FirstEnergy

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Randy Scilla
Assistant Treasurer

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March 28, 2001

PY-CEI/NRR-2554L
DB-No.-2698
BV-No. L-01-035

Mr. Ira Dinitz
U.S. Nuclear Regulatory Commission
Office of Nuclear Reactor Regulation
Washington, D.C. 20555

Dear Mr. Dinitz:

Re: Docket Nos. 50-346, 50-440, 50-412, 50-334
Retrospective Premium Guarantee

FirstEnergy Corp. (parent of The Cleveland Electric Illuminating Company, The Toledo Edison Company, Ohio Edison Company, and Pennsylvania Power Company) hereby provides the documents described below as evidence of its guarantee of the retrospective premiums which may be served against the Davis-Besse Unit No. 1 ($10,000,000), Perry Unit No. 1 ($10,000,000), Beaver Valley Unit No. 1 ($10,000,000) and Beaver Valley Unit No. 2 ($10,000,000) reactor licenses, per Section 140.21 of 10 CFR Part 140.

(1) FirstEnergy Corp. Annual Report for 2000

(2) A 2001 Internal Cash Flow Projection for FirstEnergy Corp. certified by the Assistant Treasurer of the Company.

Very truly yours,

Randy Scilla

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Enclosures

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FIRSTENERGY CORP.

2001 INTERNAL CASH FLOW PROJECTION
FOR DAVIS-BESSE UNIT NO. 1, PERRY UNIT NO. 1,
AND BEAVER VALLEY UNIT NOS. 1 AND 2 NUCLEAR POWER PLANTS

(Dollars in Thousands)

	2000 Projected
Cash Flows:	
Retained Earnings, Depreciation and Amortization	$1,111,000
Deferred Income Taxes and Investment Tax Credits	(120,000)
Allowance for Funds Used During Construction and Carrying Charges	(15,000)
Deferred Operating Expenses	(23,000)
Net Cash Flows	$999,000
Internal Cash Flow	$999,000
Average Quarterly Cash Flow	$249,750
Percentage Ownership in Units:	
Davis-Besse Unit No. 1	100.00%
Perry Unit No. 1	100.00%
Beaver Valley Unit No. 2	100.00%
Beaver Valley Unit No. 1	100.00%
Maximum Total Contingent Liability	$40,000

CERTIFICATION

I, Randy Scilla, Assistant Treasurer of FirstEnergy Corp., hereby certifies that the foregoing Internal Cash Flow Projection for calendar year 2001 is derived from reasonable assumptions and is a reasonable estimate.

3/26/01
Date

Randy Scilla
Randy Scilla

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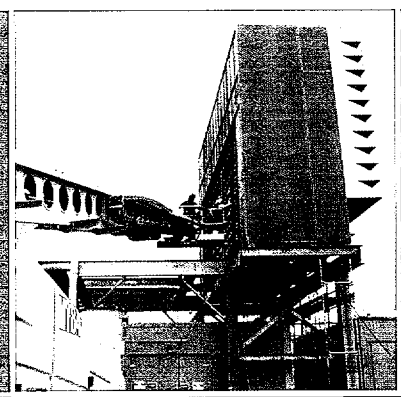
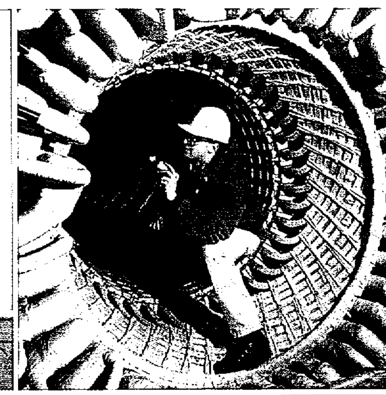
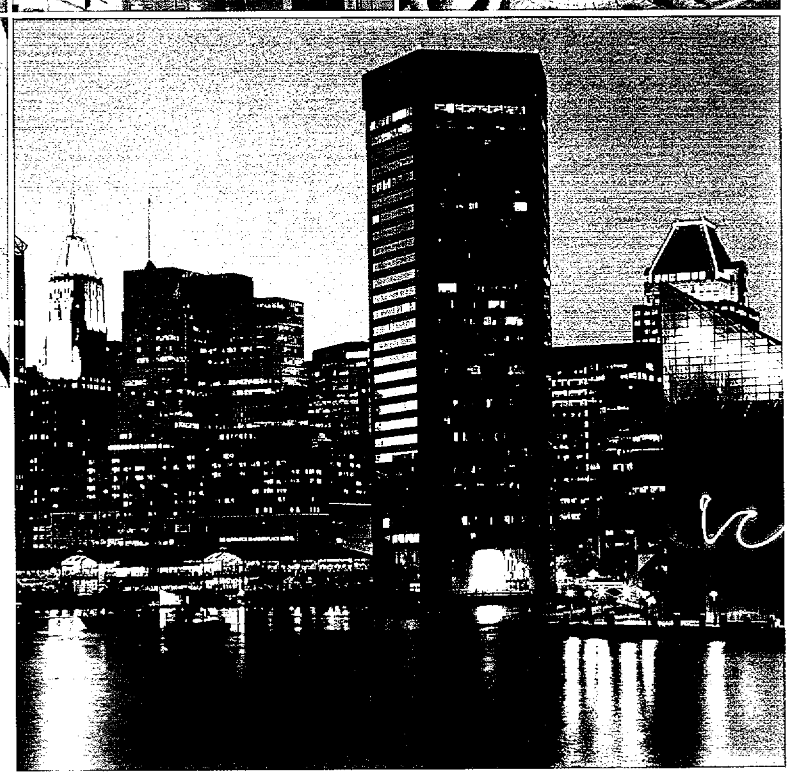
FirstEnergy®

2000
Annual Report



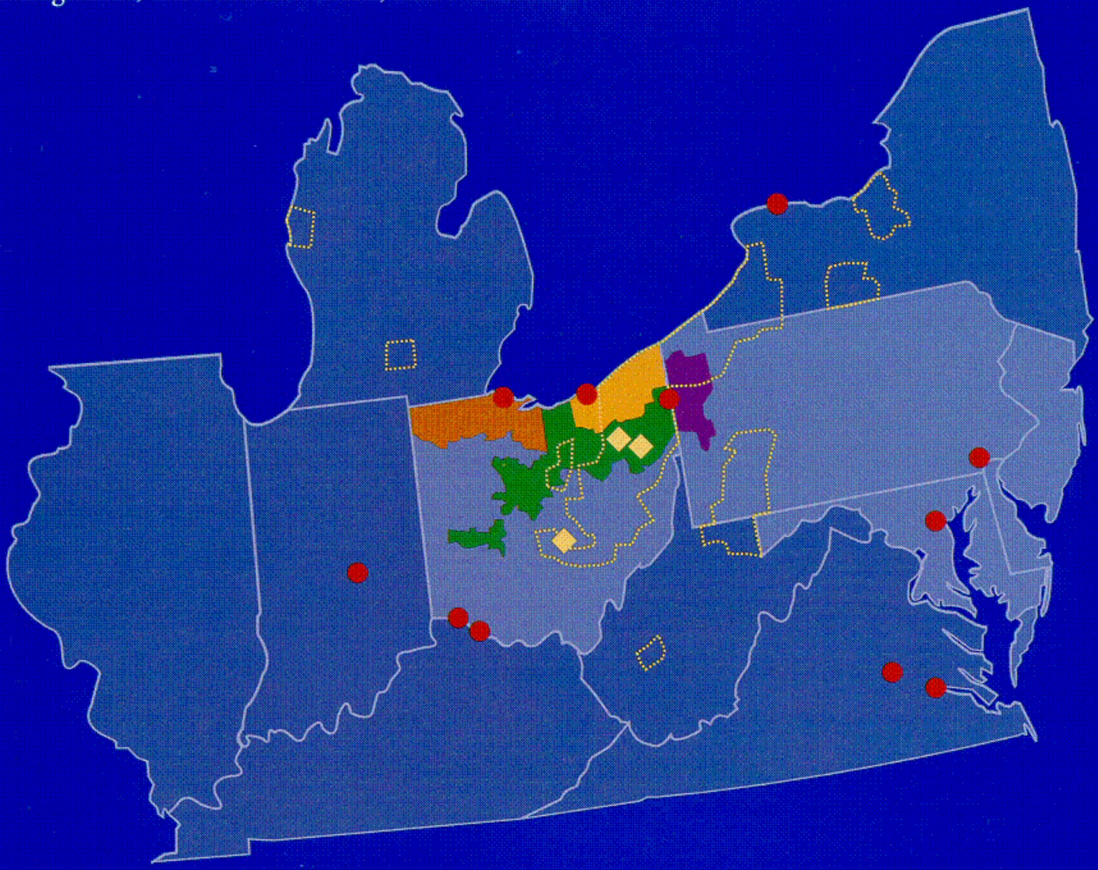




Corporate Profile

FirstEnergy Corp. is a diversified energy services holding company headquartered in Akron, Ohio. Its electric utility operating companies – Ohio Edison and its Pennsylvania Power subsidiary, The Illuminating Company and Toledo Edison – comprise the nation's tenth largest investor-owned electric system, serving 2.2 million customers within 13,200 square miles of northern and central Ohio and western Pennsylvania.

FirstEnergy subsidiaries and affiliates provide a wide range of energy and energy-related products and services, including the generation and sale of electricity; exploration and production of oil and natural gas; transmission and marketing of natural gas; mechanical and electrical contracting and construction; energy management; telecommunications; and e-commerce.



Electric Utility Operating Companies

- Ohio Edison Company, Akron, OH
- Pennsylvania Power Company, New Castle, PA
- The Illuminating Company, Cleveland, OH
- Toledo Edison Company, Toledo, OH

Assets and Other Operations

- Drilling rights to nearly one million acres
- Natural gas and oil operations
- Facilities Services Group companies
- Deregulated states where we are selling electricity

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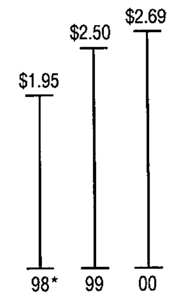
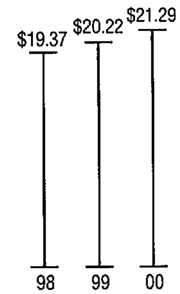


Earnings Per Share
*Before extraordinary charge



Book Value Per Share

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share amounts)	2000	1999
Total revenues	**$7,028,961**	$6,319,647
Net income	**$598,970**	$568,299
Earnings per common share	**$2.69**	$2.50
Return on average common equity	**13.0%**	12.7%
Dividends per common share	**$1.50**	$1.50
Book value per common share	**$21.29**	$20.22
Common equity to total capitalization	**41.5%**	39.8%
Cash provided by operating activities	**$1,507,826**	$1,488,306

STRATEGIC VISION

FirstEnergy will be the leading regional retail energy and related services supplier; the preferred choice for total customer solutions; shareholders' choice for long-term growth and investment value; and a Company that is driven by the skills, diversity, flexibility and character of its employees.

MISSION STATEMENT

FirstEnergy will provide competitively priced, high-quality products and value-added services in:

- Energy sales and services
- Energy delivery
- Power supply
- Regulated and unregulated supplemental services related to our core business

STRATEGY

To achieve our vision we will:

- Maximize the value of core operations
- Position the Company for profitable growth in related areas
- Maximize value retention during the transition to competition
- Increase financial flexibility and investor confidence

Message to Shareholders

Enhancing value through strategic growth. That best captures FirstEnergy's progress in 2000 as we continued to expand our presence and improve our competitiveness in the energy marketplace.

Most notably, shareholders overwhelmingly approved our pending merger with Morristown, New Jersey-based GPU, Inc., in November. Upon completion – which we hope will occur during the second quarter of this year – the merger will nearly double our annual revenues to more than $12 billion, and will move us closer to achieving our vision of becoming the leading retail energy and related services supplier in the northeast quadrant of the U.S., our targeted region for growth.

With the nation's sixth largest investor-owned electric utility system, based on 4.3 million customers served; contiguous transmission systems; and a 37,000-square-mile service area in Ohio, Pennsylvania and New Jersey, this combination will greatly expand our market for electricity, natural gas, telecommunications and other energy-related products and services.

The merger will help give us the size and scope we need to succeed in our changing business. It is expected to be accretive to earnings immediately upon completion, and to improve our earnings growth from what it otherwise would have been on a stand-alone basis.

Growth will be driven in part by strategic advantages, including anticipated annual cost savings of approximately $150 million through improved operating efficiencies and the elimination of duplicate activities.

To make sure we begin capturing the benefits as soon as the merger is completed, some 200 employees from both companies are reviewing operations and identifying strategies and best practices.

We're committed to making this a great success. Capturing the synergies offered by the merger will further enhance our financial and operational performance – areas where we made steady progress in 2000.

Delivering Stronger Earnings

We earned $599 million, or $2.69 per share of common stock, for the year, a 7.6 percent increase compared with earnings of $2.50 per share, or $568 million, in 1999. A $96-million reduction in fuel costs; the addition of 14,000 new electricity customers in our regulated service area; increased power sales to customers in unregulated energy markets; and a new generation output record by our power plants contributed to stronger earnings performance in 2000.

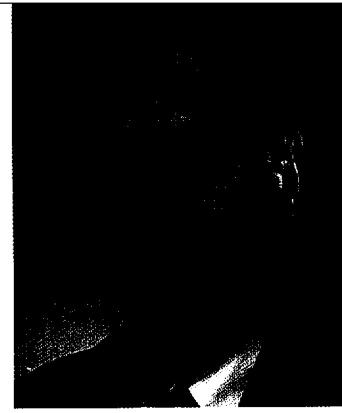
During the year, FirstEnergy retired, refinanced or repriced long-term debt totaling $927.7 million, which will produce annual interest savings of $31.9 million. We also repurchased 6.5 million shares of common stock in 2000 – reaching a total of 12.5 million shares – under our program to buy back up to 15 million shares during a three-year period that runs through 2001.

Competing in Ohio

Stronger financial performance and approval of our transition plan by the Public Utilities Commission of Ohio are enhancing our competitive position in the state, which opened the electric generation business to competition on January 1, 2001.

Our transition plan – which established the framework for how we're operating in Ohio – gives us the opportunity through 2008 to recover $6.9 billion in transition costs – past expenses we incurred in the regulated environment. Our ability to recover these costs was a key reason why the investor services firms of Moody's and Fitch upgraded the debt ratings of our electric utility operating companies in 2000.

Ohio's competitive electric market poses new challenges for our Company, including meeting a target that calls for 20 percent of our electric customers to switch to new suppliers during the next five years. We're confident that we'll achieve that mark, in part because we've helped jump-start competition under an innovative plan through which we are selling – at established prices – 1,120 megawatts of power through 2005 to other suppliers and aggregators for sale to our customers.



In addition, customers who choose our unregulated FirstEnergy Services subsidiary as their new supplier count toward the switching target. By the end of the first quarter of this year, we expect that approximately 150,000 of our electric utility customers will switch to new suppliers – including some 100,000 to FirstEnergy Services, which is building on a successful track record in other unregulated electricity markets.

Expanding Markets

FirstEnergy Services also serves electricity customers in Pennsylvania, New Jersey, Delaware and Maryland. And, it's selling other products and services as well, including natural gas, adding nearly 140,000 customers in 2000. The merger with GPU will help further expand the market for our diverse mix of products and services.

While electricity remains our core business, growth in other areas is important because adding new sources of revenues will help replace revenues we'll lose in Ohio's competitive market. In fact, in 2000 we more than tripled our natural gas revenues to $582 million and increased our Facilities Services Group revenues by 12 percent to $563 million.

Learning from California

We're well positioned for success in Ohio's deregulated electricity market, which is governed by rules far different than those in California, where electricity shortages and price spikes are plaguing that state's deregulated market. Ohio also has an adequate supply of electricity in the near term, unlike California, which has added little capacity in recent years – despite significant increases in customer demand.

Since 1998, Ohio regulators have approved plans to add approximately 5,700 megawatts of new generating capacity, and are considering applications for the installation of an additional 8,500 megawatts of capacity. However, most of this proposed generation is comprised of natural-gas-fired peaking units, so it's unclear how much actually will be built because of price volatility in the gas market.

As a result, during Ohio's five-year transition to full competition, it's important that the government provide incentives, not disincentives, for adding new generation in the region to meet growing customer demand and eventually to replace existing base-load power plants. Also, the government needs to take a more consistent approach to environmental regulations. Our industry should not be subjected to ongoing changes in how the Clean Air Act is interpreted by the U.S. Environmental Protection Agency, affecting plants that provide much of our region's electricity supply.

Enhancing your Investment

We cannot predict the future impact of competition. However, we remain focused on running our Company as efficiently as possible, and we continue to explore new business opportunities that complement our market strategy.

We're proud of our progress. And, with your ongoing support and the hard work of our dedicated employees, we'll continue increasing the competitiveness of your Company and enhancing the value of your investment.

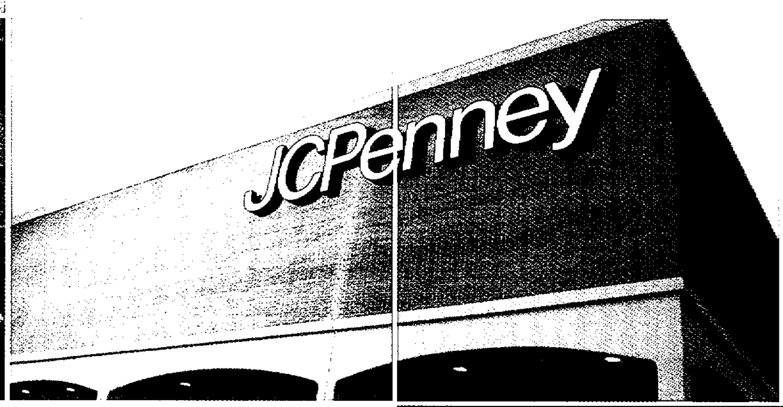
Sincerely,

H. Peter Burg

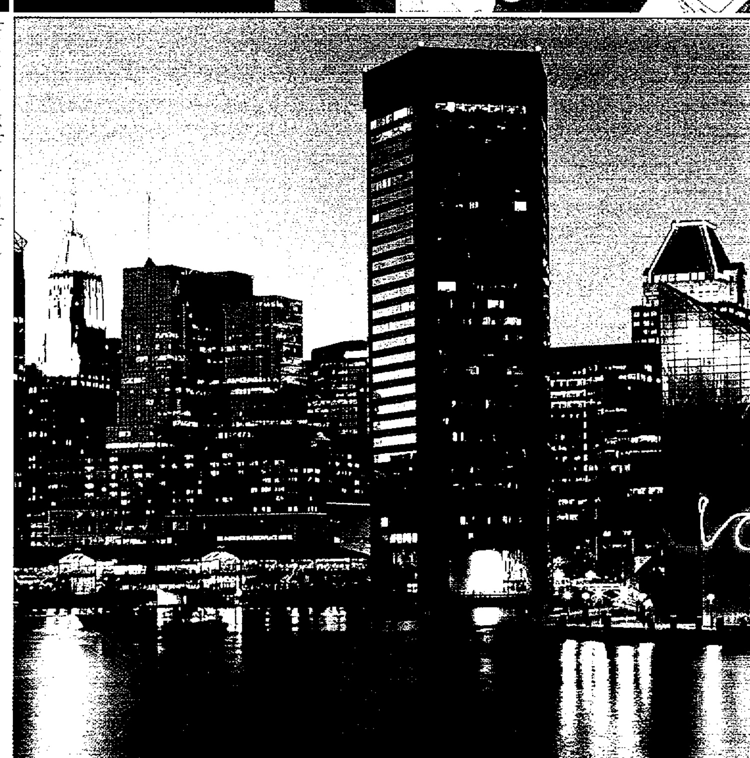
H. Peter Burg
Chairman and Chief Executive Officer

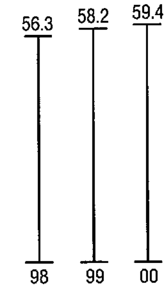
March 12, 2001

Enhancing value through strategic growth



FROM TOP LEFT: 2000 marked a year of growth in residential electric and natural gas customers; welding for a mechanical construction customer; JCPenney is among FirstEnergy Services' growing number of customers; customers signing up for FirstEnergy Services' natural gas offer; FirstEnergy Services has added hundreds of local government accounts, including many in the Baltimore, Maryland, area.





