CLEVELAND ELECTRIC ILLUMINATING CO
Form 424B5
November 14, 2008

This prospectus supplement and the accompanying prospectus relate to an effective registration statement under the Securities Act of 1933, but are not complete and may be changed. This prospectus supplement and accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 13, 2008

Filed pursuant to Rule 424(b)(5)
Registration No. 333-153608-05

PROSPECTUS SUPPLEMENT
(To prospectus dated September 22, 2008)

$,000,000

FIRST MORTGAGE BONDS, % SERIES DUE

The Cleveland Electric Illuminating Company is offering $,000,000 aggregate principal amount of First Mortgage Bonds, % Series due . We refer to the First Mortgage Bonds, % Series due , as the Bonds. The Bonds are secured by the lien of our first mortgage and rank equally with all of our other first mortgage bonds from time to time outstanding.

Interest on the Bonds will be payable semiannually on May 15 and November 15 of each year, beginning on May 15, 2009, and at maturity. The Bonds will mature on November 15, .

We may redeem the Bonds from time to time, in whole or in part, prior to their maturity at the redemption price described in this prospectus supplement. The Bonds do not provide for a sinking fund. For a more detailed description of the Bonds, see Description of the First Mortgage Bonds beginning on page S-9.

Investing in the Bonds involves risks. See Risk Factors in this prospectus supplement beginning on page S-5 and in the documents incorporated by reference in the accompanying prospectus dated September 22, 2008.

	Per Bond	Total
Price to Public(1)	%	$
Underwriting Discounts and Commissions	%	$
Proceeds, before expenses, to The Cleveland Electric Illuminating Company	%	$

(1) Plus accrued

interest, if any, from November , 2008.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Bonds in book-entry form only through the facilities of The Depository Trust Company on or about November , 2008.

Joint Book-Running Managers

Barclays Capital	**Credit Suisse**	**J.P. Morgan**
Morgan Stanley	**RBS Greenwich Capital**	**Scotia Capital**

Co-Managers

Mizuho Securities USA Inc. **SunTrust Robinson Humphrey**

The date of this prospectus supplement is November , 2008.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus contain information about our company and about the Bonds. You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus issued by us. Neither we nor any underwriter, agent or dealer has authorized anyone to provide you with information that is different. Neither we nor any underwriter, agent or dealer is making an offer of the Bonds in any state where the offer is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

In this prospectus supplement, unless the context indicates otherwise, the words Cleveland Electric, we, our, ours a us refer to The Cleveland Electric Illuminating Company.

SUMMARY

This summary may not contain all of the information that may be important to you. You should read this entire prospectus supplement and the accompanying prospectus, as well as the documents incorporated in the accompanying prospectus, before making an investment decision.

The Cleveland Electric Illuminating Company

We are a wholly owned electric utility operating subsidiary of FirstEnergy Corp., or FirstEnergy. We conduct business in northeastern Ohio, providing regulated electric distribution services. We also provide generation to those customers electing to retain us as their power supplier. Our power supply requirements are primarily provided by FirstEnergy Solutions Corp., an affiliated company.

Summary of the Offering

Issuer	The Cleveland Electric Illuminating Company
Securities Offered	We are offering $,000,000 aggregate principal amount of our First Mortgage Bonds, % Series due .
Maturity	The Bonds will mature on November 15, .
Interest	Interest on the Bonds will accrue at the per annum rate of %.
Interest Payment Dates	Interest on the Bonds will be payable semi-annually in arrears on each May 15 and November 15 beginning on May 15, 2009, and at maturity.
Optional Redemption	The Bonds will be redeemable, in whole or in part, at our option, at any time at a make-whole redemption price as described under Description of the First Mortgage Bonds Optional Redemption herein.
Ranking; Security	The Bonds will be secured by the lien of, and will rank equally with all our other first mortgage bonds outstanding under, our Mortgage and Deed of Trust, dated July 1, 1940, to Guaranty Trust Company of New York, as trustee, under which JPMorgan Chase Bank, N.A. is successor trustee (First Mortgage Trustee), as previously amended and supplemented by eighty-eight supplemental indentures (the First Mortgage) and as to be further supplemented by an eighty-ninth supplemental indenture to be dated as of November 1, 2008 (the Eighty-ninth Supplemental Indenture). The First Mortgage is a valid and direct lien, subject only to certain permitted liens and other encumbrances, on substantially all our property and franchises subject to certain exceptions. See Description of the First Mortgage Bonds Security for the First Mortgage Bonds in this prospectus supplement.
Sinking Fund	There is no sinking fund for the Bonds.

