

CLEVELAND ELECTRIC ILLUMINATING CO

Form 10-Q/A

November 25, 2008

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

FORM 10-Q/A

Amendment No. 1

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

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

For the transition  
period from

to

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
1-2578	OHIO EDISON COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-0437786
1-2323	THE CLEVELAND ELECTRIC ILLUMINATING COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-0150020
1-3583	THE TOLEDO EDISON COMPANY	34-4375005

(An Ohio Corporation)  
c/o FirstEnergy Corp.  
76 South Main Street  
Akron, OH 44308  
Telephone (800)736-3402

1-3522

PENNSYLVANIA ELECTRIC  
COMPANY  
(A Pennsylvania Corporation)  
c/o FirstEnergy Corp.  
76 South Main Street  
Akron, OH 44308  
Telephone (800)736-3402

25-0718085

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

Yes (X) No ( ) Ohio Edison Company and Pennsylvania Electric Company  
 Yes ( ) No (X) The Cleveland Electric Illuminating Company and The Toledo Edison Company

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer N/A  
 ( )

Accelerated Filer N/A  
 ( )

Non-accelerated Filer (Do not check if a smaller reporting company) Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company and Pennsylvania Electric Company  
 (X)

Smaller Reporting Company N/A  
 ( )

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ( ) No (X) Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company and Pennsylvania Electric Company

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

CLASS	OUTSTANDING AS OF AUGUST 6, 2008
Ohio Edison Company, no par value	60
The Cleveland Electric Illuminating Company, no par value	67,930,743
The Toledo Edison Company, \$5 par value	29,402,054
Pennsylvania Electric Company, \$20 par value	4,427,577

This combined Form 10-Q/A is separately filed by Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company and Pennsylvania Electric Company. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf.

OMISSION OF CERTAIN INFORMATION

Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company and Pennsylvania Electric Company meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form 10-Q/A with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

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Forward-Looking Statements: This Form 10-Q/A includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "believe," "estimate" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Actual results may differ materially due to:

- the speed and nature of increased competition in the electric utility industry and legislative and regulatory changes affecting how generation rates will be determined following the expiration of existing rate plans in Ohio and Pennsylvania,
  - the impact of the PUCO's rulemaking process on the Ohio Companies' ESP and MRO filings,
    - economic or weather conditions affecting future sales and margins,
    - changes in markets for energy services,
    - changing energy and commodity market prices and availability,
  - replacement power costs being higher than anticipated or inadequately hedged,
- the continued ability of FirstEnergy's regulated utilities to collect transition and other charges or to recover increased transmission costs,
  - maintenance costs being higher than anticipated,
- other legislative and regulatory changes, revised environmental requirements, including possible GHG emission regulations,
- the impact of the U.S. Court of Appeals' July 11, 2008 decision to vacate the CAIR rules and the scope of any laws, rules or regulations that may ultimately take their place,
- the uncertainty of the timing and amounts of the capital expenditures needed to, among other things, implement the Air Quality Compliance Plan (including that such amounts could be higher than anticipated) or levels of emission reductions related to the Consent Decree resolving the NSR litigation or other potential regulatory initiatives,
- adverse regulatory or legal decisions and outcomes (including, but not limited to, the revocation of necessary licenses or operating permits and oversight) by the NRC (including, but not limited to, the Demand for Information issued to FENOC on May 14, 2007),
- the timing and outcome of various proceedings before the PUCO (including, but not limited to, the ESP and MRO proceedings as well as the distribution rate cases and the generation supply plan filing for the Ohio Companies and the successful resolution of the issues remanded to the PUCO by the Ohio Supreme Court regarding the RSP and RCP, including the recovery of deferred fuel costs),
- Met-Ed's and Penelec's transmission service charge filings with the PPUC as well as the resolution of the Petitions for Review filed with the Commonwealth Court of Pennsylvania with respect to the transition rate plan for Met-Ed and Penelec,
  - the continuing availability of generating units and their ability to operate at or near full capacity,
    - the ability to comply with applicable state and federal reliability standards,
- the ability to accomplish or realize anticipated benefits from strategic goals (including employee workforce initiatives),
  - the ability to improve electric commodity margins and to experience growth in the distribution business,
- the changing market conditions that could affect the value of assets held in the registrants' nuclear decommissioning trusts, pension trusts and other trust funds, and cause FirstEnergy to make additional contributions sooner, or in an amount that is larger than currently anticipated,
- the ability to access the public securities and other capital and credit markets in accordance with FirstEnergy's financing plan and the cost of such capital,
  - changes in general economic conditions affecting the registrants,
  - the state of the capital and credit markets affecting the registrants, and

- the risks and other factors discussed from time to time in the registrants' SEC filings, and other similar factors.

