



FirstEnergy Nuclear Operating Company

76 South Main Street
Akron, Ohio 44308

Gary R. Leidich
President and Chief Nuclear Officer

330-384-5770
Fax: 330-384-5669

October 31, 2005
L-05-175
Serial Number 3202
PY-CEI/NRR-2919L

10 CFR 50.80
10 CFR 50.90
10 CFR 2.1315

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555

Re: Beaver Valley Power Station, Unit Nos. 1 & 2, Docket Nos. 50-334 & 50-412
Davis-Besse Nuclear Power Station; Unit No. 1, Docket No. 50-346
Perry Nuclear Power Plant, Unit No. 1, Docket No. 50-440
Supplemental Information Regarding an Application for Order Consenting to Transfer of
Licenses and Approving Conforming License Amendments

On May 18, 2005, the FirstEnergy Nuclear Operating Company ("FENOC") acting as agent for and on behalf of FirstEnergy Nuclear Generation Corp. ("FENGenCo") and Pennsylvania Power Company ("Penn Power"), submitted an application to the Nuclear Regulatory Commission ("NRC"). The submittal (letter Beaver Valley L-05-080 and Perry PY-CEI/NRR-2880L) requested an order consenting to the transfer of Penn Power's 65 percent undivided ownership interest in Beaver Valley Power Station, Unit No. 1 ("BVPS 1"), 13.74 percent undivided ownership interest in Beaver Valley Power Station, Unit No. 2 ("BVPS 2" and together with BVPS 1, "BVPS 1 & 2"), and 5.24 percent undivided ownership interest in Perry Nuclear Power Plant, Unit No. 1 ("Perry") to FENGenCo.

On June 1, 2005, FENOC acting as agent for and on behalf of FENGenCo, Ohio Edison Company ("Ohio Edison"), OES Nuclear, Inc. ("OES Nuclear"), The Cleveland Electric Illuminating Company ("Cleveland Electric"), and The Toledo Edison Company ("Toledo Edison"), submitted an application to the NRC requesting consent to the transfer of ownership interests involving BVPS 1 & 2, Perry, and Davis-Besse Nuclear Power Station, Unit No. 1 ("Davis-Besse"). The submittal (letter Beaver Valley L-05-100, Davis-Besse Serial Number 3156, and Perry PY-CEI/NRR-2886L) requested an order consenting to the following transfers from Ohio Edison, OES Nuclear, Toledo Edison, and Cleveland Electric to FENGenCo:

1. Ohio Edison's 35 percent undivided ownership interest in BVPS 1 and 20.22 percent undivided ownership interest in BVPS 2;
2. OES Nuclear's 17.42 percent undivided ownership interest in Perry;
3. Cleveland Electric's 24.47 percent undivided ownership interest in BVPS 2, 44.85 percent undivided ownership interest in Perry, and 51.38 percent undivided ownership interest in Davis-Besse; and
4. Toledo Edison's 1.65 percent undivided ownership interest in BVPS 2, 19.91 percent undivided ownership interest in Perry, and 48.62 percent undivided ownership interest in Davis-Besse.

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October 31, 2005
L-05-175
Serial Number 3202
PY-CEI/NRR-2919L
Page 2

No transfer or other change is requested with respect to Ohio Edison's license to possess its 21.66 percent leased interest in BVPS 2 and 12.58 percent leased interest in Perry, nor with respect to Toledo Edison's license to possess its 18.26 percent leased interest in BVPS 2. Ohio Edison and Toledo Edison will remain responsible for their respective obligations under the licenses for these leased interests.

Both submittals also requested conforming administrative license amendments to the BVPS, Perry, and Davis-Besse licenses to reflect the aforementioned changes.

The purpose of this letter is to provide to the NRC a revision to the Form of Parent Guaranty, which was contained in the May 18, 2005 submittal. The need for the revision was discussed in a teleconference held between the NRC and FENOC staffs on October 26, 2005. Enclosure 1 provides the revised Form of Parent Guaranty.

The No Significant Hazards Consideration (NSHC) Determinations contained in both the May 18 and June 1 submittals were reviewed. The revision to the Form of Parent Guaranty has no impact upon either of these NHSC Determinations.

Service upon FENOC of comments, hearing requests, intervention petitions or other pleadings should be made to David W. Jenkins, Esq., FirstEnergy Corp., 76 South Main Street, Mail Stop A-GO-18, Akron, OH 44308, tel: (330) 384-5037, and email: djenkins@firstenergycorp.com.

If additional information is required, please contact Mr. Gregory H. Halnon, FENOC Director, Regulatory Affairs, FirstEnergy Nuclear Operating Company, 395 Ghent Road, A-GHE-315, Akron, OH 44333, tel: (330) 315-7500, and email: ghalnon@firstenergycorp.com.

I declare under penalty of perjury that the foregoing is true and correct. Executed on October 31, 2005.