Additional Issuances	As of September 30, 2008, we could issue additional first mortgage bonds under the First Mortgage in an aggregate principal amount equal to approximately $960.8 million, including approximately $704.3 million on the basis of refundable bonds and approximately $256.5 million on the basis of bondable property.
Limitation on Liens under our Senior Note Indenture	The issuance of first mortgage bonds by us is subject to a provision of our senior note indenture generally limiting our incurrence of additional secured debt, subject to certain exceptions that would permit, among other things, our issuance of secured debt (including first mortgage bonds) (i) supporting pollution control notes or similar obligations, or (ii) as an extension, renewal or replacement of previously issued secured debt outstanding as of December 12, 2003. In addition this provision would permit us to incur additional secured debt (including first mortgage bonds) not otherwise permitted by a specified exception of up to $457.4 million as of September 30, 2008. See Description of Senior Unsecured Debt Securities Certain Covenants Limitation on Liens in the accompanying prospectus.
Risk Factors	You should carefully consider, in addition to matters set forth elsewhere in this prospectus supplement and the accompanying prospectus, each of the factors described in the section of this prospectus supplement entitled Risk Factors beginning on page S-5 and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus before purchasing any Bonds.
Form and Denomination	The Bonds will be represented by one or more global certificates (a Global Certificate) deposited with, or on behalf of, The Depository Trust Company, or DTC, or its nominee. (See Description of First Mortgage Bonds Book-Entry in this prospectus supplement.) The Bonds will be issuable in fully registered form only in denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Use of Proceeds	We expect to use the net proceeds received from the issuance of the Bonds to repay a portion of our short-term borrowings and to the extent available for general corporate purposes, all as described under Use of Proceeds herein.

Ratings	The Bonds are expected to be assigned ratings of Baa2 by Moody s Investors Service, Inc., or Moody s, and BBB+ by Standard & Poor s Ratings Service, a division of the McGraw Hill Companies, Inc., or S&P. A rating reflects only the view of a rating agency, and it is not a recommendation to buy, sell or hold the Bonds. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if such rating agency decides that circumstances warrant that change.
First Mortgage Trustee and Paying Agent	JPMorgan Chase Bank, N.A., as successor Trustee.
Listing	The Bonds will not be listed on any national securities exchange.

RISK FACTORS

You should consider, in evaluating us, our business and whether to participate in this offering, the following risk factors in addition to the other information presented in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement or the accompanying prospectus to which we refer you for more detailed information on our business, industry, and financial and corporate structure. Any of the following risks, as well as other risks and uncertainties, could harm the value of the Bonds directly or our business and financial results and thus indirectly cause the value of the Bonds to decline, which in turn could cause you to lose all or part of your investment. The risks below are not the only ones facing us or the Bonds. Additional risks not currently known to us or that we currently deem immaterial also may impair our business and cause the value or trading price of the Bonds to decline.

Risks Associated With Financing and Capital Structure

We, FirstEnergy and its other subsidiaries rely on access to the credit and capital markets to finance a portion of our working capital requirements and support our liquidity needs. Access to these markets may be adversely affected by factors beyond our control, including turmoil in the financial services industry, volatility in securities trading markets and general economic downturns. In particular, recent disruptions in the variable-rate demand bond markets could require utilization of a significant portion of the sources of liquidity currently available to FirstEnergy and its subsidiaries.