The foregoing review of factors should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on the registrants' business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. Also, a security rating is not a recommendation to buy, sell or hold securities, and it may be subject to revision or withdrawal at any time and each such rating should be evaluated independently of any other rating. The registrants expressly disclaim any current intention to update any forward-looking statements contained herein as a result of new information, future events or otherwise.

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## EXPLANATORY NOTE

This combined Amendment No. 1 on Form 10-Q/A for the quarter ended June 30, 2008 is being filed by Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company and Pennsylvania Electric Company (the “registrants”) to correct common stock dividend payments reported in their respective consolidated statements of cash flows for the six months ended June 30, 2008, contained in Part I, Item 1, Consolidated Financial Statements. This correction does not affect the respective registrants’ previously reported consolidated statements of income and comprehensive income for the three months and six months ended June 30, 2008 and consolidated balance sheets as of June 30, 2008 contained in the combined Form 10-Q for the quarter ended June 30, 2008, as originally filed on August 7, 2008 (the “original Form 10-Q”). Except for Part I, Items 1 and 4T and certain exhibits under Part II, Item 6, no other information included in the Form 10-Q as originally filed is being revised by, or repeated in this amendment.

As discussed under “Restatement of the Consolidated Statements of Cash Flows” in Note 1 to the revised Combined Notes to Consolidated Financial Statements of the registrants included in this Form 10-Q/A, the registrants have restated their respective consolidated statements of cash flows to correct common stock dividend payments reported in cash flows from financing activities. The consolidated statements of cash flows for those registrants, as originally filed, erroneously did not reflect the payment of common stock dividends in the first and second quarters of 2008, which were declared in the third quarter of 2007. The corrections resulted in a corresponding change in operating liabilities - accounts payable, included in cash flows from operating activities.

The original Form 10-Q was a combined Form 10-Q representing separate filings by each of the registrants and their affiliates, FirstEnergy Corp., FirstEnergy Solutions Corp., Jersey Central Power & Light Company and Metropolitan Edison Company (the “affiliates”). However, this Form 10-Q/A constitutes an amendment only to Part I, Items 1 and 4T and Part II, Item 6 of the original Form 10-Q filed by each registrant. In addition, information contained herein relating to any individual registrant is filed by such registrant on its own behalf and no registrant makes any representation as to information contained herein relating to any other registrant or any of the affiliates, including, but not limited to, any such information contained in the revised Combined Notes to Consolidated Financial Statements included herein.

Please note that the information contained in this Amendment No. 1, including the consolidated financial statements and notes thereto, does not reflect events occurring after the date of the original Form 10-Q filing on August 7, 2008, except to the extent described above.

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GLOSSARY OF TERMS

The following abbreviations and acronyms are used in this report to identify FirstEnergy Corp. and its current and former subsidiaries:

ATSI	American Transmission Systems, Incorporated, owns and operates transmission facilities
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
Companies	OE, CEI, TE, JCP&L, Met-Ed and Penelec
FENOC	FirstEnergy Nuclear Operating Company, operates nuclear generating facilities
FES	FirstEnergy Solutions Corp., provides energy-related products and services
FESC	FirstEnergy Service Company, provides legal, financial and other corporate support services
FGCO	FirstEnergy Generation Corp., owns and operates non-nuclear generating facilities
FirstEnergy	FirstEnergy Corp., a public utility holding company
GPU	GPU, Inc., former parent of JCP&L, Met-Ed and Penelec, which merged with FirstEnergy on November 7, 2001
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
JCP&L Transition Funding	JCP&L Transition Funding LLC, a Delaware limited liability company and issuer of transition bonds
JCP&L Transition Funding II	JCP&L Transition Funding II LLC, a Delaware limited liability company and issuer of transition bonds
Met-Ed	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
NGC	FirstEnergy Nuclear Generation Corp., owns nuclear generating facilities
OE	Ohio Edison Company, an Ohio electric utility operating subsidiary
Ohio Companies	CEI, OE and TE
Penelec	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	Met-Ed, Penelec and Penn
PNBV	PNBV Capital Trust, a special purpose entity created by OE in 1996
Shippingport	Shippingport Capital Trust, a special purpose entity created by CEI and TE in 1997
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary

