shares	Par Value	Premium	Number of Shares	Par Value
				(Dollars in Thousands)				
Balance, January 1, 1978	51,206,665	$460,865	$225,335	2,619,049	$261,905	$ 567	980,000	$ 98,000
Dividend Reinvestment Plan	913,565	8,222	7,087	–	–	–	–	–
Sale of 9.12% Series	–	–	–	450,000	45,000	–	–	–
Balance, December 31, 1978	52,120,230	469,082	232,422	3,069,049	306,905	567	980,000	98,000
Sale of Common Stock	6,000,000	54,000	41,820	–	–	–	–	–
Dividend Reinvestment Plan	1,502,139	13,520	8,068	–	–	–	–	–
Sinking Fund Redemption								
10.76% Series	–	–	79	–	–	–	(20,000)	(2,000)
Balance, December 31, 1979	59,622,369	536,602	282,389	3,069,049	306,905	567	960,000	96,000
Sale of Common Stock	6,500,000	58,500	25,805	–	–	–	–	–
Dividend Reinvestment Plan	2,403,803	21,634	7,979	–	–	–	–	–
Sale of 10.50% Series	–	–	–	–	–	–	100,000	10,000
Sinking Fund Redemptions								
10.48% Series	–	–	260	–	–	–	(20,000)	(2,000)
10.76% Series	–	–	175	–	–	–	(20,000)	(2,000)
11.00% Series	–	–	21	–	–	–	(8,000)	(800)
Balance, December 31, 1980	68,526,172	$616,736	$316,629	3,069,049	$306,905	$ 567	1,012,000	$101,200

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

Statements of Consolidated Sources of Funds for Gross Property Additions

For the Years Ended December 31	1980	1979	1978
		(In Thousands)	
SOURCES OF FUNDS:			
Net income	$135,150	$134,807	$ 86,030
Less—Dividends on common stock	118,137	103,356	90,790
Dividends on preferred and preference stock	33,724	29,950	24,945
	(16,711)	1,501	(29,705)
Principal non-cash items—			
Depreciation and amortization—			
Charged to provision for depreciation	85,455	81,224	77,812
Charged to other accounts	1,282	1,596	1,857
Deferred income taxes, net	40,636	2,910	(350)
Investment tax credits, net	(27,201)	13,815	(13,893)
Allowance for equity funds used during construction	(57,715)	(50,571)	(35,895)
Deferred fuel and energy costs, net of deferred income taxes	(4,904)	806	(624)
Total funds from operations	20,842	51,281	(798)
Financing activities—			
Common stock, including premium	113,918	117,408	15,309
Preferred stock	10,000	—	45,000
Preference stock	—	57,250	—
First mortgage bonds	322,000	20,000	145,000
Secured notes and obligations	50,000	59,000	8,500
Unsecured long-term notes	—	80,000	—
Energy trust	265,000	—	—
Retirement of long-term debt and preferred stock	(95,800)	(32,000)	(13,000)
Increase (decrease) in notes payable to banks	(150,517)	95,395	84,621
	514,601	397,053	285,430
Net change in current assets and current liabilities excluding notes payable to banks and current maturities of long-term debt and preferred stock—			
Temporary cash investments	—	—	38,000
Receivables	(29,171)	(12,235)	(15,412)
Materials and supplies	(33,843)	(12,075)	(267)
Accounts payable	1,474	6,500	41,740
Accrued taxes	(1,186)	13,734	2,548
Other, net	12,323	(4,005)	989
	(50,403)	(9,081)	67,598
Other, net—			
Construction funds held in escrow, including accrued interest	(20,938)	(3,545)	11,461
Allowance for equity funds used during construction	57,715	50,571	35,895
Miscellaneous, net	(6,797)	(9,533)	(4,424)
	29,980	37,493	42,932
GROSS PROPERTY ADDITIONS	$515,020	$476,746	$395,162

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

Statements of Consolidated Taxes

For the Years Ended December 31	1980	1979	1978
		(In Thousands)	
GENERAL TAXES			
Real and personal property	$ 37,183	$ 41,042	$ 33,971
State gross receipts	38,753	41,127	35,265
Unemployment and old age benefits	6,408	5,569	4,645
Miscellaneous	2,799	1,384	2,923
Total general taxes	$ 85,143	$ 89,122	$ 76,804
PROVISION FOR INCOME TAXES			
Charged (credited) to operating expenses:			
Currently payable–			
Federal	$ 32,583	$ 24,153	$ 7,350
State	1,391	2,001	324
	33,974	26,154	7,674
Deferred, r (see below)–			
Federal	43,830	1,789	(10)
State	1,016	240	212
	44,846	2,029	202
Investment tax credits, net of amortization (i)	(27,201)	13,815	(13,893)
Total included in operating expenses	51,619	41,998	(6,017)
Credited to other income:			
Currently payable–			
Federal	(35,626)	(20,422)	(8,878)
State	(1,391)	(767)	(265)
Total included in other income	(37,017)	(21,189)	(9,143)
Total provision for income taxes	$ 14,602	$ 20,809	$ (15,160)
SOURCES OF DEFERRED TAX EXPENSE			
Cost of terminated construction projects (Note 3)	$ 33,181	$ –	$ –
Excess of tax depreciation allowed pursuant to the Class Life ADR depreciation system, net	9,334	5,345	1,768
Accelerated amortization of the cost of certain facilities covered by Necessity Certificates	(1,382)	(1,382)	(1,382)
Amortization of previously deferred income taxes resulting from liberalized depreciation	(972)	(1,176)	(1,442)
Property taxes applicable to subsequent periods, net	475	123	706
	40,636	2,910	(350)
Deferred fuel and energy costs, net	4,210	(881)	552
Total deferred tax expense, net	$ 44,846	$ 2,029	$ 202
RECONCILIATION OF FEDERAL INCOME TAX EXPENSE AT STATUTORY RATE TO TOTAL PROVISION FOR INCOME TAXES			
Book income before provision for income taxes	$149,752	$155,616	$ 70,870
Federal income tax expense at statutory rate	$ 68,886	$ 71,583	$ 34,018
Increases (reductions) in taxes resulting from:			
Allowance for funds used during construction, which does not constitute taxable income	(49,003)	(36,781)	(27,331)
Excess of tax over book depreciation	(5,874)	(9,918)	(18,423)
Capitalized pension costs and taxes expensed currently for tax purposes	(3,326)	(2,674)	(1,765)
Other, net	3,919	(1,401)	(1,659)
Total provision for income taxes	$ 14,602	$ 20,809	$ (15,160)