Regulated Retail Kilowatt-Hour Sales
(Billions)

Competing in Ohio's Electric Industry and Other Unregulated Markets

After years of debate and preparation, Ohio opened its electric generation business to competition in January 2001.

The state's deregulation law gives Ohioans – including customers of our subsidiaries, Ohio Edison, The Illuminating Company and Toledo Edison – the option of buying their electricity from suppliers other than their local electric companies.

The deregulated marketplace poses new challenges to our Company, but also presents growth opportunities. For instance, while rules governing how we operate in Ohio include a target that calls for 20 percent of our customers to switch to new suppliers during the next five years, they also enable our unregulated FirstEnergy Services subsidiary to add customers inside and outside our traditional service area.

We're confident that the unregulated sale of electricity – and other energy and related products and services – will help cover lost revenues from our traditional electric business.

Continuing to Grow our Unregulated Operations

FirstEnergy Services is building on a successful track record, with more than 130,000 electric customers in Ohio, Pennsylvania, New Jersey, Delaware and Maryland. Customers include JCPenney and Kroger facilities, and hundreds of local government accounts.

FirstEnergy Services is part of our new competitive business unit, under which we've consolidated many of our unregulated activities. In addition to electricity, FirstEnergy Services sells a variety of energy and energy-related products and services, including natural gas, mechanical and electrical contracting and telecommunications.

Our unregulated operations produced revenues of $1.6 billion in 2000, including $582 million from our natural gas operations. That's more than triple the natural gas revenues generated in 1999. And, we've added nearly 140,000 residential and small business natural gas customers in Ohio, bringing our total number of retail natural gas customers to more than 170,000.

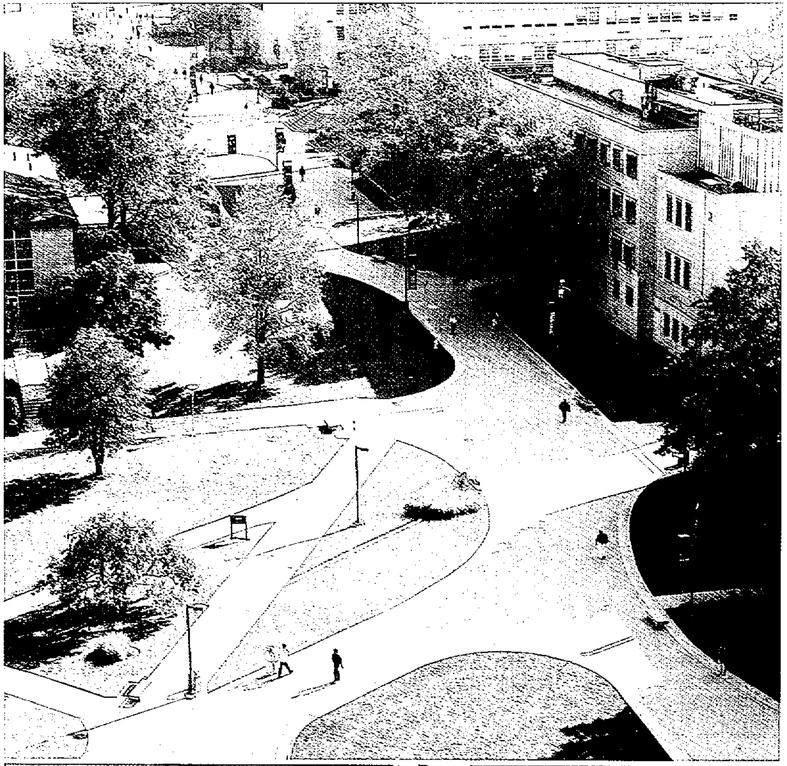
As one of the largest natural gas producers in the Appalachian Basin, our resources include more than 7,900 oil and gas wells, drilling rights to nearly one million acres, 4,800 miles of pipelines and proved reserves of 480 billion cubic feet equivalent of natural gas and oil.

Our Facilities Services Group also posted an increase in revenues to $563 million in 2000, compared with approximately $500 million in 1999. Its 11 companies, which provide a variety of mechanical and electrical contracting and construction services, continue to serve an impressive list of customers, including Kodak, Xerox, Toyota and Nabisco.

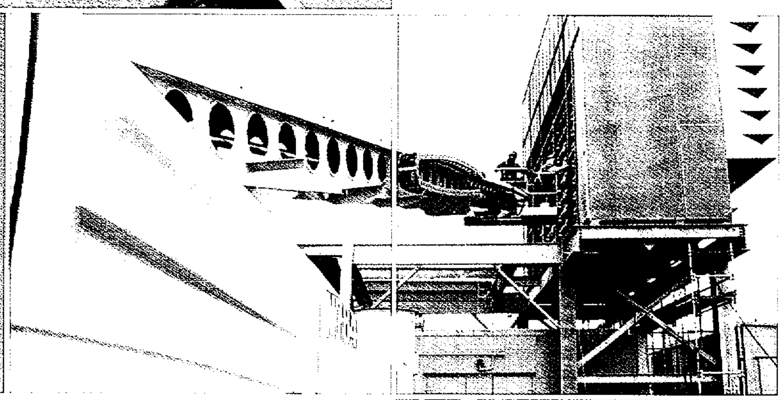
Entering Other Competitive Businesses

We're also expanding our telecommunications activities. For example, our FirstEnergy Telecommunications subsidiary has been certified by the state of Ohio to sell advanced communications services to retail and wholesale customers.

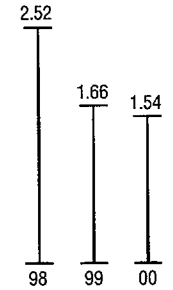
By tapping our existing fiber-optic network, FirstEnergy Telecommunications will support the efforts of FirstEnergy Services by targeting customers with high demand for data transfer services, such as banks, universities, hospitals and other telecommunications companies. We've also entered the telecommunications business on other fronts through our ownership interests in two enterprises – America's Fiber Network, LLC, (AFN), and First Communications.



Exploring new business opportunities in competitive markets



FROM TOP LEFT: FirstEnergy Services now serves as energy manager for The University of Akron; an operator at our First Communications affiliate; construction of a new natural-gas-fired peaking unit; monitoring operations at the Perry Nuclear Power Plant.



OSHA Safety Rating
(Incidents per 100 Utility Employees)

AFN is a high-speed, fiber-optic based network services provider that is being positioned to reach one-third of the nation's wholesale telecommunications market, serving customers such as Internet service providers, local and long-distance telephone companies and wireless communication companies. Upon completion of the merger with GPU, which also has an interest in AFN, we'll own more than 30 percent of the venture and its 140,000 fiber miles. AFN complements our ownership position in First Communications, a provider of long-distance telephone, data and Internet services, with 40,000 customers and offices in Akron, Chicago and Indianapolis.

We also own an interest in another venture called Pantellos Corporation, which we co-founded in 2000 with 20 other energy and utility companies, including GPU. This independent, for-profit enterprise is operating an Internet marketplace for buyers and sellers in the $130-billion energy market. It provides companies in the energy industry and their suppliers with a centralized location for the purchase of goods and services, from transformers and wire to turbines and equipment repairs.

Meeting our Customers' Energy Needs

Our diverse mix of products and services is at the core of a growing number of master energy services agreements our FirstEnergy Services subsidiary is signing with large public and private sector customers, under which we provide comprehensive energy and related services.

For instance, FirstEnergy Services is now the energy manager for the Cleveland-based National City Corp., an $85-billion financial holding company. Under the long-term contract, we're helping the company secure competitive prices for electricity, natural gas and energy-efficiency projects for 1,300 branches, operations centers and other facilities throughout its six-state region. FirstEnergy Services also is serving as energy manager for other organizations, including Kent State University and The University of Akron.

Improving Power Plant Performance

2000 marked another year of milestones by our power plants, which are supplying electricity to our regulated and unregulated customers.

Our plants set an all-time record for their highest level of output – 69.7 million megawatt hours. Our largest plant, Bruce Mansfield, generated a record 16.4 million megawatt hours – nearly 24 percent of our total generation. And, our Beaver Valley, Davis-Besse, and Perry nuclear plants recorded a 21-percent increase in generation output.

Other accomplishments included Beaver Valley's refueling outage completion in just 32 days, the shortest in the plant's history; and Perry's completion of one of the best operating years since starting up in 1987, including achieving an availability factor of nearly 97 percent.

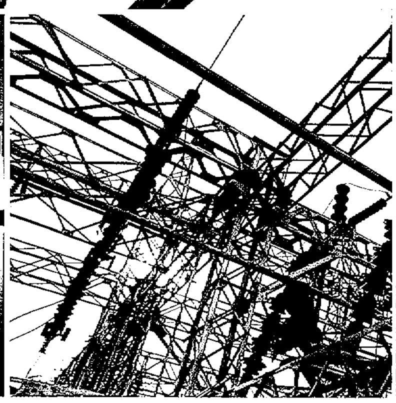
Plant employees also posted impressive safety records. For example, during the year, Davis-Besse and Mansfield plant employees reached the 4 million and 2.5 million hour marks, respectively, without a lost-time accident.

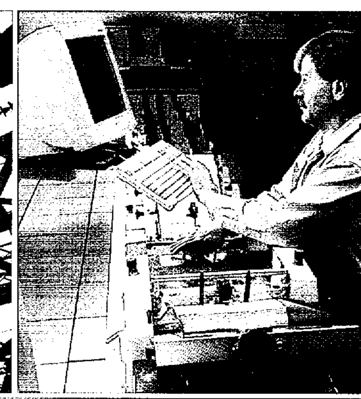
And, our Occupational Safety and Health Administration (OSHA) incident rate of 1.54 per 100 electric utility employees – a 7-percent improvement compared with 1999 – ranks us among our industry's leaders in safety.

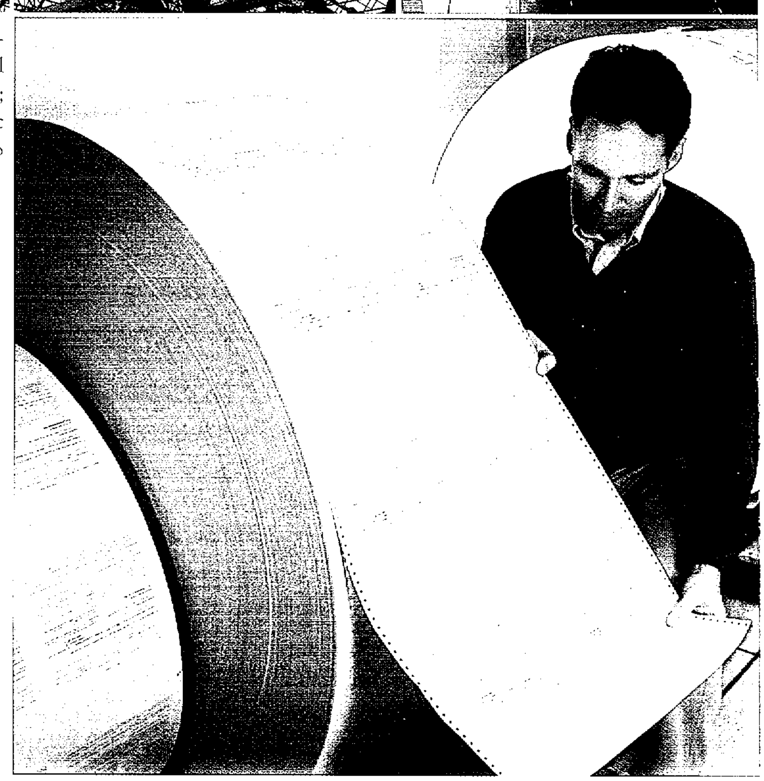
These accomplishments are important because they contribute to the safe and efficient operation of our plants, which – with competition in effect – is more important than ever. We'll rely even more on the skills and expertise of plant employees as we work to meet the needs of our expanded service area upon completion of our merger with GPU.

In addition to our some 12,000 megawatts of capacity, we're adding 425 megawatts from new natural-gas-fired peaking plants this year, and another 340 megawatts by the summer of 2002. With our existing

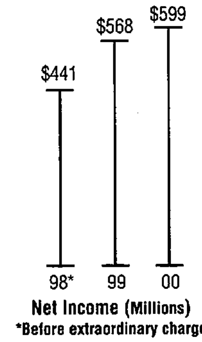
Focusing on the reliability of our electric service







FROM TOP LEFT: Maintenance at a transmission tower; our state-of-the-art Call Center in Akron; a transmission substation; production of our new unbundled electric bill, which provides more details to help customers make shopping decisions.



and planned generation resources – and our expertise in securing and managing cost-competitive, short- and long-term power-supply agreements – we're confident we can meet the increased power supply needs of our customers.

However, as evidenced by electricity shortages in California and other states, it is critical that new generating capacity be built in the region to meet growing customer demand and to eventually replace existing base-load power plants.

Continuing to Improve our Transmission and Distribution Businesses

While we've diversified into other energy-related areas, electricity remains our core business. And, regardless of whether customers of our Ohio electric utility operating companies switch suppliers under the state's deregulation law, our still-regulated transmission and distribution businesses will continue to deliver power and provide other services, such as meter reading, billing and service maintenance and repairs.

Competition in Ohio's electric generation business is being phased in during a five-year market development period, through 2005. It is designed to provide an adequate amount of time for competition to develop and to educate consumers, who are protected during this period from volatile price fluctuations through rate caps.

The market development period also marks the beginning of transition cost recovery for our electric operating companies. These costs reflect expenses incurred to serve customers in a regulated environment. Under our state-approved transition plan, our operating companies have the opportunity to recover $6.9 billion through 2008. Recovery of these costs provides us with the cash needed to pay down related debt.

Improving Customer Service

As part of our ongoing commitment to provide superior customer service, we spent approximately $120 million on transmission and distribution improvements, including new substations, overhead and underground lines and equipment designed to enhance circuit reliability.

We're also continuing to use Internet technology to make it easier for customers to do business with us. Our Customer Care site, *www.firstenergycorp.com*, offers customers the opportunity to pay their bills online; request service connection or disconnection; enter meter readings; and access energy efficiency tips and electric deregulation information.

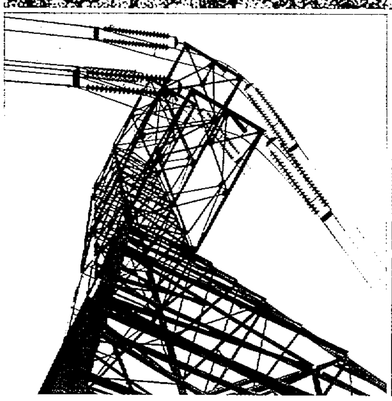
And, our high-tech Interactive Voice Response System is enabling our customer service representatives to respond faster to customer calls. This provides a tremendous value, especially when severe weather occurs. For example, when hurricane-force winds caused power outages for nearly 300,000 of our electric customers last December, the system helped crews track more quickly the location of downed poles and power lines. As a result, service was restored to 90 percent of those customers within 24 hours.

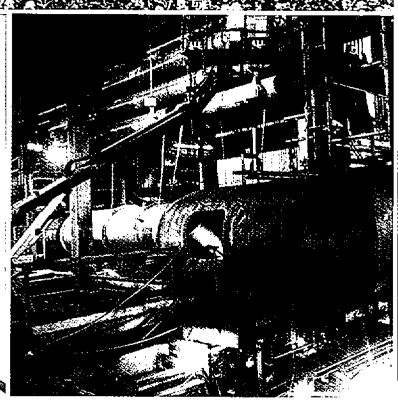
We've also designed a new bill format that itemizes generation, delivery and transition charges, as well as a price to compare, which customers can use to shop for other suppliers. In doing so, we met rules that require our electric operating companies to unbundle the price of electricity to reflect the cost of regulated and unregulated services.

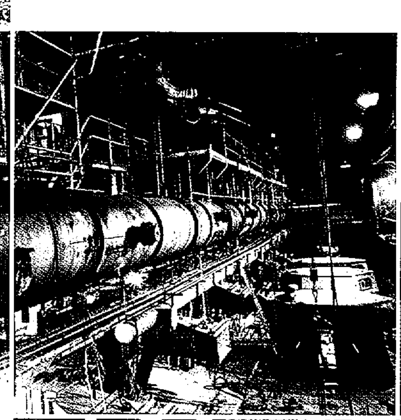
Repositioning our Transmission Business

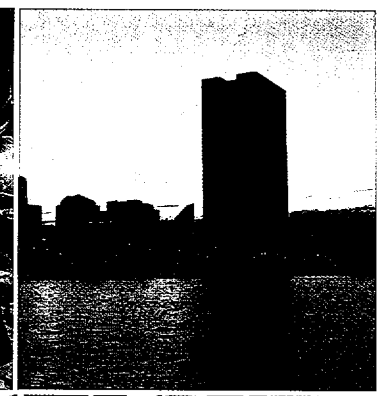
In 2000, we made significant progress in positioning our transmission operations to succeed in the competitive market, including transferring $1.2 billion in transmission assets to a new subsidiary, American Transmission Systems, Incorporated. The subsidiary

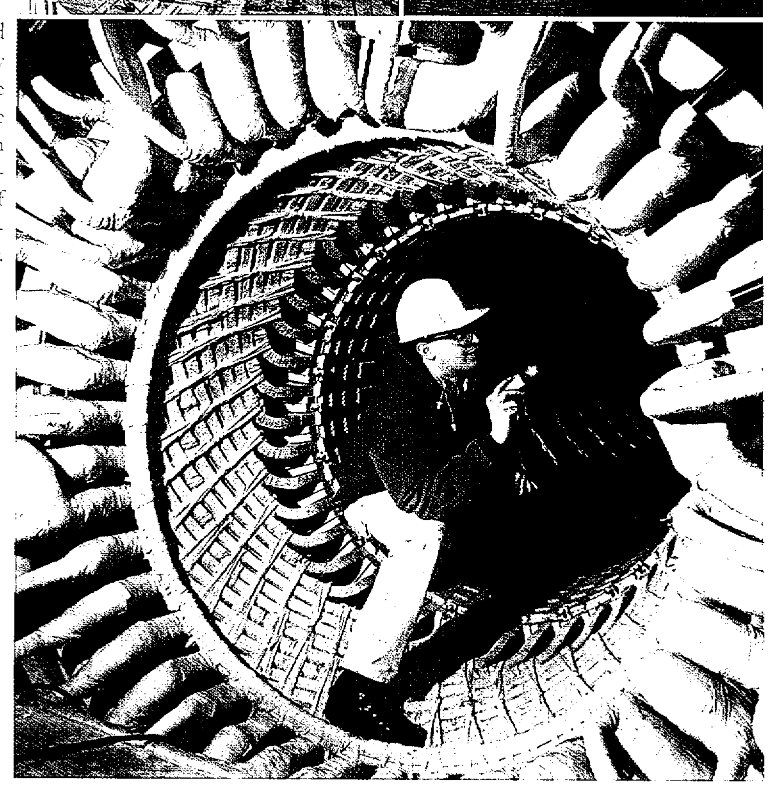
Providing customers with affordable electricity while protecting the environment



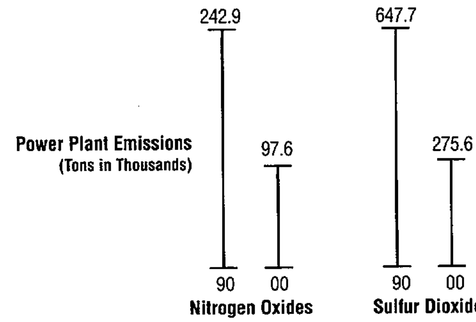








FROM TOP LEFT: We support parks and nature preserves that contribute to the quality of life in our service area; major high-voltage facilities, including transmission towers, are now part of our new American Transmission Systems, Incorporated, subsidiary; low-NOx burners at our Sammis Plant; skyline of Toledo, home of our Toledo Edison subsidiary; inspection of a power plant generator.



owns and operates our major high-voltage transmission facilities – approximately 7,100 circuit miles of transmission lines with voltages of 69 kilovolts and higher, 37 interconnections with 6 neighboring utilities and approximately 120 transmission substations.