We, FirstEnergy and its other subsidiaries rely upon access to the credit and capital markets as a source of liquidity for the portion of our working capital requirements not provided by cash from operations and to comply with various regulatory requirements. Market disruptions such as those currently being experienced in the United States and abroad may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we rely to finance our operations and satisfy our obligations as they become due. These disruptions may include turmoil in the financial services industry, including substantial uncertainty surrounding particular lending institutions and counterparties with which we do business, unprecedented volatility in the markets where our outstanding securities trade, and general economic downturns in the areas where we do business. If we, FirstEnergy and its other subsidiaries are unable to access credit at competitive rates, or if our short-term or long-term borrowing costs dramatically increase, our ability to finance our operations, meet our short-term obligations and implement our operating strategy could be adversely affected.

Certain of our affiliates are obligors under approximately $2.1 billion aggregate principal amount of pollution control revenue bonds that accrue interest in daily or weekly variable-rate interest modes. Recent disruptions in the variable-rate bond markets could cause unsuccessful remarketings to increase. If some or all of these variable-rate bonds were tendered and could not be remarketed for any reason (including without limitation due to an unsuccessful remarketing or due to the inability to replace expiring letters of credit at competitive rates), a portion of the applicable FirstEnergy subsidiaries   reimbursement obligations on letters of credit supporting such bonds may need to be satisfied in the short-term from liquidity under the revolving credit and other facilities available to FirstEnergy and its subsidiaries, reducing the amount of liquidity available for other purposes. This could adversely affect our financial condition and results of operations.

Risks Related To This Offering

If an active trading market does not develop for the Bonds, you may be unable to sell the Bonds or to sell them at a price you deem sufficient.

The Bonds will be new securities for which there is no established trading market. We do not intend to apply for listing of the Bonds on any national securities exchange or to arrange for the Bonds to be quoted on any automated system. We provide no assurance as to:

the liquidity of any trading market that may develop for the Bonds;

- the ability of holders to sell their Bonds; or
- the price at which holders would be able to sell their Bonds.

Even if a trading market develops, the Bonds may trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including:

- prevailing interest rates;
- the number of holders of Bonds;
- the interest of securities dealers in making a market for the Bonds; and
- our operating results.

If a market for the Bonds does not develop, purchasers may be unable to resell the Bonds for an extended period of time. Consequently, a holder of Bonds may not be able to liquidate its investment readily, and the Bonds may not be readily accepted as collateral for loans. In addition, market-making activities will be subject to restrictions of the Securities Act of 1933, as amended, or the Securities Act, and the Securities Exchange Act of 1934, as amended, or the Exchange Act.

WHERE YOU CAN FIND MORE INFORMATION

Please see Where You Can Find More Information and Incorporation of Certain Documents by Reference in the accompanying prospectus. The Securities and Exchange Commission (the SEC) allows us to incorporate by reference the information filed by us with the SEC, which means that we can refer you to important information without restating it in this prospectus supplement and the accompanying prospectus. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus and should be read with the same care. In addition to the documents referred to under Incorporation of Certain Documents by Reference in the accompanying prospectus, at the date of this prospectus supplement, we incorporate by reference our Current Report on Form 8-K filed on October 9, 2008 and Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 and any future reports that we file with the SEC under the Exchange Act if the filings are made prior to the time that all of the Bonds are sold in this offering. You may access a copy of any or all of these filings, free of charge, at FirstEnergy s website *(http://www.firstenergycorp.com)* or by writing or calling us at the following address:

The Cleveland Electric Illuminating Company
c/o FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308-1890
Attn: Shareholder Services
(800) 736-3402

Information available on FirstEnergy s website, other than the reports we file pursuant to the Exchange Act that are incorporated by reference in this prospectus supplement or the accompanying prospectus, does not constitute a part of this prospectus supplement or the accompanying prospectus.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2008 and as adjusted for this offering and to give effect to the use of proceeds from this offering.