(i) Amounts for 1980 and 1978 reflect the reversal of previously recorded investment tax credits and related amortization, now being carried forward due to the carryback of net operating losses.

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 subsidiary, Pennsylvania Power Company (Penn Power). All significant intercompany transactions have been eliminated. The Company and Penn Power (Companies) follow the accounting policies and practices prescribed by The Public Utilities Commission of Ohio (PUCO), the Pennsylvania Public Utility Commission (PPUC) and the Federal Energy Regulatory Commission (FERC). The more significant policies are summarized below.

Revenues

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

Deferred Fuel and Energy Costs

The Company records the cost of fuel when it is consumed, except as discussed in the following paragraph.

In a recent fuel adjustment clause hearing, the PUCO ordered that the Company not include the cost of coal purchased from Quarto Mining Company (Quarto) (see Note 8) in the fuel adjustment clause at more than generally prevailing market prices without prior PUCO approval. Thus, the Company deferred $9,852,000 of such costs not included in the fuel adjustment clause since June 1, 1980. In its order, the PUCO stated that it will permit the Company to recover its actual Quarto costs including the previously deferred costs when the weighted average price of Quarto coal for six consecutive months approaches the level of 25% above the generally prevailing market price of comparable coal. Management has no reason to believe that the PUCO will not allow full recovery of the deferred costs.

Penn Power defers certain increased energy costs which it estimates will be billable to most customers in future periods, in accordance with the energy clause adopted by the PPUC. The clause provides for: 1) the recovery or refund, over a six-month period beginning two months after incurrence, of energy costs which differ from established base energy costs; and 2) an adjustment for any over or under collection resulting from the operation of the clause. Management expects the PPUC to allow Penn Power full recovery of the deferred costs, including those relating to changes in the lag period, or any other changes, in accordance with the objectives of the energy clause provisions in its approved rates.

Utility Plant and Depreciation

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

The Companies provide for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. The effective composite rate for electric plant was 3.3% for 1980, 1979 and 1978. The Company's depreciation rates include provisions for the estimated decommissioning costs for its only nuclear generating unit in service. In 1979, Penn Power began providing for the cost of decommissioning radioactive components only, in accordance with a PPUC rate order.

Common Ownership of Generating Facilities

The Companies and other Central Area Power Coordination Group (CAPCO) companies own, as tenants in common, various power generating facilities. Each of the companies is obligated to pay a share of the costs of any jointly owned facility in the same proportion as its ownership interest. The Companies' portions of operating expenses associated with these jointly owned facilities are included in the corresponding operating expenses on the Statements of Consolidated Income. The amounts reflected on the Consolidated Balance Sheet under utility plant at December 31, 1980 include the following:

Generating Units	Utility Plant in Service	Accumulated Provision for Depreciation	Construction Work in Progress	Companies' Ownership Interest
		(In Thousands)		
W. H. Sammis #7	$ 104,129	$ 23,081	$ 16,709	68.80%
Bruce Mansfield #1, #2 and #3	661,872	51,975	12,049	50.73%
Beaver Valley #1	354,636 (i)	42,792	36,287	52.50%
Beaver Valley #2	–	–	364,566	41.88% (ii)
Perry #1 and #2	–	–	630,296	35.24%
Total	$1,120,637	$117,848	$1,059,907	

(i) Includes common facilities applicable to Beaver Valley #2.
(ii) See Note 6.

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

Nuclear Fuel

The cost of nuclear fuel is charged to fuel expense based on the rate of consumption, assuming a zero net salvage value. Storing of spent nuclear fuel is necessary until the manner of its disposal is determined, which may take many years. A January 1980 PUCO rate order authorized the Company to begin recovering these disposal costs from its customers. Penn Power will seek regulatory approval for recovery of these costs through its rate case proceedings.

Allowance for Funds Used During Construction (AFUDC)

AFUDC, a non-cash item charged to construction work in progress during the construction period, represents the net cost of borrowed funds and equity funds used for construction. AFUDC varies according to changes in the level of construction work in progress and in the cost of capital. The Company used net of tax rates of 10.14% and 8.75% and a gross rate of 9.5% for computing AFUDC in 1980, 1979 and 1978, respectively, consistent with PUCO rate treatment. Penn Power used a net of tax rate of 8% during all three years, consistent with PPUC rate treatment. AFUDC applicable to the energy trust is based on actual interest accrued during the year (see Note 6).

The Company's 1980 net of tax AFUDC rate reflects an adjustment in the FERC formula used to calculate the rate. The adjustment resulted from a Company study which found a significant undercapitalization of construction work in progress in 1980 as a result of the failure of the formula to give

adequate effect to interest costs actually incurred in financing construction activities. This adjustment increased 1980 AFUDC by approximately $11,628,000, net of income tax effect. The Company received permission from the PUCO staff to record the additional AFUDC, subject to determination by the PUCO of its includability in future rate base. Management has no reason to believe that this amount will be disallowed in future rate proceedings.

