

# OHIO EDISON CO

## FORM 10-Q (Quarterly Report)

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Fiscal Year	12/31

# FORM 10-Q

## SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2000

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number -----	Registrant; State of Incorporation; Address; and Telephone Number -----	I.R.S. Employer Identification No. -----
333-21011	FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, Ohio 44308 Telephone (800)736-3402	34-1843785
1-2578	OHIO EDISON COMPANY (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-0437786
1-2323	THE CLEVELAND ELECTRIC ILLUMINATING COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-0150020
1-3583	THE TOLEDO EDISON COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-4375005
1-3491	PENNSYLVANIA POWER COMPANY (A Pennsylvania Corporation) 1 East Washington Street P. O. Box 891 New Castle, Pennsylvania 16103 Telephone (412)652-5531	25-0718810

Indicate by check mark whether each of the registrants (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No  
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

CLASS -----	OUTSTANDING AS OF MAY 5, 2000 -----
FirstEnergy Corp., \$.10 par value	230,504,441
Ohio Edison Company, \$9 par value	100
The Cleveland Electric Illuminating Company, no par value	79,590,689
The Toledo Edison Company, \$5 par value	39,133,887
Pennsylvania Power Company, \$30 par value	6,290,000

FirstEnergy Corp. is the sole holder of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company common stock; Ohio Edison Company is the sole holder of Pennsylvania Power Company common stock.

This combined Form 10-Q is separately filed by FirstEnergy Corp., Ohio Edison Company, Pennsylvania Power Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant, except that information relating to any of the four FirstEnergy subsidiaries is also attributed to FirstEnergy.

This Form 10-Q includes forward looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements typically contain, but are not limited to, the terms "anticipate", "potential", "expect", "believe", "estimate" and similar words. Actual results may differ materially due to the speed and nature of increased competition and deregulation in the electric utility industry, economic or weather conditions affecting future sales and margins, changes in markets for energy services, changing energy market prices, legislative and regulatory changes (including revised environmental requirements), availability and cost of capital and other similar factors.

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## **PART I. FINANCIAL INFORMATION**

### **FIRSTENERGY CORP. AND SUBSIDIARIES OHIO EDISON COMPANY AND SUBSIDIARIES THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARY THE TOLEDO EDISON COMPANY AND SUBSIDIARY PENNSYLVANIA POWER COMPANY**

#### **NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

#### **1 - FINANCIAL STATEMENTS:**

The principal business of FirstEnergy Corp. (FirstEnergy) is the holding, directly or indirectly, of all of the outstanding common stock of its four principal electric utility operating subsidiaries, Ohio Edison Company (OE), The Cleveland Electric Illuminating Company (CEI), The Toledo Edison Company (TE) and Pennsylvania Power Company (Penn). These utility subsidiaries are referred to throughout as "Companies." Penn is a wholly owned subsidiary of OE.

The condensed unaudited financial statements of FirstEnergy and each of the Companies reflect all normal recurring adjustments that, in the opinion of management, are necessary to fairly present results of operations for the interim periods. These statements should be read in connection with the financial statements and notes included in the combined Annual Report on Form 10-K for the year ended December 31, 1999 for FirstEnergy and the Companies. Significant intercompany transactions have been eliminated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. The reported results of operations are not indicative of results of operations for any future period. Certain prior year amounts have been reclassified to conform with the current year presentation.

Penn's results of operations for the three months ended March 31, 1999 include Penn and its wholly owned subsidiary, Penn Power Energy, Inc. (PPE). Penn's interest in PPE was transferred to FirstEnergy Services Corp., an affiliate, effective December 31, 1999.

The sole assets of the subsidiary trust that is the obligor on the preferred securities included in FirstEnergy's and OE's capitalization are \$123,711,350 principal amount of 9% Junior Subordinated Debentures of OE due December 31, 2025.

#### **2 - COMMITMENTS, GUARANTEES AND CONTINGENCIES:**

##### **CAPITAL EXPENDITURES-**

FirstEnergy's current forecast reflects expenditures of approximately \$3.0 billion (OE-\$766 million, CEI-\$529 million, TE-\$259 million, Penn-\$234 million and unregulated subsidiaries-\$1.212 billion) for property additions and improvements from 2000-2004, of which approximately \$689 million (OE-\$215 million, CEI-\$99 million, TE-\$94 million, Penn-\$32 million and unregulated subsidiaries-\$249 million) is applicable to 2000. Investments for additional nuclear fuel during the 2000-2004 period are estimated to be approximately \$489 million (OE-\$123 million, CEI-\$164 million, TE-\$113 million and Penn-\$89 million), of which approximately \$149 million (OE-\$35 million, CEI-\$54 million, TE-\$38 million and Penn-\$22 million) applies to 2000.

##### **STOCK REPURCHASE PROGRAM-**

On November 17, 1998, the Board of Directors authorized the repurchase of up to 15 million shares of FirstEnergy's common stock over a three-year period beginning in 1999. Repurchases are made on the open market, at prevailing prices, and are funded primarily through the use of operating cash flows. During the first quarter of 2000, FirstEnergy repurchased and retired 2.0 million shares of its common stock at an average price of \$21.37 per share. In 1999, FirstEnergy also entered into a forward contract with Credit Suisse First Boston Corporation for the purchase of 1.4 million shares of FirstEnergy's common stock at an average price of \$24.22 per share to be settled on November 3, 2000. The contract may be settled through gross physical settlement, net share settlement or net cash settlement at FirstEnergy's election.

## ENVIRONMENTAL MATTERS-

Various federal, state and local authorities regulate the Companies with regard to air and water quality and other environmental matters. The Companies estimate capital expenditures for environmental compliance of approximately \$292 million (OE-\$144 million, CEI-\$84 million, TE-\$33 million and Penn-\$31 million), which is included in the construction estimate given under "Capital Expenditures" for 2000 through 2004.

The Companies are in compliance with the current sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>) reduction requirements under the Clean Air Act Amendments of 1990. SO<sub>2</sub> reductions are being achieved by burning lower-sulfur fuel, generating more electricity from lower-emitting plants, and/or purchasing emission allowances. NO<sub>x</sub> reductions are being achieved through combustion controls and the generation of more electricity at lower-emitting plants. In September 1998, the Environmental Protection Agency (EPA) finalized regulations requiring additional NO<sub>x</sub> reductions from the Companies' Ohio and Pennsylvania facilities by May 2003. The EPA's NO<sub>x</sub> Transport Rule imposes uniform reductions of NO<sub>x</sub> emissions across a region of twenty-two states and the District of Columbia, including Ohio and Pennsylvania, based on a conclusion that such NO<sub>x</sub> emissions are contributing significantly to ozone pollution in the eastern United States. In March 2000, the U.S. Court of Appeals for the D.C. Circuit upheld EPA's NO<sub>x</sub> Transport Rule except as applied to the State of Wisconsin and portions of Georgia and Missouri. The Court's decision left in place a stay which delays the requirement for states to submit revised State Implementation Plans (SIP) which comply with individual state NO<sub>x</sub> budgets established by the EPA contemplating an approximate 85% reduction in utility plant NO<sub>x</sub> emissions from projected 2007 emissions. A proposed Federal Implementation Plan accompanied the NO<sub>x</sub> Transport Rule and may be implemented by the EPA in states which fail to revise their SIP. In another separate but related action, eight states filed petitions with the EPA under Section 126 of the Clean Air Act seeking reductions of NO<sub>x</sub> emissions which are alleged to contribute to ozone pollution in the eight petitioning states. The EPA position is that the Section 126 petitions will be adequately addressed by the NO<sub>x</sub> Transport Program, but a December 17, 1999 rulemaking established an alternative program which would require nearly identical 85% NO<sub>x</sub> reductions at 392 utility plants, including the Companies' Ohio and Pennsylvania plants, by May 2003, in the event implementation of the NO<sub>x</sub> Transport Rule is delayed. Additional Section 126 petitions were filed by New Jersey, Maryland, Delaware and the District of Columbia in mid-1999 and are still under evaluation by the EPA. The Companies continue to evaluate their compliance plans and other compliance options.

The Companies are required to meet federally approved SO<sub>2</sub> regulations. Violations of such regulations can result in shutdown of the generating unit involved and/or civil or criminal penalties of up to \$27,500 for each day the unit is in violation. The EPA has an interim enforcement policy for SO<sub>2</sub> regulations in Ohio that allows for compliance based on a 30-day averaging period. The Companies cannot predict what action the EPA may take in the future with respect to the interim enforcement policy.

In July 1997, EPA promulgated changes in the National Ambient Air Quality Standard (NAAQS) for ozone and proposed a new NAAQS for previously unregulated ultra-fine particulate matter. In May 1999, the U.S. Court of Appeals for the D.C. Circuit remanded both standards to the EPA, having found constitutional and other defects in the new NAAQS rules. The D.C. Circuit Court, on October 29, 1999, denied an EPA petition for rehearing. The Companies cannot predict the EPA's action in response to the Court's remand order. The cost of compliance with these regulations, if they are reinstated, may be substantial and will depend on the manner in which they are ultimately implemented, if at all, by the states in which the Companies operate affected facilities.

In September 1999, FirstEnergy received, and subsequently in October 1999, OE and Penn received, a citizen suit notification letter from the New York Attorney General's office alleging Clean Air Act violations at the W. H. Sammis Plant. In November 1999, OE and Penn received a citizen suit notification letter from the Connecticut Attorney General's office alleging Clean Air Act violations at the Sammis Plant. In November 1999 and March 2000, the EPA issued Notices of Violation (NOV) or a Compliance Order to eight utilities covering 36 power plants, including the Sammis Plant. In addition, the U.S. Department of Justice filed seven civil complaints against various investor-owned utilities, which included a complaint against OE and Penn in the U.S. District Court for the Southern District of Ohio. The NOV and complaint allege violations of the Clean Air Act based on operation and maintenance of the Sammis Plant dating back to 1984. The complaint requests permanent injunctive relief to require the installation of "best available control technology" and civil penalties of up to \$27,500 per day of violation. Although unable to predict the outcome of these proceedings, FirstEnergy believes the Sammis Plant is in full compliance with the Clean Air Act and the NOV and complaint are without merit. Penalties could be imposed if the Sammis Plant continues to operate without correcting the alleged violations and a court determines that the allegations are valid. It is anticipated at this time that the Sammis Plant will continue to operate until these proceedings are concluded.

As a result of the Resource Conservation and Recovery Act of 1976, as amended, and the Toxic Substances Control Act of 1976, federal and state hazardous waste regulations have been promulgated. Certain fossil-fuel combustion waste products, such as coal ash, were exempted from hazardous waste disposal requirements pending EPA's evaluation of the need for future regulation. EPA has issued its final regulatory determination that regulation of coal ash as a hazardous waste is unnecessary. On April 25, 2000, EPA announced that it will develop national standards regulating disposal of coal ash under its authority to regulate nonhazardous waste.

CEI and TE have been named as "potentially responsible parties" (PRPs) at waste disposal sites which may require cleanup under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. Allegations of disposal of hazardous substances at historical sites and the liability involved, are often unsubstantiated and subject to dispute. Federal law provides that all PRPs for a particular site be held liable on a joint and several basis. CEI and TE have accrued liabilities of \$4.8 million and \$0.6 million, respectively, as of March 31, 2000, based on estimates of the costs of cleanup and the proportionate responsibility of other PRPs for such costs. CEI and TE believe that waste disposal costs will not have a material adverse effect on their financial condition, cash flows or results of operations.

### 3 - REGULATORY ACCOUNTING:

FirstEnergy has reached an agreement with major parties to the transition plan it had filed in 1999, on behalf of OE, CEI and TE under Ohio's electric utility restructuring law. Other parties recommending approval to The Public Utilities Commission of Ohio (PUCO) included the PUCO staff, the Ohio Consumers' Counsel, the Industrial Energy Users-Ohio, power marketers and others.