The transfer was the first step toward our participation in a regional transmission organization that meets a Federal Energy Regulatory Commission (FERC) mandate that transmission systems be operated separately from power plants in order to ensure non-discriminatory access to the transmission grid. We formed such an organization – called the Alliance Regional Transmission Organization (RTO) – along with American Electric Power, Consumers Energy, Detroit Edison and Dominion Virginia Power.

Approved by FERC in January 2001, the Alliance RTO will operate – and ultimately could own – the transmission systems of participating companies. Ameren, Commonwealth Edison, Dayton Power & Light, Illinois Power and Northern Indiana Public Service Company also have signed the Alliance RTO agreement. The Alliance RTO – expected to be operational in late 2001– will be the country's largest independent RTO.

Protecting the Environment

We continue to demonstrate our commitment to protecting the environment while providing our customers with a reliable and affordable electricity supply.

By restructuring our generation portfolio and investing nearly $1.5 billion in new environmental protection systems and emerging technologies, in the last decade alone we've reduced emissions of nitrogen oxides (NOx) by 60 percent and sulfur dioxide (SO_2) by 57 percent.

Our environmental stewardship does not stop there. We continue working to further reduce emissions. In 2000, we installed low-NOx burners at our 2,233-megawatt W. H. Sammis Plant that will cut NOx emissions at the plant to less than half of 1990 levels. We're also installing other equipment to reduce NOx emissions at our largest coal-fired generating units.

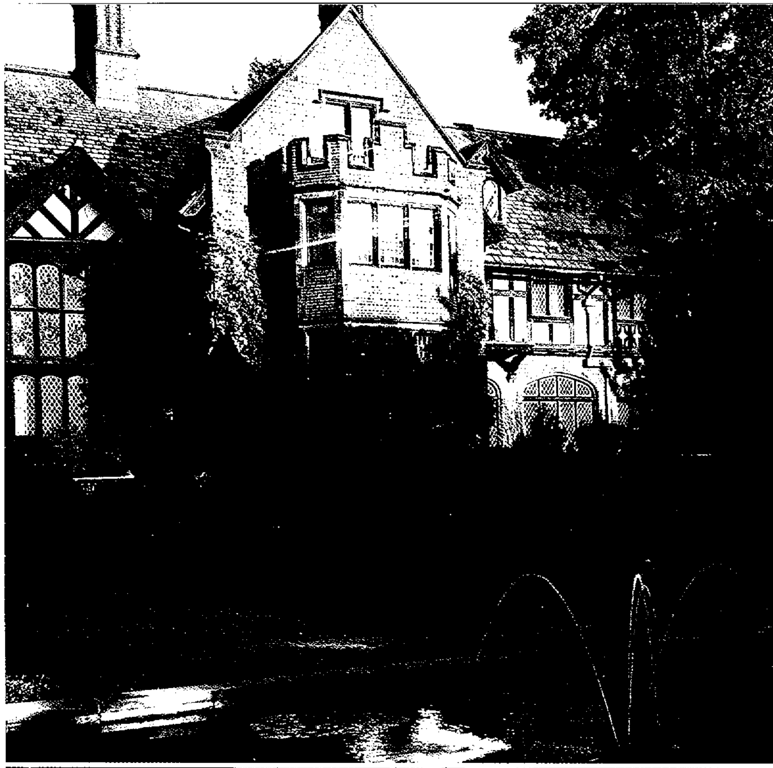
Despite these and other environmental protection efforts, legal action is pending against more than 40 plants in the Midwest and South, including our Sammis Plant, by the U.S. Environmental Protection Agency. The agency claims that routine maintenance, repairs and replacements of plant equipment triggered provisions of the Clean Air Act that require additional environmental controls – an unprecedented interpretation of the law.

We've spent a total of $4.6 billion on environmental protection efforts since passage of the Clean Air Act, and remain confident that all our plants – including Sammis – are in compliance.

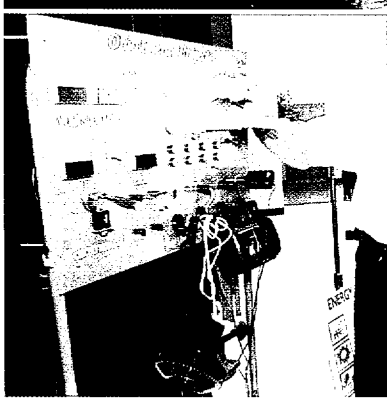
Exploring New Environmental Protection Measures

We continue to explore new ways to minimize the impact of our plants on the environment. For example, we're testing a new air emission reduction technology designed to simultaneously cut emissions of NOx, SO_2, fine particulate matter, mercury and other substances, at our R. E. Burger Plant. We intend to further test this technology on a larger scale at another of our coal-fired power plants.

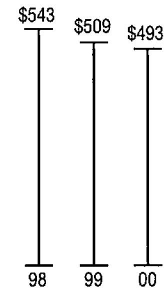
Developed by New Hampshire-based Powerspan Corp., this technology – Electro-Catalytic Oxidation™ – breaks down gases that result from the combustion of coal into compounds that can be captured as by-products in electrostatic precipitators, a lower-cost control option that can also produce commercial-grade sulfuric and nitric acids.



Helping make our **communities** better places to live and work



FROM TOP LEFT: Akron landmark Stan Hywet Hall & Gardens is among the organizations supported by The FirstEnergy Foundation; supporting energy education with our Cycle Science program; teaching children about electrical safety; nearly 70 employees are supporting FirstEnergy's leadership role in AkronReads.



Interest Expense
(Millions)

Recycling Projects

We're developing uses for recycled materials. In fact, we've started operation of a new circulating fluidized bed boiler at our Bay Shore Plant that is reducing fuel costs and emissions by using a by-product, petroleum coke, from the neighboring BP Oil Toledo Refinery as fuel. The boiler is generating low-cost steam to make electricity at our plant and petroleum products at the refinery.

In addition, we're continuing to supply by-products from the air-quality-control system at our Bruce Mansfield Plant to produce wallboard at a state-of-the-art facility adjacent to the plant.

Supporting our Communities

While our Company has changed significantly, our commitment to supporting the communities we serve has not. We continue to support economic development efforts in our communities through programs that promote the location, retention and expansion of businesses in our service area. For example, through Export Now, we help local businesses access resources they need to increase international sales in Canada and Mexico. In 2000, this program – and others we support – helped attract $1 billion in business projects in our service area that will retain and create more than 8,800 jobs.

We're proud to support other programs and organizations that also make our communities better places to live and work. The FirstEnergy Foundation continues its tradition of providing direct financial support to hundreds of non-profit organizations based on our community involvement priorities:

- To ensure the safety and health of the community
- To promote economic development
- To advance professional development
- To support employee involvement

FirstEnergy also offers program support to schools and social service agencies that are working to improve the quality of life in our cities and towns. Among our most important initiatives is providing educational and electricity safety materials to schools. For example, in an effort to further educate elementary school children on the potential dangers of electricity and electrical equipment, we shipped more than 1,000 safety videos to local elementary schools and media centers in 2000. And, we've recently introduced an electrical safety video for middle school students.

Education is a cornerstone of our community support efforts. For example, we've taken a leadership role in AkronReads – an outgrowth of Governor Bob Taft's OhioReads initiative. Through this program, nearly 70 FirstEnergy employees are helping improve the reading skills of area students by tutoring them one hour a week.

FirstEnergy Corp. Officers

H. Peter Burg
Chairman and
Chief Executive Officer

Anthony J. Alexander
President

Arthur R. Garfield
Senior Vice President

John A. Gill
Senior Vice President

Richard H. Marsh
Vice President and
Chief Financial Officer

Leila L. Vespoli
Vice President and
General Counsel

Earl T. Carey
Vice President

Mary Beth Carroll
Vice President

Kathryn W. Dindo
Vice President

Douglas S. Elliott
Vice President

Kevin J. Keough
Vice President

Guy L. Pipitone
Vice President

Stanley F. Szwed
Vice President

Nancy C. Ashcom
Corporate Secretary

Thomas C. Navin
Treasurer

Harvey L. Wagner
Controller

Jeffrey R. Kalata
Assistant Controller

Randy Scilla
Assistant Treasurer

Edward J. Udovich
Assistant Corporate Secretary

Nuclear Officers

Robert F. Saunders
President and Chief Nuclear Officer
of FirstEnergy Nuclear Operating
Company (FENOC)

Lew W. Myers
Senior Vice President FENOC –
Beaver Valley

Guy G. Campbell
Vice President FENOC –
Davis-Besse

John K. Wood
Vice President FENOC –
Perry

Regional Officers

Lynn M. Cavalier
Regional President –
Eastern

Thomas A. Clark
Regional President –
Southern

Charles E. Jones
Regional President –
Northern

Stephen E. Morgan
Regional President –
Central

James M. Murray
Regional President –
Western

Jeffrey A. Elser
President –
Pennsylvania Power

John E. Paganie
Regional Vice President –
Western

David W. Whitehead
Regional Vice President –
Northern

Glenn H. Meadows

We are saddened to report the passing of Board member Glenn H. Meadows in June. Mr. Meadows, retired president and chief executive officer of McNeil Corporation, Akron, Ohio, was elected to the Board of Ohio Edison Company in 1981. He was a trusted counselor, and his knowledge and good judgement will be missed by the Board.

Board of Directors

H. Peter Burg, 54
Chairman of the Board and Chief Executive Officer of FirstEnergy Corp. Director of FirstEnergy Corp. since 1997 and of Ohio Edison since 1989.

Anthony J. Alexander, 49
President of FirstEnergy Corp. and Director of FirstEnergy Corp. since 2000.

Dr. Carol A. Cartwright, 59
President, Kent State University, Kent, Ohio. Chair, Nominating Committee; Member, Finance Committee. Director of FirstEnergy Corp. since 1997 and of Ohio Edison from 1992-1997.

William F. Conway, 70
President of William F. Conway & Associates, Inc., Scottsdale, Arizona. Chair, Nuclear Committee; Member, Audit Committee. Director of FirstEnergy Corp. since 1997 and of the former Centerior Energy Corporation from 1994-1997.

Robert B. Heisler, Jr., 52
Group Executive Vice President of KeyCorp, Cleveland, Ohio. Member, Compensation and Nominating committees. Director of FirstEnergy Corp. since 1998.

Robert L. Loughhead, 71
Retired, formerly Chairman of the Board, President and Chief Executive Officer of Weirton Steel Corporation, Weirton, West Virginia. Chair, Compensation Committee; Member, Audit Committee. Director of FirstEnergy Corp. since 1997 and of Ohio Edison from 1980-1997.

Russell W. Maier, 64
Retired, formerly Chairman of the Board and Chief Executive Officer of Republic Engineered Steels, Inc., Massillon, Ohio. Member, Compensation and Nuclear committees. Director of FirstEnergy Corp. since 1997 and of Ohio Edison from 1995-1997.

Paul J. Powers, 66
Retired, formerly Chairman of the Board and Chief Executive Officer of Commercial Intertech Corp., Youngstown, Ohio. Chair, Finance Committee; Member, Compensation Committee. Director of FirstEnergy Corp. since 1997 and of Ohio Edison from 1992-1997.

Robert C. Savage, 63
President and Chief Executive Officer of Savage & Associates, Inc., Toledo, Ohio. Member, Finance and Nominating committees. Director of FirstEnergy Corp. since 1997 and of the former Centerior Energy Corporation from 1990-1997.

George M. Smart, 55
Chairman of the Board and President of Phoenix Packaging Corporation, North Canton, Ohio. Chair, Audit Committee; Member, Finance Committee. Director of FirstEnergy Corp. since 1997 and of Ohio Edison from 1988-1997.

Jesse T. Williams, Sr., 61
Retired, formerly Vice President of Human Resources Policy, Employment Practices and Systems of The Goodyear Tire & Rubber Company, Akron, Ohio. Member, Audit and Nominating committees. Director of FirstEnergy Corp. since 1997 and of Ohio Edison from 1992-1997.


H. Peter Burg

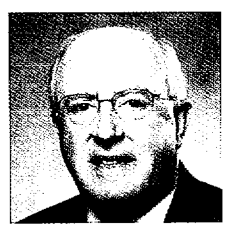

Russell W. Maier


Anthony J. Alexander

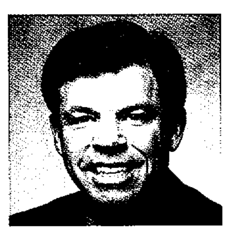

Paul J. Powers


Dr. Carol A. Cartwright

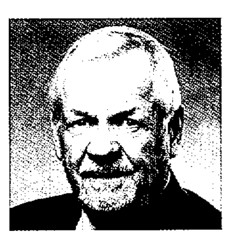

Robert C. Savage


William F. Conway


George M. Smart


Robert B. Heisler, Jr.


Jesse T. Williams, Sr.


Robert L. Loughhead

Management Report

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

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

The Audit Committee consists of four nonemployee directors whose duties include: consideration of the adequacy of the internal controls of the Company and the objectivity of financial reporting; inquiry into the number, extent, adequacy and validity of regular and special audits conducted by independent public accountants and the internal auditors; recommendation to the Board of Directors of independent accountants to conduct the normal annual audit and special purpose audits as may be required; and reporting to the Board of Directors the Committee's findings and any recommendation for changes in scope, methods or procedures of the auditing functions. The Committee also reviews the results of management's programs to monitor compliance with the Company's policies on business ethics and risk management. The Audit Committee held five meetings in 2000.

R.H. Marsh

Richard H. Marsh
Vice President and Chief Financial Officer

Harvey L. Wagner

Harvey L. Wagner
Controller and
Chief Accounting Officer

Report of Independent Public Accountants

To the Stockholders and Board of Directors of FirstEnergy Corp.:

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of FirstEnergy Corp. (an Ohio corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, common stockholders' equity, preferred stock, cash flows and taxes for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FirstEnergy Corp. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Arthur Andersen LLP
Cleveland, Ohio
February 16, 2001

SELECTED FINANCIAL DATA

(In thousands, except per share amounts)

For the Years Ended December 31,	2000	1999	1998	1997	1996
Revenues	**$ 7,028,961**	$ 6,319,647	$ 5,874,906	$ 2,961,125	$2,521,788
Income Before Extraordinary Item	**$ 598,970**	$ 568,299	$ 441,396	$ 305,774	$ 302,673
Net Income	**$ 598,970**	$ 568,299	$ 410,874	$ 305,774	$ 302,673
Earnings per Share of Common Stock:					
Before Extraordinary Item	**$2.69**	$2.50	$1.95	$1.94	$2.10
After Extraordinary Item	**$2.69**	$2.50	$1.82	$1.94	$2.10
Dividends Declared per Share of Common Stock	**$1.50**	$1.50	$1.50	$1.50	$1.50
Total Assets	**$17,941,294**	$18,224,047	$18,192,177	$18,261,481	$9,218,623
Capitalization at December 31:					
Common Stockholders' Equity	**$ 4,653,126**	$ 4,563,890	$ 4,449,158	$ 4,159,598	$2,503,359
Preferred Stock:					
Not Subject to Mandatory Redemption	**648,395**	648,395	660,195	660,195	211,870
Subject to Mandatory Redemption	**161,105**	256,246	294,710	334,864	155,000
Long-Term Debt	**5,742,048**	6,001,264	6,352,359	6,969,835	2,712,760
Total Capitalization	**$11,204,674**	$11,469,795	$11,756,422	$12,124,492	$5,582,989

PRICE RANGE OF COMMON STOCK

FirstEnergy Corp.'s Common Stock is listed on the New York Stock Exchange and is traded on other registered exchanges.

	2000		1999	
First Quarter High-Low	**23.56**	**18.00**	33.19	27.94
Second Quarter High-Low	**26.88**	**20.56**	32.13	27.94
Third Quarter High-Low	**27.88**	**22.94**	31.31	24.75
Fourth Quarter High-Low	**32.13**	**24.11**	26.56	22.13
Yearly High-Low	**32.13**	**18.00**	33.19	22.13

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

HOLDERS OF COMMON STOCK

There were 167,912 and 166,966 holders of 224,531,580 and 223,981,580 shares of the Company's Common Stock as of December 31, 2000 and January 31, 2001, respectively. Information regarding retained earnings available for payment of cash dividends is given in Note 4A.

This discussion includes forward-looking statements based on information currently available to management that is subject to certain risks and uncertainties. Such 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 and commodity market prices, legislative and regulatory changes (including revised environmental requirements), the availability and cost of capital, inability to accomplish or realize anticipated benefits of strategic goals (including our merger with GPU, Inc.) and other similar factors.

Proposed Business Combination

On August 8, 2000, FirstEnergy entered into an agreement to merge with GPU, Inc. (GPU), a Pennsylvania corporation, headquartered in Morristown, New Jersey. Subsequently, the agreement was overwhelmingly approved by the shareholders of both companies. All regulatory filings necessary to complete the merger have since been made. Our target to complete the merger is by the end of the second quarter of 2001.

Under the merger agreement, we would acquire all the outstanding shares of GPU's common stock for approximately $4.5 billion in cash and FirstEnergy common stock. Our cash investment would be financed through the issuance of about $2.2 billion of new debt. Also, approximately $7.4 billion of debt and preferred stock of GPU's subsidiaries would remain outstanding. The transaction would be accounted for by the purchase method. The combined company's principal electric utility operating companies would include Ohio Edison Company (OE), The Cleveland Electric Illuminating Company (CEI), The Toledo Edison Company (TE), Pennsylvania Power Company (Penn) and American Transmission Systems, Incorporated (ATSI), as well as GPU's electric utility operating companies – Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company, which serve customers in Pennsylvania and New Jersey.

The merger is expected to provide enhanced opportunities for financial growth, greater scope and size, improved generation efficiency and broadened unregulated opportunities. The combination will provide a significant market for our generating capacity and value-added services and will support our strategic vision of being the premier retail energy and related services provider in our targeted area for growth – a thirteen-state region in the northeastern quadrant of the nation.

Competition

We continue to face many competitive challenges as consumers are provided increasing opportunities to select their electricity suppliers. As our industry changes to a more competitive environment, we continue to take actions designed to create a larger, stronger enterprise that will be better positioned to compete in the changing energy marketplace. As Ohio approached a new era of customer choice in the selection of energy suppliers, we continued to develop our regionally-focused retail sales strategy.

Results of Operations

Net income increased to $599.0 million in 2000, compared to $568.3 million in 1999 and $410.9 million in 1998. The increase in 2000 resulted primarily from lower fuel costs and increased generation output, reduced financing costs and gains realized on the sales of emission allowances. In 1999, higher sales revenues, the absence of unusually high purchased power costs experienced in 1998 and lower interest costs contributed to the increase in net income from the prior year.

Additional sales by our unregulated businesses resulted in a $709.3 million increase in total revenues in 2000 compared to the prior year. The increase resulted from an expansion of both gas and electric sales. In 1999, the $444.7 million increase in revenues resulted substantially from contributions of the Electric Utility Operating Companies (EUOC) and increases in newly acquired businesses, which were partially offset by reduced revenues from FirstEnergy Trading Services, Inc. (FETS) compared to the prior year's results. The sources of the changes in revenues during 2000 and 1999 are summarized in the following table.

