FIRSTENERGY CORP

FORM U-1
(Application for Public Utility Holding Company)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM U-1 APPLICATION/DECLARATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308

(Name of companies filing this statement
and address of principal executive offices)

None

(Name of top registered holding company, parent of each applicant or declarant)

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ITEM 1. DESCRIPTION OF PROPOSED MERGER

INTRODUCTION

Pursuant to Sections (9)(a)(2) and 10 of the Public Utility Holding Company Act of 1935 (the "1935 Act" or the "Act"), FirstEnergy Corp., an Ohio corporation ("FirstEnergy" or the "Applicant"), hereby requests that the Securities and Exchange Commission (the "Commission") (i) authorize the direct and indirect acquisition, as set forth herein, by FirstEnergy of all of the issued and outstanding voting securities ("Common Stock") of Ohio Edison Company, an Ohio corporation ("Ohio Edison"), The Cleveland Electric Illuminating Company, an Ohio corporation ("Cleveland Electric"), The Toledo Edison Company, an Ohio corporation ("Toledo Edison") and Pennsylvania Power Company, a Pennsylvania corporation ("Penn Power") as well as 20.5% of the Common Stock of Ohio Valley Electric Corporation, an Ohio corporation ("OVEC")(which, in turn, owns all of the Common Stock of Indiana-Kentucky Electric Corporation ("IKEC")) and (ii) grant such other authorizations as may be necessary in connection therewith.

Centerior Energy Corporation, an Ohio corporation ("Centerior"), currently owns all of the Cleveland Electric and Toledo Edison Common Stock. Ohio Edison currently owns all of the Penn Power Common Stock. Ohio Edison, Penn Power, Cleveland Electric, Toledo Edison, OVEC and IKEC are all "public-utility companies" as defined in the 1935 Act. Ohio Edison is also a "holding company" as defined in the 1935 Act. Ohio Edison is currently exempt from the registration and other requirements of the 1935 Act, other than from Section 9(a)(2) thereof, pursuant to Section 3(a)(2). Centerior is a "holding company" as defined in the 1935 Act and is exempt under Section 3(a)(1) of the 1935 Act from all of the provisions of the 1935 Act (except for Section 9(a)(2) thereof).

FirstEnergy will directly acquire all of the Cleveland Electric Common Stock, the Toledo Edison Common Stock and the Ohio Edison Common Stock and will indirectly acquire the Penn Power Common Stock through the transactions contemplated by (i) the Agreement and Plan of Merger, dated as of September 13, 1996 (the "Merger Agreement") between Ohio Edison and Centerior, (ii) the Merger Agreement by and among Ohio Edison Company, FirstEnergy Corp. and Ohio Edison Acquisition Corp., attached to the Merger Agreement as Exhibit A (the "Ohio Edison Merger Agreement"), and (iii) the Merger Agreement by and among Centerior Acquisition Corp., FirstEnergy Corp. and Centerior Energy Corporation, attached to the Merger Agreement as Exhibit B (the "Centerior Merger Agreement" and, together with the Merger Agreement and the Ohio Edison Merger Agreement, the "Merger Agreements"). The Merger Agreements provide, among other things, for (i) the merger of Centerior with and into FirstEnergy Corp., (immediately after the merger of a wholly-owned subsidiary of FirstEnergy ("Centerior Acquisition Corp.") with and into Centerior pursuant to the Centerior Merger Agreement) and
(ii) the merger of another wholly-owned subsidiary of FirstEnergy ("Ohio Edison Acquisition Corp.") with and into Ohio Edison pursuant to the Ohio Edison Merger Agreement (collectively, the "Merger"). Following the Merger, FirstEnergy will be a holding company which will directly hold all of the Ohio Edison Common Stock, Cleveland Electric Common Stock and Toledo Edison Common Stock. Penn Power will remain a wholly-owned subsidiary of Ohio Edison. Upon consummation of the Merger, FirstEnergy will own indirectly 20.5% of the OVEC Common Stock.

FirstEnergy is not currently a "holding company" under the 1935 Act because it does not own, control or hold with power to vote ten percent or more of the voting securities of a public-utility company. Following the consummation of the Merger, FirstEnergy will be a public-utility holding company under the 1935 Act. FirstEnergy will claim an exemption from all provisions of the 1935 Act (except for Section 9(a)(2) thereof) pursuant to Rule 2 under the 1935 Act immediately following the consummation of the Merger.

A. DESCRIPTION OF PARTIES TO THE MERGER

1. GENERAL DESCRIPTION

a. FIRSTENERGY

FirstEnergy was organized under the laws of the State of Ohio in 1996 by Ohio Edison and Centerior for the purpose of facilitating the Merger of Ohio Edison and Centerior and is not currently engaging in any business. FirstEnergy will organize two wholly owned subsidiaries, Centerior Acquisition Corp. and Ohio Edison Acquisition Corp., both Ohio corporations, for the purpose of consummating the Merger. Upon consummation of the Merger, FirstEnergy will directly own all of the Common Stock of Ohio Edison, Cleveland Electric and Toledo Edison, as well as indirectly owning all of the Common Stock of Penn Power and 20.5% of the Common Stock of OVEC. Fifty percent of First Energy's Common Stock currently is owned by Ohio Edison; the remainder of FirstEnergy's Common Stock is owned by Centerior.

b. OHIO EDISON

Ohio Edison is an investor-owned public utility company headquartered in Akron, Ohio. It was organized under the laws of the State of Ohio in 1930 and is a "public utility company" and a public utility "holding company" which is exempt from regulation by the Commission under the 1935 Act (except for Section 9(a)(2) thereof) because it is predominantly a public-utility company whose operations as such do not extend beyond the State of Ohio and contiguous states. SEE OHIO EDISON COMPANY, Holding Co. Act Release No. 21019 (April 26, 1979). Ohio Edison owns all of the Common Stock of Penn Power, which is based in New Castle, Pennsylvania. Penn Power is a "public utility company" under the 1935 Act. Including Penn Power, Ohio Edison has eight wholly-owned subsidiaries. Ohio Edison owns directly 16.5% of the Common Stock of OVEC. OVEC and IKEC were formed in 1952 by 15 independent investor-owned public utilities (including Ohio Edison, Penn Power and Toledo Edison) for the purpose of providing the large electric power requirements projected for the major uranium enrichment complex near Portsmouth, Ohio, then being built by the Atomic Energy Commission, the predecessor to the U.S. Department of Energy (the "DOE"). The merger will not affect OVEC.

Ohio Edison and Penn Power operate and dispatch electrical service as a single utility system known as the Ohio Edison System ("OES"). OES provides retail electric service to 1.1 million customers in a 9,000 square mile area of central and northeastern Ohio and western Pennsylvania. OES provides wholesale electric capacity, energy and transmission services to 21 municipal electric systems in its Ohio service area, and to five boroughs in Pennsylvania. In addition, OES provides transmission service to nine rural electric cooperatives. OES also engages in the sale, purchase and interchange of electric energy with other electric companies and power producers. OES has 36 transmission interconnections with eight public utilities, including Cleveland Electric and Toledo Edison, which operate at or above 138 kilovolts ("kV").

Ohio Edison and Penn Power belong to the Central Area Power Coordination Group ("CAPCO"). The other members of CAPCO are Cleveland Electric, Toledo Edison and Duquesne Light Company ("Duquesne")(collectively, the "CAPCO Companies"). The CAPCO Companies jointly own various generating units and individually own various transmission facilities dedicated by the CAPCO agreements to fulfill specified purposes. CAPCO is not a utility company or a transmitting utility, and no CAPCO member owns a share of all CAPCO units. The Merger will not affect the CAPCO agreements.

c. CENTERIOR

Centerior is an investor-owned public utility holding company headquartered in Independence, Ohio. It was organized under the laws of the State of Ohio in 1985 in connection with the merger of Cleveland Electric and Toledo Edison. Centerior is a "holding company" which is exempt from regulation by the Commission under the 1935 Act (except for Section 9(a)(2) thereof) because its operations and those of its public utility subsidiaries (Cleveland Electric and Toledo Edison) from which it derives, directly or indirectly, any material part of its income, are predominantly intrastate in character and are carried on substantially in the State of Ohio. SEE Centerior Form

U-3A-2, "Statement by Holding Company Claiming Exemption Under Rule U-2 from the Provisions of the Public Utility Holding Company Act of 1935," dated February 27, 1996, attached hereto as Exhibit G-1. Centerior owns all of the Common Stock of Cleveland Electric and Toledo Edison, which are based in Cleveland, Ohio, and Toledo, Ohio, respectively. Cleveland Electric and Toledo Edison are "public-utility companies" under the 1935 Act. In addition to Cleveland Electric and Toledo Edison, Centerior has four other wholly-owned subsidiaries. Toledo Edison owns directly 4% of the Common Stock of OVEC.

The service areas of Centerior's Toledo Edison and Cleveland Electric subsidiaries are not contiguous. Cleveland Electric provides retail electric service to 749,075 customers in a 1,700 square mile area of northeastern Ohio, and Toledo Edison provides retail electric service to 290,480 customers in a 2,500 square mile area of northwestern Ohio. Cleveland Electric and Toledo Edison also provide transmission services and electric energy for resale to other electric utility companies and to 14 municipalities and 5 rural cooperatives in Toledo Edison's service area. Cleveland Electric and Toledo Edison also engage in the sale, purchase and interchange of electric energy with other electric companies and power producers. Cleveland Electric and Toledo Edison together have 21 transmission interconnections with 4 public utilities, including OES, which operate at or above 138 kV.

2. DESCRIPTION OF UTILITY OPERATIONS

a. OHIO EDISON AND PENN POWER

Ohio Edison furnishes electric service to communities in a 7,500 square mile area of central and northeastern Ohio. A map of Ohio Edison's service territory is attached as Exhibit E-1. Ohio Edison also provides transmission services and electric energy for resale to certain municipalities in its service area and transmission services to certain rural cooperatives. Ohio Edison also engages in the sale, purchase and interchange of electric energy with other electric companies. The area it serves has a population of approximately 2,530,000.

Penn Power furnishes electric service to communities in a 1,500 square mile area of western Pennsylvania. Penn Power also provides transmission services and electric energy for resale to certain municipalities in Pennsylvania. The area served by Penn Power has a population of approximately 342,000. A map of Penn Power's service territory is attached as Exhibit E-1.

GENERATING UNITS OES owns or leases all or a portion of 39 electric generating units, consisting of 18 coal fired units, three nuclear units, seven oil fired units, one gas/oil fired unit and 10 diesel generators (located at three sites), which have total net generating capacity of 5,757 megawatts ("MW"). Essentially all of the electric properties owned by OES are located within the State of Ohio and the Commonwealth of Pennsylvania.

OES's generation requirements are supplied by a number of plants which use a variety of fuels, as set forth below:

Generating Unit	Location	Unit Type	Total Unit Net Demonstrated Capability (MW)	OES-Owned Portion of Net Demonstrated Capability (MW)
NUCLEAR				
Beaver Valley 1	Pennsylvania	Steam Turbine	810	425(1)/
Beaver Valley 2	Pennsylvania	Steam Turbine	820	343(2)/
Perry 1	Ohio	Steam Turbine	1194	421(3)/
COAL				
Burger 3	Ohio	Steam Turbine	94	94(4)/
Burger 4	Ohio	Steam Turbine	156	156(4)/
Burger 5	Ohio	Steam Turbine	156	156(4)/
Mansfield 1	Pennsylvania	Steam Turbine	780	501(5)/
Mansfield 2	Pennsylvania	Steam Turbine	780	360(6)/
Mansfield 3	Pennsylvania	Steam Turbine	800	335(7)/
New Castle 3	Pennsylvania	Steam Turbine	98	98(8)/
New Castle 4	Pennsylvania	Steam Turbine	98	98(8)/
New Castle 5	Pennsylvania	Steam Turbine	137	137(8)/
Niles 1	Ohio	Steam Turbine	108	108(4)/
Niles 2	Ohio	Steam Turbine	108	108(4)/
Sammis 1	Ohio	Steam Turbine	180	180(4)/
Sammis 2	Ohio	Steam Turbine	180	180(4)/
Sammis 3	Ohio	Steam Turbine	180	180(4)/
Sammis 4	Ohio	Steam Turbine	180	180(4)/
Sammis 5	Ohio	Steam Turbine	300	300(4)/
Sammis 6	Ohio	Steam Turbine	600	600(4)/
Sammis 7	Ohio	Steam Turbine	600	413(9)/

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1. Represents combined OES ownership of 52.50%.

2. Represents combined OES ownership and leasehold interest of 41.88%.

3. Represents combined OES ownership and leasehold interest of 35.24%.

4. 100% owned by Ohio Edison.

5. Represents combined OES ownership of 64.20%.

6. Represents combined OES ownership of 46.10%.

7. Represents combined OES ownership of 41.88%.

8. 100% owned by Penn Power.

9. Represents combined OES Ownership of 68.8%.

Generating Unit	Location	Unit Type	Total Unit Net Demonstrated Capability (MW)	OES-Owned Portion of Net Demonstrated Capability (MW)
NATURAL GAS				
Edgewater 4	Ohio	Steam Turbine	100	100(4)/
OIL				
Edgewater CT A&B	Ohio	Combustion Turbine	48	48(4)/
Mad River CT A&B	Ohio	Combustion Turbine	60	60(4)/
Niles CT A	Ohio	Combustion Turbine	30	30(4)/
West Lorain CT A&B	Ohio	Combustion Turbine	120	120(4)/
DIESEL				
Burger D	Ohio	Internal Combustion	7	7(4)/
New Castle D	Pennsylvania	Internal Combustion	6	6(4)/
Sammis D	Ohio	Internal Combustion	13	13(4)/
Total			8743	5757

SYSTEM REQUIREMENTS

OES has a transmission system of 5,616 circuit line miles covering an area of approximately 9,000 square miles. OES also has 26,144 distribution line miles within its service areas. The transmission system has 629 circuit miles of 345 kV lines, 2,340 circuit miles of 138 kV lines, 182 circuit miles of 34.5 kV lines, and 583 circuit miles of 23 kV lines. Additionally, OES's electric distribution systems include 26,114 miles of overhead pole line and underground conduit carrying primary, secondary and street lighting circuits. OES owns, individually or together with one or more of the other CAPCO Companies as tenants in common, 443 substations with a total installed transformer capacity of 24,380,724 kV-amperes, of which 69 are transmission substations, including nine located at generating plants.

The 1995 net maximum hourly demand on OES of 6,332,000 kilowatts ("kW") (including 450,000 kW of firm power sales that extend through 2005) occurred on August 15, 1995. The seasonal capability of OES on that day was 6,489,000 kW. Of that system capability, 2.2% was available to serve additional load, after giving effect to net firm and capacity purchases at that hour of 864,000 kW and term power sales to other utilities.

FUEL SOURCES

Sources of generation for Ohio Edison and Penn Power during the twelve months ended September 30, 1996 were 75.4% coal and 24.6% nuclear. Over two-thirds of OES's annual coal purchase requirements are supplied under long-term contracts. These contracts have minimum annual tonnage levels of approximately 5,300,000 tons. This contract coal is produced primarily from mines located in Ohio, Pennsylvania, Kentucky and West Virginia; the contracts expire at various times through February 28, 2003.

OES Fuel, a subsidiary of Ohio Edison, is the sole lessor for OES's nuclear fuel requirements. OES and OES Fuel have contracts for the supply of uranium sufficient to meet projected needs through 2000 and conversion services sufficient to meet projected needs through 2001. Fabrication services for fuel assemblies have been contracted by CAPCO for the next four reloads for Beaver Valley Unit 1, two reloads for Beaver Valley Unit 2 (through approximately 2000 and 1998, respectively), and the next six reloads for Perry (through approximately 2004). OES has a contract with U.S. Enrichment Corporation for the majority of its enrichment requirements for nuclear fuel through 2014.

Ohio Edison does not own or have any financial interest in any natural gas pipeline company. However, at Ohio Edison's Edgewater plant, OES Fuel owns a four mile gas pipeline that connects the Edgewater plant to the Columbia Gas Transmission system.

OES's fuel costs (excluding disposal costs) for each of the five years ended December 31, 1995, were as follows:

	1995	1994	1993	1992	1991
Cost of fuel consumed per million BTUs:					
Coal	$1.36	$1.36	$1.37	$1.40	$1.40
Nuclear	$ .65	$ .75	$ .76	$ .83	$ .87
Oil, Natural Gas & Diesel	$2.47	$4.33	$4.66	$1.67	$4.22
Average fuel cost per kilowatt-hour generated (cents)	1.22	1.26	1.31	1.31	1.34

b. CENTERIOR

GENERATING UNITS Cleveland Electric and Toledo Edison own or lease all or a portion of 34 electric generating units, consisting of 22 coal-fired units, 3 nuclear units, 5 oil-fired steam units, 1 diesel generator and three pumped storage units. Centerior's generating capacity is approximately 5,678 MW.

The generation requirements of Cleveland Electric and Toledo Edison are supplied by a number of plants which use a variety of fuels, as set forth below:

Generating Unit	Location	Unit Type	Net Demonstrated Capability (MW)	Centerior-Owned Portion of Net Demonstrated Capability (MW)
CLEVELAND ELECTRIC ILLUMINATING				
COAL				
Ashtabula Unit 5	Ohio	Steam Turbine	244	244(1)/
Ashtabula Unit 9	Ohio	Steam Turbine	44	44(1)/
Avon Lake Unit 7	Ohio	Steam Turbine	96	96(1)/
Avon Lake Unit 9	Ohio	Steam Turbine	596	596(1)/
Mansfield Unit 1	Pennsylvania	Steam Turbine	780	51(2)/
Mansfield Unit 2	Pennsylvania	Steam Turbine	780	223(3)/
Mansfield Unit 3	Pennsylvania	Steam Turbine	800	196(4)/
Eastlake Unit 1	Ohio	Steam Turbine	132	132(1)/

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1. 100% owned by Cleveland Electric.

2. Represents 6.53% leasehold interest of Cleveland Electric.

3. Represents 28.59% leasehold interest of Cleveland Electric.

4. Represents 24.5% leasehold interest of Cleveland Electric.

Generating Unit	Location	Unit Type	Net Demonstrated Capability	Centerior-Owned Portion of Net Demonstrated Capability
			(MW)	(MW)
Eastlake Unit 2	Ohio	Steam Turbine	132	132(1)/
Eastlake Unit 3	Ohio	Steam Turbine	132	132(1)/
Eastlake Unit 4	Ohio	Steam Turbine	240	240(1)/
Eastlake Unit 5	Ohio	Steam Turbine	600	411(5)/
OIL				
Avon Lake Unit 10	Ohio	Combustion Turbine	29	29(1)/
Eastlake Unit 6	Ohio	Combustion Turbine	29	29(1)/
NUCLEAR				
Beaver Valley Unit 2	Pennsylvania	Steam Turbine	820	201(6)/
Davis Besse Unit 1	Ohio	Steam Turbine	883	454(7)/
Perry Unit 1	Ohio	Steam Turbine	1194	371(8)/
DIESEL				
Lakeshore D	Ohio	Internal Combustion	4	4(1)/
HYDRO-PUMPED				
Seneca Units 1-3	Pennsylvania	Hydro-Pumped	351	351
		Storage	---	---
Cleveland Electric Illuminating Total			7,886	3,936
TOLEDO EDISON				
COAL				
Bay Shore Unit 1	Ohio	Steam Turbine	136	136(9)/
Bay Shore Unit 2	Ohio	Steam Turbine	138	138(9)/
Bay Shore Unit 3	Ohio	Steam Turbine	142	142(9)/
Bay Shore Unit 4	Ohio	Steam Turbine	215	215(9)/
Mansfield Unit 2	Pennsylvania	Steam Turbine	780	135(10)/
Mansfield Unit 3	Pennsylvania	Steam Turbine	800	159(11)/

5. Represents Cleveland Electric ownership of 68.5%.

6. Represents 24.5% leasehold interest of Cleveland Electric.

7. Represents Cleveland Electric ownership of 51.42%.

8. Represents Cleveland Electric ownership of 31.08%.

9. 100% owned by Toledo Edison.

10. Represents 17.31% leasehold interest of Toledo Edison.

11. Represents 19.91% leasehold interest of Toledo Edison.

Generating Unit	Location	Unit Type	Net Demonstrated Capability	Centerior-Owned Portion of Net Demonstrated Capability
			(MW)	(MW)
OIL & NATURAL GAS				
Bay Shore CT	Ohio	Combustion Turbine	17	17(9)/
Richland Unit 1	Ohio	Combustion Turbine	14	14(9)/
Richland Unit 2	Ohio	Combustion Turbine	14	14(9)/
Richland Unit 3	Ohio	Combustion Turbine	14	14(9)/
Stryker		Combustion Turbine	18	18(9)/
NUCLEAR				
Beaver Valley Unit 2	Pennsylvania	Steam Turbine	820	163(12)/
Davis Besse Unit 1	Ohio	Steam Turbine	883	429(13)/
Perry Unit 1	Ohio	Steam Turbine	1,194	238(14)/
Toledo Edison Total			5,185	1,832
Centerior Energy Total			13,071	5,768

SYSTEM REQUIREMENTS

Cleveland Electric has 3,936 MWs of generating facilities in service, 358 circuit miles of 345 kV transmission lines and 903 circuit miles of 138 kV transmission lines. Toledo Edison has 1,832 MWs of generating capacity in service and has 154 circuit miles of 345 kV transmission lines and 508 miles of 138 kV lines. Cleveland Electric and Toledo Edison own, individually or together with one or more of the other CAPCO companies as tenants in common, 278 substations with a total installed transformer capacity of 25,020,000 kV-amperes, of which 55 are transmission substations, including 11 located at generating plants.

Cleveland Electric and Toledo Edison together had a net 60-minute peak load of their service areas for 1995 of 5,779,000 kW, which occurred on August
15. The net seasonal capability at the time of the 1995 peak load was 5,924,000 kW. The 60-minute peak load of Cleveland Electric's service area for 1995 was 4,049,000 kW and occurred on August 15. The capacity resources available at the time of the 1995 peak were 4,273,000 kW. The net 60-minute peak load of Toledo Edison's service area for 1995 was 1,738,000 kW and occurred on August 15. The capacity resources available at the time of the 1995 peak were 1,651,000 kW.

FUEL SOURCES

During the 12 months ended September 30, 1996, Centerior's sources of generation consisted of 63.2% fossil, 31.0% nuclear and 5.8% pumped-storage. Generation by type of fuel for 1995 was 61% coal-fired and 39% nuclear for Cleveland Electric; 40% coal-fired and 60% nuclear for Toledo Edison; and 54% coal-fired and 46% nuclear for Centerior.

In 1995, Cleveland Electric burned 5,237,000 tons of coal and Toledo Edison burned 1,840,000 tons of coal for electric generation. In 1995, about 50% of Cleveland Electric's coal requirements were purchased under

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12. Represents Toledo Edison ownership of 19.91%.

13. Represents 48.58% leasehold interest of Toledo Edison.

14. Represents Toledo Edison ownership of 19.91%.

long-term contracts, with the longest remaining term being almost eight years. In most cases, these contracts provide for adjusting the price of the coal on the basis of changes in coal quality and mining costs. Additionally, about 25% of Cleveland Electric's coal requirements were purchased under short-term contracts (nine to twelve month terms) with price adjustments on the basis of coal quality. The balance of Cleveland Electric's coal was purchased on the spot market. In 1995, about 66% of Toledo Edison's coal requirements were purchased under long-term contracts, with the longest remaining term being almost five years. In most cases, these contracts provide for adjusting the price of the coal on the basis of changes in coal quality and mining costs. The balance of Toledo Edison's coal was purchased on the spot market.

The CAPCO Companies have a contract with the United States Enrichment Corporation ("USEC") which, through 1996, supplied all of the needed enrichment services for their nuclear units' fuel supply. After 1996, the amount of enrichment services under the USEC contract varies by CAPCO Company, with Cleveland Electric's and Toledo Edison's enrichment services reduced to 70% in 1996-1999 and reduced to 0% in 2000 and beyond. The additional required enrichment services are available. Substantial additional fuel will have to be obtained in the future over the remaining useful lives of the units. There is a plentiful supply of uranium oxide raw material to meet the industry's nuclear fuel needs.

Cleveland Electric and Toledo Edison each have adequate supplies of fuel oil for their oil-fired electric generating units which are used primarily as reserve and peaking capacity.

The combined fuel costs (excluding disposal costs) of Cleveland Electric and Toledo Edison for each of the five years ended December 31, 1995, were as follows:

	1995	1994	1993	1992	1991
Cost of fuel consumed per million BTUs:					
Coal	$1.53	$1.46	$1.42	$2.00	$1.77
Nuclear	$0.95	$0.95	$0.99	$1.03	$1.04
Other	$3.85	$4.24	$4.28	$3.94	$3.63
Average fuel cost per kilowatt-hour generated (cents)	1.38	1.43	1.43	1.53	1.54

c. CURRENT ELECTRIC COORDINATION

Ohio Edison and Penn Power are extensively interconnected, with 12 points of interconnection at voltage levels ranging from 23 kV to 345 kV. Cleveland Electric and Toledo Edison are not currently interconnected, because they are separated by Ohio Edison's facilities. However, Ohio Edison and Cleveland Electric have five 345 kV and four 138 kV interconnections, and Ohio Edison and Toledo Edison have one 345 kV and one 138 kV interconnection. Ohio Edison and Toledo Edison also have one 69 kV interconnection, which is normally operated open. Thus, FirstEnergy's combined and integrated system will operate as a single control area, with existing interconnections providing adequate capacity for OES, Cleveland Electric and Toledo Edison to be thoroughly integrated.

OES, Cleveland Electric and Toledo Edison are also each directly connected to several other neighboring utilities. Ohio Edison has one 345 kV interconnection with Allegheny Power System, Inc. ("Allegheny Power"), seven 345 kV interconnections with American Electric Power Company, Inc. ("AEP") and five 345 kV interconnections with Duquesne. Ohio Edison has the following 138 kV interconnections: one with Allegheny Power, eight with AEP and three with Dayton Power and Light Company ("Dayton"). OES also has the following 69 kV interconnections: one with Dayton, one with AEP, one with Allegheny Power and one with Duquesne. Ohio Edison also has one 23 kV interconnection with AEP. The 69 kV interconnections with Dayton and AEP, and the

23 kV interconnection with AEP, normally are operated open. One of the 138 kV interconnections with AEP is also normally operated open.

Cleveland Electric has one 345 kV interconnection with GPU, Inc. ("GPU") and one 345 kV interconnection with AEP. Cleveland Electric also has interconnections with Cleveland Public Power and Painesville Electric Division.

Toledo Edison has three 345 kV interconnections with the Michigan Electric Coordinating System (Detroit Edison Company and Consumers Power Company). Thirteen municipal distribution entities are also connected to Toledo Edison's system. These entities are members of and are served by AMP-Ohio and are sometimes referred to as the Northwest AMP-Ohio Service Group (NWASG).

The OVEC plants are connected by a 345 kV transmission network and are interconnected with the major transmission systems of the Sponsor Companies, although OVEC's transmission facilities do not interconnect directly with the OES or Toledo Edison systems.

Ohio Edison and Centerior already own many of their generating assets in common, because Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison are currently members, along with Duquesne, of CAPCO. Pursuant to the CAPCO agreements, OES, Cleveland Electric and Toledo Electric share ownership interests in Perry Unit 1, Beaver Valley Unit 2, and Mansfield Units 2 and 3. OES and Cleveland Electric also share ownership interests in Mansfield Unit 1.

d. UTILITY REGULATION

Ohio Edison, Cleveland Electric and Toledo Edison are subject to broad regulation as to rates and other matters by the Public Utilities Commission of Ohio (the "PUCO"). Under Ohio law, municipalities may regulate rates, subject to appeal to the PUCO if not acceptable to the utility. Penn Power is subject to broad regulation as to rates and other matters by the Pennsylvania Public Utilities Commission (the "PPUC").

Ohio Edison, Cleveland Electric, Toledo Edison and Penn Power are also subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under the Federal Power Act with respect to wholesale electric rates and other matters. Construction and operation of nuclear generating units are subject to the regulatory jurisdiction of the Nuclear Regulatory Commission ("NRC"), including the issuance by it of construction permits and operating licenses. OES and Centerior are subject to regulation by the NRC in connection with their nuclear generating units.

3. NON-UTILITY INTERESTS

Upon consummation of the Merger, the consolidated assets of FirstEnergy will include various interests in non-utility businesses. Each such interest is currently owned or held, directly or indirectly, by Ohio Edison or Centerior.

Ohio Edison has eight wholly-owned subsidiaries: Penn Power, OES Capital, Incorporated; OES Fuel, Incorporated; OES Finance, Incorporated; OES Financing Trust; Ohio Edison Financing Trust II; OES Nuclear, Incorporated; and OES Ventures, Incorporated ("Ventures"). These subsidiaries manage and finance nuclear fuel, finance certain electric accounts receivable and provide structures for investment in energy related projects. Ventures finances and manages businesses opportunities not directly related to the provision of electric service. Ventures is part owner of three limited liability companies:
Eastroc LLC; Eastroc Technologies LLC; and Warrenton River Terminal, Ltd. Other than Penn Power, these subsidiaries do not, individually or in the aggregate, have a material impact on the consolidated financial statements of Ohio Edison.

Centerior has six wholly-owned subsidiaries: Cleveland Electric; Toledo Edison; Centerior Service Company, which provides management, financial, administrative, engineering and legal services to Cleveland Electric and Toledo Edison at cost; Centerior Properties Company, CCO Company and Market Responsive

Energy, Inc. The last three subsidiaries, individually or in the aggregate, do not have a material impact on the consolidated financial statements of Centerior.

The pro forma consolidated assets of FirstEnergy at September 30, 1996 (unaudited) were $18,154,000,000; at that date the aggregate of the consolidated interests (pro forma) of FirstEnergy in non-utility businesses or assets (excluding businesses that are functionally related to its utility businesses,
i.e., reasonably incidental or economically necessary or appropriate to the public utility operations of OES or Centerior) constituted less than 1% of the aggregate pro forma consolidated assets of FirstEnergy.

B. DESCRIPTION OF THE PROPOSED MERGER

Ohio Edison, Centerior, FirstEnergy, Ohio Edison Acquisition Corp. and Centerior Acquisition Corp. have entered or will enter into the Merger Agreements. Pursuant to the Merger Agreements, the holders of Ohio Edison Common Stock and Centerior Common Stock will become the holders of FirstEnergy Common Stock, which will, upon consummation of the Merger, be the only outstanding equity securities of FirstEnergy.

As more fully described in the Merger Agreements, Centerior Acquisition Corp. will merge with and into Centerior, with Centerior as the surviving corporation, and Ohio Edison Acquisition Corp. will merge with and into Ohio Edison, with Ohio Edison as the surviving corporation. Centerior will then be merged into FirstEnergy, with FirstEnergy as the surviving corporation. Each share of Ohio Edison Common Stock will be converted into 1 share of FirstEnergy Common Stock; and each share of Centerior Common Stock will be converted into 0.525 shares of FirstEnergy Common Stock. No fractional shares will be issued. Instead, each Centerior stockholder who would otherwise receive a fractional share of FirstEnergy Common Stock will receive cash in payment for that fractional share based on the market value of FirstEnergy Common Stock on its first day of trading on the New York Stock Exchange ("NYSE").

The Merger Agreement also provides, among other things, that after the Merger the holders of shares of Centerior Common Stock and Ohio Edison Common Stock will cease to have any rights as stockholders of Centerior and Ohio Edison, respectively, except that holders of shares who have perfected their dissenters' rights in accordance with Ohio law will have the right to be paid the fair cash value of such shares held on the applicable record date under Ohio law. After the Articles of Merger are filed with the Secretary of State of Ohio, certificates representing shares of Centerior Common Stock and Ohio Edison Common Stock will be exchangeable for certificates representing shares of FirstEnergy Common Stock.

Approval of the Merger by the affirmative vote of the holders of at least a majority of the Common Stock of Centerior and by the affirmative vote of the holders of at least two-thirds of the Common Stock of Ohio Edison is a condition to consummation of the Merger. The Merger Agreement will be voted on by Centerior and Ohio Edison stockholders at meetings to be held in March 1997. Proxies for such meetings will be solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934 (the "1934 Act").

FirstEnergy will apply for the listing of FirstEnergy Common Stock on the NYSE. Approval of the listing on the NYSE of the shares of FirstEnergy Common Stock, issuable in the Merger, upon official notice of issuance, is a condition precedent to the consummation of the Merger. Upon consummation of the Merger, Ohio Edison Common Stock and Centerior Common Stock will be delisted from each exchange on which they are listed. Following the Merger, FirstEnergy will be required to file reports with the Commission pursuant to Section 13(a) of the 1934 Act.

FirstEnergy proposes to account for the Merger on the "purchase accounting" method under generally accepted accounting principles. Arthur Andersen LLP, the independent public accountants for both Ohio Edison and Centerior, have been selected as the independent public accountants for FirstEnergy and have concurred in such accounting treatment for the Merger. Under the purchase method of accounting, the common equity of the merged enterprise will be equal to the book common equity of the purchaser (Ohio Edison) at the time of combination plus the purchase price of the acquired company (Centerior). The purchase price will be the fair market value of FirstEnergy Common Stock allocated to Centerior Common Stockholders on the date of consummation.

C. NEGOTIATIONS LEADING TO THE PROPOSED MERGER

Ohio Edison and Centerior (and its predecessors) have had a lengthy relationship characterized by joint activity and cooperation. Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison, together with Duquesne, have been members of CAPCO since 1967. Since the formation of CAPCO, there have been various proposals and discussions for closer forms of association and combination among and between the CAPCO Companies. Those discussions led, for example, in 1986, to the affiliation of Cleveland Electric and Toledo Edison as wholly owned subsidiaries of Centerior.

The discussions that led to the execution of the Merger Agreement commenced in the late spring of 1996, when Willard R. Holland, Chairman of the Board and Chief Executive Officer of Ohio Edison, and Robert J. Farling, Chairman, President and Chief Executive Officer of Centerior, began to discuss the potential strategic benefits of a combination of the companies. On April 11, 1996, the PUCO had issued its order with respect to a rate application by Cleveland Electric and Toledo Edison, in which it had recommended that the two companies undertake various financial and accounting actions related to their nuclear properties. Centerior had begun to consider its responses to that order, and to identify its various strategic alternatives and options. On May 6, Messrs. Holland and Farling agreed to establish small working teams to evaluate the potential for a combination and to consider possible synergies. It was agreed that discussions about possible exchange ratios would be deferred until the parties had exchanged sufficient information to enable each to evaluate the financial and operational effects of a possible combination. In addition, the companies jointly retained McKinsey on May 20 to assist management in a preliminary evaluation of the possible synergies resulting from a combination.

Morgan Stanley & Co. Incorporated ("Morgan Stanley") has regularly provided financial advisory services to both Ohio Edison and Centerior over the past several years, and thus has substantial knowledge of both companies and the electric utility industry generally. Because of this experience and knowledge, the managements and Boards of each of the two companies determined that it would be beneficial to retain Morgan Stanley to assist in the structuring of a possible business combination. Each Board engaged Morgan Stanley on June 18 to assist management's financial and related analyses in connection with the structuring of a possible combination on the understanding Morgan Stanley would establish and maintain separate working teams for each company.

At its May 28 meeting, the Centerior Board of Directors appointed an ad hoc committee consisting of Messrs. Farling, Mosier, Savage, Miller and Williams of the Centerior Board and Paul B. Campbell of Squire, Sanders & Dempsey L.L.P. to evaluate Centerior's strategic alternatives in light of the April 11 PUCO order and the preliminary discussion with Ohio Edison and report its recommendations to the Centerior Board. On June 1, Ohio Edison and Centerior entered into a confidentiality agreement, including stand still provisions, to facilitate the exchange of confidential information so that each could appropriately evaluate the potential advantages and disadvantages of a combination. Also in June, Centerior retained Barr Devlin & Co. Incorporated ("Barr Devlin") as a financial advisor and to provide a fairness opinion to the Centerior Board should one be needed. Over the course of June and July, the companies exchanged financial and operational information, evaluated that information, met with financial advisors, accountants and lawyers on the benefits and consequences of a combination and met to discuss a proposed form of agreement for a possible combination. The status of the discussion was reviewed with the Board of each company, and in Centerior's case, by the ad hoc committee, at the meetings of those Boards in June and July. On June 25, the Centerior Board adopted a Shareholder Rights Plan after considering prevailing conditions in the electric industry, the trading level of its common stock as compared to historical levels, and the possibility that Centerior might become a more visible potential target of acquisition as a result of the discussions with Ohio Edison, were those discussions to become public.

In early August, Centerior retained Deloitte & Touche to assist its management in identifying and quantifying the potential synergies. On August 23, the Ohio Edison Board held a special meeting to discuss the combination. Following that meeting, Mr. Holland indicated to Mr. Farling that Ohio Edison would be prepared to proceed with the combination based on an exchange ratio in the range of .5 to 1. In response, Mr. Farling suggested that each company's advisors meet to explore exchange ratio parameters. On August 30, 1996, Ohio Edison retained McDonald & Company Securities Inc. ("McDonald") to act as Ohio Edison's financial advisor and to provide a fairness opinion, if required.

Throughout early September, lawyers for and representatives of the companies began meeting to draft a merger agreement. In the first two weeks of September, Barr Devlin and both companies' Morgan Stanley Teams met to discuss ranges of possible exchange ratios, without reaching agreement. Over the course of September 12 and 13, Messrs. Holland, Farling, Anthony J. Alexander, Executive Vice President and General Counsel of Ohio Edison, Terrence G. Linnert, Senior Vice President, Chief Financial Officer and General Counsel of Centerior and H. Peter Burg, President and Chief Operating Officer of Ohio Edison, discussed and agreed to present to their Boards of Directors a transaction involving an exchange ratio of .525 to 1. They also agreed to present to their respective Boards proposals on the method of Board selection and termination fees in connection with the Merger Agreement.

On September 13, the Ohio Edison and Centerior Boards each met, determined that the proposed transaction was in the best interests of their respective stockholders and approved the proposed transaction and the Merger Agreement. At these meetings, McDonald and Barr Devlin delivered their fairness opinions to the Ohio Edison Board and the Centerior Board, respectively. After these meetings, the Merger Agreement was executed by both companies. Public announcement of the transaction was made on September 16, 1996.

D. REASONS FOR AND ANTICIPATED EFFECT OF MERGER

The Board of Directors and management of FirstEnergy believes that the Merger will create a company that is better positioned to compete in the electric utility industry than either Ohio Edison or Centerior on a stand-alone basis, enhancing long-term stockholder value and providing customers with reliable service at more stable and competitive prices. FirstEnergy expects to achieve such results through:

(a) improved coordination, control and operation of major generating plants and transmission facilities;

(b) accelerated debt reduction;

(c) elimination of duplicative activities;

(d) reduced operating expenses and cost of capital;

(e) elimination or deferral of certain capital expenditures;

(f) development of opportunities for sales of energy-related products and services;

(g) enhanced cash flow; and

(h) enhanced purchasing capabilities for goods and services.

The combination of Ohio Edison and Centerior is a natural alliance of two companies with adjoining service areas that already share ownership in many of their major generating assets and which will realize opportunities to eliminate duplicative costs, maximize efficiencies and increase management flexibility in order to enhance revenues, cash flow and earnings and be a more effective competitor in the increasingly competitive electric utility industry.

FirstEnergy believes the Merger will provide the following benefits:

1. SAVINGS

The combination of the businesses of Ohio Edison and Centerior will result in substantial savings, estimated at approximately $1 billion, net of costs to achieve (estimated to be approximately $130 million), over ten years. The regulatory plan filed with the PUCO provides for a portion of these savings to be allocated to ratepayers in the form of lower rates for retail customers of Cleveland Electric and Toledo Edison and by the reduction of the carrying cost of existing assets. The savings, which Ohio Edison and Centerior do not believe

could be achieved without the Merger, are in addition to the estimated effects of cost reduction programs currently underway at Ohio Edison and Centerior and result primarily from the reduction of duplicative function and positions, reductions in duplicative corporate and administrative expenses, joint dispatch of generating facilities and procurement efficiencies. Reductions in labor are expected to comprise slightly over half the estimated savings, based on a reduction of approximately 900 positions in the FirstEnergy organization. These reductions are expected to be phased in over a five-year period. Such reductions are expected to be attained through attrition, controlled hiring and voluntary and involuntary severance programs. Reductions in duplicative corporate and administrative expenses, such as insurance, facilities, professional services and advertising, should comprise about a quarter of estimated savings. Cost savings from the joint dispatch of generating facilities and procurement efficiencies comprise the balance of the estimated savings.

In addition, both companies' ongoing cost reduction and efficiency improvement programs will be available for implementation throughout the new organization. Through such programs, as well as reductions in new capital requirements and lower overheads resulting from combining operations, FirstEnergy expects to reduce system-wide debt by at least $2.5 billion through the year 2000, yielding additional long-term financial savings in the form of lower interest expense.

2. LARGER STAKE IN MAJOR GENERATING PLANTS

FirstEnergy will have complete or majority ownership and operational control over the 2,360 MW Bruce Mansfield Plant (coal); the 600 MW Sammis Unit 7
(coal); the 600 MW Eastlake Unit 5 (coal); the 883 MW Davis-Besse Unit 1 (nuclear); and the 1,194 MW Perry Unit 1 (nuclear). FirstEnergy will also have majority ownership of the 1,630 MW Beaver Valley Plant (nuclear). With the combined ownership shares of Ohio Edison and Centerior, FirstEnergy will be better able to maximize the operating efficiency of the units, helping to reduce the financial risks related to operations in a more competitive electric industry.

3. RATE REDUCTION

Ohio Edison and Centerior have filed a plan that would extend to Cleveland Electric and Toledo Edison customers a rate reduction program to become effective upon consummation of the Merger. It calls for: (i) a base rate freeze through 2005 followed by an immediate $310 million base rate reduction;
(ii) interim residential rate reductions of $3 per month beginning six months after the Merger, increasing to $4 per month on July 1, 2000, and to $5 per month from July 1, 2001 through the year 2005; (iii) interim rate reductions for certain commercial customers; (iv) a $75 million economic development loan/lease program; (v) a $30 million energy efficiency program for residential customers;
(vi) a $2 billion aggregate reduction in assets through 2005, resulting from amounts that will have been revalued, amortized and/or depreciated on an accelerated basis; and (vii) earnings caps that would enable customers to share in any additional benefits from the Merger, limiting returns on common equity, for regulatory purposes, of Cleveland Electric and Toledo Edison to 11.5% for calendar years from inception of the Regulatory Plan through 1999, 12.0% in 2000 and 2001 and 12.59% from 2002 through 2005. The Ohio Consumers' Counsel and the City of Toledo filed a stipulated agreement supporting the regulatory plan. The plan requires the approval of the PUCO, which approval is a condition to the consummation of the Merger.

These benefits are described in more detail in the discussion of the economies and efficiencies resulting from the transaction in Item 3.B.2.a.

E. ADDITIONAL INFORMATION

The directors and executive officers of Ohio Edison and Centerior hold less than 1% of the outstanding shares of Ohio Edison Common Stock and Centerior Common Stock, respectively. Information pertaining to the interests in the Merger of the Boards of Directors and certain executives of Ohio Edison and Centerior will be set forth in the Registration Statement on Form S-4 to be filed with the Commission by FirstEnergy. No associate company or affiliate of Centerior or Ohio Edison or any affiliate of any such associate company has any direct or indirect material interest in the proposed transaction except as stated herein or therein.

ITEM 2. FEES, COMMISSIONS AND EXPENSES

The fees, commissions and expenses to be paid or incurred, directly or indirectly, in connection with the Merger, including the solicitation of proxies, registration of securities under the Securities Act of 1933, and other related matters, are estimated as follows:

Commission filing fee for the Registration Statement on Form S-4	*
Accountants' fees	
Arthur Andersen, LLP	*
Legal fees and expenses relating to the Act	*
Other legal fees and expenses	*
Stockholder communication and proxy solicitation	*
NYSE listing fee	*
Exchanging, printing and engraving of stock certificates	*
Investment bankers' fees and expenses	
McDonald	*
Barr Devlin	*
Morgan Stanley	*
Consulting fees related to human resource issues, public relations, regulatory support, and other matters relating to the Merger	*
Expenses related to integrating the operations of the merged company and miscellaneous	*
TOTAL	---------

* To be filed by amendment.

ITEM 3. APPLICABLE STATUTORY PROVISIONS

Ohio Edison, Penn Power, Cleveland Electric, Toledo Edison, OVEC and IKEC are "electric utility companies" as defined in Section 2(a)(3) of the Act. Thus, these companies are "public-utility companies" as defined in Section 2(a)(5) of the Act. Because FirstEnergy will, as a result of the Merger, be directly or indirectly acquiring five per centum or more of the outstanding voting securities of each of six public-utility companies, the

transaction is subject to Section 9(a)(2) of the Act and thus cannot proceed without Commission approval pursuant to Section 10 of the Act. The statutory standards that the Commission must consider in deciding whether to approve the proposed transaction are set forth in Sections 10 (b), 10(c), and 10(f) of the Act.

To the extent that other sections of the 1935 Act or the Commission's rules thereunder are deemed applicable to the Merger, such sections and rules should be considered to be set forth in this Item 3.