Major provisions of the agreement consist of approval of the transition plan as filed, including recovery of transition costs through no later than 2006 for OE, mid-2007 for TE and 2008 for CEI, except where a longer period of recovery is provided for in the agreement. The total transition cost amounts to be recovered are as filed in the transition plan. FirstEnergy will also allow preferred access to non-affiliated marketers, brokers and aggregators over FirstEnergy's subsidiaries to 1,120 megawatts of generation capacity through 2005 at established prices for sales to the Ohio operating companies' retail customers. The base electric rate freeze for distribution service for OE, CEI and TE under their current respective regulatory plans will be extended from December 31, 2005 through December 31, 2007. The transition rate credits for customers under their current regulatory plans will also be extended through the Companies' respective transition cost recovery periods.

Beginning January 1, 2001 when Ohio electric customers have the choice to select their generation suppliers under the Ohio restructuring law, the agreement provides to FirstEnergy's Ohio customers electing alternative suppliers, an additional incentive applied to the shopping credit of 45% for residential customers, 30% for commercial customers and 15% for industrial customers. The amount of the incentive will serve to reduce the amortization of transition costs during the market development period (January 1, 2001 through December 31, 2005) and will be recovered through the extension of the transition cost recovery periods. If the customer shopping goals established in the agreement are not achieved by the end of 2005, the transition cost recovery periods could be shortened for OE, CEI and TE to reduce recovery by as much as \$500 million (OE-\$250 million, CEI-\$170 million and TE-\$80 million), but any such adjustment would be computed on a class-by-class and pro-rata basis.

The application of Statement of Financial Accounting Standards (SFAS) No. 71 "Accounting for the Effect of Certain Types of Regulation" (SFAS 71) to OE's generation business and the nonnuclear generation businesses of CEI and TE will be discontinued when the PUCO issues its order. If the stipulated agreement is approved by the PUCO, OE, CEI and TE do not anticipate a charge to earnings. The Companies will continue to bill and collect cost-based rates for their transmission and distribution services, which will remain regulated; accordingly, it is appropriate that the Companies continue the application of SFAS 71 to those respective operations after December 31, 2000.

### 4 - NEW ACCOUNTING STANDARD:

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement. FirstEnergy has not completed quantifying the impacts of adopting SFAS 133 on its financial statements or determined the method of its adoption. However, SFAS 133 could

increase volatility in earnings and other comprehensive income. FirstEnergy anticipates adopting the new statement on its amended effective date of January 1, 2001.

## 5 - SEGMENT INFORMATION:

FirstEnergy's primary segment is its Electric Utility Operating Companies which include four electric utility operating companies that provide electric service in Ohio and Pennsylvania. Its other material business segment consists of the subsidiaries that operate unregulated businesses. Financial data for these business segments are as follows:

### Segment Financial Information

Three Months Ended:	Electric Utilities	Unregulated Businesses	Reconciling Eliminations	Totals
(In millions)				
March 31, 2000				
External revenues	\$ 1,275	\$ 333	\$ --	\$ 1,608
Intersegment revenues	28	26	(54)	--
Total revenues	1,303	359	(54)	1,608
Depreciation and amortization	197	5	--	202
Net interest charges	131	18	(14)	135
Income taxes	97	1	--	98
Net income/Earnings on common stock	141	2	(2)	141
Total assets	16,721	2,091	(704)	18,108
Property additions	117	35	--	152
Acquisitions	--	--	--	--
March 31, 1999				
External revenues	\$ 1,278	\$ 145	\$ --	\$ 1,423
Intersegment revenues	8	23	(31)	--
Total revenues	1,286	168	(31)	1,423
Depreciation and amortization	186	5	--	191
Net interest charges	142	16	(12)	146
Income taxes	96	(2)	--	94
Net income/Earnings on common stock	143	(5)	(1)	137
Total assets	17,558	1,912	(1,282)	18,188
Property additions	52	30	--	82
Acquisitions	--	9	--	9

## FIRSTENERGY CORP.

CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	-----	
	(In thousands, except per share amounts)	
REVENUES:		
Electric sales	\$1,206,475	\$1,209,122
Other - electric utilities	74,455	74,202
Facilities services	118,146	104,606
Trading services	47,209	11,477
Other	161,645	23,145
	-----	-----
Total revenues	1,607,930	1,422,552
	-----	-----
EXPENSES:		
Fuel and purchased power	179,190	204,357
Other expenses:		
Electric utilities	408,445	371,015
Facilities services	115,231	99,393
Trading services	47,916	12,804
Other	140,165	29,330
Provision for depreciation and amortization	202,084	191,213
General taxes	141,055	138,094
	-----	-----
Total expenses	1,234,086	1,046,206
	-----	-----
INCOME BEFORE INTEREST AND INCOME TAXES	373,844	376,346
	-----	-----
NET INTEREST CHARGES:		
Interest expense	122,843	129,381
Allowance for borrowed funds used during construction and capitalized interest	(6,104)	(2,685)
Subsidiaries' preferred stock dividends	18,288	19,381
	-----	-----
Net interest charges	135,027	146,077
	-----	-----
INCOME TAXES	97,899	93,548
	-----	-----
NET INCOME	\$ 140,918	\$ 136,721
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	224,859	229,140
	=====	=====
BASIC AND DILUTED EARNINGS PER SHARE OF COMMON STOCK	\$.63	\$.60
	=====	=====
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$.375	\$.375
	=====	=====

The preceding Notes to Financial Statements as they relate to FirstEnergy Corp. are an integral part of these statements.

## FIRSTENERGY CORP.

CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	March 31, 2000	December 31, 1999
	----- (In thousands) -----	
ASSETS -----		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 43,046	\$ 111,788
Receivables-		
Customers (less accumulated provisions of \$6,778,000 and \$6,719,000, respectively, for uncollectible accounts)	337,670	322,687
Other (less accumulated provisions of \$7,629,000 and \$5,359,000, respectively, for uncollectible accounts)	416,110	445,242
Materials and supplies, at average cost-		
Owned	133,782	154,834
Under consignment	113,445	99,231
Prepayments and other	214,527	167,894
	----- 1,258,580	----- 1,301,676
PROPERTY, PLANT AND EQUIPMENT:		
In service	14,700,661	14,645,131
Less--Accumulated provision for depreciation	6,075,635	5,919,170
	----- 8,625,026	----- 8,725,961
Construction work in progress	492,869	367,380
	----- 9,117,895	----- 9,093,341
INVESTMENTS:		
Capital trust investments	1,242,189	1,281,834
Nuclear plant decommissioning trusts	558,266	543,694
Letter of credit collateralization	277,763	277,763
Other	590,139	599,443
	----- 2,668,357	----- 2,702,734
DEFERRED CHARGES:		
Regulatory assets	2,499,321	2,543,427
Goodwill	2,117,761	2,129,902
Property taxes	267,226	276,997
Other	178,708	175,970
	----- 5,063,016	----- 5,126,296
	----- \$18,107,848	----- \$18,224,047
	=====	=====

## FIRSTENERGY CORP.

CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	March 31, 2000	December 31, 1999
	-----	-----
	(In thousands)	
CAPITALIZATION AND LIABILITIES -----		
CURRENT LIABILITIES:		
Currently payable long-term debt and preferred stock	\$ 657,517	\$ 762,520
Short-term borrowings	353,827	417,819
Accounts payable	342,060	360,379
Accrued taxes	416,821	409,724
Accrued interest	131,159	125,397
Other	301,503	301,572
	-----	-----
	2,202,887	2,377,411
	-----	-----
CAPITALIZATION:		
Common stockholders' equity-		
Common stock, \$.10 par value, authorized 300,000,000 shares - 230,909,041 and 232,454,287 shares outstanding, respectively	23,091	23,245
Other paid-in capital	3,689,672	3,722,375
Accumulated comprehensive income	(195)	(195)
Retained earnings	1,001,704	945,241
Unallocated employee stock ownership plan common stock - 6,492,051 and 6,778,905 shares, respectively	(121,137)	(126,776)
	-----	-----
Total common stockholders' equity	4,593,135	4,563,890
Preferred stock of consolidated subsidiaries-		
Not subject to mandatory redemption	648,395	648,395
Subject to mandatory redemption	136,246	136,246
OE obligated mandatorily redeemable preferred securities of subsidiary trust holding solely OE subordinated debentures	120,000	120,000
Long-term debt	6,056,213	6,001,264
	-----	-----
	11,553,989	11,469,795
	-----	-----
DEFERRED CREDITS:		
Accumulated deferred income taxes	2,212,445	2,231,265
Accumulated deferred investment tax credits	264,209	269,083
Other postretirement benefits	510,950	498,184
Nuclear plant decommissioning costs	577,321	562,295
Other	786,047	816,014
	-----	-----
	4,350,972	4,376,841
	-----	-----
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 2)	-----	-----
	\$18,107,848	\$18,224,047
	=====	=====

The preceding Notes to Financial Statements as they relate to FirstEnergy Corp. are an integral part of these balance sheets.

## FIRSTENERGY CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$140,918	\$ 136,721
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation and amortization	202,084	191,213
Nuclear fuel and lease amortization	29,761	26,595
Other amortization, net	(3,167)	(465)
Deferred income taxes, net	(5,373)	(6,435)
Investment tax credits, net	(5,554)	(3,444)
Receivables	26,101	(18,370)
Materials and supplies	6,838	(5,006)
Accounts payable	(18,319)	12,158
Other	(45,374)	(120,337)
Net cash provided from operating activities	327,915	212,630
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	17,319	12,277
Short-term borrowings, net	--	11,264
Redemptions and Repayments-		
Common stock	33,962	44,499
Long-term debt	102,055	80,802
Short-term borrowings, net	63,992	--
Common stock dividend payments	84,455	86,137
Net cash used for financing activities	267,145	187,897
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	151,680	90,705
Cash investments	(39,106)	(41,268)
Other	16,938	7,482
Net cash used for investing activities	129,512	56,919
Net decrease in cash and cash equivalents	68,742	32,186
Cash and cash equivalents at beginning of period	111,788	77,798
Cash and cash equivalents at end of period	\$ 43,046	\$ 45,612

The preceding Notes to Financial Statements as they relate to FirstEnergy Corp. are an integral part of these statements.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

### To FirstEnergy Corp.:

We have reviewed the accompanying consolidated balance sheet of FirstEnergy Corp. (an Ohio corporation) and subsidiaries as of March 31, 2000, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2000 and 1999. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of FirstEnergy Corp. and subsidiaries as of December 31, 1999 (not presented herein), and, in our report dated February 11, 2000, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1999, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

**ARTHUR ANDERSEN LLP**

Cleveland, Ohio  
May 12, 2000

FIRSTENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

**Results of Operations**

Revenues increased \$185.4 million in the first quarter of 2000, compared to the same period in 1999, due to increased sales by our unregulated businesses. The sources of increases in the first quarter of 2000, compared to the first quarter of 1999, are summarized in the following table.

Sources of Revenue Changes	
-----	
	(In millions)
Electric Utility Operating Companies (EUOC):	
Electric sales	\$ (2.6)
Other electric utility revenues	0.2
	-----
Total EUOC	(2.4)
Unregulated Businesses:	
Retail electric sales	50.8
FirstEnergy Trading Services, Inc. (FETS)	35.7
Other businesses	101.3
	-----
Net Revenue Increase	\$185.4
	=====

**Electric Sales**

EUOC revenues decreased slightly by \$2.4 million in the first quarter of 2000 from the same period in 1999. Lower kilowatt-hour prices (representing sales from traditional vertically integrated operations) offset an increase in EUOC electric generation sales. Kilowatt-hour electric generation sales by the EUOCs were 1.3% higher in the first quarter of 2000 than the same period last year.