Sources of Revenue Changes	2000	1999
Increase (Decrease)	*(In millions)*	
EUOC:		
Electric sales	**$ (38.5)**	$213.2
Other electric utility revenues	**6.4**	3.1
Total EUOC	**(32.1)**	216.3
Unregulated Businesses:		
Retail electric sales	**170.7**	54.0
FETS	**211.5**	(220.1)
Other businesses	**359.2**	394.5
Total Unregulated Businesses	**741.4**	228.4
Net Revenue Increase	**$709.3**	$444.7

Electric Sales

EUOC electric sales revenues decreased by $32.1 million in 2000, compared to 1999, as a result of lower unit prices which were partially offset by increased generation sales volume. Despite a milder summer, retail electric generation sales were 2.0% higher in 2000 than the previous year. Total electric generation sales (including unregulated sales) increased 8.4% in 2000, compared to 1999. Unregulated retail sales more than tripled from the prior year reflecting continued progress in our marketing efforts to expand retail electric sales to our targeted unregulated markets in the eastern seaboard states. Sales to commercial customers accounted for most of the increase. The cooler summer weather reduced retail customer demand, making more of our energy available to serve the wholesale market. As a result, we were able to achieve moderate growth in kilowatt-hour sales to that market in 2000. EUOC kilowatt-hour deliveries (to customers in our franchise areas) increased in 2000 from the prior year due to additional sales to commercial and industrial customers. Kilowatt-hour sales to residential customers declined. Other electric utility revenues increased in 2000 from the previous year primarily due to additional transmission service revenues.

EUOC revenues increased $216.3 million in 1999, compared to 1998, benefiting from increases in kilowatt-hour sales, which were only partially offset by reduced unit prices. Retail kilowatt-hour sales increased 2.3%. Total electric generation sales increased 8.0% in 1999 from the prior year due to additional unregulated sales reflecting our initial expansion into targeted eastern markets and weather-induced demand in the wholesale market. EUOC kilowatt-hour deliveries to residential, commercial and industrial customers increased in 1999, compared to 1998, reflecting a strong consumer-driven economy and warmer weather than the preceding year.

Changes in electric generation sales and kilowatt-hour deliveries in 2000 and 1999 are summarized in the following table:

Changes in KWH Sales	2000	1999
Increase (Decrease)		
Electric Generation Sales:		
EUOC – Retail	**2.0%**	2.3%
Unregulated	**50.4%**	52.0%
Total Electric Generation Sales	**8.4%**	8.0%
EUOC Distribution Deliveries:		
Residential	**(1.2)%**	5.5%
Commercial	**2.5%**	2.8%
Industrial	**3.2%**	2.5%
Total Distribution Deliveries	**1.7%**	3.4%

Other Sales

Retail natural gas revenues were the largest source of increase in other business revenues in 2000, compared to 1999. Collectively, three gas acquisitions in 1999 (Atlas Gas Marketing Inc., Belden Energy Services Company and Volunteer Energy LLC), as well as increased retail marketing efforts, significantly expanded retail gas revenues in 2000. Margins were held down by higher natural gas supply costs but increased activities in our natural gas exploration and production joint venture, Great Lakes Energy Partners, helped to offset the lower gas sales margins. FETS also expanded its wholesale electric and gas revenues in 2000 from prior year levels. In 1999, FETS revenues decreased significantly compared to the prior year because of refocusing its activities on supporting our retail marketing activities. New acquisitions and a one-time gain of $53 million from the sale of a partnership investment contributed to the increase in other business revenues in 1999, compared to 1998.

Operating Expenses

Total expenses increased $739.8 million in 2000 and $255.5 million in 1999, compared to the prior year, primarily reflecting higher levels of other expenses for EUOC and unregulated operations, offset in part by lower EUOC fuel and purchased power costs.

Fuel and purchased power decreased $75.7 million in 2000, compared to 1999. Lower fuel expense accounted for all of the reduction, declining $103.6 million from 1999, despite a 7% increase in output from our generating units. Factors contributing to lower fuel expense in 2000 included:

- A higher proportion of nuclear generation (which has lower unit fuel costs than fossil fuel) due to improved nuclear availability and increased nuclear ownership from the exchange of generating assets with Duquesne Light Company (Duquesne) in December 1999;

- The expiration of an above-market coal contract at the end of 1999; and

- Continued improvement of coal-blending strategies, which resulted in the use of additional lower-cost western coal and enhanced the efficiency and cost-competitiveness of our fossil generation fleet.

Purchased power costs increased $27.9 million in 2000 from the prior year due to higher average prices and to additional megawatt-hours purchased. In 1999, fuel and purchased power costs were down $106.7 million, compared to 1998. The EUOC purchased power costs accounted for all of the reduction. Much of the improvement was due to the absence in 1999 of unusual conditions experienced in 1998, which resulted in an additional $77.4 million of purchased power costs in that year. The costs were incurred during a period of record heat and humidity in late June 1998, which coincided with a regional power shortage resulting in high prices for purchased power. Unscheduled outages at several of our power plants at that time required the EUOC to purchase significant amounts of power on the spot market. Although above normal temperatures were also experienced in 1999, the EUOC maintained a stronger capacity position compared to the previous year and better met customer demand from their own generation resources.

Other expenses for the EUOC rose $26.6 million in 2000, compared to 1999, primarily due to additional nuclear refueling costs associated with three refueling outages in 2000 versus two during the previous year and increased nuclear ownership resulting from the Duquesne asset swap. Costs incurred to improve the availability of our fossil generation fleet and leased portable diesel generators, acquired as part of our summer supply strategy, added to other expenses for the EUOC in 2000, compared to 1999. Also, we incurred unusual charges in 2000 for early retirement program costs, as well as increased reserves for potentially uncollectible accounts for customers in the steel sector who are experiencing significant financial pressures from foreign steel competition. Partially offsetting the higher costs were increased gains of $38.5 million realized from the sale of emission allowances in 2000 as well as nonrecurring costs recorded in the prior year.

In 1999, other expenses for the EUOC increased from 1998 due to several factors. Similar to 2000, refueling outage costs and incremental expenses related to the asset swap, which occurred in early December 1999, contributed to increase other expenses in 1999 compared to 1998. Additionally, nuclear costs in 1999 included nonrecurring swap-related liabilities assumed. Also contributing to the increase were higher customer, sales and marketing expenses resulting from marketing programs and information system costs; higher distribution expenses from storm damage, as well as line and meter maintenance; and a nonrecurring expense related to a change in employee vacation benefits.

Other expenses for unregulated businesses rose $789.6 million in 2000, compared to 1999. FETS contributed to the increase with its other expenses rising in line with its higher revenues, reflecting the continued expansion of its operations to support our retail marketing efforts. FETS expenses were significantly lower in 1999 due to the absence of costs incurred in 1998 associated with credit losses and replacement power costs resulting from the period of sharp price increases in the spot market for electricity in late June 1998. Refocusing FETS activities in 1999 on supporting our retail market activities also reduced expenses from the preceding year.

Acquisitions of three natural gas companies in 1999 and a general expansion of unregulated sales activity combined to increase the scope, and therefore, the operating expenses of our unregulated business activities in 2000. Also, increased reserves for potential uncollectible accounts were established for customers in the steel sector. In addition, a $10.5 million reserve was recognized in 2000 for potential construction contract losses. The acquisitions in the facilities services and natural gas businesses, as well as costs attributable to unregulated sales activity, combined to increase other expenses in 1999, compared to the previous year.

Depreciation and amortization was reduced by $9.8 million in the second half of 2000, following approval by the Public Utilities Commission of Ohio (PUCO) of the Ohio transition plan (see Outlook).

Total accelerated cost recovery in connection with OE's rate reduction plan and Penn's restructuring plan are summarized by income statement caption in the table below:

Regulatory Plan Accelerations	2000	1999	1998
		(In millions)	
Depreciation and amortization	**$332.6**	$333.3	$172.9
Income tax amortization	**42.6**	18.7	18.5
Total Accelerations	**$375.2**	$352.0	$191.4

The impact of OE's rate reduction plan and Penn's restructuring plan on depreciation and amortization was relatively unchanged in 2000 from 1999. In 1999, accelerated cost recovery in connection with the OE rate reduction plan was the primary factor contributing to the increase in depreciation and amortization, compared to 1998.

Net Interest Charges

We continue to redeem and refinance our outstanding debt and preferred stock, thus maintaining the downward trend in our financing costs during 2000. Interest charges decreased by $43.2 million in 2000 and $28.7 million in 1999, compared to the prior year. Net redemptions of long-term debt and preferred stock totaled $405.9 million and refinancings totaled $284.7 million in 2000.

Effects of SFAS 71 Discontinuation

The application of Statement of Financial Accounting Standards No. (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation," was discontinued for OE's generation business and the nonnuclear generation businesses of CEI and TE effective with the PUCO approval of the Ohio transition plan. Beginning June 30, 2000, the balance sheets of our Ohio EUOC reflected that discontinuance with $1.6 billion of impaired generating plant investment recognized as regulatory assets which will be recovered as transition costs. We expect the incremental amortization of transition costs in 2001 for the Ohio EUOC to be lower than the depreciation and amortization accelerated under OE's former regulatory plan in 2000. The application of SFAS 71 to CEI's and TE's nuclear operations was discontinued in connection with the implementation of their regulatory plan in 1997.

On June 18, 1998, the Pennsylvania Public Utility Commission authorized Penn's rate restructuring plan that resulted in the discontinuation of SFAS 71 to Penn's generation business. Under the plan, Penn's rates were restructured to establish separate charges for transmission and distribution services; generation (which is subject to competition); and stranded cost recovery. A total of $215.4 million of impaired nuclear generating plant investments were recognized as regulatory assets to be recovered through the stranded cost recovery charge. The portion of generating plant investment not recovered through future customer rates resulted in a $30.5 million extraordinary after-tax write-down, or $.13 per FirstEnergy common share.

The EUOC continue to bill and collect cost-based rates for transmission and distribution services, which remain subject to cost-based regulation; accordingly, it is appropriate that they continue the application of SFAS 71 to those operations.

Capital Resources and Liquidity

We continued to pursue cost efficiencies to fund strategic investments while also strengthening our financial position in 2000. Net security redemptions and refinancings in 2000 should generate annual financing cost savings of about $33 million. Also, approval by the PUCO of our transition plan on July 19, 2000 (see Outlook), was cited as an important reason that Moody's Investors Service and Fitch upgraded our EUOC debt ratings during the second half of 2000. Moody's ratings for senior secured debt of OE and Penn were raised from Baa2 to Baa1, and for CEI and TE from Ba1 to Baa3. Fitch's rating for senior secured debt of OE was raised from BBB to BBB+ (Penn's remained at BBB+) and for CEI and TE from BB+ to BBB-. Ratings of many of the junior securities of the EUOC were upgraded to conform to rating relationships typical of investment grade issuers. Those improved ratings should help to enhance our opportunities for further savings in the future. As of December 31, 2000, our common equity as a percentage of capitalization increased to nearly 42% from 38% at the end of 1998.

We had approximately $49.3 million of cash and temporary investments and $699.8 million of short-term indebtedness on December 31, 2000. Our unused borrowing capability included $242.5 million under revolving lines of credit. At the end of 2000, the EUOC had the capability to issue $2.7 billion of additional first mortgage bonds on the basis of property additions and retired bonds. Based upon applicable earnings coverage tests and their respective charters, OE, Penn and TE could issue $2.3 billion of preferred stock (assuming no additional debt was issued). CEI has no restrictions on the issuance of preferred stock.

Our cash requirements in 2001 for operating expenses, construction expenditures, scheduled debt maturities, preferred stock redemptions and common stock repurchases are expected to be met without increasing our net debt and preferred stock outstanding. However, our anticipated merger with GPU (see Proposed Business Combination) is expected to require the issuance of approximately $2.2 billion of acquisition-related debt. During 2000, we reduced our total debt by approximately $250.3 million. We have cash requirements of approximately $2.6 billion for the 2001-2005 period to meet scheduled maturities of long-term debt and sinking fund requirements of preferred stock (before giving effect to the GPU acquisition). Of that amount, approximately $193 million applies to 2001. During 2000, we repurchased and retired 7.9 million shares of our common stock at an average price of $24.51 per share. As of December 31, 2000, we had repurchased 12.5 million of the 15 million shares authorized by our Board of Directors under the three-year program, which began in March 1999.

Our capital spending (before giving effect to the GPU acquisition) for the period 2001-2005 is expected to be about $3.0 billion (excluding nuclear fuel), of which approximately $683 million applies to 2001. Capital spending in 2001 includes expenditures to complete five combustion turbines expected to provide 425 megawatts (MW) of additional peaking generation capacity to our system by mid-year 2001. Investments for additional nuclear fuel during the 2001-2005 period are estimated to be approximately $380 million, of which about $54 million applies to 2001. During the same period, our nuclear fuel investments are expected to be reduced by approximately $460 million and $100 million, respectively, as the nuclear fuel is consumed. Also, we have operating lease commitments, net of trust cash receipts, of nearly $821 million for the 2001-2005 period, of which approximately $161 million relates to 2001.

We invested $4.4 million in 2000 by joining with 20 other leading energy and utility companies (including GPU) to form Pantellos Corporation (Pantellos). Pantellos manages an online, independent marketplace for buyers and sellers from the $130 billion North American utility and energy supply market, which opened for business on January 1, 2001. We expect to realize savings by using the e-market site and to benefit from our ownership interest in this new venture.

Interest Rate Risk

Our exposure to fluctuations in market interest rates is reduced since a significant portion of our debt has fixed interest rates, as noted in the table below. We are subject to the inherent interest rate risks related to refinancing maturing debt by issuing new debt securities. As discussed in Note 3, our investments in capital trusts effectively reduce future lease obligations, also reducing interest rate risk. Changes in the market value of our nuclear decommissioning trust funds are recognized by making corresponding changes to the decommissioning liability, as described in Note 1.

Comparison of Carrying Value to Fair Value

	2001	2002	2003	2004	2005	There-after	Total	Fair Value
				(Dollars in millions)				
Investments other than Cash and Cash Equivalents:								
Fixed Income	$ 87	$ 84	$ 97	$314	$ 58	$1,402	**$2,042**	**$2,086**
Average interest rate	5.1%	7.7%	7.7%	7.8%	7.9%	7.4%	7.4%	
Liabilities								
Long-term Debt:								
Fixed rate	$106	$721	$460	$591	$436	$2,460	**$4,774**	**$4,932**
Average interest rate	8.6%	7.9%	8.0%	7.7%	8.8%	7.3%	7.7%	
Variable rate	$ 1	$101	$ 1		$ 1	$ 975	**$1,079**	**$1,078**
Average interest rate	8.2%	7.4%	8.0%		8.7%	4.8%	5.1%	
Short-term Borrowings	$700						**$ 700**	**$ 700**
Average interest rate	7.9%						7.9%	
Preferred Stock	$ 85	$ 20	$ 2	$ 2	$ 2	$ 135	**$ 246**	**$ 243**
Average dividend rate	8.9%	8.9%	7.5%	7.5%	7.5%	8.8%	8.8%	

Market Risk – Commodity Prices

We are exposed to market risk due to fluctuations in electricity, natural gas, coal and oil prices. To manage the volatility relating to these exposures, we use a variety of derivative instruments, including forward contracts, options, futures contracts and swaps. These derivatives are used principally for hedging purposes and, to a much lesser extent, for trading purposes. We performed a sensitivity analysis to estimate our exposure to the market risk of our commodity position. A hypothetical 10% adverse shift in quoted market prices in the near term on both our trading and nontrading instruments would not have had a material effect on our consolidated financial position, results of operations or cash flows as of or for the year ended December 31, 2000.

Outlook

On July 19, 2000, the PUCO approved our plan for transition to customer choice in Ohio (see Note 1). As part of its authorization, the PUCO approved a settlement agreement between us and major groups representing most of our Ohio customers regarding the transition to customer choice in selection of electricity suppliers. On January 1, 2001, electric choice became available to our Ohio customers. Under the plan, OE, CEI and TE continue to deliver power to homes and businesses through their existing distribution systems, which remain regulated. Their rates have been restructured to establish separate charges for transmission and distribution, transition cost recovery and a generation-related component. When one of our Ohio customers elects to obtain power from an alternative supplier, the regulated utility company reduces the customer's bill with a "generation shopping credit," based on the regulated generation component plus an incentive, and the customer receives a generation charge from the alternative supplier.

The transition cost portion of rates provides for recovery of certain amounts not otherwise recoverable in a competitive generation market (such as regulatory assets). The transition costs will be paid by all customers regardless of whether or not they choose an alternative supplier. Under the plan, we assume the risk of not recovering up to $500 million of transition revenue if the rate of customers (excluding contracts and full-service accounts) switching their service from OE, CEI and TE has not reached an average of 20% over any consecutive twelve-month period by December 31, 2005 – the end of the market development period. We are also committed under the transition agreement to make available 1,120 MW of our generating capacity to marketers, brokers and aggregators at set prices, to be used for sales only to retail customers in our Ohio service areas. Through February 8, 2001, approximately 794 MW of the 1,120 MW supply commitment had been secured by alternative suppliers. We began accepting customer applications for switching to alternative suppliers on December 8, 2000; as of February 8, 2001 our Ohio EUOC had been notified that about 108,000 of their customers requested generation services from other authorized suppliers, including FirstEnergy Services Corp. (FE Services), a wholly owned subsidiary.

Beginning in 2001, Ohio utilities that offer both competitive and regulated retail electric services must implement a corporate separation plan approved by the PUCO – one which provides a clear separation between regulated and competitive operations. Since our regionally-focused retail sales strategy envisions the continued operation of both regulated and competitive operations, our transition plan included details for our corporate separation. The approved plan is consistent with the way we managed our businesses in 2000, through a competitive services unit, a utility services unit and a corporate support services unit. FE Services provides competitive retail energy services while the EUOC continue to provide regulated transmission and distribution services. FirstEnergy Generation Corp. (FE Generation), a wholly owned subsidiary of FE Services, leases fossil and hydroelectric plants from the EUOC and operates those plants. We expect that the transfer of ownership of the EUOC fossil and hydroelectric generating assets to FE Generation will be completed by the end of the market development period. All of the EUOC power supply requirements are provided by FE Services to satisfy the EUOC "provider of last resort" obligation under the transition plan, as well as grandfathered wholesale contracts. The reportable segments in 2000 under SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," reflect the management of these businesses as "Regulated Services" and "Competitive Services." The "Corporate Support Services" is included in "Other".

In 1999, we received notification of pending legal actions based on alleged violations of the Clean Air Act at our W. H. Sammis Plant involving the states of New York and Connecticut as well as the U.S. Department of Justice. The civil complaint filed by the U.S. Department of Justice requests installation of "best available control technology" as well as civil penalties of up to $27,500 per day. We believe the Sammis Plant is in full compliance with the Clean Air Act and the legal actions are without merit. We are unable, however, to predict the outcome of this litigation. 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. The Sammis Plant continues to operate while the matter is being decided.

Under federal environmental law and related federal and state waste regulations, certain fossil-fuel combustion waste products, such as coal ash, were exempted from hazardous waste disposal requirements pending the Environmental Protection Agency's (EPA) evaluation of the need for future regulation. The EPA has issued its final regulatory determination that regulation of coal ash as a hazardous waste is unnecessary. On April 25, 2000, the EPA announced that it will develop national standards regulating disposal of coal ash as a nonhazardous waste.

In December 2000, the EPA announced it would proceed with the development of regulations regarding hazardous air pollutants from electric power plants. The EPA identified mercury as the hazardous air pollutant of greatest concern. The EPA established a schedule to propose regulations by December 2003 and issue final regulations by December 2004. The future cost of compliance with these regulations may be substantial.