	Actual September 30, 2008			As Adjusted September 30, 2008	
	($ in thousands) (Unaudited)				
Capitalization:					
Common Stockholder s Equity	$	1,601,908	52.53 %	$	%
Secured Long-Term Debt		455,993	14.95 %		%
Unsecured Long-Term Debt and other Long-Term Obligations		991,725	32.52 %		%
Total Capitalization	$	3,049,626	100.00 %	$	%

SELECTED FINANCIAL DATA

You should read our selected financial data set forth below in conjunction with our historical consolidated financial statements and the related notes and other financial information contained in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

	(Unaudited) Nine Months Ended September 30, 2008	Year Ended December 31, 2007	2006	2005 (in thousands)	2004	2
Operating Revenues	$ 1,395,774	$ 1,822,850	$ 1,769,708	$ 1,868,161	$ 1,808,485	$ 1
Operating Income	394,135	512,208	526,561	435,898	439,905	
Income Before Cumulative Effect of Accounting Change	217,811	276,412	306,051	231,058	236,531	
Net Income	217,811	276,412	306,051	227,334	236,531	
Earnings on Common Stock	217,811	276,412	306,051	224,416	229,523	
Total Assets	4,906,626	5,114,344	5,563,498	6,101,670	6,675,377	6

Common Stockholder s Equity	1,601,908	1,489,835	1,468,903	1,942,074	1,853,561	1
Preferred Stock: Not Subject to Mandatory Redemption					96,404	
Secured Long-Term Debt	455,993	455,993	849,593	1,270,528	1,272,228	1
Unsecured Long-Term Debt and Other Long-Term Obligations	991,725	1,003,946	956,278	668,772	697,889	
Total Capitalization	3,049,626	2,949,774	3,274,774	3,881,374	3,920,082	3

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the Bonds will be approximately $ million, after giving effect to estimated underwriting discounts and commissions and estimated expenses.

We expect to use a portion of the net proceeds to repay a portion of our short-term borrowings. To the extent available, we expect to use the remaining net proceeds for other general corporate purposes.

DESCRIPTION OF THE FIRST MORTGAGE BONDS

As described under Description of Senior Secured Debt Securities in the accompanying prospectus, the Bonds will be issued as our senior secured debt securities under our First Mortgage as it is supplemented by the Eighty-ninth Supplemental Indenture. The terms of the Bonds include those stated in the First Mortgage and the Eighty-ninth Supplemental Indenture and those made part of the First Mortgage by reference to the Trust Indenture Act of 1939, as amended, or the Trust Indenture Act. Holders of the Bonds are referred to the First Mortgage, the Eighty-ninth Supplemental Indenture and the Trust Indenture Act for a statement of all such terms. The First Mortgage is, and the Eighty-ninth Supplemental Indenture will be, exhibits to the Registration Statement of which this prospectus supplement and accompanying prospectus are a part. As used below, First Mortgage refers to the First Mortgage, or as the context may require, the First Mortgage as supplemented by the Eighty-ninth Supplemental Indenture.

Principal, Maturity and Interest

The Bonds will mature on November 15, , unless earlier redeemed as described under Optional Redemption below.

The Bonds shall be payable as to principal (and premium, if any) and interest at our agency in the Borough of Manhattan, The City of New York, State of New York, the City of Akron, State of Ohio, or the City of Cleveland, State of Ohio in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts; provided that payment by wire transfer of immediately available funds shall be required with respect to principal of (and premium, if any), and interest on the Bonds so long as such Bonds are held by DTC in the form of one or more Global Certificates (as hereinafter defined).

