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July 10, 1985

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Atomic Safety and Licensing Board
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

Mr. Glenn O. Bright
Atomic Safety and Licensing Board
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: The Cleveland Electric Illuminating
Company (Perry Nuclear Power Plant,
Units 1 and 2)
Docket Nos. 50-440 and 50-441 DL

Gentlemen:

For the Licensing Board's information, enclosed is a recent press release by The Cleveland Electric Illuminating Company ("CEI"), announcing an agreement between CEI and The Toledo Edison Company ("Toledo Edison") to combine under a newly formed holding company. As indicated in the press release, both CEI and Toledo Edison will continue as local companies under their existing Boards of Directors and management.

Sincerely,

Harry H. Glasspiegel
Harry H. Glasspiegel
Counsel for Applicants

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cc: Service List (attached)

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of

THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY

(Perry Nuclear Power Plant,
Units 1 and 2)

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)
) Docket Nos. 50-440
) 50-441
)
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)

SERVICE LIST

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U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Ms. Sue Hiatt
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Mentor, Ohio 44060



June 25, 1985

N-37
THE ILLUMINATING COMPANY
P.O. Box 5000 Cleveland, Ohio 44101

FOR IMMEDIATE RELEASE
PUBLIC INFORMATION
(216) 623-1060

CEI-Toledo Edison
Announce Combination Plans

The Cleveland Electric Illuminating Company and The Toledo Edison Company today jointly announced signing of a definitive agreement to combine under a newly formed holding company that will provide overall management, planning and policy making for the two electric utilities.

The announcement was made simultaneously in Cleveland by CEI Chairman Robert M. Ginn and President Richard A. Miller and in Toledo by Toledo Edison Chairman John P. Williamson. The announcement came following approval of the definitive agreement by each company's Board of Directors.

Terms of the agreement call for owners of Toledo Edison stock to receive 1 share of the new holding company for each TE common share held. CEI share owners will receive 1.11 holding company shares for each CEI common share held.

Although any dividend will be established by the new company's Board of Directors, the annual dividend on the new company's shares is expected to be \$2.56 a share. The current indicated annual rate on both CEI and Toledo Edison common stock is \$2.52 a share.

- more -



Other than common stock, no other securities or financial obligations of the two companies will be affected.

Directors of the new company will be Williamson, Ginn, Miller and nine "outside directors," three from Toledo Edison's current Board and six from CEI's.

Both Cleveland Electric and Toledo Edison will continue as local companies under their existing Boards of Directors and management.

The new company will have its home base in the Greater Cleveland area, but will be separate from CEI headquarters.

Noting that the affiliation will provide significant long-term benefits to the customers and share owners of both companies, the executives said they would seek prompt regulatory approval so that the affiliation plan could be submitted to share owners of both companies for approval by late fall. The companies hope to effect the combination by the end of 1985.

Under terms of the affiliation, Williamson will act as chairman of the new holding company, Ginn will be president and chief executive officer, and Miller will be executive vice president.

"Under the affiliation," Ginn said, "each utility will retain its local identity and considerable autonomy. But coordination of generating facilities and transmission links will increase efficiency and help hold down costs. Additionally, the larger corporation will have better access to the capital markets, reducing future financing costs and helping to further hold down electric rates."

As explained by Williamson: "Electric rates will be lower than would otherwise be the case and customers will be better assured an adequate and reliable supply of electricity. This can help retain industry in Northern Ohio and attract new industry."

The new holding company will be among the nation's 20 largest electric utilities in terms of the market value of its common stock. (CEI is now 27th largest and TE is 48th.) The two companies will have a combined common stock market value of about \$2.4 billion and total assets of more than \$8 billion.

Together, the two companies own all of the Davis-Besse Nuclear Power Station, located 24 miles east of Toledo and operated by Toledo Edison; slightly more than 50 percent of the Perry Nuclear Power Plant Unit #1, nearing completion 35 miles east of Cleveland, to be operated by CEI; and about 44 percent of Beaver Valley Unit #2, being built by Duquesne Light Company and scheduled for completion around the end of 1987.

Pooling CEI's nuclear team with Toledo Edison's will effect the best possible quality in nuclear construction and operations.

Other potential benefits from affiliation cited by both companies include:

- Combined purchasing strength permitting savings in the cost of fuel and materials through volume purchasing, standardization and control of inventory.

- Consolidation and eventual reduction of overall staff and administrative functions, although both companies said this would be achieved through attrition, not lay-offs.

- Greater stability in industrial sales, which accounted for 37 percent of CEI's revenues last year and 36 percent of TE's. The diversity of the two service territories would help reduce fluctuations in industrial demand during

periods of economic downturn. Toledo Edison's major industrial customers include refineries and glass makers while CEI serves many chemical companies. Both utilities serve the steel and auto industries.

--Broader capability in dealing with other utilities. The two-company affiliation will permit coordination in buying and selling activities in bulk power markets. The combination will provide for electricity transfers through one system crossing Ohio from Indiana and Michigan to Pennsylvania and on to the East Coast.

The holding company concept is not new to Ohio. Columbus and Southern Ohio Electric Company of Columbus and Ohio Power Company of Canton both are wholly-owned subsidiaries of American Electric Power, a holding company headquartered in Columbus.

"To sum it up," Williamson said, "the CEI-Toledo Edison affiliation will result in a streamlined, efficient, financially strong organization. An \$8-billion company obviously will have more visibility and credibility in the marketplace. And, because electric rates will be held down, the ultimate beneficiary is every person who uses electricity in Northern Ohio.

CEI's financial advisor in the transaction is Morgan Stanley & Co., Inc. Toledo Edison's is Merrill Lynch Capital Markets.

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For further information contact:

CEI Media Relations, (216) 623-1060

Toledo Edison Media Relations, (419) 249-5043