



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

September 12, 2014

Mr. Peter P. Sena, III
President and Chief Nuclear Officer
FirstEnergy Nuclear Operating Company
341 White Pond Drive
Akron, OH 44320

SUBJECT: BEAVER VALLEY POWER STATION (BVPS), UNIT NO. 1, BVPS
INDEPENDENT SPENT FUEL STORAGE INSTALLATION (ISFSI) DAVIS-
BESSE NUCLEAR POWER STATION ISFSI, PERRY NUCLEAR POWER
PLANT, UNIT 1, AND PERRY NUCLEAR POWER PLANT ISFSI – ANNUAL
FINANCIAL TEST FOR FIRSTENERGY NUCLEAR OPERATING COMPANY
PARENT COMPANY GUARANTEE (TAC NOS. MF3748 AND MF3749)

Dear Mr. Sena:

By letter dated March 28, 2014, FirstEnergy Nuclear Operating Company (FENOC), on behalf of FirstEnergy Corporation (FE), provided a copy of the annual FE financial test that provides assurance that FE can support parent company guarantees (PCGs) associated with the decommissioning funding for Beaver Valley Power Station (BVPS), Unit 1; BVPS Independent Spent Fuel Storage Installation (ISFSI); Davis-Besse Nuclear Power Station ISFSI, Perry Nuclear Power Plant, Unit 1, and Perry Nuclear Power Plant ISFSI. The test was prepared in accordance with Title 10 of the *Code of Federal Regulations* (10 CFR) Part 30, Appendix A, "Criteria Relating to Use of Financial Tests and Parent Company Guarantees for Providing Reasonable Assurance of Funds for Decommissioning," Section II.A.2. The NRC staff has completed its review of the annual financial test and has concluded that FE meets the criteria in accordance with 10 CFR Part 30, Appendix A, for use of the PCGs in the amount of \$175.5 million as submitted.

Enclosure 1 is a Staff Evaluation of the Financial Test for the PCGs provided by FENOC. Enclosure 2 is a short synopsis that will assist in reviewing recent history associated with FE's use of PCGs to cover decommissioning funding for the five cited FENOC facilities.

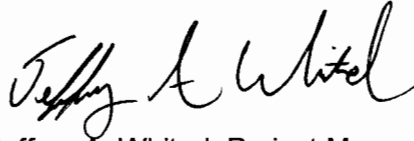
This concludes the NRC staff's efforts associated with TAC Nos. MF3748 and MF3749.

P. Sena

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Please contact me at (301) 415-4090 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey A. Whited". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Whited" clearly distinguishable.

Jeffrey A. Whited, Project Manager
Plant Licensing Branch I-2
Division of Operating Reactor Licensing
Office of Nuclear Reactor Regulation

Docket Nos. 50-334, 72-1043, 72-14,
50-440, and 72-69

Enclosures:

1. Staff Evaluation
2. Communication Synopsis

cc w/encls: Distribution via Listserv



UNITED STATES
NUCLEAR REGULATORY COMMISSION
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STAFF EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

ANNUAL FINANCIAL TEST FOR A PARENT COMPANY GUARANTEE

FIRSTENERGY NUCLEAR OPERATING COMPANY

BEAVER VALLEY POWER STATION, UNIT 1

BEAVER VALLEY POWER STATION INDEPENDENT SPENT

FUEL STORAGE INSTALLATION (ISFSI);

DAVIS-BESSE NUCLEAR POWER STATION ISFSI;

PERRY NUCLEAR POWER PLANT; AND

PERRY NUCLEAR POWER PLANT ISFSI

DOCKET NOS. 50-334, 72-1043, 72-14, 50-440, AND 72-69

1.0 INTRODUCTION

By letter dated March 28, 2014,¹ FirstEnergy Nuclear Operating Company (FENOC), on behalf of FirstEnergy Corporation (FE), provided a copy of the annual FE financial test that provides assurance that FE can support Parent Company Guarantees (PCGs) in accordance with Title 10 of the *Code of Federal Regulations* (10 CFR) Part 30, "Rules of General Applicability to Domestic Licensing of Byproduct Material," Appendix A, "Criteria Relating to Use of Financial Tests and Parent Company Guarantees for Providing Reasonable Assurance of Funds for Decommissioning." The submitted information was associated with the decommissioning funding for Beaver Valley Power Station (BVPS), Unit 1 (BVPS-1); BVPS Independent Spent Fuel Storage Installation (ISFSI); Davis-Besse Nuclear Power Station (DBNPS) ISFSI, Perry Nuclear Power Plant (PNPP), Unit 1, and PNPP ISFSI. The test was prepared in accordance with 10 CFR Part 30, Appendix A, Section II.A.2.