Interest on the Bonds will:

- be payable in U.S. dollars at the rate of % per annum;
- be computed for each interest period on the basis of a 360-day year consisting of twelve 30-day months and for any period shorter than a full month, on the basis of the actual number of days elapsed in such period;
- be payable semi-annually in arrears on each

May 15 and November 15, beginning on May 15, 2009 and at maturity;

initially accrue from, and including, the date of original issuance (i.e., November , 2008); and

be paid to the persons in whose name the Bonds are registered at the close of business on the regular record date, which is the Business Day immediately preceding the respective interest payment date (other than an interest payment date that is a maturity date or a redemption date), so long as the Bonds are issued in book-entry only form and otherwise, the record date will be the fifteenth calendar day next preceding the respective interest payment date (whether or not a Business Day). See Book Entry; provided, however, that if and to the extent we shall default in the payment of interest due on such interest payment date, such defaulted interest shall be paid to the respective persons in whose names such outstanding Bonds are registered at the close of business on a date (the Subsequent Record Date) not less than ten (10) days nor more than fifteen (15) days next preceding the date of payment of such defaulted interest, such Subsequent Record Date to be established by us by notice given by mail by or on behalf of us to the registered owners of Bonds not less than ten (10) days next preceding such Subsequent Record Date. Notwithstanding the foregoing, interest payable at maturity or upon earlier redemption will be payable to the person to whom principal shall be payable. If any interest payment date should fall on a day that is not a Business Day, then the interest payment shall be made on the next succeeding Business Day and no interest shall accrue for the intervening period with respect to the payment so deferred.

Security for the First Mortgage Bonds

The Bonds and all of our first mortgage bonds of other series currently outstanding and hereafter issued under the First Mortgage are secured equally and ratably (except as to any sinking or analogous fund established for the first mortgage bonds of any particular series) by a valid and direct first lien subject only to certain permitted liens and other encumbrances, on substantially all the property owned and franchises held by us, except the following:

- cash, receivables and contracts not pledged or required to be pledged under the First Mortgage and leases in which we are the lessor;
- securities not specifically pledged or required to be pledged under the First Mortgage;
- property held for consumption in operation or in advance of use for fixed capital purposes or for resale or lease to customers;
- electric energy and other materials or products produced or purchased by us for sale, distribution

or use in the ordinary conduct of our business; and

all the property of any other corporation which may now or hereafter be wholly or substantially wholly owned by us. (Clauses preceding Article I.)

All property acquired by us after June 30, 1940, other than the property excepted from the lien of the First Mortgage, becomes subject to the lien thereof upon acquisition. (Article I and granting and other clauses preceding Article I.) Under certain conditions, the First Mortgage permits us to acquire property subject to a lien prior to the lien of the First Mortgage. (Article IV.)

We have not made any appraisal of the value of our properties subject to the lien of the First Mortgage. The value of the properties in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. In the event of liquidation, if the proceeds were not sufficient to repay amounts under all of the first mortgage bonds then outstanding, including the Bonds, then holders of the first mortgage bonds, to the extent not repaid from the proceeds of the sale of the collateral, would only have an unsecured claim against our remaining assets. As of September 30, 2008, we had total senior secured indebtedness of approximately $455.9 million and total senior unsecured indebtedness of approximately $991.7 million.

Property subject to the lien of the First Mortgage will be released from the lien upon the sale or transfer of such property if we deposit the fair value of the property with the First Mortgage Trustee and meet certain other conditions specified in the First Mortgage. (Article VII.) Moneys received by the First Mortgage Trustee for the release of property will, under certain circumstances, be applied to redeem outstanding first mortgage bonds, be applied to satisfy our other obligations or be paid over to us from time to time based upon property additions or refundable first mortgage bonds. (Article VIII.)

The First Mortgage was modified in 1999 by the Eighty-first Supplemental Indenture with the consent of the holders of first mortgage bonds then outstanding (a) to exclude nuclear fuel from the lien of the First Mortgage to the extent not excluded therefrom by its existing provisions and (b) to revise the definition of property additions which can constitute bondable property to include facilities outside the State of Ohio (the State) even though they are not physically connected with our property in the State and to clarify its general scope.