Income Taxes

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

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

For income tax purposes, the Companies have claimed liberalized depreciation (double-declining balance, guideline lives and the Class Life ADR System provision methods) and, consistent with the rate treatment, have followed "flow-through" accounting except as indicated on the Statements of Consolidated Taxes. During 1980 and 1979 the Company provided deferred taxes on 100% and 75%, respectively, of the excess tax depreciation allowed under the Class Life ADR System for additions after 1976, consistent with its rate treatment. Penn Power deferred taxes applicable to 100% of the excess depreciation allowed under the Class Life ADR System over guideline rates using the double-declining balance method during all three years, also consistent with its rate treatment.

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

The Companies defer investment tax credits utilized and amortize these credits to income over the estimated life of the related property. At December 31, 1980, approximately $83,000,000 of unused investment tax credits were available to offset future Federal income taxes payable. These credits expire at the end of the following years:

1983	$18,000,000
1984	20,000,000
1985	9,000,000
1986	7,000,000
1987	29,000,000
	$83,000,000

In addition, the Companies have approximately $12,000,000 of net operating losses available to carry forward until the end of 1987.

Pensions

The Companies' trusteed, noncontributory pension plans cover almost all full-time employees. Upon retirement, employees receive a monthly pension based on length of service and compensation. Pension costs for 1980, 1979 and 1978 were $14,931,000, $13,731,000 and $12,008,000, respectively. Of those amounts, $9,259,000, $9,163,000 and $8,058,000, respectively, were charged to operating expenses. The balances were charged primarily to construction. Such costs include the amortization of past service costs on an actuarial basis over 30 years. The Companies fund pension costs accrued. A comparison of accumulated plan benefits and plan net assets from the two latest actuarial reports is as follows:

	June 30, 1980	June 30, 1979
Actuarial present value of accumulated plan benefits:		
Vested	$130,268,000	$167,512,000
Nonvested	9,971,000	16,705,000
	$140,239,000	$184,217,000
Net assets available for benefits	$191,678,000	$166,646,000
Assumed rate of return for actuarial present value of accumulated plan benefits	8%	5%

The increase in the assumed rate of return in 1980 had the effect of reducing the actuarial present value of plan benefits as of June 30, 1980 by approximately $68,449,000. This change reflects the estimated average rate of return on the plans' assets which are currently held and also on assets which are available in the market.

The above total actuarial present value of accumulated plan benefits reflects pension benefits applicable to eligible employees based upon present salary levels and past years of service accumulated through June 30, 1980. This is the generally accepted reporting procedure set forth by the Financial Accounting Standards Board. The Companies' annual contributions to the plans, however, consider estimated ultimate salary increases due to inflation and other factors and the estimated total service expected to be accumulated by employees. This is a widely recognized funding technique and is consistent with the recommendation of the Companies' actuary. In addition, the actuary recommends, and the Companies utilize, a discount rate of 6% for funding purposes. Differences between funding bases and reporting requirements can have a significant effect on the comparisons shown above.

2 Ohio Valley Electric Corporation (OVEC):

The Companies, along with 13 other investor-owned electric utilities and OVEC, participate in arrangements with the Department of Energy (DOE) to supply the power requirements of the DOE plant near Portsmouth, Ohio. The Companies' participation in these power arrangements is 16.5%. The sponsors are entitled to receive from OVEC, and are obligated to pay for, any available power that exceeds DOE's contract demand. The proceeds from OVEC's power sales are to be sufficient to meet all costs, including amor-

tization of debt capital over a period ending December 31, 1981, and also to provide for a return on common stock. At December 31, 1980, OVEC's unamortized debt capital was approximately $4,000,000.

OVEC common stockholders (the Company owns 16.5%) have also agreed to supply OVEC certain capital requirements if needed, including $10,000,000 for additional common stock. OVEC has deferred this need by issuing interim debt to banks.

The Securities and Exchange Commission, acting under the Public Utility Holding Company Act of 1935, reserved jurisdiction for future determination of whether or not OVEC's securities could be retained by the Company or others subject to the Act. Hearings were held, but no decision has been rendered.

3 Terminated Construction Projects:

In January 1980, the Companies and all other CAPCO companies terminated plans to construct the following four nuclear generating units—Davis-Besse No. 2 and No. 3, and Erie No. 1 and No. 2. Construction costs incurred by the Company and Penn Power as of December 31, 1980 applicable to these units amounted to $85,472,000 and $14,525,000, respectively. The PUCO recently authorized the Company to begin recovering costs expended to date from its customers over a ten-year period beginning in 1981. The PUCO also granted another CAPCO company permission to recover such costs, but that decision has been appealed to the Supreme Court of Ohio by the Ohio Office of Consumers' Counsel. The Company is currently seeking approval from the FERC, and Penn Power intends to seek approval from the PPUC and the FERC, to recover the costs from customers to the extent that they are not otherwise recoverable. The FERC gave the Companies permission, for accounting purposes only, to amortize these amounts, plus contractors' cancellation charges, if any, over a ten-year period beginning with the date that rates in their next rate filings providing for recovery of the costs become effective. The Companies believe that the construction costs were prudently incurred and have no reason to believe that the PPUC and the FERC will not act favorably upon their requests. The Babcock & Wilcox Company, as supplier for the nuclear steam supply systems for the units, has asserted claims in connection with delays in, and the termination of, the units. The Companies' shares of the claims are approximately $62,900,000 for the Davis-Besse units and $65,600,000 for the Erie units, before the application of certain credits in undetermined amounts. The Companies have no reason to believe that cancellation charges ultimately payable, if any, will not be recoverable from their customers.