Gregory H. Halnon

Enclosure:

1. Form of Parent Guaranty
2. Regulatory Commitments

cc: Director, NRR
NRC Region 1 Administrator
NRC Region 3 Administrator
Beaver Valley NRC Project Manager
Davis-Besse NRC Project Manager
Perry NRC Project Manager
Beaver Valley NRC Senior Resident Inspector
Davis-Besse NRC Senior Resident Inspector
Perry NRC Senior Resident Inspector
D.A. Allard, Director BRP/DEP
L.E. Ryan, BRP/DEP
N. Dragani, Executive Director, Ohio Emergency Management Agency, State of Ohio
(NRC Liaison)
Utility Radiological Review Board

Form of Parent Guaranty

GUARANTY

GUARANTY, dated as of [_____, 2005], made by FirstEnergy Corp., an Ohio corporation (the "Guarantor") to Guarantor's subsidiary, FirstEnergy Nuclear Generation Corp. ("FENGenCo").

W I T N E S S E T H :

WHEREAS, Pennsylvania Power Company ("Penn Power") has agreed to transfer its undivided ownership interests in Beaver Valley Power Station, Units 1 & 2 and the Perry Nuclear Power Plant ("BVPS 1 & 2 and Perry") to FENGenCo (the "Acquired Assets");

WHEREAS, FENGenCo is an indirect wholly-owned subsidiary of the Guarantor;

WHEREAS, the NRC has promulgated regulations in Title 10, Chapter 1 of the Code of Federal Regulations ("CFR"), Part 50 which require that a holder of, or an applicant for, a license issued pursuant to 10 CFR Part 50 provide assurance that funds will be available when needed for required decommissioning activities;

WHEREAS, Penn Power will transfer approximately \$140 million to qualified and non-qualified decommissioning trust funds established and maintained by FENGenCo for BVPS 1 & 2 and Perry;

WHEREAS, it is estimated that a total of approximately \$220 million in decommissioning funding assurance is necessary to meet FENGenCo's pro rata share of the NRC decommissioning funding requirements for BVPS 1 & 2 and Perry, and therefore that approximately \$80 million in decommissioning funding assurance in addition to the amounts held in the qualified and non-qualified funds is necessary; and

WHEREAS, the Guarantor expects to receive substantial indirect benefits from the acquisition of the Acquired Assets by FENGenCo (which benefits are hereby acknowledged), and accordingly, desires to execute and deliver this Guaranty in order to provide financial assurance for FENGenCo's pro rata share of decommissioning activities for BVPS 1 & 2 and Perry as required by 10 CFR Part 50;

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to the Guarantor, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby makes the following representations and warranties to FENGenCo and hereby covenants and agrees as follows:

1. The Guarantor has full authority and capacity to enter into this Guaranty under its bylaws, articles of incorporation, and the laws of the State of Ohio, its state of incorporation. Guarantor has approval from its Board of Directors to enter into this guaranty.
2. This guarantee is being issued so that FENGenCo will be in compliance with regulations issued by the Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. The NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 50, which require that a holder of, or an applicant for, a license issued pursuant to 10 CFR Part 50 provide assurance that funds will be available when needed for required decommissioning activities.
3. This guarantee is issued to provide financial assurance for decommissioning activities for BVPS 1, License No. DPR-66; BVPS 2, License No. NPF-73; and Perry, License No. NPF-58 as required by 10 CFR Part 50. The decommissioning costs for these facilities are guaranteed in the amount of \$80 million.
4. The Guarantor meets or exceeds criteria from Financial Test II.A.2 from 10 CFR Part 30, Appendix A and agrees to notify FENGenCo and the NRC of any changes in its ability to meet the Appendix A criteria in compliance with the notification requirements as specified in 10 CFR Part 50. Specifically, the Guarantor possesses:
 - (a)(i) A current rating of its most recent bond issuance of BBB as issued by Standard and Poor's, or Baa3 as rated by Moody's; and
 - (ii) Tangible net worth is at least \$10 million and at least six times the current decommissioning cost estimate or Guaranty amount; and
 - (iii) Assets located in the United States amounting to at least 90 percent of its total assets or at least six times the current decommissioning cost or Guaranty amount.
5. The Guarantor has majority control of the voting stock in FENGenCo. FENGenCo is located at 76 South Main Street, Akron, Ohio 44308. FENGenCo has ownership interests in the following facilities: BVPS 1, License No. DPR-66; BVPS 2, License No. NPF-73; and Perry, License No. NPF-58.
6. The term "decommissioning activities" as used herein refers to the activities required by 10 CFR Part 50 for decommissioning of the facilities identified above.