Issuance of Additional First Mortgage Bonds

In addition to the principal amount of first mortgage bonds outstanding at September 30, 2008, additional first mortgage bonds may be issued under Article III of the First Mortgage, ranking equally and ratably with such outstanding first mortgage bonds and the Bonds and without limit as to amount, on the basis of:

70% of bondable property (as described under Security for the First Mortgage Bonds) not previously used as the basis for issuance of first mortgage bonds or applied for some other purpose under the First Mortgage;

- the deposit of cash (which may be subsequently withdrawn on the basis of bondable property or refundable first mortgage bonds); and
- substitution for refundable first mortgage bonds.

First mortgage bonds become refundable first mortgage bonds when they are paid upon maturity, redemption or purchase out of money deposited with the First Mortgage Trustee for such payment or when money for such payment is irrevocably deposited with the First Mortgage Trustee. (Articles I, III and VIII.)

In general, all property subject to the lien of the First Mortgage which is used or useful in our electric business including property not located in the State whether or not physically connected with our property in the State, which is not subject to an unfunded prior lien and as to which we have good title and corporate power to own and operate, is bondable property and as such is available as a basis for the issuance of first mortgage bonds. (Article I.) With certain exceptions, property which we lease from others is not bondable property. (Articles I and III.)

Also, with certain exceptions, in order to issue additional first mortgage bonds based on bondable property, our net earnings available for interest and property retirement appropriations for any 12 consecutive months within the 15 calendar months immediately preceding the month in which application for authentication and delivery of such additional first mortgage bonds is made must be at least twice the annual interest charges on all first mortgage bonds outstanding and on the issue applied for. (Article III.) Effective from and after the time when none of the first mortgage bonds of any series established or created prior to the execution of the Eighty-ninth Supplemental Indenture shall remain outstanding, the Indenture will be amended so that net earnings available for interest and property retirement appropriations may be calculated based on any 12 consecutive months within the 18 calendar months immediately preceding the month in which (i) an application for authentication and delivery of additional first mortgage bonds is made, (ii) the first acquisition of property subject to a lien or liens which will on acquisition be an unfunded prior lien or prior liens occurs, (iii) the additional prior lien bonds are to be issued, and (iv) our consolidation with, or our merger into, any other corporation, or sale by us of any of our property as an entirety or substantially as an entirety is made. (Eighty-ninth Supplemental Indenture, Article IV.)

As of September 30, 2008, we were able to issue approximately $960.8 million additional first mortgage bonds under the First Mortgage, including approximately $704.3 million on the basis of refundable bonds and approximately $256.5 million on the basis of bondable property. The issuance of first mortgage bonds by us is subject to a provision of our senior note indenture generally limiting our incurrence of additional secured debt, subject to certain exceptions that would permit, among other things, our issuance of secured debt (including first mortgage bonds) (i) supporting pollution control notes or similar obligations, or (ii) as an extension, renewal or replacement of previously issued secured debt, outstanding as of December 12, 2003. In addition, we could incur under this provision additional secured debt (including first mortgage bonds) not otherwise permitted by a specified exception of up to $457.4 million as of September 30, 2008. See Description of Senior Unsecured Debt Securities Certain Covenants Limitation on Liens in the accompanying prospectus.

Optional Redemption

The Bonds will be redeemable, in whole or in part, at our option, at any time at a redemption price equal to the greater of:

- 100% of the principal amount of such Bonds being redeemed; and

- the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus basis points,

plus in the case of each of the above clauses, accrued and unpaid interest, if any, to the date of redemption.

Business Day means, any day, other than a Saturday or Sunday, which is not a day on which the corporate trust office of the First Mortgage Trustee or banking institutions or trust companies in The City of New York, New York are generally authorized or required by law, regulation or executive order to remain closed.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term (Remaining Life) of the Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Bonds.

Comparable Treasury Price means with respect to any redemption date, (1) the average of five Reference Treasury Dealer Quotations for such redemption date after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

Independent Investment Banker means one of the Reference Treasury Dealers appointed by us or, if such firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing selected by us.