Total electric generation kilowatt-hour sales increased 12.9% including unregulated sales that more than doubled from the first quarter of 1999. FirstEnergy continued to make progress in expanding its retail electric sales to target markets within the eastern portion of the U.S., which are opening up to competition. Sales to wholesale customers also contributed to the increase in unregulated sales with a 56.8% increase in the first quarter of 2000 compared to the same period last year, reflecting additional available generation from the EUOC and continued demand for electricity in the wholesale market. EUOC distribution deliveries (to customers in their franchise territory) to commercial and industrial customers grew in the first quarter of 2000 compared to the same quarter in 1999 due to continuing economic strength in the service area. Mild weather in the first quarter of 2000 contributed to lower residential deliveries compared to the same period of 1999. Changes in kilowatt-hour generation sales and distribution deliveries in the first quarter of 2000 compared to the first quarter of 1999 are summarized in the following table.

**FIRSTENERGY CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)**

Changes in KWH Sales	% Increase (Decrease)
Electric Generation Sales:	
EUOC - Retail	1.3%
Unregulated	143.0%
	-----
Total Electric Generation Sales	12.9%
	=====
EUOC Distribution Deliveries:	
Residential	(4.2)%
Commercial	2.9%
Industrial	5.6%
	-----
Total Distribution Deliveries	1.7%
	=====

**Nonelectric Sales**

Retail natural gas sales by FirstEnergy Services, Corp., a wholly owned subsidiary, was the largest factor contributing to the \$101.3 million increase in other business revenues in the first quarter of 2000 from the same period in 1999. Revenues from new business acquisitions completed during 1999 by the FirstEnergy Facilities Services Group, Inc. and FETS provided a smaller contribution to the overall increase recognized in the first quarter of 2000.

**Operating Expenses**

The \$25.2 million reduction in EUOC fuel and purchased power costs resulted from a \$20.1 million decrease in fuel expense and a \$5.1 million reduction of purchased power costs. Several factors contributed to the lower fuel expense, which occurred despite a 12.2% increase in generation (fossil up 4.9%; nuclear up 25.1%). These factors included:

- a higher proportion of nuclear generation (i.e., lower cost fuel) due to improved nuclear availability and increased nuclear ownership;
- the expiration of an above-market coal contract; and
- more extensive use of lower cost western coal.

The increased nuclear ownership resulted from the exchange of generating assets with Duquesne Light Company in December 1999. Because more internal generation was available in the first quarter of 2000 compared to the same quarter in 1999, FirstEnergy also reduced its need for purchased power.

Other expenses for the EUOC rose in the first quarter of 2000 compared to the same period in 1999 primarily due to outage related costs at Beaver Valley Unit 1 and increased ownership of nuclear plants resulting from the Duquesne asset swap. Expansion of unregulated sales activity also resulted in a corresponding increase of \$161.8 million in other operating costs for FirstEnergy Facilities Services Group, LLC and FETS, as well as FirstEnergy Services Corp., which is reflected in "Other" expenses.

Accelerated cost recovery in connection with OE's rate reduction plan was the primary factor contributing \$12.6 million to the increase in depreciation and amortization in the first quarter of 2000, compared to the prior year. General taxes increased in the first quarter of 2000 from the first quarter in 1999, principally due to higher payroll taxes as a result of the nuclear refueling outage at Beaver Valley Unit 1 and an increase in the Ohio unemployment tax rate.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)**

**Interest Charges**

Interest charges continued their downward trend, decreasing by \$6.5 million in the first three months of 2000, compared to the same period in 1999, because of debt redemptions and refinancing activities. During the first quarter of 2000, FirstEnergy redeemed an additional \$17.1 million of debt which will result in annualized savings of \$1.3 million.

**Net Income**

As a result of additional unregulated sales, lower fuel and purchased power costs and reduced interest charges that were partially offset by higher other operating expenses and depreciation and amortization, net income increased in the first quarter of 2000 to \$140.9 million, compared to \$136.7 million in the same period in 1999. Basic and diluted earnings per share of common stock were \$0.63 in the first quarter of 2000, compared to \$0.60 in 1999.

**Capital Resources and Liquidity**

FirstEnergy and its subsidiaries have continuing cash requirements for planned capital expenditures and debt and preferred stock maturities. During the last three quarters of 2000, capital requirements for property additions and capital leases are expected to be about \$639 million, including \$89 million for nuclear fuel. The Companies have additional cash requirements of approximately \$388.9 million to meet sinking fund requirements for preferred stock and maturing long-term debt during the remainder of 2000. These cash requirements are expected to be satisfied with internal cash and/or short-term credit arrangements.

During the first quarter of 2000, FirstEnergy repurchased 2.0 million shares of its common stock at an average price of \$21.37 per share. The Company has an equity forward purchase contract, which will enable it to purchase an additional 1.4 million shares in November 2000 at an average price of \$24.22 per share.

As of March 31, 2000, FirstEnergy and its subsidiaries had about \$43.0 million of cash and temporary investments and \$353.8 million of short-term indebtedness. Available borrowings included \$196.0 million from unused revolving lines of credit.

FirstEnergy Telecom Corp., a wholly owned subsidiary of FirstEnergy, joined with five other companies to create America's Fiber Network, LLC (AFN) a high-speed fiber optics company with a 7,000-mile network in the eastern United States. AFN connects major markets in the eastern United States to secondary markets with a growing need for broadband access. FirstEnergy's ownership interest is expected to be approximately 6.5%.

FirstEnergy joined with 14 other utilities in signing an agreement to form an Internet marketplace for utility supplies and services, which will be available for use by companies in the energy industry. The business-to-business exchange is expected to generate benefits for utilities by streamlining the purchasing process, reducing the purchase cycle and increasing access between buyers and sellers. The group expects to establish an independent company by June 2000 to operate the exchange, which will be initially owned by the founding companies.

**Market Risk - Commodity Prices**

FirstEnergy is exposed to market risk due to fluctuations in electricity, coal, natural gas and oil prices. To manage the volatility relating to these exposures, FirstEnergy uses a variety of derivative instruments, including forward contracts, options and futures contracts. These derivatives are used principally for hedging purposes, and to a lesser extent, for trading purposes. Although FirstEnergy believes that the policies and procedures it has adopted are prudent, financial position, results of operations or cash flow may be adversely impacted by unanticipated fluctuations in the commodity prices for electricity, coal, natural gas, oil, or by the failure of contract counterparties to perform.

**FIRSTENERGY CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)**

**Regulatory Matters**

FirstEnergy has reached an agreement with major parties to the transition plan it filed in 1999, on behalf of OE, CEI and TE under Ohio's electric utility restructuring law. Other parties recommending approval to the PUCO included the PUCO staff, the Ohio Consumers' Counsel, the Industrial Energy Users-Ohio, power marketers and others. If the PUCO adopts the agreement, OE, CEI and TE will have the opportunity to recover their transition costs and would anticipate no charges to earnings resulting from implementation of the transition plan.

Major provisions of the agreement consist of approval of the transition plan as filed, including recovery of transition costs through no later than 2006 for OE, mid-2007 for TE and 2008 for CEI, except where a longer period of recovery is provided for in the agreement. FirstEnergy will also allow preferred access to non-affiliated marketers, brokers and aggregators over FirstEnergy's subsidiaries to 1,120 megawatts of generation capacity through 2005 at established prices for sales in the Ohio operating companies' franchise areas. The base electric rate freeze for distribution service for OE, CEI and TE under their current respective regulatory plans will be extended from December 31, 2005 through December 31, 2007. The transition rate credits for customers under their current regulatory plans will also be extended through the Ohio EUOCs' respective transition cost recovery periods.

Beginning January 1, 2001, when Ohio electric customers have the choice to select their generation suppliers under the Ohio restructuring law, the stipulated agreement provides that OE, CEI and TE customers who select alternative suppliers will have a shopping credit subtracted from their bills (equal to their energy usage times the forecast energy prices in the transition plan filing plus an additional incentive applied to the shopping credit of 45% for residential customers, 30% for commercial customers, and 15% for industrial customers). The amount of the incentive will serve to reduce the amortization of transition costs during the market development period and will be recovered by OE, CEI and TE through the extension of their transition cost recovery periods. The agreement establishes shopping goals of 20% for each customer class. If these goals are not reached, the size of the incentive may be increased. If the customer shopping goals are still not reached by the end of 2005, the transition cost recovery periods could be shortened for OE, CEI and TE to reduce recovery by as much as \$500 million (OE-\$250 million, CEI-\$170 million and TE-\$80 million), but any such adjustment would be computed on a class-by-class and pro-rata basis.

The application of Statement of Financial Accounting Standards No.

71 (SFAS 71), "Accounting for the Effect of Certain Types of Regulation" to OE's generation business and the nonnuclear generation businesses of CEI and TE will be discontinued when the PUCO issues its order. The Ohio EUOC will continue to bill and collect cost-based rates for their transmission and distribution services, which will remain regulated; accordingly, it is appropriate that OE, CEI and TE continue the application of SFAS 71 to those respective operations after December 31, 2000.

OHIO EDISON COMPANY  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	(In thousands)	
OPERATING REVENUES	\$644,365	\$633,118
OPERATING EXPENSES AND TAXES:		
Fuel and purchased power	95,578	112,022
Nuclear operating costs	111,619	72,436
Other operating costs	97,594	100,283
Total operation and maintenance expenses	304,791	284,741
Provision for depreciation and amortization	113,951	103,404
General taxes	59,453	62,260
Income taxes	46,621	47,763
Total operating expenses and taxes	524,816	498,168
OPERATING INCOME	119,549	134,950
OTHER INCOME	12,323	9,318
INCOME BEFORE NET INTEREST CHARGES	131,872	144,268
NET INTEREST CHARGES:		
Interest on long-term debt	42,539	45,083
Allowance for borrowed funds used during construction and capitalized interest	(2,559)	(1,097)
Other interest expense	7,471	8,619
Subsidiaries' preferred stock dividend requirements	3,626	3,857
Net interest charges	51,077	56,462
NET INCOME	80,795	87,806
PREFERRED STOCK DIVIDEND REQUIREMENTS	2,808	2,913
EARNINGS ON COMMON STOCK	\$ 77,987	\$ 84,893
	=====	=====

The preceding Notes to Financial Statements as they relate to Ohio Edison Company are an integral part of these statements.