4 Leases:

The Companies lease nuclear fuel, certain transmission facilities, computer equipment, office space and other incidental property and equipment under cancelable and noncancelable leases. The total rental expenses included on the Statements of Consolidated Income for 1980, 1979 and 1978 were $9,373,000, $10,356,000 and $11,125,000, respectively. The future minimum rental commitments as of December 31, 1980 for all noncancelable leases are:

1981	$ 15,342,000
1982	17,556,000
1983	15,081,000
1984	15,135,000
1985	10,349,000
Years thereafter	309,937,000

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

5 Capitalization:

(a) Common Stock

Through the Dividend Reinvestment and Stock Purchase Plan, holders of Common Stock and most of the Companies' full-time employees can acquire additional new shares of the Company's Common Stock by automatically reinvesting all or a portion of their Common Stock dividends and by making optional cash payments. Purchases made with reinvested dividends are made at a price equal to 95% of the average of the high and low market prices on the investment dates, and purchases made with optional cash payments are made at a price equal to 97% of such average. At December 31, 1980, the Company had 4,799,047 shares reserved for issuance under this plan and 2,000,000 shares of Common Stock reserved for possible conversion of the $1.80 Preference Stock.

(b) Retained Earnings

Under the Company's indenture, the Company's consolidated retained earnings unrestricted for payment of cash dividends on the Company's Common Stock were $50,167,000 at December 31, 1980. Under Penn Power's Charter, $24,337,000 of retained earnings at December 31, 1980 were unrestricted for payment of cash dividends to the Company.

(c) Preferred and Preference Stock

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

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

(d) Preferred Stock Subject to Mandatory Redemption

The Company's 10.48% Series and 10.76% Series each include provisions for a mandatory sinking fund to retire a

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

The sinking fund requirements for the next five years are:

1981	$2,000,000
1982	4,900,000
1983	4,900,000
1984	4,900,000
1985	4,900,000

(e) Preference Stock Subject to Mandatory Redemption

All of the Company's outstanding preference stock was issued in 1979. No other increases or decreases have occurred during the three years ended December 31, 1980.

The $102.50 Series and the $95.00 Series each include provisions for a mandatory sinking fund to retire a minimum of 900 and 1,800 shares, respectively, on July 1 in each year beginning in 1984 and 1985, respectively, at $1,000 per share plus accrued dividends. The $1.80 Series includes a provision for a mandatory sinking fund to retire a minimum of 100,000 shares on October 1 in each year beginning in 1985 at $15.125 per share plus accrued dividends.

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

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

(f) Long-Term Debt

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

Based on the amount of bonds authenticated by the Trustees through December 31, 1980, the Companies' annual sinking and improvement fund requirements amount to $20,847,000. The Company contemplates that funds deposited in 1981 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. This method will result in minor increases in the amount of the annual sinking fund requirements. Penn Power contemplates that its requirements will be satisfied in 1981 by permanently waiving its right to issue bonds against $2,239,000 of the $3,559,000 of retired bonds that are presently available for that purpose. Penn Power could also fulfill its requirements in the same manner as the Company.

As of December 31, 1980, the Companies' sinking and improvement fund requirements and maturing long-term debt for the next five years are:

1981	$175,847,000
1982	26,652,000
1983	20,847,000
1984	47,673,000
1985	73,990,000

The Companies issued $19,920,000 of additional secured pollution control notes in January 1981. The notes are due in 1983 and bear variable interest rates which are 60% of the applicable prevailing prime interest rate.

6 Ohio Edison Energy Trust (Trust):

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

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

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

7 Notes Payable to Banks and Lines of Credit:

The Companies have lines of credit with domestic banks that provide for borrowings of up to $168,000,000 at rates that vary from prime up to 108% of the prevailing prime interest rates. Short-term borrowings may be made under these lines of credit on the Companies' unsecured notes. All of the current lines expire December 31, 1981; however, all unused lines may be cancelled by the banks.

The Companies maintain cash balances on deposit with banks to provide operating funds and to assure availability of $92,264,000 of the lines of credit. These compensating balances, net of "float," are expected to be maintained at an average of approximately $5,000,000 and are not subject to any contractual restriction against withdrawal. Penn Power is required to pay a commitment fee to assure the availability of $17,000,000 of the lines of credit.

The Company has trust demand note arrangements with a borrowing limit of $20,000,000. Amounts borrowed ($17,982,000 and $19,499,000 at December 31, 1980 and 1979, respectively) are callable on demand. The Company holds available a portion of its bank lines to cover any call for payment. The interest rate on these borrowings is based on rates for certain directly placed, high quality commercial paper. There are no compensating balance requirements associated with these credit arrangements.

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

8 Commitments, Guarantees and Contingencies:

Construction Program

The Companies expect to spend approximately $2,700,000,000 for property additions and improvements from 1981 through 1985, of which approximately $588,000,000 is applicable to 1981. The major portion of the Companies' construction activities during this five-year period relates to the CAPCO companies' program for the joint development of power generation and transmission facilities, and to bring the Companies' existing generating units into compliance with environmental regulations. Also, the CAPCO companies have entered into commitments (the Companies' share being $766,000,000) for the supply of nuclear fuel in connection with the future commercial operation of nuclear generating units.

The Companies' financing programs during 1981 through 1985 will include the sale or issuance, from time to time, of appropriate additional amounts of first mortgage bonds, secured or unsecured pollution control and environmental notes and obligations, unsecured long-term notes, preferred stock, preference stock, common stock and proceeds from the Trust (see Note 6). The Companies are limited by their respective indentures and Charters as to the amount of additional first mortgage bonds and preferred stock they may issue.