We are in compliance with current sulfur dioxide and nitrogen oxides (NOx) reduction requirements under the Clean Air Act Amendments of 1990. In 1998, the EPA finalized regulations requiring additional NOx reductions in the future from our Ohio and Pennsylvania facilities (see Note 6). We continue to evaluate our compliance plans and other compliance options.

In July 1997, the EPA changed the National Ambient Air Quality Standard (NAAQS) for ozone emissions and proposed a new NAAQS for previously unregulated ultra-fine particulate matter. In May 1999, the U.S. Court of Appeals found constitutional and other defects in the new NAAQS rules. In February 2001, the U.S. Supreme Court upheld the new NAAQS rules regulating ultra-fine particulates but found defects in the new NAAQS rules for ozone and decided that the EPA must revise those rules. The future cost of compliance with these regulations may be substantial and will depend on the manner in which they are ultimately implemented, if at all, by the states in which we operate affected facilities.

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 totaling $3.7 million as of December 31, 2000, based on estimates of the total costs of cleanup, the proportionate responsibility of other PRPs for such costs and the financial ability of other PRPs to pay. 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.

Recently Issued Accounting Standards

SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recognized on the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to partially or wholly offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

We adopted SFAS 133, as amended, on January 1, 2001. Prior to adoption, we reviewed all outstanding contracts to determine if they were derivatives or contained embedded derivatives. Derivatives involved in "normal-purchase/normal-sale" transactions were documented and excluded from further treatment under SFAS 133. The remaining derivatives were either documented as cash flow hedges or treated as non-hedge derivatives.

In January 2001, we recorded assets and liabilities representing the difference between the derivatives' previous carrying amounts and their fair values under SFAS 133. Related amounts were recorded in net income and other comprehensive income. For derivatives that had previously been treated as hedges of forecast transactions, the difference between the derivatives' previous carrying amount and their fair value under SFAS 133 was an adjustment of accumulated other comprehensive income. For derivatives not previously designated as hedges, the difference was an adjustment to net income. These amounts will be reported separately in results for the first quarter of 2001 as a "cumulative effect of a change in accounting principle." The cumulative effect increases assets by $108.3 million, liabilities by $72.6 million and common stockholders' equity by $35.7 million – other comprehensive income increases by $44.2 million and net income is reduced by $8.5 million.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

For the Years Ended December 31,	2000	1999	1998
REVENUES:			
Electric utilities	**$5,421,668**	$5,453,763	$5,237,468
Unregulated businesses	**1,607,293**	865,884	637,438
Total revenues	**7,028,961**	6,319,647	5,874,906
EXPENSES:			
Fuel and purchased power	**801,292**	876,986	983,735
Other expenses:			
Electric utilities	**1,659,246**	1,632,638	1,492,461
Unregulated businesses	**1,582,151**	792,576	742,778
Provision for depreciation and amortization	**933,684**	937,976	758,865
General taxes	**547,681**	544,052	550,908
Total expenses	**5,524,054**	4,784,228	4,528,747
INCOME BEFORE INTEREST AND INCOME TAXES	**1,504,907**	1,535,419	1,346,159
NET INTEREST CHARGES:			
Interest expense	**493,473**	509,169	542,819
Allowance for borrowed funds used during construction and capitalized interest	**(27,059)**	(13,355)	(7,642)
Subsidiaries' preferred stock dividends	**62,721**	76,479	65,799
Net interest charges	**529,135**	572,293	600,976
INCOME TAXES	**376,802**	394,827	303,787
INCOME BEFORE EXTRAORDINARY ITEM	**598,970**	568,299	441,396
EXTRAORDINARY ITEM (NET OF INCOME TAX BENEFIT OF $21,208,000) (Note 1)	**—**	—	(30,522)
NET INCOME	**$ 598,970**	$ 568,299	$ 410,874
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**222,444**	227,227	226,373
BASIC AND DILUTED EARNINGS PER SHARE OF COMMON STOCK (Note 4C):			
Income before extraordinary item	**$2.69**	$2.50	$1.95
Extraordinary item (Net of income taxes) (Note 1)	**—**	—	(.13)
Net income	**$2.69**	$2.50	$1.82
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	**$1.50**	$1.50	$1.50

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

CONSOLIDATED BALANCE SHEETS

(In thousands)

As of December 31,	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 49,258	$ 111,788
Receivables –		
Customers (less accumulated provisions of $15,800,000 and $6,719,000, respectively, for uncollectible accounts)	399,242	322,687
Other (less accumulated provisions of $20,486,000 and $5,359,000, respectively, for uncollectible accounts)	519,207	445,242
Materials and supplies, at average cost –		
Owned	171,563	154,834
Under consignment	112,155	99,231
Prepayments and other	189,869	167,894
	1,441,294	1,301,676
PROPERTY, PLANT AND EQUIPMENT:		
In service	12,417,684	14,645,131
Less – Accumulated provision for depreciation	5,263,483	5,919,170
	7,154,201	8,725,961
Construction work in progress	420,875	367,380
	7,575,076	9,093,341
INVESTMENTS:		
Capital trust investments (Note 3)	1,223,794	1,281,834
Nuclear plant decommissioning trusts	584,288	543,694
Letter of credit collateralization (Note 3)	277,763	277,763
Other	669,057	599,443
	2,754,902	2,702,734
DEFERRED CHARGES:		
Regulatory assets	3,727,662	2,543,427
Goodwill	2,088,770	2,129,902
Other	353,590	452,967
	6,170,022	5,126,296
	$17,941,294	$18,224,047
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt and preferred stock	$ 536,482	$ 762,520
Short-term borrowings (Note 5)	699,765	417,819
Accounts payable	478,661	360,379
Accrued taxes	409,640	409,724
Accrued interest	116,544	125,397
Other	352,713	301,572
	2,593,805	2,377,411
CAPITALIZATION (See Consolidated Statements of Capitalization):		
Common stockholders' equity	4,653,126	4,563,890
Preferred stock of consolidated subsidiaries –		
Not subject to mandatory redemption	648,395	648,395
Subject to mandatory redemption	41,105	136,246
Ohio Edison obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Ohio Edison subordinated debentures	120,000	120,000
Long-term debt	5,742,048	6,001,264
	11,204,674	11,469,795
DEFERRED CREDITS:		
Accumulated deferred income taxes	2,094,107	2,231,265
Accumulated deferred investment tax credits	241,005	269,083
Nuclear plant decommissioning costs	598,985	562,295
Other postretirement benefits	544,541	498,184
Other	664,177	816,014
	4,142,815	4,376,841
COMMITMENTS AND CONTINGENCIES (Notes 3 and 6)		
	$17,941,294	$18,224,047

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

CONSOLIDATED STATEMENTS OF CAPITALIZATION

(Dollars in thousands, except per share amounts)

As of December 31,	2000	1999
COMMON STOCKHOLDERS' EQUITY:		
Common stock, $.10 par value – authorized 375,000,000 shares 224,531,580 and 232,454,287 shares outstanding, respectively	**$ 22,453**	$ 23,245
Other paid-in capital	**3,531,821**	3,722,375
Accumulated other comprehensive income (loss) (Note 4H)	**593**	(195)
Retained earnings (Note 4A)	**1,209,991**	945,241
Unallocated employee stock ownership plan common stock – 5,952,032 and 6,778,905 shares, respectively (Note 4B)	**(111,732)**	(126,776)
Total common stockholders' equity	**4,653,126**	4,563,890

	Number of Shares Outstanding		Optional Redemption Price			
	2000	1999	Per Share	Aggregate	2000	1999
PREFERRED STOCK OF CONSOLIDATED SUBSIDIARIES (Note 4D):						
Ohio Edison Company (OE)						
Cumulative, $100 par value – Authorized 6,000,000 shares						
Not Subject to Mandatory Redemption:						
3.90%	152,510	152,510	$103.63	$ 15,804	**15,251**	15,251
4.40%	176,280	176,280	108.00	19,038	**17,628**	17,628
4.44%	136,560	136,560	103.50	14,134	**13,656**	13,656
4.56%	144,300	144,300	103.38	14,917	**14,430**	14,430
	609,650	609,650		63,893	**60,965**	60,965
Cumulative, $25 par value – Authorized 8,000,000 shares						
Not Subject to Mandatory Redemption:						
7.75%	4,000,000	4,000,000	25.00	100,000	**100,000**	100,000
Total Not Subject to Mandatory Redemption	4,609,650	4,609,650		$163,893	**160,965**	160,965
Cumulative, $100 par value – Subject to Mandatory Redemption (Note 4E):						
8.45%	50,000	100,000			**5,000**	10,000
Redemption Within One Year					**(5,000)**	(5,000)
	50,000	100,000			**—**	5,000
Pennsylvania Power Company						
Cumulative, $100 par value – Authorized 1,200,000 shares						
Not Subject to Mandatory Redemption:						
4.24%	40,000	40,000	103.13	$ 4,125	**4,000**	4,000
4.25%	41,049	41,049	105.00	4,310	**4,105**	4,105
4.64%	60,000	60,000	102.98	6,179	**6,000**	6,000
7.75%	250,000	250,000	—	—	**25,000**	25,000
Total Not Subject to Mandatory Redemption	391,049	391,049		$ 14,614	**39,105**	39,105
Subject to Mandatory Redemption:						
7.625%	150,000	150,000	105.34	$ 15,801	**15,000**	15,000

CONSOLIDATED STATEMENTS OF CAPITALIZATION (CONT'D)

(Dollars in thousands, except per share amounts)

As of December 31,	Number of Shares Outstanding 2000	Number of Shares Outstanding 1999	Optional Redemption Price Per Share	Optional Redemption Price Aggregate	2000	1999
PREFERRED STOCK OF CONSOLIDATED SUBSIDIARIES (Cont'd)						
Cleveland Electric Illuminating Company						
Cumulative, without par value – Authorized 4,000,000 shares						
Not Subject to Mandatory Redemption:						
$7.40 Series A	500,000	500,000	$ 101.00	$ 50,500	**$ 50,000**	$ 50,000
$7.56 Series B	450,000	450,000	102.26	46,017	**45,071**	45,071
Adjustable Series L	474,000	474,000	100.00	47,400	**46,404**	46,404
$42.40 Series T	200,000	200,000	500.00	100,000	**96,850**	96,850
Total Not Subject to Mandatory Redemption	1,624,000	1,624,000		$243,917	**238,325**	238,325
Subject to Mandatory Redemption:						
$7.35 Series C	80,000	90,000	101.00	$ 8,080	**8,041**	9,110
$88.00 Series E	—	3,000	—	—	**—**	3,000
$91.50 Series Q	10,716	21,430	1,000.00	10,716	**10,716**	21,430
$88.00 Series R	50,000	50,000	—	—	**51,128**	55,000
$90.00 Series S	36,500	55,250	—	—	**36,686**	61,170
	177,216	219,680		18,796	**106,571**	149,710
Redemption Within One Year					**(80,466)**	(33,464)
Total Subject to Mandatory Redemption	177,216	219,680		$ 18,796	**26,105**	116,246
Toledo Edison Company						
Cumulative, $100 par value – Authorized 3,000,000 shares						
Not Subject to Mandatory Redemption:						
$ 4.25	160,000	160,000	104.63	$ 16,740	**16,000**	16,000
$ 4.56	50,000	50,000	101.00	5,050	**5,000**	5,000
$ 4.25	100,000	100,000	102.00	10,200	**10,000**	10,000
$ 8.32	100,000	100,000	102.46	10,246	**10,000**	10,000
$ 7.76	150,000	150,000	102.44	15,366	**15,000**	15,000
$ 7.80	150,000	150,000	101.65	15,248	**15,000**	15,000
$10.00	190,000	190,000	101.00	19,190	**19,000**	19,000
	900,000	900,000		92,040	**90,000**	90,000
Cumulative, $25 par value – Authorized 12,000,000 shares						
Not Subject to Mandatory Redemption:						
$2.21	1,000,000	1,000,000	25.25	25,250	**25,000**	25,000
$2.365	1,400,000	1,400,000	27.75	38,850	**35,000**	35,000
Adjustable Series A	1,200,000	1,200,000	25.00	30,000	**30,000**	30,000
Adjustable Series B	1,200,000	1,200,000	25.00	30,000	**30,000**	30,000
	4,800,000	4,800,000		124,100	**120,000**	120,000
Total Not Subject to Mandatory Redemption	5,700,000	5,700,000		$216,140	**210,000**	210,000
OE OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY OE SUBORDINATED DEBENTURES (Note 4F):						
Cumulative, $25 par value – Authorized 4,800,000 shares						
Subject to Mandatory Redemption:						
9.00%	4,800,000	4,800,000			**120,000**	120,000

CONSOLIDATED STATEMENTS OF CAPITALIZATION (CONT'D)

(In thousands)

LONG-TERM DEBT (Note 4G) (Interest rates reflect weighted average rates)

	FIRST MORTGAGE BONDS			SECURED NOTES			UNSECURED NOTES			TOTAL	
As of December 31,		**2000**	**1999**		**2000**	**1999**		**2000**	**1999**	**2000**	**1999**
Ohio Edison Co. –											
Due 2000-2005	7.89%	$ 509,265	$ 589,265	7.53%	$ 232,691	$ 316,623	5.75%	$ 541,725	$ 742,225		
Due 2006-2010	—	—	—	7.74%	7,483	2,062	—	—	—		
Due 2011-2015	—	—	—	6.17%	59,000	40,000	—	—	—		
Due 2016-2020	—	—	—	7.05%	60,000	86,000	—	—	—		
Due 2021-2025	7.99%	219,460	219,460	7.00%	69,943	69,943	—	—	—		
Due 2026-2030	—	—	—	5.48%	180,134	119,734	—	—	—		
Due 2031-2035	—	—	—	5.09%	71,900	14,800	—	—	—		
Total - Ohio Edison		728,725	808,725		681,151	649,162		541,725	742,225	**$ 1,951,601**	$ 2,200,112
Cleveland Electric Illuminating Co. –											
Due 2000-2005	8.53%	595,000	595,000	7.85%	384,650	559,680	5.58%	27,700	27,700		
Due 2006-2010	6.86%	125,000	125,000	7.29%	271,670	271,670	—	—	—		
Due 2011-2015	—	—	—	6.87%	118,535	118,535	—	—	—		
Due 2016-2020	—	—	—	6.88%	553,355	553,355	—	—	—		
Due 2021-2025	9.00%	150,000	150,000	7.70%	226,450	226,450	—	—	—		
Due 2026-2030	—	—	—	4.80%	110,888	110,888	—	—	—		
Due 2031-2035	—	—	—	—	—	—	—	—	—		
Total - Cleveland Electric		870,000	870,000		1,665,548	1,840,578		27,700	27,700	**2,563,248**	2,738,278
Toledo Edison Co. –											
Due 2000-2005	7.90%	179,525	179,925	8.06%	190,400	266,000	7.28%	226,100	226,130		
Due 2006-2010	—	—	—	7.13%	30,000	30,000	10.00%	820	820		
Due 2011-2015	—	—	—	—	—	—	—	—	—		
Due 2016-2020	—	—	—	7.69%	99,000	166,300	—	—	—		
Due 2021-2025	—	—	—	7.39%	148,000	111,600	—	—	—		
Due 2026-2030	—	—	—	5.90%	13,851	13,851	—	—	—		
Due 2031-2035	—	—	—	5.15%	30,900	—	—	—	—		
Total - Toledo Edison		179,525	179,925		512,151	587,751		226,920	226,950	**918,596**	994,626
Pennsylvania Power Co. –											
Due 2000-2005	7.19%	79,370	80,344	—	—	28,200	5.90%	5,200	5,200		
Due 2006-2010	9.74%	4,870	4,870	—	—	—	—	—	—		
Due 2011-2015	9.74%	4,870	4,870	5.40%	1,000	1,000	—	—	—		
Due 2016-2020	9.74%	3,929	3,929	6.28%	45,325	45,325	—	—	—		
Due 2021-2025	8.33%	33,750	33,750	6.68%	27,182	27,182	—	—	—		
Due 2026-2030	—	—	—	6.10%	47,972	47,972	—	—	—		
Due 2031-2035	—	—	—	—	—	—	—	—	—		
Total - Penn Power		126,789	127,763		121,479	149,679		5,200	5,200	**253,468**	282,642
OES Fuel		—	—	7.10%	91,620	81,260	—	—	—	**91,620**	81,260
Bay Shore Power		—	—	6.60%	147,500	147,500	—	—	—	**147,500**	147,500
MARBEL Energy Corp.		—	—	—	—	—	9.37%	638	692	**638**	692
Facilities Services Group		—	—	6.53%	17,601	14,782	7.29%	—	1,887	**17,601**	16,669
Total		$1,905,039	$1,986,413		$3,237,050	$3,470,712		$ 802,183	$1,004,654	**5,944,272**	6,461,779
Capital lease obligations										**163,242**	158,303
Net unamortized premium on debt										**85,550**	105,238
Long-term debt due within one year										**(451,016)**	(724,056)
Total long-term debt										**5,742,048**	6,001,264
TOTAL CAPITALIZATION										**$11,204,674**	$11,469,795

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

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

(Dollars in thousands)

	Comprehensive Income	Number of Shares	Par Value	Other Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Unallocated ESOP Common Stock
Balance, January 1, 1998		230,207,141	$ 23,021	$3,637,522	$(614)	$ 646,646	$ (146,977)
Net income	$ 410,874					410,874	
Minimum liability for unfunded retirement benefits, net of $53,000 of income taxes	175				175		
Comprehensive income	$ 411,049						
Business acquisitions		6,861,946	686	203,496			
Allocation of ESOP Shares				5,495			7,945
Cash dividends on common stock						(339,111)	
Balance, December 31, 1998		237,069,087	23,707	3,846,513	(439)	718,409	(139,032)
Net income	$ 568,299					568,299	
Minimum liability for unfunded retirement benefits, net of $160,000 of income taxes	244				244		
Comprehensive income	$ 568,543						
Reacquired common stock		(4,614,800)	(462)	(129,671)			
Centerior acquisition adjustment				(468)			
Allocation of ESOP Shares				6,001			12,256
Cash dividends on common stock						(341,467)	
Balance, December 31, 1999		232,454,287	23,245	3,722,375	(195)	945,241	(126,776)
Net income	$ 598,970					598,970	
Minimum liability for unfunded retirement benefits, net of $(85,000) of income taxes	(134)				(134)		
Unrealized gain on investment of securities available for sale	922				922		
Comprehensive income	$ 599,758						
Reacquired common stock		(7,922,707)	(792)	(194,210)			
Allocation of ESOP Shares				3,656			15,044
Cash dividends on common stock						(334,220)	
Balance, December 31, 2000		224,531,580	$ 22,453	$3,531,821	$ 593	$1,209,991	$ (111,732)

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

CONSOLIDATED STATEMENTS OF PREFERRED STOCK

(Dollars in thousands)

	Not Subject to Mandatory Redemption		Subject to Mandatory Redemption	
	Number of Shares	Par or Stated Value	Number of Shares	Par or Stated Value
Balance, January 1, 1998	12,442,699	$660,195	5,469,408	$356,243
Redemptions –				
8.45% Series			(50,000)	(5,000)
$ 7.35 Series C			(10,000)	(1,000)
$88.00 Series E			(3,000)	(3,000)
$91.50 Series Q			(10,714)	(10,714)
$9.375 Series			(16,650)	(1,665)
Balance, December 31, 1998	12,442,699	660,195	5,379,044	334,864
Redemptions –				
7.64% Series	(60,000)	(6,000)		
8.00% Series	(58,000)	(5,800)		
8.45% Series			(50,000)	(5,000)
$ 7.35 Series C			(10,000)	(1,000)
$88.00 Series E			(3,000)	(3,000)
$91.50 Series Q			(10,714)	(10,714)
$90.00 Series S			(18,750)	(18,750)
$9.375 Series			(16,900)	(1,690)
Balance, December 31, 1999	12,324,699	648,395	5,269,680	294,710
Redemptions –				
8.45% Series			(50,000)	(5,000)
$ 7.35 Series C			(10,000)	(1,000)
$88.00 Series E			(3,000)	(3,000)
$91.50 Series Q			(10,714)	(10,714)
$90.00 Series S			(18,750)	(18,750)
Amortization of fair market value adjustments –				
$ 7.35 Series C				(69)
$88.00 Series R				(3,872)
$90.00 Series S				(5,734)
Balance, December 31, 2000	12,324,699	$648,395	5,177,216	$246,571