OHIO EDISON COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	March 31, 2000	December 31, 1999
ASSETS -----	(In thousands)	
<b>UTILITY PLANT:</b>		
In service	\$8,143,590	\$8,118,783
Less--Accumulated provision for depreciation	3,807,543	3,713,781
	4,336,047	4,405,002
Construction work in progress-		
Electric plant	241,967	205,671
Nuclear fuel	33,116	10,059
	275,083	215,730
	4,611,130	4,620,732
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
PNBV Capital Trust	468,585	469,124
Nuclear plant decommissioning trusts	242,204	236,903
Letter of credit collateralization	277,763	277,763
Other	439,430	425,872
	1,427,982	1,409,662
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	8,607	87,175
Receivables-		
Customers (less accumulated provisions of \$6,455,000 and \$6,452,000, respectively, for uncollectible accounts)	266,058	278,484
Associated companies	218,608	221,653
Other (less accumulated provisions of \$1,000,000 for uncollectible accounts at both dates)	44,698	36,281
Notes receivable from associated companies	100,713	--
Materials and supplies, at average cost-		
Owned	61,725	69,119
Under consignment	58,930	55,278
Prepayments and other	97,296	73,682
	856,635	821,672
<b>DEFERRED CHARGES:</b>		
Regulatory assets	1,586,561	1,618,319
Property taxes	99,290	100,906
Unamortized sale and leaseback costs	83,850	85,100
Other	43,795	44,355
	1,813,496	1,848,680
	\$8,709,243	\$8,700,746
	=====	=====

OHIO EDISON COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	March 31, 2000	December 31, 1999
-----		
(In thousands)		
-----		
<b>CAPITALIZATION AND LIABILITIES</b>		
-----		
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, \$9 par value, authorized 175,000,000 shares - 100 shares outstanding	\$          1	\$          1
Other paid-in capital	2,098,728	2,098,728
Retained earnings	544,718	525,731
	-----	-----
Total common stockholder's equity	2,643,447	2,624,460
Preferred stock-		
Not subject to mandatory redemption	160,965	160,965
Subject to mandatory redemption	5,000	5,000
Preferred stock of consolidated subsidiary-		
Not subject to mandatory redemption	39,105	39,105
Subject to mandatory redemption	15,000	15,000
OE obligated mandatorily redeemable preferred securities of subsidiary trust holding solely OE subordinated debentures	120,000	120,000
Long-term debt	2,207,858	2,175,812
	-----	-----
	5,191,375	5,140,342
	-----	-----
CURRENT LIABILITIES:		
Currently payable long-term debt and preferred stock	341,163	422,838
Short-term borrowings-		
Associated companies	--	35,583
Other	307,357	322,713
Accounts payable-		
Associated companies	94,988	50,883
Other	72,474	63,219
Accrued taxes	245,860	207,362
Accrued interest	42,334	37,572
Other	110,957	94,967
	-----	-----
	1,215,133	1,235,137
	-----	-----
DEFERRED CREDITS:		
Accumulated deferred income taxes	1,440,177	1,468,478
Accumulated deferred investment tax credits	139,923	143,336
Nuclear plant decommissioning costs	245,449	239,695
Other postretirement benefits	151,860	148,421
Other	325,326	325,337
	-----	-----
	2,302,735	2,325,267
	-----	-----
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 2)		
	-----	-----
	\$8,709,243	\$8,700,746
	=====	=====

The preceding Notes to Financial Statements as they relate to Ohio Edison Company are an integral part of these balance sheets.

## OHIO EDISON COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 80,795	\$ 87,806
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation and amortization	113,951	103,404
Nuclear fuel and lease amortization	13,102	10,677
Deferred income taxes, net	(15,958)	(12,010)
Investment tax credits, net	(4,093)	(1,977)
Receivables	7,055	(35,370)
Materials and supplies	3,742	742
Accounts payable	53,360	12,418
Other	37,829	(6,531)
Net cash provided from operating activities	289,783	159,159
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	17,318	9,935
Short-term borrowings, net	--	15,226
Redemptions and Repayments-		
Long-term debt	71,033	50,682
Short-term borrowings, net	50,939	--
Dividend Payments-		
Common stock	59,000	81,738
Preferred stock	2,808	2,769
Net cash used for financing activities	166,462	110,028
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	88,121	54,038
Loans to associated companies	100,713	--
Other	13,055	13,767
Net cash used for investing activities	201,889	67,805
Net decrease in cash and cash equivalents	78,568	18,674
Cash and cash equivalents at beginning of period	87,175	33,213
Cash and cash equivalents at end of period	\$ 8,607	\$ 14,539

The preceding Notes to Financial Statements as they relate to Ohio Edison Company are an integral part of these statements.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

### To Ohio Edison Company:

We have reviewed the accompanying consolidated balance sheet of Ohio Edison Company (an Ohio corporation and wholly owned subsidiary of FirstEnergy Corp.) and subsidiaries as of March 31, 2000, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2000 and 1999. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Ohio Edison Company and subsidiaries as of December 31, 1999 (not presented herein), and, in our report dated February 11, 2000, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1999, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

**ARTHUR ANDERSEN LLP**

Cleveland, Ohio  
May 12, 2000

# OHIO EDISON COMPANY

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### Results of Operations

Operating revenues increased \$11.2 million in the first quarter of 2000, compared to the same period of 1999. Higher operating revenues resulted from increased kilowatt-hour sales, which were partially offset by lower unit prices. Total retail kilowatt-hour sales to industrial customers were higher as the steel industry experienced a rebound in demand for domestic steel and the economy remained strong. However, sales to residential and commercial customers declined in the first quarter of 2000, compared to the first quarter of 1999. These sales were lower, partially as a result of reduced kilowatt-hour sales by Penn, a wholly owned subsidiary, as a portion of Penn's customers elected to receive energy from alternative suppliers. Mild weather in the first quarter of 2000 also adversely affected residential sales. However, sales to wholesale customers benefited from additional available internal generation and continued demand in the wholesale market. Higher sales to retail and wholesale customers combined to increase total kilowatt-hour sales by 6.8% in the first quarter of 2000, compared to the same period of 1999. Changes in kilowatt-hour sales by customer class between the first quarter of 2000 and the same period in 1999 are summarized in the following table.

Changes in KWH Sales	% Increase (Decrease)
Residential	(2.0)%
Commercial	(1.5)%
Industrial	7.0%
	-----
Total Retail	1.4%
	-----
Wholesale	33.6%
	-----
Total Sales	6.8%
	=====

### **Operating Expenses and Taxes**

Total operating expenses and taxes increased \$26.6 million in the first quarter of 2000 from the first quarter of 1999. The increase resulted from higher nuclear operating costs and depreciation and amortization which were partially offset by lower fuel and purchased power costs, other operating costs and general taxes. The \$16.4 million reduction in fuel and purchased power costs resulted from a \$15.8 million decrease in fuel expense and a \$0.6 million reduction of purchased power costs. Two primary factors contributed to the lower fuel expense, which occurred despite a 7.9% increase in generation (nuclear up 33.2%; fossil unchanged). These factors included a higher proportion of nuclear generation (i.e., lower cost fuel) due to increased nuclear generation ownership, and the expiration of an above-market coal contract. The increased nuclear generation ownership resulted from the Duquesne asset swap, which was completed in December 1999. Nuclear operating costs also increased in the first quarter of 2000 compared to the same period in 1999 primarily as a result of refueling outage related costs at Beaver Valley Unit 1 and increased ownership of the Beaver Valley Plant following the asset swap. Other operating costs were lower in the first quarter of 2000, compared to the first quarter of 1999, primarily due to a larger nuclear insurance refund in 2000, as well as the transfer of ownership in PPE from Penn, a wholly owned subsidiary, to FirstEnergy Services Corp., an affiliated company. The transfer moved Penn's unregulated electric generation sales to an affiliated entity dedicated to unregulated sales activity with an effective date of December 31, 1999.

Accelerated cost recovery in connection with OE's rate plan resulted in a \$10.5 million increase in depreciation and amortization in the first quarter of 2000, compared to the same period in 1999. Total accelerated depreciation and amortization of nuclear and regulatory assets under the OE rate plan and Penn's restructuring plan was \$57.3 million in the first quarter of 2000, up from \$44.7 million in the first quarter of 1999. General taxes were lower primarily due to a tax settlement and reduced gross receipts taxes, which were partially offset by higher payroll taxes from the nuclear refueling outage at Beaver Valley Unit 1 and an increase in the Ohio unemployment tax rate.

## OHIO EDISON COMPANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)

#### **Net Interest Charges**

Net interest charges declined in the first quarter of 2000, compared to the same period in 1999, primarily due to refinancings and redemptions of long term debt. Interest on short term debt also declined as a result of reduced borrowing.

#### **Capital Resources and Liquidity**

OE and Penn (OE companies) have continuing cash requirements for planned capital expenditures and debt and preferred stock maturities. During the last three quarters of 2000, capital requirements for property additions and leases are expected to be about \$215 million, including \$34 million for nuclear fuel. The OE companies will need additional cash of approximately \$118.4 million (excluding an OE revolving credit agreement) to meet sinking fund payments for preferred stock and maturing long-term debt during the remainder of 2000. These cash requirements are expected to be satisfied with internal cash and/or short-term credit arrangements.

As of March 31, 2000, the OE companies had about \$109.3 million of cash and temporary investments and \$307.4 million of short-term indebtedness. In addition, the OE companies' available borrowing capability included \$86.0 million from unused revolving lines of credit and a \$2.0 million bank facility that provides for borrowing on a short-term basis at the bank's discretion. As of March 31, 2000, OE had the capability to issue up to \$1.2 billion of additional first mortgage bonds on the basis of property additions and retired bonds.

#### **Regulatory Matters**

FirstEnergy has reached an agreement with major parties to the transition plan it filed in 1999, on OE's behalf, as well as for its other Ohio electric utility operating companies - CEI and TE - under Ohio's electric utility restructuring law. Other parties recommending approval to the PUCO included the PUCO staff, the Ohio Consumers' Counsel, the Industrial Energy Users-Ohio, power marketers and others. If the PUCO adopts the agreement, OE will have the opportunity to recover its transition costs and would anticipate no charge to earnings resulting from implementation of the transition plan.

Major provisions of the agreement consist of approval of the transition plan as filed, including recovery of transition costs through no later than 2006 for OE, except where a longer period of recovery is provided for in the agreement. FirstEnergy will also allow preferred access to non-affiliated marketers, brokers and aggregators over FirstEnergy's subsidiaries to 1,120 megawatts of generation capacity through 2005 at established prices for sales in the Ohio operating companies' franchise areas. The base electric rate freeze for distribution service for OE under the current regulatory plan will be extended from December 31, 2005 through December 31, 2007. The transition rate credits for customers under OE's current regulatory plan will also be extended through its transition cost recovery period.

Beginning January 1, 2001, when Ohio electric customers have the choice to select their generation suppliers under the Ohio restructuring law, the stipulated agreement provides that OE customers who select alternative suppliers will have a shopping credit subtracted from their bills (equal to their energy usage times the forecast energy prices in the transition plan filing plus an additional incentive applied to the shopping credit of 45% for residential customers, 30% for commercial customers, and 15% for industrial customers). The amount of the incentive will serve to reduce amortization of transition costs during the market development period and will be recovered by OE through the extension of its transition cost recovery period. The agreement establishes shopping goals of 20% for each customer class. If these goals are not reached, the size of the incentive may be increased. If the customer shopping goals are still not reached by the end of 2005, the transition cost recovery period could be shortened for OE to reduce recovery by as much as \$250 million, but any such adjustment would be computed on a class-by-class and pro-rata basis.