The following abbreviations and acronyms are used to identify frequently used terms in this report:

ACO	Administrative Consent Order
AEP	American Electric Power Company, Inc.
ALJ	Administrative Law Judge
AMP-Ohio	American Municipal Power-Ohio, Inc.
AOCL	Accumulated Other Comprehensive Loss
AQC	Air Quality Control
ARB	Accounting Research Bulletin
ARO	Asset Retirement Obligation
ASM	Ancillary Services Market
BGS	Basic Generation Service
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CBP	Competitive Bid Process
CO2	Carbon Dioxide
DFI	Demand for Information
DOJ	United States Department of Justice
DRA	Division of Ratepayer Advocate
EIS	Energy Independence Strategy
EITF	Emerging Issues Task Force
EMP	Energy Master Plan
EPA	United States Environmental Protection Agency
EPACT	Energy Policy Act of 2005
ESP	Electric Security Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretation
FIN 46R	FIN 46 (revised December 2003), "Consolidation of Variable Interest Entities"

GLOSSARY OF TERMS, Cont'd.

FIN 47	FIN 47, "Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143"
FIN 48	FIN 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109"
FMB	First Mortgage Bonds
FSP	FASB Staff Position
FSP FAS 157-2	FSP FAS 157-2, "Effective Date of FASB Statement No. 157"
FTR	Financial Transmission Rights
GAAP	Accounting Principles Generally Accepted in the United States
GHG	Greenhouse Gases
ICE	Intercontinental Exchange
IRS	Internal Revenue Service
ISO	Independent System Operator
kV	Kilovolt
KWH	Kilowatt-hours
LIBOR	London Interbank Offered Rate
LOC	Letter of Credit
MEIUG	Met-Ed Industrial Users Group
MEW	Mission Energy Westside, Inc.
MISO	Midwest Independent Transmission System Operator, Inc.
Moody's	Moody's Investors Service
MRO	Market Rate Offer
MW	Megawatts
NAAQS	National Ambient Air Quality Standards
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
NOPR	Notice of Proposed Rulemaking
NOV	Notice of Violation
NOX	Nitrogen Oxide
NRC	Nuclear Regulatory Commission
NSR	New Source Review
NUG	Non-Utility Generation
NUGC	Non-Utility Generation Charge
NYMEX	New York Mercantile Exchange
OCA	Office of Consumer Advocate
OTC	Over the Counter
OVEC	Ohio Valley Electric Corporation
PCAOB	Public Company Accounting Oversight Board
PCRB	Pollution Control Revenue Bond
PICA	Penelec Industrial Customer Alliance
PJM	PJM Interconnection L. L. C.
PLR	Provider of Last Resort
PPUC	Pennsylvania Public Utility Commission
PRP	Potentially Responsible Party
PSA	Power Supply Agreement
PUCO	Public Utilities Commission of Ohio

PUHCA	Public Utility Holding Company Act of 1935
RCP	Rate Certainty Plan
RECB	Regional Expansion Criteria and Benefits
RFP	Request for Proposal
RPM	Reliability Pricing Model
RSP	Rate Stabilization Plan
RTC	Regulatory Transition Charge
RTO	Regional Transmission Organization
S&P	Standard & Poor's Ratings Service
SB221	Amended Substitute Senate Bill 221
SBC	Societal Benefits Charge
SEC	U.S. Securities and Exchange Commission
SECA	Seams Elimination Cost Adjustment
SFAS	Statement of Financial Accounting Standards

GLOSSARY OF TERMS, Cont'd.