FirstEnergy believes that the operations of OVEC and IKEC devoted to satisfying the DOE requirements represent a special and virtually riskless power supply service to a single instrumentality of the United States government filling a vital defense need, and is materially different from the utility operations of Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison. FirstEnergy believes it is within the intent of the 1935 act to take this qualitative difference into account, and that activities attributable to meeting DOE's requirements under existing arrangements should not affect the Commission's approval of the Merger. CF. UNION ELECTRIC COMPANY, 40 SEC 1072, 1076 (1962).

A. SECTION 10(b)

Section 10(b) of the 1935 Act provides that, if the requirements of
Section 10(f) are satisfied, the Commission shall approve an acquisition under
Section 9(a) unless the Commission finds that:

(1) such acquisition will tend towards interlocking relations or the concentration of control of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers;

(2) in case of the acquisition of securities or utility assets, the consideration, including all fees, commissions, and other remuneration, to whomsoever paid, to be given, directly or indirectly, in connection with such acquisition is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired; or

(3) such acquisition will unduly complicate the capital structure of the holding company system of the applicant or will be detrimental to the public interest of consumers or the proper functioning of such holding company system.

The Merger and the requests contained in this Application/Declaration are well within the precedent of transactions approved by the Commission as consistent with the 1935 Act. In addition, a number of the recommendations made by the Division of Investment Management (the "Division") in the report issued by the Division in June 1995 entitled "The Regulation of Public Utility Holding Companies" (the "1995 Report") support the applicants' analysis. The Commission's approval of the Merger would be consistent with previous Commission rulings (SEE, E.G., CINERGY CORP., Holding Co. Act Release No. 26146 (Oct. 21, 1994), and would also be consistent with the Division's overall recommendation in the 1995 Report that the Commission "act administratively to modernize and simplify holding company regulation. . . and minimize regulatory overlap, while protecting the interests of consumers and investors," since, as demonstrated below, the Merger will benefit both consumers and stockholders of FirstEnergy, and the other federal and state regulatory authorities with jurisdiction over the Merger will have approved it as in the public interest.

1. SECTION 10(b)(1)

a. INTERLOCKING RELATIONS

The Merger will not tend towards "interlocking relations or the concentration of control of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers." Although the Merger will result, as in any transaction subject to Section
9(a)(2), in certain interlocking relations and concentration of control, they are not of a kind or to an extent detrimental to the public interest or the interest

of investors or consumers. Following the Merger, there will exist among FirstEnergy and its public utility subsidiaries interlocking directors and officers only of such nature and to such extent as normally exist in public utility holding company systems among affiliated and associated companies. SEE CIPSCO, INC., Holding Co. Act. Release No. 25152, 47 S.E.C. Docket 174, 178
(1990). The Merger Agreement provides that from the time of consummation of the Merger, Mr. Holland shall serve as Chairman of the Board, President and Chief Executive Officer and Mr. Farling shall serve as Vice Chairman. The initial members of the FirstEnergy Board of Directors will be designated by Ohio Edison's Board of Directors. All other officers of FirstEnergy and directors and officers of FirstEnergy's subsidiaries will be designated by the FirstEnergy Board of Directors.

b. CONCENTRATION OF CONTROL

It is well settled that the public interest is to be judged primarily in the context of the problems with which the 1935 Act was designed to deal, as set forth in Section 1(b) thereof. VERMONT YANKEE NUCLEAR POWER CORPORATION, 43 S.E.C. 693, 700 (1968), REV'D ON OTHER GROUNDS, 413 F.2d 1052 (D.C. Cir. 1969). Viewed from this perspective, the Merger in no way contradicts the requirements of Section 10(b)(1).

Section 10(b)(1) is intended to avoid "an excess of concentration and bigness" while preserving the "opportunities for economies of scale, the elimination of duplicate facilities and activities, the sharing of production capacity and reserves and generally more efficient operations" afforded by the coordination of local utilities into an integrated system. AMERICAN ELECTRIC POWER CO., 46 S.E.C. 1299, 1309 (1978). In applying Section 10(b)(1) to utility acquisitions, the Commission must determine whether the acquisition will create "the type of structures and combinations at which the Act was specifically directed." VERMONT YANKEE, 43 S.E.C. at 700. As discussed below, the Merger will not create a "huge, complex, and irrational system" of a type at which the 1935 Act is directed, but rather will afford the opportunity to achieve economies of scale and efficiencies which are expected to benefit investors and consumers.
AMERICAN ELECTRIC POWER CO., 46 S.E.C. 1299, 1307 (1978).

SIZE: The FirstEnergy system will serve approximately 2,000,000 retail electric customers in northern and central Ohio and approximately 140,000 retail electric customers in western Pennsylvania. The service areas of the companies are contiguous, with over 100 linear miles of common borders. Ohio Edison provides service in eight of the nine Ohio counties in Cleveland Electric's service area. Ohio Edison provides service in three of the ten Ohio counties in Toledo Edison's service area. Because Ohio Edison's service area lies, in part, between the service areas of Cleveland Electric and Toledo Edison, the combination of Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison will allow full integration of Toledo Edison and Cleveland Electric and operation of a service area of approximately 13,200 square miles as a fully-integrated single system.

As of and for the year ended December 31, 1995: (1) combined assets of Ohio Edison and Centerior would have totaled approximately $18.112 billion; (2) combined annual operating revenues would have totaled approximately $4.979 billion; and (3) combined annual electric sales would have totaled approximately 64 billion kWhs. Based upon kWh sales, the First Energy system will be the 11th largest investor-owned electric system. Because ten investor-owned electric systems are now larger than FirstEnergy will be after the Merger, based upon kWh sales, it is apparent that FirstEnergy will not be larger than is necessary to realize the available economies of scale of current electrical generation and transmission technology. SEE Centerior Energy Corp., Holding Co. Act Release No. 24073, 35 SEC Docket (CCH) 769, 771-772 (April 29, 1986). Also, by comparison, the Commission has approved acquisitions involving larger operating utilities. SEE, E.G., Entergy Corp., Holding Co. Act Release No. 25952 (Dec. 17, 1993) (acquisition of Gulf States Utilities; combined assets at time of acquisition in excess of $21 billion).

Further, Section 10(b)(1) must be construed in light of the policy stated in Section 1(b)(4) of the 1935 Act, where Congress, in its statement of abuses and conditions which adversely affect the public interest, condemned "the growth and extension of holding companies [that] bears no relation to economy of management and operation or the integration and coordination of related operating properties." Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison are already joint owners of several major generating facilities, including Mansfield Units 1, 2 and 3, Beaver Valley Unit 2 and Perry Unit 1, and have extensive transmission interconnections. The generating units in which the companies share ownership represent approximately $6 billion of the total combined assets of

FirstEnergy. Operating these facilities as part of a single integrated system will allow FirstEnergy to realize available economies of scale that cannot be fully realized without the combination.

In Ohio, Pennsylvania and surrounding states, several public utilities are similar in size to or larger than FirstEnergy's utility operations will be following the Merger. For example, AEP, Commonwealth Edison Co. ("Commonwealth Edison"), Duke Power Co. ("Duke"), and Dominion Resources, Inc. ("VEPCO") have significantly more generating capability than FirstEnergy will have following the Merger, and APS, CINergy Corporation, Michigan Electric, GPU, PP&L Resources, Inc. ("PP&L"), Public Service Electric & Gas Co. ("PSE&G"), Niagara Mohawk Power Corporation ("NIMO") and Carolina Power & Light Company ("CP&L") have similar generating capabilities. Also, many of the holding companies, electric utilities and combination companies listed below are similar in size to or larger than FirstEnergy will be following the Merger in terms of total assets, operating revenues, customers and/or sales of electricity. Statistical data, as of December 31, 1995, for Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison and for other investor-owned utilities in Ohio, Pennsylvania and surrounding states are set forth below. Please note that while FirstEnergy believes the figures in the table below are accurate and comparable one to another, an individual figure may differ somewhat from figures filed elsewhere in other contexts that may have been calculated in a different manner.

System Total	Total Assets	Operating Revenues	Electric Customers	Sales in KWH	Generation
	($ Millions)	($ Millions)		(Millions)	(MW)
Ohio Edison	7,899	2,179	953,000	29,540	5,465.0
Penn Power	1,146	315	143,000	4,777	919.7
Cleveland Electric	7,152	1,769	749,000	21,247	4,633.8
Toledo Edison	3,474	874	291,000	11,149	1,942.6
Consolidating Adjustment	(220)	(172)	--	(3,574)	--
FirstEnergy	19,451	4,965	2,136,000	63,139	12,961.1
COMPANIES OPERATING IN OHIO AND ADJACENT STATES					
AEP	15,902	5,670	2,912,183	120,653	24,725.8
CINergy Corporation	8,220	3,031	1,355,643	51,842	11,937.1
Dayton	3,323	1,255	475,563	16,814	3,377.9
COMPANIES OPERATING IN PENNSYLVANIA AND ADJACENT STATES					
Allegheny Power	6,447	2,648	1,376,300	54,244	8,324.9
DQE, Inc.	4,459	988	580,600	15,403	3,205.8
PP&L	9,492	2,752	1,226,089	42,705	8,845.1
GPU	9,870	3,805	1,976,000	45,753	7,142.0
PECO Energy Co.	14,961	4,186	1,467,385	48,531	8,409.6

System Total	Total Assets	Operating Revenues	Electric Customers	Sales in KWH	Generation
	($ Millions)	($ Millions)		(Millions)	(MW)
OTHER COMPANIES					
Consumer Power Company	8,143	3,890	1,570,000	35,506	6,544.7
Detroit Edison Company	11,131	3,636	2,001,510	48,942	11,831.1
PSE&G	17,200	6,164	1,897,019	40,283	10,328.3
Commonwealth Edison	23,247	6,910	3,381,833	91,353	24,395.7
NIMO	9,478	3,917	1,561,657	37,684	4,659.5
Consolidated Edison Co. of New York Inc.	13,950	6,537	2,994,447	51,306	9,576.0
Long Island Lighting Co.	12,484	3,075	1,025,107	16,572	4,416.7
CP&L	8,227	3,007	1,086,757	49,890	9,795.3
Duke	13,359	4,677	1,789,779	76,737	16,579.7
VEPCO	13,903	4,652	1,993,000	68,953	13,768.9
NIPSCO Industries Inc.	4,000	1,722	403,943	16,924	4,097.7

Also, pursuant to retail rate plans that are in effect for Ohio Edison and Penn Power, and proposed to be effective for Cleveland Electric and Toledo Edison following the Merger, the combined FirstEnergy companies have committed to (i) revalue and/or accelerate in depreciation and/or amortization of approximately $4.3 billion in high cost nuclear and regulatory assets by December 31, 2005, which will have the effect of significantly reducing the total assets of the combined companies, and (ii) reduce annual base electric rates by $610 million below current levels effective January 1, 2006. Also, over the respective time periods of the rate plans, the companies will reduce electric charges to customers by approximately $1 billion. Accordingly, as these plans are fully implemented following the Merger, the relative size of FirstEnergy as compared to these other companies will diminish.

Comparison of these data demonstrates that the integrated public utility operations of FirstEnergy will not tend toward the concentration of control of public utility companies of a kind or to an extent detrimental to the public interest or the interest of investors or consumers.

EFFICIENCIES AND ECONOMIES: The Commission has rejected a mechanical size analysis under Section 10(b)(1) in favor of assessing the size of the resulting system with reference to the efficiencies and economies that can be achieved through the integration and coordination of utility operations. AMERICAN ELECTRIC POWER Co., 46 S.E.C. at 1309. More recent pronouncements of the Commission confirm that size alone is not determinative. Thus, in CENTERIOR ENERGY CORP., Holding Co. Act Release No. 24073 (April 29, 1986), the Commission stated flatly that a "determination of whether to prohibit enlargement of a system by acquisition is to be made on the basis of all the circumstances, not on the basis of size alone." SEE ALSO ENTERGY CORP., Holding Co. Act Release No. 25952 (December 17, 1993). In addition, the Division recommended in the 1995 Report that the Commission approach its analysis of merger and acquisition transactions in a flexible manner with emphasis on whether the Merger creates an entity subject to effective regulation and is beneficial for stockholders and customers as opposed to focusing on rigid, mechanical tests. 1995 Report at 73-4.

By virtue of the Merger, FirstEnergy will be in a position to realize the "opportunities for economies of scale, the elimination of duplicate facilities and activities, the sharing of production capacity and reserves and generally more efficient operations" described by the Commission in AMERICAN ELECTRIC POWER CO., 46 S.E.C. at 1309. Among other things, the Merger is expected to yield significant production cost savings from integrated economic dispatch; savings through greater purchasing power; labor cost savings; and savings through consolidation of corporate and administrative programs. These expected economies and efficiencies from the combined utility operations are described in greater detail in Item 3.B.2 below and are projected to result in net savings of approximately $1 billion over the first ten years alone.

COMPETITIVE EFFECTS: As the Commission noted in NORTHEAST UTILITIES, Holding Co. Act Release No. 25221, 47 SEC Docket 1270 (December 21, 1990), SUPPLEMENTED Holding Co. Act Release No. 25273 (March 15, 1991),

AFF'D CITY OF HOLYOKE GAS & ELEC. DEPT. V. S.E.C., 792 F.2d 358 (D.C. Cir. 1992), the "antitrust ramifications of an acquisition must be considered in light of the fact that public utilities are regulated monopolies and that federal and state administrative agencies regulate the rates charged consumers." Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the Merger may not be consummated until the applicable waiting periods have expired or been terminated. A filing will be made by FirstEnergy, Ohio Edison and Centerior with the Department of Justice (the "DOJ") and the Federal Trade Commission (the "FTC") under the HSR Act, describing the effects of the Merger on competition in the relevant market.

In addition, the competitive impact of the Merger will be fully considered by the FERC before it approves the Merger. A detailed explanation of the reasons why the transaction will not threaten competition in relevant geographic and product markets is set forth in the market study and supporting testimony included in the Joint Application of Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison filed with the FERC on November 8, 1996. The Commission may appropriately rely upon the FERC with respect to such matters. ENTERGY CORPORATION, SUPRA, citing CITY OF HOLYOKE GAS & ELECTRIC DEPT. V. Sec., 972 F.2d at 363-64, quoting WISCONSIN ENVIRONMENTAL DECADE, INC. V.
S.E.C., 882 F.2d 523, 527 (D.C. Cir. 1989).

The Merger will result in a holding-company system whose management will remain based in Ohio. Among the purposes of the Merger are (1) to foster the economic management and operations of that system by obtaining Merger-dependent cost savings and (2) to further the integration and coordination of those operations.

Following the Merger, FirstEnergy, Ohio Edison, Cleveland Electric and Toledo Edison will be subject to the oversight of the PUCO and Penn Power will be subject to the oversight of the PPUC. The Merger will have no effect on the regulation of OVEC and IKEC. The public utility operations of Ohio Edison, Cleveland Electric and Toledo Edison will continue to be substantially confined to the State of Ohio, and the public utility operations of Penn Power will continue to be substantially confined to the Commonwealth of Pennsylvania. In considering the Merger pursuant to Section 10(b)(1) of the Act in light of
Section 1(b)(4) thereof, there is no basis for concluding that the Merger will involve the growth or extension of a holding company that bears no relation to economies of management and operation or the integration and coordination of related operating properties.

2. SECTION 10(b)(2) -- FAIRNESS OF CONSIDERATION AND FEES

a. FAIRNESS OF CONSIDERATION

Section 10(b)(2) of the 1935 Act requires the Commission to determine whether the consideration in connection with a proposed acquisition of securities is reasonable and whether it bears a fair relation to investment in and earning capacity of the utility assets underlying the securities being acquired. As noted earlier, when the Merger is consummated, each share of Ohio Edison Common Stock will be converted into 1 share of FirstEnergy Common Stock and each share of Centerior Common Stock will be converted into 0.525 shares of FirstEnergy Common Stock.

These ratios were reached through a process of vigorous arm's-length negotiations, accommodation, and compromise. Such negotiations were preceded by extensive due diligence, analysis and evaluation of the assets, liabilities and business prospects of each of the respective companies. See Item 1.C. As recognized by the Commission in Ohio Power Co., 44 S.E.C. 340, 346 (1970), prices arrived at through arms-length negotiations are particularly persuasive evidence that Section 10(b)(2) is satisfied.

Finally, nationally-recognized investment bankers for each of Ohio Edison and Centerior have reviewed extensive information concerning the companies and analyzed the exchange ratios employing a variety of valuation methodologies, and have opined that the exchange ratios are fair, from a financial point of view, to the respective holders of Ohio Edison Common Stock and Centerior Common Stock. The investment bankers' opinions are attached hereto as Exhibits H-1 and H-2. The assistance of independent consultants in setting consideration has been recognized by the Commission as evidence that the requirements of Section 10(b)(2) have been met. THE SOUTHERN COMPANY; SV VENTURES, INC., Holding Co. Act Release 24579 (February 12, 1988).

b. REASONABLENESS OF FEES

FirstEnergy believes that the fees and commissions incurred in connection with the Merger are reasonable and fair in light of the size and nature of the Merger and comparable transactions and thus meet the standards of Section 10(b)(2).

As set forth in Item 2 of this Application, Ohio Edison and Centerior together expect to incur a combined total of approximately $30 million in fees, commissions and expenses in connection with the Merger. By contrast, The Cincinnati Gas & Electric Company and PSI Resources Inc. incurred $47.1 million in fees, commissions and expenses in connection with their reorganization as subsidiaries of CINergy Corporation; Northeast Utilities alone incurred $46.5 million in fees, commissions and expenses in connection with its acquisition of Public Service Company of New Hampshire; and Entergy Corporation alone incurred approximately $38 million in fees, commissions and expenses in connection with its acquisition of Gulf States Utilities -- all of which amounts were approved as reasonable by the Commission. SEE CINERGY, Holding Co. Act Release No. 26146 (Oct. 21, 1994); NORTHEAST UTILITIES, Holding Co. Act Release No. 25548 (June 3, 1992); ENTERGY CORP., Holding Co. Act Release No. 25952 (Dec. 17, 1993).

With respect to financial advisory fees, Ohio Edison and Centerior believe that the fees payable to their investment bankers are fair and reasonable for similar reasons. Pursuant to the terms of an engagement letter dated September 10, 1996, Ohio Edison has agreed to pay McDonald for its services in connection with the Merger (i) $375,000 payable upon delivery of the McDonald Opinion, and (ii) $375,000 payable upon approval of the Merger by the stockholders of Ohio Edison. Ohio Edison has also agreed to reimburse McDonald for all reasonable out-of-pocket expenses incurred in connection with the performance of its duties, including but not limited to reasonable fees and reasonable expenses of legal counsel retained by McDonald, and to indemnify McDonald and certain related persons against certain costs and liabilities in connection with its engagement, including certain liabilities under the federal securities laws.

Pursuant to the terms of Barr Devlin's engagement, Centerior has agreed to pay Barr Devlin for its services in connection with the Merger (i) a financial advisory retainer fee of $62,500 per quarter commencing July 1, 1996;
(ii) an initial financial advisory progress fee of $1,340,000 payable upon execution of the Merger Agreement; (iii) a second financial advisory progress fee estimated at $1,510,000 payable upon Centerior stockholder approval of the Merger Agreement and (iv) a transaction fee based on the aggregate consideration to be received by Centerior and holders of Centerior Common Stock in connection with the Merger at its consummation, ranging from 0.45% of such aggregate consideration (for a transaction with an aggregate consideration of $1 billion) to 0.41% of such aggregate consideration (for a transaction with an aggregate consideration of $2 billion). All financial advisory retainer fees payable during the term of the engagement, all financial advisory progress fees and an additional $187,500 would be credited against any transaction fee payable to Barr Devlin. Centerior has agreed to reimburse Barr Devlin for its out-of-pocket expenses, including fees and expenses of legal counsel and other advisors engaged with the consent of Centerior, and to indemnify Barr Devlin against certain liabilities, including liabilities under the federal securities laws, relating to or arising out of its engagement.

Pursuant to the terms of an engagement letter dated June 14, 1996, Ohio Edison has agreed to pay Morgan Stanley for its services in connection with the Merger (i) a financial advisory fee estimated to be between $150,000 and $250,000, based on time expended on the Merger, (ii) a transaction fee based on the aggregate consideration to be received by Centerior and holders of Centerior Common Stock in connection with the Merger at its consummation, ranging from 0.513% of such aggregate consideration (for a transaction with an aggregate consideration of $800 million) to 0.432% of such aggregate consideration (for a transaction with an aggregate consideration of $1.3 billion). The transaction fee is payable one-third upon execution of the Merger Agreement, one-third upon Ohio Edison shareholder approval of the Merger Agreement and one-third upon consummation of the Merger. All financial advisory fees and $375,000 (paid to McDonald upon delivery of the McDonald Opinion) would be credited against any transaction fee payable to Morgan Stanley. Ohio Edison has also agreed to reimburse Morgan Stanley for all reasonable out-of-pocket expenses incurred in connection with the performance of its duties, including but not limited to reasonable fees and reasonable expenses of legal counsel retained by Morgan Stanley.

Pursuant to the terms of an engagement letter dated July 16, 1996, Centerior has agreed to pay Morgan Stanley for its services in connection with the Merger (i) a financial advisory fee estimated to be between $150,000 and $250,000, based on time expended on the Merger, (ii) a transaction fee based on the aggregate consideration to be received by Centerior and holders of Centerior Common Stock in connection with the Merger at its consummation, ranging from 0.513% of such aggregate consideration (for a transaction with an aggregate consideration of $800 million) to 0.395% of such aggregate consideration (for a transaction with an aggregate consideration of $2 billion). The transaction fee is payable one-third upon execution of the Merger Agreement, one-third upon Centerior shareholder approval of the Merger Agreement and one-third upon consummation of the Merger. All financial advisory fees and a mutually agreed upon amount (to offset the amount paid to Barr Devlin upon delivery of the Barr Devlin Opinion) would be credited against any transaction fee payable to Morgan Stanley. Centerior has also agreed to reimburse Morgan Stanley for all reasonable out-of-pocket expenses incurred in connection with the performance of its duties, including but not limited to reasonable fees and reasonable expenses of legal counsel retained by Morgan Stanley, and to indemnify Morgan Stanley and certain related persons against any costs, losses, claims and damages in connection with its engagement.

FirstEnergy believes the fees payable to Morgan Stanley, McDonald and Barr Devlin are comparable to the fees paid to investment banks in other merger and acquisition transactions comparable in terms of size and nature of services rendered. Finally, the fees paid to Morgan Stanley, McDonald and Barr Devlin reflect the competition of the marketplace. Investment banking firms actively compete with each other to act as financial advisors to merger partners. The fees charged by the investment banks in this transaction and in others reflect this competition for services.

3. SECTION 10(b)(3) -- CAPITAL STRUCTURE

a. COMPLICATION

Section 10(b)(3) requires the Commission to determine whether the Merger will unduly complicate FirstEnergy's capital structure or will be detrimental to the public interest, the interests of investors or consumers or the proper functioning of FirstEnergy's system.

The corporate capital structure of FirstEnergy after the Merger will not be unduly complicated. In the Merger, FirstEnergy will directly or indirectly acquire, by operation of law, all of the Common Stock of Ohio Edison, Cleveland Electric, Toledo Edison and Penn Power, and thus there will be no minority Common Stock interest in any of such companies. The existing senior debt and equity securities of Ohio Edison, Cleveland Electric, Toledo Edison and Penn Power will not be affected by the Merger. No change will be effected in the capital structure of Penn Power, which will continue to be a wholly-owned subsidiary of Ohio Edison. The Commission has previously determined that transactions similar to the Merger would not unduly complicate the applicant's corporate capital structure. CF. ENTERGY CORPORATION, Holding Co. Act Release No. 25952 (December 17, 1993); CENTERIOR ENERGY CORP., Holding Co. Act Release No. 24073 (April 29, 1986).

Set forth below are summaries of the capital structure of Ohio Edison and Centerior as of September 30, 1996 and the pro forma consolidated capital structure of FirstEnergy (assuming the Merger had occurred at September 30, 1996):

(In millions)

(unauditied)

	Ohio Edison		Centerior		Adjustments	FirstEnergy	
	$	%	$	%	$	$	%
Common Stock	2,486	39.4	1,965	29.5	(401)	4,050	32.3
Preferred Stock	367	5.8	637	9.6	(14)	990	7.9
Long-term Debt	2,595	41.2	3,755	56.4	16	6,366	50.7
Short-term Debt	856	13.6	296	4.5	--	1,152	9.1
Total	6,304	100.0	6,653	100.0	(399)	12,558	100.0

FirstEnergy's pro forma consolidated common equity to total capitalization ratio of 32.3% is higher than the common equity position approved by the Commission for Northeast Utilities (27.6%) and exceeds the "traditionally acceptable 30% level." NORTHEAST UTILITIES, Holding Co. Act Release No. 25221 (December 21, 1990).

b. PROTECTED INTERESTS

As set forth more fully in Item 3.B.2.a. (Efficiencies and Economies), Item 3.B.2.b. (Integrated Public Utility System) and elsewhere in this Application/Declaration, the Merger is expected to result in substantial otherwise unavailable cost savings and benefits to the public and to consumers and investors of FirstEnergy, Ohio Edison and Centerior, and will integrate and improve the efficiency of the OES, Cleveland Electric and Toledo Edison systems. Moreover, as noted by the Commission in ENTERGY CORPORATION, Holding Co. Act Release No. 25952 (December 17, 1993), "concerns with respect to investors' interests have been largely addressed by developments in federal securities laws and the securities markets themselves." FirstEnergy will be a reporting company subject to the continuous disclosure requirements of the Securities Exchange Act of 1934 (the "1934 Act") following consummation of the Merger. The various reports filed or to be filed by Ohio Edison, Penn Power, Centerior, Cleveland Electric and Toledo Edison under the 1934 Act contain readily available information concerning the Merger. The Merger will, therefore, be in the public interest and the interests of investors and consumers, and will not be detrimental to the proper functioning of the resulting holding company system.

B. SECTION 10(c)

Section 10(c) of the 1935 Act provides that:

Notwithstanding the provisions of subsection (b), the Commission shall not approve:

(1) an acquisition of securities or utility assets, or of any other interest, which is unlawful under the provisions of Section 8 or is detrimental to the carrying out of the provisions of Section 11; or

(2) the acquisition of securities or utility assets of a public utility or holding company unless the Commission finds that such acquisition will serve the public interest by tending towards the economical and the efficient development of an integrated public utility system . . . .

1. SECTION 10(c)(1)

Consistent with the standards set forth in Section 10(c)(1) of the Act, the proposed acquisition of securities will not be unlawful under the provisions of Section 8 of the Act (inasmuch as Section 8 applies only to REGISTERED holding companies), or detrimental to the carrying out of the provisions of
Section 11 of the 1935 Act, which also applies, by its terms, only to REGISTERED holding companies, because FirstEnergy believes that following the consummation of the Merger it will be a public-utility holding company entitled to an exemption under

Section 3(a)(1) of the 1935 Act from all of the provisions of the 1935 Act (except for Section 9(a)(2) thereof), including provisions relating to registration.

Section 8 prohibits REGISTERED holding companies from acquiring, owning interests in or operating both a gas and an electric utility serving substantially the same area if prohibited by state law. Because none of Ohio Edison, Penn Power, Cleveland Electric or Toledo Edison is involved in the gas industry, following the Merger, FirstEnergy will not have acquired, and will not own or operate a gas utility.

Section 11(a) of the Act requires the Commission to examine the corporate structure of REGISTERED holding companies to ensure, INTER ALIA, that unnecessary complexities are eliminated and voting powers are fairly and equitably distributed. The proposed acquisition of securities meets the standards of Section 11(a) of the Act. As discussed with respect to the requirements of Section 10(b)(3) of the Act, SUPRA, FirstEnergy will issue only common stock, and will directly or indirectly acquire, by operation of law, all of the Common Stock of Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison, thus leaving no minority interests outstanding. Penn Power will continue to be a wholly-owned subsidiary of Ohio Edison. FirstEnergy will indirectly own 20.5% of the OVEC Common Stock. After the Merger, no person will be a holding company with respect to FirstEnergy.

2. SECTION 10(c)(2)

As the following discussion will demonstrate, the Merger will serve the public interest by tending towards the ECONOMICAL and EFFICIENT development of an integrated public-utility system, as required by Section 10(c)(2) of the Act.

a. EFFICIENCIES AND ECONOMIES

The direct or indirect acquisition by FirstEnergy of the Common Stock of Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison will produce economies and efficiencies more than sufficient to satisfy the standards of
Section 10(c)(2) of the Act. The Merger is expected to generate over $1 billion in net savings during the first ten years, without considering cost reduction programs already in place at Centerior and Ohio Edison. Of those savings, approximately 87% will be expense related, while 13% will be achieved through reductions in the capital expenditure programs of Ohio Edison and Centerior.

A summary of the savings is as follows:

Savings Category	Total Savings 1998-2007
	($ millions)
Corporate and Operation Labor Cost	$ 643.3
Corporate and Administrative Programs	299.4
Non-fuel Purchasing Economies	77.8
Electric Production Cost	115.9
Fuel Procurement Cost	44.6
Total Savings	$ 1,181.0
Less: Costs to Achieve	(107.0)
Transaction Costs	(30.0)
Net Savings	$ 1,044.0

Generally, these net cost savings result from the reduction of duplicative functions and positions, joint dispatch of generating facilities and related fuel purchasing, lower capital expenditures and consolidation of various corporate programs.

In addition, other economies and efficiencies will be realized over time as coordinated practices become standardized. Furthermore, the improved financial condition of FirstEnergy should result in more favorable financing costs when the need to attract capital occurs. These long-term efficiencies and economies are properly

considered in determining if the standards of Section 10(c)(2) of the Act have been met. SEE AMERICAN ELECTRIC POWER CO., 46 S.E.C. 1299, 1321 (1978) ("[t]he affiliation . . . is intended to be permanent . . . and we should look to long-term considerations"); SEE ALSO CENTERIOR, SUPRA, 35 SEC Docket (CCH) 769 at 775 ("a demonstrated potential for economies will suffice even when these are not precisely quantifiable").

Savings expected as a result of the Merger dwarf the savings claimed in a number of recent acquisitions approved by the Commission. SEE, E.G., KANSAS POWER AND LIGHT CO., Holding Co. Act Release No. 25465 (Feb. 5, 1992)(expected savings of $140 million over five years); IES INDUSTRIES, Holding Co. Act Release No. 25325 (June 3, 1991)(expected savings of $91 million over ten years); MIDWEST RESOURCES, Holding Co. Act Release No. 25159 (Sept. 26, 1990) (estimated savings of $25 million over five years).

These economies and efficiencies are described more fully below:

CORPORATE AND OPERATIONS LABOR COST SAVINGS: FirstEnergy estimates that a net reduction in labor costs of approximately $643.3 million on a nominal dollar basis can be achieved as a result of the Merger through elimination of approximately 900 full time equivalent duplicative positions in certain corporate administrative and technical support functions. FirstEnergy expects that these labor reductions will be phased in 20% in each of the first five years following consummation of the Merger. These savings, deriving from eliminating overlap and duplication in functional performance, can only be realized by consummating the Merger.

CORPORATE AND ADMINISTRATIVE PROGRAMS SAVINGS: FirstEnergy estimates that a reduction in non-labor corporate and administrative expenses totalling approximately $299.4 million on a nominal dollar basis can be achieved through consolidation of duplicative programs and spreading expenses over greater asset or customer bases. These include savings related to information systems, insurance costs, outside services, stockholder services, benefits administration and other general and administrative overheads. The aggregate cost of these items for the companies on a stand-alone basis is greater than the cost will be to the combined new company. An example would be the hiring of one outside professional service (external auditors, attorneys, consultants, etc.) instead of two.

NON-FUEL PURCHASING ECONOMIES SAVINGS: These are the savings which will result from the new, larger company having greater purchasing power and centralizing purchasing and inventory functions related to the construction, operation and maintenance of generating plants, service centers, warehouses and headquarters, as well as standardizing system components. FirstEnergy will be able to coordinate its purchasing needs, buy in greater quantity, negotiate with vendors and receive larger discounts. FirstEnergy estimates cost savings of approximately $77.8 million on a nominal dollar basis from such economies.

ELECTRIC PRODUCTION COST SAVINGS: FirstEnergy estimates that production cost savings (including fuel savings) of approximately $115.9 million on a nominal dollar basis will result from the combined operation of the two companies' generation and transmission systems, including the integrated economic dispatch of such systems and electric fuel procurement savings. OES, Cleveland Electric and Toledo Edison currently commit and dispatch their respective systems on an "economic dispatch" basis; that is, each company commits and dispatches its generating system to meet the load in such manner as to minimize production costs. There are differences in incremental cost among the systems, as well as generation available on each system during most hours. FirstEnergy will be able to take advantage of these factors by committing and dispatching the lowest cost generation from OES, Cleveland Electric and Toledo Edison to serve the total load of FirstEnergy at a cost that is lower than the combined cost of the stand-alone companies.

FUEL PROCUREMENT COST SAVINGS: FirstEnergy estimates savings of approximately $44.6 million on a nominal dollar basis can be achieved by reducing combined coal commodity procurement costs, due to larger purchasing volumes and greater purchasing power.

COSTS TO ACHIEVE AND TRANSACTION COSTS: These consist of merger costs such as investment bankers' fees, attorney and accountant fees, and severance and other employee reduction-related costs. Item 2 provides details of some of these components and their amounts.

ADDITIONAL EXPECTED BENEFITS: In addition to the benefits described above, there are other benefits which, while presently difficult to quantify, are nonetheless substantial. These other benefits include maintenance of competitive rates and services, increased size and stability, diversification of service territory, coordination of diversification programs, complementary operational functions and complementary management.

MAINTENANCE OF COMPETITIVE RATES: Cleveland Electric and Toledo Edison's ratepayers will benefit because the Merger is conditioned upon the approval of an acceptable retail regulatory plan similar to the retail regulatory plan that the PUCO adopted for Ohio Edison in 1995. Under the plan filed by FirstEnergy on behalf of Cleveland Electric and Toledo Edison, their base rate will be frozen until 2005, followed by an immediate $310 million base rate reduction. The plan calls for interim residential rate reductions of $3 per month beginning six months after the Merger, increasing to $4 per month on July 1, 2000, and to $5 per month from July 1, 2001 through the year 2005. Other parts of the plan include an economic development loan/lease program, an energy-efficiency program and an earnings cap through 2005 that would enable customers to share in any additional benefits from the Merger. Furthermore, FirstEnergy will be more effective in meeting the challenges of the increasingly competitive environment in the utility industry than either Ohio Edison or Centerior standing alone due to the economies of scale available to FirstEnergy. The impact of these economies of scale, which are described in greater detail below, will help to position FirstEnergy to deal effectively with increased competition with respect to rates. The Merger, by creating the potential for increased economies of scale, will create the opportunity for strategic, financial and operational benefits for customers in the form of more competitive rates over the long term and for stockholders in the form of greater financial strength and financial flexibility.

MORE DIVERSE SERVICE TERRITORY: While lying within a single region, the combined service territory of FirstEnergy will be larger and more diverse than any of the discrete service territories of OES, on the one hand, and Cleveland Electric and Toledo Edison on the other. This increased customer and geographical diversity is expected to reduce the exposure to changes in economic, competitive or climatic conditions in any given sector of the combined service territory.

EXPANDED MANAGEMENT RESOURCES: FirstEnergy will be able to draw on a larger and more diverse mid-and senior-level management pool to lead FirstEnergy forward in an increasingly competitive environment for the delivery of energy and should be better able to attract and retain the most qualified employees. The employees of FirstEnergy should also benefit from new opportunities in the expanded organization.

In light of these cost savings and various efficiencies, the requirements of the economical and efficient development of an integrated utility system of Section 10(c)(2) of the 1935 Act will clearly be met by the Merger.

b. INTEGRATED PUBLIC UTILITY SYSTEM

As applied to electric utility companies, the term "integrated public utility system" is defined in Section 2(a)(29) of the Act as:

a system consisting of one or more units of generating plants and/or transmission lines and/or distributing facilities, whose utility assets, whether owned by one or more electric utility companies, are physically interconnected or capable of physical interconnection and which under normal conditions may be economically operated as a single interconnected and coordinated system confined in its operation to a single area or region, in one or more states, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation.

On the basis of this statutory definition, the Commission has established four standards that must be met before the Commission will find that an integrated public-utility system will result from a proposed acquisition of securities:

(1) the utility assets of the system are physically interconnected or capable of physical interconnection;

(2) the utility assets, under normal conditions, may be economically operated as a single interconnected and coordinated system;

(3) the system must be confined in its operations to a single area or region; and

(4) the system must not be so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation.

ENVIRONMENTAL ACTION, INC. V. SEC, 895 F.2d 1255, 1263 (9th Cir. 1990), quoting IN RE ELECTRIC ENERGY, INC., 38 S.E.C. 658, 668 (1958). The Merger satisfies all four of these requirements. It should be noted that in the 1995 Report, the Division recommended that the Commission "respond realistically to the changes in the utility industry and interpret more flexibly each piece of the integration equation." 1995 Report at 71.

CAPABLE OF PHYSICAL INTERCONNECTION. Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison are "physically interconnected or capable of physical interconnection" within the meaning of Section 2(a)(29)(A). The electric service areas of the four utilities are adjacent, with Ohio Edison separating Cleveland Electric and Toledo Edison. SEE map of combined OES and Centerior service areas, attached hereto as Exhibit E-1. The Merger will unite a continuous, geographically compact system across northern Ohio and western Pennsylvania.

Moreover, the service areas served by OES and Centerior are already highly interconnected. Ohio Edison and Cleveland Electric have five 345 kV and four 138 kV interconnections, and Ohio Edison and Toledo Edison have one 345 kV and one 138 kV interconnection. Ohio Edison and Toledo Edison also have one 69 kV interconnection, which is normally operated open. Except for this last interconnection, all of the interconnections permit two-way transfer capability. The six 345 kV lines and five 138 kV lines provide adequate capacity for the three systems to be thoroughly integrated, with sufficient transfer capability to carry anticipated flows associated with joint dispatch.

In view of the proximity of OES, Cleveland Electric and Toledo Edison and their points of interconnection, the facts presented clearly support a finding that Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison are "physically interconnected or capable of physical interconnection" within the meaning of Section 2(a)(29)(A) of the Act.

SINGLE INTERCONNECTED AND COORDINATED SYSTEM. OES, Cleveland Electric and Toledo Edison could under normal conditions be operated as a single interconnected, integrated, and coordinated system, whose operations would be confined to a single area and region. At present, the systems of Cleveland Electric and Toledo Edison are not physically integrated because Ohio Edison's service area physically separates them. The combined FirstEnergy system will be centrally and economically dispatched and generating units committed as a single integrated system. Upon consummation of the Merger, Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison will enter into a coordination agreement which will be filed with and approved by FERC. The Coordination Agreement will provide for joint dispatch of the combined generating resources of Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison, and will contain the terms, conditions and payment provisions associated with energy exchanges, resource sharing and other transactions among the companies. Pursuant to the Coordination Agreement, a central control center will be established to economically dispatch the combined system and arrange off-system purchases and sales.

For integration purposes under the 1935 Act, what is relevant is that FirstEnergy will have sufficient internal transmission capacity to fully accommodate the anticipated transfers between Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison, and will obtain transmission service from neighboring utilities to accommodate any transfers that might exceed the capabilities of its system.

Also, Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison are all members of the East Central Area Reliability Coordination Agreement. Thus, FirstEnergy will not be subject to conflicting operational requirements across discrete reliability regions.

SINGLE AREA OR REGION. As Exhibit E-1 clearly shows, the "single integrated system" of OES, Cleveland Electric and Toledo Edison would be confined in its operations to a single area or region. Ohio Edison is adjacent to (and currently separates) Cleveland Electric and Toledo Edison, all of which carry on their businesses substantially in the State of Ohio. Penn Power's service area abuts at the Ohio-Pennsylvania border with the Ohio Edison service area. In the 1995 Report, the Division has stated that the evaluation of the "single area or region" portion of the integration requirement "should be made.
. . . in light of the effect of technological advances on the ability to transmit electric energy economically over long distance, and other developments in the industry, such as brokers and marketers, that affect the concept of geographic integration." 1995 Report at 72-74. The 1995 Report also recommends primacy be given to "demonstrated economies and efficiencies to satisfy the integration requirements." 1995 Report at 73. As set forth in Item 3.B.2.a, the Merger will result in economies and efficiencies for Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison and, in turn, their customers.

LOCALIZED MANAGEMENT, EFFICIENT OPERATION AND EFFECTIVE REGULATION. Finally, the FirstEnergy system will not be so large as to impair the advantages of localized management, efficient operations and the effectiveness of regulation. The Commission's past decisions on "localized management" show that the Merger fully preserves the advantages of localized management. In such cases, the Commission has evaluated localized management in terms of: (i) responsiveness to local needs, see AMERICAN ELECTRIC POWER CO., Holding Co. Act Release No. 20633 (July 21, 1978)(advantages of localized management evaluated in terms of whether an enlarged system could be "responsive to local needs"); GENERAL PUBLIC UTILITIES CORP., 37 S.E.C. 28, 36 (1956)(localized management evaluated in terms of "local problems and matters involving relations with consumers"); (ii) whether management and directors were drawn from local utilities, see CENTERIOR ENERGY CORP., Holding Co. Act Release No. 24073 (April 29, 1986)(advantages of localized management would not be compromised by the affiliation of two electric utilities under a new holding company because the new holding company's "management [would be] drawn from the present management" of the two utilities); (iii) the preservation of corporate identities, SEE NORTHEAST UTILITIES, Holding Co. Act Release No. 25221 (December 21, 1990)(utilities "will be maintained as separate New Hampshire corporations . . .
[t]herefore the advantages of localized management will be preserved"); COLUMBIA GAS SYSTEM, INC., Holding Co. Act Release No. 24599 (March 15, 1988)(benefits of local management maintained where the utility to be added would be a separate subsidiary); and (iv) the ease of communications, SEE AMERICAN ELECTRIC POWER CO., Holding Co. Act Release No. 20633 (July 21, 1978)(distance of corporate headquarters from local management was a "less important factor in determining what is in the public interest" given the "present-day ease of communications and transportation").

The Merger satisfies all of these factors. FirstEnergy will be headquartered in Akron, Ohio, the present headquarters for Ohio Edison, which is less than 25 miles from Centerior's present headquarters. As to Ohio Edison, there will be no change in the locale of management. FirstEnergy's management will be drawn from the present management of Ohio Edison and Centerior, so the advantages of localized management will not be compromised. The Merger will preserve (and enhance) all the benefits of localized management OES, Cleveland Electric and Toledo Edison currently enjoy while simultaneously allowing for the efficiencies and economies that will derive from their strategic alliance. Furthermore, as described earlier, the system will facilitate efficient operation.

The effectiveness of regulation will not be diminished; Ohio Edison, Cleveland Electric and Toledo Edison will remain subject to regulation by the PUCO, and Penn Power will remain subject to regulation by the PPUC. Moreover, the respective interstate activities of Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison will continue to be regulated by the FERC.

C. SECTION 10(f)

Section 10(f) provides that

The Commission shall not approve any acquisition as to which an application is made under this section unless it appears to the satisfaction of the Commission that such State laws as may apply in respect of such acquisition have been complied with, except where the Commission finds that

compliance with such State laws would be detrimental to the carrying out of the provisions of section 11.

Ohio Edison, Cleveland Electric and Toledo Edison are currently subject to the jurisdiction of the PUCO. FirstEnergy believes that the approval of the Merger by the PUCO is not required. However, the Merger Agreement is conditioned upon, among other matters, the PUCO's approval of a regulatory plan for Cleveland Electric and Toledo Edison that is mutually acceptable to Ohio Edison and Centerior. An application for such a plan was filed with the PUCO on November 15, 1996. The PUCO has adopted a resolution stating that it intends to intervene in proceedings before the FERC and to coordinate its consideration of any filings made by Ohio Edison, Cleveland Electric and Toledo Edison with the schedule of such FERC proceedings. SEE Item 4.B.

Penn Power is currently subject to the jurisdiction of the PPUC. Penn Power believes that, under Pennsylvania law, the approval of the PPUC is not required for consummation of the Merger. The PPUC has adopted a policy essentially stating that whenever a change in control of a Pennsylvania utility occurs, irrespective of Pennsylvania law, it will assume jurisdiction over the transaction. Penn Power believes no change of control will occur as a result of the Merger since (i) Penn Power will continue to be a wholly-owned subsidiary of Ohio Edison, (ii) the Ohio Edison Board designates the FirstEnergy Board and
(iii) approximately two-thirds of FirstEnergy's common stock immediately after consummation of the Merger will be owned by former Ohio Edison stockholders. On November 27, 1996 Penn Power filed an application for a declaratory order of the PPUC that it does not have jurisdiction over the Merger. On the same date Penn Power filed an application with the PPUC seeking approval of the Merger if the PPUC elects to assert jurisdiction.

ITEM 4. REGULATORY APPROVALS

Set forth below is a summary of the regulatory approvals that the applicants have obtained or expect to obtain in connection with the Merger.

A. ANTITRUST

The HSR Act and the rules and regulations thereunder provide that certain transactions (including the Merger) may not be consummated until certain information has been submitted to the DOJ and FTC and specified HSR Act waiting period requirements have been satisfied. The expiration or termination of the HSR Act waiting period would not preclude the DOJ or the FTC from challenging the Merger on antitrust grounds. If the Merger is not consummated within 12 months after the expiration or termination of the HSR Act waiting period, Ohio Edison and Centerior would be required to submit new premerger notifications to the DOJ and the FTC and a new HSR Act waiting period would have to expire or be terminated before the Merger could be consummated. Ohio Edison and Centerior will comply with the provisions of the HSR Act. The Merger will not be consummated unless the applicable waiting period has expired or has been terminated. Ohio Edison, Penn Power, Toledo Edison and Cleveland Electric will file a Notification and Report Form for Certain Mergers and Acquisitions Notification with the FTC and the Antitrust Division of the United States DOJ under the HSR Act.