The application of SFAS 71 to OE's generation business will be discontinued when the PUCO issues its order. OE will continue to bill and collect cost-based rates for its transmission and distribution services, which will remain regulated; accordingly, it is appropriate that OE continue the application of SFAS 71 to its transmission and distribution operations after December 31, 2000.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	(In thousands)	
OPERATING REVENUES	\$423,657	\$423,943
OPERATING EXPENSES AND TAXES:		
Fuel and purchased power	88,978	91,030
Nuclear operating costs	29,431	29,516
Other operating costs	82,217	84,917
Total operation and maintenance expenses	200,626	205,463
Provision for depreciation and amortization	58,014	57,687
General taxes	56,904	54,013
Income taxes	21,330	20,155
Total operating expenses and taxes	336,874	337,318
OPERATING INCOME	86,783	86,625
OTHER INCOME	3,428	1,353
INCOME BEFORE NET INTEREST CHARGES	90,211	87,978
NET INTEREST CHARGES:		
Interest on long-term debt	51,184	53,753
Allowance for borrowed funds used during construction	(512)	(216)
Other interest expense (credit)	829	(479)
Net interest charges	51,501	53,058
NET INCOME	38,710	34,920
PREFERRED STOCK DIVIDEND REQUIREMENTS	7,790	8,541
EARNINGS ON COMMON STOCK	\$ 30,920	\$ 26,379
	=====	=====

The preceding Notes to Financial Statements as they relate to The Cleveland Electric Illuminating Company are an integral part of these statements.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	March 31, 2000	December 31, 1999
	----- (In thousands) -----	
ASSETS -----		
UTILITY PLANT:		
In service	\$4,486,664	\$4,479,098
Less--Accumulated provision for depreciation	1,540,138	1,498,798
	-----	-----
	2,946,526	2,980,300
	-----	-----
Construction work in progress--		
Electric plant	59,215	55,002
Nuclear fuel	19,448	408
	-----	-----
	78,663	55,410
	-----	-----
	3,025,189	3,035,710
	-----	-----
OTHER PROPERTY AND INVESTMENTS:		
Shippingport Capital Trust	493,132	517,256
Nuclear plant decommissioning trusts	188,780	183,291
Other	17,905	20,708
	-----	-----
	699,817	721,255
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	5,912	376
Receivables--		
Customers	16,572	17,010
Associated companies	21,877	18,318
Other (less accumulated provisions of \$1,000,000 for uncollectible accounts at both dates)	125,046	171,274
Notes receivable from associated companies	32,820	--
Materials and supplies, at average cost--		
Owned	33,955	39,294
Under consignment	32,673	23,721
Prepayments and other	71,847	56,447
	-----	-----
	340,702	326,440
	-----	-----
DEFERRED CHARGES:		
Regulatory assets	533,214	539,824
Goodwill	1,430,771	1,440,283
Property taxes	124,488	132,643
Other	10,692	12,606
	-----	-----
	2,099,165	2,125,356
	-----	-----
	\$6,164,873	\$6,208,761
	=====	=====

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

CONSOLIDATED BALANCE SHEETS  
(Unaudited)

March 31,      December 31,  
2000              1999  
-----  
(In thousands)

CAPITALIZATION AND LIABILITIES  
-----

CAPITALIZATION:

Common stockholder's equity-		
Common stock, without par value, authorized 105,000,000 shares - 79,590,689 shares outstanding	\$ 931,962	\$ 931,962
Retained earnings	55,574	34,654
	-----	-----
Total common stockholder's equity	987,536	966,616
Preferred stock-		
Not subject to mandatory redemption	238,325	238,325
Subject to mandatory redemption	116,246	116,246
Long-term debt	2,694,621	2,682,795
	-----	-----
	4,036,728	4,003,982
	-----	-----

CURRENT LIABILITIES:

Currently payable long-term debt and preferred stock	235,357	240,684
Accounts payable-		
Associated companies	52,804	85,950
Other	36,635	50,570
Notes payable to associated companies	111,464	103,471
Accrued taxes	189,790	177,006
Accrued interest	63,764	60,740
Other	48,423	83,292
	-----	-----
	738,237	801,713
	-----	-----

DEFERRED CREDITS:

Accumulated deferred income taxes	571,292	567,478
Accumulated deferred investment tax credits	86,017	86,999
Nuclear plant decommissioning costs	197,973	192,484
Pensions and other postretirement benefits	220,002	220,731
Other	314,624	335,374
	-----	-----
	1,389,908	1,403,066
	-----	-----

COMMITMENTS, GUARANTEES AND  
CONTINGENCIES (Note 2)

	-----	-----
	\$6,164,873	\$6,208,761
	=====	=====

The preceding Notes to Financial Statements as they relate to The Cleveland Electric Illuminating Company are an integral part of these balance sheets.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 38,710	\$ 34,920
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation and amortization	58,014	57,687
Nuclear fuel and lease amortization	10,026	9,306
Other amortization	(3,167)	(465)
Deferred income taxes, net	4,085	3,740
Investment tax credits, net	(982)	(987)
Receivables	43,107	(15,193)
Materials and supplies	(3,613)	(1,913)
Accounts payable	(47,081)	17,247
Other	(41,779)	(70,133)
	-----	-----
Net cash provided from operating activities	57,320	34,209
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Short-term borrowings, net	7,993	--
Redemptions and Repayments-		
Long-term debt	10,137	17,668
Short-term borrowings, net	--	11,845
Dividend Payments-		
Common stock	10,000	7,163
Preferred stock	7,790	8,541
	-----	-----
Net cash used for financing activities	19,934	45,217
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	14,450	10,095
Loans to associated companies	32,820	5,568
Capital trust investments	(24,124)	(25,898)
Other	8,704	4,321
	-----	-----
Net cash used for (provided from) investing activities	31,850	(5,914)
	-----	-----
Net increase (decrease) in cash and cash equivalents	5,536	(5,094)
Cash and cash equivalents at beginning of period	376	19,526
	-----	-----
Cash and cash equivalents at end of period	\$ 5,912	\$ 14,432
	=====	=====

The preceding Notes to Financial Statements as they relate to The Cleveland Electric Illuminating Company are an integral part of these statements.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

### To The Cleveland Electric Illuminating Company:

We have reviewed the accompanying consolidated balance sheet of The Cleveland Electric Illuminating Company (an Ohio corporation and wholly owned subsidiary of FirstEnergy Corp.) and subsidiary as of March 31, 2000, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2000 and 1999. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of The Cleveland Electric Illuminating Company and subsidiary as of December 31, 1999 (not presented herein), and, in our report dated February 11, 2000, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1999, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

**ARTHUR ANDERSEN LLP**

Cleveland, Ohio  
May 12, 2000

# THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### Results of Operations

Operating revenues in the first quarter of 2000 were nearly unchanged from the same period in 1999. Underlying this small change in operating revenue was a change in the mix of kilowatt-hour sales. Total retail kilowatt-hour sales were slightly higher as sales to industrial and commercial customers continued to benefit from the strong economy. Mild weather contributed to lower residential sales during the first quarter of 2000. However, sales to wholesale customers were significantly higher due to an increase in available internal generation and the continued demand in the wholesale market. As a consequence, while first quarter kilowatt-hour sales increased substantially, these sales were offset by lower unit prices reflecting the lower margins available in the wholesale market, resulting in very little change in total operating revenues. Changes in kilowatt-hour sales by customer class between the first quarter of 2000 and the same period in 1999 are summarized in the following table.

Changes in KWH Sales -----	% Increase (Decrease) -----
Residential	(8.1)%
Commercial	3.5%
Industrial	5.6%
	-----
Total Retail	0.9%
	-----
Wholesale	570.5%
	-----
Total Sales	16.5%
	=====

### **Operating Expenses and Taxes**

Total operating expenses and taxes decreased slightly in the first quarter of 2000, compared the first quarter of 1999. Lower fuel and purchased power costs and other operating costs were substantially offset by additional taxes. The \$2.1 million reduction in fuel and purchased power resulted from a \$3.8 million decrease in fuel expense and a \$1.7 million increase in purchased power costs. Several factors contributed to the lower fuel expense, which occurred despite a 21.1% increase in generation (fossil up 14.4%; nuclear up 29.1%). These factors included:

- a higher proportion of nuclear generation (i.e., lower cost fuel) due to increased nuclear generation ownership;
- the expiration of an above-market coal contract; and
- more extensive use of lower cost western coal.

The increased nuclear generation ownership resulted from the Duquesne asset swap, which was completed in December 1999. Other operating costs were also lower in the first quarter of 2000, compared to the first quarter of last year partially due to a larger nuclear insurance refund.

## THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)

#### **Net Interest Charges**

Net interest charges decreased in the first quarter of 2000 from the same period a year ago due to refinancings and redemptions of long-term debt. The reduction was partially offset by an increase in interest expense on additional short-term borrowings.

#### **Capital Resources and Liquidity**

CEI has continuing cash requirements for planned capital expenditures and debt and preferred stock maturities. During the last three quarters of 2000, capital requirements for property additions and capital leases are expected to be about \$116 million, including \$35 million for nuclear fuel. CEI will need additional cash of approximately \$208.5 million to meet sinking fund payments for preferred stock and maturing long-term debt during the remainder of 2000. These cash requirements are expected to be satisfied with internal cash and/or short-term credit arrangements.

As of March 31, 2000, CEI had approximately \$38.7 million of cash and temporary investments and \$111.5 million of short-term indebtedness to associated companies. Under its first mortgage indenture, as of March 31, 2000, CEI had the capability to issue up to \$615 million of additional first mortgage bonds on the basis of property additions and retired bonds.

#### **Regulatory Matters**

FirstEnergy has reached an agreement with major parties to the transition plan it had filed in 1999, on CEI's behalf, as well as for its other Ohio electric utility operating companies - OE and TE - under Ohio's electric utility restructuring law. Other parties recommending approval to the PUCO included the PUCO staff, the Ohio Consumers' Counsel, the Industrial Energy Users-Ohio, power marketers and others. If the PUCO adopts the agreement, CEI will have the opportunity to recover its transition costs and would anticipate no charge to earnings resulting from implementation of the transition plan.

Major provisions of the agreement consist of approval of the transition plan as filed, including recovery of transition costs through no later than 2008 for CEI, except where a longer period of recovery is provided for in the agreement. FirstEnergy will also allow preferred access to non-affiliated marketers, brokers and aggregators over FirstEnergy's subsidiaries to 1,120 megawatts of generation capacity through 2005 at established prices for sales in the Ohio operating companies' franchise areas. The base electric rate freeze for distribution service for CEI under the current regulatory plan will be extended from December 31, 2005 through December 31, 2007. The transition rate credits for customers under CEI's current regulatory plan will also be extended through its transition cost recovery period.

Beginning January 1, 2001, when Ohio electric customers have the choice to select their generation suppliers under the Ohio restructuring law, the stipulated agreement provides that CEI customers who select alternative suppliers will have a shopping credit subtracted from their bills (equal to their energy usage times the forecast energy prices in the transition plan filing plus an additional incentive applied to the shopping credit of 45% for residential customers, 30% for commercial customers, and 15% for industrial customers). The amount of the incentive will serve to reduce amortization of transition costs during the market development period and will be recovered by CEI through the extension of its transition cost recovery period. The agreement establishes shopping goals of 20% for each customer class. If these goals are not reached, the size of the incentive may be increased. If the customer shopping goals are still not reached by the end of 2005, the transition cost recovery period could be shortened for CEI to reduce recovery by as much as \$170 million, but any such adjustment would be computed on a class-by-class and pro-rata basis.

The application of SFAS 71 to the nonnuclear generation businesses of CEI will be discontinued when the PUCO issues its order. CEI will continue to bill and collect cost-based rates for its transmission and distribution services, which will remain regulated; accordingly, it is appropriate that CEI continue the application of SFAS 71 to its transmission and distribution operations after December 31, 2000.

THE TOLEDO EDISON COMPANY  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	(In thousands)	
OPERATING REVENUES	\$217,391	\$224,262
OPERATING EXPENSES AND TAXES:		
Fuel and purchased power	33,133	36,402
Nuclear operating costs	38,197	41,894
Other operating costs	37,213	33,514
Total operation and maintenance expenses	108,543	111,810
Provision for depreciation and amortization	26,180	25,743
General taxes	23,424	21,098
Income taxes	15,318	16,907
Total operating expenses and taxes	173,465	175,558
OPERATING INCOME	43,926	48,704
OTHER INCOME	2,689	2,922
INCOME BEFORE NET INTEREST CHARGES	46,615	51,626
NET INTEREST CHARGES:		
Interest on long-term debt	19,141	21,041
Allowance for borrowed funds used during construction	(1,214)	(202)
Other interest expense (credit)	(832)	(1,361)
Net interest charges	17,095	19,478
NET INCOME	29,520	32,148
PREFERRED STOCK DIVIDEND REQUIREMENTS	4,064	4,070
EARNINGS ON COMMON STOCK	\$ 25,456	\$ 28,078

The preceding Notes to Financial Statements as they relate to The Toledo Edison Company are an integral part of these statements.