Quarto Project

The Companies, together with the other CAPCO companies have made long-term coal supply arrangements with Quarto. The CAPCO companies have severally, and not jointly, agreed to guarantee their proportionate shares of Quarto's debt and lease obligations incurred while developing and equipping the mines. The guarantees will remain even if environmental regulations prohibit the use of this coal. As of December 31, 1980, the Companies' share of the guarantee was $236,210,000 ($111,192,000—long-term debt; $87,486,000—lease obligations; and $37,532,000—short-term bank credit). The guarantee is expected to increase to $250,000,000 based on budgeted mine construction costs of $431,000,000.

The mine development period ended on May 31, 1980. The current price of Quarto coal to the Companies is based on, among other things, the actual production costs plus amortization of certain production expenses which were not included in the price of coal to the Companies during the development period. The current price of Quarto coal exceeds the current generally prevailing market price of coal. Reference is made to Note 1 for a discussion of the recently concluded PUCO fuel adjustment clause hearing which currently limits the Company's inclusion of the cost of Quarto coal in the fuel adjustment clause to generally prevailing market prices.

The PPUC ordered an investigation, in December 1980, to determine the reasonableness of the costs of Quarto coal being recovered through Penn Power's energy clause. In January 1981, the PPUC issued a further order which in effect prohibits Penn Power from including the costs of Quarto coal in its energy clause at more than the market price of comparable coal, pending completion of the investigation. Management believes that Penn Power will ultimately be able to recover the total costs of Quarto coal.

The Company is presently continuing to study and evaluate the economics of the Quarto project and the various alternatives available to reduce unit production costs (and alternative long-term supplies of coal). The Company submitted a detailed study to the PUCO in August 1980 which concluded that, over the life of the contract, the projected average cost of Quarto coal will be less than the projected average market price of comparable coal. Management has no reason to believe that the costs incurred with this project will not be recovered through the Company's fuel adjustment clause or through base rates.

Environmental Matters

Various Federal, state and local authorities regulate the Companies with regard to air and water quality and other environmental matters. The Companies estimate that com-

pliance will require capital expenditures of approximately \$590,000,000 for projects remaining to be completed. Of this amount, approximately \$72,000,000 was spent prior to 1981, and \$518,000,000 is included in the above construction estimate for 1981 through 1985. Capital expenditures for environmental improvements amounted to \$59,837,000 in 1980. If a flue gas desulfurization device must be installed at Penn Power's New Castle Plant to comply with emission limitations, estimated capital expenditures would increase by approximately \$85,000,000 and annual operating expenses by approximately \$15,000,000. If the Companies are required to install additional off-stream cooling in connection with the operation of the New Castle and Sammis plants, additional substantial, but presently undeterminable, costs would be incurred. The Companies expect that the impact of any such capital and operating expenditures would eventually be reflected in their rate schedules.

The Federal government began legal proceedings against the Companies under the Clean Air Act, asking the courts to assess civil penalties for alleged continuing violations of particulate emission regulations at the Companies' Ohio Plants and sulfur dioxide emission regulations at Penn Power's New Castle Plant. The Clean Air Act Amendments, which became effective in August 1977, permit the imposition of civil penalties of up to \$25,000 per day of violation. The cases with respect to the Ohio Plants have now been settled and the Company has agreed to pay a civil penalty of \$1,500,000, of which approximately \$200,000 will be shared by Penn Power and Duquesne Light Company because of their ownership interests in W. H. Sammis Unit No. 7. The Company also agreed to complete an ongoing program that will bring these Plants into final compliance with particulate regulations in 1984. The estimated cost of compliance is included in the capital expenditures referred to above. With respect to the New Castle Plant, the penalties, if any, that may be imposed by the court for alleged past violations are not now determinable, but such penalties could be substantial. In addition, Penn Power could be forced to shut down significant amounts of coal-fired capacity. Penn Power expects to comply with any final order of the court and, in the meantime, to conduct operation of the plant so as to minimize the applicable emissions to the greatest extent deemed practicable. Therefore, this litigation should not result in the imposition of any substantial civil penalties for future conduct.

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

Penn Power has had dispersion modeling studies done for its New Castle Plant, and the results of those studies together with the data from its air monitoring sites in the vicinity of the Plant indicate that the current sulfur dioxide (SO_2) emission standards are more stringent than necessary to meet the Federal ambient air (health) standards. Penn Power requested the Pennsylvania Department of Environmental Resources (DER) to adopt a less stringent emission standard for SO_2 which would enable Penn Power to meet the emission standards with the low sulfur coal it is now burning at the New Castle Plant. DER proposed such an emission standard for the portion of the air basin in which the Plant is located and adopted the proposal on October 21, 1980. This revision of the State Implementation Plan (SIP) has been sent to the EPA for approval. Pending the review of this proposed change to the SIP, management believes no notice of noncompliance will be issued.

Other Legal Actions and Complaints

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

The PPUC is investigating an outage of Beaver Valley Unit No. 1 which occurred during the period March-August 1979. The outage had been ordered by the Nuclear Regulatory Commission to analyze possible seismic deficiencies of safety-related piping and pipe supports in the Unit. This investigation is to determine whether, as a result of the outage, the Unit should be eliminated from, or adjustments made in, Penn Power's rate base. Also, it will determine if certain expenditures by Penn Power for purchased replacement power should be excluded from its energy clause. In a rate case proceeding involving another CAPCO company, the PPUC ordered that the Unit remain in that company's rate base and that an unspecified amount relating to replacement power costs during the outage period be excluded from that company's energy clause. If Penn Power is required at some future time to make a similar adjustment, it is not expected that the amount of any such adjustment would be material to the Company's consolidated results of operations. In a separate investigation, the PPUC is considering whether additional construction costs which result from deferral of construction projects should be excluded from rate base in future rate proceedings.