SFAS 109	SFAS No. 109, "Accounting for Income Taxes"
SFAS 123(R)	SFAS No. 123(R), "Share-Based Payment"
SFAS 133	SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"
SFAS 141(R)	SFAS No 141(R), "Business Combinations"
SFAS 143	SFAS No. 143, "Accounting for Asset Retirement Obligations"
SFAS 157	SFAS No. 157, "Fair Value Measurements"
SFAS 159	SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115"
SFAS 160	SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51"
SFAS 161	SFAS No 161, "Disclosure about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133"
SFAS 162	SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles"
SIP	State Implementation Plan(s) Under the Clean Air Act
SNCR	Selective Non-Catalytic Reduction
SO2	Sulfur Dioxide
TBC	Transition Bond Charge
TMI-1	Three Mile Island Unit 1
TMI-2	Three Mile Island Unit 2
TSC	Transmission Service Charge
VIE	Variable Interest Entity

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying consolidated balance sheet of Ohio Edison Company and its subsidiaries as of June 30, 2008 and the related consolidated statements of income and comprehensive income for each of the three-month and six-month periods ended June 30, 2008 and 2007 and the consolidated statement of cash flows for the six-month periods ended June 30, 2008 and 2007. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2007, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 28, 2008, except as to the error correction described in Note 1, which is as of November 24, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2007, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note 1 to the consolidated financial statements, the Company has restated its 2008 financial statements to correct an error.

PricewaterhouseCoopers LLP  
Cleveland, Ohio  
August 7, 2008, except as to the error correction described in Note 1,  
which is as of November 24, 2008.





## OHIO EDISON COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
(In thousands)				
<b>REVENUES:</b>				
Electric sales	\$ 583,268	\$ 569,430	\$ 1,205,539	\$ 1,163,774
Excise tax collections	26,287	27,351	56,665	58,605
Total revenues	609,555	596,781	1,262,204	1,222,379
<b>EXPENSES:</b>				
Purchased power	308,049	322,639	648,235	672,491
Other operating costs	137,619	147,086	277,945	280,101
Provision for depreciation	21,414	19,110	42,907	37,958
Amortization of regulatory assets	47,856	46,126	96,394	91,543
Deferral of new regulatory assets	(25,901)	(54,344)	(51,312)	(90,993)
General taxes	44,389	45,393	94,842	95,138
Total expenses	533,426	526,010	1,109,011	1,086,238
<b>OPERATING INCOME</b>	<b>76,129</b>	<b>70,771</b>	<b>153,193</b>	<b>136,141</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	11,488	21,346	26,543	47,976
Miscellaneous income (expense)	(285)	2,319	(4,091)	2,692
Interest expense	(16,901)	(21,416)	(34,542)	(42,438)
Capitalized interest	159	152	269	262
Total other income (expense)	(5,539)	2,401	(11,821)	8,492
<b>INCOME BEFORE INCOME TAXES</b>	<b>70,590</b>	<b>73,172</b>	<b>141,372</b>	<b>144,633</b>
<b>INCOME TAXES</b>	<b>21,748</b>	<b>27,559</b>	<b>48,621</b>	<b>44,985</b>
<b>NET INCOME</b>	<b>48,842</b>	<b>45,613</b>	<b>92,751</b>	<b>99,648</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Pension and other postretirement benefits	(3,994)	(3,424)	(7,988)	(6,847)

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Change in unrealized gain on available-for-sale securities	(2,803)	5,099	(10,374)	4,973
Other comprehensive income (loss)	(6,797)	1,675	(18,362)	(1,874)
Income tax expense (benefit) related to other comprehensive income	(2,564)	388	(6,826)	(1,115)
Other comprehensive income (loss), net of tax	(4,233)	1,287	(11,536)	(759)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 44,609</b>	<b>\$ 46,900</b>	<b>\$ 81,215</b>	<b>\$ 98,889</b>

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

## OHIO EDISON COMPANY

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2008 (In thousands)	December 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 889	\$ 732
Receivables-		
Customers (less accumulated provisions of \$6,222,000 and \$8,032,000, respectively, for uncollectible accounts)	262,717	248,990
Associated companies	174,773	185,437
Other (less accumulated provisions of \$30,000 and \$5,639,000, respectively, for uncollectible accounts)	10,094	12,395
Notes receivable from associated companies	472,884	595,859
Prepayments and other	15,833	10,341
	937,190	1,053,754
<b>UTILITY PLANT:</b>		
In service	2,819,937	2,769,880
Less - Accumulated provision for depreciation	1,093,194	1,090,862
	1,726,743	1,679,018
Construction work in progress	40,065	50,061
	1,766,808	1,729,079
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Long-term notes receivable from associated companies	257,940	258,870
Investment in lease obligation bonds	248,894	253,894
Nuclear plant decommissioning trusts	117,941	127,252
Other	32,205	36,037
	656,980	676,053
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Regulatory assets	682,844	737,326
Pension assets	243,348	228,518
Property taxes	65,520	65,520
Unamortized sale and leaseback costs	42,632	45,133
Other	32,017	48,075
	1,066,361	1,124,572
	\$ 4,427,339	\$ 4,583,458
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 159,659	\$ 333,224