THE TOLEDO EDISON COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	March 31, 2000	December 31, 1999
	-----	-----
	(In thousands)	
ASSETS -----		
UTILITY PLANT:		
In service	\$1,787,508	\$1,776,534
Less--Accumulated provision for depreciation	689,583	670,866
	-----	-----
	1,097,925	1,105,668
	-----	-----
Construction work in progress-		
Electric plant	120,755	95,854
Nuclear fuel	18,368	386
	-----	-----
	139,123	96,240
	-----	-----
	1,237,048	1,201,908
	-----	-----
OTHER PROPERTY AND INVESTMENTS:		
Shippingport Capital Trust	280,472	295,454
Nuclear plant decommissioning trusts	127,282	123,500
Other	4,570	4,678
	-----	-----
	412,324	423,632
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	301	312
Receivables-		
Customers	8,187	12,965
Associated companies	26,554	40,998
Other	4,214	9,827
Notes receivable from associated companies	2,697	7,863
Materials and supplies, at average cost-		
Owned	21,300	23,243
Under consignment	21,842	20,232
Prepayments and other	29,781	25,931
	-----	-----
	114,876	141,371
	-----	-----
DEFERRED CHARGES:		
Regulatory assets	379,546	385,284
Goodwill	462,097	465,169
Property taxes	43,448	43,448
Other	4,900	6,116
	-----	-----
	889,991	900,017
	-----	-----
	\$2,654,239	\$2,666,928
	=====	=====

THE TOLEDO EDISON COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

March 31,      December 31,  
2000                      1999

-----  
(In thousands)  
-----

CAPITALIZATION AND LIABILITIES  
-----

CAPITALIZATION:

Common stockholder's equity-		
Common stock, \$5 par value, authorized 60,000,000 shares - 39,133,887 shares outstanding	\$ 195,670	\$ 195,670
Other paid-in capital	328,559	328,559
Retained earnings	34,921	27,475
	-----	-----
Total common stockholder's equity	559,150	551,704
Preferred stock not subject to mandatory redemption	210,000	210,000
Long-term debt	994,446	981,029
	-----	-----
	1,763,596	1,742,733
	-----	-----

CURRENT LIABILITIES:

Currently payable long-term debt	78,014	95,765
Accounts payable-		
Associated companies	10,696	20,537
Other	23,712	27,100
Notes payable to associated companies	50,710	33,876
Accrued taxes	42,267	57,742
Accrued interest	21,730	21,961
Other	59,098	60,414
	-----	-----
	286,227	317,395
	-----	-----

DEFERRED CREDITS:

Accumulated deferred income taxes	179,527	172,236
Accumulated deferred investment tax credits	38,269	38,748
Nuclear plant decommissioning costs	133,899	130,116
Pensions and other postretirement benefits	122,442	122,986
Other	130,279	142,714
	-----	-----
	604,416	606,800
	-----	-----

COMMITMENTS, GUARANTEES AND  
CONTINGENCIES (Note 2)

	-----	-----
	\$2,654,239	\$2,666,928
	=====	=====

The preceding Notes to Financial Statements as they relate to The Toledo Edison Company are an integral part of these balance sheets.

THE TOLEDO EDISON COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 29,520	\$ 32,148
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation and amortization	26,180	25,743
Nuclear fuel and lease amortization	6,633	6,612
Deferred income taxes, net	6,608	3,682
Investment tax credits, net	(479)	(481)
Receivables	24,835	(15,417)
Materials and supplies	333	(2,380)
Accounts payable	(13,229)	(1,108)
Other	(33,058)	(37,480)
Net cash provided from operating activities	47,343	11,319
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	16,834	--
Redemptions and Repayments-		
Long-term debt	20,884	12,434
Dividend Payments-		
Common stock	18,000	--
Preferred stock	4,064	4,070
Net cash used for financing activities	26,114	16,504
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	37,709	8,931
Loans to associated companies	--	2,862
Loan payments from associated companies	(5,166)	--
Capital investments	(14,982)	(15,370)
Other	3,679	2,359
Net cash used for (provided from) investing activities	21,240	(1,218)
Net decrease in cash and cash equivalents	11	3,967
Cash and cash equivalents at beginning of period	312	4,140
Cash and cash equivalents at end of period	\$ 301	\$ 173
	=====	=====

The preceding Notes to Financial Statements as they relate to The Toledo Edison Company are an integral part of these statements.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

### To The Toledo Edison Company:

We have reviewed the accompanying consolidated balance sheet of The Toledo Edison Company (an Ohio corporation and wholly owned subsidiary of FirstEnergy Corp.) and subsidiary as of March 31, 2000, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2000 and 1999. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of The Toledo Edison Company and subsidiary as of December 31, 1999 (not presented herein), and, in our report dated February 11, 2000, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1999, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

**ARTHUR ANDERSEN LLP**

Cleveland, Ohio  
May 12, 2000

# THE TOLEDO EDISON COMPANY

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### Results of Operations

Operating revenues decreased by \$6.9 million in the first quarter of 2000, compared to the same period in 1999. Underlying this decrease in operating revenues was a change in the mix of kilowatt-hour sales. Sales to commercial customers in the first quarter of 2000 were relatively unchanged from the same period in 1999. However, sales to residential and industrial customers were both lower in 2000. Mild weather principally contributed to lower residential sales in the first quarter of 2000. However, sales to wholesale customers increased significantly due to additional available internal generation coupled with continued demand in the wholesale market. The increase in sales to the wholesale market more than offset the decline in retail kilowatt-hour sales resulting in an increase of 8.9% in total sales. However, while first quarter kilowatt-hour sales increased substantially, these sales were offset by lower unit prices reflecting the lower margins available in the wholesale market, resulting in the net decrease in operating revenues. Changes in kilowatt-hour sales by customer class between the first quarter of 2000 and the same period in 1999 are summarized in the following table.

Changes in KWH Sales -----	% Increase (Decrease) -----
Residential	(8.9)%
Commercial	--
Industrial	(2.9)%
Total Retail	(3.8)%
Wholesale	80.6%
Total Sales	8.9%
	=====

### Operating Expenses and Taxes

Total operating expenses and taxes decreased \$2.1 million in the first quarter of 2000 from the first quarter of 1999. The decrease resulted from lower fuel and purchased power and nuclear operating costs, which were partially offset by higher other operating costs and general taxes. The \$3.3 million reduction in fuel and purchased power costs was comprised of a \$0.5 million decrease in fuel expense and a \$2.8 million reduction of purchased power costs. The expiration of an above-market coal contract contributed to the lower fuel expense which occurred despite an 11.3% increase in generation (fossil up 13.0%; nuclear up 10.1%). Nuclear operating costs were lower in the first three months of 2000, compared to the same period in 1999, due to lower costs at the Perry Plant and Beaver Valley Unit 2, which had refueling outages that began in the first quarter of 1999. Higher costs at the Bay Shore Plant and additional distribution expenses for forestry work combined to increase other expenses in the first quarter of 2000, compared to the first quarter of 1999.

### Net Interest Charges

Net interest charges decreased in the first quarter of 2000 from the same period a year ago due to redemptions and refinancings of long-term debt. Interest on additional short-term borrowings partially offset the reduction of interest on long-term debt.

### Capital Resources and Liquidity

TE has continuing cash requirements for planned capital expenditures and debt maturities. During the last three quarters of 2000, capital requirements for property additions and capital leases are expected to be about \$75 million, including \$20 million for nuclear fuel. TE will need additional cash of approximately \$61.9 million for maturing long-term debt

## THE TOLEDO EDISON COMPANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS (Cont'd)

during the remainder of 2000. These cash requirements are expected to be satisfied with internal cash and/or short-term credit arrangements.

As of March 31, 2000, TE had approximately \$3.0 million of cash and temporary investments and \$50.7 million of short-term indebtedness to associated companies. Under its first mortgage indenture, as of March 31, 2000, TE had the capability to issue up to \$373 million of additional first mortgage bonds on the basis of property additions and retired bonds.

#### **Regulatory Matters**

FirstEnergy has reached an agreement with major parties to the transition plan it filed in 1999, on TE's behalf, as well as for its other Ohio electric utility operating companies - OE and CEI - under Ohio's electric utility restructuring law. Other parties recommending approval to the PUCO included the PUCO staff, the Ohio Consumers' Counsel, the Industrial Energy Users-Ohio, power marketers and others. If the PUCO adopts the agreement TE will have the opportunity to recover its transition costs and would anticipate no charges to earnings resulting from implementation of the transition plan.

Major provisions of the agreement consist of approval of the transition plan as filed, including recovery of transition costs through no later than mid-2007 for TE, except where a longer period of recovery is provided for in the agreement. FirstEnergy will also allow preferred access to non-affiliated marketers, brokers and aggregators over FirstEnergy's subsidiaries to 1,120 megawatts of generation capacity through 2005 at established prices for sales in the Ohio operating companies' franchise areas. The base electric rate freeze for distribution service for TE under its current regulatory plan will be extended from December 31, 2005 through December 31, 2007. The transition rate credits for customers under TE's current regulatory plan will also be extended through its transition cost recovery period.

Beginning January 1, 2001, when Ohio electric customers have the choice to select their generation suppliers under the Ohio restructuring law, the stipulated agreement provides that TE customers who select alternative suppliers will have a shopping credit subtracted from their bills (equal to their energy usage times the forecast energy prices in the transition plan filing plus an additional incentive applied to the shopping credit of 45% for residential customers, 30% for commercial customers, and 15% for industrial customers). The amount of the incentive will serve to reduce amortization of transition costs during the market development period and will be recovered by TE through the extension of its transition cost recovery period. The agreement establishes shopping goals of 20% for each customer class. If these goals are not reached, the size of the incentive may be increased. If the customer shopping goals are still not reached by the end of 2005, the transition cost recovery period could be shortened for TE to reduce recovery by as much as \$80 million, but any such adjustment would be computed on a class-by-class and pro-rata basis.

The application of SFAS 71 to the nonnuclear generation businesses of TE will be discontinued when the PUCO issues its order. TE will continue to bill and collect cost-based rates for its transmission and distribution services, which will remain regulated; accordingly, it is appropriate that TE continue the application of SFAS 71 to its transmission and distribution operations after December 31, 2000.

PENNSYLVANIA POWER COMPANY

STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	(In thousands)	
OPERATING REVENUES	\$ 83,951	\$81,372
OPERATING EXPENSES AND TAXES:		
Fuel and purchased power	13,390	16,912
Nuclear operating costs	45,507	6,713
Other operating costs	13,535	14,728
Total operation and maintenance expenses	72,432	38,353
Provision for depreciation and amortization	15,731	14,437
General taxes	7,058	5,904
Income taxes (credit)	(4,903)	8,386
Total operating expenses and taxes	90,318	67,080
OPERATING INCOME (LOSS)	(6,367)	14,292
OTHER INCOME	413	997
INCOME (LOSS) BEFORE NET INTEREST CHARGES	(5,954)	15,289
NET INTEREST CHARGES:		
Interest expense	5,407	5,096
Allowance for borrowed funds used during construction	(975)	(146)
Net interest charges	4,432	4,950
NET INCOME (LOSS)	(10,386)	10,339
PREFERRED STOCK DIVIDEND REQUIREMENTS	926	1,157
EARNINGS (LOSS) ATTRIBUTABLE TO COMMON STOCK	\$(11,312)	\$ 9,182

The preceding Notes to Financial Statements as they relate to Pennsylvania Power Company are an integral part of these statements.