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

For the Years Ended December 31,	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	**$ 598,970**	$ 568,299	$ 410,874
Adjustments to reconcile net income to net cash from operating activities:			
Provision for depreciation and amortization	**933,684**	937,976	758,865
Nuclear fuel and lease amortization	**113,330**	104,928	94,348
Other amortization, net	**(11,635)**	(10,730)	(13,007)
Deferred income taxes, net	**(79,429)**	(45,054)	(23,763)
Investment tax credits, net	**(30,732)**	(19,661)	(22,070)
Extraordinary item	**—**	—	51,730
Receivables	**(150,520)**	(203,567)	35,515
Materials and supplies	**(29,653)**	19,631	(14,235)
Accounts payable	**118,282**	82,578	(73,205)
Other	**45,529**	53,906	(49,727)
Net cash provided from operating activities	**1,507,826**	1,488,306	1,155,325
CASH FLOWS FROM FINANCING ACTIVITIES:			
New Financing –			
Common stock	**—**	—	204,182
Long-term debt	**307,512**	364,832	499,975
Ohio Schools Council prepayment program	**—**	—	116,598
Short-term borrowings, net	**281,946**	163,327	—
Redemptions and Repayments –			
Common stock	**195,002**	130,133	—
Preferred stock	**38,464**	52,159	21,379
Long-term debt	**901,764**	847,006	804,780
Short-term borrowings, net	**—**	—	48,354
Common Stock Dividend Payments	**334,220**	341,467	339,111
Net cash used for financing activities	**879,992**	842,606	392,869
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property additions	**587,618**	624,901	652,852
Cash investments	**(17,449)**	(41,213)	47,804
Other	**120,195**	28,022	82,239
Net cash used for investing activities	**690,364**	611,710	782,895
Net increase (decrease) in cash and cash equivalents	**(62,530)**	33,990	(20,439)
Cash and cash equivalents at beginning of year	**111,788**	77,798	98,237
Cash and cash equivalents at end of year	**$ 49,258**	$ 111,788	$ 77,798
SUPPLEMENTAL CASH FLOWS INFORMATION:			
Cash Paid During the Year –			
Interest (net of amounts capitalized)	**$ 485,374**	$ 520,072	$ 536,064
Income taxes	**$ 512,182**	$ 441,067	$ 326,268

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

CONSOLIDATED STATEMENTS OF TAXES

(In thousands)

For the Years Ended December 31,	2000	1999	1998
GENERAL TAXES:			
Real and personal property	$ 281,374	$ 276,227	$ 292,503
State gross receipts	221,385	220,117	217,633
Social security and unemployment	39,134	37,019	27,363
Other	5,788	10,689	13,409
Total general taxes	$ 547,681	$ 544,052	$ 550,908
PROVISION FOR INCOME TAXES:			
Currently payable –			
Federal	$ 467,045	$ 433,872	$ 313,960
State	19,918	25,670	14,452
	486,963	459,542	328,412
Deferred, net –			
Federal	(60,831)	(36,021)	(14,259)
State	(18,598)	(9,033)	(9,504)
	(79,429)	(45,054)	(23,763)
Investment tax credit amortization	(30,732)	(19,661)	(22,070)
Total provision for income taxes	$ 376,802	$ 394,827	$ 282,579
RECONCILIATION OF FEDERAL INCOME TAX EXPENSE AT STATUTORY RATE TO TOTAL PROVISION FOR INCOME TAXES:			
Book income before provision for income taxes	$ 975,772	$ 963,126	$ 693,453
Federal income tax expense at statutory rate	$ 341,520	$ 337,094	$ 242,709
Increases (reductions) in taxes resulting from –			
Amortization of investment tax credits	(30,732)	(19,661)	(22,070)
State income taxes, net of federal income tax benefit	1,133	10,814	3,216
Amortization of tax regulatory assets	38,702	23,908	28,915
Amortization of goodwill	18,420	19,341	17,868
Preferred stock dividends	18,172	22,988	19,250
Other, net	(10,413)	343	(7,309)
Total provision for income taxes	$ 376,802	$ 394,827	$ 282,579
ACCUMULATED DEFERRED INCOME TAXES AT DECEMBER 31:			
Property basis differences	$1,245,297	$1,878,904	$1,938,735
Deferred nuclear expense	408,771	421,837	436,601
Impaired generating assets	565,893	—	—
Customer receivables for future income taxes	62,527	159,577	159,526
Competitive transition charge	95,497	115,277	135,730
Deferred sale and leaseback costs	(128,298)	(129,775)	(61,506)
Unamortized investment tax credits	(85,641)	(96,036)	(102,085)
Unused alternative minimum tax credits	(32,215)	(101,185)	(190,781)
Other	(37,724)	(17,334)	(33,356)
Net deferred income tax liability	$2,094,107	$2,231,265	$2,282,864

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

1. Summary of Significant Accounting Policies:

The consolidated financial statements include FirstEnergy Corp. (Company) and its principal electric utility operating subsidiaries, Ohio Edison Company (OE), The Cleveland Electric Illuminating Company (CEI), Pennsylvania Power Company (Penn) and The Toledo Edison Company (TE). These utility subsidiaries are referred to throughout as "Companies." On September 1, 2000, the Companies transferred their transmission assets to the Company's wholly owned subsidiary, American Transmission Systems, Inc. (ATSI). As a result, ATSI owns and operates the Company's major high-voltage transmission facilities and has interconnections with other regional utilities. The consolidated financial statements also include the Company's other principal subsidiaries: FirstEnergy Services Corp. (FE Services); FirstEnergy Facilities Services Group, LLC (FE Facilities); FirstEnergy Trading Services, Inc. (FETS), which merged into FE Services on January 1, 2001; and MARBEL Energy Corporation (MARBEL). FE Services provides energy-related products and services primarily on a regional basis and has two subsidiaries, Penn Power Energy, Inc., which provides electric generation services and other energy services to Pennsylvania customers and FirstEnergy Generation Corp., which operates the nonnuclear generation businesses of the Companies. FE Facilities is the parent company of several heating, ventilating, air conditioning and energy management companies. FETS had primarily acquired and arranged for the delivery of electricity and natural gas to FE Services' retail customers. MARBEL is a fully integrated natural gas company. Significant intercompany transactions have been eliminated.

The Companies follow the accounting policies and practices prescribed by the Public Utilities Commission of Ohio (PUCO), the Pennsylvania Public Utility Commission (PPUC) and the Federal Energy Regulatory Commission (FERC). The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Certain prior year amounts have been reclassified to conform with the current year presentation.

Revenues –

The Companies' principal business is providing electric service to customers in central and northern Ohio and western Pennsylvania. The Companies' retail customers are metered on a cycle basis. Revenue is recognized for unbilled electric service through the end of the year.

Receivables from customers include sales to residential, commercial and industrial customers located in the Companies' service area and sales to wholesale customers. There was no material concentration of receivables at December 31, 2000 or 1999, with respect to any particular segment of the Companies' customers.

CEI and TE sell substantially all of their retail customer receivables to Centerior Funding Corp. (CFC), a wholly owned subsidiary of CEI. CFC subsequently transfers the receivables to a trust under an asset-backed securitization agreement. The trust completed a public sale of $150 million and private sales of $50 million of receivables-backed investor certificates in 1996 and 2000, respectively, in transactions that qualified for sale accounting treatment. CFC's retained interest in the pool of receivables held by the trust (15.15% as of December 31, 2000) is stated at fair value, reflecting adjustments for anticipated credit losses. Collections of receivables previously transferred to the trust used to purchase new receivables from CFC during 2000, totaled approximately $2.5 billion. Expenses associated with the factoring discount related to the sale of receivables were $13 million in 2000. As of December 31, 2000, receivables recorded on the Consolidated Balance Sheet were reduced by $193 million due to these sales.

Regulatory Plans –

The PUCO approved OE's Rate Reduction and Economic Development Plan in 1995 and FirstEnergy's Rate Reduction and Economic Development Plan for CEI and TE in January 1997. These regulatory plans were to maintain then current base electric rates for OE, CEI and TE through December 31, 2005. At the end of the regulatory plan periods, OE base rates were to be reduced by $300 million (approximately 20 percent below then current levels) and CEI and TE base rates were to be reduced by a combined $310 million (approximately 15 percent below then current levels). The plans also revised the Companies' fuel cost recovery methods so that OE's, CEI's and TE's fuel rates would be frozen through the regulatory plan period, subject to limited periodic adjustments. As part of OE's and FirstEnergy's regulatory plans, transition rate credits were implemented for customers, which were expected to reduce operating revenues for OE by approximately $600 million and CEI and TE by approximately $391 million during the regulatory plan period. The regulatory plans were terminated at the end of 2000 concurrent with the implementation of the FirstEnergy transition plan as described further below.

In July 1999, Ohio's electric utility restructuring legislation, which allowed Ohio electric customers to select their generation suppliers beginning January 1, 2001, was signed into law. Among other things, the legislation provides for a five percent reduction on the generation portion of residential customers' bills and the opportunity to recover transition costs, including regulatory assets, from January 1, 2001 through December 31, 2005. The period for the recovery of regulatory assets only can be extended up to December 31, 2010. The PUCO was authorized to determine the level of transition cost recovery, as well as the recovery period for the regulatory assets portion of those costs, in considering each Ohio electric utility's transition plan application.

The Company, on behalf of its Ohio electric utility operating companies – OE, CEI and TE – filed its transition plan under Ohio's new electric utility restructuring law in late 1999. The filing also included additional information on FirstEnergy's plans to turn over control, and perhaps ownership, of its transmission assets to the Alliance Regional Transmission Organization. The transition plan itemized, or unbundled, the current price of electricity into its component elements – including generation, transmission, distribution and transition charges. As required by the PUCO's rules, the Company's transition plan also included its proposals on corporate separation of its regulated and unregulated operations, operational and technical support changes needed to accommodate customer choice, an education program to inform customers of their options under the new law, and how the Company's transmission system will be operated to ensure access to all users. Customer prices would be frozen through a five-year market development period (2001-2005), except for certain limited statutory exceptions including the five percent reduction in the price of generation for residential customers. The plan proposed recovery of generation-related transition costs of approximately $4.5 billion ($4.0 billion, net of deferred income taxes) and transition costs related to regulatory assets aggregating approximately $4.2 billion ($2.9 billion, net of deferred income taxes).

On July 19, 2000, the PUCO approved the Company's transition plan as modified by a settlement agreement with major parties to the transition plan. Major parties to the settlement agreement included the PUCO staff, the Ohio Consumers' Counsel, the Industrial Energy Users-Ohio, certain power marketers and others. Major provisions of the settlement agreement consisted of approval of recovery of transition costs in the amounts filed in the transition plan 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 settlement agreement. The Company will also give preferred access over the Company's subsidiaries to nonaffiliated marketers, brokers and aggregators to 1,120 megawatts of generation capacity through 2005 at established prices for sales to the Ohio operating companies' retail customers. The base electric rates for distribution service for OE, CEI and TE under their prior respective regulatory plans will be extended from December 31, 2005 through December 31, 2007. The transition rate credits for customers under their prior regulatory plans will also be extended through the Companies' respective transition cost recovery periods.

The application of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71), to OE's generation business and the nonnuclear generation businesses of CEI and TE was discontinued with the issuance of the PUCO transition plan order. The Securities and Exchange Commission (SEC) issued interpretive guidance regarding asset impairment measurement that concluded any supplemental regulated cash flows such as a competitive transition charge (CTC) should be excluded from the cash flows of assets in a portion of the business not subject to regulatory accounting practices. If those assets are impaired, a regulatory asset should be established if the costs are recoverable through regulatory cash flows. Consistent with the SEC guidance $1.6 billion of impaired plant investments ($1.2 billion, $304 million and $53 million for OE, CEI and TE, respectively) were recognized as regulatory assets recoverable as transition costs through future regulatory cash flows.

The settlement agreement provides to the Company's Ohio customers an additional incentive applied to the generation shopping credit of 45% for residential customers, 30% for commercial customers and 15% for industrial customers as reductions from their bills, when they select alternative energy providers (the credits exceed the price the Company will be offering to electricity suppliers relating to the 1,120 megawatts described in a previous paragraph). The amount of the incentive will serve to reduce the amortization of transition costs during the market development period and will be recovered over the remaining transition cost recovery periods. If the customer switching targets established in the settlement 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.

In June 1998, the PPUC authorized a rate restructuring plan for Penn which essentially resulted in the deregulation of Penn's generation business as of June 30, 1998. Penn was required to remove from its balance sheet all regulatory assets and liabilities related to its generation business and assess all other assets for impairment. In accordance with the SEC guidance, Penn reduced its nuclear generating unit investments by approximately $305 million, of which approximately $227 million was recognized as a regulatory asset to be recovered through a CTC over a seven-year transition period; the remaining net amount of $78 million was written off. The charge of $51.7 million ($30.5 million after income taxes) for discontinuing the application of SFAS 71 to Penn's generation business was recorded as a 1998 extraordinary item on the Consolidated Statement of Income.

All of the Companies' regulatory assets will continue to be recovered under provisions of the Ohio transition plan and the Pennsylvania rate restructuring plan. Under the previous regulatory plan, the PUCO had authorized OE to recognize additional capital recovery related to its generating assets (which was reflected as additional depreciation expense) and additional amortization of regulatory assets during the prior regulatory plan period of at least $2 billion, and the PPUC had authorized Penn to accelerate at least $358 million, more than the amounts that would have been recognized if the prior regulatory plans were not in effect. These additional amounts are being recovered through current rates. As of December 31, 2000, OE's and Penn's cumulative additional capital recovery and regulatory asset amortization amounted to $1.424 billion (including Penn's impairment discussed above and CTC recovery). CEI and TE recognized a fair value purchase accounting adjustment of $2.55 billion in connection with the FirstEnergy merger; that fair value adjustment recognized for financial reporting purposes satisfied the $2 billion asset reduction commitment contained in the CEI and TE regulatory plan. For regulatory purposes, CEI and TE recognized the accelerated amortization over the period that their rate plan was in effect.

Application of SFAS 71 was discontinued in 1997 with respect to CEI's and TE's nuclear operations (see "Regulatory Assets" below); in 1998 with respect to Penn's generation operations (as described above) and in mid-2000, as discussed above, with respect to OE's generation business and the nonnuclear generation businesses of CEI and TE effective with the issuance of the PUCO transition plan order. The following summarizes net assets included in property, plant and equipment relating to operations for which the application of SFAS 71 was discontinued, compared with the respective company's total assets as of December 31, 2000.

	SFAS 71 Discontinued Net Assets	Total Assets
	(In millions)	
OE	$1,075	$7,422
CEI	1,556	5,965
TE	623	2,652
Penn	92	989

Property, Plant and Equipment –
Property, plant and equipment reflects original cost (except for the Companies' nuclear generating units which were adjusted to fair value), including payroll and related costs such as taxes, employee benefits, administrative and general costs, and interest costs.

The Companies provide for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. The annual composite rate for OE's electric plant was approximately 2.8% in 2000 and 3.0% in 1999 and 1998. The annual composite rate for Penn's electric plant was approximately 2.6% in 2000, 2.5% in 1999 and 3.0% in 1998. CEI's and TE's composite rates were both approximately 3.4% in 2000, 1999 and 1998. In addition to the straight-line depreciation recognized in 2000, 1999 and 1998, OE and Penn recognized additional capital recovery of $105 million, $95 million and $141 million (excluding Penn's impairment), respectively, as additional depreciation expense in accordance with their regulatory plans. These amounts were included in the 2000 transfer of accumulated depreciation included in OE's impaired plant investment recognized as regulatory assets as discussed in "Regulatory Plans" above.

Annual depreciation expense in 2000 included approximately $29.3 million for future decommissioning costs applicable to the Companies' ownership and leasehold interests in four nuclear generating units. Annual decommissioning costs will increase by approximately $66 million from implementing the Ohio utilities' transition plan in 2001. The Companies' future decommissioning costs reflect the 1999 increase in their ownership interests related to the exchange of certain generating assets with Duquesne Light Company. The Companies' share of the future obligation to decommission these units is approximately $1.9 billion in current dollars and (using a 4.0% escalation rate) approximately $4.5 billion in future dollars. The estimated obligation and the escalation rate were developed based on site specific studies. Payments for decommissioning are expected to begin in 2016, when actual decommissioning work begins. The Companies have recovered approximately $342 million for decommissioning through their electric rates from customers through

December 31, 2000. The Companies have also recognized an estimated liability of approximately $31.6 million related to decontamination and decommissioning of nuclear enrichment facilities operated by the United States Department of Energy (DOE), as required by the Energy Policy Act of 1992.

The Financial Accounting Standards Board (FASB) issued a proposed accounting standard for nuclear decommissioning costs in 1996. If the standard is adopted as proposed: (1) annual provisions for decommissioning could change; (2) the net present value of estimated decommissioning costs could be recorded as a liability; and (3) income from the external decommissioning trusts could be reported as investment income. The FASB subsequently expanded the scope of the proposed standard to include other closure and removal obligations related to long-lived assets. A final pronouncement is expected in the second quarter of 2001 and is anticipated to be implemented on January 1, 2002.

Nuclear Fuel –

OE's and Penn's nuclear fuel is recorded at original cost, which includes material, enrichment, fabrication and interest costs incurred prior to reactor load. CEI and TE severally lease their respective portions of nuclear fuel and pay for the fuel as it is consumed (see Note 3). The Companies amortize the cost of nuclear fuel based on the rate of consumption.

Income Taxes –

Details of the total provision for income taxes are shown on the Consolidated Statements of Taxes. Deferred income taxes result from timing differences in the recognition of revenues and expenses for tax and accounting purposes. Investment tax credits, which were deferred when utilized, are being amortized over the recovery period of the related property. The liability method is used to account for deferred income taxes. Deferred income tax liabilities related to tax and accounting basis differences are recognized at the statutory income tax rates in effect when the liabilities are expected to be paid. Alternative minimum tax credits of $32 million, which may be carried forward indefinitely, are available to reduce future federal income taxes.

Retirement Benefits –

The Companies' trusteed, noncontributory defined benefit pension plan covers almost all full-time employees. Upon retirement, employees receive a monthly pension based on length of service and compensation. The Companies use the projected unit credit method for funding purposes and were not required to make pension contributions during the three years ended December 31, 2000. The assets of the pension plan consist primarily of common stocks, United States government bonds and corporate bonds.