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Short-term borrowings-		
Associated companies	-	50,692
Other	122,874	2,609
Accounts payable-		
Associated companies	112,484	174,088
Other	24,654	19,881
Accrued taxes	58,265	89,571
Accrued interest	21,126	22,378
Other	64,332	65,163
	563,394	757,606
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 175,000,000 shares -		
60 shares outstanding	1,220,424	1,220,512
Accumulated other comprehensive income	36,850	48,386
Retained earnings	400,028	307,277
Total common stockholder's equity	1,657,302	1,576,175
Long-term debt and other long-term obligations		
	838,283	840,591
	2,495,585	2,416,766
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	779,427	781,012
Accumulated deferred investment tax credits	15,015	16,964
Asset retirement obligations	96,469	93,571
Retirement benefits	174,592	178,343
Deferred revenues - electric service programs	25,078	46,849
Other	277,779	292,347
	1,368,360	1,409,086
COMMITMENTS AND CONTINGENCIES (Note 10)		
	\$ 4,427,339	\$ 4,583,458

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

## OHIO EDISON COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Restated 2008	Six Months Ended June 30, 2007
	(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 92,751	\$ 99,648
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	42,907	37,958
Amortization of regulatory assets	96,394	91,543
Deferral of new regulatory assets	(51,312)	(90,993)
Amortization of lease costs	(4,399)	(4,367)
Deferred income taxes and investment tax credits, net	7,059	3,017
Accrued compensation and retirement benefits	(31,579)	(25,829)
Pension trust contribution	-	(20,261)
Decrease (increase) in operating assets-		
Receivables	30,159	(60,535)
Prepayments and other current assets	(2,485)	(3,162)
Increase (decrease) in operating liabilities-		
Accounts payable	(6,831)	10,080
Accrued taxes	(31,306)	(87,969)
Accrued interest	(1,252)	(1,306)
Electric service prepayment programs	(21,771)	(19,144)
Other	2,671	4,545
Net cash provided from (used for) operating activities	121,006	(66,775)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	69,573	2,859
Redemptions and Repayments-		
Common stock	-	(500,000)
Long-term debt	(175,577)	(1,181)
Dividend Payments-		
Common stock	(50,000)	(50,000)
Net cash used for financing activities	(156,004)	(548,322)

CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(92,061)	(66,607)
Sales of investment securities held in trusts	79,613	22,225
Purchases of investment securities held in trusts	(84,130)	(25,878)
Loan repayments from associated companies, net	123,905	670,774
Cash investments	5,000	-
Other	2,828	14,770
Net cash provided from investing activities	35,155	615,284
Net increase in cash and cash equivalents	157	187
Cash and cash equivalents at beginning of period	732	712
Cash and cash equivalents at end of period	\$ 889	\$ 899

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

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of Directors of  
The Cleveland Electric Illuminating Company:

We have reviewed the accompanying consolidated balance sheet of The Cleveland Electric Illuminating Company and its subsidiaries as of June 30, 2008 and the related consolidated statements of income and comprehensive income for each of the three-month and six-month periods ended June 30, 2008 and 2007 and the consolidated statement of cash flows for the six-month periods ended June 30, 2008 and 2007. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2007, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 28, 2008, except as to the error correction described in Note 1, which is as of November 24, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2007, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note 1 to the consolidated financial statements, the Company has restated its 2008 financial statements to correct an error.

PricewaterhouseCoopers LLP  
Cleveland, Ohio

August 7, 2008, except as to the error correction described in Note 1,



which is as of November 24, 2008.