PENNSYLVANIA POWER COMPANY

BALANCE SHEETS  
(Unaudited)

	March 31, 2000	December 31, 1999
	(In thousands)	
ASSETS -----		
UTILITY PLANT:		
In service	\$ 652,584	\$ 646,186
Less--Accumulated provision for depreciation	243,417	237,893
	-----	-----
	409,167	408,293
	-----	-----
Construction work in progress--		
Electric plant	25,085	18,558
Nuclear fuel	21,285	6,540
	-----	-----
	46,370	25,098
	-----	-----
	455,537	433,391
	-----	-----
OTHER PROPERTY AND INVESTMENTS:		
Nuclear plant decommissioning trusts	111,366	104,775
Other	21,407	19,784
	-----	-----
	132,773	124,559
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	324	5,670
Notes receivable from parent company	2,557	15,423
Receivables--		
Customers (less accumulated provisions of \$3,601,000 and \$3,537,000, respectively, for uncollectible accounts)	32,601	34,568
Associated companies	37,135	38,565
Other	12,819	8,896
Materials and supplies, at average cost	28,715	32,483
Prepayments	14,865	2,208
	-----	-----
	129,016	137,813
	-----	-----
DEFERRED CHARGES:		
Regulatory assets	301,273	314,593
Other	5,014	5,260
	-----	-----
	306,287	319,853
	-----	-----
	\$1,023,613	\$1,015,616
	=====	=====

PENNSYLVANIA POWER COMPANY

BALANCE SHEETS  
(Unaudited)

March 31,      December 31,  
2000              1999

(In thousands)

CAPITALIZATION AND LIABILITIES

CAPITALIZATION:

Common stockholder's equity-		
Common stock, \$30 par value, authorized 6,500,000 shares - 6,290,000 shares outstanding	\$ 188,700	\$ 188,700
Other paid-in capital	(310)	(310)
Retained earnings (accumulated deficit)	(94)	11,218
	-----	-----
Total common stockholder's equity	188,296	199,608
Preferred stock-		
Not subject to mandatory redemption	39,105	39,105
Subject to mandatory redemption	15,000	15,000
Long-term debt-		
Associated companies	29,222	18,007
Other	256,823	256,814
	-----	-----
	528,446	528,534
	-----	-----

CURRENT LIABILITIES:

Currently payable long-term debt-		
Associated companies	13,966	13,504
Other	24,283	29,521
Accounts payable-		
Associated companies	52,667	26,220
Other	20,549	28,903
Accrued taxes	20,397	21,863
Accrued interest	3,886	6,592
Other	14,672	16,506
	-----	-----
	150,420	143,109
	-----	-----

DEFERRED CREDITS:

Accumulated deferred income taxes	175,654	182,702
Accumulated deferred investment tax credits	7,155	7,266
Nuclear plant decommissioning costs	114,860	107,816
Other	47,078	46,189
	-----	-----
	344,747	343,973
	-----	-----

COMMITMENTS, GUARANTEES AND  
CONTINGENCIES (Note 2)

	-----	-----
	\$1,023,613	\$1,015,616
	=====	=====

The preceding Notes to Financial Statements as they relate to Pennsylvania Power Company are an integral part of these balance sheets.

## PENNSYLVANIA POWER COMPANY

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months Ended March 31,	
	2000	1999
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (10,386)	\$ 10,339
Adjustments to reconcile net income (loss) to net cash from operating activities-		
Provision for depreciation and amortization	15,731	14,437
Nuclear fuel and lease amortization	3,170	1,823
Deferred income taxes, net	(3,622)	(2,023)
Investment tax credits, net	(791)	(183)
Receivables	(526)	(3,785)
Materials and supplies	3,768	(732)
Accounts payable	18,093	6,185
Other	(19,356)	(12,451)
Net cash provided from operating activities	6,081	13,610
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions and Repayments-		
Long-term debt	8,365	1,745
Dividend Payments-		
Common stock	--	31,765
Preferred stock	926	1,066
Net cash used for financing activities	9,291	34,576
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	13,191	4,633
Loan payment from parent	(12,866)	(20,242)
Other	1,811	1,263
Net cash used for (provided from) investing activities	2,136	(14,346)
Net decrease in cash and cash equivalents	5,346	6,620
Cash and cash equivalents at beginning of period	5,670	7,485
Cash and cash equivalents at end of period	\$ 324	\$ 865

The preceding Notes to Financial Statements as they relate to Pennsylvania Power Company are an integral part of these statements.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

### To Pennsylvania Power Company:

We have reviewed the accompanying balance sheet of Pennsylvania Power Company (a Pennsylvania corporation and wholly owned subsidiary of Ohio Edison Company) as of March 31, 2000, and the related statements of income and cash flows for the three-month periods ended March 31, 2000 and 1999. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the balance sheet of Pennsylvania Power Company as of December 31, 1999 (not presented herein), and, in our report dated February 11, 2000, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 1999, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

**ARTHUR ANDERSEN LLP**

Cleveland, Ohio  
May 12, 2000

PENNSYLVANIA POWER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Operating revenues increased by \$2.6 million in the first quarter of 2000, compared to the same period in 1999. Underlying this increase was a change in the mix of kilowatt-hour sales. Retail generation sales increased due to higher demand from the steel industry, which strongly rebounded from the depressed production levels experienced last year as a direct result of foreign imports of steel products. Total electric kilowatt-hour sales of generation increased significantly by 37.7% as sales to wholesale customers almost tripled from the first quarter of last year. The major increase in sales to wholesale customers occurred because of additional generation capacity received as part of the Duquesne asset swap and continued demand in the wholesale market. While first quarter generation sales increased substantially, these sales were offset by lower unit prices reflecting the lower margins available in the wholesale market, resulting in the modest increase in operating revenues. Total distribution deliveries (to customers in the Penn franchise territory) significantly increased on the strength of industrial sales. The rebound in the steel sector was a major contributing factor to the increase in kilowatt-hour sales. Mild weather in the first quarter of 2000 contributed to lower residential deliveries compared to the same period of 1999. Changes in kilowatt-hour generation sales and distribution deliveries in the first quarter of 2000 compared to the first quarter of 1999 are summarized in the following table.

Changes in KWH Sales -----	% Increase (Decrease) -----
Electric Generation Sales:	
Retail	3.0%
Wholesale	187.6%
	-----
Total Electric Generation Sales	37.7%
	=====
Distribution Deliveries:	
Residential	(1.1)%
Commercial	0.7%
Industrial	29.2%
	-----
Total Distribution Deliveries	9.0%
	=====

**Operating Expenses and Taxes**

Total operating expenses and taxes increased \$23.2 million in the first quarter of 2000 from the same period of 1999. The increase resulted from higher nuclear operating costs, depreciation and amortization and general taxes which were partially offset by lower fuel and purchased power costs and other operating costs. The \$3.5 million reduction in fuel and purchased power costs resulted from a \$2.9 million decrease in fuel expense and a \$0.6 million reduction in purchased power costs. Two primary factors contributed to the lower fuel expense, which occurred despite a 37.6% net increase in generation (nuclear up 150.8%; fossil down 13.6%). These factors included a higher proportion of nuclear generation (i.e., lower cost fuel) due to increased nuclear generation ownership and the expiration of an above-market coal contract. The increased nuclear generation ownership resulted from the Duquesne asset swap, which was completed in December 1999. Nuclear operating costs were much higher in the first quarter of 2000 compared to the same period in 1999 as a result of refueling outage costs at Beaver Valley Unit 1 combined with Penn's increased ownership of that unit and Beaver Valley Unit 2 as a result of the asset swap. Other operating costs were lower in the first quarter of 2000, compared to the first quarter of 1999 primarily due to the transfer of ownership in PPE to FirstEnergy Services Corp., an affiliated company. The transfer moved Penn's unregulated electric generation sales to an affiliated entity dedicated to unregulated sales activity, effective December 31, 1999.

PENNSYLVANIA POWER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)

The provision for depreciation and amortization increased in the first quarter of 2000 compared to the same period of 1999, as a result of increases in the amortization of regulatory assets related to the Penn rate restructuring plan that began in 1999. General taxes increased in the first quarter of 2000 in part due to an increase in gross receipts tax resulting from higher taxable receipts.

**Capital Resources and Liquidity**

Penn has continuing cash requirements for planned capital expenditures and debt maturities. During the last three quarters of 2000, capital requirements for property additions and capital leases are expected to be about \$28 million, including \$7 million for nuclear fuel. Penn will need additional cash of approximately \$24.0 million for maturing long-term debt during the remainder of 2000. These cash requirements are expected to be satisfied by internal cash.

As of March 31, 2000, Penn had approximately \$2.9 million of cash and temporary investments and no short-term indebtedness. Also, Penn had \$2 million available from an unused bank facility as of March 31, 2000, which may be borrowed for up to several days at the bank's discretion. Under its first mortgage indenture, as of March 31, 2000, Penn had the capability to issue up to \$181 million of additional first mortgage bonds on the basis of property additions and retired bonds.

## **PART II. OTHER INFORMATION**

### **Item 4. Submission of Matters to a Vote of Security Holders**

(a) The annual meeting of FirstEnergy shareholders was held on April 27, 2000.

(b) At this meeting, the following persons were elected to FirstEnergy's Board of Directors:

	Number of Votes	
	For	Withheld
Dr. Carol A. Cartwright	183,742,058	7,079,706
William F. Conway	183,640,479	7,181,285
Paul J. Powers	183,813,374	7,008,390
George M. Smart	183,996,088	6,825,676

(c) At this meeting, the appointment of Arthur Andersen LLP, independent public accountants, as auditors for the year 2000 was ratified (ratification required a majority of votes cast):

Number of Votes		
For	Against	Abstentions
185,796,848	2,633,622	2,391,294

(d) At this meeting, a shareholder proposal designed to result in the election of the entire Board of Directors each year was rejected (passage required 80% of the 231,595,941 common shares outstanding):

Number of Votes			
For	Against	Abstentions	Broker Non-Votes
78,762,982	84,035,742	7,021,915	21,001,125

(e) At this meeting, a shareholder proposal to reinstate simple- majority vote on all issues that are submitted to shareholder vote was rejected (passage required 80% of the 231,595,941 common shares outstanding):

Number of Votes			
For	Against	Abstentions	Broker Non-Votes
79,078,310	83,613,566	7,128,773	21,001,115

### **Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

Exhibit  
Number

#### **FirstEnergy, OE, CEI and Penn**

15 Letter from independent public accountants.

**PART II. OTHER INFORMATION (Cont'd)**

**Item 6. Exhibits and Reports on Form 8-K (Cont'd)**

**TE**

None

Pursuant to paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K, neither FirstEnergy, OE, CEI, TE nor Penn has filed as an exhibit to this Form 10-Q any instrument with respect to long-term debt if the respective total amount of securities authorized thereunder does not exceed 10% of their respective total assets of FirstEnergy and its subsidiaries on a consolidated basis, or respectively, OE, CEI, TE or Penn, but hereby agrees to furnish to the Commission on request any such documents.

**(b) Reports on Form 8-K**

FirstEnergy, OE, CEI and TE - One combined report on Form 8-K was filed since December 31, 1999. A report dated April 18, 2000 reported that FirstEnergy Corp. had reached a stipulated agreement with major parties to the transition filing it made in December 1999 under Ohio's electric utility industry restructuring law.

**Penn**

None

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 12, 2000

**FIRSTENERGY CORP.**

**Registrant**

**OHIO EDISON COMPANY**

**Registrant**

**THE CLEVELAND ELECTRIC  
ILLUMINATING COMPANY**

**Registrant**

**THE TOLEDO EDISON COMPANY**

**Registrant**

**PENNSYLVANIA POWER COMPANY**

**Registrant**

*/s/ Harvey L. Wagner*

-----

*Harvey L. Wagner*

*Controller*

*Principal Accounting Officer*

**EXHIBIT 15**

May 12, 2000

FirstEnergy Corp.  
76 South Main Street  
Akron, OH 44308

Gentlemen:

We are aware that FirstEnergy Corp. has incorporated by reference in its Registration Statements No. 333-40065, No. 333-48587, No. 333-48651, No. 333-58279, No. 333-65409 and No. 333-75985 its Form 10-Q for the quarter ended March 31, 2000, which includes our report dated May 12, 2000 covering the unaudited interim financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933, that report is not considered a part of the registration statements prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

**ARTHUR ANDERSEN LLP**

**ARTICLE UT**

This schedule contains summary financial information extracted from the related Form 10-Q financial statements for FirstEnergy Corp. and is qualified in its entirety by reference to such financial statements. (Amounts in 1,000's, except earnings per share.)