B. FEDERAL POWER ACT

Section 203 of the Federal Power Act of 1935, as amended (the "Federal Power Act") provides that no public utility shall sell or otherwise dispose of its jurisdictional facilities or, directly or indirectly, merge or consolidate such facilities with those of any other person or acquire any security of any other public utility without first having obtained authorization from the FERC. The approval of the FERC is required in order to consummate the Merger. Under
Section 203 of the Federal Power Act, the FERC will approve a merger if it finds the merger to be "consistent with the public interest." In undertaking its review of a utility merger transaction, the FERC generally has evaluated (i) whether the merger will adversely affect competition, (ii) whether the merger will adversely affect operating costs and rates, (iii) whether the merger will impair the effectiveness of regulation, (iv) whether the purchase price is reasonable, (v) whether the merger is the result of coercion and (vi) whether the accounting treatment is reasonable. However, the FERC has indicated in its new merger policy statement issued

on December 18, 1996 that rather than utilizing the six-factor test described above, it will instead focus only on the following three factors: (i) the effect on competition; (ii) the effect on rates; and (iii) the effect on federal regulation. The new policy statement, which is effective immediately, states the FERC's intention to address the specific application of the policy to pending cases on a case-by-case basis. Ohio Edison and Centerior have filed, on November 8, 1996, an application with the FERC requesting that the FERC approve the Merger and a joint dispatch agreement under Sections 203 and 205 of the Federal Power Act, and a separate application pursuant to Section 205 for approval of an open access transmission tariff offering transmission services over the combined companies' system at a single transmission rate contingent upon the FERC's approval of the Merger.

C. ATOMIC ENERGY ACT

Ohio Edison and Penn Power each holds an NRC operating license authorizing it to hold ownership and leasehold interests in the Beaver Valley Unit 1 nuclear unit and (along with OES Nuclear Inc., a wholly-owned subsidiary of Ohio Edison) the Perry Unit 1 nuclear unit. Ohio Edison also holds an NRC operating license authorizing it to hold ownership and leasehold interests in Beaver Valley Unit 2. Each of Cleveland Electric and Toledo Edison holds an NRC operating license authorizing it to hold ownership or leasehold interests in Perry Unit 1, Beaver Valley Unit 2 and the Davis-Besse nuclear unit (and, in the case of Cleveland Electric, to operate Perry Unit 1 and, in the case of Toledo Edison, to operate Davis-Besse). The Davis-Besse facility also includes a generally licensed independent spent fuel storage installation. The Atomic Energy Act provides that no NRC license may be transferred, assigned, or in any manner disposed of, directly or indirectly, through transfer of control of any license to any person unless the NRC finds that the transfer is in accordance with the Atomic Energy Act and consents to the transfer. Ohio Edison and Centerior have filed requests with the NRC seeking approval of the transfer of control of their nuclear facility operating licenses to FirstEnergy pursuant to the Atomic Energy Act.

D. STATE PUBLIC UTILITY REGULATION

While FirstEnergy does not believe that approval of the Merger by the PUCO is required, the Merger is conditional upon the PUCO's approval of an acceptable retail regulatory plan for Cleveland Electric and Toledo Edison. An application for such a plan was filed with the PUCO on November 15, 1996. Penn Power is seeking a declaratory order of the PPUC that it does not have jurisdiction over the Merger. Penn Power has in the alternative filed an application with the PPUC seeking approval of the Merger if the PPUC elects to assert jurisdiction.

Except as set forth above, no other state or local regulatory body or agency and no other federal commission or agency has jurisdiction over the transactions proposed herein.

E. OTHER

FirstEnergy may file other applications for, or request, certain other consents or authorizations by federal, state or municipal agencies in connection with the issuance of securities, system operations and franchises or any other activities subject to regulatory approval.

ITEM 5. PROCEDURE

The Commission is respectfully requested to issue and publish not later than January 31, 1997 the requisite notice under Rule 23 with respect to the filing of this Application, such notice to specify a date not later than March 1, 1997 by which comments may be entered and a date not later than March 2, 1997 as the date after which an order of the Commission granting and permitting his Application/Declaration to become effective may be entered by the Commission. A form of notice suitable for publication is attached hereto as Exhibit I-1.

The Applicant requests that there be no 30-day waiting period between the issuance of the Commission's order and the date on which it is to become effective. The Applicant submits that a recommended decision by a hearing or other responsible officer of the Commission is not needed with respect to the proposed transaction and

that the Division may assist with the preparation of the Commission's decision and/or order in this matter unless such Division opposes the matters covered hereby.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS

A. EXHIBITS

Exhibit A-1:	Form of Amended Articles of Incorporation of FirstEnergy.
Exhibit A-2:	Amended Articles of Incorporation, effective June 21, 1994, constituting the Articles of Incorporation of Ohio Edison (Incorporated by reference to the Form 10-K Annual Report of Ohio Edison for the year ended December 31, 1994, File No. 1-2578).
Exhibit A-3:	Amended Articles of Incorporation, effective April 29, 1986, constituting the Articles of Incorporation of Centerior (Incorporated by reference to a Registration Statement filed with the Commission pursuant to the 1933 Act, File No. 33-4790).
Exhibit A-4:	Form of Articles of Incorporation of Ohio Edison Acquisition Corp.
Exhibit A-5:	Form of Articles of Incorporation of Centerior Acquisition Corp.
Exhibit B-1:	Merger Agreement between Ohio Edison and Centerior dated as of September 13, 1996 (with exhibits A and B thereto being incorporated as Exhibits B-2 and B-3 to this Application/Declaration).
Exhibit B-2:	Merger Agreement by and among Ohio Edison, FirstEnergy and Ohio Edison Acquisition Corp.
Exhibit B-3:	Merger Agreement by and among Centerior Acquisition Corp., FirstEnergy and Centerior.
Exhibit C-1:	Registration Statement on Form S-4 (including all exhibits thereto).*
Exhibit C-2:	Prospectus/Proxy Statement (Included in Registration Statement on Form S-4 filed as Exhibit C-1 herein).*
Exhibit D-1:	Relevant Sections of Ohio Code.
Exhibit D-2:	Joint Application of Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison to FERC.*
Exhibit D-3:	Order of FERC.*
Exhibit D-4:	Application for approval of retail regulatory plan by the PUCO.*
Exhibit D-5:	Application for declaratory order of the PPUC regarding jurisdiction.
Exhibit D-6:	Application for approval of the Merger by the PPUC.
Exhibit E-1:	Map showing combined Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison service areas.*
Exhibit F-1:	Preliminary Opinion of Counsel.

* To be filed by amendment.

Exhibit F-2: Past Tense Opinion of Counsel (to be filed with certificate of notification).

Exhibit G-1: Centerior Form U-3A-2, "Statement by Holding Company Claiming Exemption under Rule U-2 from the Provisions of the Public Utility Holding Company Act of 1935," dated February 27, 1996 (Incorporated by reference to such filing, File No. 69-315).

Exhibit G-2: Form 10-K Annual Report of Ohio Edison for the year ended December 31, 1995 (Incorporated by reference to such filing, File No. 1-2578).

Exhibit G-3: Form 10-K Annual Report of Centerior for the year ended December 31, 1995 (Incorporated by reference to such filing, File No. 1-9130).

Exhibit G-4: Form 10-K Annual Report of Penn Power for the year ended December 31, 1995 (Incorporated by reference to such filing, File No. 1-3491).

Exhibit G-5: Form 10-K Annual Report of Cleveland Electric for the year ended December 31, 1995 (Incorporated by reference to such filing, File No. 1-2323).

Exhibit G-6: Form 10-K Annual Report of Toledo Edison for the year ended December 31, 1995 (Incorporated by reference to such filing, File No. 1-3583).

Exhibit G-7: Form 10-Q Quarterly Report of Ohio Edison for the Quarter ended September 30, 1996 (Incorporated by reference to such filing, File No. 1-2578).

Exhibit G-8: Form 10-Q Quarterly Report of Centerior for the Quarter ended September 30, 1996 (Incorporated by reference to such filing, File No. 1-9130).

Exhibit G-9: Form 10-Q Quarterly Report of Penn Power for the Quarter ended September 30, 1996 (Incorporated by reference to such filing, File No. 1-3491).

Exhibit G-10: Form 10-Q Quarterly Report of Cleveland Electric for the Quarter ended September 30, 1996 (Incorporated by reference to such filing, File No. 1-2323).

Exhibit G-11: Form 10-Q Quarterly Report of Toledo Edison for the Quarter ended September 30, 1996 (Incorporated by reference to such filing, File No. 1-3583).

Exhibit H-1: McDonald & Company Securities Inc. Fairness Opinion.

Exhibit H-2: Barr Devlin & Co. Incorporated Fairness Opinion.

Exhibit I-1: Form of Notice.

Exhibit J-1: Financial Data Schedule.*

B. FINANCIAL STATEMENTS

FS-1: FirstEnergy Unaudited Pro Forma Combined Condensed Balance Sheet as of September 30, 1996 and Unaudited Pro Forma Combined Condensed Statement of Income for the year ended December 31, 1995 and the nine months ended September 30, 1996.

FS-2: Ohio Edison Consolidated Balance Sheet as of December 31, 1995 (see Annual Report of Ohio Edison on Form 10-K for the year ended December 31, 1995 (Exhibit G-2 hereto)).

FS-3: Ohio Edison Consolidated Statements of Income for its last three fiscal years (see Annual Report of Ohio Edison on Form 10-K for the year ended December 31, 1995 (Exhibit G-2 hereto)).

FS-4: Centerior Consolidated Balance Sheet as of December 31, 1995 (see Annual Report of Ohio Edison on Form 10-K for the year ended December 31, 1995 (Exhibit G-3 hereto)).

FS-5: Centerior Consolidated Statements of Income for its last three fiscal years (see Annual Report of Ohio Edison on Form 10-K for the year ended December 31, 1995 (Exhibit G-3 hereto)).

FS-6: Penn Power Consolidated Balance Sheet as of December 31, 1995 (see Annual Report of Penn Power on Form 10-K for the year ended December 31, 1995 (Exhibit G-4 hereto)).

FS-7: Penn Power Consolidated Statements of Income for its last three fiscal years (see Annual Report of Penn Power on Form 10-K for the year ended December 31, 1995 (Exhibit G-4 hereto)).

FS-8: Cleveland Electric Consolidated Balance Sheet as of December 31, 1995 (see Annual Report of Cleveland Electric on Form 10-K for the year ended December 31, 1995 (Exhibit G-5 hereto)).

FS-9: Cleveland Electric Consolidated Statements of Income for its last three fiscal years (see Annual Report of Cleveland Electric on Form 10-K for the year ended December 31, 1995 (Exhibit G-5 hereto)).

FS-10: Toledo Edison Consolidated Balance Sheet as of December 31, 1995 (see Annual Report of Toledo Edison on Form 10-K for the year ended December 31, 1995 (Exhibit G-6 hereto)).

FS-11: Toledo Edison Consolidated Statements of Income for its last three fiscal years (see Annual Report of Toledo Edison on Form 10-K for the year ended December 31, 1995 (Exhibit G-6 hereto)).

There have been no material changes, not in the ordinary course of business, to the aforementioned balance sheets from September 30, 1996 to the date of this Application/Declaration .

ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS

The Merger neither involves a "major federal action" nor "significantly affects the quality of the human environment" as those terms are used in Section 102(2)(C) of the National Environmental Policy Act, 42 U.S.C. Sec. 4321 et seq. The only federal actions related to the Merger pertain to the expiration of the applicable waiting period under the HSR Act the Commission's declaration of the effectiveness of the Registration Statement on Form S-4, the approvals and actions described under Item 4 and Commission approval of this Application. Consummation of the Merger will not result in changes in the operations of FirstEnergy, Ohio Edison or Centerior that would have any impact on the environment. No federal agency is preparing an environmental impact statement with respect to this matter.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this Application/Declaration to be signed on its behalf by the undersigned thereunto duly authorized.

Date: January 24, 1997

FIRSTENERGY CORP.

By: /s/ Willard R. Holland

Willard R. Holland
President

EXHIBIT A-1

AMENDED
ARTICLES OF INCORPORATION
OF

FIRSTENERGY CORP.

ARTICLE I

The name of the corporation is FirstEnergy Corp. (the "Corporation").

ARTICLE II

The place in the State of Ohio where the Corporation's principal office is located is the City of Akron, Summit County.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code.

ARTICLE IV

A. AUTHORIZED CAPITAL STOCK. The Corporation is authorized to issue 305 million shares of capital stock, consisting of five (5) million shares of preferred stock, with par value of $100 per share ("Preferred Stock"), and 300 million shares of common stock, with par value of $0.10 per share ("Common Stock").

B. PREFERRED STOCK. The Board of Directors shall have authority to issue Preferred Stock from time to time in one or more classes or series. The express terms of shares of a different series of any particular class shall be identical except for such variations as may be permitted by law.

C. COMMON STOCK. Subject to any Preferred Stock Designation (as defined herein), the holders of shares of Common Stock shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders for each share of Common Stock held of record by such holder as of the record date for such meeting.

ARTICLE V

The Board of Directors shall be authorized hereby to exercise all powers now or hereafter permitted by law providing rights to the Board of Directors to adopt amendments to these Articles of Incorporation to fix or change the express terms of any unissued or treasury shares of any class, including, without limiting the generality of the foregoing: division of such shares into series and the designation and authorized number of shares of each series; voting rights of such shares (to the extent now or hereafter permitted by law); dividend or distribution rates; dates of payment of dividends or distributions and the dates from which they are cumulative; liquidation price; redemption rights and price; sinking fund requirements; conversion rights; and restrictions on the issuance of shares of the same series or any other class or series; all as may be established by resolution of the Board of Directors from time to time (collectively, a "Preferred Stock Designation").

ARTICLE VI

Except as may be provided in any Preferred Stock Designation, the holders of shares of capital stock of the Corporation shall not be entitled to cumulative voting rights in the election of directors.

ARTICLE VII

Except as may be provided in any Preferred Stock Designation, no holder of any shares of capital stock of the Corporation shall have any preemptive right to acquire any shares of unissued capital stock of any class or series, now or hereafter authorized, or any treasury shares or securities convertible into such shares or carrying a right to subscribe to or acquire such shares of capital stock.

ARTICLE VIII

The Corporation may from time to time, pursuant to authorization by the Board of Directors and without action by the shareholders, purchase or otherwise acquire capital stock of the Corporation of any class or classes in such manner, upon such terms and in such amounts as the Board of Directors shall determine; subject, however, to such limitation or restriction, if any, as is contained in any Preferred Stock Designation at the time of such purchase or acquisition.

ARTICLE IX

Subject to any Preferred Stock Designation, to the extent applicable law permits these Amended Articles of Incorporation expressly to provide or permit a lesser vote than a two-thirds vote otherwise provided by law for any action or authorization for which a vote of shareholders is required, including, without limitation, adoption of an amendment to these Articles of Incorporation, adoption of a plan of merger, authorization of a sale or other disposition of all or substantially all of the assets of the Corporation not made in the usual and regular course of its business or adoption of a resolution of dissolution of the Corporation, such action or authorization shall be by such two-thirds vote unless the Board of Directors of the Corporation shall provide otherwise by resolution, then such action or authorization shall be by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the Corporation on such proposal and a majority of the voting power of any class entitled to vote as a class on such proposal; provided, however, this Article IX (and any resolution adopted pursuant hereto) shall not alter in any case any greater vote otherwise expressly provided by any provision of these Articles of Incorporation or the Code of Regulations. For purposes of these Articles of Incorporation, "voting power of the Corporation" means the aggregate voting power of (1) all the outstanding shares of Common Stock of the Corporation and (2) all the outstanding shares of any class or series of capital stock of the Corporation that has (i) rights to distributions senior to those of the Common Stock including, without limitation, any relative, participating, optional, or other special rights and privileges of, and any qualifications, limitations or restrictions on, such shares and (ii) voting rights entitling such shares to vote generally in the election of directors.

ARTICLE X

Notwithstanding anything to the contrary contained in these Articles of Incorporation, the affirmative vote of the holders of at least 80% of the voting power of the Corporation, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, Article V, Article VI, Article VII, Article VIII or this Article X; provided, however, that this Article X shall not alter the voting entitlement of shares that, by virtue of any Preferred Stock Designation, are expressly entitled to vote on any amendment to these Articles of Incorporation.

ARTICLE XI

Any and every statute of the State of Ohio hereafter enacted, whereby the rights, powers or privileges of corporations or of the shareholders of corporations organized under the laws of the State of Ohio are increased or diminished or in any way affected, or whereby effect is given to the action taken by any number, less than all, of the shareholders of any such corporation, shall apply to the Corporation and shall be binding not only upon the Corporation but upon every shareholder of the Corporation to the same extent as if such statute had been in force at the date of filing these Articles of Incorporation in the office of the Secretary of State of Ohio.

Exhibit A-4

ARTICLES OF INCORPORATION

OF

OHIO EDISON ACQUISITION CORP.

The undersigned, desiring to form a corporation for profit under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code, does hereby certify:

FIRST: The name of the Corporation shall be OHIO EDISON ACQUISITION **CORP.**

SECOND: The place in the State of Ohio where the principal office of the Corporation will be located is the City of Cleveland, in Cuyahoga County.

THIRD: The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code, as now in effect or hereafter amended, including without limitation, the generation, transmission, distribution or sale of electricity or other forms of energy.

FOURTH: The authorized number of shares of the Corporation is 100, all of which shall be common stock without par value.

FIFTH: No holder of any class of shares of the Corporation shall, as such holder, have any preemptive or preferential right to purchase or subscribe to any shares of any class of stock of the Corporation, whether now or hereafter authorized, whether unissued or in the treasury, or to purchase any obligations convertible into shares of any class of stock of the Corporation, which at any time may be proposed to be issued by the Corporation or subject to rights or options to purchase granted by the Corporation.

SIXTH: Without derogation from any other power to purchase shares of the Corporation, the Corporation by action of its directors may purchase outstanding shares of any class of the Corporation to the extent not prohibited by Law.

IN WITNESS WHEREOF, the undersigned has caused these Articles of Incorporation to be executed as of this 23rd day of January, 1997.

/s/ David L. Feltner

David L. Feltner
Sole Incorporator

Exhibit A-5

ARTICLES OF INCORPORATION

OF

CENTERIOR ACQUISITION CORP.

The undersigned, desiring to form a corporation for profit under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code, does hereby certify:

FIRST: The name of the Corporation shall be CENTERIOR ACQUISITION CORP.

SECOND: The place in the State of Ohio where the principal office of the Corporation will be located is the City of Cleveland, in Cuyahoga County.

THIRD: The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code, as now in effect or hereafter amended, including without limitation, the generation, transmission, distribution or sale of electricity or other forms of energy.

FOURTH: The authorized number of shares of the Corporation is 100, all of which shall be common stock without par value.

FIFTH: No holder of any class of shares of the Corporation shall, as such holder, have any preemptive or preferential right to purchase or subscribe to any shares of any class of stock of the Corporation, whether now or hereafter authorized, whether unissued or in the treasury, or to purchase any obligations convertible into shares of any class of stock of the Corporation, which at any time may be proposed to be issued by the Corporation or subject to rights or options to purchase granted by the Corporation.

SIXTH: Without derogation from any other power to purchase shares of the Corporation, the Corporation by action of its directors may purchase outstanding shares of any class of the Corporation to the extent not prohibited by Law.

IN WITNESS WHEREOF, the undersigned has caused these Articles of Incorporation to be executed as of this 23rd day of January, 1997.

/s/ David L. Feltner

David L. Feltner
Sole Incorporator

EXHIBIT B-1

[CONFORMED COPY]

AGREEMENT AND PLAN OF MERGER

BETWEEN

OHIO EDISON COMPANY

AND

CENTERIOR ENERGY CORPORATION

DATED AS OF SEPTEMBER 13, 1996

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DEFINED TERMS

AGREEMENT AND PLAN OF MERGER dated as of September 13, 1996 (the "Agreement"), between OHIO EDISON COMPANY, an Ohio corporation with its principal executive offices in Akron, Ohio ("Ohio Edison"), and CENTERIOR ENERGY CORPORATION, an Ohio corporation with its principal executive offices in Independence, Ohio ("Centerior").

WHEREAS, the respective Boards of Directors of Ohio Edison and Centerior deem it advisable and in the best interests of their respective shareholders to consummate, and have approved, the business combination transactions provided for herein in which

(i) Ohio Edison and Centerior will form an Ohio holding company, FirstEnergy Corp. ("FirstEnergy"),

(ii) (A) FirstEnergy will form two subsidiaries, one of which ("Ohio Edison Acquisition Corp.") will merge with and into Ohio Edison with Ohio Edison continuing as the surviving corporation (the "Ohio Edison Merger") pursuant to the Ohio Edison Merger Agreement attached hereto as Exhibit A (the "Ohio Edison Merger Agreement"), and the other of which ("Centerior Acquisition Corp.") will merge with and into Centerior with Centerior continuing as the surviving corporation (the "Centerior Merger") pursuant to the Centerior Merger Agreement attached hereto as Exhibit B (the "Centerior Merger Agreement"), and

(B) whereby

(I) each issued and outstanding share of common stock, par value $9 per share, of Ohio Edison ("Ohio Edison Common Stock"), and any associated right (an "Ohio Edison Right") that may be issued pursuant to the Rights Agreement, dated as of October 16, 1990, between Ohio Edison and Citibank, N.A., as Rights Agent (the "Ohio Edison Rights Agreement"), and

(II) each issued and outstanding share of common stock, without par value, of Centerior ("Centerior Common Stock"), and any associated right (a "Centerior Right") that may be issued pursuant to the Shareholder Rights Agreement, dated as of June 25, 1996, between Centerior and KeyBank National Association, as Rights Agent (the "Centerior Rights Agreement"),

in each case not owned directly or through a wholly-owned Subsidiary by Ohio Edison or Centerior, will be converted into the right to receive common stock, par value $0.10 per share, of FirstEnergy ("FirstEnergy Common Stock"),

(iii) immediately after the Centerior Merger, Centerior will merge with and into FirstEnergy with FirstEnergy continuing as the surviving corporation (the "FirstEnergy Merger"; the Ohio Edison Merger, the Centerior Merger and the FirstEnergy Merger together being referred to herein as the "Merger"), and

(iv) as a result of the Merger, the respective common shareholders of Ohio Edison and Centerior will own all of the outstanding shares of FirstEnergy Common Stock and each share of any other class of capital stock of Ohio Edison and its Subsidiaries and of the Subsidiaries of Centerior will be unaffected by the Merger and will remain outstanding;

WHEREAS, for Federal income tax purposes, it is intended that the Merger qualify, as to Ohio Edison, as a tax-free transfer within the meaning of Section 351(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and, as to Centerior, as a tax-free reorganization within the meaning of Section 368(a) of the Code;

WHEREAS, for accounting purposes, it is intended that the Merger will be accounted for on a purchase accounting basis in accordance with generally accepted accounting principles applied on a consistent basis ("GAAP") and applicable regulations of the Securities and Exchange Commission (the "SEC");

WHEREAS, Centerior and Ohio Edison desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe various conditions to the Merger;

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants and agreements set forth in this Agreement, the parties agree as follows:

ARTICLE I

FORMATION OF FIRSTENERGY AND MERGER COMPANIES

1.1 Organization of FirstEnergy. As promptly as practicable following the execution of this Agreement, Ohio Edison and Centerior shall cause FirstEnergy to be organized under the laws of the State of Ohio. The initial Articles of Incorporation and Regulations of FirstEnergy shall be in the forms attached hereto as Exhibits C and D, respectively. The authorized capital stock of FirstEnergy shall consist initially of 100 shares of common stock, par value $0.10 per share, of which 50 shares will be issued to Ohio Edison and 50 shares will be issued to Centerior.

1.2 Directors and Officers of FirstEnergy.

(a) Prior to the Effective Time. Upon formation of FirstEnergy, Ohio Edison and Centerior shall cause one individual selected by each company to be elected as directors of FirstEnergy and the individuals designated on Exhibit E hereto to be elected as the officers of FirstEnergy, holding the position(s) designated on Exhibit E. Each such officer and director (or any replacement officer or director designated as set forth above) shall remain in office until his successor is elected.

(b) As of the Effective Time. As of the Effective Time, the parties hereto agree that the Board of Directors and officers of FirstEnergy shall be designated as provided in Section 7.12 of this Agreement.

1.3 Organization of Merger Companies. As promptly as practicable after the formation of FirstEnergy, the parties shall cause FirstEnergy to cause Ohio Edison Acquisition Corp. and Centerior Acquisition Corp. to be organized under the laws of the State of Ohio. The Articles of Incorporation and Regulations of Ohio Edison Acquisition Corp. and Centerior Acquisition Corp. shall be in such form as shall be determined by FirstEnergy. Upon formation of each company, FirstEnergy shall designate the Boards of Directors and officers of each of Ohio Edison Acquisition Corp. and Centerior Acquisition Corp.

ARTICLE II

THE MERGER

2.1 Closing. The closing of the Merger (the "Closing") will take place at 10:00 a.m., on a date to be specified by the parties, which shall be no later than the second business day following the date on which the last of the closing conditions set forth in Article VIII has been met or waived, at the offices of Squire, Sanders & Dempsey, 4900 Key Tower, 127 Public Square, Cleveland, Ohio, unless another date or place is agreed to in writing by the parties hereto (the "Closing Date").

2.2 Effective Time of the Merger. Subject to the provisions of this Agreement, certificates of merger shall be duly prepared, executed and acknowledged by an appropriate officer of each of the corporations involved in the Merger (the "Certificates of Merger") and thereafter delivered on the Closing Date to the Secretary of State of the State of Ohio for filing, as provided by Ohio law, as soon as practicable on or after the Closing Date. The Merger shall become effective upon the filing of the Certificates of Merger with the Secretary of State of the State of Ohio or at such time thereafter as is provided in the Certificates of Merger (the "Effective Time").

2.3 Effects of the Merger. At the Effective Time, and subject to such changes as Ohio Edison and Centerior shall agree to be necessary to secure required regulatory approvals,

(a) the separate existence of Ohio Edison Acquisition Corp. shall cease and Ohio Edison Acquisition Corp. shall be merged with and into Ohio Edison with Ohio Edison continuing as the surviving corporation,

(b) the separate existence of Centerior Acquisition Corp. shall cease and Centerior Acquisition Corp. shall be merged with and into Centerior with Centerior continuing as the surviving corporation,

(c) the separate existence of Centerior shall cease and Centerior shall be merged with and into FirstEnergy with FirstEnergy continuing as the surviving corporation,

(d) the Merger shall have all the effects of applicable law, including, without limitation, Section 1701.82 of the Ohio General Corporation Law (the "Ohio GCL"), and

(e) the Articles of Incorporation and Regulations of FirstEnergy shall be amended and restated in their entirety in the form attached hereto as Exhibits F and G, respectively.

2.4 Directors and Officers of the Surviving Corporation. As of the Effective Time, the directors and officers of the respective surviving corporations of the Merger shall be designated as provided in Section 7.12 of this Agreement.

ARTICLE III

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE RESPECTIVE CORPORATIONS; EXCHANGE OF CERTIFICATES

3.1 Manner of Converting Shares. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of capital stock of the corporations involved:

(a) Capital Stock of Merger Companies. The shares of common stock of Ohio Edison Acquisition Corp, par value $0.10 per share ("Ohio Edison Acquisition Corp. Common Stock"), which are issued and outstanding immediately prior to the Effective Time, shall be converted into and become shares of Ohio Edison Common Stock at a rate of one (1) share of Ohio Edison Common Stock for each share of Ohio Edison Acquisition Corp. Common Stock, and the shares of common stock of Centerior Acquisition Corp., par value $0.10 per share (the "Centerior Acquisition Corp. Common Stock"), which are issued and outstanding immediately prior to the Effective Time, shall be converted into and become shares of Centerior Common Stock at a rate of one (1) share of Centerior Common Stock for each share of Centerior Acquisition Corp. Common Stock.

(b) Capital Stock of Centerior and Ohio Edison.

(i) Subject to Section 3.1(e), (f) and (g), each share of Centerior Common Stock issued and outstanding immediately prior to the Effective Time, including any Centerior Right, and each share of Ohio Edison Common Stock issued and outstanding immediately prior to the Effective Time, including any Ohio Edison Right, shall be converted into and become a right to receive fully paid and nonassessable shares of FirstEnergy Common Stock at the rate of 0.525 (525/1000) share of FirstEnergy Common Stock for each share of Centerior Common Stock (the "Centerior Conversion Number") and at the rate of one share of FirstEnergy Common Stock for each share of Ohio Edison Common Stock (the "Ohio Edison Conversion Number" and each, a "Conversion Number").

(ii) All shares of Centerior and Ohio Edison Common Stock referred to in Section 3.1(b)(i) and so converted shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and, except as provided under Section 1701.85 of the Ohio GCL, each holder of a certificate representing any such shares shall cease to have any rights with respect to such certificate, except the right to receive certificates for shares of FirstEnergy Common Stock to be issued in consideration therefor upon the surrender of such certificate in accordance with Section 3.2, without interest.

(c) Capital Stock of Centerior. The shares of Centerior Common Stock which are issued and outstanding immediately prior to the FirstEnergy Merger shall be canceled and retired and shall cease to exist.

(d) Stock Options of Centerior.

(i) Each unexpired and unexercised option to purchase Centerior Common Stock (each, a "Centerior Option") under Centerior's Equity Compensation Plan shall be deemed to be automatically converted into an option (a "FirstEnergy Option") to purchase a number of shares of FirstEnergy Common Stock equal to the number of shares of Centerior Common Stock that could have been purchased under the Centerior Option multiplied by the Centerior Conversion Number (with the resulting number of shares rounded up or down to the nearest whole share), at an exercise price per share of FirstEnergy Common Stock equal to the option exercise price of the Centerior Option determined pursuant to the Centerior Option divided by the Centerior Conversion Number (with the resulting exercise price rounded up or down to the nearest whole cent).

(ii) Each such FirstEnergy Option shall otherwise be subject to the same terms and conditions as the Centerior Option.

(iii) The date of grant of the substituted FirstEnergy Option shall be the date on which the corresponding Centerior Option was granted.

(iv) At the Effective Time, the parties shall cause FirstEnergy to

(A) assume all of Centerior's obligations with respect to all Centerior Options as contemplated by this Section 3.1(d),

(B) reserve for issuance the number of shares of FirstEnergy Common Stock that will become subject to FirstEnergy Options pursuant to this Section 3.1(d),

(C) from and after the Effective Time, upon exercise of the FirstEnergy Options in accordance with the terms thereof, make available for issuance all shares of FirstEnergy Common Stock covered thereby, and

(D) as soon as practicable after the Effective Time, issue to each holder of an outstanding Centerior Option a document evidencing the foregoing assumption by FirstEnergy.

(e) Cancellation of Treasury Stock and Certain Ohio Edison and Centerior Common Stock.

(i) Any shares of Centerior or Ohio Edison Common Stock that are owned immediately prior to the Effective Time by any of the parties hereto or by any other wholly-owned Subsidiary of Centerior or Ohio Edison, including any such common stock which constitutes treasury stock in the hands of the holder thereof, shall be canceled and retired and shall cease to exist, and no FirstEnergy Common Stock or other consideration shall be issued or delivered in exchange therefor, and each holder of a certificate representing any such shares shall cease to have any rights with respect thereto.

(ii) As used in this Agreement, a "Subsidiary" of a person means any corporation or other organization, whether incorporated or unincorporated, of which such person or any other Subsidiary of such person is a general partner (excluding partnerships, the general partnership interests of which held by such person or any Subsidiary of such person do not have a majority of the voting interests in such partnership) or directly or indirectly owns or controls at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization.

(f) Adjustment Upon Changes in Capitalization. In the event of any change in Centerior or Ohio Edison Common Stock by reason of stock dividends, splitups, mergers (other than the Merger), recapitalizations, combinations, exchange of shares or the like, the type and number of shares or securities to be issued upon conversion of the Centerior or Ohio Edison Common Stock, as the case may be, and the applicable Conversion Number provided in Section 3.1(b), shall be adjusted appropriately.

(g) Shares of Dissenting Holders. Any issued and outstanding shares of Centerior or Ohio Edison Common Stock held by a person who objects to the applicable Merger and complies with all provisions of applicable law concerning the right of such person to dissent from such Merger and demand appraisal of such shares (a "Dissenting Holder") shall not be converted into a right to receive FirstEnergy Common Stock as set forth in Section 3.1(b) but shall from and after the Effective Time represent only the right to receive such consideration as may be determined to be due to such Dissenting Holder pursuant to such applicable laws, Articles of Incorporation or Regulations; provided, however, that shares of Centerior or Ohio Edison Common Stock outstanding immediately prior to the Effective Time and held by a Dissenting Holder who shall, after such Effective Time, withdraw the demand for appraisal or lose the right of appraisal, in either case pursuant to such applicable law, of such shares, shall be deemed to be converted, as of the Effective Time, into the right to receive the shares of FirstEnergy Common Stock specified in Section 3.1(b), without interest.

(h) Capital Stock of FirstEnergy. The shares of FirstEnergy Common Stock which are issued and outstanding immediately prior to the Effective Time shall be canceled and retired and shall cease to exist.

3.2 Exchange of Certificates.

(a) Exchange Agent. As of the Effective Time, FirstEnergy shall have deposited with such bank or trust company designated by Ohio Edison, with the approval of Centerior which approval shall not be unreasonably withheld (the "Exchange Agent"), for the benefit of the holders of shares of Centerior or Ohio Edison Common Stock, as the case may be, for exchange in accordance with this Article III, through the Exchange Agent, certificates representing the shares of FirstEnergy Common Stock (such shares of FirstEnergy Common Stock and monies for payment in lieu of fractional shares as hereinafter provided being hereinafter referred to as the "Exchange Fund") issuable pursuant to Section 3.1 in exchange for outstanding shares of Centerior and Ohio Edison Common Stock.

(b) Exchange Procedures.

(i) As soon as reasonably practicable after the Merger, the Exchange Agent shall mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Centerior Common Stock (the "Centerior Certificates") or Ohio Edison Common Stock (the "Ohio Edison Certificates") whose shares were converted into the right to receive shares of FirstEnergy Common Stock pursuant to Section 3.1(b),

(A) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Centerior Certificates or Ohio Edison Certificates, as the case may be, shall pass, only upon delivery of the Centerior Certificates or Ohio Edison Certificates, as the case may be, to the Exchange Agent and shall be in such form and have such other provisions as FirstEnergy may reasonably specify) and

(B) instructions for use in effecting the surrender of the Centerior Certificates or Ohio Edison Certificates, as the case may be, in exchange for certificates representing shares of FirstEnergy Common Stock.

(ii) Upon surrender of a Centerior Certificate or an Ohio Edison Certificate, as the case may be, for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by FirstEnergy, together with such letter of transmittal, duly executed, the holder of such Centerior Certificate or Ohio Edison Certificate, as the case may be, shall be entitled to receive in exchange therefor a certificate representing that number of whole shares (except in the case of the agent for Centerior's Dividend Reinvestment and Stock Purchase Plan (the "DRP Agent"), which shall be entitled to whole and fractional shares) of FirstEnergy Common Stock (including the right to receive cash in lieu of fractional shares as contemplated in Section 3.2(e)) which such holder has the right to receive pursuant to the provisions of this Article III, and the Centerior Certificate or Ohio Edison Certificate, as the case may be, so surrendered shall forthwith be canceled.

(iii) In the event of a transfer of ownership of Centerior Common Stock or Ohio Edison Common Stock which is not registered in the transfer records of Centerior or Ohio Edison, as the case may be (an "Unrecorded Transfer"), a certificate representing the proper number of shares of FirstEnergy Common Stock (including the right to receive cash in lieu of fractional shares as contemplated in Section 3.2(e)) may be issued to a transferee of an Unrecorded Transfer if the Centerior Certificate or Ohio Edison Certificate, as the case may be, representing such Centerior Common Stock or Ohio Edison Common Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect the Unrecorded Transfer and by evidence that any applicable stock transfer taxes have been paid.

(iv) Until surrendered as contemplated by this Section 3.2, each Centerior Certificate and Ohio Edison Certificate, as the case may be, shall be deemed at any time after the Effective Time to represent the number of whole (and, in the case of the DRP Agent, fractional) shares of FirstEnergy Common Stock which the holder of record thereof has the right to receive upon such surrender. Cash in lieu of any fractional shares of FirstEnergy Common Stock as contemplated by this Section 3.2 shall only be paid upon such surrender and shall be paid without interest or any other accretion.

(c) Distributions with Respect to Unexchanged Shares.

(i) Dividends or other distributions declared or made after the Effective Time with respect to FirstEnergy Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Centerior Certificate or Ohio Edison Certificate, as the case may be, with respect to the whole (and, in the case of the DRP Agent, fractional) shares of FirstEnergy Common Stock represented thereby.

(ii) Subject to the effect of applicable laws, following surrender of any such Centerior Certificate or Ohio Edison Certificate, as the case may be, there shall be paid to the record holder of the certificates representing whole shares of FirstEnergy Common stock issued in exchange therefor, without interest, at the time of such surrender, the amount of any cash payable in lieu of a fractional share of FirstEnergy Common Stock to which such holder is entitled pursuant to
Section 3.2(e).

(d) No Further Ownership Rights in Centerior and Ohio Edison Common Stock.

(i) All shares of FirstEnergy Common Stock issued in the Merger upon conversion of shares of Centerior and Ohio Edison Common Stock in accordance with the terms hereof (including any cash paid in lieu of fractional shares pursuant to Section 3.2(e)) shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Centerior and Ohio Edison Common Stock, subject, however, to the obligation of FirstEnergy to pay any dividends or make any other distributions with a record date prior to the Effective Time which may have been declared or made by Centerior on such shares of Centerior Common Stock or by Ohio Edison on such shares of Ohio Edison Common Stock in accordance with the terms of this Agreement or prior to the date hereof and which remain unpaid at the Effective Time, and there shall be no further registration of transfers on the stock transfer books of Centerior or Ohio Edison, as the case may be, of the shares of Centerior Common Stock or Ohio Edison Common Stock which were outstanding immediately prior to the Effective Time.

(ii) If, after the Effective Time, Centerior Certificates or Ohio Edison Certificates are presented to FirstEnergy for any reason, they shall be canceled and exchanged as provided in this Article III.

(e) No Fractional Shares.

(i) Except with respect to the DRP Agent, no certificates or scrip representing fractional shares of FirstEnergy Common Stock shall be issued upon the surrender for exchange of Centerior or Ohio Edison Certificates, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a shareholder of FirstEnergy.

(ii) To the extent a holder of Centerior Common Stock or Ohio Edison Common Stock would otherwise have been entitled to receive a fractional share of FirstEnergy Common Stock, such holder shall be entitled to receive payment in cash therefor, without interest, in an amount equal to such fraction multiplied by the closing price of FirstEnergy Common Stock on the New York Stock Exchange on the date of the Effective Time or, if such stock does not trade on such exchange on that date, on the first day after the date of the Effective Time that such stock trades on such exchange. Payments in lieu of fractional shares pursuant to this Section 3.2(e) are merely intended to provide a mechanism for "rounding off" fractional shares and do not constitute separately bargained for consideration.

(iii) As soon as practicable after the determination of the amount of cash, if any, to be paid to holders of Centerior and Ohio Edison Common Stock in lieu of any fractional share interests, the Exchange Agent shall make available such amounts to such holders of Centerior and Ohio Edison Common Stock.

(f) Application of Exchange Fund. Any certificates for shares of FirstEnergy Common Stock and any monies for payment in lieu of fractional shares in the Exchange Fund which remain undistributed to the holders of Centerior and Ohio Edison Common Stock for 12 months after the Effective Time shall be delivered to FirstEnergy, upon demand, and any holders of Centerior or Ohio Edison Common Stock who have not theretofore complied with this Article III shall thereafter look only to FirstEnergy for payment of their claim for FirstEnergy Common Stock and any cash in lieu of fractional shares of FirstEnergy Common Stock.

(g) No Liability. No party to this Agreement shall be liable to any holder of shares of Centerior Common Stock, Ohio Edison Common Stock or FirstEnergy Common Stock, as the case may be, for such shares (or dividends or distributions with respect thereto) or cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF CENTERIOR

Centerior represents and warrants to Ohio Edison as follows:

4.1 Organization, Standing and Power.

(a) Each of Centerior and its Significant Subsidiaries

(i) is a corporation or partnership duly organized, validly existing and in good standing under the laws of its state of incorporation or organization,

(ii) has all requisite power and authority, and has been duly authorized by all necessary approvals and orders of Governmental Entities (as defined in Section 4.4), to own, lease and operate its properties and to carry on its business as now being conducted, and

(iii) is duly qualified and in good standing to transact business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, other than in such jurisdictions where the failure to be so qualified and in good standing would not, when taken together with all other such failures, have a material adverse effect on the business, operations, properties, assets, condition (financial or otherwise), business prospects or the results of operations of Centerior and its Subsidiaries taken as a whole or on the consummation of the transactions contemplated hereby (a "Centerior Material Adverse Effect").

(b) As used in this Agreement, a "Significant Subsidiary" means any Subsidiary that would constitute a significant subsidiary within the meaning of Rule 1-02 of Regulation S-X of the SEC.

4.2 Capital Structure.

(a) As of the date hereof, the authorized capital stock of Centerior consists of (i) 180,000,000 shares of Centerior Common Stock of which, as of July 31, 1996, 148,025,928 shares were issued and outstanding and 2,673,996 shares were held by Centerior in its treasury or by any of its wholly-owned Subsidiaries and not more than 7,700,000 shares of Centerior Common Stock were reserved for issuance pursuant to the Equity Compensation Plan, Employee Savings Plan, Restated Stock Purchase Plan, Dividend Reinvestment and Stock Purchase Plan and Directors Restricted Stock Plan (collectively, the "Centerior Stock Plans"); and (ii) 5,000,000 shares of preferred stock, without par value (the "Centerior Preferred"), of which, as of the date hereof, no shares were issued and outstanding and no shares were held by Centerior in its treasury or by any of its wholly-owned Subsidiaries; and no bonds, debentures, notes or other indebtedness having the right to vote (or convertible into securities having the right to vote) on any matters on which shareholders may vote ("Voting Debt") are issued or outstanding.

(b) All outstanding shares of Centerior's capital stock are validly issued, fully paid and nonassessable and are not subject to preemptive rights.

(c) As of the date of this Agreement (except pursuant to this Agreement or the Centerior Stock Plans), there are no options, warrants, calls, rights, commitments or agreements of any character to which Centerior or any Subsidiary of Centerior is a party or by which it is bound obligating Centerior or any Subsidiary of Centerior to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or any Voting Debt of, or other equity interest in, Centerior or any Subsidiary of Centerior or securities convertible or exchangeable for such shares, Voting Debt or other equity interests, or obligating Centerior or any Subsidiary of Centerior to grant, extend or enter into any such option, warrant, call, right, commitment or agreement.

4.3 Corporate Authority.

(a) Centerior has all requisite corporate power and authority to enter into this Agreement and, subject to the approval of this Agreement and the transactions contemplated hereby and to the adoption of the Centerior Merger Agreement by the shareholders of Centerior, to consummate the transactions contemplated hereby and thereby.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Centerior, subject to the approval of this Agreement and to the adoption of the Centerior Merger Agreement by the shareholders of Centerior.

(c) This Agreement has been duly executed and delivered by Centerior and, subject to the approval of this Agreement and to the adoption of the Centerior Merger Agreement by the shareholders of Centerior, constitutes a valid and binding obligation of Centerior enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally, and except that the availability of equitable remedies, including specific performance, may be subject to the discretion of any court before which any proceeding may be brought.

4.4 No Violation. Except as set forth in Section 4.4 of the disclosure schedule delivered by Centerior (the "Centerior Disclosure Schedule") or as contemplated by Section 4.5, the execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or the loss of a material benefit under, or the creation of a lien, pledge, security interest or other encumbrance on assets pursuant to (any such conflict, violation, default, right of termination, cancellation or acceleration, loss or creation, a "Violation"),

(a) any provision of the Articles of Incorporation or Regulations of Centerior or any Subsidiary of Centerior,

(b) any provision of any loan or credit agreement, note, bond, mortgage, indenture, lease, Centerior Controlled Group Plan (as defined in Section 4.12) or other agreement, obligation, instrument, permit, concession, franchise, license of any kind to which Centerior or any of its Subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or affected, or

(c) any judgment, order, injunction, writ, decree, statute, law, ordinance, rule, regulation, permit or license of any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign (a "Governmental Entity") applicable to Centerior or any of its Subsidiaries or their respective properties or assets,

which Violation, in the case of each of clauses (b) and (c), would have a Centerior Material Adverse Effect.