7. For value received from FENGenCo and pursuant to the authority conferred upon the Guarantor, the Guarantor guarantees that if FENGenCo fails to perform the required decommissioning activities, as required by License Nos. DPR-66, NPF-73 and NPF-58, due to lack of funds, the Guarantor shall:
 - (a) provide all funds necessary, up to the amount of this Guaranty in 2005 dollars and as adjusted for inflation, to carry out the required activities, or
 - (b) set up a trust fund in favor of FENGenCo in the amount of these current cost estimates or guaranty amount for these activities.
8. The Guarantor agrees to submit revised financial statements, financial test data, and a special auditor's report and reconciling schedule to the NRC annually within 90 days of the close of the parent Guarantor's fiscal year.
9. The Guarantor and FENGenCo agree that if the Guarantor fails to meet the financial test criteria at any time after this Guaranty is established, the Guarantor and FENGenCo shall send, within 90 days of the end of the fiscal year in which the Guarantor fails to meet the financial test criteria, by certified mail, notice to the NRC. If FENGenCo fails to provide alternative financial assurance as specified in 10 CFR Part 50, as applicable, and obtain written approval of such assurance from the NRC within 180 days of the end of such fiscal year, the Guarantor shall provide such alternative financial assurance in the name of FENGenCo or make full payment under the Guaranty to a standby trust established by FENGenCo.
10. Independent of any notification under paragraph 8 above, if the NRC determines for any reason that the Guarantor no longer meets the financial test criteria or that it is disallowed from continuing as a Guarantor for the facilities under License Nos. DPR-66, NPF-73 or NPF-58, the Guarantor agrees that within 90 days after being notified by the NRC of such determination, an alternative financial assurance mechanism as specified in 10 CFR Part 50 as applicable, shall be established by the Guarantor in the name of FENGenCo unless FENGenCo has done so.
11. The Guarantor as well as its successors and assigns shall remain bound jointly and severally under this Guaranty notwithstanding any or all of the following: amendment or modification of license or NRC-approved decommissioning funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of FENGenCo pursuant to 10 CFR Part 50.
12. The Guarantor agrees that it will be liable for all litigation costs incurred by FENGenCo or the NRC in any successful effort to enforce the agreement against the Guarantor.

13. The Guarantor agrees to remain bound under this Guaranty for as long as FENGenCo must comply with the applicable financial assurance requirements of 10 CFR Part 50, for the previously listed facilities, except that this Guaranty may be extinguished by the agreement of Guarantor and FENGenCo with the prior written consent of the NRC, and except that the Guarantor may cancel this Guaranty by sending notice by certified mail to the NRC and to FENGenCo, such cancellation to become effective no earlier than 120 days after receipt of such notice by both the NRC and FENGenCo as evidenced by the return receipts. If FENGenCo fails to provide alternative financial assurance as specified in 10 CFR Part 50, as applicable, and obtain written approval of such assurance within 120 days after the sending of the above notice by the Guarantor, the Guarantor shall provide such alternative financial assurance.
14. The Guarantor expressly waives notice of acceptance of this Guaranty by the NRC or by FENGenCo. The Guarantor also expressly waives notice of amendments or modification of the decommissioning requirements and of amendments or modifications of the licenses.
15. If the Guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to the NRC during each year in which this Guarantee is in effect.
16. This Guaranty and the rights and obligations of the FENGenCo and the Guarantor hereunder, shall be governed by and construed in accordance with the domestic laws of the State of Ohio without giving effect to any choice or conflict-of-law provision or rule (whether of Ohio or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the state of Ohio. The Guarantor and the FENGenCo each consent to the exclusive jurisdiction and venue of any state or federal court within the State of Ohio for adjudication of any suit, claim, action or other proceeding at law or in equity relating to this Guaranty, or to any transaction contemplated hereby. The Guarantor and FENGenCo each accept, generally and unconditionally, the exclusive jurisdiction and venue of the aforesaid courts and waive any objection as to venue, and any defense of *forum non conveniens*. The Guarantor hereby irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Guarantor at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of FENGenCo to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Guarantor in any other jurisdiction. The Guarantor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with the Guaranty brought in the courts referred to above and hereby further irrevocably waives and agrees not to

plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

17. All notices and other communications hereunder shall be made at 76 South Main Street, Akron, Ohio 44308.

I hereby certify that this Guaranty is true and correct to the best of my knowledge.

Effective date: _____

FirstEnergy Corp.

By _____

[Name of person signing]

[Title of person signing]

FirstEnergy Nuclear Generation Corp.

By _____

[Title of person signing]

STATE OF _____

CITY/COUNTY OF _____

Subscribed and sworn to me, a Notary Public, in and for the City/County and State above named, this _____ day of _____, 2005.

My Commission Expires: _____

Regulatory Commitments

The following list identifies those actions committed to by the FirstEnergy Nuclear Operating Company (FENOC) for the Beaver Valley Power Station, Unit Nos. 1 & 2, Perry Nuclear Power Plant, Unit No. 1, and Davis-Besse Nuclear Power Station, Unit 1 in this document. Any other actions discussed in the submittal represent intended or planned actions by FENOC. They are described only as information and are not regulatory commitments. Please notify Mr. Gregory H. Halnon, FENOC Director, Regulatory Affairs at (330) 315-7500 of any questions regarding this document or associated regulatory commitments.

<u>Commitment</u>	<u>Due Date</u>
No additional commitments have been generated by this submittal.	N/A