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

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

	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
	(In millions)			
Change in benefit obligation:				
Benefit obligation as of January 1	$1,394.1	$1,500.1	$ 608.4	$ 601.3
Service cost	27.4	28.3	11.3	9.3
Interest cost	104.8	102.0	45.7	40.7
Plan amendments	41.3	—	—	—
Actuarial loss (gain)	17.3	(155.6)	121.7	(17.6)
Net increase from asset swap	—	14.8	—	12.5
Voluntary early retirement program expense	23.4	—	—	—
Benefits paid	(102.2)	(95.5)	(35.1)	(37.8)
Benefit obligation as of December 31	1,506.1	1,394.1	752.0	608.4
Change in plan assets:				
Fair value of plan assets as of January 1	1,807.5	1,683.0	4.9	3.9
Actual return on plan assets	0.7	220.0	(0.2)	0.6
Company contribution	—	—	18.3	0.4
Benefits paid	(102.2)	(95.5)	—	—
Fair value of plan assets as of December 31	1,706.0	1,807.5	23.0	4.9
Funded status of plan	199.9	413.4	(729.0)	(603.5)
Unrecognized actuarial loss (gain)	(90.9)	(303.5)	147.3	24.9
Unrecognized prior service cost	93.1	57.3	20.9	24.1
Unrecognized net transition obligation (asset)	(2.1)	(10.1)	110.9	120.1
Prepaid (accrued) benefit cost	$ 200.0	$ 157.1	$(449.9)	$(434.4)
Assumptions used as of December 31:				
Discount rate	7.75%	7.75%	7.75%	7.75%
Expected long-term return on plan assets	10.25%	10.25%	10.25%	10.25%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%

Net pension and other postretirement benefit costs for the three years ended December 31, 2000 were computed as follows:

	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
	(In millions)					
Service cost	$ 27.4	$ 28.3	$ 25.0	$11.3	$ 9.3	$ 7.5
Interest cost	104.8	102.0	92.5	45.7	40.7	37.6
Expected return on plan assets	(181.0)	(168.1)	(152.7)	(0.5)	(0.4)	(0.3)
Amortization of transition obligation (asset)	(7.9)	(7.9)	(8.0)	9.2	9.2	9.2
Amortization of prior service cost	5.7	5.7	2.3	3.2	3.3	(0.8)
Recognized net actuarial loss (gain)	(9.1)	—	(2.6)	—	—	—
Voluntary early retirement program expense	17.2	—	—	—	—	—
Net benefit cost	$ (42.9)	$(40.0)	$ (43.5)	$68.9	$62.1	$53.2

The health care trend rate assumption is 7.2% in 2001, 7.0% in 2002 and 6.5% in 2003, trending to 5.0% – 5.5% in later years. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. An increase in the health care trend rate assumption by one percentage point would increase the total service and interest cost components by $7.5 million and the postretirement benefit obligation by $94.4 million. A decrease in the same assumption by one percentage point would decrease the total service and interest cost components by $8.5 million and the postretirement benefit obligation by $111.0 million.

Supplemental Cash Flows Information –
All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Consolidated Balance Sheets. As of December 31, 1999, cash and cash equivalents included $83 million used for the redemption of long-term debt in the first quarter of 2000. The Companies reflect temporary cash investments at cost, which approximates their fair market value. Noncash financing and investing activities included capital lease transactions amounting to $89.3 million, $36.2 million and $61.8 million for the years 2000, 1999 and 1998, respectively. Commercial paper transactions of OES Fuel, Incorporated (OES Fuel) (a wholly owned subsidiary of OE) that have initial maturity periods of three months or less are reported net within financing activities under long-term debt and are reflected as long-term debt on the Consolidated Balance Sheets (see Note 4G).

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

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In millions)			
Long-term debt	$5,853	$6,010	$6,381	$6,331
Preferred stock	$ 247	$ 243	$ 295	$ 280
Investments other than cash and cash equivalents:				
Debt securities				
– Maturity (5-10 years)	$ 460	$ 441	$ 475	$ 476
– Maturity (more than 10 years)	1,026	1,051	1,068	1,013
Equity securities	16	16	17	17
All other	924	935	852	874
	$2,426	$2,443	$2,412	$2,380

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

The fair value of investments other than cash and cash equivalents represent cost (which approximates fair value) or the present value of the cash inflows based on the yield to maturity. The yields assumed were based on financial instruments with similar characteristics and terms. Investments other than cash and cash equivalents include decommissioning trust investments. Unrealized gains and losses applicable to the decommissioning trusts have been recognized in the trust investment with a corresponding change to the decommissioning liability. The Companies have no securities held for trading purposes.

Effective December 31, 1998, the Company began accounting for its commodity price derivatives, entered into specifically for trading purposes, on a mark-to-market basis in accordance with Emerging Issues Task Force Issue 98-10, "Accounting for Energy Trading and Risk Management Activities," with gains and losses recognized currently in the Consolidated Statements of Income. The contracts that were marked to market are included in the Consolidated Balance Sheets as Deferred Charges and Deferred Credits at their fair values. The impact on the consolidated financial statements was immaterial.

On January 1, 2001, the Company adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an amendment of FASB Statement No. 133." The cumulative effect of adopting SFAS 133, as amended, increases assets by $108.3 million, liabilities by $72.6 million and common stockholders' equity by $35.7 million – other comprehensive income increases by $44.2 million and net income is reduced by $8.5 million.

Regulatory Assets –

The Companies recognize, as regulatory assets, costs which the FERC, PUCO and PPUC have authorized for recovery from customers in future periods. Without such authorization, the costs would have been charged to income as incurred. All regulatory assets will continue to be recovered from customers under the Companies' respective transition and rate restructuring plans. Based on those plans, the Companies continue to bill and collect cost-based rates for their transmission and distribution services, which remain regulated; accordingly, it is appropriate that the Companies continue the application of SFAS 71 to those operations. OE and Penn recognized additional cost recovery of $270 million, $257 million and $50 million in 2000, 1999 and 1998, respectively, as additional regulatory asset amortization in accordance with their regulatory plans. The application of SFAS 71 to OE's generation business and the nonnuclear generation businesses of CEI and TE was discontinued effective with the PUCO's approval of the Company's transition plan. The effect of such discontinuance was reflected on the financial statements as of June 30, 2000, with the reduction of plant investment and the corresponding recognition of regulatory assets recoverable through future regulatory cash flows for generating assets that were impaired of approximately $1.6 billion ($1.2 billion, $304 million and $53 million for OE, CEI and TE, respectively).

Net regulatory assets on the Consolidated Balance Sheets are comprised of the following:

	2000	1999
	(In millions)	
Nuclear unit expenses	$1,081.1	$1,123.0
Customer receivables for future income taxes	173.5	444.3
Rate stabilization program deferrals	400.0	420.1
Sale and leaseback costs	8.0	17.8
Competitive transition charge	230.9	280.4
Loss on reacquired debt	167.1	173.9
Employee postretirement benefit costs	20.7	24.8
DOE decommissioning and decontamination costs	26.8	29.5
Impaired generating assets	1,595.5	—
Other	24.1	29.6
Total	$3,727.7	$2,543.4

2. Merger Agreement:

On August 8, 2000, FirstEnergy and GPU, Inc. (GPU), a Pennsylvania corporation, entered into an Agreement and Plan of Merger. Under the merger agreement, FirstEnergy would acquire all of the outstanding shares of GPU's common stock for approximately $4.5 billion in cash and FirstEnergy common stock. Approximately $7.4 billion of debt and preferred stock of GPU's subsidiaries would remain outstanding. The transaction would be accounted for by the purchase method. The combined company's principal electric utility operating companies would include OE, CEI, TE, Penn and ATSI, as well as GPU's electric utility operating companies – Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company, which serve customers in New Jersey and Pennsylvania.

Under the agreement, GPU shareholders would receive the equivalent of $36.50 for each share of GPU common stock they own, payable in cash or in FirstEnergy common stock, as long as FirstEnergy's common stock price is between $24.2438 and $29.6313. Each GPU shareholder would be able to elect the form of consideration they wish to receive, subject to proration so that the aggregate consideration to all GPU shareholders will be 50 percent cash and 50 percent FirstEnergy common stock. Each GPU share converted into FirstEnergy common stock would receive not less than 1.2318 and not more than 1.5055 shares of FirstEnergy common stock, depending on the average closing price of FirstEnergy stock during the 20-day trading period ending on the seventh trading date prior to the merger closing. The stock portion of the consideration is expected to be tax-free to GPU shareholders.

The merger has been approved by the respective shareholders of the Company and GPU and is expected to close promptly after all of the conditions to the consummation of the merger, including the receipt of all necessary regulatory approvals, are fulfilled or waived. The receipt of all necessary regulatory approvals, including, but not limited to, the FERC, the Nuclear Regulatory Commission, the Federal Communications Commission, and the SEC, are expected by the end of the second quarter of 2001.

3. Leases:

The Companies lease certain generating facilities, nuclear fuel, office space and other property and equipment under cancelable and noncancelable leases.

OE sold portions of its ownership interests in Perry Unit 1 and Beaver Valley Unit 2 and entered into operating leases on the portions sold for basic lease terms of approximately 29 years. CEI and TE also sold portions of their ownership interests in Beaver Valley Unit 2 and Bruce Mansfield Units 1, 2 and 3 and entered into similar operating leases for lease terms of approximately 30 years. During the terms of their respective leases, OE, CEI and TE continue to be responsible, to the extent of their individual combined ownership and leasehold interests, for costs associated with the units including construction expenditures, operation and maintenance expenses, insurance, nuclear fuel, property taxes and decommissioning. They have the right, at the end of the respective basic lease terms, to renew their respective leases. They also have the right to purchase the facilities at the expiration of the basic lease term or renewal term (if elected) at a price equal to the fair market value of the facilities. The basic rental payments are adjusted when applicable federal tax law changes.

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

Nuclear fuel is currently financed for CEI and TE through leases with a special-purpose corporation. As of December 31, 2000, $142 million of nuclear fuel was financed under a lease financing arrangement through $150 million of bank credit arrangements. The bank credit arrangements expire in August 2001. Lease rates are based on bank rates and commercial paper rates.

Consistent with the regulatory treatment, the rentals for capital and operating leases are charged to operating expenses on the Consolidated Statements of Income. Such costs for the three years ended December 31, 2000, are summarized as follows:

	2000	1999	1998
		(In millions)	
Operating leases			
Interest element	$202.4	$208.6	$201.2
Other	111.1	110.3	147.8
Capital leases			
Interest element	12.3	17.5	17.6
Other	64.2	76.1	66.3
Total rentals	$390.0	$412.5	$432.9

The future minimum lease payments as of December 31, 2000, are:

		Operating Leases		
	Capital Leases	Lease Payments	Capital Trusts	Net
		(In millions)		
2001	$ 74.3	$ 306.8	$ 146.0	$ 160.8
2002	50.1	317.9	169.5	148.4
2003	32.9	326.1	176.5	149.6
2004	19.6	291.3	110.7	180.6
2005	9.6	310.1	128.8	181.3
Years thereafter	17.7	3,321.2	1,235.6	2,085.6
Total minimum lease payments	204.2	$4,873.4	$1,967.1	$2,906.3
Executory costs	10.6			
Net minimum lease payments	193.6			
Interest portion	30.4			
Present value of net minimum lease payments	163.2			
Less current portion	52.0			
Noncurrent portion	$111.2			

OE invested in the PNBV Capital Trust, which was established to purchase a portion of the lease obligation bonds issued on behalf of lessors in OE's Perry Unit 1 and Beaver Valley Unit 2 sale and leaseback transactions. CEI and TE established the Shippingport Capital Trust to purchase the lease obligation bonds issued on behalf of lessors in their Bruce Mansfield Units 1, 2 and 3 sale and leaseback transactions. The PNBV and Shippingport capital trust arrangements effectively reduce lease costs related to those transactions.

4. Capitalization:

(A) Retained Earnings –

There are no restrictions on retained earnings for payment of cash dividends on the Company's common stock.

(B) Employee Stock Ownership Plan –

The Companies fund the matching contribution for their 401(k) savings plan through an ESOP Trust. All full-time employees eligible for participation in the 401(k) savings plan are covered by the ESOP. The ESOP borrowed $200 million from OE and acquired 10,654,114 shares of OE's common stock (subsequently converted to FirstEnergy common stock) through market purchases. Dividends on ESOP shares are used to service the debt. Shares are released from the ESOP on a pro rata basis as debt service payments are made. In 2000, 1999 and 1998, 826,873 shares, 627,427 shares and 423,206 shares, respectively, were allocated to employees with the corresponding expense recognized based on the shares allocated method. The fair value of 5,952,032 shares unallocated as of December 31, 2000, was approximately $187.8 million. Total ESOP-related compensation expense was calculated as follows:

	2000	1999	1998
		(In millions)	
Base compensation	$ 18.7	$ 18.3	$ 13.5
Dividends on common stock held by the ESOP and used to service debt	(6.4)	(4.5)	(3.9)
Net expense	$ 12.3	$ 13.8	$ 9.6

(C) Stock Compensation Plans –

On April 30, 1998, the Company adopted the Executive and Director Incentive Compensation Plan (FE Plan). The FE Plan permits awards to be made to key employees in the form of restricted stock, stock options, stock appreciation rights, performance shares or cash. Common stock granted under the FE Plan may not exceed 7.5 million shares. No stock appreciation rights or performance shares have been issued under the FE Plan. Restricted common stock shares were granted under the FE Plan in 1998, 1999 and 2000 for various vesting periods ranging from six months to eight years. The restricted common stock shares were purchased in the open market and have full voting and dividend rights. There were no exercise prices related to these shares. Restricted common stock grants were as follows:

	2000	1999	1998
Restricted common shares granted	208,400	8,000	20,000
Weighted average market price	$ 26.63	$ 30.89	$30.78
Weighted average vesting period	3.8	5.8	4.0
Dividends restricted	Yes	Yes	No

FE Plan options were granted in 1998, 1999 and 2000 and are exercisable after four years from the date of grant with some acceleration of vesting possible based on performance. Stock options, which were granted prior to 1998, expire on or before February 25, 2007. Stock option activity was as follows:

Stock Option Activity	Number of Options	Weighted Average Exercise Price
Balance at December 31, 1997	517,388	$ 24.59
(517,388 options exercisable)		
Options granted	189,491	29.82
Options exercised	335,058	24.67
Options forfeited	7,535	29.82
Balance at December 31, 1998	364,286	27.13
(182,330 options exercisable)		
Options granted	1,811,658	24.90
Options exercised	22,575	21.42
Balance at December 31, 1999	2,153,369	25.32
(159,755 options exercisable)		
Options granted	3,011,584	23.24
Options exercised	90,491	26.00
Options forfeited	52,600	22.20
Balance at December 31, 2000	5,021,862	24.09
(473,314 options exercisable)		

As of December 31, 2000, the weighted average remaining contractual life of outstanding stock options was 8.4 years.

Under the Executive Deferred Compensation Plan, adopted January 1, 1999, employees can direct a portion of their Annual Incentive Award and/or Long Term Incentive Award into an unfunded FirstEnergy Stock Account to receive vested stock units. An additional 20% premium is received in the form of stock units based on the amount allocated to the

FirstEnergy Stock Account. Dividends are calculated quarterly on stock units outstanding and are paid in the form of additional stock units. Upon withdrawal, stock units are converted to FirstEnergy shares. Payout occurs three years from the date of deferral. As of December 31, 2000, there were 123,787.48 stock units outstanding.

The Company continues to apply Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees." As required by SFAS 123, "Accounting for Stock-Based Compensation," the Company has determined pro forma earnings as though the Company had accounted for employee stock options under the fair value method. The weighted average assumptions used in valuing the options and their resulting fair values are as follows:

	2000	1999	1998
Valuation assumptions:			
Expected option term (years)	7.6	6.4	10
Expected volatility	21.77%	20.03%	15.50%
Expected dividend yield	6.68%	5.97%	5.68%
Risk-free interest rate	5.28%	5.97%	5.65%
Fair value per option	$2.86	$3.42	$3.25

The following table summarizes the pro forma effect of applying fair value accounting to the Company's stock options.

	2000	1999	1998
Net Income (000)			
As Reported	$598,970	$568,299	$410,874
Pro Forma	$597,378	$567,876	$410,839
Earnings Per Share of Common Stock –			
Basic and Diluted			
As Reported	$2.69	$2.50	$1.82
Pro Forma	$2.69	$2.50	$1.81

(D) Preferred and Preference Stock –

Penn's 7.75% series of preferred stock has a restriction which prevents early redemption prior to July 2003. OE's 8.45% series of preferred stock has no optional redemption provision. CEI's $88.00 Series R preferred stock is not redeemable before December 2001 and its $90.00 Series S has no optional redemption provision. All other preferred stock may be redeemed by the Companies in whole, or in part, with 30-90 days' notice.

Preference stock authorized for the Companies are 8 million shares without par value for OE; 3 million shares without par value for CEI; and 5 million shares, $25 par value for TE. No preference shares are currently outstanding.

(E) Preferred Stock Subject to Mandatory Redemption –

Annual sinking fund provisions for the Companies' preferred stock are as follows:

	Series	Shares	Redemption Price Per Share	Date	Beginning
OE	8.45%	50,000	$ 100		(i)
CEI	$ 7.35C	10,000	100		(i)
	91.50Q	10,714	1,000		(i)
	90.00S	18,750	1,000		(i)
	88.00R	50,000	1,000	December 1	2001
Penn	7.625%	7,500	100	October 1	2002

(i) Sinking fund provisions are in effect.

Annual sinking fund requirements for the next five years are $85 million in 2001, $19 million in 2002 and $2 million in each year 2003-2005.

(F) Ohio Edison Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Ohio Edison Subordinated Debentures –

Ohio Edison Financing Trust, a wholly owned subsidiary of OE, has issued $120 million of 9% Cumulative Trust Preferred Capital Securities. OE purchased all of the Trust's Common Securities and simultaneously issued to the Trust $123.7 million principal amount of 9% Junior Subordinated Debentures due 2025 in exchange for the proceeds that the Trust received from its sale of Preferred and Common Securities. The sole assets of the Trust are the Subordinated Debentures whose interest and other payment dates coincide with the distribution and other payment dates on the Trust Securities. Under certain circumstances, the Subordinated Debentures could be distributed to the holders of the outstanding Trust Securities in the event the Trust is liquidated. The Subordinated Debentures may be optionally redeemed by OE at a redemption price of $25 per Subordinated Debenture plus accrued interest, in which event the Trust Securities will be redeemed on a pro rata basis at $25 per share plus accumulated distributions. OE's obligations under the Subordinated Debentures along with the related Indenture, amended and restated Trust Agreement, Guarantee Agreement and the Agreement for expenses and liabilities, constitute a full and unconditional guarantee by OE of payments due on the Preferred Securities.

(G) Long-Term Debt –

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

Based on the amount of bonds authenticated by the Trustees through December 31, 2000, OE's, TE's and Penn's annual sinking and improvement fund requirements for all bonds issued under the mortgage amounts to $31.4 million. OE, TE and Penn expect to deposit funds in 2001 that will be withdrawn upon the surrender for cancellation of a like principal amount of bonds, which are specifically authenticated for such purposes against unfunded property additions or against previously retired bonds. This method can result in minor increases in the amount of the annual sinking fund requirement.

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

	(In millions)
2001	$ 399.0
2002	945.0
2003	460.1
2004	833.9
2005	436.3

The Companies' obligations to repay certain pollution control revenue bonds are secured by several series of first mortgage bonds. Certain pollution control revenue bonds are entitled to the benefit of irrevocable bank letters of credit of $341.2 million and noncancelable municipal bond insurance policies of $280 million to pay principal of, or interest on, the pollution control revenue bonds. To the extent that drawings are made under the letters of credit, the Companies are entitled to a credit against their obligation to repay those bonds. The Companies pay annual fees of 0.60% to 1.375% of the amounts of the letters of credit to the issuing banks and are obligated to reimburse the banks for any drawings thereunder.

OE had unsecured borrowings of $100 million as of December 31, 2000, supported by a $250 million long-term revolving credit facility agreement which expires November 18, 2002. OE must pay an annual facility fee of 0.20% on the total credit facility amount. In addition, the credit agreement provides that OE maintain unused first mortgage bond capability for the full credit agreement amount under OE's indenture as potential security for the unsecured borrowings.

CEI and TE have letters of credit of approximately $222 million in connection with the sale and leaseback of Beaver Valley Unit 2 that expire in May 2002. The letters of credit are secured by first mortgage bonds of CEI and TE in the proportion of 40% and 60%, respectively (see Note 3).