4.5 Consents and Approvals. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity, is required by or with respect to Centerior or any of its Subsidiaries in connection with the execution and delivery of this Agreement by Centerior or the consummation by Centerior of the transactions contemplated hereby, the failure of which to obtain would have a Centerior Material Adverse Effect, except for:

(a) the filing of a premerger notification report with the Federal Trade Commission (the "FTC") and the Department of Justice (the "DOJ") under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"),

(b) the filing with the SEC of

(i) a proxy statement in definitive form relating to the meeting of Centerior's and Ohio Edison's shareholders to be held in connection with the Merger (the "Joint Proxy Statement"),

(ii) a registration statement on Form S-4 to be filed by FirstEnergy in connection with the issuance of shares of FirstEnergy Common Stock in the Merger (the "S-4") and

(iii) such reports under Sections 13(a), 13(d) and 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as may be required in connection with this Agreement and the transactions contemplated hereby, and the obtaining from the SEC of such orders as may be so required,

(c) the obtaining from the SEC of an order pursuant to Section 10 of the Public Utility Holding Company Act of 1935, as amended ("PUHCA"), approving the transactions contemplated hereby (the "SEC PUHCA Order"),

(d) the filing of such documents with, and the qualification with, the various state securities authorities under state securities or legal investment laws (the "Blue-Sky Laws"), that are required in connection with the transactions contemplated by this Agreement (the "Blue-Sky Filings"),

(e) the filing of Certificates of Merger with the Secretary of State of the State of Ohio in accordance with applicable law,

(f) such filings, authorizations, orders and approvals of the Federal Energy Regulatory Commission (the "FERC") under the Federal Power Act, as amended (the "FPA"), that may be required in connection with the transactions contemplated by this Agreement (the "FERC Approvals"),

(g) such filings, authorizations, orders and approvals of the Nuclear Regulatory Commission (the "NRC") under the Atomic Energy Act, as amended (the "AEA"), that may be required in connection with the transactions contemplated by this Agreement (the "NRC Approvals"),

(h) such filings, authorizations, orders and approvals as may be required of state and local governmental authorities, including state and local utility commissions (the "Local Approvals"), and

(i) such filings and approvals as may be required pursuant to state takeover laws ("State Takeover Approvals").

4.6 Centerior SEC Documents.

(a) Centerior has made available to Ohio Edison a true and complete copy of each report, schedule, registration statement and definitive proxy statement filed by Centerior with the SEC since January 1, 1993 (as such documents have since the time of their filing been amended, the "Centerior SEC Documents") which are all the documents (other than preliminary material) that Centerior was required to file with the SEC since such date.

(b) As of their respective dates, the Centerior SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Centerior SEC Documents, and none of the Centerior SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) The financial statements of Centerior included in the Centerior SEC Documents comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q of the SEC) and fairly present (subject, in the case of the unaudited statements, to normal, recurring adjustments) the consolidated financial position of Centerior and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended.

4.7 No Undisclosed Liabilities.

(a) Except as and to the extent set forth in Centerior's Annual Report on Form 10-K for the year ended December 31, 1995, as of December 31, 1995, neither Centerior nor any of its Subsidiaries had any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet (including the notes thereto) of Centerior and its Subsidiaries.

(b) Since December 31, 1995, except as set forth in the Centerior SEC Documents filed by Centerior with the SEC since December 31, 1995 and prior to the date of this Agreement, neither Centerior nor any of its Subsidiaries has incurred any liabilities of any nature, whether or not accrued, contingent or otherwise, which would have, individually or in the aggregate, a Centerior Material Adverse Effect.

4.8 Information Supplied.

(a) None of the information supplied or to be supplied by Centerior for inclusion or incorporation by reference in

(i) the S-4 will, at the time it is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and

(ii) the Joint Proxy Statement will, at the date mailed to the shareholders of Centerior and the shareholders of Ohio Edison and at the time of the meetings of such shareholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(b) The Joint Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder.

4.9 Compliance with Applicable Laws.

(a) Centerior and its Subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities which are material to the operation of the businesses of Centerior and its Subsidiaries, taken as a whole (the "Centerior Permits").

(b) Centerior and its Subsidiaries are in compliance with the terms of the Centerior Permits, except where the failure so to comply would not have a Centerior Material Adverse Effect.

(c) Except as disclosed in the Centerior SEC Documents filed prior to the date of this Agreement, the businesses of Centerior and its Subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity, except for possible violations which individually or in the aggregate do not, and, insofar as reasonably can be foreseen, in the future will not, have a Centerior Material Adverse Effect.

(d) Except as disclosed in the Centerior SEC Documents filed prior to the date of this Agreement, as of the date of this Agreement,

(i) no investigation or review by any Governmental Entity with respect to Centerior or any of its Subsidiaries is pending or, to the knowledge of Centerior, threatened, and

(ii) no Governmental Entity has indicated an intention to conduct any such investigation or review,

other than, in each case, those the outcome of which, as far as reasonably can be foreseen, will not have a Centerior Material Adverse Effect.

4.10 Litigation. As of the date of this Agreement, except as disclosed in the Centerior SEC Documents filed prior to the date of this Agreement,

(a) there is no suit, action or proceeding pending or, to the knowledge of Centerior, threatened against or affecting Centerior or any of its Subsidiaries which is reasonably likely to have a Centerior Material Adverse Effect, and

(b) there is no judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against Centerior or any of its Subsidiaries having, or which is reasonably likely to have, a Centerior Material Adverse Effect.

4.11 Taxes.

(a) Except as set forth in Section 4.11 of the Centerior Disclosure Schedule, each of Centerior and its Subsidiaries (including any predecessors) has timely filed when due all Tax returns required to be filed by any of them and has paid (or Centerior has paid on its behalf), or has made adequate provision for or set up in accordance with GAAP an adequate accrual or reserve for the payment of, all Taxes required to be paid in respect of all periods for which returns have been filed or are due (whether or not shown as being due on any Tax returns), and has established an adequate accrual or reserve for the payment of all Taxes payable in respect of any period for which no return has been filed or is due, and the most recent financial statements contained in the Centerior SEC Documents reflect in accordance with GAAP a reserve for all Taxes payable by Centerior and its Subsidiaries accrued through the date of such financial statements.

(b) Except as set forth in Section 4.11 of the Centerior Disclosure Schedule, no material deficiencies for any Taxes have been proposed, asserted or assessed against Centerior or any of its Subsidiaries, and no audit of the Tax returns of Centerior or any of its Subsidiaries is currently being conducted by any Taxing authority.

(c) Except with respect to any claims for refunds and except as set forth in Section 4.11 of the Centerior Disclosure Schedule, the Federal income Tax returns of Centerior and each of its Subsidiaries consolidated in such returns for all such periods ended on or before December 31, 1990 have been

examined by and settled with the United States Internal Revenue Service (the "IRS"), or the applicable statute of limitations with respect to such years, including extensions thereof, has expired.

(d) Copies of all Federal Tax returns required to be filed by Centerior or any of its Subsidiaries (including any predecessors) for each of the last three years, together with all schedules and attachments thereto, have been delivered by Centerior to Ohio Edison.

(e) Except as set forth in Section 4.11 of the Centerior Disclosure Schedule, none of Centerior or any of its Subsidiaries (including any predecessors) is a party to, is bound by, or has any obligation under any Tax sharing or similar agreement.

(f) For the purpose of this Agreement, the term "Tax" (including, with correlative meaning, the terms "Taxes", "Taxing", and "Taxable") shall include all Federal, state, local and foreign income, profits, franchise, gross receipts, payroll, sales, employment, use, property, gains, transfer, recording, license, value-added, withholding, excise and other taxes, duties or assessments of any nature whatsoever (whether payable directly or by withholding), together with any and all estimated Tax interest, penalties and additions to Tax imposed with respect to such amounts and any obligations in respect thereof under any Tax sharing, Tax allocation, Tax indemnity or similar agreement as well as any obligations arising pursuant to Code Regulation Section 1.1502-6 or comparable state, local or foreign provision.

4.12 Employee Matters.

(a) With respect to each employee benefit plan (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), and any bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, insurance or other plan, arrangement or understanding (whether or not legally binding) (all the foregoing being herein called the "Centerior Controlled Group Plans"), maintained or contributed to by Centerior, any of its Subsidiaries or any other organization which is a member of a controlled group of organizations (within the meaning of Sections 414(b), (c), (m) or (o) of the Code) of which Centerior is a member, Centerior has made available to Ohio Edison, or will deliver to Ohio Edison within 30 days after the date hereof, a true and correct copy of

(i) the most recent annual report (Form 5500) filed with the IRS,

(ii) any such Centerior Controlled Group Plan,

(iii) each trust agreement and group annuity contract, if any, relating to any such Centerior Controlled Group Plan and

(iv) the most recent actuarial report or valuation relating to any such Centerior Controlled Group Plan subject to Title IV of ERISA.

(b) (i) Except as set forth in Section 4.12(b) of the Centerior Disclosure Schedule, each of the Centerior Controlled Group Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the IRS to be so qualified, and, to the best knowledge of Centerior, no circumstances exist that are reasonably expected by Centerior to result in the revocation of any such determination.

(ii) Centerior is in compliance in all material respects with, and each Centerior Controlled Group Plan is and has been operated in all material respects in compliance with, all applicable laws, rules and regulations governing such plan, including, without limitation, ERISA and the Code.

(iii) Each Centerior Controlled Group Plan intended to provide for the deferral of income, the reduction of salary or other compensation or to afford other income tax benefits complies with the requirements of the applicable provisions of the Code or other laws, rules and regulations required to provide such income tax benefits.

(c) With respect to the Centerior Controlled Group Plans, individually and in the aggregate, no event has occurred, and to the knowledge of Centerior or any of its Subsidiaries, there exists no condition or set of circumstances in connection with which Centerior or any of its Subsidiaries could be subject to any liability that is reasonably likely to exceed $1,000,000 (except liability for benefits claims and funding obligations payable in the ordinary course) under ERISA, the Code or any other applicable law.

(d) Except as set forth in Section 4.12(d) of the Centerior Disclosure Schedule, with respect to each Centerior Controlled Group Plan, there are no material funded benefit obligations for which contributions have not been made or properly accrued and there are no material unfunded benefit obligations which have not been accounted for by reserves, or otherwise properly footnoted in accordance with GAAP, on the financial statements of Centerior or any of its Subsidiaries.

(e) Except as set forth in Section 4.12(e) of the Centerior Disclosure Schedule or as provided for in this Agreement, as of the date of this Agreement, neither Centerior nor any of its Subsidiaries is a party to any union or collective bargaining agreement.

(f) Except as set forth in Section 4.12(f) of the Centerior Disclosure Schedule, no Centerior Controlled Group Plan is a multiemployer plan (within the meaning of Section 3(37) or Section 4001(a)(3) of ERISA or
Section 414(f) of the Code).

(g) For each Centerior Controlled Group Plan which is intended to be an employee stock ownership plan (within the meaning of Section 4975 (e)(7) of the Code) or a tax credit employee stock ownership plan (within the meaning of Section 409(a) of the Code), each of the following is true:

(i) except as disclosed on Section 4.12(g) of the Centerior Disclosure Schedule, there is no securities acquisition loan (within the meaning of Section 133 of the Code) outstanding with respect to the plan;

(ii) except for the transactions contemplated in this Agreement, no event has occurred and no condition exists which would give rise to the recapture of any Tax credit previously claimed with respect to the plan or to any Tax or penalties assessable against Centerior, any of its Subsidiaries or FirstEnergy; and

(iii) except for the transactions contemplated in this Agreement, no event has occurred and no condition exists which would cause the termination of the plan and the distribution of all amounts held thereunder to give rise to the recapture of any Tax credit previously claimed with respect to the plan or to any Tax or penalties assessable against Centerior, any of its Subsidiaries or FirstEnergy.

(h) Except as set forth in Section 4.12(h) of the Centerior Disclosure Schedule, none of the Centerior Controlled Group Plans that are welfare plans (within the meaning of Section 3(l) of ERISA) provides for any retiree benefits.

(i) Except as set forth in Section 4.12(i) of the Centerior Disclosure Schedule,

(i) the consummation or announcement of any transaction contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events) result in any

(A) payment (whether of severance pay or otherwise) becoming due from Centerior or any of its Subsidiaries to any officer, employee, former employee or director thereof or to the trustee under any "rabbi trust" or similar arrangement, or

(B)benefit under any Centerior Controlled Group Plan being established or becoming accelerated, vested or payable, and

(ii) neither Centerior nor any of its Subsidiaries is a party to

(A) any management, employment, deferred compensation, severance (including any payment, right or benefit resulting from a change in control), bonus or other contract for personal services with any officer, director or employee,

(B) any consulting contract with any person who prior to entering into such contract was a director or officer of Centerior, or

(C) any plan, agreement, arrangement or understanding similar to any of the foregoing.

4.13 Absence of Certain Changes or Events. Except as disclosed in the Centerior SEC Documents filed prior to the date of this Agreement or in the audited consolidated balance sheet of Centerior and its Subsidiaries as at December 31, 1995, and the related consolidated statements of income, cash flows and changes in shareholders' equity (the "Centerior 1995 Financials"), true and correct copies of which have been delivered to Ohio Edison, or except as contemplated by this Agreement, since the date of the Centerior 1995 Financials, Centerior and its Subsidiaries have conducted their respective businesses only in the ordinary and usual course, and, as of the date of this Agreement, there has not been

(a) any damage, destruction or loss, whether covered by insurance or not, which has, or insofar as reasonably can be foreseen in the future is reasonably likely to have, a Centerior Material Adverse Effect;

(b) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of Centerior's or its Subsidiaries' capital stock, except for regular quarterly cash dividends of $0.20 per share on Centerior Common Stock and regular dividends on Centerior Subsidiaries' preferred stock (the "Centerior Subs Preferred") with usual record and payment dates for such dividends and dividends on common stock paid by a wholly-owned Subsidiary of Centerior; or

(c) any transaction, commitment, dispute or other event or condition (financial or otherwise) of any character (whether or not in the ordinary course of business) individually or in the aggregate having, or which, insofar as reasonably can be foreseen, in the future is reasonably likely to have, a Centerior Material Adverse Effect.

4.14 Opinion of Centerior Financial Advisor. Centerior has received the opinion of Barr Devlin & Co. Incorporated (hereinafter referred to as "Centerior Fairness Advisor" and collectively with Morgan Stanley & Co. Incorporated, as "Centerior Advisors"), dated the date hereof, to the effect that, as of such date, the Centerior Conversion Number is fair to holders of Centerior Common Stock from a financial point of view, and copies of such opinion have been previously delivered to Ohio Edison.

4.15 Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of Centerior Common Stock is the only vote of the holders of any class or series of Centerior capital stock necessary to approve this Agreement and the transactions contemplated hereby.

4.16 Accounting Matters. Neither Centerior nor, to its best knowledge, any of its affiliates has through the date of this Agreement taken or agreed to take any action that would prevent FirstEnergy from accounting for the business combination to be effected by the Centerior Merger on a purchase accounting basis in accordance with GAAP and applicable regulations of the SEC.

4.17 No Change in Capital Structure. There has been no material change in the information set forth in the first sentence of Section 4.2 between the close of business on July 31, 1996 and the date hereof.

4.18 Ownership of Ohio Edison Stock. As of the date of this Agreement, Centerior and its affiliates do not "beneficially own" (as such term is defined in the Ohio Edison Rights Agreement) any shares of Ohio Edison Common Stock.

4.19 Centerior Subsidiaries.

(a) Section 4.19(a) of the Centerior Disclosure Schedule sets forth a description as of the date hereof of all Subsidiaries and joint ventures of Centerior, including the name of each such entity, a brief description of the principal line or lines of business conducted by each such entity and Centerior's interest therein.

(b) Except as set forth in Section 4.19(b) of the Centerior Disclosure Schedule, none of such entities is a "public utility company", a "holding company", a "subsidiary company" or an "affiliate" of any public utility company within the meaning of Section 2(a)(5), 2(a)(7), 2 (a)(8) or 2 (a)(11) of PUHCA, respectively.

(c) Except as set forth in Section 4.19(c) of the Centerior Disclosure Schedule, all of the issued and outstanding shares of capital stock of each Subsidiary of Centerior are validly issued, fully paid, nonassessable and free of preemptive rights, are owned directly or indirectly by Centerior free and clear of any liens, claims, encumbrances, security interests, equities, charges and options of any nature whatsoever, and there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement, obligating any such Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of its capital stock or obligating it to grant, extend or enter into any such agreement or commitment. As used in this Agreement, the term "wholly-owned Subsidiary" shall include Subsidiaries the preferred stock or similar non-voting securities of which need not be owned by the entity as to which such Subsidiary is a subsidiary.

(d) As used in this Agreement, the term "joint venture" of a person shall mean any corporation or other entity (including partnerships and other business associations and joint ventures) in which such person or one or more of its subsidiaries owns an equity interest that is less than a majority of any class of the outstanding voting securities or equity, other than equity interests held for passive investment purposes which are less than 5% of any class of the outstanding voting securities or equity of any such entity.

4.20 Environmental Protection.

(a) Compliance.

(i) Except as set forth in Section 4.20(a) of the Centerior Disclosure Schedule, each of Centerior and its Subsidiaries is in compliance with all applicable Environmental Laws (as hereinafter defined), except where the failure to be in compliance would not have a Centerior Material Adverse Effect.

(ii) Except as set forth in Section 4.20(a) of the Centerior Disclosure Schedule, neither Centerior nor any of its Subsidiaries has received any communication (written or oral) from any person or Governmental Entity that alleges that Centerior or any of its Subsidiaries is not in compliance with applicable Environmental Laws, except where the failure to be in compliance would not have a Centerior Material Adverse Effect.

(b) Environmental Permits. Except as set forth in Section 4.20(b) of the Centerior Disclosure Schedule, each of Centerior and its Subsidiaries has obtained or has applied for all environmental, health and safety permits and governmental authorizations (collectively, the "Environmental Permits") necessary for the construction of their facilities or the conduct of their operations, and all such permits are in good standing or, where applicable, a renewal application has been timely filed and is pending agency approval, and Centerior and each of its Subsidiaries is in material compliance with all terms and conditions of the Environmental Permits, except where the failure to obtain or be in compliance with such Environmental Permit would not have a Centerior Material Adverse Effect.

(c) Environmental Claims. Except as set forth in Section 4.20(c) of the Centerior Disclosure Schedule, to the best knowledge of Centerior upon diligent review, there is no Environmental Claim (as hereinafter defined) pending

(i) against Centerior or any of its Subsidiaries or joint ventures,

(ii) against any person or entity whose liability for any Environmental Claim Centerior or any of its Subsidiaries or joint ventures has or may have retained or assumed either contractually or by operation of law, or

(iii) against any real or personal property or operations which Centerior or any of its Subsidiaries or joint ventures owns, leases or manages, in whole or in part,

which, if adversely determined, would have in the aggregate a Centerior Material Adverse Effect.

(d) Releases. Except as set forth in Section 4.20(d) of the Centerior Disclosure Schedule, Centerior has no knowledge of any Releases (as hereinafter defined) of any Hazardous Material (as hereinafter defined) that would be reasonably likely to form the basis of any Environmental Claim against Centerior or any Subsidiaries or joint ventures of Centerior, or its Subsidiaries, or against any person or entity whose liability for any Environmental Claim Centerior or any Subsidiaries or joint ventures of Centerior or its Subsidiaries has or may have retained or assumed either contractually or by operation of law, except for Releases of Hazardous Materials the liability for which would not have, in the aggregate, a Centerior Material Adverse Effect.

(e) Predecessors. Except as set forth in Section 4.20(e) of the Centerior Disclosure Schedule, Centerior has no knowledge, with respect to any predecessor of Centerior or any Subsidiary or joint venture of Centerior, of any Environmental Claim pending or threatened, or of any Release of Hazardous Materials that would be reasonably likely to form the basis of any Environmental Claim, which would have a Centerior Material Adverse Effect.

(f) Disclosure. To Centerior's best knowledge upon a good faith effort, Centerior has disclosed to Ohio Edison all material facts which Centerior reasonably believes form the basis of a Centerior Material Adverse Effect arising from

(i) the cost of pollution control equipment currently required or known to be required in the future;

(ii) current remediation costs or remediation costs known to be required in the future; or

(iii) any other environmental matter affecting Centerior or its Subsidiaries.

(g) As used in this Agreement:

(i) "Environmental Claim" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation (written or oral) by any person or entity (including any Governmental Entity) alleging potential liability (including, without limitation, potential liability for enforcement, investigatory costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from

(A) the presence, or Release or threatened Release into the environment, of any Hazardous Materials at any location, whether or not owned, operated, leased or managed by Centerior or any Subsidiary or joint venture of Centerior or its Subsidiaries (for purposes of this Section 4.20), or by Ohio Edison or any of its Subsidiary or joint ventures of Ohio Edison or its Subsidiaries (for purposes of Section 5.20); or

(B) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law; or

(C) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence or Release of any Hazardous Materials.

(ii) "Environmental Laws" means all Federal, state and local laws, rules and regulations relating to pollution or protection of human health or the environment (including without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws and regulations relating to Releases or threatened Releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

(iii) "Hazardous Materials" means

(A) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, and transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls ("PCBs"); and

(B) any chemicals, materials or substances which are now defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous wastes", "restricted hazardous wastes", "toxic substances", "toxic pollutants", or words of similar import, under any Environmental Law; and

(C) any other chemical, material, substance or waste, exposure to which is now prohibited, limited or regulated under any Environmental Law in a jurisdiction in which Centerior or any Subsidiary or joint venture of Centerior operates (for purposes of this Section 4.20) or in which Ohio Edison or any Subsidiary or joint venture of Ohio Edison operates (for purposes of Section 5.20).

(iv) "Release" means any release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching or migration into the atmosphere, soil, surface, water, groundwater or property.

4.21 Regulation as a Utility.

(a) Except as set forth in Section 4.21 of the Centerior Disclosure Schedule, neither Centerior nor any "subsidiary company" or "affiliate" of Centerior is subject to regulation as a public utility or public service company (or similar designation) by any state in the United States or any foreign country.

(b) Centerior is an exempt holding company under Section 3(a)(1) of PUHCA.

(c) Section 4.21 of the Centerior Disclosure Schedule sets forth each "affiliate" and each "subsidiary company" of Centerior which may be deemed to be a "public utility company" or a "holding company" within the meaning of PUHCA.

(d) As used in this Section 4.21 and in Section 5.21, the terms "subsidiary company" and "affiliate" shall have the respective meanings ascribed to them in PUHCA.

4.22 Insurance. Except as set forth in Section 4.22 of the Centerior Disclosure Schedule:

(a) Each of Centerior and its Subsidiaries is as of the date hereof, and has been continuously since January 1, 1990 through the date hereof, insured with financially responsible insurers in such amounts and against such risks and losses as are customary for companies conducting the businesses as conducted by Centerior and its Subsidiaries during such time period.

(b) Centerior hereby covenants and agrees to maintain all such insurance for itself and its Subsidiaries from the date of this Agreement through the Effective Time so long as such insurance is available on commercially reasonable terms.

(c) (i) Neither Centerior nor its Subsidiaries have received any notice of cancellation or termination with respect to any material insurance policy of Centerior or its Subsidiaries.

(ii) The insurance policies of Centerior and each of its Subsidiaries are valid and enforceable policies.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF OHIO EDISON

Ohio Edison represents and warrants to Centerior as follows:

5.1 Organization, Standing and Power.

(a) Each of Ohio Edison and its Significant Subsidiaries

(i) is a corporation or partnership duly organized, validly existing and in good standing under the laws of its state of incorporation or organization,

(ii) has all requisite power and authority, and has been duly authorized by all necessary approvals and orders of Governmental Entities (as defined in Section 4.4), to own, lease and operate its properties and to carry on its business as now being conducted, and

(iii) is duly qualified and in good standing to transact business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, other than in such jurisdictions where the failure to be so qualified and in good standing would not, when taken together with all other such failures, have a material adverse effect on the business, operations, properties, assets, condition (financial or otherwise), business prospects or the results of operations of Ohio Edison and its Subsidiaries taken as a whole or on the consummation of the transactions contemplated hereby (a "Ohio Edison Material Adverse Effect").

5.2 Capital Structure.

(a) As of the date hereof, the authorized capital stock of Ohio Edison consists of (i) 175,000,000 shares of Ohio Edison Common Stock of which, as of July 31, 1996, 152,569,437 shares were issued and outstanding and no shares were held by Ohio Edison in its treasury or by any of its wholly-owned Subsidiaries and no shares of Ohio Edison Common Stock were reserved for any purpose; (ii) 6,000,000 shares of Preferred Stock, $100 par value (the "Ohio Edison Preferred") of which, as of the date hereof, 859,650 shares were issued and outstanding and no shares were held by Ohio Edison in its treasury or by any of its wholly-owned Subsidiaries; (iii) 8,000,000 shares of Class A Preferred Stock, $25 par value (the "Ohio Edison Class A Preferred") of which, as of the date hereof, 4,000,000 shares were issued and outstanding and no shares were held by Ohio Edison in its treasury or by any of its wholly-owned Subsidiaries; and (iv) 8,000,000 shares of Preference Stock, without par value (the "Ohio Edison Preference") of which, as of the date hereof, no shares were issued and outstanding and no shares were held by Ohio Edison in its treasury or by any of its wholly-owned Subsidiaries; and no Voting Debt is issued or outstanding.

(b) All outstanding shares of Ohio Edison's capital stock are validly issued, fully paid and nonassessable and are not subject to preemptive rights.

(c) As of the date of this Agreement (except pursuant to this Agreement or the Ohio Edison Dividend Reinvestment Plan), there are no options, warrants, calls, rights, commitments or agreements of any character to which Ohio Edison or any Subsidiary of Ohio Edison is a party or by which it is bound obligating Ohio Edison or any Subsidiary of Ohio Edison to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or any Voting Debt of, or other equity interest in, Ohio Edison or any Subsidiary of Ohio Edison or securities convertible or exchangeable for such shares, Voting Debt or other equity interests, or obligating Ohio Edison or any Subsidiary of Ohio Edison to grant, extend or enter into any such option, warrant, call, right, commitment or agreement.

5.3 Corporate Authority.

(a) Ohio Edison has all requisite corporate power and authority to enter into this Agreement and, subject to the approval of this Agreement and the transactions contemplated hereby and to the adoption of the Ohio Edison Merger Agreement by the shareholders of Ohio Edison, to consummate the transactions contemplated hereby and thereby.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Ohio Edison, subject to the approval of this Agreement and to the adoption of the Ohio Edison Merger Agreement by the shareholders of Ohio Edison.

(c) This Agreement has been duly executed and delivered by Ohio Edison and, subject to the approval of this Agreement and to the adoption of the Ohio Edison Merger Agreement by the shareholders of Ohio Edison, constitutes a valid and binding obligation of Ohio Edison enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally, and except that the availability of equitable remedies, including specific performance, may be subject to the discretion of any court before which any proceeding may be brought.

5.4 No Violation. Except as set forth in Section 5.4 of the disclosure schedule delivered by Ohio Edison (the "Ohio Edison Disclosure Schedule") or as contemplated by Section 5.5, the execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, result in a Violation under or pursuant to,

(a) any provision of the Articles of Incorporation or Regulations of Ohio Edison or any Subsidiary of Ohio Edison,

(b) any provision of any loan or credit agreement, note, bond, mortgage, indenture, lease, Ohio Edison Controlled Group Plan (as defined in Section 5.12) or other agreement, obligation, instrument, permit, concession, franchise, license of any kind to which Ohio Edison or any of its Subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or affected, or

(c) any judgment, order, injunction, writ, decree, statute, law, ordinance, rule, regulation, permit or license of any Governmental Entity applicable to Ohio Edison or any of its Subsidiaries or their respective properties or assets,

which Violation, in the case of each of clauses (b) and (c), would have an Ohio Edison Material Adverse Effect.

5.5 Consents and Approvals. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity, is required by or with respect to Ohio Edison or any of its Subsidiaries in connection with the execution and delivery of this Agreement by Ohio Edison or the consummation by Ohio Edison of the transactions contemplated hereby, the failure of which to obtain would have an Ohio Edison Material Adverse Effect, except for:

(a) the filing of a premerger notification report with the FTC and the DOJ under the HSR Act,

(b) the filing with the SEC of

(i) the Joint Proxy Statement,

(ii) the S-4 and

(iii) such reports under Sections 13(a), 13(d) and 16(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby, and the obtaining from the SEC of such orders as may be so required,

(c) the SEC PUHCA Order,

(d) the Blue-Sky Filings,

(e) the filing of Certificates of Merger with the Secretary of State of the State of Ohio in accordance with applicable law,

(f) the FERC Approvals,

(g) the NRC Approvals,

(h) the Local Approvals, and

(i) State Takeover Approvals.

5.6 Ohio Edison SEC Documents.

(a) Ohio Edison has made available to Centerior a true and complete copy of each report, schedule, registration statement and definitive proxy statement filed by Ohio Edison with the SEC since January 1, 1993 (as such documents have since the time of this filing been amended, the "Ohio Edison SEC Documents") which are all the documents (other than preliminary material) that Ohio Edison was required to file with the SEC since such date.

(b) As of their respective dates, the Ohio Edison SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Ohio Edison SEC Documents, and none of the Ohio Edison SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) The financial statements of Ohio Edison included in the Ohio Edison SEC Documents comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q of the SEC) and fairly present (subject, in the case of the unaudited statements, to normal, recurring adjustments) the consolidated financial position of Ohio Edison and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended.

5.7 No Undisclosed Liabilities.

(a) Except as and to the extent set forth in Ohio Edison's Annual Report on Form 10-K for the year ended December 31, 1995, as of December 31, 1995, neither Ohio Edison nor any of its Subsidiaries had any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet (including the notes thereto) of Ohio Edison and its Subsidiaries.

(b) Since December 31, 1995, except as set forth in the Ohio Edison SEC Documents filed by Ohio Edison with the SEC since December 31, 1995 and prior to the date of this Agreement, neither Ohio Edison nor any of its Subsidiaries has incurred any liabilities of any nature, whether or not accrued, contingent or otherwise, which would have, individually or in the aggregate, an Ohio Edison Material Adverse Effect.

5.8 Information Supplied.

(a) None of the information supplied or to be supplied by Ohio Edison for inclusion or incorporation by reference in

(i) the S-4 will, at the time it is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and

(ii) the Joint Proxy Statement will, at the date mailed to the shareholders of Ohio Edison and the shareholders of Centerior and at the time of the meetings of such shareholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(b) The Joint Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder.

5.9 Compliance with Applicable Laws.

(a) Ohio Edison and its Subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities which are material to the operation of the businesses of Ohio Edison and its Subsidiaries, taken as a whole (the "Ohio Edison Permits").

(b) Ohio Edison and its Subsidiaries are in compliance with the terms of the Ohio Edison Permits, except where the failure so to comply would not have an Ohio Edison Material Adverse Effect.

(c) Except as disclosed in the Ohio Edison SEC Documents filed prior to the date of this Agreement, the businesses of Ohio Edison and its Subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity, except for possible violations which individually or in the aggregate do not, and, insofar as reasonably can be foreseen, in the future will not, have an Ohio Edison Material Adverse Effect.

(d) Except as disclosed in the Ohio Edison SEC Documents filed prior to the date of this Agreement, as of the date of this Agreement,

(i) no investigation or review by any Governmental Entity with respect to Ohio Edison or any of its Subsidiaries is pending or, to the knowledge of Ohio Edison, threatened, and

(ii) no Governmental Entity has indicated an intention to conduct any such investigation or review,

other than, in each case, those the outcome of which, as far as reasonably can be foreseen, will not have an Ohio Edison Material Adverse Effect.

5.10 Litigation. As of the date of this Agreement, except as disclosed in the Ohio Edison SEC Documents filed prior to the date of this Agreement,

(a) there is no suit, action or proceeding pending or, to the knowledge of Ohio Edison, threatened against or affecting Ohio Edison or any of its Subsidiaries which is reasonably likely to have an Ohio Edison Material Adverse Effect, and

(b) there is no judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against Ohio Edison or any of its Subsidiaries having, or which is reasonably likely to have, an Ohio Edison Material Adverse Effect.

5.11 Taxes.

(a) Except as set forth in Section 5.11 of the Ohio Edison Disclosure Schedule, each of Ohio Edison and its Subsidiaries (including any predecessors) has timely filed when due all Tax returns required to be filed by any of them and has paid (or Ohio Edison has paid on its behalf), or has made adequate provision for or set up in accordance with GAAP an adequate accrual or reserve for the payment of, all Taxes required to be paid in respect of all periods for which returns have been filed or are due (whether or not shown as being due on any Tax returns), and has established an adequate accrual or reserve for the payment of all Taxes payable in respect of any period for which no return has been filed or is due, and the most recent financial statements contained in the Ohio Edison SEC Documents reflect in accordance with GAAP a reserve for all Taxes payable by Ohio Edison and its Subsidiaries accrued through the date of such financial statements.

(b) Except as set forth in Section 5.11 of the Ohio Edison Disclosure Schedule, no material deficiencies for any Taxes have been proposed, asserted or assessed against Ohio Edison or any of its Subsidiaries, and no audit of the Tax returns of Ohio Edison or any of its Subsidiaries is currently being conducted by any Taxing authority.

(c) Except with respect to any claims for refunds and except as set forth in Section 5.11 of the Ohio Edison Disclosure Schedule, the Federal income Tax returns of Ohio Edison and each of its Subsidiaries consolidated in such returns for all such periods ended on or before December 31, 1990 have been examined by and settled with the IRS or the applicable statute of limitations with respect to such years, including extensions thereof, has expired.

(d) Copies of all Federal Tax returns required to be filed by Ohio Edison or any of its Subsidiaries (including any predecessors) for each of the last three years, together with all schedules and attachments thereto, have been delivered by Ohio Edison to Centerior.

(e) Except as set forth in Section 5.11 of the Ohio Edison Disclosure Schedule, none of Ohio Edison or any of its Subsidiaries (including any predecessors) is a party to, is bound by, or has any obligation under any Tax sharing or similar agreement.

5.12 Employee Matters.

(a) With respect to each employee benefit plan (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of the ERISA, and any bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, insurance or other plan, arrangement or understanding (whether or not legally binding) (all the foregoing being herein called the "Ohio Edison Controlled Group Plans"), maintained or contributed to by Ohio Edison, any of its Subsidiaries or any other organization which is a member of a controlled group of organizations (within the meaning of Sections 414(b), (c), (m) or (o) of the Code) of which Ohio Edison is a member, Ohio Edison has made available to Centerior, or will deliver to Centerior within 30 days after the date hereof, a true and correct copy of

(i) the most recent annual report (Form 5500) filed with the IRS,

(ii) any such Ohio Edison Controlled Group Plan,

(iii) each trust agreement and group annuity contract, if any, relating to any such Ohio Edison Controlled Group Plan and

(iv) the most recent actuarial report or valuation relating to any such Ohio Edison Controlled Group Plan subject to Title IV of ERISA.

(b) (i) Except as set forth in Section 5.12(b) of the Ohio Edison Disclosure Schedule, each of the Ohio Edison Controlled Group Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the IRS to be so qualified, and, to the best knowledge of Ohio Edison, no circumstances exist that are reasonably expected by Ohio Edison to result in the revocation of any such determination.

(ii) Ohio Edison is in compliance in all material respects with, and each Ohio Edison Controlled Group Plan is and has been operated in all material respects in compliance with, all applicable laws, rules and regulations governing such plan, including, without limitation, ERISA and the Code.

(iii) Each Ohio Edison Controlled Group Plan intended to provide for the deferral of income, the reduction of salary or other compensation or to afford other income tax benefits complies with the requirements of the applicable provisions of the Code or other laws, rules and regulations required to provide such income tax benefits.

(c) With respect to the Ohio Edison Controlled Group Plans, individually and in the aggregate, no event has occurred, and to the knowledge of Ohio Edison or any of its Subsidiaries, there exists no condition or set of circumstances in connection with which Ohio Edison or any of its Subsidiaries could be subject to any liability that is reasonably likely to exceed $1,000,000 (except liability for benefits claims and funding obligations payable in the ordinary course) under ERISA, the Code or any other applicable law.

(d) Except as set forth in Section 5.12(d) of the Ohio Edison Disclosure Schedule, with respect to each Ohio Edison Controlled Group Plan, there are no material funded benefit obligations for which contributions have not been made or properly accrued and there are no material unfunded benefit obligations which have not been accounted for by reserves, or otherwise properly footnoted in accordance with GAAP, on the financial statements of Ohio Edison or any of its Subsidiaries.

(e) Except as set forth in Section 5.12(e) of the Ohio Edison Disclosure Schedule and except as provided for in this Agreement, as of the date of this Agreement, neither Ohio Edison nor any of its Subsidiaries is a party to any union or collective bargaining agreement.

(f) Except as set forth in Section 5.12(f) of the Ohio Edison Disclosure Schedule, no Ohio Edison Controlled Group Plan is a multiemployer plan (within the meaning of Section 3(37) or Section 4001(a)(3) of ERISA or Section 414(f) of the Code).

(g) For each Ohio Edison Controlled Group Plan which is intended to be an employee stock ownership plan (within the meaning of Section 4975(e)(7) of the Code) or a tax credit employee stock ownership plan (within the meaning of Section 409(a) of the Code), each of the following is true:

(i) except as disclosed on Section 5.12(g) of the Ohio Edison Disclosure Schedule, there is no securities acquisition loan (within the meaning of Section 133 of the Code) outstanding with respect to the plan;

(ii) except for the transactions contemplated in this Agreement, no event has occurred and no condition exists which would give rise to the recapture of any Tax credit previously claimed with respect to the plan or to any Tax or penalties assessable against Ohio Edison, any of its Subsidiaries or FirstEnergy; and

(iii) except for the transactions contemplated in this Agreement, no event has occurred and no condition exists which would cause the termination of the plan and the distribution of all amounts held thereunder to give rise to the recapture of any Tax credit previously claimed with respect to the plan or to any Tax or penalties assessable against Ohio Edison, any of its Subsidiaries or FirstEnergy.

(h) Except as set forth in Section 5.12(h) of the Ohio Edison Disclosure Schedule, none of the Ohio Edison Controlled Group Plans that are welfare plans (within the meaning of Section 3(l) of ERISA) provides for any retiree benefits.

(i) Except as set forth in Section 5.12(i) of the Ohio Edison Disclosure Schedule,

(i) the consummation or announcement of any transaction contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events) result in any

(A) payment (whether of severance pay or otherwise) becoming due from Ohio Edison or any of its Subsidiaries to any officer, employee, former employee or director thereof or to the trustee under any "rabbi trust" or similar arrangement, or

(B) benefit under any Ohio Edison Controlled Group Plan being established or becoming accelerated, vested or payable, and

(ii) neither Ohio Edison nor any of its Subsidiaries is a party to

(A) any management, employment, deferred compensation, severance (including any payment, right or benefit resulting from a change in control), bonus or other contract for personal services with any officer, director or employee,

(B) any consulting contract with any person who prior to entering into such contract was a director or officer of Ohio Edison, or

(C) any plan, agreement, arrangement or understanding similar to any of the foregoing.

5.13 Absence of Certain Changes or Events. Except as disclosed in the Ohio Edison SEC Documents filed prior to the date of this Agreement or in the audited consolidated balance sheet of Ohio Edison and its Subsidiaries as at December 31, 1995, and the related consolidated statements of income, cash flows and changes in shareholders' equity (the "Ohio Edison 1995 Financials"), true and correct copies of which have been delivered to Centerior, or except as contemplated by this Agreement, since the date of the Ohio Edison 1995 Financials, Ohio Edison and its Subsidiaries have conducted their respective businesses only in the ordinary and usual course, and, as of the date of this Agreement, there has not been

(a) any damage, destruction or loss, whether covered by insurance or not, which has, or insofar as reasonably can be foreseen in the future is reasonably likely to have, an Ohio Edison Material Adverse Effect;

(b) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of Ohio Edison's or its Subsidiaries' capital stock, except for regular quarterly cash dividends of $0.375 per share on Ohio Edison Common Stock and regular dividends on Ohio Edison's Preferred, Ohio Edison's Class A Preferred and Ohio Edison Subsidiaries' preferred securities (the "Ohio Edison Subs Preferred") with usual record and payment dates for such dividends and dividends on common stock paid by wholly-owned Subsidiaries of Ohio Edison; or

(c) any transaction, commitment, dispute or other event or condition (financial or otherwise) of any character (whether or not in the ordinary course of business) individually or in the aggregate having, or which, insofar as reasonably can be foreseen, in the future is reasonably likely to have, an Ohio Edison Material Adverse Effect.

5.14 Opinion of Ohio Edison Financial Advisor. Ohio Edison has received the opinion of McDonald & Company Securities, Inc. (hereinafter referred to as "Ohio Edison Fairness Advisor" and collectively with Morgan Stanley & Co. Incorporated, as "Ohio Edison Advisors"), dated the date hereof, to the effect that, as of such date, the Ohio Edison Conversion Number is fair to holders of Ohio Edison Common Stock from a financial point of view, and copies of such opinion have been previously delivered to Centerior.

5.15 Vote Required. The affirmative vote of the holders of two-thirds of the outstanding shares of Ohio Edison Common Stock is the only vote of the holders of any class or series of Ohio Edison capital stock necessary to approve this Agreement and the transactions contemplated hereby.

5.16 Accounting Matters. Neither Ohio Edison nor, to its best knowledge, any of its affiliates has through the date of this Agreement taken or agreed to take any action that would prevent FirstEnergy from accounting for the business combination to be effected by the Centerior Merger on a purchase accounting basis in accordance with GAAP and applicable regulations of the SEC.

5.17 No Change in Capital Structure. There has been no material change in the information set forth in the first sentence of Section 5.2 between the close of business on July 31, 1996 and the date hereof.

5.18 Ownership of Centerior Stock. As of the date of this Agreement, Ohio Edison and its affiliates do not "beneficially own" (as such term is defined in the Centerior Rights Agreement) any shares of Centerior Common Stock.

5.19 Ohio Edison Subsidiaries.

(a) Section 5.19(a) of the Ohio Edison Disclosure Schedule sets forth a description as of the date hereof of all Subsidiaries and joint ventures of Ohio Edison, including the name of each such entity, a brief description of the principal line or lines of business conducted by each such entity and Ohio Edison's interest therein.

(b) Except as set forth in Section 5.19(b) of the Ohio Edison Disclosure Schedule, none of such entities is a "public utility company", a "holding company", a "subsidiary company" or an "affiliate" of any public utility company within the meaning of Section 2(a)(5), 2(a)(7), 2 (a)(8) or 2(a)(11) of PUHCA, respectively.

(c) Except as set forth in Section 5.19(c) of the Ohio Edison Disclosure Schedule, all of the issued and outstanding shares of capital stock of each Subsidiary of Ohio Edison are validly issued, fully paid, nonassessable and free of preemptive rights, are owned directly or indirectly by Ohio Edison free and clear of any liens, claims, encumbrances, security interests, equities, charges and options of any nature whatsoever, and there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement, obligating any such Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of its capital stock or obligating it to grant, extend or enter into any such agreement or commitment.

5.20 Environmental Protection.

(a) Compliance.

(i) Except as set forth in Section 5.20(a) of the Ohio Edison Disclosure Schedule, each of Ohio Edison and its Subsidiaries is in compliance with all applicable Environmental Laws, except where the failure to be in compliance would not have an Ohio Edison Material Adverse Effect.

(ii) Except as set forth in Section 5.20(a) of the Ohio Edison Disclosure Schedule, neither Ohio Edison nor any of its Subsidiaries has received any communication (written or oral) from any person or Governmental Entity that alleges that Ohio Edison or any of its Subsidiaries is not in compliance with applicable Environmental Laws, except where the failure to be in compliance would not have an Ohio Edison Material Adverse Effect.

(b) Environmental Permits. Except as set forth in Section 5.20(b) of the Ohio Edison Disclosure Schedule, each of Ohio Edison and its Subsidiaries has obtained or has applied for all Environmental Permits necessary for the construction of their facilities or the conduct of their operations, and all such permits are in good standing or, where applicable, a renewal application has been timely filed and is pending agency approval, and Ohio Edison and each of its Subsidiaries is in material compliance with all terms and conditions of the Environmental Permits, except where the failure to obtain or be in compliance with such Environmental Permit would not have an Ohio Edison Material Adverse Effect.

(c) Environmental Claims. Except as set forth in Section 5.20(c) of the Ohio Edison Disclosure Schedule, to the best knowledge of Ohio Edison upon diligent review, there is no Environmental Claim (as hereinafter defined) pending

(i) against Ohio Edison or any of its Subsidiaries or joint ventures,

(ii) against any person or entity whose liability for any Environmental Claim Ohio Edison or any of its Subsidiaries or joint ventures has or may have retained or assumed either contractually or by operation of law, or

(iii) against any real or personal property or operations which Ohio Edison or any of its Subsidiaries or joint ventures owns, leases or manages, in whole or in part,

which, if adversely determined, would have in the aggregate an Ohio Edison Material Adverse Effect.

(d) Releases. Except as set forth in Section 5.20(d) of the Ohio Edison Disclosure Schedule, Ohio Edison has no knowledge of any Releases of any Hazardous Material that would be reasonably likely to form the basis of any Environmental Claim against Ohio Edison or any Subsidiaries or joint ventures of Ohio Edison, or its Subsidiaries, or against any person or entity whose liability for any Environmental Claim Ohio Edison or any Subsidiaries or joint ventures of Ohio Edison or its Subsidiaries has or may have retained or assumed either contractually or by operation of law, except for Releases of Hazardous

Materials the liability for which would not have, in the aggregate, an Ohio Edison Material Adverse Effect.