9 Summary of Quarterly Financial Data:

The following summarizes certain consolidated operating results for the four quarters of 1980 and 1979.

	Three Months Ended							
	March 31, 1980	June 30, 1980	September 30, 1980	December 31, 1980	March 31, 1979	June 30, 1979	September 30, 1979	December 31, 1979
	(In thousands, except per share amounts)							
Operating Revenues	$279,789	$252,808	$274,983	$273,291	$250,433	$236,560	$254,989	$252,603
Operating Expenses and Taxes	232,155	212,633	231,853	234,845	214,883	198,715	207,472	209,771
Operating Income	47,634	40,175	43,128	38,446	35,550	37,845	47,517	42,832
Other Income and Deductions, Net	23,023	23,747	25,189	25,477	15,330	17,027	18,508	22,294
Net Interest and Other Charges	28,732	32,272	36,307	33,758	23,942	24,601	26,076	27,477
Net Income	$ 41,925	$ 31,050	$ 32,010	$ 30,165	$ 26,938	$ 30,271	$ 39,949	$ 37,649
Net Income for Common Stock	$ 33,434	$ 22,590	$ 23,607	$ 21,772	$ 19,984	$ 23,318	$ 32,515	$ 29,303
Average Number of Shares of Common Stock Outstanding	64,227	66,897	67,462	68,145	56,264	58,562	58,945	59,390
Earnings per Share of Common Stock	$ .52	$ .34	$ .35	$ .32	$ .36	$ .40	$ .55	$ .49

Previously reported 1980 quarterly information has been restated to reflect a fourth quarter adjustment to the 1980 AFUDC rate (see Note 1). The effect was to increase net income by $2,662,000 ($.04 per share), $2,727,000 ($.04 per share) and $2,671,000 ($.04 per share) in the first, second and third quarters, respectively.

10 Supplementary Financial Data—Financial Reporting and Changing Prices (Unaudited):

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

Adjusted for the Effects of Changing Prices For the Year Ended December 31, 1980 (In Thousands)

	As Reported on the Primary Consolidated Statements	Historical Cost Adjusted for General Inflation	Adjusted for Change in Specific Prices (Current Cost)
		(Average 1980 Dollars)	
Operating Revenues	$1,080,869	$1,080,869	$1,080,869
Operating Expenses and Taxes:			
Operation and maintenance	689,269	689,269	689,269
Provision for depreciation	85,455	165,961	199,182
General taxes	85,143	85,143	85,143
Income taxes	51,619	51,619	51,619
Total operating expenses and taxes	911,486	991,992	1,025,213
Operating Income	169,383	88,877	55,656
Other Income and Deductions, net	96,836	96,836	96,836
Net Interest and Other Charges	131,069	131,069	131,069
Preferred and Preference Stock Dividend Requirements	33,747	33,747	33,747
Income (Loss) from Continuing Operations (excluding reduction to net recoverable cost)	$ 101,403	$ 20,897 (i)	$ (12,324)
Increase in specific prices (current cost) of property, plant and equipment held during the year (ii)			$ 551,157
Reduction to net recoverable cost		$ (296,543)	(95,655)
Effect of increase in the general price level on property, plant and equipment			(718,824)
Excess of increase in the general price level over increase in specific prices of property, plant and equipment after reduction to net recoverable cost			(263,322)
Advantage resulting from the decrease in purchasing power of net monetary liabilities		253,234	253,234
Net		$ (43,309)	$ (10,088)

(i) Including the reduction to net recoverable cost, the income (loss) from continuing operations adjusted for general inflation would have been $(275,646,000).

(ii) At December 31, 1980, property, plant and equipment, net of accumulated depreciation, all adjusted for changes in specific prices (current cost) was $6,607,916,000, while historical cost (net cost recoverable) was $3,440,024,000.

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

Adjusted for the Effects of Changing Prices

	Year Ended December 31,				
	1980	1979	1978	1977	1976
OPERATING REVENUES					
(In Thousands)					
As reported on the primary consolidated statements	$1,080,869	$ 994,585	$ 862,956	$ 796,289	$644,852
Adjusted to average 1980 dollars	$1,080,869	$1,129,053	$1,089,924	$1,082,745	$933,400
HISTORICAL COST INFORMATION ADJUSTED FOR GENERAL INFLATION					
(In Average 1980 Dollars)					
Income from continuing operations (excluding reduction to net recoverable cost) (In thousands)	$ 20,897	$ 47,482			
Income from continuing operations per common share (excluding reduction to net recoverable cost)	$ .31	$ .81			
CURRENT COST INFORMATION					
(In Average 1980 Dollars)					
Income (loss) from continuing operations (excluding reduction to net recoverable cost) (In thousands)	$ (12,324)	$ 16,069			
Income (loss) from continuing operations per common share (excluding reduction to net recoverable cost)	$(.18)	$ .28			
Excess of increase in the general price level over increase in specific prices of property, plant and equipment after reduction to net recoverable cost (In thousands)	$ (263,322)	$ (303,627)			
OTHER INFORMATION					
Common stockholders' equity at December 31 at net recoverable cost (In thousands of Average 1980 Dollars)	$1,014,403	$1,043,482			
Advantage resulting from the decrease in purchasing power of net monetary liabilities (In thousands of Average 1980 Dollars)	$ 253,234	$ 280,700			
Cash dividends declared per common share—					
As reported	$1.76	$1.76	$1.76	$1.715	$1.67
Adjusted to average 1980 dollars	$1.74	$1.99	$2.20	$2.32	$2.41
Market price per common share at December 31—					
As reported	$11.875	$13.375	$14.875	$19.50	$20.875
Adjusted to average 1980 dollars	$11.34	$14.36	$18.10	$25.86	$29.56
Average consumer price index	246.8	217.4	195.4	181.5	170.5

The Consumer Price Index for All Urban Consumers (CPI-U) was used for converting historical amounts for property, plant and equipment into average 1980 dollars, thus giving an indication of the effect of general inflation on the principal assets of the Companies.