The regulations in 10 CFR Part 30, Appendix A, Section II.C.1, state that, "[a]fter the initial financial test, the parent company must annually pass the test and provide documentation of its continued eligibility to use the parent company guarantee to the Commission within 90 days after the close of each succeeding fiscal year."

The regulations in 10 CFR Part 50.75(e)(1)(iii)(B), state that, "[a] parent company guarantee of funds for decommissioning costs based on a financial test may be used if the guarantee and test are as contained in appendix A to 10 CFR part 30."

¹ Agencywide Documents Access and Management System (ADAMS) Accession No. ML14087A454.

This financial test provides assurance that FENOC can continue maintaining \$175.5 million in PCG coverage for decommissioning funding assurance for the five facilities as listed above. The \$175.5 million figure is a combination of 3 separate PCG amounts of \$11 million, \$155 million, and \$9.5 million, totaling \$175.5 million, as described below as stated, in part, by FENOC in its letter dated March 28, 2014:

The PGs include an \$11 million PG for the DBNPS and PNPP ISFSIs and a \$125 million PG for BVPS-1 and PNPP. The test also provides assurance for a \$155 million replacement PG for the current \$125 million PG for the power plants, and a new \$9.5 million PG for the Beaver Valley Power Station (BVPS) ISFSI. The \$155 million replacement PG for BVPS-1 and PNPP, and the \$9.5 million BVPS ISFSI PG are expected to be in place by the end of the second quarter 2014.

2.0 ANALYSIS

In its letter dated March 28, 2014, FENOC chose the alternative financial test option stated in Section II Paragraph A.2 of 10 CFR Part 30 and provided all the necessary data to perform the financial test.

Fundamental to this financial test is the determination that FENOC's Tangible Net Worth is at least six times the provision for PCG obligations. With FENOC Tangible Net Worth of \$2,130 million and PCG funding in the amount of \$175.5 million, U.S. Nuclear Regulatory Commission (NRC) staff concluded that FENOC meets this Tangible Net Worth test.

3.0 CONCLUSION

NRC staff finds that FENOC has complied with the general requirements of 10 CFR Part 30, Appendix A, and specifically with the requirements of 10 CFR Part 30, Appendix A, Section II.C. The NRC staff also finds that FENOC has submitted the necessary data within 90 days after the close of this succeeding fiscal year. FENOC successfully repeated the passage of the financial test with Tangible Net Worth of \$2,130 million, which is in support of the \$175.5 million PCG used towards Beaver Valley, Davis-Besse, and Perry decommissioning funding assurance. Specifically, Tangible Net Worth of \$2,130 million is greater than six times the PCG of \$175.5 million.

RECENT COMMUNICATION AND DOCUMENTATION REGARDING
FIRSTENERGY NUCLEAR OPERATING COMPANY USE OF PARENT COMPANY
GUARANTEES FOR ASSURING DECOMMISSIONING FUNDING FOR:
BEAVER VALLEY POWER STATION, UNIT 1; BEAVER VALLEY POWER STATION
INDEPENDENT SPENT FUEL STORAGE INSTALLATIONS; DAVIS-BESSE NUCLEAR
POWER STATION INDEPENDENT SPENT FUEL STORAGE INSTALLATION, PERRY
NUCLEAR POWER PLANT, UNIT 1, AND PERRY NUCLEAR POWER PLANT INDEPENDENT
SPENT FUEL STORAGE INSTALLATION

- **December 17, 2012,**¹ letter from FirstEnergy Nuclear Operating Company (FENOC) to the U.S. Nuclear Regulatory Commission (NRC)

Subject: Replacement of Parental Company Guaranty (PCG)

FENOC proposed to provide a "... replacement \$95 million parental guaranty dated December 17, 2012, effective upon the cancellation of the December 19, 2011, parental guaranty..."

FirstEnergy (FE) and FENOC had previously documented the cancellation of a \$15 million PCG (between FE and FENOC) dated March 4, 2010, and a \$95 million PCG dated June 14, 2011, which never took effect.