(e) Predecessors. Except as set forth in Section 5.20(e) of the Ohio Edison Disclosure Schedule, Ohio Edison has no knowledge, with respect to any predecessor of Ohio Edison or any Subsidiary or joint venture of Ohio Edison, of any Environmental Claim pending or threatened, or of any Release of Hazardous Materials that would be reasonably likely to form the basis of any Environmental Claim, which would have an Ohio Edison Material Adverse Effect.

(f) Disclosure. To Ohio Edison's best knowledge upon a good faith effort, Ohio Edison has disclosed to Centerior all material facts which Ohio Edison reasonably believes form the basis of an Ohio Edison Material Adverse Effect arising from

(i) the cost of pollution control equipment currently required or known to be required in the future;

(ii) current remediation costs or remediation costs known to be required in the future; or

(iii) any other environmental matter affecting Ohio Edison or its Subsidiaries.

5.21 Regulation as a Utility.

(a) Except as set forth in Section 5.21 of the Ohio Edison Disclosure Schedule, neither Ohio Edison nor any "subsidiary company" or "affiliate" of Ohio Edison is subject to regulation as a public utility or public service company (or similar designation) by any state in the United States or any foreign country.

(b) Ohio Edison is an exempt holding company under Section 3(a)(2) of PUHCA.

(c) Section 5.21 of the Ohio Edison Disclosure Schedule sets forth each "affiliate" and each "subsidiary company" of Ohio Edison which may be deemed to be a "public utility company" or a "holding company" within the meaning of PUHCA.

5.22 Insurance. Except as set forth in Section 5.22 of the Ohio Edison Disclosure Schedule:

(a) Each of Ohio Edison and its Subsidiaries is as of the date hereof, and has been continuously since January 1, 1990 through the date hereof, insured with financially responsible insurers in such amounts and against such risks and losses as are customary for companies conducting the businesses as conducted by Ohio Edison and its Subsidiaries during such time period.

(b) Ohio Edison hereby covenants and agrees to maintain all such insurance for itself and its Subsidiaries from the date of this Agreement through the Effective Time so long as such insurance is available on commercially reasonable terms.

(c) (i) Neither Ohio Edison nor its Subsidiaries has received any notice of cancellation or termination with respect to any material insurance policy of Ohio Edison or its Subsidiaries.

(ii) The insurance policies of Ohio Edison and each of its Subsidiaries are valid and enforceable policies.

ARTICLE VI

COVENANTS RELATING TO CONDUCT OF BUSINESS

During the period from the date of this Agreement and continuing until the Effective Time (except as expressly contemplated or permitted by this Agreement or to the extent that the other party shall otherwise consent in writing), Centerior and Ohio Edison each agree that:

6.1 Ordinary Course.

(a) Each party hereto shall, and shall cause its respective Subsidiaries to, carry on their respective businesses in the usual, regular and ordinary course in substantially the same manner as heretofore

conducted and use all commercially reasonable efforts to preserve intact their present business organizations and goodwill, preserve the goodwill and relationships with customers, suppliers and others having business dealings with them and, subject to prudent management of workforce needs and ongoing programs currently in force, keep available the services of their present officers and employees.

(b) Except as set forth in Section 6.1 of the Centerior or Ohio Edison Disclosure Schedule, no party shall, nor shall any party permit any of its Subsidiaries to, enter into a new line of business, or make any change in the line of business it engages in as of the date hereof involving any investment of assets or resources or any exposure to liability or loss, in excess of $5 million, in each case inclusive of their respective Subsidiaries, taken as a whole.

6.2 Dividends; Changes in Stock. No party shall, nor shall any party permit any of its Subsidiaries to,

(a) declare or pay any dividends on or make other distributions in respect of any of its capital stock, except that

(i) Centerior may continue the declaration and payment of regular quarterly cash dividends not in excess of $0.20 per share of Centerior Common Stock,

(ii) Centerior Subs may continue the declaration and payment of regularly scheduled dividends on the Centerior Subs Preferred,

(iii) Ohio Edison may continue the declaration and payment of regular quarterly cash dividends not in excess of $0.40 per share of Ohio Edison Common Stock and regularly scheduled dividends, on Ohio Edison Class A Preferred, Ohio Edison Preferred Stock and Ohio Edison Preference Stock,

(iv) Ohio Edison Subsidiaries may continue the declaration and payment of regularly scheduled dividends on the Ohio Edison Subs Preferred,

in each case with usual record and payment dates for such dividends in accordance with such parties' past dividend practice, and except for dividends on common stock by a wholly-owned Subsidiary of such party or such Subsidiary,

(b) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or

(c) repurchase, redeem or otherwise acquire, or permit any Subsidiary to purchase or otherwise acquire, any shares of its capital stock, other than

(i) redemptions, purchases or acquisitions required by the respective terms of any series of Centerior Preferred, Centerior Subs Preferred, Ohio Edison Preferred, Ohio Edison Class A Preferred, or Ohio Edison Subs Preferred,

(ii) in connection with refunding of such Preferred Stocks with preferred stock or debt at a lower cost of funds (calculating such cost on an after-tax basis),

(iii) in connection with intercompany purchases,

(iv) for the purpose of funding employee stock ownership or dividend reinvestment and stock purchase plans in accordance with past practice, or

(v) as set forth on Section 6.2(c) of the Centerior or Ohio Edison Disclosure Schedules.

(d) notwithstanding Section 6.2(a), each of Ohio Edison and Centerior shall declare a dividend on each share of its Common Stock to holders of record of such shares as of the close of business on the business day next preceding the Effective Time in an amount equal to the product of

(i) a fraction,

(A) the numerator of which equals the number of days between the payment date with respect to the most recent regular dividend paid by Ohio Edison and Centerior, as the case may be, and the Effective Time, and

(B) the denominator of which equals 91, and

(ii) the amount of the regular cash dividend most recently paid by Ohio Edison or Centerior, as the case may be;

provided, however, that if either Ohio Edison or Centerior has declared a regular quarterly dividend on shares of its Common Stock with a payment date (the "Payment Date") after the Effective Time, then no dividend as provided for in this Section 6.2(d) shall be declared or paid with respect to such shares and the dividend of the other party or parties shall be calculated by substituting "Payment Date" for "Effective Time" in clause
(i)(A) of this Section 6.2(d).

6.3 Issuance of Securities. Except as set forth in Section 6.3 of the Ohio Edison Disclosure Schedule, no party shall, nor shall any party permit any of its Subsidiaries to, issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its capital stock of any class, any Voting Debt or any securities convertible into, or any rights, warrants or options to acquire, any such shares, Voting Debt or convertible securities, other than

(a) the issuance of common stock or stock appreciation or similar rights, as the case may be, pursuant to the Centerior Stock Plans or the Ohio Edison Dividend Reinvestment Plan, in each case consistent in kind and amount with past practice and in the ordinary course of business under such Plans in accordance with their present terms,

(b) issuances of Preferred Stocks in connection with refundings as contemplated by Section 6.2(c)(iii),

(c) the issuance and reservation of Ohio Edison and Centerior capital stock pursuant to any rights plan in accordance with Section 6.11.

6.4 Constituent Documents. No party shall amend or propose to amend its articles of incorporation or its regulations.

6.5 No Solicitations.

(a) No party shall, nor shall any party permit any of its Subsidiaries to, nor shall it authorize or permit any of its officers, directors or employees or any investment banker, financial advisor (including the Centerior Advisors and the Ohio Edison Advisors), attorney, accountant or other representative retained by it or any of its Subsidiaries to, solicit or encourage (including by way of furnishing information), or take any other action to facilitate, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any Takeover Proposal, or agree to, endorse, recommend or approve any Takeover Proposal.

(b) Each party shall promptly advise the other party orally and in writing of any such inquiries or Takeover Proposals.

(c) As used in this Agreement, "Takeover Proposal" shall mean any tender or exchange offer, proposal for a merger, consolidation or other business combination involving a party hereto or any Significant Subsidiary of such party or any proposal or offer to acquire in any manner a substantial equity interest in, or a substantial portion of the assets of, such party or any of its Significant Subsidiaries other than the transactions contemplated by this Agreement.

(d) Notwithstanding anything in this Section 6.5 to the contrary, unless the approvals of the shareholders of Ohio Edison and Centerior have been obtained, a party may, to the extent that the Board of Directors of such party determines in good faith with the written advice of outside counsel that a failure to do so would result in a breach of its fiduciary duties under applicable law, participate in discussions or negotiations with, furnish information to, and afford access to the properties, books and records of such party and its Subsidiaries to any person in connection with a possible Takeover Proposal with respect to such party by such person.

6.6 Acquisitions. Except as set forth in Section 6.6 of the Centerior or Ohio Edison Disclosure Schedule, other than acquisitions by a party and its Subsidiaries not in excess of $25 million, no party shall, nor shall any party permit any of its Subsidiaries to, acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof that would constitute a Significant Subsidiary of such party or otherwise acquire or agree to acquire any assets not in the ordinary course of business. Centerior further agrees that unless approved by Ohio Edison, Centerior shall not consummate the merger of The Cleveland Electric Illuminating Company and The Toledo Edison Company.

6.7 Dispositions. Other than dispositions by a party and its affiliates of less than $10 million singularly or in the aggregate or as set forth in Section 6.7 of the Centerior or Ohio Edison Disclosure Schedule, no party shall, nor shall any party permit any of its Subsidiaries to, sell, lease, license, encumber or otherwise dispose of, or agree to sell, lease, license, encumber or otherwise dispose of, any of its assets, other than dispositions, including, without limitation, dispositions of accounts receivable, in the ordinary course of business of such party or such Subsidiary consistent with past practices.

6.8 Indebtedness. Except as set forth in Section 6.8 of the Centerior or Ohio Edison Disclosure Schedule, or as permitted in Section 6.2 in connection with the refunding of Preferred Stock, no party shall, nor shall any party permit any of its Subsidiaries to, incur (which shall not be deemed to include entering into credit agreements, lines of credit or similar arrangements until borrowings are made under such arrangements) any indebtedness for borrowed money or guarantee any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities of such party or any of its Subsidiaries or guarantee any debt securities of others other than

(a) for short-term indebtedness in the ordinary course of business consistent with prior practice,

(b) as may be necessary in connection with acquisitions permitted by
Section 6.6 or new lines of business permitted by Section 6.1,

(c) the incurrence of long-term indebtedness, issuances of debt securities or guarantees not aggregating in excess of $50 million, or

(d) indebtedness incurred to refund or refinance outstanding indebtedness of such party or such Subsidiary so long as the amount of such indebtedness so incurred does not exceed the amount of indebtedness so refunded or refinanced and any accrued interest and premium, if any, thereon.

6.9 No Actions. No party shall, nor shall any party permit any of its Subsidiaries to, take any action that would or is reasonably likely to result in

(a) any of its representations and warranties set forth in this Agreement being untrue as of the date made (to the extent so limited),

(b) any of the conditions to the Merger set forth in Article VIII not being satisfied, or

(c) a material breach of any provision of this Agreement.

6.10 Cooperation, Notification. Each party shall, and shall cause its Subsidiaries to, (i) confer on a regular and frequent basis with one or more representatives of the other party to discuss material operational

matters and the general status of its ongoing operations; (ii) promptly notify the other party of any significant changes in its business, properties, assets, condition (financial or other), results of operations or prospects; (iii) advise the other party of any change or event which has had or, insofar as reasonably can be foreseen, is reasonably likely to result in, a material adverse effect on the party so advising or any of its Subsidiaries; and (iv) promptly provide the other party (or the other party's counsel) with copies of all filings made by such party or any of its Subsidiaries with any state or Federal court, administrative agency, commission or other Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

6.11 Rights Agreements.

(a) As promptly as practicable after the date hereof but in any event before the "Distribution Date" (as defined in the Ohio Edison Rights Agreement), Ohio Edison shall cause to be amended the Ohio Edison Rights Agreement to effect the changes contemplated by the form of amendment attached hereto as Exhibit H, which amendment has been authorized as of the date hereof by Ohio Edison.

(b) Except as otherwise provided in this Section 6.11, Ohio Edison shall not redeem the Ohio Edison Rights, or amend (other than to delay the "Distribution Date" (as defined therein) or to render the Ohio Edison Rights inapplicable to the Merger) or terminate the Ohio Edison Rights Agreement prior to the Effective Time unless required to do so by order of a court of competent jurisdiction.

(c) Ohio Edison shall take all action so that the Ohio Edison Rights will no longer be outstanding upon the Merger.

(d) Except as otherwise provided in this Section 6.11, Centerior shall not redeem the Centerior Rights, or amend (other than to delay the "Distribution Date" (as defined therein) or to render the Centerior Rights inapplicable to the Merger) or terminate the Centerior Rights Agreement prior to the Effective Time unless required to do so by order of a court of competent jurisdiction.

(e) Centerior shall take all action so that the Centerior Rights will no longer be outstanding upon the Merger.

6.12 Collective Bargaining Agreements. During the period from the date of this Agreement and continuing until the Effective Time, each party agrees, as to itself and its Subsidiaries, that each of them will consult with the other party prior to entering into any substantive negotiations with respect to any collective bargaining agreement, or the modification or amendment thereof.

6.13 Employee Benefit Covenant. During the period from the date of this Agreement and continuing until the Effective Time, except as set forth in
Section 6.13 of the Centerior Disclosure Schedule, as may be required by applicable law or as contemplated by this Agreement, Centerior agrees as to itself and its Subsidiaries that it will not, and will not permit any of its Subsidiaries to, without the prior written consent of Ohio Edison,

(a) enter into, adopt, amend (except as may be required by law) or terminate any Centerior Controlled Group Plan or any other agreement, arrangement, plan or policy between Centerior or Centerior Services Company ("Services") and one or more of the directors or officers of Centerior or Services or

(b) except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense to Centerior or Services, as the case may be, increase in any manner the compensation or fringe benefits of any director or officer of Centerior or Services or

(c) pay any benefit not required by any Centerior Controlled Group Plan or arrangement as in effect as of the date hereof (including, without limitation, the granting of stock options, stock appreciation rights, restricted stock or performance units) to any director or officer of Centerior or Services or

(d) enter into any contract, agreement, commitment or arrangement to do any of the foregoing, or enter into or amend any employment, severance or special pay arrangement with respect to the

termination of employment or other similar contract, agreement or arrangement with any director or officer or other employee of Centerior or any of its Subsidiaries; or

(e) make any change in any defined benefit Plan of Centerior or any of its Subsidiaries which accelerates or increases benefits thereunder (except as may be required by law).

6.14 Tax Covenant. During the period from the date of this Agreement and continuing until the Effective Time, each party agrees, as to itself and its Subsidiaries, that each of them will not, except in the ordinary course of business consistent with prior practice, make any Tax election or settle or compromise any Tax liability.

6.15 Capital Expenditures. Except as set forth in Section 6.15 of the Centerior or Ohio Edison Disclosure Schedule or as required by law, no party shall, nor shall any party permit any of its Subsidiaries to make any annual capital expenditures, including expenditures for sulfur dioxide emission allowances as provided for by the Clean Air Act Amendments of 1990, in excess of each company's respective aggregate capital budget for 1996. Ohio Edison and Centerior agree to endeavor mutually to reduce their capital expenditures to the extent practicable.

6.16 Transmission, Generation. Except as required pursuant to tariffs on file with the FERC as of the date hereof or as set forth in Section 6.16 of the Centerior or Ohio Edison Disclosure Schedule, no party shall, nor shall any party permit any of its Subsidiaries to,

(a) commence construction of any additional generating capacity or transmission or delivery capacity, except for such projects ongoing or mandated by a binding legal commitment existing on the date hereof or, in the case of transmission or delivery capacity, required to satisfy such party's obligation to serve, or

(b) obligate itself to purchase or otherwise acquire, or to sell or otherwise dispose of, or to share, any additional generation (including, without limitation, the energy produced by generating facilities), transmission or delivery capacity, other than in the ordinary course of business consistent with past practice.

6.17 Modifications to Facilities. Except as set forth in Section 6.17 of the Centerior or Ohio Edison Disclosure Schedule, no party shall, nor shall any party permit any of its Subsidiaries to, enter into any binding commitment to make any modification to any of its or its Subsidiaries' existing facilities that would require any material investment or expenditure.

6.18 Accounting. No party shall, nor shall any party permit any of its Subsidiaries to, make any changes in its accounting methods, except as required by law, rule, regulation or GAAP.

6.19 Tax-Free Status. No party shall, nor shall any party permit any of its Subsidiaries to, take any actions which would, or would be reasonably likely to, adversely affect the status of the Merger as a tax-free transaction (except as to dissenters' rights and fractional shares) under the Code.

6.20 Affiliate Transactions. Except as set forth in Section 6.20 of the Centerior or Ohio Edison Disclosure Schedule, no party shall, nor shall any party permit any of its Subsidiaries to, enter into any agreement or arrangement with any of their respective affiliates (other than wholly-owned Subsidiaries of such party or Subsidiary) on terms to such party or its Subsidiaries materially less favorable than could be reasonably expected to have been obtained with an unaffiliated third party on an arm's length basis.

6.21 Rate Matters. Each party shall, and shall cause its Subsidiaries to, discuss with the other party any changes in its or its Subsidiaries' rates or charges (other than pass-through fuel rates or charges), standards of service or accounting from those in effect on the date of this Agreement and consult with the other party prior to making any filing (or any amendment thereto), or effecting any agreement, commitment, arrangement or consent, whether written or oral, formal or informal, with respect thereto, and no party will make, or permit any Subsidiary to make, any filing to change its rates on file with the FERC or any other

regulatory commission that would have a material adverse effect on the benefits associated with the business combination provided herein. Notwithstanding the foregoing, however, each party and its Subsidiaries shall be permitted to enter into arrangements with customers in the ordinary course of business consistent with past practices.

6.22 Third-Party Consents.

(a) Each party shall, and shall cause its Subsidiaries to, use all commercially reasonable efforts to obtain any third-party consents necessary to consummate the Merger.

(b) Each party shall promptly notify the other of any failure or prospective failure to obtain any such consents and, if requested, shall provide copies of all consents obtained to the other party.

6.23 Tax-Exempt Status. No party shall, nor shall any party permit any Subsidiary to, take any action that would likely jeopardize the qualification of the outstanding revenue bonds issued for the benefit of such party or any of its Subsidiaries which qualify on the date hereof under Code Section 142(a) as "exempt facility bonds" or as tax-exempt industrial development bonds under Section 103(b)(4) of the Internal Revenue Code of 1954, as amended prior to the Tax Reform Act of 1986.

6.24 FirstEnergy Actions. Ohio Edison and Centerior shall cause FirstEnergy to take only those actions, from the date hereof until the Effective Time, that are required or contemplated by this Agreement to be so taken by FirstEnergy, including, without limitation, the declaration, filing or registration with, or notice to or authorization, consent or approval of, any Governmental Entity, to obtain the consents or approvals contemplated by Sections 4.5 and 5.5 of this Agreement.

ARTICLE VII

ADDITIONAL AGREEMENTS

7.1 Preparation of S-4 and the Joint Proxy Statement.

(a) Ohio Edison and Centerior shall promptly prepare and file with the SEC the Joint Proxy Statement and shall cause FirstEnergy to prepare and file with the SEC the S-4, in which the Joint Proxy Statement will be included as a prospectus.

(b) Each of Ohio Edison and Centerior shall use its best efforts to have the S-4 declared effective under the Securities Act as promptly as practicable after such filing.

(c) Ohio Edison and Centerior shall also cause FirstEnergy to take any action required to be taken under any applicable Blue-Sky Law in connection with the issuance of FirstEnergy Common Stock pursuant to the Merger and Ohio Edison and Centerior shall furnish all information concerning themselves and the holders of their common stock as may be reasonably requested in connection with any such action.

7.2 Letters of Centerior's Accountants. Centerior shall use its best efforts to cause to be delivered to FirstEnergy and Ohio Edison a "comfort" letter of Arthur Andersen LLP, Centerior's independent auditors, addressed to FirstEnergy and Ohio Edison, dated a date within two business days before the date on which the S-4 shall become effective, and confirmed in writing as of the Effective Time, in form and substance reasonably satisfactory to FirstEnergy and Ohio Edison and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the S-4.

7.3 Letters of Ohio Edison's Accountants. Ohio Edison shall use its best efforts to cause to be delivered to FirstEnergy and Centerior a "comfort" letter of Arthur Andersen LLP, Ohio Edison's independent auditors, addressed to FirstEnergy and Centerior, dated a date within two business days before the date on which the S-4 shall become effective and confirmed in writing as of the Effective Time, in form and substance reasonably satisfactory to FirstEnergy and Centerior and customary in scope and substance for

letters delivered by independent public accountants in connection with registration statements similar to the S-4.

7.4 Access to Information.

(a) Upon reasonable notice, Centerior and Ohio Edison shall each (and shall cause each of their respective Subsidiaries to) afford to the officers, employees, accountants, counsel and other representatives of the other, reasonable access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts, commitments and records (including, but not limited to, Tax returns but excluding any documents with respect to which an attorney-client privilege is available) and, during such period, each of Centerior and Ohio Edison shall (and shall cause each of their respective Subsidiaries to) furnish promptly to the other

(i) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of Federal securities laws, or filed with or sent to the SEC, the FERC, the NRC, the DOE, the Department of Justice, the FTC, the Public Utilities Commission of Ohio or any other Federal or state regulatory agency or commission, and

(ii) all other information concerning its business, properties and personnel as such other party may reasonably request.

(b) Any information delivered by Centerior to Ohio Edison, or by Ohio Edison to Centerior, shall be subject to the Confidentiality Agreement, dated June 1, 1996, between Centerior and Ohio Edison (the "Confidentiality Agreement"), which agreement shall be extended hereby through the Effective Time.

7.5 Shareholder Approvals.

(a) Ohio Edison and Centerior shall each call a meeting of their respective shareholders to be held as promptly as practicable for the purpose of voting upon this Agreement and the transactions contemplated hereby.

(b) Ohio Edison and Centerior will, through their respective Boards of Directors, recommend to their respective shareholders approval of such matters; provided, however, that neither Board of Directors shall be obligated to recommend approval of this Agreement and the Merger to its respective shareholders if such Board of Directors, acting with the advice of counsel and financial advisors, determines that such recommendation would be contrary to their legal obligations as Directors.

(c) Centerior and Ohio Edison will coordinate and cooperate with respect to the timing of such shareholder approvals and shall use their best efforts to hold such meetings on the same day and to secure such approvals as soon as practicable after the date on which the S-4 becomes effective.

7.6 Satisfaction of Conditions to the Merger.

(a) Each of Ohio Edison and Centerior will take all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on itself with respect to this Agreement.

(b) Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use its best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement (subject to the appropriate vote of shareholders of Ohio Edison and Centerior, respectively, described in Section 7.5), including full cooperation with the other party and including the provision of information and making of all necessary filings in connection with, among other things, the approvals under the HSR Act, the Securities Act and the Exchange Act, the FERC Approvals, the NRC Approvals, the SEC PUHCA Order, the Blue-Sky Filings, the Local Approvals and the State Takeover Approvals.

(c) In connection therewith, the parties agree that, as between them,

(i) Ohio Edison shall be primarily responsible for the preparation and processing of the filings necessary to obtain the approvals required for the consummation of the transactions contemplated hereby under the Securities Act and the Exchange Act, the FERC Approvals, the SEC PUHCA Order and the Local Approvals required from the State of Ohio or any other State, as well as the Blue-Sky Filings, and

(ii) Centerior shall be primarily responsible for the preparation and processing of the filings necessary to obtain the NRC Approvals.

(d) Each of Ohio Edison and Centerior will, and will cause its Subsidiaries and FirstEnergy and its Subsidiaries to, take all reasonable actions necessary to obtain (and will cooperate with each other in obtaining) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity required to be obtained or made by Ohio Edison, FirstEnergy, Centerior or any of their Subsidiaries in connection with the Merger or the taking of any action contemplated thereby or by this Agreement.

7.7 Rule 145 Affiliates.

(a) Prior to the date of the meetings of their respective shareholders referred to in Section 7.5, Ohio Edison and Centerior shall deliver to FirstEnergy a letter substantially in the form attached hereto as Exhibit I, identifying all persons who may be, at the time this Agreement is submitted for approval to such shareholders, "affiliates" of Ohio Edison or Centerior, as the case may be, for purposes of Rule 145 under the Securities Act and the SEC's Accounting Series Release 135.

(b) Ohio Edison and Centerior shall use their best efforts to cause each such person to deliver to FirstEnergy on or prior to the date of the applicable meeting of shareholders referred to in Section 7.5 a written agreement substantially in the form attached hereto as Exhibit J.

7.8 Stock Exchange Listing. Centerior and Ohio Edison shall use their best efforts to cause the shares of FirstEnergy Common Stock to be issued in the Merger and, if necessary under the Benefit Plans referred to in Section 7.9, after the Merger, to be approved for listing on the NYSE and such other national securities exchanges as may be selected by FirstEnergy, subject to official notice of issuance, prior to the Closing.

7.9 Employee Benefit Plans.

(a) Ohio Edison and Centerior agree that the Ohio Edison Controlled Group Plans and the Centerior Controlled Group Plans in effect at the date of this Agreement shall, to the extent practicable, remain in effect until otherwise determined after the Effective Time.

(b) In the case of Ohio Edison Controlled Group Plans and Centerior Controlled Group Plans which are continued and under which the employees' interests are based upon or valued in relation to Ohio Edison Common Stock or Centerior Common Stock, as the case may be, Ohio Edison and Centerior agree that such interests shall be based on FirstEnergy Common Stock in an equitable manner (and in the case of any such interests existing at the Effective Time, on the basis of the applicable Conversion Number); provided, however, that nothing contained herein shall be construed as requiring FirstEnergy to continue any specific plans.

(c) Except as set forth in Section 7.9(c) of the Ohio Edison Disclosure Schedule, Centerior and Ohio Edison agree not to make any changes in severance benefits for officers of Centerior, Services or Ohio Edison, as the case may be, from those disclosed in Section 4.12(i) of the Centerior Disclosure Schedule or Section 5.12(i) of the Ohio Edison Disclosure Schedule, as the case may be.

7.10 Expenses. Except as set forth in Section 9.5, whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense, and, in connection therewith, each of Ohio Edison and Centerior

shall pay, with its own funds and not with funds provided by the other party, any and all property or transfer taxes imposed on such party resulting from the Merger, except that

(a) expenses incurred in connection with printing and mailing the Joint Proxy Statement and the S-4 shall be shared equally by Ohio Edison and Centerior,

(b) all out-of-pocket costs of the parties (including attorneys' fees) incurred to obtain the FERC Approvals, the SEC PUHCA Order, the NRC Approvals (including, without limitation, all such costs incurred for all filings and proceedings relating thereto) and the Local Approvals shall be shared equally by Ohio Edison and Centerior, and

(c) all other out-of-pocket expenses of a joint nature incurred in connection with the transactions contemplated by this Agreement shall be shared equally by Ohio Edison and Centerior.

7.11 Brokers or Finders. Each of Ohio Edison and Centerior represents, as to itself, its Subsidiaries and its affiliates, that no agent, broker, investment banker, financial advisor or other firm or person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement, except for Centerior Advisors, whose fees and expenses will be paid by Centerior in accordance with Centerior's agreements with such firms (copies of which have been delivered by Centerior to Ohio Edison prior to the date of this Agreement), and except for Ohio Edison Advisors, whose fees and expenses will be paid by Ohio Edison in accordance with Ohio Edison's agreements with such firms (copies of which have been delivered by Ohio Edison to Centerior prior to the date of this Agreement), and each of Ohio Edison and Centerior agree to indemnify and hold the other harmless from and against any and all claims, liabilities or obligations with respect to any other fees, commissions or expenses asserted by any person on the basis of any act or statement alleged to have been made by such party or its affiliate.

7.12 FirstEnergy Board of Directors and Officers.

(a) Ohio Edison's and Centerior's Boards of Directors shall take such actions as may be necessary to cause the number of Directors comprising the full Board of Directors of FirstEnergy at the Effective Time to be such number and such individuals as are designated by Ohio Edison prior to the Effective Time.

(b) From the Effective Time until otherwise determined by the FirstEnergy Board of Directors, Mr. Willard R. Holland shall serve as Chairman of the Board, President and Chief Executive Officer of FirstEnergy.

(c) From the Effective Time until otherwise determined by the FirstEnergy Board of Directors, Mr. Robert J. Farling shall serve as Vice Chairman of FirstEnergy.

(d) All other officers of FirstEnergy will be designated by the FirstEnergy Board of Directors.

(e) Directors and officers of FirstEnergy's Subsidiaries will be designated by the FirstEnergy Board of Directors.

7.13 Indemnification; Directors' and Officers' Insurance.

(a) Centerior and, from and after the Effective Time, FirstEnergy (each of Centerior and FirstEnergy, as the case may be, is referred to herein as a "Centerior Indemnifying Party") shall indemnify, defend, and hold harmless each person who is now, or has been at any time prior to the date of this Agreement or who becomes prior to the Effective Time, an officer, director, or employee of Centerior or any of its Subsidiaries (the "Centerior Indemnified Parties") against

(i) all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement with the approval of the Centerior Indemnifying Party (which approval shall not be unreasonably withheld) of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such

person is or was a director, officer or employee of Centerior or any of its Subsidiaries, whether pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, or at or after, the Effective Time (the "Centerior Indemnified Liabilities"), and

(ii) all Centerior Indemnified Liabilities based in whole or in part on, or arising in whole or in part out of, or pertaining to this Agreement or the transactions contemplated hereby, in each case to the full extent a corporation is permitted under applicable law to indemnify its own directors, officers, and employees, as the case may be (and the applicable Centerior Indemnifying Party will pay expenses as incurred in advance of the final disposition of any such action or proceeding to each Centerior Indemnified Party to the full extent permitted by applicable law).

(b) (i) Without limiting the foregoing, in the event any such claim, action, suit, proceeding, or investigation is brought against any Centerior Indemnified Party (whether arising before or after the Effective Time),

(A) the Centerior Indemnified Parties may retain counsel satisfactory to them and approved by the Centerior Indemnifying Party, which approval shall not be unreasonably withheld,

(B) the Centerior Indemnifying Party shall pay all reasonable fees and expenses of such counsel for the Centerior Indemnified Parties promptly as statements therefor are received, and

(C) the Centerior Indemnifying Party will use all reasonable efforts to assist in the vigorous defense of any such matter.

(ii) However, no Centerior Indemnifying Party shall be liable for any settlement of any claim effected without its written consent, which consent shall not be unreasonably withheld.

(iii) Any Centerior Indemnified Party wishing to claim indemnification under this Section 7.13, upon learning of any such claim, action, suit, proceeding, or investigation, shall notify the applicable Centerior Indemnifying Party (but the failure so to notify a Centerior Indemnifying Party shall not relieve it from any liability which it may have under this Section 7.13 except to the extent such failure prejudices such party).

(iv) The Centerior Indemnified Parties as a group may retain only one law firm to represent them with respect to each such matter unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more Centerior Indemnified Parties.

(c) For a period of six years after the Effective Time, FirstEnergy shall cause to be maintained in effect the current policies of directors' and officers' liability insurance maintained by Centerior (provided that FirstEnergy may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which, in the aggregate, are no less advantageous than the current policies maintained by Centerior with respect to its directors and officers) with respect to claims arising from facts or events which occurred before the Effective Time to the extent available on commercially reasonable terms; provided, however, that in no event shall FirstEnergy be required to expend, in order to maintain or procure insurance coverage pursuant to this Section 7.13(c), any amount per annum in excess of 200% of the aggregate premiums paid by Centerior in 1995 on an annualized basis for such purpose.

(d) Ohio Edison and, from and after the Effective Time, FirstEnergy (each of Ohio Edison and FirstEnergy, as the case may be, is referred to herein as an "Ohio Edison Indemnifying Party") shall indemnify, defend, and hold harmless each person who is now, or has been at any time prior to the date of this Agreement or who becomes prior to the Effective Time, an officer, director, or employee of Ohio Edison or any of its Subsidiaries (the "Ohio Edison Indemnified Parties") against

(i) all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement with the approval of the Ohio Edison Indemnifying Party (which approval shall not be unreasonably withheld) of or in connection with any claim, action, suit, proceeding or

investigation based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director, officer or employee of Ohio Edison or any of its Subsidiaries, whether pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, or at or after, the Effective Time (the "Ohio Edison Indemnified Liabilities"), and

(ii) all Ohio Edison Indemnified Liabilities based in whole or in part on, or arising in whole or in part out of, or pertaining to this Agreement or the transactions contemplated hereby, in each case to the full extent a corporation is permitted under applicable law to indemnify its own directors, officers, and employees, as the case may be (and the applicable Ohio Edison Indemnifying Party will pay expenses as incurred in advance of the final disposition of any such action or proceeding to each Ohio Edison Indemnified Party to the full extent permitted by applicable law).

(e) (i) Without limiting the foregoing, in the event any such claim, action, suit, proceeding, or investigation is brought against any Ohio Edison Indemnified Party (whether arising before or after the Effective Time),

(A) the Ohio Edison Indemnified Parties may retain counsel satisfactory to them and approved by the Ohio Edison Indemnifying Party, which approval shall not be unreasonably withheld,

(B) the Ohio Edison Indemnifying Party shall pay all reasonable fees and expenses of such counsel for the Ohio Edison Indemnified Parties promptly as statements therefor are received, and

(C) the Ohio Edison Indemnifying Party will use all reasonable efforts to assist in the vigorous defense of any such matter.

(ii) However, no Ohio Edison Indemnifying Party shall be liable for any settlement of any claim effected without its written consent, which consent shall not be unreasonably withheld.

(iii) Any Ohio Edison Indemnified Party wishing to claim indemnification under this Section 7.13, upon learning of any such claim, action, suit, proceeding, or investigation, shall notify the applicable Ohio Edison Indemnifying Party (but the failure so to notify an Ohio Edison Indemnifying Party shall not relieve it from any liability which it may have under this Section 7.13 except to the extent such failure prejudices such party).

(iv) The Ohio Edison Indemnified Parties as a group may retain only one law firm to represent them with respect to each such matter unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more Ohio Edison Indemnified Parties.

(f) For a period of six years after the Effective Time, FirstEnergy shall cause to be maintained in effect the current policies of directors' and officers' liability insurance maintained by Ohio Edison (provided that FirstEnergy may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which, in the aggregate, are no less advantageous than the current policies maintained by Ohio Edison with respect to its directors and officers) with respect to claims arising from facts or events which occurred before the Effective Time to the extent available on commercially reasonable terms; provided, however, that in no event shall FirstEnergy be required to expend, in order to maintain or procure insurance coverage pursuant to this Section 7.13(f), any amount per annum in excess of 200% of the aggregate premiums paid by Ohio Edison in 1995 on an annualized basis for such purpose.

(g) The provisions of this Section 7.13 are intended to be for the sole benefit of, and shall be enforceable by, each Indemnified Party and his or her heirs and representatives.

7.14 Further Assurances. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement or to vest FirstEnergy or its Subsidiaries with full title

to all properties, assets, rights, approvals, immunities and franchises of Ohio Edison and Centerior, the proper officers and directors of Ohio Edison and Centerior shall take all such necessary action.

7.15 Tax Treatment. Ohio Edison and Centerior each agree to treat the Merger, as to Ohio Edison, as a transfer within the meaning of Section 351(a) of the Code and, as to Centerior, as a reorganization within the meaning of Section 368(a) of the Code.

7.16 Accounting Treatment. Ohio Edison and Centerior each agree to, and to cause FirstEnergy to, account for the Centerior Merger on a purchase accounting basis in accordance with GAAP and applicable SEC regulations.

7.17 Disclosure Schedules.

(a) On the date hereof,

(i) Centerior has delivered to Ohio Edison a Centerior Disclosure Schedule, accompanied by a certificate signed by the chief financial officer of Centerior stating the Centerior Disclosure Schedule is being delivered pursuant to this Section 7.17(a), and

(ii) Ohio Edison has delivered to Centerior an Ohio Edison Disclosure Schedule, accompanied by a certificate signed by the chief financial officer of Ohio Edison stating the Ohio Edison Disclosure Schedule is being delivered pursuant to this Section 7.17(a).

(b) The Centerior Disclosure Schedule and the Ohio Edison Disclosure Schedule are collectively referred to herein as the "Disclosure Schedules."

(c) (i) The Disclosure Schedules constitute an integral part of this Agreement and modify the respective representations, warranties, covenants or agreements of the parties hereto contained herein to the extent that such representations, warranties, covenants or agreements expressly refer to the Disclosure Schedules.

(ii) Anything to the contrary contained herein or in the Disclosure Schedules notwithstanding, any and all statements, representations, warranties or disclosures set forth in the Disclosure Schedules shall be deemed to have been made on and as of the date hereof.

Disclosure of any matters in one part of the Centerior Disclosure Schedule or the Ohio Edison Disclosure Schedule, any other Schedule hereto or in this Agreement shall be deemed to be a disclosure of such matters in response to any other provision of this Agreement (including any other part of a Centerior or an Ohio Edison Disclosure Schedule, as the case may be) to which such matter may be applicable.

7.18 Public Announcements. Subject to each party's disclosure obligations imposed by law, Ohio Edison and Centerior will cooperate with each other in the development and distribution of all news releases and other public information disclosures with respect to this Agreement or any of the transactions contemplated hereby and shall not issue any public announcement or statement prior to consultation with the other party.

7.19 Employee Agreements. Ohio Edison and Centerior shall cause FirstEnergy and its Subsidiaries, following the Effective Time, to honor, without modification, all contracts, agreements, collective bargaining agreements and commitments of the parties prior to or at the date hereof or made herein which apply to any current or former employee or current or former director of the parties hereto; provided, however, that this undertaking is not intended to prevent FirstEnergy or its Subsidiaries from enforcing such contracts, agreements, collective bargaining agreements and commitments in accordance with their terms, including, without limitation, any reserved right to amend, modify, suspend, revoke or terminate any such contract, agreement, collective bargaining agreement or commitment.

7.20 Transition Management.

(a) As promptly as practicable after the date hereof, Centerior and Ohio Edison shall create a special transition management task force (the "Task Force") headed by Mr. Holland (or an individual designated by him or by the Board of Directors of Ohio Edison) as Chairman with Mr. Farling (or an individual designated by him or by the Board of Directors of Centerior) as Vice Chairman. Members of the Task Force shall consist of representatives of Ohio Edison and Centerior as designated by the Chairman in consultation with the Vice Chairman.

(b) The functions of the Task Force shall include

(i) to serve as a conduit for the flow of information and documents between the companies and their subsidiaries as contemplated by Section 6.10,

(ii) to review and evaluate proposed exceptions to the restrictions on the conduct of business pending the Merger set forth in Article VI, provided, however, that a consent by either Centerior or Ohio Edison to an exception to the restrictions set forth in Article VI shall be effective only if set forth in a writing that describes in reasonable detail the actions proposed to be taken and that is signed by Mr. Holland (or his designee) and Mr. Farling (or his designee),

(iii) development of regulatory plans and proposals, corporate organizational and management plans, workforce combination proposals, and such other matters as they deem appropriate, and

(iv) to evaluate and recommend the manner in which best to organize and manage the business of FirstEnergy after the Effective Time.

(c) The Chairman of the Task Force, or his designee, shall be responsible for directing all activities of the Task Force contemplated by this Section 7.20.

(d) From time to time, Mr. Holland shall report on such matters as he deems appropriate to the respective board of directors of Centerior and Ohio Edison. After the date hereof and prior to the Effective Time, Mr. Holland may attend meetings of Centerior's Board of Directors and Mr. Farling may attend meetings of Ohio Edison's Board of Directors.

ARTICLE VIII

CONDITIONS PRECEDENT

8.1 Conditions to Each Party's Obligation To Effect the Merger. The respective obligation of each party to effect the Merger shall be subject to the satisfaction prior to the Closing Date of each of the following conditions:

(a) Shareholder Approvals. This Agreement, and the transactions contemplated hereby, shall have been approved and adopted by the affirmative vote of the holders of a majority of the outstanding shares of Centerior Common Stock and by the affirmative vote of the holders of two-thirds of the outstanding shares of Ohio Edison Common Stock.

(b) NYSE Listing. The shares of FirstEnergy Common Stock issuable to holders of Centerior Common Stock and Ohio Edison Common Stock pursuant to this Agreement and such other shares required to be reserved for issuance in connection with the Merger shall have been authorized for listing on the NYSE upon official notice of issuance.

(c) Regulatory Approvals.

(i) Other than the filings provided for by Section 2.2, all authorizations, consents, orders or approvals of, or declarations or filings with, or expirations of waiting periods imposed by, any Governmental Entity the failure to obtain which would have a material adverse effect on FirstEnergy and its Subsidiaries taken as a whole, shall have been filed, occurred or been obtained, as the case may be, including but not limited to the FERC Approvals, the NRC Approvals, the SEC PUHCA

Order, the Local Approvals, and the State Takeover Approvals and all applicable waiting periods, if any, including any extensions thereof, under any applicable law, statute, regulations or rule, including but not limited to the HSR Act, shall have expired or terminated.

(ii) (A) All such authorizations, consents, orders and approvals shall have become Final Orders (as hereinafter defined) and such Final Orders (unless Ohio Edison and Centerior shall have agreed, by way of stipulation or otherwise, to the terms of such Final Order) shall not impose terms or conditions which, in the aggregate, would have, or insofar as reasonably can be foreseen, could have, a material adverse effect on the business, operations, properties, assets or condition (financial or other) or results of operations or prospects of FirstEnergy and its prospective subsidiaries taken as a whole or which would be inconsistent with the agreements of the parties contained herein. It is agreed that any condition that would require changes in the conduct of the respective retail businesses in the retail service areas of The Cleveland Electric Illuminating Company, The Toledo Edison Company or Ohio Edison will be considered material and adverse, unless waived in writing by Centerior and Ohio Edison, which waiver shall not be unreasonably withheld.

(B) A "Final Order" means action by the relevant regulatory authority which has not been reversed, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by law before the transactions contemplated hereby may be consummated has expired, and as to which all conditions to the consummation of such transactions prescribed by law, regulation or order have been satisfied.

(iii) FirstEnergy shall have received all permits and other authorizations necessary under the Blue-Sky Laws to issue the FirstEnergy Common Stock in exchange for the Centerior Common Stock and the Ohio Edison Common Stock and to consummate the Merger.

(d) S-4 Effective. The S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order, or proceedings seeking a stop order, under Section 8 of the Securities Act.

(e) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition (an "Injunction") preventing the consummation of the Merger, or materially changing the transactions contemplated hereby, shall be in effect.

(f) Letter from Rule 145 Affiliates. FirstEnergy shall have received from each person named in the letters from Centerior and Ohio Edison referred to in Section 7.7, an executed copy of an agreement substantially in the form of Exhibit J hereto.

(g) Regulatory Order. Centerior Subsidiaries shall have received formal written approval, or assurance of such approval, in a form reasonably acceptable to Ohio Edison and Centerior, from the Public Utilities Commission of Ohio, with respect to the Regulatory Plan described in Section 8.1(g) of the Centerior Disclosure Schedule.

(h) Dissenters' Rights. The number of shares held by Dissenting Holders shall not constitute more than 10% of the number of issued and outstanding shares of Ohio Edison Common Stock in the case of Ohio Edison shareholders or more than 10% of the number of issued and outstanding shares of Centerior Common Stock in the case of Centerior shareholders.

8.2 Conditions to Obligations of Ohio Edison. The obligation of Ohio Edison to effect the Merger is subject to the satisfaction of each of the following conditions unless waived by Ohio Edison:

(a) Representations and Warranties. Except as otherwise contemplated by this Agreement, the representations and warranties of Centerior set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement (except to the extent such representations and warranties speak as of an earlier date) and as of the Closing Date as though made on and as of the Closing Date, and FirstEnergy and Ohio Edison shall have received a certificate signed on behalf of Centerior by its chief executive officer and chief financial officer to such effect.

(b) Performance of Obligations of Centerior. Centerior shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and FirstEnergy and Ohio Edison shall have received a certificate signed on behalf of Centerior by its chief executive officer to such effect.

(c) Tax Opinion. Ohio Edison shall have received an opinion, dated on or about the date of, and referred to in, the S-4 and the Proxy Statement of Winthrop, Stimson, Putnam & Roberts, counsel to Ohio Edison, which opinion may be based on appropriate representations of Centerior, Ohio Edison and FirstEnergy which are in form and substance satisfactory to such counsel, and in form and substance reasonably satisfactory to Ohio Edison, to the effect that

(i) the Merger will be treated for Federal income tax purposes, as to Ohio Edison, as a transfer within the meaning of Section 351(a) of the Code and, as to Centerior, as a reorganization within the meaning of
Section 368(a) of the Code,

(ii) FirstEnergy and Centerior will each be a party to such reorganization within the meaning of Section 368(b) of the Code, and

(iii) no gain or loss will be recognized by Ohio Edison or Centerior shareholders that exchange Ohio Edison Common Stock or Centerior Common Stock for FirstEnergy Common Stock in the Merger (except as to fractional shares and dissenters).

(d) No Amendments to Resolutions. Neither the Board of Directors of Centerior nor any committee thereof shall have amended, modified, rescinded or repealed the resolutions adopted by them on September 13, 1996 (accurate and complete copies of which have been provided to Ohio Edison) and shall not have adopted any other resolutions in connection with this Agreement and the transactions contemplated hereby inconsistent with such resolutions.

(e) Rights Agreement. Under the Centerior Rights Agreement, no "flip-in" or "flip-over" or similar event commonly described in rights plans, or a Trigger Event as defined therein, shall have occurred with respect to the Centerior Rights Agreement that would increase the number of shares of FirstEnergy Common Stock to be issued under the Merger, or the rights issued thereunder shall not have become nonredeemable.