Reference Treasury Dealer means (1) each of Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Greenwich Capital Markets, Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated and their respective successors, provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in The City of New York (a Primary Treasury Dealer), we shall substitute therefor another Primary Treasury Dealer; and (2) any other Primary Treasury Dealer selected by the Independent Investment Banker after consultation with us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m. New York City time, on the third Business Day preceding such redemption date.

Remaining Scheduled Payments means, with respect to the Bonds to be redeemed, the remaining scheduled payments of principal and interest on the Bonds of such series that would be due after the related redemption date but for such redemption. If such redemption date is not an interest payment date with respect to such Bonds, the amount of the next succeeding scheduled interest payment on those Bonds will be reduced by the amount of interest accrued on such Bonds to such redemption date.

Treasury Rate means, with respect to any redemption date,

the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) , or any successor publication which is published weekly by the Federal Reserve and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or

if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.

Holders of Bonds to be redeemed will receive notice thereof by first-class mail at least 30 and not more than 60 days prior to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the First Mortgage Trustee will select, not more than 60 days prior to the redemption date, the particular portions thereof for redemption from the outstanding Bonds, subject to the provisions of the Eighty-ninth Supplemental Indenture, by such method as the Trustee deems fair and appropriate. Any notice of redemption of the Bonds may be conditional on us depositing funds with the First Mortgage Trustee, or irrevocably directing the First Mortgage Trustee to apply moneys held by it, sufficient to pay the redemption price thereof, and if such funds are not so deposited or such direction is not given, such notice shall be of no effect.

In the event less than all of the Bonds at the time outstanding are called for redemption, we shall not be required (a) to register any transfer or make any exchange of any such Bonds for a period of fifteen (15) days next preceding the mailing of the notice of redemption of any such Bonds, (b) to register any transfer or make any exchange of any such Bonds so called for redemption in its entirety or (c) to register any transfer or make any exchange of any portion of any such Bonds which has been called for redemption.

Events of Default; Remedies

Events of Default

Events of default under the First Mortgage include our failure:

- to pay the principal of or premium, if any, on any first mortgage bond when due;

- to pay any interest on or sinking fund obligation of any first mortgage bond within 30 days after it is due;

- to pay the principal of or interest on any prior lien bonds within any allowable period;

to discharge, appeal or obtain the stay of any final judgment against us in excess of $100,000 within 30 days after it is rendered; or

to perform any other covenant in the First Mortgage within 60 days after notice to us from the First Mortgage Trustee or the holders of not less than 15% in principal amount of the first mortgage bonds.

Events of default also include certain events of bankruptcy, insolvency, reorganization, assignment or receivership relating to us. (Article IX.)

Notices of Default

We are required to furnish periodically to the First Mortgage Trustee a certificate as to the absence of any default or as to compliance with the terms of the First Mortgage, and such a certificate is also required in connection with the issuance of any additional first mortgage bonds and in certain other circumstances. (Article III.) The First Mortgage provides that the First Mortgage Trustee, within 90 days after notice of defaults under the First Mortgage (60 days with respect to events of default described in the last bullet point above), is required to give notice of such defaults to all holders of first mortgage bonds, but, except in the case of a default resulting from the failure to make any payment of principal of or interest on the first mortgage bonds or in the payment of any sinking or purchase fund installments, the First Mortgage Trustee may withhold such notice if it determines in good faith that it is in the best interests of the holders of the first mortgage bonds to do so. (Article XIII.)

Remedies in Event of Default

Upon the occurrence of any event of default, the First Mortgage Trustee or the holders of not less than 25% in principal amount of the first mortgage bonds may declare the principal amount of all first mortgage bonds due, and, if we cure all defaults before a sale of the mortgaged property, the holders of a majority in principal amount of the first mortgage bonds may waive the default. If any event of default occurs, the First Mortgage Trustee also may:

take possession of and operate the mortgaged property for the purpose of paying the principal of and interest on the first mortgage bonds;

sell at public auction all of the mortgaged property, or such parts thereof as the holders of a majority in principal amount of the first mortgage bonds may request or, in the absence of such request, as the First Mortgage Trustee may determine;