CIK: 0001031296

NAME: FIRSTENERGY CORP.

MULTIPLIER: 1,000

CURRENCY: U.S. DOLLARS

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	MAR 31 2000
EXCHANGE RATE	1
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	9,117,895
OTHER PROPERTY AND INVEST	2,668,357
TOTAL CURRENT ASSETS	1,258,580
TOTAL DEFERRED CHARGES	5,063,016
OTHER ASSETS	0
TOTAL ASSETS	18,107,848
COMMON	23,091
CAPITAL SURPLUS PAID IN	3,568,340
RETAINED EARNINGS	1,001,704
TOTAL COMMON STOCKHOLDERS EQ	4,593,135
PREFERRED MANDATORY	256,246
PREFERRED	648,395
LONG TERM DEBT NET	6,056,213
SHORT TERM NOTES	193,945
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	159,882
LONG TERM DEBT CURRENT PORT	572,739
PREFERRED STOCK CURRENT	38,464
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	46,314
OTHER ITEMS CAPITAL AND LIAB	5,542,515
TOT CAPITALIZATION AND LIAB	18,107,848
GROSS OPERATING REVENUE	1,607,930
INCOME TAX EXPENSE	97,899
OTHER OPERATING EXPENSES	1,234,086
TOTAL OPERATING EXPENSES	1,331,985
OPERATING INCOME LOSS	275,945
OTHER INCOME NET	0
INCOME BEFORE INTEREST EXPEN	275,945
TOTAL INTEREST EXPENSE	135,027
NET INCOME	140,918
PREFERRED STOCK DIVIDENDS	0
EARNINGS AVAILABLE FOR COMM	0
COMMON STOCK DIVIDENDS	84,455
TOTAL INTEREST ON BONDS	469,930
CASH FLOW OPERATIONS	327,915
EPS BASIC	.63
EPS DILUTED	.63

**EXHIBIT 15**

May 12, 2000

Ohio Edison Company  
76 South Main Street  
Akron, OH 44308

Gentlemen:

We are aware that Ohio Edison Company has incorporated by reference in its Registration Statements No. 33-49135, No. 33-49259, No. 33-49413, No. 33- 51139, No. 333-01489 and No. 333-05277 its Form 10-Q for the quarter ended March 31, 2000, which includes our report dated May 12, 2000 covering the unaudited interim financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933, that report is not considered a part of the registration statements prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

**ARTHUR ANDERSEN LLP**

**ARTICLE UT**

This schedule contains summary financial information extracted from the related Form 10-Q financial statements for Ohio Edison Company and is qualified in its entirety by reference to such financial statements. (Amounts in 1,000's.) Income tax expense includes \$5,053,000 related to other income.

CIK: 0000073960

NAME: OHIO EDISON COMPANY

MULTIPLIER: 1,000

CURRENCY: U.S. DOLLARS

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	MAR 31 2000
EXCHANGE RATE	1
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	4,611,130
OTHER PROPERTY AND INVEST	1,427,982
TOTAL CURRENT ASSETS	856,635
TOTAL DEFERRED CHARGES	1,813,496
OTHER ASSETS	0
TOTAL ASSETS	8,709,243
COMMON	1
CAPITAL SURPLUS PAID IN	2,098,728
RETAINED EARNINGS	544,718
TOTAL COMMON STOCKHOLDERS EQ	2,643,447
PREFERRED MANDATORY	140,000
PREFERRED	200,070
LONG TERM DEBT NET	2,207,858
SHORT TERM NOTES	147,475
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	159,882
LONG TERM DEBT CURRENT PORT	332,796
PREFERRED STOCK CURRENT	5,000
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	3,367
OTHER ITEMS CAPITAL AND LIAB	2,869,348
TOT CAPITALIZATION AND LIAB	8,709,243
GROSS OPERATING REVENUE	644,365
INCOME TAX EXPENSE	51,674
OTHER OPERATING EXPENSES	478,195
TOTAL OPERATING EXPENSES	524,816
OPERATING INCOME LOSS	119,549
OTHER INCOME NET	12,323
INCOME BEFORE INTEREST EXPEN	131,872
TOTAL INTEREST EXPENSE	51,077
NET INCOME	80,795
PREFERRED STOCK DIVIDENDS	2,808
EARNINGS AVAILABLE FOR COMM	77,987
COMMON STOCK DIVIDENDS	59,000
TOTAL INTEREST ON BONDS	179,493
CASH FLOW OPERATIONS	289,783
EPS BASIC	0
EPS DILUTED	0

**EXHIBIT 15**

May 12, 2000

The Cleveland Electric  
Illuminating Company  
76 South Main Street  
Akron, OH 44308

Gentlemen:

We are aware that The Cleveland Electric Illuminating Company has incorporated by reference in its Registration Statements No. 33-55513, No. 333-47651 and No. 333-72891 its Form 10-Q for the quarter ended March 31, 2000, which includes our report dated May 12, 2000 covering the unaudited interim financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933, that report is not considered a part of the registration statements prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

**ARTHUR ANDERSEN LLP**

**ARTICLE UT**

This schedule contains summary financial information extracted from the related Form 10-Q financial statements for The Cleveland Electric Illuminating Company and is qualified in its entirety by reference to such financial statements. (Amounts in 1,000's). Income tax expense includes \$4,087,000 related to other income.

CIK: 0000020947

NAME: THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

MULTIPLIER: 1,000

CURRENCY: U.S. DOLLARS

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	MAR 31 2000
EXCHANGE RATE	1
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	3,025,189
OTHER PROPERTY AND INVEST	699,817
TOTAL CURRENT ASSETS	340,702
TOTAL DEFERRED CHARGES	2,099,165
OTHER ASSETS	0
TOTAL ASSETS	6,164,873
COMMON	931,962
CAPITAL SURPLUS PAID IN	0
RETAINED EARNINGS	55,574
TOTAL COMMON STOCKHOLDERS EQ	987,536
PREFERRED MANDATORY	116,246
PREFERRED	238,325
LONG TERM DEBT NET	2,694,621
SHORT TERM NOTES	111,464
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	175,030
PREFERRED STOCK CURRENT	33,464
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	26,863
OTHER ITEMS CAPITAL AND LIAB	1,781,324
TOT CAPITALIZATION AND LIAB	6,164,873
GROSS OPERATING REVENUE	423,657
INCOME TAX EXPENSE	25,417
OTHER OPERATING EXPENSES	315,544
TOTAL OPERATING EXPENSES	336,874
OPERATING INCOME LOSS	86,783
OTHER INCOME NET	3,428
INCOME BEFORE INTEREST EXPEN	90,211
TOTAL INTEREST EXPENSE	51,501
NET INCOME	38,710
PREFERRED STOCK DIVIDENDS	7,790
EARNINGS AVAILABLE FOR COMM	30,920
COMMON STOCK DIVIDENDS	10,000
TOTAL INTEREST ON BONDS	204,011
CASH FLOW OPERATIONS	57,320
EPS BASIC	0
EPS DILUTED	0

**ARTICLE UT**

This schedule contains summary financial information extracted from the related Form 10-Q financial statements for The Toledo Edison Company and is qualified in its entirety by reference to such financial statements. (Amounts in 1,000's.) Income tax expense includes \$1,273,000 related to other income.

CIK: 0000352049

NAME: THE TOLEDO EDISON COMPANY

MULTIPLIER: 1,000

CURRENCY: U.S. DOLLARS

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	MAR 31 2000
EXCHANGE RATE	1
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	1,237,048
OTHER PROPERTY AND INVEST	412,324
TOTAL CURRENT ASSETS	114,876
TOTAL DEFERRED CHARGES	889,991
OTHER ASSETS	0
TOTAL ASSETS	2,654,239
COMMON	195,670
CAPITAL SURPLUS PAID IN	328,559
RETAINED EARNINGS	34,921
TOTAL COMMON STOCKHOLDERS EQ	559,150
PREFERRED MANDATORY	0
PREFERRED	210,000
LONG TERM DEBT NET	994,446
SHORT TERM NOTES	50,710
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	61,930
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	16,084
OTHER ITEMS CAPITAL AND LIAB	761,919
TOT CAPITALIZATION AND LIAB	2,654,239
GROSS OPERATING REVENUE	217,391
INCOME TAX EXPENSE	16,591
OTHER OPERATING EXPENSES	158,147
TOTAL OPERATING EXPENSES	173,465
OPERATING INCOME LOSS	43,926
OTHER INCOME NET	2,689
INCOME BEFORE INTEREST EXPEN	46,615
TOTAL INTEREST EXPENSE	17,095
NET INCOME	29,520
PREFERRED STOCK DIVIDENDS	4,064
EARNINGS AVAILABLE FOR COMM	25,456
COMMON STOCK DIVIDENDS	18,000
TOTAL INTEREST ON BONDS	75,522
CASH FLOW OPERATIONS	47,343
EPS BASIC	0
EPS DILUTED	0

**EXHIBIT 15**

May 12, 2000

Pennsylvania Power Company  
1 E. Washington Street  
P. O. Box 891  
New Castle, PA 16103

Gentlemen:

We are aware that Pennsylvania Power Company has incorporated by reference in its Registration Statements No. 33-62450 and No. 33-65156 its Form 10-Q for the quarter ended March 31, 2000, which includes our report dated May 12, 2000 covering the unaudited interim financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933, that report is not considered a part of the registration statements prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

**ARTHUR ANDERSEN LLP**

**ARTICLE UT**

This schedule contains summary financial information extracted from the related Form 10-Q financial statements for Pennsylvania Power Company and is qualified in its entirety by reference to such financial statements. (Amounts in 1,000's.) Income tax expense includes \$325,000 related to other income.

CIK: 0000077278

NAME: PENNSYLVANIA POWER COMPANY

MULTIPLIER: 1,000

CURRENCY: U.S. DOLLARS

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	MAR 31 2000
EXCHANGE RATE	1
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	455,537
OTHER PROPERTY AND INVEST	132,773
TOTAL CURRENT ASSETS	129,016
TOTAL DEFERRED CHARGES	306,287
OTHER ASSETS	0
TOTAL ASSETS	1,023,613
COMMON	188,700
CAPITAL SURPLUS PAID IN	(310)
RETAINED EARNINGS	(94)
TOTAL COMMON STOCKHOLDERS EQ	188,296
PREFERRED MANDATORY	15,000
PREFERRED	39,105
LONG TERM DEBT NET	286,045
SHORT TERM NOTES	0
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	23,974
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	14,275
OTHER ITEMS CAPITAL AND LIAB	456,918
TOT CAPITALIZATION AND LIAB	1,023,613
GROSS OPERATING REVENUE	83,951
INCOME TAX EXPENSE	(4,578)
OTHER OPERATING EXPENSES	95,221
TOTAL OPERATING EXPENSES	90,318
OPERATING INCOME LOSS	(6,367)
OTHER INCOME NET	413
INCOME BEFORE INTEREST EXPEN	(5,954)
TOTAL INTEREST EXPENSE	4,432
NET INCOME	(10,386)
PREFERRED STOCK DIVIDENDS	926
EARNINGS AVAILABLE FOR COMM	(11,312)
COMMON STOCK DIVIDENDS	0
TOTAL INTEREST ON BONDS	19,106
CASH FLOW OPERATIONS	6,081
EPS BASIC	0
EPS DILUTED	0

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