OE's and Penn's nuclear fuel purchases are financed through the issuance of OES Fuel commercial paper and loans, both of which are supported by a $180.5 million long-term bank credit agreement which expires March 31, 2001. The Company intends to extend the credit agreement through March 31, 2002. Accordingly, a portion of the commercial paper and loans is reflected as long-term debt on the Consolidated Balance Sheets. OES Fuel must pay an annual facility fee of 0.20% on the total line of credit and an annual commitment fee of 0.0625% on any unused amount.

(H) Comprehensive Income –

Comprehensive income includes net income as reported on the Consolidated Statements of Income and all other changes in common stockholders' equity except those resulting from transactions with common stockholders. As of December 31, 2000, accumulated other comprehensive income (loss) consisted of a minimum liability for unfunded retirement benefits of $(329,000) and an unrealized gain on investment of securities available for sale of $922,000.

5. Short-Term Borrowings and Bank Lines of Credit:

Short-term borrowings outstanding as of December 31, 2000, consisted of $539.8 million of bank borrowings and $159.9 million of OES Capital, Incorporated (OES Capital) commercial paper. OES Capital is a wholly owned subsidiary of OE whose borrowings are secured by customer accounts receivable. OES Capital can borrow up to $170 million under a receivables financing agreement at rates based on certain bank commercial paper and is required to pay an annual fee of 0.20% on the amount of the entire finance limit. The receivables financing agreement expires in 2002.

The Companies have various credit facilities with domestic banks that provide for borrowings of up to $505 million under various interest rate options. OE's short-term borrowings may be made under its lines of credit on its unsecured notes. To assure the availability of these lines, the Companies are required to pay annual commitment fees that vary from 0.15% to 0.375%. These lines expire at various times during 2001. The weighted average interest rates on short-term borrowings outstanding as of December 31, 2000 and 1999, were 7.92% and 6.51%, respectively.

6. Commitments and Contingencies:

Capital Expenditures –

The Company's current forecast reflects expenditures of approximately $3.0 billion for property additions and improvements from 2001-2005, of which approximately $683 million is applicable to 2001. Investments for additional nuclear fuel during the 2001-2005 period are estimated to be approximately $380 million, of which approximately $54 million applies to 2001. During the same periods, the Companies' nuclear fuel investments are expected to be reduced by approximately $460 million and $100 million, respectively, as the nuclear fuel is consumed.

Stock Repurchase Program –

On November 17, 1998, the Board of Directors authorized the repurchase of up to 15 million shares of the Company'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 2000 and 1999, the Company repurchased and retired 7.9 million shares (average price of $24.51 per share) and 4.6 million shares (average price of $28.08 per share), respectively.

Nuclear Insurance –

The Price-Anderson Act limits the public liability relative to a single incident at a nuclear power plant to $9.5 billion. The amount is covered by a combination of private insurance and an industry retrospective rating plan. The Companies' maximum potential assessment under the industry retrospective rating plan would be $352.4 million per incident but not more than $40 million in any one year for each incident.

The Companies are also insured under policies for each nuclear plant. Under these policies, up to $2.75 billion is provided for property damage and decontamination and decommissioning costs. The Companies have also obtained approximately $789 million of insurance coverage for replacement power costs. Under these policies, the Companies can be assessed a maximum of approximately $38 million for incidents at any covered nuclear facility occurring during a policy year which are in excess of accumulated funds available to the insurer for paying losses.

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

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 additional capital expenditures for environmental compliance of approximately $201 million, which is included in the construction forecast provided under "Capital Expenditures" for 2001 through 2005.

The Companies are required to meet federally approved sulfur dioxide (SO_2) regulations. Violations of such regulations can result in shutdown of the generating unit involved and/or civil or criminal penalties of up to $27,500 for each day the unit is in violation. The Environmental Protection Agency (EPA) has an interim enforcement policy for SO_2 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.

The Companies are in compliance with the current SO_2 and nitrogen oxides (NOx) reduction requirements under the Clean Air Act Amendments of 1990. SO_2 reductions are being achieved by burning lower-sulfur fuel, generating more electricity from lower-emitting plants, and/or using emission allowances. NOx reductions are being achieved through combustion controls and the generation of more electricity at lower-emitting plants. In September 1998, the EPA finalized regulations requiring additional NOx reductions from the Companies' Ohio and Pennsylvania facilities. The EPA's NOx Transport Rule imposes uniform reductions of NOx emissions (an approximate 85% reduction in utility plant NOx emissions from projected 2007 emissions) across a region of twenty-two states and the District of Columbia, including Ohio and Pennsylvania, based on a conclusion that such NOx 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 NOx Transport Rule except as applied to the State of Wisconsin and portions of Georgia and Missouri. By October 2000, states were to submit revised State Implementation Plans (SIP) to comply by May 31, 2004 with individual state NOx budgets established by the EPA. Pennsylvania recently submitted a SIP that requires compliance with the NOx budgets at the Companies' Pennsylvania facilities by May 1, 2003 and Ohio submitted a "draft" SIP that requires compliance with the NOx budgets at the Companies' Ohio facilities by May 31, 2004. A Federal Implementation Plan accompanied the NOx 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 NOx 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 NOx Transport Program, but a December 17, 1999 rulemaking established an alternative program which would require nearly identical 85% NOx reductions at 392 utility plants, including the Companies' Ohio and Pennsylvania plants, by May 2003, in the event implementation of the NOx Transport Rule is not implemented by a state. 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.

In July 1997, the EPA promulgated changes in the National Ambient Air Quality Standard (NAAQS) for ozone emissions and proposed a new NAAQS for previously unregulated ultra-fine particulate matter. In May 1999, the U.S. Court of Appeals found constitutional and other defects in the new NAAQS rules. In February 2001, the U.S. Supreme Court upheld the new NAAQS rules regulating ultra-fine particulates but found defects in the new NAAQS rules for ozone and decided that the EPA must revise those rules. The future cost of compliance with these regulations 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 1999 and 2000, the EPA issued Notices of Violation (NOV) or a Compliance Order to nine utilities covering 44 power plants, including the W. H. Sammis Plant. In addition, the U.S. Department of Justice filed eight 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, the Company 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. The Sammis Plant continues to operate while these proceedings are pending.

In December 2000, the EPA announced it would proceed with the development of regulations regarding hazardous air pollutants from electric power plants. The EPA identified mercury as the hazardous air pollutant of greatest concern. The EPA established a schedule to propose regulations by December 2003 and issue final regulations by December 2004. The future cost of compliance with these regulations may be substantial.

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 the EPA's evaluation of the need for future regulation. The EPA has issued its final regulatory determination that regulation of coal ash as a hazardous waste is unnecessary. On April 25, 2000, the 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 totaling $3.7 million as of December 31, 2000, based on estimates of the total costs of cleanup, the proportionate responsibility of other PRPs for such costs and the financial ability of other PRPs to pay. 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.

7. Segment Information:

The Company operates under the following reportable segments: regulated services, competitive services and other (primarily corporate support services). The Company's primary segment is its regulated services, which include five electric utility operating companies that formerly provided bundled electric service in Ohio and Pennsylvania. Its other material business segment consisted of the subsidiaries that operate unregulated businesses. During 2000, the Company made certain organizational changes to further align its business units to accommodate its retail strategy and the impact of its plan to move the generation portion of its electricity services from the regulated segment to the competitive segment as reflected in its approved Ohio transition plan. These reportable segments are strategic businesses, which are managed and operated differently based on the degree of regulation, and the products and services offered.

The regulated services segment designs, constructs, operates and maintains our regulated transmission and distribution systems. It also provides generation services to regulated franchise customers who have not chosen an alternative, competitive generation supplier. The regulated services segment obtains generation through power supply agreements with the competitive services segment.

The competitive services segment includes all unregulated energy and energy-related services including commodity sales (both electricity and natural gas) in the retail and wholesale markets, marketing, generation, trading and sourcing of commodity requirements, as well as other competitive energy application services. Competitive products are increasingly marketed to customers as bundled services.

SEGMENT FINANCIAL INFORMATION

	Regulated Services	Competitive Services	Other	Reconciling Adjustments	Consolidated
			(In millions)		
2000					
External revenues	$ 4,747	$2,020	$ 8	$ 254 (A)	$7,029
Intersegment revenues	28	1,827	303	(2,158) (B)	–
Total revenues	4,775	3,847	311	(1,904)	7,029
Depreciation and amortization	790	194	13	(63) (C)	934
Income taxes	561	68	1	(253) (D)	377
Net operating profit after taxes	916	128	3	(448) (E)	599
Total assets	15,688	1,933	320	–	17,941
1999					
External revenues	$ 4,723	$1,218	$ 16	$ 363 (A)	$6,320
Intersegment revenues	55	1,301	181	(1,537) (B)	–
Total revenues	4,778	2,519	197	(1,174)	6,320
Depreciation and amortization	789	170	9	(30) (C)	938
Income taxes	574	75	(32)	(222) (D)	395
Net operating profit after taxes	977	126	(61)	(474) (E)	568
Total assets	15,931	1,514	779	–	18,224
1998					
External revenues	$ 4,802	$ 934	$ 8	$ 131 (A)	$5,875
Intersegment revenues	–	2,806	144	(2,950) (B)	–
Total revenues	4,802	3,740	152	(2,819)	5,875
Depreciation and amortization	784	8	5	(38) (C)	759
Income taxes	822	(40)	(22)	(456) (D)	304
Net operating profit after taxes	893	(59)	(43)	(350) (E)	441
Total assets	15,918	1,558	716	–	18,192

Reconciling adjustments to segment operating results from internal management reporting to consolidated external financial reporting:

(A) Principally interest income and revenues related to gross receipts taxes which are excluded for internal management reporting purposes.

(B) Elimination of intersegment revenues.

(C) Reclassification for amortization of tax regulatory assets included in income taxes for external financial reporting; reduction for depreciation expense recognized for internal management reporting for assets subject to sale and leaseback transactions (see Note 3); and recognition of goodwill amortization which is excluded for internal management reporting.

(D) Income tax effects of the differences described above and the tax benefit of interest expense not otherwise included in the computation of net operating profit after taxes.

(E) The net effect from the differences described above and the recognition of interest costs not included in net operating profit after taxes for internal management reporting purposes.

PRODUCTS AND SERVICES

Year	Electricity Sales	Oil & Gas Sales and Production	Energy Related Sales and Services
		(In millions)	
2000	$ 5,537	$ 582	$ 563
1999	5,253	203	503
1998	4,980	26	198

8. Summary of Quarterly Financial Data (Unaudited):

The following summarizes certain consolidated operating results by quarter for 2000 and 1999.

Three Months Ended	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
	(In millions, except per share amounts)			
Revenues	$1,607.9	$1,702.1	$1,891.7	$1,827.3
Expenses	1,234.1	1,338.0	1,433.1	1,518.9
Income Before Interest and Income Taxes	373.8	364.1	458.6	308.4
Net Interest Charges	135.0	134.4	131.2	128.5
Income Taxes	97.9	95.1	129.2	54.6
Net Income	$ 140.9	$ 134.6	$ 198.2	$ 125.3
Earnings per Share of Common Stock	$.63	$.60	$.89	$.57

Three Months Ended	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999
	(In millions, except per share amounts)			
Revenues	$1,417.4	$1,523.9	$1,732.4	$1,645.9
Expenses	1,041.7	1,149.8	1,291.0	1,301.7
Income Before Interest and Income Taxes	375.7	374.1	441.4	344.2
Net Interest Charges	146.1	147.4	141.3	137.5
Income Taxes	92.9	101.4	114.3	86.2
Net Income	$ 136.7	$ 125.3	$ 185.8	$ 120.5
Earnings per Share of Common Stock	$.60	$.55	$.82	$.53

CONSOLIDATED FINANCIAL AND PRO FORMA COMBINED OPERATING STATISTICS (UNAUDITED)

	2000	1999	1998	1997	1996	1995	1990
GENERAL FINANCIAL INFORMATION							
(Dollars in thousands)							
Revenues	**$ 7,028,961**	$ 6,319,647	$ 5,874,906	$ 2,961,125	$2,521,788	$2,500,770	$ 2,252,527
Net Income	**$ 598,970**	$ 568,299	$ 410,874	$ 305,774	$ 302,673	$ 294,747	$ 254,048
SEC Ratio of Earnings to Fixed Charges	**2.10**	2.01	1.77	2.18	2.38	2.32	1.97
Net Property, Plant and Equipment	**$ 7,575,076**	$ 9,093,341	$ 9,242,574	$ 9,635,992	$5,534,382	$5,788,436	$ 6,055,441
Capital Expenditures	**$ 568,711**	$ 474,118	$ 305,577	$ 188,145	$ 145,005	$ 196,041	$ 270,993
Total Capitalization	**$11,204,674**	$11,469,795	$11,756,422	$12,124,492	$5,582,989	$5,565,997	$ 6,067,469
Capitalization Ratios:							
Common Stockholders' Equity	**41.5%**	39.8%	37.9%	34.3%	44.8%	43.3%	41.9%
Preferred and Preference Stock:							
Not Subject to Mandatory Redemption	**5.8**	5.7	5.6	5.5	3.8	3.8	5.9
Subject to Mandatory Redemption	**1.4**	2.2	2.5	2.7	2.8	2.9	1.0
Long-Term Debt	**51.3**	52.3	54.0	57.5	48.6	50.0	51.2
Total Capitalization	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average Capital Costs:							
Preferred and Preference Stock	**7.92%**	7.99%	8.01%	8.02%	7.59%	7.59%	8.59%
Long-Term Debt	**7.84%**	7.65%	7.83%	8.02%	7.76%	8.00%	9.28%
COMMON STOCK DATA *(a)*							
Earnings per Share	**$2.69**	$2.50	$1.95	$1.94	$2.10	$2.05	$1.67
Return on Average Common Equity	**13.0%**	12.7%	10.3%	11.0%	12.4%	12.5%	9.9%
Dividends Paid per Share	**$1.50**	$1.50	$1.50	$1.50	$1.50	$1.50	$1.73
Dividend Payout Ratio	**56%**	60%	77%	77%	71%	73%	104%
Dividend Yield	**4.8%**	6.6%	4.6%	5.2%	6.6%	6.4%	8.8%
Price/Earnings Ratio	**11.7**	9.1	16.7	14.9	10.8	11.5	10.3
Book Value per Share	**$21.29**	$20.22	$19.37	$18.71	$17.35	$16.73	$ 16.68
Market Price per Share	**$31.56**	$22.69	$32.56	$29.00	$22.75	$23.50	$17.125
Ratio of Market Price to Book Value	**148%**	112%	168%	155%	131%	140%	103%
OPERATING STATISTICS *(b)*							
Kilowatt-Hour Sales (Millions):							
Residential	**16,686**	16,898	15,873	15,562	15,807	15,773	14,193
Commercial	**22,359**	18,049	16,255	15,868	14,944	14,845	13,218
Industrial	**25,630**	24,624	24,039	24,062	23,367	22,681	22,040
Other	**364**	370	378	372	1,158	1,196	1,103
Total Retail	**65,039**	59,941	56,545	55,864	55,276	54,495	50,554
Total Wholesale	**7,661**	7,135	5,557	7,870	9,670	9,295	6,754
Total Sales	**72,700**	67,076	62,102	63,734	64,946	63,790	57,308
Customers Served:							
Residential	**1,963,462**	1,951,928	1,938,259	1,929,371	1,912,850	1,907,850	1,846,991
Commercial	**234,569**	219,761	214,698	215,307	212,092	210,745	197,819
Industrial	**11,491**	11,667	11,888	12,918	12,974	12,763	12,804
Other	**2,530**	2,177	2,067	2,040	3,913	3,869	4,195
Total	**2,212,052**	2,185,533	2,166,912	2,159,636	2,141,829	2,135,227	2,061,809
Number of Employees	**13,830**	13,461	11,918	10,020	10,477	11,633	15,309

(a) Before extraordinary charge in 1998.
(b) Years prior to 1998 reflect pro forma combined Ohio Edison and Centerior statistics.

Shareholder Information

Investor Services, Transfer Agent and Registrar

We act as our own transfer agent and registrar for all stock issues of FirstEnergy and its subsidiaries. Shareholders wanting to transfer stock, or who need assistance or information, can send their stock or write to Investor Services, FirstEnergy Corp., 76 South Main Street, Akron, Ohio 44308-1890. Shareholders also can call the following toll-free telephone number, which is valid in the United States, Canada, Puerto Rico and the Virgin Islands, weekdays between 8 a.m. and 4:30 p.m., Eastern time: 1-800-736-3402. For Internet access to general shareholder information and useful forms, visit our Internet site at *www.firstenergycorp.com/ir.*

Stock Listings and Trading

Newspapers generally report FirstEnergy common stock under the abbreviation FSTENGY, but this can vary depending upon the newspaper. The common stock of FirstEnergy and preferred stock of its electric utility subsidiaries are listed on the following stock exchanges:

Company	Stock Exchange	Symbol
FirstEnergy	New York	FE
The Illuminating Company	New York, OTC	CVX
Ohio Edison	New York	OEC
Pennsylvania Power	Philadelphia	PPC
Toledo Edison	New York, OTC, American	TED

Dividends

Proposed dates for the payment of FirstEnergy common stock dividends in 2001 are:

Ex-Dividend Date	Record Date	Payment Date
February 5	February 7	March 1
May 3	May 7	June 1
August 3	August 7	September 1
November 5	November 7	December 1

Direct Dividend Deposit

Shareholders can have their dividend payments automatically deposited to checking and savings accounts at any financial institution that accepts electronic direct deposits. Use of this free service ensures that payments will be available to you on the payment date, eliminating the possibility of mail delay or lost checks.

Stock Investment Plan

Shareholders and others can purchase or sell shares of FirstEnergy common stock through the Company's Stock Investment Plan. Investors who are not registered shareholders can enroll with an initial cash investment of $250. Participants may invest all or some of their dividends or make optional cash payments at any time of at least $25 per payment up to $100,000 annually.

Safekeeping of Shares

Shareholders can request that the Company hold their shares of FirstEnergy common stock in safekeeping. To take advantage of this service, shareholders should forward their stock certificate(s) to the Company along with a signed letter requesting that the Company hold the shares. They should also state whether future dividends for these shares are to be reinvested or paid in cash. The certificate(s) should not be endorsed, and registered mail is suggested. The shares will be held in uncertificated form and we will make certificate(s) available to shareholders upon request at no cost. Shares held in safekeeping will be reported on dividend checks or Stock Investment Plan statements.

Combining Stock Accounts

If you have more than one stock account and want to combine them, please write or call Investor Services and specify the account that you want to retain as well as the registration of each of your accounts.

Duplicate Mailings of the Annual Report

If you hold stock in more than one registration and do not wish to combine accounts, you can eliminate duplicate mailings of our annual report by informing us when voting your shares for the Annual Meeting of Shareholders. You also can send a written request to Investor Services, including the exact registration of the account for which you want the mailing discontinued.

Form 10-K Annual Report

Form 10-K, the Annual Report to the Securities and Exchange Commission, will be sent without charge by writing to Nancy C. Ashcom, Corporate Secretary, FirstEnergy Corp., 76 South Main Street, Akron, Ohio 44308-1890.

Institutional Investor and Security Analyst Inquiries

Institutional investors and security analysts should direct inquiries to: Kurt E. Turosky, Manager, Investor Relations, 1-330-384-5500.

Annual Meeting of Shareholders

Shareholders are invited to attend the 2001 Annual Meeting of Shareholders on Tuesday, May 15, at 10 a.m., at the John S. Knight Center in Akron, Ohio. Registered holders of common stock not attending the meeting can appoint a proxy and vote on the items of business by telephone, Internet or mail. Shareholders whose shares are held in the name of a broker can attend the meeting if they present a letter from their broker indicating ownership of FirstEnergy common stock on the record date of March 21, 2001.

FirstEnergy®
76 South Main Street, Akron, Ohio 44308-1890
www.firstenergycorp.com

2000 Annual Report