Current cost of property, plant and equipment other than land was calculated by applying the Handy-Whitman Index of Public Utility Construction Costs for the North Central Division and the Bureau of Labor and Statistics engineering indices to functional accounts by vintage years, except for large construction projects which were trended based on the year that costs were incurred. The current cost of land was calculated by applying the CPI-U to the actual costs in the respective years of acquisition. The current cost data approximately reflects the current cost of acquiring property, plant and equipment identical to assets currently owned.

Depreciation expense adjusted for general inflation and for changing prices was determined using the same rates and methods used in calculating the provision in the primary financial statements. The accumulated provisions for depreciation were estimated for each functional class of property, plant and equipment by applying the Handy-

Whitman Index to a vintaged theoretical reserve for depreciation.

Income taxes included in income (loss) from continuing operations adjusted for general inflation and for changing prices is the same as the provision reported on the primary consolidated financial statements, in conformity with SFAS No. 33.

During inflationary periods, the investment necessary to replace property, plant and equipment will be more than their original cost. Because the Companies are permitted to recover in revenues, through a depreciation allowance, only the historical costs of such assets, the additional cost of plant as adjusted for changing prices is indicated as a "Reduction to net recoverable cost."

Net monetary liabilities of the Companies consist primarily of long-term debt and preferred stock. During inflationary periods, the Companies will be repaying these net monetary liabilities with dollars having less purchasing power than dollars had when the liability was originally incurred. The difference is indicated by the "Advantage resulting from the decrease in purchasing power of net monetary liabilities."

Auditors' Report

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

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

We have examined the consolidated balance sheets and statements of consolidated capitalization of Ohio Edison Company (an Ohio corporation) and its subsidiary company, Pennsylvania Power Company, as of December 31, 1980, and 1979, and the related statements of consolidated income, retained earnings, capital stock and other paid-in capital, sources of funds for gross property additions and taxes for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Ohio Edison Company and its subsidiary company as of December 31, 1980, and 1979, and the results of their operations and the sources of funds for gross property additions for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

March 17, 1981

Consolidated Financial Statistics

General Financial Information	1980	1979	1978	1977	1976	1975	1970
Total Operating Revenues (000)	$1,080,869	$ 994,585	$ 862,956	$ 796,289	$ 644,852	$ 593,324	$281,821
Operating Income (000)	$ 169,383	$ 163,7[illegible]4	$ 123,945	$ 146,508	$ 122,217	$ 89,663	$ 63,227
Net Income for Common Stock (000)	$ 101,403	$ 105,120	$ 61,259	$ 87,863	$ 82,777	$ 67,641	$ 47,317
Ratio of Net Income for Common Stock to Operating Revenues	9.4%	10.6%	7.1%	11.0%	12.8%	11.4%	16.8%
Times Interest Earned Before Income Tax	2.05x	2.31x	1.67x	2.38x	2.22x	2.34x	4.93x
Net Utility Plant at December 31 (000)	$3,435,267	$3,012,197	$2,717,820	$2,403,810	$2,115,798	$1,850,490	$928,751
Gross Property Additions (000)	$ 515,020	$ 476,746	$ 395,162	$ 358,105	$ 325,553	$ 282,892	$107,978
Capitalization at December 31: (000)							
Common Stockholders' Equity	$1,066,957	$ 969,543	$ 851,119	$ 866,725	$ 634,707	$ 545,704	$343,913
Preferred Stock Not Subject to Mandatory Redemption	307,472	307,472	307,472	262,472	262,472	214,472	77,999
Preferred Stock Subject to Mandatory Redemption	99,200	93,600	98,000	98,000	88,000	88,000	—
Preference Stock Subject to Mandatory Redemption	57,250	57,250	—	—	—	—	—
Long-Term Debt	1,594,384	1,410,782	1,343,195	1,189,821	1,087,755	920,932	475,140
Total Capitalization	$3,125,263	$2,838,647	$2,599,786	$2,417,018	$2,072,934	$1,769,108	$897,052
Capitalization Ratios at December 31:							
Common Stockholders' Equity	34.2%	34.2%	32.7%	35.9%	30.6%	30.8%	38.3%
Preferred Stock Not Subject to Mandatory Redemption	9.8	10.8	11.8	10.9	12.7	12.1	8.7
Preferred Stock Subject to Mandatory Redemption	3.2	3.3	3.8	4.0	4.2	5.0	—
Preference Stock Subject to Mandatory Redemption	1.8	2.0	—	—	—	—	—
Long-Term Debt	51.0	49.7	51.7	49.2	52.5	52.1	53.0
Total Capitalization	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Preferred & Preference Stock Outstanding at December 31	8.38%	8.36%	7.99%	7.85%	7.84%	7.70%	4.34%
Cost of Long-Term Debt Outstanding at December 31	9.16%	8.13%	7.71%	7.45%	7.47%	7.17%	5.27%