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## THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
<b>REVENUES:</b>				
Electric sales	\$ 418,194	\$ 433,014	\$ 836,902	\$ 855,819
Excise tax collections	16,195	16,468	34,795	34,495
Total revenues	434,389	449,482	871,697	890,314
<b>EXPENSES:</b>				
Fuel	-	14,332	-	27,523
Purchased power	185,611	178,669	378,855	359,326
Other operating costs	62,659	83,075	127,777	158,026
Provision for depreciation	17,744	18,713	36,820	37,181
Amortization of regulatory assets	38,525	35,047	76,781	68,176
Deferral of new regulatory assets	(26,019)	(43,059)	(55,267)	(77,016)
General taxes	32,425	34,098	72,508	72,992
Total expenses	310,945	320,875	637,474	646,208
<b>OPERATING INCOME</b>	<b>123,444</b>	<b>128,607</b>	<b>234,223</b>	<b>244,106</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	8,394	16,324	17,582	34,011
Miscellaneous income (expense)	(739)	3,226	(205)	3,957
Interest expense	(30,935)	(37,267)	(63,455)	(73,007)
Capitalized interest	188	141	384	346
Total other expense	(23,092)	(17,576)	(45,694)	(34,693)
<b>INCOME BEFORE INCOME TAXES</b>	<b>100,352</b>	<b>111,031</b>	<b>188,529</b>	<b>209,413</b>
<b>INCOME TAXES</b>	<b>33,779</b>	<b>42,082</b>	<b>64,105</b>	<b>76,915</b>
<b>NET INCOME</b>	<b>66,573</b>	<b>68,949</b>	<b>124,424</b>	<b>132,498</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
	(213)	1,203	(426)	2,405

Pension and other postretirement benefits				
Income tax expense (benefit) related to other comprehensive income	(390)	357	(109)	712
Other comprehensive income (loss), net of tax	177	846	(317)	1,693
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 66,750</b>	<b>\$ 69,795</b>	<b>\$ 124,107</b>	<b>\$ 134,191</b>

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

## THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

June 30,  
2008

December 31,  
2007

(In thousands)

## ASSETS

## CURRENT ASSETS:

Cash and cash equivalents	\$ 239	\$ 232
Receivables-		
Customers (less accumulated provisions of \$5,951,000 and \$7,540,000 respectively, for uncollectible accounts)	286,275	251,000
Associated companies	92,179	166,587
Other	11,354	12,184
Notes receivable from associated companies	22,174	52,306
Prepayments and other	3,022	2,327
	415,243	484,636

## UTILITY PLANT:

In service	2,173,276	2,256,956
Less - Accumulated provision for depreciation	836,523	872,801
	1,336,753	1,384,155
Construction work in progress	36,281	41,163
	1,373,034	1,425,318

## OTHER PROPERTY AND INVESTMENTS:

Investment in lessor notes	425,719	463,431
Other	10,265	10,285
	435,984	473,716

## DEFERRED CHARGES AND OTHER

## ASSETS:

Goodwill	1,688,521	1,688,521
Regulatory assets	838,612	870,695
Pension assets	66,522	62,471
Property taxes	76,000	76,000
Other	8,888	32,987
	2,678,543	2,730,674
	\$ 4,902,804	\$ 5,114,344

## LIABILITIES AND CAPITALIZATION

## CURRENT LIABILITIES:

Currently payable long-term debt	\$ 207,296	\$ 207,266
Short-term borrowings-		
Associated companies	308,214	531,943
Other	135,000	-
Accounts payable-		
Associated companies	78,565	169,187

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Other	6,993	5,295
Accrued taxes	56,337	94,991
Accrued interest	14,073	13,895
Other	34,468	34,350
	840,946	1,056,927

**CAPITALIZATION:**

Common stockholder's equity-

Common stock, without par value, authorized

105,000,000 shares -

67,930,743 shares outstanding 873,433 873,536

Accumulated other comprehensive loss (69,446) (69,129)

Retained earnings 809,852 685,428

Total common stockholder's equity 1,613,839 1,489,835

Long-term debt and other long-term

obligations 1,447,851 1,459,939

3,061,690 2,949,774

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes 712,467 725,523

Accumulated deferred investment tax credits 17,637 18,567

Retirement benefits 94,951 93,456

Deferred revenues - electric service programs 15,646 27,145

Lease assignment payable to associated

companies 38,420 131,773

Other 121,047 111,179

1,000,168 1,107,643

**COMMITMENTS AND CONTINGENCIES**

(Note 10)