(f) Consents Under Agreements. Centerior shall have obtained the consent or approval of each person (other than the Government Entities referred to in Section 8.1(c)), whose consent or approval shall be required in order to permit Centerior to consummate the transactions contemplated hereby, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a material adverse effect on

(i) the business, operations, properties, assets, condition (financial or otherwise), business prospects or the results of operations of FirstEnergy and its Subsidiaries taken as a whole or

(ii) the consummation of the transactions contemplated hereby

(any such material adverse effect being referred to as a "FirstEnergy Material Adverse Effect").

(g) Centerior Material Adverse Effect. Since June 30, 1996, there shall not have been any event which constitutes a Centerior Material Adverse Effect.

(h) Ohio Edison Fairness Opinion. The fairness opinion letter delivered by the Ohio Edison Fairness Advisor to Ohio Edison shall not, in good faith, have been withdrawn by the Ohio Edison Fairness Advisor.

8.3 Conditions to Obligations of Centerior. The obligation of Centerior to effect the Merger is subject to the satisfaction of each of the following conditions unless waived by Centerior:

(a) Representations and Warranties. Except as otherwise contemplated by this Agreement, the representations and warranties of Ohio Edison set forth in this Agreement shall be true and correct in all

material respects as of the date of this Agreement (except to the extent such representations and warranties speak as of an earlier date) and as of the Closing Date as though made on and as of the Closing Date, and FirstEnergy and Centerior shall have received a certificate signed on behalf of Ohio Edison by its chief executive officer and chief financial officer to such effect.

(b) Performance of Obligations of Ohio Edison. Ohio Edison shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and FirstEnergy and Centerior shall have received a certificate signed on behalf of Ohio Edison by its chief executive officer to such effect.

(c) Tax Opinion. Centerior shall have received an opinion, dated on or about the date of, and referred to in, the S-4 and the Proxy Statement of Squire, Sanders & Dempsey, counsel to Centerior, which opinion may be based on appropriate representations of Ohio Edison, Centerior and FirstEnergy which are in form and substance satisfactory to such counsel, and in form and substance reasonably satisfactory to Centerior, to the effect that

(i) the Merger will be treated for Federal income tax purposes, as to Ohio Edison, as a transfer within the meaning of Section 351(a) of the Code and, as to Centerior, as a reorganization within the meaning of
Section 368(a) of the Code,

(ii) FirstEnergy and Centerior will each be a party to such reorganization within the meaning of Section 368(b) of the Code, and

(iii) no gain or loss will be recognized by Ohio Edison or Centerior shareholders that exchange Ohio Edison Common Stock or Centerior Common Stock for FirstEnergy Common Stock in the Merger (except as to fractional shares or dissenters).

(d) No Amendments to Resolutions. Neither the Board of Directors of Ohio Edison nor any committee thereof shall have amended, modified, rescinded or repealed the resolutions adopted by the Ohio Edison Board of Directors at a meeting duly called and held on September 13, 1996 (accurate and complete copies of which have been provided to Centerior), and shall not have adopted any other resolutions in connection with this Agreement and the transactions contemplated hereby inconsistent with such resolutions.

(e) Rights Agreement. Under the Ohio Edison Rights Agreement, no "flip-in" or "flip-over" or similar event commonly described in rights plans, or a Trigger Event as defined therein, shall have occurred with respect to the Ohio Edison Rights Agreement that would increase the number of shares of FirstEnergy Common Stock to be issued under the Merger, or the rights issued thereunder shall not have become nonredeemable.

(f) Consents Under Agreements. Ohio Edison shall have obtained the consent or approval of each person (other than the Government Entities referred to in Section 8.1(c)), whose consent or approval shall be required in order to permit Ohio Edison to consummate the transactions contemplated hereby, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a FirstEnergy Material Adverse Effect.

(g) Ohio Edison Material Adverse Effect. Since June 30, 1996, there shall not have been any event which constitutes an Ohio Edison Material Adverse Effect.

(h) Centerior Fairness Opinion. The fairness opinion letter delivered by the Centerior Fairness Advisor to Centerior shall not, in good faith, have been withdrawn by the Centerior Fairness Advisor.

ARTICLE IX

TERMINATION AND AMENDMENT

9.1 Termination. At any time prior to the Effective Time, whether before or after approval of the matters presented in connection with the Merger by the holders of Ohio Edison Common Stock or by the holders of Centerior Common Stock, this Agreement may be terminated:

(a) by mutual written consent of Ohio Edison and Centerior;

(b) by either Ohio Edison or Centerior

(i) if there has been a material breach of any representation, warranty, covenant or agreement on the part of the other set forth in this Agreement which breach has not been cured within ten (10) business days following receipt by the breaching party of notice of such breach or adequate assurance of such cure shall not have been given by or on behalf of the breaching party within such ten (10) business day period, or

(ii) if any permanent Injunction or other order of a court or other competent authority preventing the consummation of the Merger shall have become final and nonappealable;

(c) by Ohio Edison, upon two days' prior notice to Centerior, if, as a result of a Takeover Proposal involving Ohio Edison or any of its Significant Subsidiaries, the Board of Directors of Ohio Edison determines in good faith that its fiduciary obligations under applicable law require that such Takeover Proposal be accepted; provided, however, that

(i) the Board of Directors of Ohio Edison shall have been advised in writing by outside counsel that notwithstanding a binding commitment to consummate an agreement of the nature of this Agreement entered into in the proper exercise of its applicable fiduciary duties, such fiduciary duties would also require the Board to reconsider such commitment as a result of such Takeover Proposal; and

(ii) prior to any such termination, Ohio Edison shall, and shall cause its respective financial and legal advisors to, negotiate with Centerior to make such adjustments in the terms and conditions of this Agreement as would enable Ohio Edison to proceed with the transactions contemplated herein;

(d) by Centerior, upon two days' prior notice to Ohio Edison, if, as a result of a Takeover Proposal involving Centerior or any of its Significant Subsidiaries, the Board of Directors of Centerior determines in good faith that its fiduciary obligations under applicable law require that such Takeover Proposal be accepted; provided, however, that

(i) the Board of Directors of Centerior shall have been advised in writing by outside counsel that notwithstanding a binding commitment to consummate an agreement of the nature of this Agreement entered into in the proper exercise of its applicable fiduciary duties, such fiduciary duties would also require the Board to reconsider such commitment as a result of such Takeover Proposal; and

(ii) prior to any such termination, Centerior shall, and shall cause its respective financial and legal advisors to, negotiate with Ohio Edison to make such adjustments in the terms and conditions of this Agreement as would enable Centerior to proceed with the transactions contemplated herein;

(e) by either Ohio Edison or Centerior if the Merger shall not have been consummated before June 30, 1998; provided, however, that the right to terminate the Agreement under this Section 9.1(e) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before this date;

(f) by either Ohio Edison or Centerior if the required approval of the holders of Ohio Edison Common Stock or the holders of Centerior Common Stock shall not have been obtained by reason of the

failure to obtain the required approval upon a vote taken at a duly held meeting of shareholders or at any adjournment thereof; or

(g) by either Ohio Edison or Centerior if any state or Federal law, order, rule or regulation is adopted or issued, which has the effect, as supported by the written opinion of outside counsel, for such party, of prohibiting the Merger.

9.2 Effect of Termination.

In the event of termination of this Agreement by either Centerior or Ohio Edison as provided in Section 9.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Ohio Edison or Centerior or their respective officers or directors, except

(i) with respect to Sections 7.4(b), 7.10, 7.11 and 9.5, and

(ii) to the extent that such termination results from the willful breach by a party hereto of any of its representations, warranties, covenants or agreements set forth in this Agreement.

9.3 Amendment.

This Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with the Merger by the holders of Ohio Edison Common Stock or the holders of Centerior Common Stock but, after any such approval, no amendment shall be made which by law or applicable rule of the NYSE requires further approval by such shareholders without such further approval.

9.4 Extension; Waiver.

(a) At any time prior to the Effective Time, the parties hereto, by action duly taken, may, to the extent legally allowed,

(i) extend the time for the performance of any of the obligations or other acts of the other parties hereto,

(ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and

(iii) waive compliance with any of the agreements or conditions contained herein.

(b) Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party.

9.5 Termination Fee; Expenses

(a) Termination Fee Upon Breach. If this Agreement is terminated at such time that this Agreement is terminable pursuant to Section 9.1(b)(i) (other than solely pursuant to a non-curable breach of a representation or warranty unless such breach was willful) by one of the parties but not the other, then the breaching party shall promptly (but not later than five business days after receipt of notice from the non-breaching party) pay, in addition to its own expenses, to the non-breaching party in cash an amount equal to $10 million, plus cash in an amount equal to all documented out-of-pocket expenses and fees incurred by the non-breaching party (including, without limitation, fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors) arising out of, in connection with or related to the Merger or the transactions contemplated by this Agreement.

(b) Additional Termination Fee.

(i) If

(A) this Agreement

(I) is terminated by any party pursuant to Section 9.1(c) or
Section 9.1(d), or

(II) is terminated by any party pursuant to Section 9.1(f) or is terminated as a result of a party's material breach of Section 6.5, and

(B) at the time of such termination or prior to the meeting of such party's shareholders there shall have been a Takeover Proposal with respect to such party or any of its Significant Subsidiaries which at the time of such termination or of the meeting of such party's shareholders shall not have been

(I) rejected by such party and its board of directors, and

(II) withdrawn by the third-party offeror, and

(C) within two and one-half years of any such termination described in clause (A) above, the party or its Significant Subsidiary which is the subject of the Takeover Proposal (the "Target Party") becomes a subsidiary of such third-party offeror or a subsidiary of an affiliate of such third-party offeror or accepts a written offer to consummate or consummates a Business Combination with such third-party offeror or affiliate thereof,

then such third-party offeror, together with its affiliates, on the one hand, will, at the closing (and as a condition to the closing) of such Target Party so becoming a subsidiary or of such Business Combination, pay to the other party hereto a termination fee equal to $55,000,000 in cash, plus cash in an amount equal to all documented out-of-pocket expenses and fees incurred by such other party (including, without limitation, fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors) arising out of, in connection with or related to the Merger or the transactions contemplated by this Agreement.

(ii) For purposes of this Agreement, a "Business Combination" shall mean any merger, sale of a material portion of assets or other business combination.

(c) Rights; Expenses.

(i) The successful exercise of the rights under this Section 9.5 shall constitute an election of remedies, but the existence of such rights shall not constitute an election of remedies or in any way limit or impair a party's right to pursue any other remedy against the other party to which it may be entitled under this Agreement, at law or in equity, or otherwise.

(ii) The parties agree that the agreements contained in this Section 9.5 are an integral part of the transactions contemplated by the Agreement, that the damages that would be suffered by a party upon breach of this Agreement by the other party are inherently insusceptible of calculation, and that the agreements contained in this Section 9.5 therefore constitute liquidated damages and not a penalty.

(iii) If one party fails to pay promptly to the other any fee due hereunder, the defaulting party shall pay the costs and expenses (including legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, taken to collect payment, together with interest on the amount of any unpaid fee at the publicly announced prime rate of Citibank, N.A. from the date such fee was required to be paid.

ARTICLE X

GENERAL PROVISIONS

10.1 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time.

10.2 Further Assurances. Each party will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

10.3 Notices. Any notice or communication required or permitted hereunder shall be in writing and either delivered personally or telecopied (with confirmation of receipt) or sent by certified or registered mail, postage prepaid, and shall be deemed to be given, dated and received when so delivered personally or telecopied (with confirmation of receipt) or, if mailed, five business days after the date of mailing to the following address or telecopy number, or to such other address or addresses as such person may subsequently designate by notice given hereunder.

(a) if to Ohio Edison, to

Ohio Edison Company
76 South Main Street
Akron, OH 44308

Telecopy: (330) 384-5922
Telephone: (330) 384-5973

Attention: Anthony J. Alexander

with a copy to

Winthrop, Stimson, Putnam & Roberts One Battery Park Plaza
New York, NY 10004

Telecopy: (212) 858-1500
Telephone: (212) 858-1000

Attention: John H. Byington, Jr.

(b) if to Centerior, to

Centerior Energy Corporation P.O. Box 94661
Cleveland, Ohio 44101-4661

Telecopy: (216) 447-2592
Telephone: (216) 447-3121

Attention: Terrence G. Linnert

with a copy to

Squire, Sanders & Dempsey
4900 Key Tower
Cleveland, OH 44114

Telecopy: (216) 479-8780
Telephone: (216) 479-8500

Attention: Gordon S. Kaiser

10.4 Interpretation.

(a) When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation".

(c) The phrase "made available" in this Agreement shall mean that the information referred to has been made available if requested by the party to whom such information is to be made available.

10.5 Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

10.6 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

10.7 Entire Agreement. This Agreement (including the documents and the instruments referred to herein) and the Confidentiality Agreement constitute the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

10.8 No Third Party Beneficiaries. Except as provided in Section 7.13 (which covenants shall be enforceable by the persons affected thereby following the Effective Time), this Agreement (including the documents and the instruments referred to herein) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

10.9 Governing Law. This Agreement shall be governed and construed in accordance with the internal substantive laws of the State of Ohio without regard to any applicable conflicts of law.

10.10 Severability.

(a) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect.

(b) In the event any court or other competent authority holds any provision of this Agreement to be null, void or unenforceable, the parties hereto shall negotiate in good faith the execution and delivery of an amendment to this Agreement in order, as nearly as possible, to effectuate, to the extent permitted by law, the intent of the parties hereto with respect to such provision.

10.11 Publicity. Except as otherwise required by law or the rules of the NYSE, so long as this Agreement is in effect, neither Centerior nor Ohio Edison shall, or shall permit any of their respective Subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to the transactions contemplated by this Agreement without the consent of the other party, which consent shall not be unreasonably withheld.

10.12 Binding Effect. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

10.13 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties.

10.14 Amendments; Waiver. This Agreement may be amended by the parties hereto and the terms and conditions hereof may be waived only by an instrument in writing signed on behalf of each of the parties hereto, or, in the case of a waiver, by an instrument signed on behalf of the party waiving compliance.

IN WITNESS WHEREOF, Ohio Edison and Centerior have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first above written.

CENTERIOR ENERGY CORPORATION	OHIO EDISON COMPANY
By: /s/ ROBERT J. FARLING	By: /s/ WILLARD R. HOLLAND
Name: Robert J. Farling	Name: Willard R. Holland
Title: Chairman, President and Chief Executive Officer	Title: President and Chief Executive Officer

EXHIBIT B-2

MERGER AGREEMENT

BY AND AMONG

OHIO EDISON COMPANY,

FIRSTENERGY CORP.

AND

OHIO EDISON ACQUISITION CORP.

DATED AS OF

OHIO EDISON MERGER AGREEMENT

OHIO EDISON MERGER AGREEMENT

THIS MERGER AGREEMENT ("Merger Agreement") is entered into as of , 1996, pursuant to Section 1701.78 of the Ohio Revised Code, by and among OHIO EDISON COMPANY, an Ohio corporation ("Ohio Edison"), FIRSTENERGY CORP., an Ohio corporation ("FirstEnergy"), and OHIO EDISON ACQUISITION CORP., an Ohio corporation ("OEAC") (the parties to this Merger Agreement are hereinafter sometimes collectively referred to as the "Constituent Corporations").

WITNESSETH:

WHEREAS, OEAC is a wholly owned subsidiary of FirstEnergy;

WHEREAS, Ohio Edison and Centerior Energy Corporation, an Ohio corporation ("Centerior") have entered into, and FirstEnergy has approved, an Agreement and Plan of Merger dated September 13, 1996 (the "Reorganization Agreement"), providing for the mergers of OEAC into Ohio Edison and Centerior Acquisition Corp., an Ohio corporation ("CAC"), into Centerior and resulting in Ohio Edison and Centerior becoming subsidiaries of FirstEnergy and the common shareholders of Ohio Edison and Centerior becoming common shareholders of FirstEnergy;

WHEREAS, the directors of each of the Constituent Corporations have heretofore approved and the shareholders of FirstEnergy have heretofore adopted the Reorganization Agreement and this Merger Agreement;

NOW, THEREFORE, in consideration of the premises hereof and the mutual agreements contained herein and in the Reorganization Agreement, and in accordance with the laws of the State of Ohio, the Constituent Corporations have agreed, and do hereby agree that, subject to the terms and conditions of this Merger Agreement and the Reorganization Agreement, OEAC shall be merged into Ohio Edison (the "Merger"), which shall be the corporation surviving the Merger (hereinafter sometimes referred to as the "Surviving Corporation"), the outstanding common stock, par value $0.10 per share, of OEAC ("OEAC Common") shall be converted into shares of common stock, par value $9 per share, of Ohio Edison ("Ohio Edison Common") and the outstanding Ohio Edison Common shall be converted into shares of common stock, par value $0.10 per share, of FirstEnergy ("FirstEnergy Common"), and that the terms and conditions of the Merger, the mode of carrying it into effect, and the manner of converting and exchanging shares shall be as follows:

ARTICLE I

MERGER OF OEAC INTO OHIO EDISON

1.1 OEAC shall be merged into Ohio Edison, Ohio Edison shall be the surviving corporation of the Merger, and the Surviving Corporation shall continue to have the name Ohio Edison Company and be governed by the laws of the State of Ohio.

1.2 The OEAC Common issued and outstanding at the Effective Time, as defined in Article III below, shall thereupon and without more be converted into and become that number of common shares of the Surviving Corporation which shall be equivalent to the aggregate number of shares of OEAC Common outstanding immediately prior to the Effective Time.

1.3 Each share of Ohio Edison Common issued and outstanding at the Effective Time (excluding any shares of Ohio Edison Common as to which a shareholder of Ohio Edison has perfected rights as a dissenting shareholder under Section 1701.85 of the Ohio Revised Code unless those rights are terminated otherwise than by purchase) shall thereupon and without more be converted into and become one share of FirstEnergy Common.

1.4 Each share of Ohio Edison preferred stock, $100 par value (the "Ohio Edison $100 Preferred Stock") and Ohio Edison Class A preferred stock, $25 par value (the "Ohio Edison $25 Preferred Stock") that shall be issued and outstanding immediately prior to the Effective Time (and each share of Ohio Edison

$100 Preferred Stock and Ohio Edison $25 Preferred Stock held in the treasury of Ohio Edison at the Effective Time) shall remain unchanged and shall continue to be one share of Ohio Edison $100 Preferred Stock and Ohio Edison $25 Preferred Stock, as the case may be.

ARTICLE II

THE MERGER -- MANNER AND EFFECT OF CONVERSION AND EXCHANGE

2.1 Matters Affecting Capital Stock. Those provisions of Article III of the Reorganization Agreement that affect the capital stock and share certificates of OEAC and Ohio Edison and the common stock and related share certificates of FirstEnergy are hereby adopted and incorporated by reference herein.

2.2 Certain Effects of the Merger. At the Effective Time, the effect of the Merger shall be as provided by the applicable provisions of Ohio law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time: the separate existence of OEAC shall cease; the Surviving Corporation shall possess all assets and property of every description, and every interest therein, wherever located, and the rights, privileges, immunities, powers, franchises and authorities of a public, as well as of a private, nature of OEAC and Ohio Edison; all obligations belonging to or due OEAC and Ohio Edison shall be vested in, and become the obligations of, the Surviving Corporation without further act or deed; title to any real estate or any interest therein vested in OEAC or Ohio Edison shall not revert or in any way be impaired by reason of the Merger; all rights of creditors and all liens upon any property of OEAC and Ohio Edison shall be preserved unimpaired; and the Surviving Corporation shall be liable for all the obligations of OEAC and Ohio Edison, and any claim existing, or action or proceeding pending, by or against OEAC or Ohio Edison may be prosecuted to judgment with right of appeal as if the Merger had not taken place.

2.3 Further Assurances. If at any time contemporaneous with or after the Effective Time either the Surviving Corporation or FirstEnergy shall consider it to be advisable that any further conveyances, agreements, documents, instruments and assurances of law or any other things are necessary or desirable to vest, perfect, confirm or record in the Surviving Corporation the title to any property, rights, privileges, obligations, powers and franchises of OEAC or Ohio Edison or otherwise to carry out the provisions of this Merger Agreement, the proper directors and officers of the Surviving Corporation or the proper directors and officers of Ohio Edison last in office shall execute and deliver, upon request of either the Surviving Corporation or FirstEnergy, any and all proper conveyances, agreements, documents, instruments and assurances of law, and do all things necessary or proper to vest, perfect, or confirm title to such property, rights, privileges, obligations, powers and franchises in the Surviving Corporation and otherwise to carry out the provisions of this Merger Agreement.

2.4 Effect on Ohio Edison Preferred and Debt Instruments. The Merger shall not have any effect upon the Ohio Edison $100 Preferred Stock and $25 Preferred Stock or upon the bonds, notes and other debt securities of Ohio Edison issued and outstanding immediately prior to the Effective Time, and all such securities shall remain unchanged and shall be the obligations of the Surviving Corporation after the Effective Time.

ARTICLE III

EFFECTIVE TIME OF THE MERGER

If this Merger Agreement is duly adopted by the holders of shares of Ohio Edison Common as provided in the Reorganization Agreement, if the conditions set forth in the Reorganization Agreement are duly satisfied, or waived by Ohio Edison, and if this Merger Agreement has not been terminated pursuant to Section 7.2 hereof, at the time specified in the Reorganization Agreement a certificate of merger, duly executed in accordance with Section 1701.81(A) of the Ohio Revised Code, shall be filed by the Constituent Corporations with the Secretary of State of Ohio. The Effective Time shall be the time at which said certificate of merger is so filed or at such time thereafter as is provided in the certificate of merger.

ARTICLE IV

ARTICLES OF INCORPORATION

The Amended Articles of Incorporation of Ohio Edison, as in effect immediately prior to the Effective Time, shall constitute the "Articles" of the Surviving Corporation within the meaning of Section 1701.01(D) of the Ohio Revised Code and shall remain in effect until thereafter duly altered, amended, or repealed in accordance with the provisions thereof and applicable law.

ARTICLE V

REGULATIONS

The Regulations of Ohio Edison, as in effect immediately prior to the Effective Time, shall constitute the Regulations of the Surviving Corporation and shall remain in effect until thereafter duly altered, amended, or repealed in accordance with the provisions thereof, the Articles of Incorporation of the Surviving Corporation and applicable law.

ARTICLE VI

DIRECTORS AND OFFICERS OF THE SURVIVING CORPORATION

The directors and officers of Ohio Edison in office at the Effective Time shall be the directors and officers of the Surviving Corporation after the Effective Time and shall continue in office in accordance with the Articles and Regulations of the Surviving Corporation and applicable law.

ARTICLE VII

MISCELLANEOUS

7.1 Waiver and Amendment. Any Constituent Corporation may, at any time prior to the Effective Time, by action taken by its directors or officers thereunto duly authorized, waive any of the terms or conditions of this Merger Agreement and/or agree to the amendment or modification of this Merger Agreement; provided, however, that after a favorable vote by the shareholders of a Constituent Corporation any such action shall be taken by that Constituent Corporation only if, in the opinion of its directors or officers, such waiver or such amendment or modification will not have any material adverse effect on the benefits intended under this Merger Agreement for the shareholders of such party and will not require resolicitation of any proxies from such shareholders.

7.2 Termination. This Merger Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time as provided in Article IX of the Reorganization Agreement. If the Reorganization Agreement is terminated in accordance with Article IX thereof, then this Merger Agreement shall simultaneously terminate and the Merger shall be abandoned without further action by the Constituent Corporations. In the event of termination of this Merger Agreement, the directors of the Constituent Corporations shall each direct their officers not to file the certificate of merger in the Office of the Secretary of State of Ohio, notwithstanding favorable action by the shareholders of the respective Constituent Corporations.

7.3 Limitation on Rights. Except as otherwise specifically provided herein, nothing expressed or implied in this Merger Agreement is intended or shall be construed to confer upon or give any person, firm or corporation, other than the Constituent Corporations and their respective shareholders, any rights or remedies under or by reason of this Merger Agreement or any transactions contemplated hereby.

7.4 Captions; Governing Law. The captions in this Merger Agreement are for convenience only and shall not be considered a part or affect the construction or interpretation of any provision of this Merger Agreement. This Merger Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

7.5 Counterparts. This Merger Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF, the parties to this Merger Agreement, pursuant to the approval and authority duly given by resolutions adopted by their respective Boards of Directors, have each caused this Merger Agreement to be executed and attested by its President and Secretary.

OHIO EDISON ACQUISITION CORP.

Attest: By

_____, Secretary _____, President

FIRSTENERGY CORP.

Attest: By

_____, Secretary _____, President

OHIO EDISON COMPANY

Attest: By

_____, Secretary _____, President

EXHIBIT B-3

MERGER AGREEMENT

BY AND AMONG

CENTERIOR ACQUISITION CORP.,

FIRSTENERGY CORP.

AND

CENTERIOR ENERGY CORPORATION

DATED AS OF

CENTERIOR ENERGY CORPORATION MERGER AGREEMENT

CENTERIOR ENERGY CORPORATION MERGER AGREEMENT

THIS MERGER AGREEMENT ("Merger Agreement") is entered into as of , 1996, pursuant to Section 1701.78 of the Ohio Revised Code, by and among CENTERIOR ACQUISITION CORP., an Ohio corporation ("CAC"), FIRSTENERGY CORP., an Ohio corporation ("FirstEnergy"), and CENTERIOR ENERGY CORPORATION, an Ohio corporation ("Centerior") (the parties to this Merger Agreement are hereinafter sometimes collectively referred to as the "Constituent Corporations").

WITNESSETH:

WHEREAS, CAC is a wholly owned subsidiary of FirstEnergy;

WHEREAS, Ohio Edison Company, an Ohio corporation ("Ohio Edison") and Centerior have entered into, and FirstEnergy has approved, an Agreement and Plan of Merger dated September 13, 1996 (the "Reorganization Agreement"), providing for the mergers of Ohio Edison Acquisition Corp., an Ohio corporation ("OEAC"), into Ohio Edison and CAC into Centerior and resulting in Ohio Edison and Centerior becoming subsidiaries of FirstEnergy and the common shareholders of Ohio Edison and Centerior becoming common shareholders of FirstEnergy;

WHEREAS, the directors of each of the Constituent Corporations have heretofore approved and the shareholders of FirstEnergy have heretofore adopted the Reorganization Agreement and this Merger Agreement;

NOW, THEREFORE, in consideration of the premises hereof and the mutual agreements contained herein and in the Reorganization Agreement, and in accordance with the laws of the State of Ohio, the Constituent Corporations have agreed, and do hereby agree that, subject to the terms and conditions of this Merger Agreement and the Reorganization Agreement, CAC be merged into Centerior (the "Merger"), which shall be the corporation surviving the Merger (hereinafter sometimes referred to as the "Surviving Corporation"), the outstanding common stock, par value $0.10 per share, of CAC ("CAC Common") shall be converted into shares of Centerior common stock, without par value ("Centerior Common") and the outstanding Centerior Common shall be converted into shares of common stock, par value $0.10 per share, of FirstEnergy ("FirstEnergy Common"), and that the terms and conditions of the Merger, the mode of carrying it into effect, and the manner of converting and exchanging shares shall be as follows:

ARTICLE I

MERGER OF CAC INTO CENTERIOR

1.1 CAC shall be merged into Centerior, Centerior shall be the surviving corporation of the Merger, and the Surviving Corporation shall continue to have the name Centerior Energy Corporation and be governed by the laws of the State of Ohio.

1.2 The CAC Common issued and outstanding at the Effective Time, as defined in Article III below, shall thereupon and without more be converted into and become that number of common shares of the Surviving Corporation which shall be equivalent to the aggregate number of shares of CAC Common outstanding immediately prior to the Effective Time.

1.3 Each share of Centerior Common issued and outstanding at the Effective Time (excluding any shares of Centerior Common as to which a shareholder of Centerior has perfected rights as a dissenting shareholder under Section 1701.85 of the Ohio Revised Code unless those rights are terminated otherwise than by purchase) shall thereupon and without more be converted into and become 0.525 of a share of FirstEnergy Common.

ARTICLE II

THE MERGER -- MANNER AND EFFECT OF CONVERSION AND EXCHANGE

2.1 Matters Affecting Capital Stock. Those provisions of Article III of the Reorganization Agreement that affect the capital stock and share certificates of CAC and Centerior and the Common Stock and related share certificates of FirstEnergy are hereby adopted and incorporated by reference herein.

2.2 Certain Effects of the Merger. At the Effective Time, the effect of the Merger shall be as provided by the applicable provisions of Ohio law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time: the separate existence of CAC shall cease; the Surviving Corporation shall possess all assets and property of every description, and every interest therein, wherever located, and the rights, privileges, immunities, powers, franchises and authorities of a public, as well as of a private, nature of CAC and Centerior; all obligations belonging to or due CAC and Centerior shall be vested in, and become the obligations of, the Surviving Corporation without further act or deed; title to any real estate or any interest therein vested in CAC or Centerior shall not revert or in any way be impaired by reason of the Merger; all rights of creditors and all liens upon any property of CAC and Centerior shall be preserved unimpaired; and the Surviving Corporation shall be liable for all the obligations of CAC and Centerior, and any claim existing, or action or proceeding pending, by or against CAC or Centerior may be prosecuted to judgment with right of appeal as if the Merger had not taken place.

2.3 Further Assurances. If at any time contemporaneous with or after the Effective Time either the Surviving Corporation or FirstEnergy shall consider it to be advisable that any further conveyances, agreements, documents, instruments and assurances of law or any other things are necessary or desirable to vest, perfect, confirm or record in the Surviving Corporation the title to any property, rights, privileges, obligations, powers and franchises of CAC or Centerior or otherwise to carry out the provisions of this Merger Agreement, the proper directors and officers of the Surviving Corporation or the proper directors and officers of Centerior last in office shall execute and deliver, upon request of either the Surviving Corporation or FirstEnergy, any and all proper conveyances, agreements, documents, instruments and assurances of law, and do all things necessary or proper to vest, perfect, or confirm title to such property, rights, privileges, obligations, powers and franchises in the Surviving Corporation and otherwise to carry out the provisions of this Merger Agreement.

2.4 Effect on Centerior Debt Instruments. The Merger shall not have any effect upon the Centerior bonds, notes and other debt securities of Centerior issued and outstanding immediately prior to the Effective Time, and all such securities shall remain unchanged and shall be the obligations of the Surviving Corporation after the Effective Time.

ARTICLE III

EFFECTIVE TIME OF THE MERGER

If this Merger Agreement is duly adopted by the holders of shares of Centerior Common as provided in the Reorganization Agreement, if the conditions set forth in the Reorganization Agreement are duly satisfied, or waived by Centerior, and if this Merger Agreement has not been terminated pursuant to
Section 7.2 hereof, at the time specified in the Reorganization Agreement a certificate of merger, duly executed in accordance with Section 1701.81(A) of the Ohio Revised Code, shall be filed by the Constituent Corporations with the Secretary of State of Ohio. The Effective Time shall be the time at which said certificate of merger is so filed or at such time thereafter as is provided in the certificate of merger.

ARTICLE IV

ARTICLES OF INCORPORATION

The Amended Articles of Incorporation of Centerior, as in effect immediately prior to the Effective Time, shall constitute the "Articles" of the Surviving Corporation within the meaning of Sec-

tion 1701.01(D) of the Ohio Revised Code and shall remain in effect until thereafter duly altered, amended, or repealed in accordance with the provisions thereof and applicable law.

ARTICLE V

REGULATIONS

The Regulations of Centerior, as in effect immediately prior to the Effective Time, shall constitute the Regulations of the Surviving Corporation and shall remain in effect until thereafter duly altered, amended, or repealed in accordance with the provisions thereof, the Articles of Incorporation of the Surviving Corporation and applicable law.

ARTICLE VI

DIRECTORS AND OFFICERS OF THE SURVIVING CORPORATION

The directors and officers of Centerior in office at the Effective Time shall be the directors and officers of the Surviving Corporation after the Effective Time and shall continue in office in accordance with the Articles and Regulations of the Surviving Corporation and applicable law.

ARTICLE VII

MISCELLANEOUS

7.1 Waiver and Amendment. Any Constituent Corporation may, at any time prior to the Effective Time, by action taken by its directors or officers thereunto duly authorized, waive any of the terms or conditions of this Merger Agreement and/or agree to the amendment or modification of this Merger Agreement; provided, however, that after a favorable vote by the shareholders of a Constituent Corporation any such action shall be taken by that Constituent Corporation only if, in the opinion of its directors or officers, such waiver or such amendment or modification will not have any material adverse effect on the benefits intended under this Merger Agreement for the shareholders of such party and will not require resolicitation of any proxies from such shareholders.

7.2 Termination. This Merger Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time as provided in Article IX of the Reorganization Agreement. If the Reorganization Agreement is terminated in accordance with Article IX thereof, then this Merger Agreement shall simultaneously terminate and the Merger shall be abandoned without further action by the Constituent Corporations. In the event of termination of this Merger Agreement, the directors of the Constituent Corporations shall each direct their officers not to file the certificate of merger in the Office of the Secretary of State of Ohio, notwithstanding favorable action by the shareholders of the respective Constituent Corporations.

7.3 Limitation on Rights. Except as otherwise specifically provided herein, nothing expressed or implied in this Merger Agreement is intended or shall be construed to confer upon or give any person, firm or corporation, other than the Constituent Corporations and their respective shareholders, any rights or remedies under or by reason of this Merger Agreement or any transactions contemplated hereby.

7.4 Captions; Governing Law. The captions in this Merger Agreement are for convenience only and shall not be considered a part or affect the construction or interpretation of any provision of this Merger Agreement. This Merger Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

7.5 Counterparts. This Merger Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF, the parties to this Merger Agreement, pursuant to the approval and authority duly given by resolutions adopted by their respective Boards of Directors, have each caused this Merger Agreement to be executed and attested by its President and Secretary.

CENTERIOR ACQUISITION CORP.

Attest: By

_____, Secretary _____, President

FIRSTENERGY CORP.

Attest: By

_____, Secretary _____, President

CENTERIOR ENERGY CORPORATION

Attest: By

_____, Secretary _____, President

Exhibit D-1

@ 1701.78 Merger or consolidation into domestic corporation.

(A) Pursuant to an agreement of merger or consolidation between the constituent corporations as provided in this section, a domestic or foreign corporation and, if so provided, one or more additional domestic or foreign corporations may be merged into a domestic surviving corporation, or a domestic corporation together with one or more additional domestic or foreign corporations may be consolidated into a new domestic corporation formed by such consolidation, provided the provisions of Chapter 1704 of the Revised Code do not prevent the merger or consolidation from being effected. If any constituent corporation is a foreign corporation, the merger or consolidation must also be permitted by the laws of each state under the laws of which any foreign constituent corporation exists.

(B) The agreement of merger or consolidation shall set forth:

(1) The state under the laws of which each constituent corporation exists;

(2) In the case of a merger, that one or more specified constituent corporations shall be merged into a specified domestic surviving corporation and, in the case of a consolidation, that the constituent corporations shall be consolidated into a new domestic corporation. The name of the surviving or new corporation may be the same as or similar to that of any constituent corporation.

(3) All statements and matters required to be set forth in an agreement of merger or consolidation by the laws of each state under the laws of which any foreign constituent corporation exists;

(4) In the case of a consolidation, the articles of the new corporation or a provision that the articles of a specified domestic constituent corporation with such amendments as may be set forth in the agreement shall be the articles of the new corporation;

(5) In the case of a consolidation, the name and address of the statutory agent upon whom any process, notice, or demand against any constituent corporation or the new corporation may be served;

(6) The terms of the merger or consolidation; the mode of carrying them into effect; and the manner and basis of converting the shares of the constituent corporations into, or substituting the shares of the constituent corporations for, shares, evidences of indebtedness, other securities, cash, rights, or any other

property, or any combination of shares, evidences of indebtedness, securities, cash, rights, or any other property of the surviving corporation, of the new corporation, or of any other corporation, including the parent of any constituent corporation, or any other person. No such conversion or substitution shall be effected if there are reasonable grounds to believe that the surviving or new corporation would be rendered insolvent by the conversion or substitution.

(C) The agreement of merger or consolidation may also set forth:

(1) The effective date of the merger or consolidation, which may be on or after the date of filing the certificate;

(2) A provision authorizing the directors of one or more of the constituent corporations to abandon the proposed merger or consolidation prior to filing the certificate;

(3) In the case of a merger, any amendments to the articles of the surviving corporation or a provision that the articles of a specified domestic constituent corporation other than the surviving corporation with such amendments as may be set forth in the agreement shall be the articles of the surviving corporation;

(4) A statement of, or a statement of the method of determining, the fair value of the assets to be owned by the surviving or new corporation;

(5) The regulations of the surviving or new corporation or a provision that the regulations of a specified domestic constituent corporation with such amendments as may be set forth in the agreement shall be the regulations of the surviving or new corporation;

(6) In the case of a consolidation, the initial directors of the new corporation or a provision that all the directors of one or more specified constituent corporations shall constitute the initial directors of the new corporation, and, in the case of a merger, any changes in the directors of the surviving corporation;

(7) The parties to the agreement in addition to the constituent corporations;

(8) The stated capital of each class of shares of the surviving or new corporation to be outstanding at the time the merger or consolidation becomes effective;

(9) Any additional provision necessary or desirable with respect to the proposed merger or consolidation.

(D) To effect the merger or consolidation, the agreement shall be approved by the directors of each domestic constituent corporation, adopted by the shareholders of each domestic constituent corporation, other than the surviving corporation in the case of a merger, at a meeting of the shareholders of each such corporation held for the purpose, and approved or otherwise authorized by or on behalf of each foreign constituent corporation in accordance with the laws of the state under which it exists. In the case of a merger, the agreement shall also be adopted by the shareholders of the surviving corporation at a meeting held for the purpose, if one or more of the following conditions exist:

(1) The articles or regulations of the surviving corporation then in effect require that the agreement be adopted by the shareholders or by the holders of a particular class of shares of that corporation;

(2) The agreement conflicts with the articles or regulations of the surviving corporation then in effect, or changes the articles or regulations, or authorizes any action that, if it were being made or authorized apart from the merger, would otherwise require adoption by the shareholders or by the holders of a particular class of shares of that corporation;

(3) The merger involves the issuance or transfer by the surviving corporation to the shareholders of the other constituent corporation or corporations of such number of shares of the surviving corporation as will entitle the holders of the shares immediately after the consummation of the merger to exercise one-sixth or more of the voting power of that corporation in the election of directors;

(4) The agreement of merger makes such change in the directors of the surviving corporation as would otherwise require action by the shareholders or by the holders of a particular class of shares of that corporation.

(E) Notice of each meeting of shareholders of a domestic constituent corporation at which an agreement of merger or consolidation is to be submitted shall be given to all shareholders of that corporation, whether or not they are entitled to vote, and shall be accompanied by a copy or a summary of the material provisions of the agreement.

(F) The vote required to adopt an agreement of merger or consolidation at a meeting of the shareholders of a domestic constituent corporation is the affirmative vote of the holders of shares of that corporation entitling them to exercise at least two-thirds of the voting power of the corporation on such proposal or such different proportion as the articles may provide, but not less than a majority, and such affirmative vote of the holders of shares of any particular class as is required

by the articles of that corporation. If the agreement would have an effect that, if accomplished through an amendment to the articles, would entitle the holders of shares of any particular class of a domestic constituent corporation to vote as a class on the adoption of such amendment as provided in division (B) of section 1701.71 of the Revised Code, the agreement must also be adopted by the affirmative vote of the holders of at least two-thirds of the shares of such class, or such different proportion as the articles may provide, but not less than a majority. However, if the agreement would have an effect that, if accomplished through an amendment to the articles, would entitle the holders of shares of any particular class of a domestic constituent corporation to vote as a class on the adoption of such amendment pursuant to division (B)(2) or (4) of section 1701.71 of the Revised Code solely because those shares are to be converted into or substituted for the same number of shares of a class of a different corporation that have express terms identical in all material respects to those of the class of shares so converted or substituted, the agreement need not be adopted by the affirmative vote of the holders of shares of that particular class voting as a class. If the agreement would authorize any particular corporate action that under any applicable provision of law or the articles could be authorized only by or pursuant to a specified vote of shareholders, the agreement must also be adopted by the same affirmative vote as would be required for such action.

(G) At any time prior to the filing of the certificate of merger or consolidation, the merger or consolidation may be abandoned by the directors of any of the constituent corporations if the directors are authorized to do so by the agreement or by the same vote of shareholders as is required to adopt the agreement. The agreement of merger or consolidation may contain a provision authorizing the directors of the constituent corporations to amend the agreement at any time prior to the filing of the certificate of merger or consolidation, except that, after the adoption of the agreement by the shareholders of any domestic constituent corporation, the directors shall not be authorized to amend the agreement to do any of the following:

(1) Alter or change the amount or kind of shares, evidences of indebtedness, other securities, cash, rights, or any other property to be received by shareholders of the domestic constituent corporation in conversion of or in substitution for their shares;

(2) Alter or change any term of the articles of the surviving or new domestic corporation, except for alterations or changes that could otherwise be adopted by the directors of the surviving or new domestic corporation;

(3) Alter or change any other terms and conditions of the agreement if any of the alterations or changes, alone or in the

aggregate, would materially adversely affect the holders of any class or series of shares of the domestic constituent corporation.

(H) If division (D) of this section does not require adoption of the agreement of merger by the shareholders of the surviving corporation, the approval of the agreement by the directors of that corporation constitutes adoption by that corporation.

[@ 1701.78.1] @ 1701.781 Merger or consolidation into domestic corporation when noncorporate entities included.

(A) If the constituent entities in a merger or consolidation include entities that are not corporations, section 1701.78 of the Revised Code does not apply. If the constituent entities in a merger or consolidation include entities that are not corporations, the constituent entities may be merged into a domestic surviving corporation or may be consolidated into a new domestic corporation pursuant to an agreement of merger or consolidation as provided in this section. If any constituent entity is formed or organized under the laws of any state other than this state or under any chapter of the Revised Code other than this chapter, the merger or consolidation also must be permitted by the chapter of the Revised Code under which each domestic constituent entity exists and by the laws under which each foreign constituent entity exists.

(B) The agreement of merger or consolidation shall set forth all of the following:

(1) The name and the form of entity of each constituent entity and the state under the laws of which each constituent entity exists;

(2) In the case of a merger, that one or more specified constituent entities will be merged into a specified domestic surviving corporation or, in the case of a consolidation, that the constituent entities will be consolidated into a new domestic corporation. The name of the surviving or new corporation may be the same as or similar to that of any constituent corporation or constituent limited liability company.

(3) All statements and matters required to be set forth in an agreement of merger or consolidation by the laws under which each constituent entity exists;

(4) In the case of a consolidation, the articles of the new corporation, or a provision that the articles of a specified domestic constituent corporation, with any amendments that are set forth in the agreement, shall be the articles of the new corporation;

(5) In the case of a consolidation, the name and address of

the statutory agent upon whom any process, notice, or demand against any constituent entity or the new domestic corporation may be served;

(6) The terms of the merger or consolidation, the mode of carrying them into effect, and the manner and basis of converting the shares or interests of the constituent entities into, or substituting the shares or interests of the constituent entities for, shares, interests, evidences of indebtedness, other securities, cash, rights, or any other property or any combination of shares, interests, evidences of indebtedness, securities, cash, rights, or any other property of the surviving corporation, of the new corporation, or of any other entity, including the parent of any constituent entity, or any other person. No conversion or substitution shall be effected if there are reasonable grounds to believe that the surviving or new corporation would be rendered insolvent by the conversion or substitution.

(C) The agreement of merger or consolidation also may set forth any of the following:

(1) The effective date of the merger or consolidation, which date may be on or after the date of the filing of the certificate;

(2) A provision authorizing one or more of the constituent entities to abandon the proposed merger or consolidation prior to filing the certificate of merger or consolidation pursuant to section 1701.81 of the Revised Code by action of the directors of a constituent corporation, action of the general partners of a constituent partnership, or action of the comparable representatives of any other constituent entity;

(3) In the case of a merger, any amendments to the articles of the surviving corporation, or a provision that the articles of a specified domestic constituent corporation other than the surviving corporation, with any amendments that are set forth in the agreement of merger, shall be the articles of the surviving corporation;

(4) A statement of, or a statement of the method of determining, the fair value of the assets to be owned by the surviving or new corporation;

(5) The regulations of the surviving or new corporation, or a provision that the regulations of a specified domestic constituent corporation with any amendments that are set forth in the agreement shall be the regulations of the surviving or new corporation;

(6) In the case of a consolidation, either the identity of the initial directors of the new corporation, or a provision stating

that all of the directors of one or more specified constituent corporations shall constitute the initial directors of the new corporation, and, in the case of a merger, any changes in the directors of the surviving corporation;

(7) The parties to the agreement in addition to the constituent entities;

(8) The stated capital, if any, of each class of shares of the surviving or new corporation to be outstanding at the time the merger or consolidation becomes effective;

(9) Any additional provision necessary or desirable with respect to the proposed merger or consolidation.