Common Stock Data	1980	1979	1978	1977	1976	1975	1970
Earnings per Average Common Share	$1.52	$1.80	$1.19	$1.97	$2.14	$1.95	$1.84
Return on Average Common Equity	9.7%	11.2%	7.1%	11.7%	13.9%	13.0%	13.9%
Dividends Paid Per Share	$1.76	$1.76	$1.76	$1.715	$1.67	$1.66	$1.54
Common Stock Dividend Payout Ratio	116%	98%	148%	87%	78%	85%	84%
Common Stock Dividend Yield at December 31	14.8%	13.2%	11.8%	9.0%	8.1%	9.9%	6.1%
Price/Earnings Ratio at December 31	7.8	7.4	12.5	9.9	9.8	8.6	13.7
Shares of Common Stock Outstanding at December 31 (000)	68,526	59,622	52,120	51,207	39,856	35,695	25,695
Book Value per Common Share at December 31	$15.57	$16.26	$16.33	$16.93	$15.93	$15.29	$13.28
Market Price per Common Share at December 31	$11.875	$13.375	$14.875	$19.50	$20.875	$16.75	$25.125
Ratio of Market Price to Book Value per Share at December 31	76%	82%	91%	115%	131%	110%	189%

Consolidated Operating Statistics

	1980	1979	1978	1977	1976	1975	1970
Revenue From Electric Sales: (000)							
Residential	$ 398,832	$360,273	$314,867	$284,572	$232,433	$221,230	$104,574
Commercial	268,788	240,458	205,901	191,381	155,572	149,268	71,753
Industrial	330,717	315,185	258,767	236,434	195,311	180,086	83,433
Other	62,801	52,792	55,317	39,569	37,762	33,560	16,370
Total	$1,061,138	$968,708	$835,352	$751,896	$621,078	$584,144	$276,136
Revenue From Electric Sales—%:							
Residential	37.6%	37.2%	37.7%	37.8%	37.4%	37.9%	37.9%
Commercial	25.3	24.8	24.6	25.5	25.0	25.6	26.0
Industrial	31.2	32.5	31.0	31.4	31.4	30.8	30.2
Other	5.9	5.5	6.7	5.3	6.2	5.7	5.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Kilowatt-Hour Sales: (Millions)							
Residential	6,801	6,650	6,501	6,334	6,024	5,809	4,383
Commercial	4,812	4,693	4,470	4,549	4,358	4,169	3,187
Industrial	8,909	9,830	9,600	9,671	9,262	8,514	8,150
Other	1,872	1,787	1,738	1,675	1,558	1,489	1,366
Total	22,394	22,960	22,309	22,229	21,202	19,981	17,086
Customers Served at December 31:							
Residential	867,447	861,196	848,268	836,500	824,851	813,308	727,21[illegible]
Commercial	88,505	87,425	86,410	85,002	85,512	83,710	75,7[illegible]
Industrial	1,059	1,161	1,160	1,147	1,111	1,132	1,080
Other	704	693	689	682	681	676	548
Total	957,715	950,475	936,527	923,331	912,155	898,826	804,569
Average Annual Residential KWH Usage	7,870	7,780	7,724	7,637	7,361	7,204	6,086
Average Residential Price Per KWH	5.86¢	5.42¢	4.84¢	4.49¢	3.86¢	3.81¢	2.39¢
Cost of Coal per Million BTU	$1.50	$1.26	$1.16	$.96	$.93	$1.05	$.26
Generating Capability at December 31: (Megawatts)							
Coal	4,899	4,861	4,861	4,861	4,481	3,951	3,467
Oil	364	423	423	423	423	423	6
Nuclear	425	425	420	420	190	—	—
Total	5,688	5,709	5,704	5,704	5,094	4,374	3,473
Sources of Electric Generation:							
Coal	98.7%	91.9%	90.4%	90.0%	96.3%	96.7%	99.9%
Oil	0.6	[illegible]	3.5	2.6	2.5	3.3	0.1
Nuclear	0.7	[illegible]	[illegible]	7.4	1.2	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Peak Load—Megawatts	4,250	[illegible]	4,058	[illegible]	3,812	3,682	3,053
Number of Employees at December 31	7,583	[illegible]	6,765	6,609	6,241	6,184	5,787

Stockholder Information

Stock Transfer and Registration Agents

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

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

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

BancOhio National Bank
One Cascade Plaza
Akron, Ohio 44308
Attn: Registrar

Stock Listing

The Company's common stock is listed on the New York and Midwest Stock Exchanges and traded on other registered exchanges. The stock is traded on the following symbol: OEC

Annual Meeting of Stockholders

The 1981 Annual Meeting of Stockholders will be held on Thursday, April 30, at 1:30 p.m. at Ohio Edison's General Office in Akron, Ohio. Stockholders unable or choosing not to attend the meeting can vote on the items of business presented at the meeting by filling out the proxy card that is mailed to each stockholder approximately 30 days prior to the meeting date.

Dividend Reinvestment and Stock Purchase Plan

The Ohio Edison Dividend Reinvestment and Stock Purchase Plan raised $29.6 million of new capital in 1980, up 37 percent over 1979.

A total of 34,316 participants, or 19 percent of Edison's stockholders of record, had signed up for the plan by the end of the year. By reinvesting their dividends totaling $15.8 million, they acquired 1,314,959 additional shares of common stock. Through the optional cash payment feature of the plan, participants also made cash payments of $13.8 million for the purchase of 1,088,844 shares of common stock.

Participants may invest all or part of their quarterly dividends automatically in additional shares of common stock at a price equal to 95 percent of market value. Also, they may buy additional shares through optional cash payments at a price equal to 97 percent of the stock's market value.

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

Availability of Form 10-K

A copy of Ohio Edison's annual report for 1980 to the Securities and Exchange Commission, Form 10-K, will be provided without charge to our stockholders. If you would like to receive a copy of this report, please write to Gregory F. LaFlame, Secretary, Ohio Edison Company, 76 South Main Street, Akron, Ohio 44308.

OHIO EDISON
76 South Main Street
Akron, Ohio 44308

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Ohio Edison 1989 Annual Report