- **March 25, 2013,**² letter from FENOC to NRC

Subject: Submittal of the Decommissioning Funding Status Reports for Beaver Valley Power Station, Unit Nos. 1 and 2, Davis-Besse Nuclear Power Station, and Perry Nuclear Power Plant

FENOC submitted the Decommissioning Funding Status Report for Beaver Valley Power Station, Units 1 and 2, Davis-Besse Nuclear Power Station, and Perry Nuclear Power Plant. FENOC states, in part, that:

FirstEnergy Nuclear Operating Company (FENOC) recognizes that a shortfall exists for FirstEnergy Nuclear Generation, LLC, when the existing trust balances and assumed earnings are compared with the NRC formula amount calculated in Item 1, above. When the Beaver Valley Power Station, Unit No. 1, portion of an existing \$95 million Parent Guarantee is included in the calculation, the remaining shortfall is \$14,112,255. To resolve the shortfall, FENOC will obtain a

1 Agencywide Documents Access and Management System (ADAMS) Accession No. ML12363A037.

2 ADAMS Accession No. ML13084A374.

Parent Guarantee in accordance with 10 CFR 50.75(b)(2) and (b)(3) within 90 days of the date of this submittal.

- **March 28, 2013,**³ letter from NRC to FENOC

Subject: Beaver Valley Power Station, Unit Nos. 1 and 2; and Perry Nuclear Power Plant, Unit No. 1 – Request for Additional Information RE: Parental Guaranty

The NRC requested updates and additions to the PCG proposed in their December 17, 2012, communication to the NRC.

- **March 29, 2013,**⁴ letter from FENOC to NRC

Subject: Annual Financial Test for a Parent Company Guarantee

FENOC submitted its annual financial test for PCG(s) of \$136 million. FENOC states, in part, that:

The PGs include an \$11 million PG [parent guarantee] for the ISFSIs and a \$95 million PG for the power plants. The test also provides assurance for a \$125 million replacement PG for the current \$95 million PG for the power plants. The \$125 million replacement PG is expected to be in place by the end of the second quarter 2013.

Note: \$11 million for ISFSIs plus \$125 million for power plants equals \$136 million.

- **June 18, 2013,**⁵ letter from FENOC to NRC

Subject: Response to Request for Additional Information on Parental Guaranty and Submittal of Amended and Restated Parental Guaranty

FENOC submitted finalized (updated) PCG of \$125 million following the NRC's Request for Additional Information, dated March 28, 2013.

FENOC stated, in part, that:

The amended and restated \$125 million parental guaranty replaces the existing \$95 million parental guaranty. The amended and restated \$125 million parental guaranty will come into force effective 30 days after this written notice to the NRC.

3 ADAMS Accession No. ML13086A244.

4 ADAMS Accession No. ML13091A057.

5 ADAMS Accession No. ML13169A262.

- **June 18, 2013,**⁶ letter from FENOC to NRC

Subject: Amended and Restated Parental Guaranty for Independent Spent Fuel Storage Installation

FENOC submitted finalized \$11 million ISFSI PCG.

- **March 28, 2014,**⁷ letter from FENOC to NRC

Subject: Annual Financial Test for a Parent Company Guarantee

FENOC submitted its annual financial test for PCG(s) of \$175.5 million. FENOC states, in part, that:

The PGs include a \$11 million PG for the DBNPS and PNPP ISFSIs and a \$125 million PG for BVPS-1 and PNPP. The test also provides assurance for a \$155 million replacement PG for the current \$125 million PG for the power plants, and a new \$9.5 million PG for the Beaver Valley Power Station (BVPS) ISFSI. The \$155 million replacement PG for BVPS-1 and PNPP, and the \$9.5 million BVPS ISFSI PG are expected to be in place by the end of the second quarter 2014.

6 ADAMS Accession No. ML13169A322.

7 ADAMS Accession No. ML14087A454.

Please contact me at (301) 415-4090 if you have any questions.

Sincerely,

/RA/

Jeffrey A. Whited, Project Manager
Plant Licensing Branch I-2
Division of Operating Reactor Licensing
Office of Nuclear Reactor Regulation

Docket Nos. 50-334, 72-1043, 72-14,
50-440, and 72-69

Enclosures:

1. Staff Evaluation
2. Communication Synopsis

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ADAMS Accession No.: ML14142A292

***via memo**

****via e-mail**

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