(D) To effect the merger or consolidation, the agreement of merger or consolidation shall be approved by the directors of each domestic constituent corporation, adopted by the shareholders of each domestic constituent corporation, other than the surviving corporation in the case of a merger, at a meeting of the shareholders of each corporation held for the purpose, and approved or otherwise authorized by or on behalf of each other constituent entity in accordance with the laws under which it exists. In the case of a merger, the agreement also shall be adopted by the shareholders of the surviving corporation at a meeting held for the purpose, if one or more of the following conditions exist:

(1) The articles or regulations of the surviving corporation then in effect require that the agreement be adopted by the shareholders or by the holders of a particular class of shares of that corporation;

(2) The agreement conflicts with the articles or regulations of the surviving corporation then in effect, or changes the articles or regulations, or authorizes any action that, if it were being made or authorized apart from the merger, would otherwise require adoption by the shareholders or by the holders of a particular class of shares of that corporation;

(3) The merger involves the issuance or transfer by the surviving corporation to the shareholders of the other constituent corporation or corporations of the numbers of shares of the surviving corporation that will entitle the holders of the shares immediately after the consummation of the merger to exercise one-sixth or more of the voting power of that corporation in the election of directors;

(4) The agreement of merger makes a change in the directors of the surviving corporation that would otherwise require action by the shareholders or by the holders of a particular class of shares of that corporation.

(E) Notice of each meeting of shareholders of a domestic

constituent corporation at which an agreement of merger or consolidation is to be submitted shall be given to all shareholders of that corporation, whether or not they are entitled to vote, and shall be accompanied by a copy or a summary of the material provisions of the agreement.

(F) The vote required to adopt an agreement of merger or consolidation under this section at a meeting of the shareholders of a domestic constituent corporation is the affirmative vote of the holders of shares of that corporation entitling them to exercise at least two-thirds of the voting power of the corporation on the proposal or the different proportion that the articles may provide, but not less than a majority, and such affirmative vote of the holders of shares of any particular class as is required by the articles of that corporation. If the agreement would have an effect that, if accomplished through an amendment to the articles, would entitle the holders of shares of any particular class of a domestic constituent corporation to vote as a class on the adoption of the amendment as provided in division (B) of section 1701.71 of the Revised Code, the agreement also must be adopted by the affirmative vote of the holders of at least two-thirds of the shares of that class, or the different proportion that the articles may provide, but not less than a majority. However, if the agreement would have an effect that, if accomplished through an amendment to the articles, would entitle the holders of shares of any particular class of a domestic corporation to vote as a class on the adoption of the amendment pursuant to division (B)(2) or (4) of section 1701.71 of the Revised Code solely because those shares are to be converted into or substituted for the same number of shares of a class of a different corporation that have express terms identical in all material respects to those of the class of shares so converted or substituted, the agreement is not required to be adopted by the affirmative vote of the holders of shares of that particular class voting as a class. If the agreement would authorize any particular corporate action that under any applicable provision of law or the articles could be authorized only by or pursuant to a specified vote of shareholders, the agreement also must be adopted by the same affirmative vote as would be required for that action.

(G) At any time before the filing of the certificate of merger or consolidation under section 1701.81 of the Revised Code, the merger or consolidation may be abandoned by the directors of any constituent corporation, the general partners of any constituent partnership, or the comparable representatives of any other constituent entity if the directors, general partners, or other representatives are authorized to do so by the agreement of merger or consolidation or by the same vote of shareholders, partners, or others as is required under division (F) of this section to adopt the agreement. The agreement of merger or consolidation may contain a provision authorizing the directors of any constituent corporation, the general partners of any

constituent partnership, or the comparable representatives of any other constituent entity to amend the agreement at any time before the filing of the certificate of merger or consolidation, except that, after the adoption of the agreement by the shareholders of any domestic constituent corporation, the directors shall not be authorized to amend the agreement to do any of the following:

(1) Alter or change the amount or kind of shares, interests, evidences of indebtedness, other securities, cash, rights, or any other property to be received by the shareholders of the domestic constituent corporation in conversion of, or in substitution for, their shares;

(2) Alter or change any term of the articles of the surviving or new domestic corporation, except for alterations or changes that could otherwise be adopted by the directors of the surviving or new domestic corporation;

(3) Alter or change any other terms and conditions of the agreement of merger or consolidation if any of the alterations or changes, alone or in the aggregate, would materially adversely affect the holders of any class or series of shares of the domestic constituent corporation.

(H) If division (D) of this section does not require adoption of the agreement of merger by the shareholders of the surviving corporation, the approval of the agreement by the directors of that corporation constitutes adoption by that corporation.

@ 1701.80 Merger into parent corporation.

(A) Pursuant to an agreement of merger between the constituent corporations as provided in this section and provided that the provisions of Chapter 1704 of the Revised Code do not prevent the merger from being effected, one or more domestic or foreign subsidiaries may be merged into a domestic or foreign parent corporation, provided that the parent owns ninety per cent or more of each class of the outstanding shares of each subsidiary, that at least one constituent corporation is a domestic corporation, and that, in the case of a domestic parent, the conditions set forth in divisions (D)(1), (2), (3), and (4) of section 1701.78 of the Revised Code do not exist.

(B) The agreement of merger shall set forth the designation and the number of the outstanding shares of each class of each subsidiary constituent corporation and the number of shares of each such class owned by the surviving corporation. It shall also set forth any statements and matters that are required, and may set forth any provision that is permitted, in a merger under section 1701.78 of the Revised Code if the surviving corporation is a domestic corporation or under section 1701.79 of the Revised Code if the surviving corporation is a foreign corporation.

(C)(1) To effect the merger, the agreement shall be approved by the directors of each domestic constituent corporation, but it need not be adopted by the shareholders of any domestic constituent corporation. If any constituent corporation is a foreign corporation, the agreement shall be approved or otherwise authorized by or on behalf of each foreign constituent corporation in accordance with the laws of the state under which it exists.

(2) Within twenty days after the approval of the agreement of merger by the directors of each domestic constituent corporation, the surviving corporation shall deliver or send written notice of such approval and copy or summary of the agreement to each shareholder of each domestic constituent corporation other than the surviving corporation of record as of the date on which the directors of the surviving corporation approved the agreement.

(D) The approval of the agreement of merger by the directors of a domestic constituent corporation under this section constitutes adoption by that corporation.

[@ 1701.80.1] @ 1701.801 Merger into domestic subsidiary corporation.

(A) Pursuant to an agreement of merger between the constituent corporations as provided in this section and provided that the provisions of Chapter 1704 of the Revised Code do not prevent the merger from being effected, one or more domestic or foreign corporations may be merged into a domestic corporation, provided that the domestic surviving corporation is a subsidiary of one of the constituent corporations and that the parent constituent corporation owns ninety per cent or more of each class of the outstanding shares of the surviving subsidiary corporation.

(B) The agreement of merger shall set forth the designation and the number of the outstanding shares of each class of the surviving subsidiary corporation and the number of shares of each such class owned by the parent constituent corporation. It shall also set forth any statements and matters that are required, and may set forth any provision that is permitted, in a merger under section 1701.78 of the Revised Code.

(C)(1) To effect the merger, the agreement shall be approved by the directors of each domestic constituent corporation and shall be adopted by the shareholders of each domestic constituent corporation in the same manner and with the same notice to and vote of shareholders or holders of a particular class of shares as is required by section 1701.78 of the Revised Code, except that the agreement need not be adopted by the shareholders of the surviving subsidiary corporation. If any constituent corporation is a foreign corporation, the agreement shall be approved or otherwise authorized by or on behalf of each foreign constituent corporation in accordance with the laws of the state under which it exists.

(2) Within twenty days after the approval of the agreement of merger by the directors of the surviving subsidiary corporation, the surviving corporation shall deliver or send written notice of such approval and a copy or summary of the agreement to each shareholder of the surviving corporation, other than the parent of the surviving corporation, of record as of the date on which the directors of the surviving corporation approved the agreement.

(D) The approval of the agreement of merger by the directors of the surviving subsidiary corporation under this section constitutes adoption by the corporation.

@ 1701.82 Effect of merger or consolidation; actions to set aside.

(A) When a merger or consolidation becomes effective, all of the following apply:

(1) The separate existence of each constituent entity other than the surviving entity in a merger shall cease, except that whenever a conveyance, assignment, transfer, deed, or other instrument or act is necessary to vest property or rights in the surviving or new entity, the officers, general partners, or other authorized representatives of the respective constituent entities shall execute, acknowledge, and deliver such instruments and do such acts. For these purposes, the existence of the constituent entities and the authority of their respective officers, directors, general partners, or other authorized representatives is continued notwithstanding the merger or consolidation.

(2) In the case of a consolidation, the new entity exists when the consolidation becomes effective and, if it is a domestic corporation, the articles contained in or provided for in the agreement of consolidation shall be its original articles. In the case of a merger in which the surviving entity is a domestic corporation, the articles of the domestic surviving corporation in effect immediately prior to the time the merger becomes effective shall continue as its articles after the merger except as otherwise provided in the agreement of merger.

(3) The surviving or new entity possesses all assets and property of every description, and every interest in the assets and property, wherever located, and the rights, privileges, immunities, powers, franchises, and authority, of a public as well as of a private nature, of each constituent entity, and all obligations belonging to or due to each constituent entity, all of which are vested in the surviving or new entity without further act or deed. Title to any real estate or any interest in the real estate vested in any constituent entity shall not revert or in any way be impaired by reason of such merger or consolidation.

(4) The surviving or new entity is liable for all the obligations of each constituent entity, including liability to dissenting shareholders. Any claim existing or any action or proceeding pending by or against any constituent entity may be prosecuted to judgment, with right of appeal, as if the merger or consolidation had not taken place, or the surviving or new entity may be substituted in its place.

(5) All the rights of creditors of each constituent entity are preserved unimpaired, and all liens upon the property of any constituent entity are preserved unimpaired, on only the property affected by such liens immediately prior to the effective date of the merger or consolidation. If a general partner of a constituent partnership is not a general partner of the entity surviving or the new entity resulting from the merger or consolidation, then the former general partner shall have no liability for any obligation incurred after the merger or consolidation except to the extent that a former creditor of the constituent partnership in which the former general partner was a partner extends credit to the surviving or new entity reasonably believing that the former general partner continued as a general partner of the surviving or new entity.

(B) If a general partner of a constituent partnership is not a general partner of the entity surviving or the new entity resulting from the merger or consolidation, the provisions of division (B) of section 1782.434 [1782.43.4] of the Revised Code shall apply.

(C) In the case of a merger of a domestic constituent corporation into a foreign surviving corporation, limited liability company, or limited partnership that is not licensed or registered to transact business in this state or in the case of a consolidation of a domestic constituent corporation into a new foreign corporation, limited liability company, or limited partnership, if the surviving or new entity intends to transact business in this state and the certificate of merger or consolidation is accompanied by the information described in division (B)(4) of section 1701.81 of the Revised Code, then, on the effective date of the merger or consolidation, the surviving or new entity shall be considered to have complied with the requirements for procuring a license or for registering to transact business in this state as a foreign corporation, limited liability company, or limited partnership, as the case may be. In such a case, a copy of the certificate of merger or consolidation certified by the secretary of state constitutes the license certificate prescribed by the laws of this state for a foreign corporation transacting business in this state or the application for registration prescribed for a foreign limited partnership or limited liability company.

(D) Any action to set aside any merger or consolidation on the

ground that any section of the Revised Code applicable to the merger or consolidation has not been complied with shall be brought within ninety days after the effective date of such merger or consolidation or be forever barred.

(E) As used in this section, "corporation" or "entity" applies to both domestic and foreign corporations and entities where the context so permits. In the case of a foreign constituent entity or a foreign new entity, this section is subject to the laws of the state under the laws of which the entity exists or in which it has property.

@ 1701.84 Persons entitled to relief as dissenting shareholders.

The following are entitled to relief as dissenting shareholders under section 1701.85 of the Revised Code:

(A) Shareholders of a domestic corporation that is being merged or consolidated into a surviving or new entity, domestic or foreign, pursuant to section 1701.78, 1701.781 [1701.78.1], 1701.79, 1701.791 [1701.79.1], or 1701.801 [1701.80.1] of the Revised Code;

(B) In the case of a merger into a domestic corporation, shareholders of the surviving corporation who under section 1701.78 or 1701.781 [1701.78.1] of the Revised Code are entitled to vote on the adoption of an agreement of merger, but only as to the shares so entitling them to vote;

(C) Shareholders, other than the parent corporation, of a domestic subsidiary corporation that is being merged into the domestic or foreign parent corporation pursuant to section 1701.80 of the Revised Code;

(D) In the case of a combination or a majority share acquisition, shareholders of the acquiring corporation who under section 1701.83 of the Revised Code are entitled to vote on such transaction, but only as to the shares so entitling them to vote;

(E) Shareholders of a domestic subsidiary corporation into which one or more domestic or foreign corporations are being merged pursuant to section 1701.801
[1701.80.1] of the Revised Code.

@ 1701.85 Dissenting shareholder's demand for fair cash value of shares.

(A)(1) A shareholder of a domestic corporation is entitled to relief as a dissenting shareholder in respect of the proposals described in sections 1701.74, 1701.76, and 1701.84 of the Revised Code, only in compliance with this section.

(2) If the proposal must be submitted to the shareholders of the corporation involved, the dissenting shareholder shall be a record holder of the shares of the corporation as to which he seeks relief as of the date fixed for the determination of shareholders entitled to notice of a meeting of the shareholders at which the proposal is to be submitted, and such shares shall not have been voted in favor of the proposal. Not later than ten days after the date on which the vote on the proposal was taken at the meeting of the shareholders, the dissenting shareholder shall deliver to the corporation a written demand for payment to him of the fair cash value of the shares as to which he seeks relief, which demand shall state his address, the number and class of such shares, and the amount claimed by him as the fair cash value of the shares.

(3) The dissenting shareholder entitled to relief under division (C) of section 1701.84 of the Revised Code in the case of a merger pursuant to section 1701.80 of the Revised Code and a dissenting shareholder entitled to relief under division (E) of section 1701.84 of the Revised Code in the case of a merger pursuant to section 1701.801 [1701.80.1] of the Revised Code shall be a record holder of the shares of the corporation as to which he seeks relief as of the date on which the agreement of merger was adopted by the directors of that corporation. Within twenty days after he has been sent the notice provided in section 1701.80 or 1701.801 [1701.80.1] of the Revised Code, the dissenting shareholder shall deliver to the corporation a written demand for payment with the same information as that provided for in division (A)(2) of this section.

(4) In the case of a merger or consolidation, a demand served on the constituent corporation involved constitutes service on the surviving or the new entity, whether the demand is served before, on, or after the effective date of the merger or consolidation.

(5) If the corporation sends to the dissenting shareholder, at the address specified in his demand, a request for the certificates representing the shares as to which he seeks relief, the dissenting shareholder, within fifteen days from the date of the sending of such request, shall deliver to the corporation the certificates requested so that the corporation may forthwith endorse on them a legend to the effect that demand for the fair cash value of such shares has been made. The corporation promptly shall return such endorsed certificates to the dissenting shareholder. A dissenting shareholder's failure to deliver such certificates terminates his rights as a dissenting shareholder, at the option of the corporation, exercised by written notice sent to the dissenting shareholder within twenty days after the lapse of the fifteen-day period, unless a court for good cause shown otherwise directs. If shares represented by a certificate on which such a legend has been endorsed are transferred, each

new certificate issued for them shall bear a similar legend, together with the name of the original dissenting holder of such shares. Upon receiving a demand for payment from a dissenting shareholder who is the record holder of uncertificated securities, the corporation shall make an appropriate notation of the demand for payment in its shareholder records. If uncertificated shares for which payment has been demanded are to be transferred, any new certificate issued for the shares shall bear the legend required for certificated securities as provided in this paragraph. A transferee of the shares so endorsed, or of uncertificated securities where such notation has been made, acquires only such rights in the corporation as the original dissenting holder of such shares had immediately after the service of a demand for payment of the fair cash value of the shares. A request under this paragraph by the corporation is not an admission by the corporation that the shareholder is entitled to relief under this section.

(B) Unless the corporation and the dissenting shareholder have come to an agreement on the fair cash value per share of the shares as to which the dissenting shareholder seeks relief, the dissenting shareholder or the corporation, which in case of a merger or consolidation may be the surviving or new entity, within three months after the service of the demand by the dissenting shareholder, may file a complaint in the court of common pleas of the county in which the principal office of the corporation that issued the shares is located or was located when the proposal was adopted by the shareholders of the corporation, or, if the proposal was not required to be submitted to the shareholders, was approved by the directors. Other dissenting shareholders, within that three-month period, may join as plaintiffs or may be joined as defendants in any such proceeding, and any two or more such proceedings may be consolidated. The complaint shall contain a brief statement of the facts, including the vote and the facts entitling the dissenting shareholder to the relief demanded. No answer to such a complaint is required. Upon the filing of such a complaint, the court, on motion of the petitioner, shall enter an order fixing a date for a hearing on the complaint and requiring that a copy of the complaint and a notice of the filing and of the date for hearing be given to the respondent or defendant in the manner in which summons is required to be served or substituted service is required to be made in other cases. On the day fixed for the hearing on the complaint or any adjournment of it, the court shall determine from the complaint and from such evidence as is submitted by either party whether the dissenting shareholder is entitled to be paid the fair cash value of any shares and, if so, the number and class of such shares. If the court finds that the dissenting shareholder is so entitled, the court may appoint one or more persons as appraisers to receive evidence and to recommend a decision on the amount of the fair cash value. The appraisers have such power and authority as is specified in the order of their appointment. The court thereupon shall make a finding as to

the fair cash value of a share and shall render judgment against the corporation for the payment of it, with interest at such rate and from such date as the court considers equitable. The costs of the proceeding, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned as the court considers equitable. The proceeding is a special proceeding and final orders in it may be vacated, modified, or reversed on appeal pursuant to the Rules of Appellate Procedure and, to the extent not in conflict with those rules, Chapter 2505. of the Revised Code. If, during the pendency of any proceeding instituted under this section, a suit or proceeding is or has been instituted to enjoin or otherwise to prevent the carrying out of the action as to which the shareholder has dissented, the proceeding instituted under this section shall be stayed until the final determination of the other suit or proceeding. Unless any provision in division (D) of this section is applicable, the fair cash value of the shares that is agreed upon by the parties or fixed under this section shall be paid within thirty days after the date of final determination of such value under this division, the effective date of the amendment to the articles, or the consummation of the other action involved, whichever occurs last. Upon the occurrence of the last such event, payment shall be made immediately to a holder of uncertificated securities entitled to such payment. In the case of holders of shares represented by certificates, payment shall be made only upon and simultaneously with the surrender to the corporation of the certificates representing the shares for which the payment is made.

(C) If the proposal was required to be submitted to the shareholders of the corporation, fair cash value as to those shareholders shall be determined as of the day prior to the day on which the vote by the shareholders was taken and, in the case of a merger pursuant to section 1701.80 or 1701.801 [1701.80.1] of the Revised Code, fair cash value as to shareholders of a constituent subsidiary corporation shall be determined as of the day before the adoption of the agreement of merger by the directors of the particular subsidiary corporation. The fair cash value of a share for the purposes of this section is the amount that a willing seller who is under no compulsion to sell would be willing to accept and that a willing buyer who is under no compulsion to purchase would be willing to pay, but in no event shall the fair cash value of a share exceed the amount specified in the demand of the particular shareholder. In computing such fair cash value, any appreciation or depreciation in market value resulting from the proposal submitted to the directors or to the shareholders shall be excluded.

(D)(1) The right and obligation of a dissenting shareholder to receive such fair cash value and to sell such shares as to which he seeks relief, and the right and obligation of the corporation to purchase such shares and to pay the fair cash value of them terminates if any of the following applies:

(a) The dissenting shareholder has not complied with this section, unless the corporation by its directors waives such failure;

(b) The corporation abandons the action involved or is finally enjoined or prevented from carrying it out, or the shareholders rescind their adoption of the action involved;

(c) The dissenting shareholder withdraws his demand, with the consent of the corporation by its directors;

(d) The corporation and the dissenting shareholder have not come to an agreement as to the fair cash value per share, and neither the shareholder nor the corporation has filed or joined in a complaint under division (B) of this section within the period provided in that division.

(2) For purposes of division (D)(1) of this section, if the merger or consolidation has become effective and the surviving or new entity is not a corporation, action required to be taken by the directors of the corporation shall be taken by the general partners of a surviving or new partnership or the comparable representatives of any other surviving or new entity.

(E) From the time of the dissenting shareholder's giving of the demand until either the termination of the rights and obligations arising from it or the purchase of the shares by the corporation, all other rights accruing from such shares, including voting and dividend or distribution rights, are suspended. If during the suspension, any dividend or distribution is paid in money upon shares of such class or any dividend, distribution, or interest is paid in money upon any securities issued in extinguishment of or in substitution for such shares, an amount equal to the dividend, distribution, or interest which, except for the suspension, would have been payable upon such shares or securities, shall be paid to the holder of record as a credit upon the fair cash value of the shares. If the right to receive fair cash value is terminated other than by the purchase of the shares by the corporation, all rights of the holder shall be restored and all distributions which, except for the suspension, would have been made shall be made to the holder of record of the shares at the time of termination.

EXHIBIT D-5

2000 One Logan Square
Morgan, Lewis Philadelphia, PA 19103-6993 & Bockius LLP

215-963-5000 COUNSELORS AT LAW

Fax: 215-963-5299

Thomas P. Gadsden
215-963-5234

November 27, 1996

VIA HAND DELIVERY

John G. Alford, Secretary
Pennsylvania Public Utility Commission
New Filing Section - Room B-20
North Office Building
Commonwealth Avenue and North Street
Harrisburg, PA 17120

Re: PETITION OF PENNSYLVANIA POWER COMPANY FOR A DECLARATORY ORDER REGARDING THE APPLICATION OF SECTION 1102(a)(3). DOCKET NO. P-

APPLICATION OF PENNSYLVANIA POWER COMPANY ("PENN POWER") FOR A CERTIFICATE OF PUBLIC CONVENIENCE EVIDENCING COMMISSION APPROVAL UNDER
SECTION 1102(a)(3) OF THE TRANSFER OF STOCK OF OHIO EDISON COMPANY, PARENT OF PENN POWER, TO FIRSTENERGY CORP. DOCKET NO. A-

---

Dear Secretary Alford:

Enclosed for filing are an original and two copies of the PETITION OF PENNSYLVANIA POWER COMPANY FOR A DECLARATORY ORDER REGARDING THE APPLICATION OF
SECTION 1102(a)(3). The Petition requests that the Pennsylvania Public Utility Commission ("Commission" or "PUC") enter an Order finding and declaring that
Section 1102(a)(3) of the Public Utility Code, 66 Pa. C.S. Section 1102(a)(3), does not comprehend a proposed transaction whereby the common stock of Pennsylvania Power Company's ("Penn Power") parent, Ohio Edison Company ("OE"), will be exchanged for the common stock of a newly-formed corporation, FirstEnergy Corp. ("FirstEnergy"), as more fully described in the Petition.

As also explained in the enclosed Petition (Paragraph 17 at pp. 11-12), while Penn Power firmly believes that Section 1102(a)(3) approval of the proposed transaction involving OE is not required, Penn Power recognizes that, as a practical matter, the issues raised therein would be moot if the Commission were to expeditiously grant its unqualified approval of the OE stock transfer. Accordingly, Penn Power has provided, as a separately bound Appendix A to the Petition, an original and two copies of a completed and executed APPLICATION OF PENNSYLVANIA POWER COMPANY ("PENN POWER") FOR A CERTIFICATE OF PUBLIC CONVENIENCE EVIDENCING COMMISSION APPROVAL UNDER SECTION 1102(a)(3) OF THE TRANSFER OF STOCK OF

OHIO EDISON COMPANY, PARENT OF PENN POWER, TO FIRSTENERGY CORP. The Application is being provided on a contingent basis, and does not represent either OE's submission to the jurisdiction of the PUC or an admission by Penn Power or OE of the PUC's jurisdiction or authority under Section 1102(a)(3) over the proposed stock transfer. An affidavit of verification is attached to the Application, and a check in the amount of $350 payable to the Commonwealth of Pennsylvania is enclosed in satisfaction of the Commission's filing fee under 52 Pa. Code
Section 1.43(a).

Pursuant to 52 Pa. Code Section 1.51, the Commission is to provide Penn Power with instructions for the service and/or public notice of the filing of the Application. As evidenced by the enclosed Certificate of Service, Penn Power has already served copies of the Petition and Application upon the Office of Consumer Advocate and the Office of Small Business Advocate.

Additional copies of this letter, the Petition and the Application are enclosed, which we request that you date stamp and return to us as evidence of filing.

If there are any questions concerning the Petition or the Application, please feel free to call us.

Very truly yours,

/s/

Thomas P. Gadsden
Attorney for Pennsylvania Power Company

TPG
Enclosures

cc: Irwin A. Popowsky, Consumer Advocate (w/encl)
Bernard A. Ryan, Jr., Small Business Advocate (w/encl)
Douglas T. Beebe, Office of Special Assistants (w/encl)

bcc: Stephen L. Feld, Esquire (FedEx)
Michael R. Beiting (FedEx)
Robert S. Waters (FedEx)

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that I have, this 27th day of November 1996, served true and correct copies of the PETITION OF PENNSYLVANIA POWER COMPANY FOR A DECLARATORY ORDER REGARDING THE APPLICATION OF SECTION 1102(a)(3) and the APPLICATION OF PENNSYLVANIA POWER COMPANY ("PENN POWER") FOR A CERTIFICATE OF PUBLIC CONVENIENCE EVIDENCING COMMISSION APPROVAL UNDER SECTION 1102(a)(3) OF THE TRANSFER OF STOCK OF OHIO EDISON COMPANY, PARENT OF PENN POWER, TO FIRSTENERGY CORP. upon the following persons in the manner indicated below:

BY HAND DELIVERY

Irwin A. Popowsky, Consumer Advocate Office of Consumer Advocate 1425 Strawberry Square Harrisburg, PA 17120

Bernard A. Ryan, Small Business Advocate Office of Small Business Advocate Suite 1102, Commerce Building 300 North Second Street Harrisburg, PA 17120

Douglas T. Beebe Supervisor - Securities Office of Special Assistants Pennsylvania Public Utility Commission Rm 207 North Office Building Commonwealth Avenue and North Street Harrisburg, PA 17120

DATED: November 27, 1996

_____
Anthony C. DeCusatis
Counsel for Pennsylvania Power Company

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PENNSYLVANIA POWER	:	
COMPANY FOR A DECLARATORY	:	DOCKET NO.
ORDER REGARDING THE APPLICATION	:	P-_____

OF SECTION 1102(A)(3) :

PETITION OF
PENNSYLVANIA POWER COMPANY

Pennsylvania Power Company ("Penn Power" or the "Company"), pursuant to Section 331(f) of the Public Utility Code, 66 Pa. C.S. Sections 331(f), and 52 Pa. Code Section 5.42, respectfully requests that the Pennsylvania Public Utility Commission ("PUC" or the "Commission") issue a declaratory order holding that Section 1102(a)(3) of the Public Utility Code, 66 Pa. C.S. Section 1102(a)(3) (hereafter, "Section 1102(a)(3)"), does not comprehend a proposed transaction whereby the common stock of Penn Power's parent, Ohio Edison Company ("OE"), will be exchanged for the common stock of a newly-formed corporation, FirstEnergy Corp. ("FirstEnergy"), and, after the exchange: (1) OE will be a wholly-owned subsidiary of FirstEnergy; (2) holders of the common stock of OE will own shares of common stock of FirstEnergy representing a 66.25% majority voting interest in that company; (3) OE will have the right to appoint the first Board of Directors of FirstEnergy; (4) all of Penn Power's common stock will continue to be held by OE; (5) there will be no change in the management of Penn Power; and (6) Penn Power's existing rates will not increase nor its existing service be diminished as a result of the proposed transaction. In support of its request for a declaratory order, Penn Power states as follows:

THE COMPANIES

1. Penn Power is a public utility providing electric service to approximately 144,000 customers within its authorized service territory located within the Counties of Allegheny, Beaver, Butler, Crawford, Lawrence and Mercer in Western Pennsylvania. Penn

Power is subject to the regulatory jurisdiction of this Commission and the Federal Energy Regulatory Commission ("FERC").

2. All of the outstanding common stock of Penn Power is held by OE. OE is a public utility that provides electric service to approximately 1.1 million customers within its authorized service territory located in Central and Northern Ohio. OE is subject to the regulatory jurisdiction of the Public Utilities Commission of Ohio ("PUCO") and the FERC. By reason of its ownership of Penn Power's common stock, OE is a "holding company" as defined in the Public Utility Holding Company Act of 1935, 15 U.S.C. Sections 79 to 79z-6 ("PUHCA"), but is exempt from registration under Section 3(a)(2) of PUHCA, 15 U.S.C.
Section 79c(a)(2).

3. Centerior Energy Corporation ("Centerior") holds all of the outstanding common stock of The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("TE"). Both CEI and TE are public utilities providing electric service within their authorized service territories in Ohio. CEI serves the City of Cleveland and contiguous areas. TE serves the City of Toledo and contiguous areas. In aggregate CEI and TE supply electric service to approximately 1.0 million customers in Northern Ohio. CEI and TE are subject to the regulatory jurisdiction of the PUCO, the FERC and the Nuclear Regulatory Commission ("NRC"). Centerior is a "holding company" as defined by PUHCA but is exempt from registration under Section 3(a)(1) thereof, 15 U.S.C. Section 79c(a)(1).

THE PROPOSED TRANSACTION

4. On September 13, 1996, OE and Centerior entered into an Agreement and Plan of Merger (the "Merger Agreement"). Pursuant to the Merger Agreement, OE, CEI and TE will become wholly-owned subsidiaries of FirstEnergy, and Penn Power will remain a wholly-owned subsidiary of OE. OE, Penn Power, CEI and TE have also entered into a Joint

Dispatch Agreement, under which they will operate their combined systems as a single control area. Copies of the Merger Agreement and the Joint Dispatch Agreement have been provided to the Commission as part of the Joint Application Of Ohio Edison Company, Pennsylvania Power Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company For Approval Of Merger And Joint Dispatch Agreement (the "FERC Application"), which was filed with the FERC on November 8, 1996. The FERC Application, together with all Exhibits thereto and accompanying testimony, was submitted to the Commission pursuant to 18 C.F.R. Section 33.6.

5. Under the terms of the Merger Agreement, each share of common stock of OE will be converted into one share of common stock of FirstEnergy and each share of Centerior will be converted into 0.525 shares of FirstEnergy. Debt and preferred shares of OE, Penn Power, CEI and TE will remain outstanding. Upon completion of the transaction, former OE common stockholders will own common stock in FirstEnergy representing 66.25% of FirstEnergy's total voting shares. The Merger Agreement also provides that OE's Board of Directors will designate the members of FirstEnergy's initial Board of Directors, which is expected to be the twelve current members of the OE Board. Also, the Chairman of the Board, President and Chief Executive Officer ("CEO") of FirstEnergy will be W. R. Holland, who is currently the Chairman of the Board of Penn Power.

6. The Merger Agreement and the Joint Dispatch Agreement are subject to approval by the FERC under Sections 203 and 205 of the Federal Power Act. The PUCO will have an opportunity to review the proposed merger in the context of a merger-related CEI/TE regulatory plan that will provide for, INTER ALIA, a rate freeze and accelerated depreciation of certain fixed assets. Regulatory approvals will also be required by the Securities and Exchange Commission, the NRC, the United States Department of Justice and the Federal

Trade Commission. As is evident, the Merger Agreement will be reviewed by a number of agencies to assure that the proposed transaction is in the public interest. FirstEnergy will be a "holding company" as defined by PUHCA, and is expected to be exempt from registration under Section 3(a)(1) thereof, 15 U.S.C.
Section 79c(a)(1).

7. As previously indicated, upon completion of the transaction in the manner set forth in the Merger Agreement, OE will continue to own all of the common stock of Penn Power. As a result of the proposed transaction, no changes in the management of Penn Power will occur, nor will Penn Power's rates be increased or its service diminished.

SECTION 1102(A)(3) AND THE COMMISSION'S POLICY STATEMENT

8. Section 1102(a)(3) requires prior PUC approval, as evidenced by a certificate of public convenience, for:

[A]ny public utility or an affiliated interest of a public utility as defined in section 2101 ... to acquire from, or transfer to, any person or corporation, including a municipal corporation, by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

9. In JOINT APPLICATION OF COMMONWEALTH TELEPHONE COMPANY, ET AL.,
Docket No. A-310800F0006 (October 22, 1993) ("COMMONWEALTH TELEPHONE"), the Commission reversed its longstanding interpretation of Section 1102(a)(3). Prior to COMMONWEALTH TELEPHONE, only the transfer of utility stock was considered to be a transfer of used or useful property requiring approval under Section 1102(a)(3).(1)/ In COMMONWEALTH TELEPHONE, however, the Commission stated that:

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(1) SEE APPLICATION OF AIRSIGNAL INTERNATIONAL OF PITTSBURGH, PA., INC., A-101365 (January 14, 1980); APPLICATION OF MCI AIRSIGNAL, INC. OF PA.,
INC., A-330035 (July 15, 1986).

[F]rom a practical view, the transfer of equity control of a utility parent or grandparent can directly affect the management of the utility. Stockholders exercising a controlling interest in a parent or grandparent can affect the Board of Directors, utility personnel and utility management philosophy and can ultimately have a direct effect on the cost and quality of service to the public.

In COMMONWEALTH TELEPHONE, the transaction involved the transfer of a 57% voting interest in the parent of a telephone utility providing local exchange service in Pennsylvania subject to the PUC's jurisdiction.

10. On September 1, 1994, the Commission issued a Policy Statement regarding utility stock transfers under Section 1102(a)(3). In its Order adopting the Policy Statement, the Commission noted that its purpose was to clarify the application of COMMONWEALTH TELEPHONE, which it characterized as holding that:

[Section] 1102(a)(3) invoked Commission jurisdiction over the transfer of stock of either a utility or its parent, regardless of the remoteness of the transaction, IF THE EFFECT OF THE STOCK TRANSFER IS THE TRANSFER OR ACQUISITION OF CONTROL OF A JURISDICTIONAL UTILITY. (Emphasis added.)

24 Pa. Bulletin 5328, 5329 (October 22, 1994).

Specifically, the Policy Statement addressed the issue of what constitutes de facto "control," as follows:

(b) Policy.

(1) A transaction or series of transactions resulting in a new controlling interest is jurisdictional when the transaction or transactions result in a different entity becoming the beneficial holder of the largest voting interest in the utility or parent, regardless of the tier. A transaction or series of transactions resulting in the elimination of a controlling interest is jurisdictional when the transaction or transactions result in the dissipation of the largest voting interest in the utility or parent, regardless of the tier.

(2) For purposes of this section, a controlling interest is an interest, held by a person or a group acting in concert, which enables the beneficial holders to control at least 20% of the voting interest in the utility or its parent, regardless of the remoteness of the transaction. In

determining whether a controlling interest is present, voting power arising from a contingent right shall be disregarded.

52 Pa. Code Section 69.901.

PUC APPROVAL UNDER
SECTION 1102(A)(3) IS NOT REQUIRED

11. At the outset, Penn Power must reiterate its fundamental disagreement with the PUC's interpretation of Section 1102(a)(3) as reaching stock transfers occurring at the level of a jurisdictional utility's parent or grandparent. The language of Section 1102(a)(3) does not support the PUC's interpretation. Moreover, transfers of stock by and between non-Pennsylvania public utilities are not within the jurisdiction and authority of the Commission, as Penn Power explained in detail in the Comments it filed to the Commission's proposed Policy Statement, which are incorporated herein by reference. While Penn Power acknowledges that the Commission did not agree with this position at the time the Policy Statement was issued, it believes that the Commission would be justified, based on the facts and circumstances involved in this matter, in revisiting the issue at this time.(2)/ However, even if the Commission were not inclined to reconsider its position on that issue, it should nonetheless enter the Declaratory Order requested by Penn Power because the proposed OE-Centerior transaction is outside the

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2 In this regard, it should be noted that statements of policy do not have the force of law, are merely interpretive in nature and are not binding upon a reviewing court. The value of a policy statement is, at most, persuasive, so long as it represents an accurate interpretation of the relevant statute or other authorities from which it is derived. PENNSYLVANIA DEPT. OF HEALTH V. NORTH HILLS PASSAVANT HOSPITAL, 674 A.2d 1141, 1147 (Pa. Cmwlth. 1996); PENNSYLVANIA HUMAN RELATIONS COMM'N. V. NORRISTOWN AREA SCHOOL DISTRICT, 20 Pa. Cmwlth. 555, 342 A.2d 464 (1975), AFFIRMED, 473 Pa. 334, 374 A.2d 671 (1977). Consequently, the Commission's Policy Statement on stock transfers under Section 1102(a)(3) is not, in itself, a primary source of governing law nor is it a presumptively correct interpretation of the law.

purpose and intent of the Commission's Policy Statement and the holding in **COMMONWEALTH TELEPHONE.**

12. As previously explained, the Commission expressed its intent to assert jurisdiction over the transfer of stock by a utility's parent or grandparent "if the effect of the stock transfer is the transfer or acquisition of control of a jurisdictional utility." 24 Pa. Bulletin at 5329. Also, as the Commission noted in COMMONWEALTH TELEPHONE, in determining whether a change of control would occur, it would take a "practical view." To that end, the Policy Statement proposes an analytic approach that collapses intermediary corporate changes and focuses upon changes in stock ownership among the persons or entities that have ultimate control over any tiered group of corporations that include a Pennsylvania jurisdictional utility. SEE 52 Pa. Code Section 69.901(b)(1).

13. Applying the Commission-authorized approach, outlined above, to the OE-Centerior transaction, it is clear that the proposed stock transfer will NOT effect a "change of control." Prior to the transaction, ultimate "control" of OE is lodged in the holders of OE's publicly-traded common stock. After consummation of the transaction, ultimate "control" of the tiered group, as represented by the stock ownership in FirstEnergy, will continue to be lodged in the former OE stockholders, who would own 66.25% of the voting shares of FirstEnergy. In short, the very same stockholders would be in "control" both before and after the transaction.

14. As previously explained, OE would name FirstEnergy's initial Board of Directors. In addition, OE's CEO would become the Chairman, President and CEO of FirstEnergy. Thus, although a holding company structure is being used to effect a nominal "merger" of OE and Centerior, this transaction is widely viewed as an acquisition of Centerior by OE that will place OE in control of the combined entity. See ELECTRIC UTILITY WEEK, p. 1

(September 23, 1996), referring to "Ohio Edison's agreement to acquire Cleveland-based Centerior Energy ... ;" THE ENERGY DAILY, p. 1 (September 17, 1996) ("The 'merger,' in reality, a $1.6 billion purchase of Centerior by Ohio Edison, will enable the companies to provide 'better service at lower prices'..."); NUCLEONICS WEEK, p. 1 (September 19, 1996) ("[T]he planned merger is in the form of a stock-for-stock transaction under which Ohio Edison, the financially stronger company, will pay approximately $1.6 billion for Centerior and control the resulting company...").

15. It must also be emphasized that the immediate ownership and management of Penn Power will not be affected by the proposed transaction. All of Penn Power's common stock will continue to be owned by OE, and Penn Power's management will remain in place. Additionally, Penn Power's rates will not be increased nor the quality of its service diminished as a result of the proposed transaction. In particular, Penn Power would remain subject to the terms and conditions of the Rate Stability And Economic Development Plan approved by the Commission's Order entered June 25, 1996, at Docket No. P-00961028.

16. For the reasons set forth above, the Commission should enter an order finding and determining that the proposed transaction, as hereinbefore described, is not subject to a requirement of prior Commission approval under Section 1102(a)(3).

CONTINGENT APPLICATION FOR A
CERTIFICATE OF PUBLIC CONVENIENCE

17. While Penn Power firmly believes that Section 1102(a)(3) approval of the proposed transaction is not required, it recognizes that, as a practical matter, the issues raised herein would be moot if the Commission were to expeditiously grant its unqualified approval of the OE stock transfer and issue a certificate of public convenience in evidence

thereof. In view of the substantial public benefits that will result from the proposed transaction, Penn Power desires to avoid any unnecessary delay in obtaining the requisite regulatory action, whether in the form of PUC approval of the proposed transaction or a declaratory order obviating the need for such approval. In furtherance of that goal, Penn Power is providing to the Commission, as Appendix A hereto, a completed and executed Application For A Certificate of Public Convenience Evidencing Commission Approval Under Section 1102(a)(3) of the Transfer of Stock of Ohio Edison Company, Parent of Pennsylvania Power Company, To FirstEnergy Corp. The Application is being provided on a contingent basis only, and represents neither OE's submission to the jurisdiction of the PUC nor an admission by Penn Power or OE of the PUC's jurisdiction or authority under Section 1102(a)(3) over the proposed stock transfer.

WHEREFORE, for the reasons set forth above, the Commission should issue a Declaratory Order finding and determining that the transfer of stock in OE to FirstEnergy does not require prior Commission approval under Section 1102(a)(3). If, however, the Commission declines to issue such an Order, then the Application provided in Appendix A should be deemed filed, NUNC PRO TUNC, as of the date of filing of this Petition and the Commission should promptly enter an order approving the proposed stock transfer without condition or qualification.

Respectfully submitted,

/s/ Thomas P. Gadsden

Thomas P. Gadsden
Anthony C. DeCusatis
Morgan, Lewis & Bockius LLP
2000 One Logan Square
Philadelphia, PA 19103-6993

Robert P. Wushinske Stephen L. Feld Counsel for Pennsylvania Power Company One East Washington Street P.O. Box 891 New Castle, PA 16103

OF COUNSEL:

MORGAN, LEWIS & BOCKIUS LLP
2000 One Logan Square
Philadelphia, PA 19103

Date: November 27, 1996

A F F I D A V I T

COMMONWEALTH OF PENNSYLVANIA)

) ss.:

COUNTY OF LAWRENCE)

Robert P. Wushinske, being duly sworn according to law, deposes and says that he is Vice President of Pennsylvania Power Company; that he is authorized to and does make this affidavit for it; that he has read the foregoing Petition and states that the facts set forth therein are true and correct to the best of his knowledge, information and belief and he expects Pennsylvania Power Company to be able to prove the same at a hearing, if any, thereon.

/s/ Robert P. Wushinske

Robert P. Wushinske

Sworn to and subscribed
before me this 25th day
of November, 1996

/s/ Donna S. Mathieson
- ---
Notary Public

D-5-14

APPENDIX A

**APPLICATION OF PENNSYLVANIA POWER COMPANY ("PENN POWER")
FOR A CERTIFICATE OF PUBLIC CONVENIENCE
EVIDENCING COMMISSION APPROVAL UNDER**

SECTION 1102(A)(3) OF THE TRANSFER OF STOCK OF OHIO EDISON COMPANY, PARENT OF PENN POWER,
TO FIRSTENERGY CORP.

(The aforementioned Application is being submitted as a separately bound document.)

D-5-15

Exhibit D-6

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF PENNSYLVANIA POWER COMPANY ("PENN POWER") FOR A CERTIFICATE OF PUBLIC CONVENIENCE EVIDENCING APPROVAL UNDER SECTION 1102(A)(3) OF THE TRANSFER OF STOCK OF OHIO EDISON COMPANY, PARENT OF PENN POWER, TO	:	APPLICATION DOCKET NO. _____, 1996

FIRSTENERGY CORP. :

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
("COMMISSION"):

A. INTRODUCTION

1. The name and address of the Applicant are

Pennsylvania Power Company One East Washington Street P.O. Box 891
New Castle, PA 16103

2. The names and addresses of the Applicant's attorneys are:

Thomas P. Gadsden

Anthony C. DeCusatis
Morgan, Lewis & Bockius LLP 2000 One Logan Square
Philadelphia, PA 19103-6993

and

Robert P. Wushinske
Stephen L. Feld
Pennsylvania Power Company One East Washington Street P.O. Box 891
New Castle, PA 16103

3. This Application pertains to a transaction whereby the common stock of Penn Power's parent, Ohio Edison Company ("OE"), will be exchanged for the common stock of a newly-formed company, FirstEnergy Corp. ("FirstEnergy"), as part of a proposed merger of OE and Centerior Energy Corporation ("Centerior"), as

more fully described hereafter.

4. On November 27, 1996, Penn Power filed a Petition For A Declaratory Order Regarding The Application Of Section 1102(a)(3), in which it asked the Commission to issue an order finding and declaring that the proposed exchange of OE common stock for FirstEnergy common stock is not subject to approval under Section 1102(a)(3) of the Public Utility Code, 66 Pa.C.S. Section 1102(a)(3) (hereafter, "Section 1102(a)(3)"). For the reasons fully explained in the Petition (see Paragraphs 11-16, at pp. 7-11), the Commission should issue the requested declaratory order. However, as also explained in the Petition (Paragraph 17 at pp. 11-12):

While Penn Power firmly believes that Section 1102(a)(3) approval of the proposed transaction is not required, it recognizes that, as a practical matter, the issues raised herein would be moot if the Commission were to expeditiously grant its unqualified approval of the OE stock transfer and issue a certificate of public convenience in evidence thereof. In view of the substantial public benefits that will result from the proposed transaction, Penn Power desires to avoid any unnecessary delay in obtaining the requisite regulatory action, whether in the form of PUC approval of the proposed transaction or a declaratory order obviating the need for such approval. In furtherance of that goal, Penn Power is providing to the Commission, as Appendix B hereto, a completed and executed Application For A Certificate of Public Convenience Evidencing Commission Approval Under Section 1102(a)(3) of the Transfer of Stock of Ohio Edison Company, Parent of Pennsylvania Power Company, To FirstEnergy Corp. The Application is being provided on a contingent basis only, and represents neither OE's submission to the jurisdiction of the PUC nor an admission by Penn Power or OE of the PUC's jurisdiction or authority under Section 1102(a)(3) over the proposed stock transfer.