\$ 4,902,804 \$ 5,114,344

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

## THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Restated 2008	Six Months Ended June 30, 2007
	(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 124,424	\$ 132,498
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	36,820	37,181
Amortization of regulatory assets	76,781	68,176
Deferral of new regulatory assets	(55,267)	(77,016)
Deferred rents and lease market valuation liability	-	(45,858)
Deferred income taxes and investment tax credits, net	(12,125)	(7,103)
Accrued compensation and retirement benefits	(4,027)	1,594
Pension trust contribution	-	(24,800)
Decrease (increase) in operating assets-		
Receivables	73,484	156,526
Prepayments and other current assets	(689)	163
Increase (decrease) in operating liabilities-		
Accounts payable	11,076	(308,551)
Accrued taxes	(38,654)	(40,119)
Accrued interest	178	3,117
Electric service prepayment programs	(11,498)	(11,129)
Other	2,291	689
Net cash provided from (used for) operating activities	202,794	(114,632)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt	-	247,426
Redemptions and Repayments-		
Long-term debt	(335)	(103,397)
Short-term borrowings, net	(100,562)	(52,894)
Dividend Payments-		
Common stock	(100,000)	(104,000)
Net cash used for financing activities	(200,897)	(12,865)

**CASH FLOWS FROM INVESTING****ACTIVITIES:**

Property additions	(67,206)	(64,366)
Loan repayments from associated companies, net	30,132	2,292
Collection of principal on long-term notes receivable	-	133,341
Redemption of lessor notes	37,712	56,175
Other	(2,528)	70
Net cash provided from (used for) investing activities	(1,890)	127,512
Net increase in cash and cash equivalents	7	15
Cash and cash equivalents at beginning of period	232	221
Cash and cash equivalents at end of period	\$ 239	\$ 236

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

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of  
Directors of The Toledo Edison Company:

We have reviewed the accompanying consolidated balance sheet of The Toledo Edison Company and its subsidiary as of June 30, 2008 and the related consolidated statements of income and comprehensive income for each of the three-month and six-month periods ended June 30, 2008 and 2007 and the consolidated statement of cash flows for the six-month periods ended June 30, 2008 and 2007. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2007, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 28, 2008, except as to the error correction described in Note 1, which is as of November 24, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2007, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note 1 to the consolidated financial statements, the Company has restated its 2008 financial statements to correct an error.

PricewaterhouseCoopers LLP  
Cleveland, Ohio  
August 7, 2008, except as to the error correction described in Note 1,  
which is as of November 24, 2008.





## THE TOLEDO EDISON COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
(In thousands)				
<b>REVENUES:</b>				
Electric sales	\$ 214,353	\$ 233,637	\$ 418,022	\$ 466,693
Excise tax collections	7,153	6,700	15,178	14,100
Total revenues	221,506	240,337	433,200	480,793
<b>EXPENSES:</b>				
Purchased power	102,850	96,276	204,148	192,445
Other operating costs	50,805	74,471	96,134	145,260
Provision for depreciation	7,941	9,127	16,966	18,244
Amortization of regulatory assets	25,360	24,948	50,385	48,824
Deferral of new regulatory assets	(8,929)	(18,247)	(18,423)	(31,728)
General taxes	12,605	13,000	26,982	26,734
Total expenses	190,632	199,575	376,192	399,779
<b>OPERATING INCOME</b>	<b>30,874</b>	<b>40,762</b>	<b>57,008</b>	<b>81,014</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	5,224	7,309	11,705	14,534
Miscellaneous expense	(1,949)	(2,056)	(3,463)	(5,156)
Interest expense	(5,578)	(8,916)	(11,613)	(16,419)
Capitalized interest	88	164	125	247
Total other expense	(2,215)	(3,499)	(3,246)	(6,794)
<b>INCOME BEFORE INCOME TAXES</b>	<b>28,659</b>	<b>37,263</b>	<b>53,762</b>	<b>74,220</b>
<b>INCOME TAXES</b>	<b>7,352</b>	<b>15,392</b>	<b>15,440</b>	<b>26,489</b>
<b>NET INCOME</b>	<b>21,307</b>	<b>21,871</b>	<b>38,322</b>	<b>47,731</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Pension and other postretirement benefits	(64)	573	(127)	1,146
	(2,481)	(669)	(520)	(290)