5. This Application is being submitted on a contingent basis pursuant to the terms of Paragraph No. 17 of the

Petition, as set forth above. Accordingly, if the Commission does not issue a declaratory order, as requested in Penn Power's Petition, then this Application should be deemed filed, NUNC PRO TUNC, as of the date of filing of the Petition, and the Commission should promptly enter an order approving the proposed stock transfer without condition or qualification.

B. THE COMPANIES INVOLVED

6. Penn Power is a public utility providing electric service to approximately 144,000 customers within its authorized service territory located within the Counties of Allegheny, Beaver, Butler, Crawford, Lawrence and Mercer in Western Pennsylvania. A breakdown of the customers, by customer classification, served by Penn Power, as of September 30, 1996, is provided on Exhibit A hereto. A map depicting the service territory of Penn Power is attached hereto as Exhibit B. Penn Power is subject to the regulatory jurisdiction of this Commission and the Federal Energy Regulatory Commission ("FERC").

7. All of the outstanding common stock of Penn Power is held by OE. OE is a public utility that provides electric service to approximately 1.1 million customers within its authorized service territory located in Central and Northern Ohio. OE is subject to the regulatory jurisdiction of the Public Utilities Commission of Ohio ("PUCO") and the FERC. By reason of its ownership of Penn Power's common stock, OE is a "holding company" as defined in the Public Utility Holding Company Act of 1935, 15 U.S.C. Sections 79 to 79z-6 ("PUHCA"), but is exempt from registration under Section 3(a)(2) of PUHCA, 15 U.S.C.

Section 79c(a)(2).

8. Centerior holds all of the outstanding common stock of The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("TE"). Both CEI and TE are public utilities providing electric service within their authorized service territories in Ohio. CEI serves the City of Cleveland and contiguous areas. TE serves the City of Toledo and contiguous areas. In aggregate, CEI and TE supply electric service to approximately 1.0 million customers in Northern Ohio. CEI and TE are subject to the regulatory jurisdiction of the PUCO, the FERC and the Nuclear Regulatory Commission ("NRC"). Centerior is a "holding company" as defined by PUHCA, but is exempt from registration under Section 3(a)(1) thereof, 15 U.S.C. Section 79c(a)(1).

C. THE PROPOSED TRANSACTION

9. On September 13, 1996, OE and Centerior entered into an Agreement and Plan of Merger (the "Merger Agreement").(1)/ Pursuant to the Merger Agreement, OE, CEI and TE will become wholly-owned subsidiaries of FirstEnergy, and Penn Power will remain a wholly-owned subsidiary of OE.

10. Under the terms of the Merger Agreement, each share of common stock of OE will be converted into one share of common stock of FirstEnergy, and each share of Centerior will be converted into 0.525 shares of FirstEnergy. Debt and preferred

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1. A copy of the Merger Agreement has been provided as an Exhibit to the FERC Application filed with the Commission on November 8, 1996, as explained in note 2, INFRA.

shares of OE, Penn Power, CEI and TE will remain outstanding. Upon completion of the transaction, former OE common stockholders will own common stock in FirstEnergy representing 66.25% of FirstEnergy's total voting shares. The Merger Agreement also provides that OE's Board of Directors will designate the members of FirstEnergy's initial Board of Directors, which is expected to be the twelve current members of OE's Board.

11. The Merger Agreement is subject to approval by the FERC under Section 203 of the Federal Power Act.(2)/ The PUCO will have an opportunity to review the proposed merger in the context of a merger-related CEI/TE regulatory plan that will provide for, INTER ALIA, a rate freeze and accelerated depreciation of certain fixed costs. Regulatory approvals will also be required by the Securities and Exchange Commission, the NRC, the United States Department of Justice and the Federal Trade Commission (SEE Section VI. I. of the FERC Application). As is evident, the Merger Agreement will be reviewed by a number of agencies to assure that the proposed transaction is in the public interest. FirstEnergy will be a "holding company" as defined by PUHCA, but is expected to be exempt from registration under Section 3 (a)(1) thereof, 15 U.S.C. Section 79c(a)(1).

---

2. A copy of the Joint Application Of Ohio Edison Company, Pennsylvania Power Company, The Cleveland Electric Illuminating Company, And The Toledo Edison Company For Approval Of Merger And Joint Dispatch Agreement (the "FERC Application"), which was filed with the FERC on November 8, 1996, together with all Exhibits thereto and accompanying testimony, was submitted to the Commission on the same date pursuant to 18 C.F.R Section 33.6.

12. As previously indicated, upon completion of the transaction in the manner set forth in the Merger Agreement, OE will continue to own all of the common stock of Penn Power. As a result of the proposed transaction, no changes in the management of Penn Power will occur nor will Penn Power's rates be increased or its service diminished.

D. BACKGROUND FINANCIAL INFORMATION

13. BALANCE SHEETS. The balance sheet of Penn Power, as of September 30, 1996, is attached hereto as Exhibit C. In addition, the balance sheets of OE, CEI and TE, as of December 31, 1995, and a pro forma balance sheet for FirstEnergy are included as Exhibit C to the FERC Application.

14. INCOME STATEMENT. The income statement of Penn Power, as of September 30, 1996, is attached as Exhibit D. In addition, income statements of OE, CEI and TE, as of December 31, 1995, and a pro forma income statement for FirstEnergy are included as Exhibit E to the FERC Application.

15. STATEMENT OF FIXED PLANT. A statement showing the depreciated original cost of Penn Power's fixed utility plant-in-service, as of September 30, 1996, is attached hereto as Exhibit E. In addition, similar statements of fixed plant for OE, CEI and TE, as of December 31, 1995, are included as part of Exhibit C to the FERC Application.

16. RESOLUTIONS. Approval by the Board of Directors of Penn Power is not required for the proposed merger. Certified copies of the resolutions of the Boards of Directors of the merging companies necessary to authorize the proposed merger are

included as Exhibit A to the FERC Application.

17. DOCUMENTS INCORPORATED BY REFERENCE. All the annual reports, tariffs, certificates of notification, applications for certificates of valuation, applications for approval of the issuance of securities and securities certificates filed with the Commission by Penn Power and its predecessor, constituent and affiliated companies are made part hereof by reference.

E. CONCLUSION

18. If the Commission determines that approval of the proposed transaction is necessary, then this Application should be granted and a certificate of public convenience evidencing Commission approval should be issued for, among others, the following principal reasons:

(a) The existing management of Penn Power will remain in place after the proposed transaction.

(b) Completion of the proposed transaction will have no adverse impact upon the service or rates of Penn Power. In particular, Penn Power would remain subject to the terms and conditions of the Rate Stability And Economic Development Plan approved by the Commission's Order entered June 25, 1996 at Docket No. R-00961028.

(c) The proposed transaction will make Penn Power part of a larger and financially stronger FirstEnergy system that will be far better positioned to deal with evolving changes in the wholesale and retail electric markets, including the increasing exposure to competitive forces. In particular, and as

explained in detail in the Direct Testimony of Arthur R. Garfield (pp. 30-32) filed with the FERC Application, OE, Penn Power, CEI and TE have entered into a Joint Dispatch Agreement to provide for the economic dispatch of their generating facilities and purchased power resources on a combined basis in order to serve their aggregate load requirements and sales obligations. Joint dispatch of capacity resources and extensive interconnections among the operating companies will result in greater reliability for the combined system than either OE/Penn Power or the Centerior system presently realize.

(d) As explained in the FERC Application (Section B.1.) and in the Direct Testimony of Messrs. Garfield and Thomas J. Flaherty filed with the FERC Application, the proposed merger is expected to produce substantial savings on a system-wide basis and for individual operating companies. In large measure, the benefits that will accrue to Penn Power from the merger will provide the means to meet the aggressive goals to which Penn Power is committed under its Rate Stability And Economic Development Plan. As the Commission is aware, under that Plan, Penn Power, INTER ALIA, will reduce its investment in generating assets and regulatory assets by at least an additional $330 million over the life of the Plan; will increase its annual funding for nuclear plant decommissioning by $2.76 million per year; and will substantially increase funding for economic development programs and low-income customer assistance programs, while freezing its base rates until June 20, 2006.

WHEREFORE, for the reasons set forth above, Pennsylvania Power Company requests that the Commission enter an Order approving this Application and issue a certificate of public convenience evidencing its approval of the transaction hereinbefore described.

Respectfully submitted,

/s/ Thomas P. Gadsden

Thomas P. Gadsden
Anthony C. DeCusatis
Morgan, Lewis & Bockius LLP
2000 One Logan Square
Philadelphia, PA 19103-6993

Robert P. Wushinske Stephen L. Feld Counsel for Pennsylvania Power Company One East Washington Street P.O. Box 891 New Castle, PA 16103

OF COUNSEL:

MORGAN, LEWIS & BOCKIUS LLP
2000 One Logan Square
Philadelphia, PA 19103

Date: November 27, 1996

A F F I D A V I T

COMMONWEALTH OF PENNSYLVANIA)
) ss.:
COUNTY OF LAWRENCE)

Robert P. Wushinske, being duly sworn according to law, deposes and says that he is Vice President of Pennsylvania Power Company; that he is authorized to and does make this affidavit for it; that he has read the foregoing Application and states that the facts set forth therein are true and correct to the best of his knowledge, information and belief and he expects Pennsylvania Power Company to be able to prove the same at a hearing, if any, thereon.

/s/ Robert P. Wushinske

Robert P. Wushinske

Sworn to and subscribed
before me this 25th
day of November, 1996.

/s/ Donna S. Mathieson

Notary Public

D-6-10

EXHIBIT A

CUSTOMERS AS OF SEPTEMBER 30, 1996

D-6-11

EXHIBIT A

PENNSYLVANIA POWER COMPANY

CUSTOMERS AS OF SEPTEMBER 30, 1996

Residential	127,279
Commercial	16,492
Industrial	222
Street Lighting	88
Municipal Resale	6
Total	144,087

EXHIBIT B

SERVICE TERRITORY MAP

[Due to Graphical Nature of Map, Not
Filed in EDGAR System]

EXHIBIT C

BALANCE SHEET AS OF SEPTEMBER 30, 1996

D-6-14

EXHIBIT C

PENNSYLVANIA POWER COMPANY
(Unaudited)

Balance Sheet
September 30, 1996

(In thousands)

ASSETS	
UTILITY PLANT:	
In service, at original cost	$1,223,563
Less - Accumulated provision for depreciation	450,384
	773,179
Construction work in progress -	
Electric plant	10,553
Nuclear fuel	1,808
	12,361
	785,540
OTHER PROPERTY AND INVESTMENTS	16,756
CURRENT ASSETS:	
Cash and cash equivalents	914
Notes receivable from parent company	37,000
Receivables -	
Parent Company	9,860
Other	47,064
Provision for uncollectible accounts	(555)
Materials and supplies, at average cost	13,335
Prepayments	2,771
	110,389
DEFERRED CHARGES:	
Customer receivables for future income taxes	102,300
Deferred fuel costs	3,923
Deferred Perry Unit 1 costs	20,121
Deferred costs of term. construction project	41,287
Other	21,684
	189,315
Total Assets	$1,102,000

PENNSYLVANIA POWER COMPANY
(Unaudited)

Balance Sheet
September 30, 1996

(In thousands)

CAPITALIZATION AND LIABILITIES	
CAPITALIZATION:	
Common stock, $30 par value, authorized 6,500,000 shares - 6,290,000 shares outstanding	$ 188,700
Other paid-in capital	(422)
Retained earnings	97,330
Total common stockholder's equity	285,608
Preferred stock	65,905
Long-term debt	311,394
	662,907
CURRENT LIABILITIES:	
Currently payable long-term debt -	
Associated companies	8,834
Other	50,658
Accounts payable -	
Associated companies	7,765
Other	17,997
Accrued taxes	12,028
Accrued interest	5,541
Other	17,641
	120,464
DEFERRED CREDITS:	
Accumulated deferred income taxes	258,592
Accumulated deferred investment tax credits	28,974
Other	31,063
	318,629
Total Capitalization and Liabilities	$1,102,000

EXHIBIT D

STATEMENT OF INCOME
AS OF SEPTEMBER 30, 1996

D-6-17

EXHIBIT D

PENNSYLVANIA POWER COMPANY
(Unaudited)

Statement of Income
Twelve Months Ended September 30, 1996

(In thousands)

OPERATING REVENUES	$323,913
OPERATING EXPENSES AND TAXES:	
Operation -	
Fuel and purchased power	66,311
Nuclear operating costs	26,483
Other operating costs	60,250
Total operation and maintenance expenses	153,044
Provision for depreciation	45,035
General taxes	24,028
Amortization of net regulatory assets	3,690
Income taxes	30,945
Total operating expenses and taxes	256,742
OPERATING INCOME	67,171
OTHER INCOME	5,798
TOTAL INCOME	72,969
NET INTEREST:	
Interest on long-term debt	26,550
Interest on nuclear fuel obligations	284
Allowance for borrowed funds used during construction	(526)
Other interest expense	1,994
Net interest	28,302
NET INCOME	44,667
PREFERRED STOCK DIVIDEND REQUIREMENTS	4,627
EARNINGS ON COMMON STOCK	$ 40,040

EXHIBIT E

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION AS OF SEPTEMBER 30, 1996

D-6-19

EXHIBIT E

PENNSYLVANIA POWER COMPANY
(Unaudited)

Summary of Utility Plant and Accumulated Provisions For Depreciation, Amortization and Depletion September 30, 1996

(In thousands)

UTILITY PLANT	
Electric Plant In Service	
Plant in Service (Classified)	$1,144,240
Property Under Capital Leases	11,864
Plant Purchased or Sold	(7,819)
Completed Construction not Classified	34,683
TOTAL	1,182,968
Leased to Others	899
Held for Future Use	9,405
Construction Work in Progress	10,553
TOTAL Utility Plant	1,203,825
Accum. Prov. for Depr., Amort., & Depl	434,697
NET Utility Plant	$769,128

Detail of Accumulated Provisions for Depreciation, Amortization, and Depletion	
Electric Plant In Service	
Depreciation and Amortization	$422,024
Amort. of Other Utility Plant	12,628
TOTAL in Service	434,652
Depreciation of Plant Leased to Others	45
TOTAL Accumulated Provisions	$434,697

EXHIBIT F-1

WINTHROP, STIMSON, PUTNAM & ROBERTS LETTERHEAD

ONE BATTERY PARK PLAZA
NEW YORK, NY 10004-1490

TELEPHONE: 212-858-1000
TELEFAX: 211-858-1500
TELEX: 62854 WINSTIM

January 24, 1997

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: FirstEnergy Application/Declaration on Form U-1

Ladies and Gentlemen:

We are New York counsel to FirstEnergy Corp. ("FirstEnergy"). We have examined FirstEnergy's Application/Declaration on Form U-1 (File No. ____)(the "Application/Declaration") filed on January 24, 1997, with the Securities and Exchange Commission (the "Commission") under the Public Utility Holding Company Act of 1935 (the "Act") requesting an order of the Commission under the Act (i) authorizing the direct and indirect acquisition by FirstEnergy of all of the issued and outstanding voting securities ("Common Stock") of Ohio Edison Company, an Ohio corporation ("Ohio Edison"), The Cleveland Electric Illuminating Company, an Ohio corporation ("Cleveland Electric"), The Toledo Edison Company, an Ohio corporation ("Toledo Edison") and Pennsylvania Power Company, a Pennsylvania corporation ("Penn Power") as well as 20.5% of the Common Stock of Ohio Valley Electric Corporation, an Ohio corporation ("OVEC")(which, in turn, owns all of the Common Stock of Indiana-Kentucky Electric Corporation ("IKEC")) and (ii) granting such other authorizations as may be necessary in connection therewith.

Such acquisition is to be effected through the transactions contemplated by (i) the Agreement and Plan of Merger, dated as of September 13, 1996 (the "Merger Agreement") between Ohio Edison and Centerior, (ii) the Merger Agreement by and among Ohio Edison Company,

FirstEnergy Corp. and Ohio Edison Acquisition Corp., attached to the Merger Agreement as Exhibit A (the "Ohio Edison Merger Agreement"), and (iii) the Merger Agreement by and among Centerior Acquisition Corp., FirstEnergy Corp. and Centerior Energy Corporation, attached to the Merger Agreement as Exhibit B (the "Centerior Merger Agreement" and, together with the Merger Agreement and the Ohio Edison Merger Agreement, the "Merger Agreements"). The Merger Agreements provide, among other things, for (i) the merger of Centerior with and into FirstEnergy Corp., (immediately after the merger of a wholly-owned subsidiary of FirstEnergy with and into Centerior pursuant to the Centerior Merger Agreement) and (ii) the merger of another wholly-owned subsidiary of FirstEnergy with and into Ohio Edison pursuant to the Ohio Edison Merger Agreement (collectively, the "Merger"). Following the Merger, FirstEnergy will be a holding company which will directly hold all of the Ohio Edison Common Stock, Cleveland Electric Common Stock and Toledo Edison Common Stock. Penn Power will remain a wholly-owned subsidiary of Ohio Edison. Upon consummation of the Merger, FirstEnergy will own indirectly 20.5% of the OVEC Common Stock. The Merger Agreements envision the issuance of approximately 230,300,000 shares, $0.10 par value, of common stock of FirstEnergy (the "Shares").

Based upon our examination of the Application/Declaration and such other instruments, documents and matters of law as we have deemed requisite, we are of the opinion that:

1. FirstEnergy is duly incorporated and validly existing under the laws of the State of Ohio, with full power and authority (corporate and other) to own its properties and conduct its business as described in the Application/Declaration; to the best of our knowledge, FirstEnergy is not qualified as a foreign corporation in any jurisdiction and the nature of its operations are such that it is not required to be so qualified.

2. Assuming the Merger is accomplished in accordance with the Merger Agreements and as described in the Application/Declaration: (i) all laws of the State of Ohio applicable to the Merger will have been complied with,
(ii) the Shares will be legally issued, fully paid and nonassessable, and the holders thereof will be entitled to the rights appertaining thereto set forth in the Amended Articles of Incorporation of FirstEnergy, (iii) FirstEnergy will legally acquire, directly or indirectly, all of the issued and outstanding voting securities of Ohio Edison, Cleveland Electric, Toledo

Edison, Penn Power and 20.5% of the issued and outstanding voting securities of OVEC and (iv) the consummation of the transactions proposed in said Application/Declaration will not violate the legal rights of the holders of any securities issued by FirstEnergy or any associate company thereof.

We hereby consent to the filing of this opinion as an exhibit to the Application/Declaration.

Very truly yours,

/s/ Winthrop, Stimson, Putnam & Roberts

EXHIBIT H-1
(LOGO)

MEMBER NEW YORK STOCK EXCHANGE

McDONALD INVESTMENT CENTER
800 SUPERIOR AVENUE
CLEVELAND, OHIO 44114-2603
216-443-2300

SEPTEMBER 13, 1996

PERSONAL AND CONFIDENTIAL
Board of Directors
Ohio Edison Company
76 South Main Street
Akron, OH 44305-1890

You have requested our opinion as to the fairness, from a financial point of view, as of the date hereof, to the holders of the outstanding common shares, par value $9.00 per share (the "Company Common Shares"), of Ohio Edison Company (the "Company") of the exchange ratio at which Company Common shares will be exchanged (the "Company Exchange Ratio") for common shares, $0.10 par value, of FirstEnergy Corp. ("FirstEnergy"), pursuant to the Agreement and Plan of Merger to be dated as of September 13, 1996 (the "Agreement") by and between the Company and Centerior Energy Corporation ("Centerior"), in light of the Centerior Exchange Ratio (as defined below). Pursuant to the Agreement, the Company and Centerior will form FirstEnergy, a holding company. The Company will be merged with a subsidiary of FirstEnergy, and each of the outstanding Company Common Shares will be converted into the right to receive one common share, par value $0.10 per share, of FirstEnergy (the "FirstEnergy Common Shares"). Centerior will be merged into FirstEnergy, and each of the outstanding common shares, no par value, of Centerior (the "Centerior Common Shares") will be converted into the right to receive .525 shares of FirstEnergy Common Shares (the "Centerior Exchange Ratio").

McDonald & Company Securities, Inc., as part of its investment banking business, is customarily engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

In connection with this opinion, we have reviewed, among other things: (i) the Agreement; (ii) Annual Reports to shareholders and Annual Reports on Form 10-K of the Company and Centerior for the five years ended December 31, 1995;
(iii) certain interim reports to shareholders and Quarterly Reports on Form 10-Q of the Company and Centerior; (iv) certain FERC Forms 1 of the Company and Centerior; (v) certain other communications from the Company and Centerior to their respective shareholders; and (vi) certain internal financial analyses and forecasts of certain operating efficiencies and financial synergies expected to be achieved as a result of the proposed combination, which were prepared jointly by the managements of the Company and Centerior, with the assistance of third party consultants. We also have held discussions with members of the senior management of the Company and Centerior regarding the past and current business operations, financial conditions and future prospects of their respective companies and their analyses of the strategic benefits of the proposed combination, including, without limitation, the amount and timing of realization of the synergies related to the proposed combination. In addition, we have reviewed the reported price and trading activity information for Company Common Shares and Centerior Common Shares, compared certain financial and stock market information for the Company and Centerior with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the electric utility industry and performed such other studies and analyses as we considered appropriate.

In our review and analysis and in arriving at our opinion, we have assumed and relied upon the accuracy and completeness of all of the financial and other information provided us or publicly available and have assumed and relied upon the representations and warranties of the Company and Centerior contained in the Agreement. We have not been engaged to verify, nor have we independently attempted to verify, any of such information. We have also relied upon the managements of the Company and Centerior as to the reasonableness and achievability of the financial and operating projections (and the assumptions and bases therefor) provided to us and, with your consent, we have assumed that such projections reflect the best currently available estimates and judgments of such respective managements of the Company and Centerior and that such projections and forecasts will be realized in the amounts and in the time periods currently estimated by the managements of the Company and Centerior. We have not been engaged to assess the achievability of such projections or the assumptions upon which they were based and express no view as to such projections or assumptions. In addition, we have not conducted a physical inspection or appraisal of any of the assets, properties or facilities of either the Company or Centerior nor have we been furnished with any such evaluation or appraisal. In addition, we have further assumed that obtaining any necessary regulatory or third party approvals for the transaction contemplated by the Agreement will not have an adverse effect on the Company or Centerior.

It should be noted that this opinion is based on economic and market conditions and other circumstances existing on, and information made available as of, the date hereof and does not address any matters subsequent to such date, including the value of the Company Common Shares or the Centerior Common Shares at the time of the consummation of the proposed combination. In addition, our opinion is, in any event, limited to the fairness, from a financial point of view, as of the date hereof, to the holders of the Company Common Shares of the Company Exchange Ratio, in light of the Centerior Exchange Ratio, and does not address the Company's underlying business decision to effect the proposed combination or any other terms of the proposed combination.

We will receive from the Company a fee for rendering this opinion, a significant portion of which is contingent upon the approval of the proposed combination by the holders of the Company Common Shares. The Company has. also agreed to indemnify us under certain circumstances. We have also provided certain investment banking services to the Company and Centerior from time to time, including acting as an underwriter of certain securities offerings, and have received customary compensation for such services. In the ordinary course of our business, we may actively trade securities of both the Company and Centerior for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

Our opinion is directed to the Board of Directors and does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote at the shareholders' meeting held in connection with the proposed combination.

Based upon and subject to the foregoing and based upon such other matters as we consider relevant, it is our opinion that as of the date hereof, the Company Exchange Ratio specified in the Agreement, in light of the Centerior Exchange Ratio, is fair from a financial point of view, to the holders of the Company Common Shares.

Very truly yours,

McDONALD & COMPANY SECURITIES, INC.

By: /s/ RICHARD D. WEBER
Richard D. Weber
Senior Vice President

EXHIBIT H-2

September 13, 1996
Revised

The Board of Directors
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Dear Members of the Board;

We understand that Centerior Energy Corporation, an Ohio corporation ("Centerior"), and Ohio Edison Company, an Ohio corporation ("Ohio Edison"), have determined to engage in a strategic business combination. The terms and conditions of the business combination are set forth in the Agreement and Plan of Merger, dated as of September 13, 1996 (the "Agreement") between Ohio Edison and Centerior. The Agreement provides for, among other things, (i) the formation of FirstEnergy Corp., an Ohio corporation ("FirstEnergy"), 50% of whose capital stock will be owned by Centerior and 50% of whose capital stock will be owned by Ohio Edison, (ii) the merger of a subsidiary of firstenergy with and into Ohio Edison (the "Ohio Edison Merger"), (iii) the merger of another subsidiary of FirstEnergy with and into Centerior (the "Centerior Merger"), and (iv) immediately after the Centerior Merger, the merger of Centerior with and into FirstEnergy (the "FirstEnergy Merger") (the Ohio Edison Merger, the Centerior Merger and the FirstEnergy Merger together being referred to herein as the "Merger"). Pursuant to the Agreement, each issued and outstanding share of common stock, par value $9 per share, of Ohio Edison ("Ohio Edison Common Stock") will be converted into common stock, par value $0.10 per share, of FirstEnergy ("First Energy Common Stock") at the rate of one share of FirstEnergy Common Stock for each share of Ohio Edison Common Stock (the "Ohio Edison Conversion Number"); and each issued and outstanding share of common stock, without par value, of Centerior ("Centerior Common Stock") will be converted into FirstEnergy Common Stock at the rate of 0.525 shares of FirstEnergy Common Stock for each share of Centerior Common Stock (the "Centerior Conversion Number"). The terms and conditions of the Merger are set forth in more detail in the Agreement. Capitalized terms used herein without definition have the respective meanings assigned to such terms in the Agreement.

We have been requested by Centerior to render our opinion with respect to the fairness, from a financial point of view, to holders of Centerior Common Stock of the Centerior Conversion Number to be offered in the Merger.

In arriving at our opinion, we have, among other things:

(1) Reviewed the Annual Reports, Forms 10-K and the related financial information for the three-year period ended December 31, 1995, and the Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 1996 and June 30, 1996, for Centerior, The Cleveland Electric Illuminating Company and The Toledo Edison Company;

(2) Reviewed the Annual Reports, Forms 10-K and the related financial information for the three-year period ended December 31, 1995, and the Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 1996 and June 30, 1996, for Ohio Edison and Pennsylvania Power Company;

(3) Reviewed certain other filings with the Securities and Exchange Commission and other regulatory authorities made by Centerior, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Ohio Edison and Pennsylvania Power Company during the last three years, including proxy statements, FERC Forms 1, Forms 8-K and registration statements;

(4) Reviewed certain internal information including financial forecasts, relating to the business, earnings, capital expenditures, cash flow, assets and prospects of Centerior and Ohio Edison furnished to us by Centerior and Ohio Edison;

(5) Conducted discussions with members of senior management of Centerior and Ohio Edison concerning their respective businesses, regulatory environments, prospects and strategic objectives and possible operating, administrative and capital synergies which might be realized for the benefit of FirstEnergy following the Merger;

(6) Reviewed the historical market prices and trading activity for shares of Centerior Common Stock and Ohio Edison Common Stock and compared them with those of certain publicly traded companies which we deemed to be relevant;

(7) Compared the results of operations of Centerior and Ohio Edison with those of certain companies which we deemed to be relevant:

(8) Compared the proposed financial terms of the Merger with the financial terms of certain utility industry business combinations which we deemed to be relevant;

(9) Analyzed the respective contributions in terms of assets, earnings, cash flow and shareholders' equity of Centerior and Ohio Edison to FirstEnergy;

(10) Analyzed the valuation of shares of Centerior Common Stock and Ohio Edison Common Stock using various valuation methodologies which we deemed to be appropriate;

(11) Considered the pro forma capitalization, earnings and cash flow of FirstEnergy;

(12) Compared the pro forma capitalization ratios, earnings per share, dividends per share and payout ratio of FirstEnergy with each of the corresponding current and projected values for Centerior and Ohio Edison on a stand-alone basis;

(13) Reviewed the Agreement; and

(14) Reviewed such other studies, conducted such other analyses, considered such other financial, economic and market criteria, performed such other investigations and taken into account such other matters as we deemed necessary or appropriate for purposes of this opinion.

In rendering our opinion, we have relied, without independent verification, upon the accuracy and completeness of all financial and other information publicly available or otherwise furnished or made available to us by Centerior and Ohio Edison and have further relied upon the assurances of management of Centerior and Ohio Edison-that they are not aware of any facts that would make such information inaccurate or misleading. With respect to the financial projections of Centerior and Ohio Edison (including, without limitation, projected cost savings benefits), we have relied upon the assurances of management of Centerior and Ohio Edison that such projections have been reasonably prepared and reflect the best currently available estimates and judgments of the management of Centerior and Ohio Edison is to the future financial performance of Centerior and Ohio Edison, as the case may be, and as to the projected outcomes of legal regulatory and other contingencies. In arriving at our opinion, we have not made or been provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Centerior or Ohio Edison, nor have we made any physical inspection of the properties or assets of Centerior or Ohio Edison. We have assumed that the Merger will be treated for Federal income tax purposes, as to Ohio Edison, as a transfer within the meaning of Section 351 (a) of the Internal Revenue Code of 1986, as amended ("the Code"), and the regulations thereunder, and as to Centerior, as a reorganization within the meaning of Section 468 (a) of the Code, and that Centerior, Ohio Edison and shareholders of Centerior and Ohio Edison who exchange their shams solely for FirstEnergy Common Stock will recognize no gain or loss for federal income tax purposes as a result of the consummation of the Merger. We have also assumed that the Centerior Merger will be accounted for by the purchase method of accounting. You have not authorized us to solicit, and we have not solicited, any indications of interest from any third party with respect to the purchase of all or a part of Centerior. Our

opinion herein is necessarily based upon financial, stock market and other conditions and circumstances existing and disclosed to us as of the date hereof.

We have acted as financial advisor to Centerior in connection with the Merger and will receive certain fees for, our services. In addition, we, have in the past rendered certain investment banking and financial advisory services to Centerior for which we received customary compensation.

Our advisory services and the opinion expressed herein are provided for the use of Centerior's Board of Directors in evaluating the Merger and are not provided on behalf of, or intended to confer rights or remedies upon, any stockholder of Centerior, Ohio Edison or any person other than Centerior's Board of Directors. Except for its publication in the Joint Proxy Statement which will be distributed to holders of Centerior Common Stock and Ohio Edison Common Stock in connection with approval of the Merger, our opinion may not be published or otherwise used or referred to without our prior written consent. This opinion is not intended to be and does not constitute a recommendation to any stockholder as to how such stockholder should act with respect to the Merger.

Based upon and subject to the foregoing, our experience as investment bankers and other factors we deem relevant, we are of the opinion that, as of the date hereof, the Centerior Conversion Number to be offered in connection with the Merger is fair, from a financial point of view, to the holders of Centerior Common Stock.

Very truly yours,

/s/ Barr Devlin & Co. Incorporated

BARR DEVLIN & CO. INCORPORATED

Exhibit I-1

FIRSTENERGY CORP. ( )

FirstEnergy Corp., 76 South Main Street, Akron, Ohio 44308, an Ohio corporation ("FirstEnergy"), has filed an application/declaration under Sections (9)(a)(2) and 10 of the Public Utilities Holding Company Act of 1935 (the "Act") to acquire, directly or indirectly, all of the issued and outstanding voting securities (the "Common Stock") of Ohio Edison Company ("Ohio Edison"), The Cleveland Electric Illuminating Company ("Cleveland Electric"), The Toledo Edison Company ("Toledo Edison") and Pennsylvania Power Company ("Penn Power"), as well as 20.5% of the Common Stock of Ohio Valley Electric Corporation ("OVEC")(which, in turn, owns all of the Common Stock of Indiana-Kentucky Electric Corporation).

FirstEnergy requests an order approving the proposed acquisition of Ohio Edison, Penn Power, Cleveland Electric and Toledo Edison. FirstEnergy's proposed acquisition will be the result of the merger of FirstEnergy, Ohio Edison and Centerior Energy Corporation ("Centerior"), which currently holds all of the Cleveland Electric and Toledo Edison Common Stock. FirstEnergy states that the merger will result in substantial savings, enhance long-term stockholder value and provide customers with reliable service at more stable and competitive prices.

FirstEnergy was organized under the laws of the State of Ohio in 1996 by Ohio Edison and Centerior for the purpose of facilitating the Merger of Ohio Edison and Centerior

and is not currently engaging in any business. Ohio Edison is an investor-owned "public utility company" and a public utility "holding company" which is exempt from regulation by the Commission under the 1935 Act (except for Section 9(a)(2) thereof) because it is predominantly a public-utility company whose operations as such do not extend beyond the State of Ohio and contiguous states. Ohio Edison owns all of the Common Stock of Penn Power, which is a "public utility company" under the 1935 Act. Centerior is an investor-owned public utility "holding company" which is exempt from regulation by the Commission under the 1935 Act (except for Section 9(a)(2) thereof) because its operations and those of its public utility subsidiaries (Cleveland Electric and Toledo Edison) from which it derives, directly or indirectly, any material part of its income, are predominantly intrastate in character and are carried on substantially in the State of Ohio. Ohio Edison owns 16.5% of the Common Stock of OVEC. Toledo Edison owns 4% of the Common Stock of OVEC.

FirstEnergy states that it will directly acquire all of the Cleveland Electric Common Stock, the Toledo Edison Common Stock and the Ohio Edison Common Stock and will indirectly acquire the Penn Power Common Stock and 20.5% of the OVEC Common Stock through the transactions contemplated by (i) the Agreement and Plan of Merger, dated as of September 13, 1996 (the "Merger Agreement") between Ohio Edison and Centerior, (ii) the Merger Agreement by and among Ohio Edison Company, FirstEnergy Corp. and Ohio Edison Acquisition Corp., attached to the Merger Agreement

as Exhibit A (the "Ohio Edison Merger Agreement"), and (iii) the Merger Agreement by and among Centerior Acquisition Corp., FirstEnergy Corp. and Centerior Energy Corporation, attached to the Merger Agreement as Exhibit B (the "Centerior Merger Agreement" and, together with the Merger Agreement and the Ohio Edison Merger Agreement, the "Merger Agreements"). The Merger Agreements provide, among other things, for (i) the merger of Centerior with and into FirstEnergy Corp., (immediately after the merger of a wholly-owned subsidiary of FirstEnergy ("Centerior Acquisition Corp.") with and into Centerior pursuant to the Centerior Merger Agreement) and (ii) the merger of another wholly-owned subsidiary of FirstEnergy ("Ohio Edison Acquisition Corp.") with and into Ohio Edison pursuant to the Ohio Edison Merger Agreement (collectively, the "Merger"). Following the Merger, FirstEnergy will be a holding company which will directly hold all of the Ohio Edison Common Stock, Cleveland Electric Common Stock and Toledo Edison Common Stock. Penn Power will remain a wholly-owned subsidiary of Ohio Edison. Upon consummation of the Merger, FirstEnergy will own indirectly 20.5% of the OVEC Common Stock.

FirstEnergy states that the existing senior debt and equity securities of Ohio Edison, Cleveland Electric, Toledo Edison and Penn Power will not be affected by the Merger.

Exhibit FS-1

FIRSTENERGY UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma balance sheet of FirstEnergy at September 30, 1996, set forth below, gives effect to the Merger as if it had been consummated on such date. The unaudited pro forma statements of income of FirstEnergy for the nine month periods ended September 30, 1996 and 1995, set forth below, give effect to the Merger as if it had been consummated on January 1, 1995. These statements are prepared based on accounting for the Merger as a purchase with the assumptions specified in the notes thereto. Purchase accounting adjustments are estimates and therefore subject to change.

The following pro forma financial information has been prepared from, and should be read in conjunction with, the historical consolidated financial statements and related notes thereto of Ohio Edison and Centerior incorporated by reference herein. The following information does not reflect any potential cost reductions or synergies associated with the Merger and is not necessarily indicative of the financial position or operating results that would have occurred had the Merger been consummated on the date as of which, or at the beginning of the periods for which, the Merger is being given effect, nor is it necessarily indicative of future financial position or operating results.

The unaudited pro forma financial statements have been adjusted for the expected impact of the regulatory plan filed by FirstEnergy, the result of which is to discontinue the application of SFAS 71 for Cleveland Electric and Toledo Edison nuclear operations. The adjustments reflect the write off of $750 million of regulatory assets at Cleveland Electric and Toledo Edison, and, as required by APB 16, a fair value adjustment of $1.25 billion to reduce the carrying value of the nuclear generating units at FirstEnergy. The ultimate fair value of Cleveland Electric's and Toledo Edison's net assets to be determined at the time of consummation of the Merger could require an adjustment which may be more or less than the assumption used for purposes of the unaudited pro forma financial statements. Any difference between the ultimate net asset valuation and the valuation assumed in the unaudited pro forma financial statements will be reflected as an adjustment of the goodwill recognized in connection with the Merger.

FIRSTENERGY CORP.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

SEPTEMBER 30, 1996

(IN MILLIONS)

	OHIO EDISON	CENTERIOR	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
ASSETS				
Utility plant, net of depreciation	$ 5,487	$ 6,914	$ (1,250)(3a)	$11,151
Other property and investments	1,029	225		1,254
Current assets	489	638	(12)(3b)	1,115
Regulatory assets	1,729	2,193	(750)(3a)	3,172
Goodwill	0	0	865(3c)	865
Other deferred charges	262	335		597
Total Assets	$ 8,996	$ 10,305	$ (1,147)	$18,154
CAPITALIZATION AND LIABILITIES				
Common shareholders' equity:				
Common stock and other paid-in capital	$ 2,100	$ 2,321	$ (757)(3d)	$ 3,664
Retained earnings (deficit)	542	(356)	356(3d)	542
Unallocated ESOP common shares	(156)	0		(156)
Total common shareholders' equity	2,486	1,965	(401)	4,050
Preferred stock:				
Not subject to mandatory redemption	161	0	(161)(3e)	0
Subject to mandatory redemption	20	0	(20)(3e)	0
Preferred stock of consolidated subsidiaries:				
Not subject to mandatory redemption	51	448	161(3e)	660
Subject to mandatory redemption	15	189	6(3e)(3f)	210
Ohio Edison obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Ohio Edison subordinated debentures	120	0		120
Long-term debt	2,595	3,755	16(3f)	6,366
Total Capitalization	5,448	6,357	(399)	11,406
Current liabilities	1,305	875	(12)(3b)	2,168
Accumulated deferred income taxes	1,756	1,900	(690)(3k)	2,966
Accumulated deferred investment tax credits	203	254	(64)(3k)	393
Other liabilities	284	919	18(3g)	1,221
Total Capitalization and Liabilities	$ 8,996	$ 10,305	$ (1,147)	$18,154

Exhibit FS-2

FIRSTENERGY CORP.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 1996

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	OHIO EDISON	CENTERIOR	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Operating revenues	$ 1,858	$ 1,941	$ (14)(3h)	$ 3,785
Fuel and purchased power	346	348	(3)(3h)	691
Other operation and maintenance expenses	491	595	(11)(3h)	1,075
Total operation and maintenance expenses	837	943	(14)	1,766
Depreciation and amortization, net	285	259	(40)(3i)	504
General taxes	185	247		432
Income taxes	146	94	20(3k)	260
Total operating expenses and taxes	1,453	1,543	(34)	2,962
Operating income	405	398	20	823
Other income (expense)	25	(5)		20
Total income	430	393	20	843
Interest charges	178	254		432
Allowance for borrowed funds used during construction and capitalized interest	(3)	(2)		(5)
Subsidiaries' preferred stock dividend requirements	12	42	10(3j)	64
Net interest and other charges	187	294	10	491
Net income	243	99	10	352
Preferred stock dividend requirements	10	0	(10)(3j)	0
Earnings on common stock	$ 233	$ 99	$ 20	$ 352
Average common shares outstanding	144	148	(70)	222
Earnings per share of common stock	$ 1.62	$ .67		$ 1.59

FIRSTENERGY CORP.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 1995

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	OHIO EDISON	CENTERIOR	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Operating revenues	$ 1,849	$ 1,934	$ (13)(3h)	$ 3,770
Fuel and purchased power	347	361	(4)(3h)	704
Other operation and maintenance expenses	549	579	(9)(3h)	1,119
Total operation and maintenance expenses	896	940	(13)	1,823
Depreciation and amortization, net	188	162	(40)(3i)	310
General taxes	184	246		430
Income taxes	149	115	20(3k)	284
Total operating expenses and taxes	1,417	1,463	(33)	2,847
Operating income	432	471	20	923
Other income	8	35		43
Total income	440	506	20	966
Interest charges	203	271		474
Allowance for borrowed funds used during construction and capitalized interest	(4)	(2)		(6)
Deferred nuclear unit interest	(4)	0		(4)
Subsidiaries' preferred stock dividend requirements	3	46	17(3j)	66
Net interest and other charges	198	315	17	530
Net income	242	191	3	436
Preferred stock dividend requirements	17	0	(17)(3j)	0
Earnings on common stock	$ 225	$ 191	$ 20	$ 436
Average common shares outstanding	143	148	(70)	221
Earnings per share of common stock	$ 1.57	$ 1.29		$ 1.97

FIRSTENERGY CORP.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1995

(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	OHIO EDISON	CENTERIOR	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Operating revenues	$ 2,466	$ 2,516	$ (17)(3h)	$ 4,965
Fuel and purchased power	465	465	(8)(3h)	922
Other operation and maintenance expenses	737	777	(12)(3h)	1,502
Total operation and maintenance expenses	1,202	1,242	(20)	2,424
Depreciation and amortization, net	262	228	(53)(3i)	437
General taxes	243	322	2(3h)	567
Income taxes	192	135	26(3k)	353
Total operating expenses and taxes	1,899	1,927	(45)	3,781
Operating income	567	589	28	1,184
Other income	14	47	(1)(3h)	60
Total income	581	636	27	1,244
Interest charges	267	358		625
Allowance for borrowed funds used during construction and capitalized interest	(6)	(3)		(9)
Deferred nuclear unit interest	(4)	0		(4)
Subsidiaries' preferred stock dividend requirements	7	61	22(3j)	90
Net interest and other charges	264	416	22	702
Net income	317	220	5	542
Preferred stock dividend requirements	22	0	(22)(3j)	0
Earnings on common stock	$ 295	$ 220	$ 27	$ 542
Average common shares outstanding	144	148	(70)	222
Earnings per share of common stock	$ 2.05	$ 1.49		$ 2.44

FIRSTENERGY CORP.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL STATEMENTS

NOTE 1 -- RECLASSIFICATIONS
Certain reclassifications have been made to the Centerior unaudited historical financial statements to conform to the presentation expected to be used by the merged companies.

NOTE 2 -- EXCHANGE RATIOS
Under the Merger Agreement, each outstanding share of Ohio Edison Common Stock will be converted into one share of FirstEnergy Common Stock, and each outstanding share of Centerior Common Stock will be converted into 0.525 of a share of FirstEnergy Common Stock. These conversion numbers were used in computing share and per share amounts in the accompanying unaudited pro forma combined condensed financial statements.

NOTE 3 -- PRO FORMA ADJUSTMENTS
(a) As required by APB 16, a pro forma adjustment has been recognized by FirstEnergy to adjust the Cleveland Electric and Toledo Edison nuclear generating units to fair value. Such adjustment has been based upon the estimated discounted future cash flows expected to be generated by their nuclear generating units. As a result of discontinuing SFAS 71 for Cleveland Electric and Toledo Edison nuclear assets and operations, a pro forma adjustment has been made to reflect the write-off of certain regulatory assets prior to consummation of the merger. All other regulatory assets are expected to continue to be recovered through rates associated with the remainder of their business.

(b) A pro forma adjustment has been made to eliminate accounts receivable and payable between Ohio Edison and Centerior as of the balance sheet date.

(c) A pro forma adjustment has been made to recognize goodwill in connection with the Merger. The goodwill represents the excess of the purchase price over Centerior's net assets after taking into account the adjustments described in (a) above. The carrying cost for all other assets and liabilities (except as described in (f) and (g) below) is assumed to be equal to fair market value. If it is ultimately determined that the fair market value of Centerior's net assets is more or less than their carrying value at the time of consummation, goodwill would be adjusted accordingly. The purchase price was based on the imputed value to holders of Centerior Common Stock using a market value of Ohio Edison Common Stock of $20.125 per share.

(d) Pro forma equity adjustments recognize the elimination of Centerior's accumulated deficit as of the consummation of the Merger and the purchase price computed as described in (c) above.

(e) Pro forma adjustments have been made to reclassify Ohio Edison preferred stock outstanding to subsidiary preferred stock outstanding on FirstEnergy's balance sheet.

(f) A pro forma adjustment has been made to recognize Centerior's preferred stock of consolidated subsidiaries subject to mandatory redemption and long-term debt at estimated fair market value.

(g) A pro forma adjustment has been made to recognize Centerior's net unamortized transition obligation related to certain retirement benefits.

(h) Pro forma adjustments have been made to eliminate revenue and expense transactions between Ohio Edison and Centerior.

(i) Pro forma adjustments have been made to recognize amortization of goodwill in connection with the Merger over a 40-year period, offset by reductions in depreciation expense and amortization of regulatory assets resulting from the assumed revaluation of Centerior's assets described in (a) above.

(j) A pro forma adjustment has been made to reclassify Ohio Edison's preferred stock dividend requirements to subsidiaries' preferred stock dividend requirements (a reduction to net income) on FirstEnergy's statement of income.

(k) Pro forma adjustments have been made for the estimated tax effects of the adjustments discussed in (a), (f), (g) and (i) above.