Change in unrealized gain on available-for-sale-securities				
Other comprehensive income (loss)	(2,545)	(96)	(647)	856
Income tax expense (benefit) related to other comprehensive income	(914)	(43)	(186)	291
Other comprehensive income (loss), net of tax	(1,631)	(53)	(461)	565
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 19,676</b>	<b>\$ 21,818</b>	<b>\$ 37,861</b>	<b>\$ 48,296</b>

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

THE TOLEDO EDISON COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	June 30, 2008	December 31, 2007
(In thousands)		
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 22	\$ 22
Receivables-		
Customers	1,251	449
Associated companies	13,465	88,796
Other (less accumulated provisions of \$174,000 and \$615,000, respectively, for uncollectible accounts)	9,901	3,116
Notes receivable from associated companies	56,912	154,380
Prepayments and other	1,157	865
	82,708	247,628
<b>UTILITY PLANT:</b>		
In service	852,806	931,263
Less - Accumulated provision for depreciation	397,496	420,445
	455,310	510,818
Construction work in progress	6,111	19,740
	461,421	530,558
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Investment in lessor notes	142,687	154,646
Long-term notes receivable from associated companies	37,384	37,530
Nuclear plant decommissioning trusts	68,002	66,759
Other	1,712	1,756
	249,785	260,691
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	500,576	500,576
Regulatory assets	171,030	203,719
Pension assets	30,240	28,601
Property taxes	21,010	21,010
Other	62,686	20,496
	785,542	774,402
	\$ 1,579,456	\$ 1,813,279
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 34	\$ 34
Accounts payable-		

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Associated companies	44,205	245,215
Other	4,339	4,449
Notes payable to associated companies	34,954	13,396
Accrued taxes	22,322	30,245
Lease market valuation liability	36,900	36,900
Other	15,256	22,747
	158,010	352,986
<b>CAPITALIZATION:</b>		
Common stockholder's equity-		
Common stock, \$5 par value, authorized 60,000,000 shares -		
29,402,054 shares outstanding	147,010	147,010
Other paid-in capital	173,170	173,169
Accumulated other comprehensive loss	(11,067)	(10,606)
Retained earnings	213,940	175,618
Total common stockholder's equity	523,053	485,191
Long-term debt and other long-term obligations		
	303,386	303,397
	826,439	788,588
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	100,308	103,463
Accumulated deferred investment tax credits	9,753	10,180
Lease market valuation liability	291,550	310,000
Retirement benefits	65,291	63,215
Asset retirement obligations	29,225	28,366
Deferred revenues - electric service programs	6,622	12,639
Lease assignment payable to associated companies	28,835	83,485
Other	63,423	60,357
	595,007	671,705
<b>COMMITMENTS AND CONTINGENCIES (Note 10)</b>		
	\$ 1,579,456	\$ 1,813,279

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

## THE TOLEDO EDISON COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Restated 2008	Six Months Ended June 30, 2007
	(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 38,322	\$ 47,731
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	16,966	18,244
Amortization of regulatory assets	50,385	48,824
Deferral of new regulatory assets	(18,423)	(31,728)
Deferred rents and lease market valuation liability	(39,045)	(41,981)
Deferred income taxes and investment tax credits, net	(3,113)	(11,924)
Accrued compensation and retirement benefits	(1,160)	1,277
Pension trust contribution	-	(7,659)
Decrease (increase) in operating assets-		
Receivables	76,978	(21,594)
Prepayments and other current assets	(292)	59
Increase (decrease) in operating liabilities-		
Accounts payable	(166,120)	(56,784)
Accrued taxes	(7,923)	751
Electric service prepayment programs	(6,017)	(5,334)
Other	870	2,569
Net cash used for operating activities	(58,572)	(57,549)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	21,558	88,686
Redemptions and Repayments-		
Long-term debt	(17)	-
Dividend Payments-		
Common stock	(35,000)	(40,000)
Net cash provided from (used for) financing activities	(13,459)	48,686
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		

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Property additions	(34,388)	(19,804)
Loan repayments from (loans to) associated companies, net	97,479	(19,546)
Collection of principal on long-term notes receivable	135	32,327
Redemption of lessor notes	11,959	14,846
Sales of investment securities held in trusts	21,791	32,499
Purchases of investment securities held in trusts	(23,581)	(34,271)
Other	(1,364)	2,812
Net cash provided from investing activities	72,031	8,863
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	22	22
Cash and cash equivalents at end of period	\$ 22	&