



THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

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Robert M. Ginn
CHAIRMAN OF THE BOARD

December 20, 1985

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

RE: Perry Nuclear Power Plant
Docket Nos. 50-440; 50-441

Dear Mr. Denton:

During the December 17, 1985 meeting with you and the members of your staff, you asked that we provide additional information on the pending affiliation between The Cleveland Electric Illuminating Company (CEI) and The Toledo Edison Company (TE) and how it would affect the management of the Perry Nuclear Power Plant. The affiliation has been approved by the shareholders of both companies and is awaiting approval by the Securities and Exchange Commission.

We have previously furnished to the Commission by letters dated August 14, 1985 and November 13, 1985 the Registration Statement under the Securities Act of 1933 (Form S-4), the Application under the Public Utility Holding Company Act of 1935 (Form U-1) and Amendment No. 1 to Form U-1. These documents describe in some detail the affiliation, including some of the longer-term organizational changes which may be implemented with it.

The affiliation will involve the formation of a holding company, Centerior Energy Corporation, which will own all of the common stock of CEI and TE. The holders of CEI and TE common stock will become common stockholders of Centerior. CEI and TE will become subsidiaries of Centerior and will continue as electric utility companies with basically the same employees and management structure within the nuclear operations. A service company will also be formed as a wholly-owned subsidiary of Centerior.

As we have stated, the affiliation itself will not involve any significant changes with respect to the management of Perry. The plant operating personnel will remain employees of CEI. The existing CEI management organization for Perry will remain unchanged except that the Vice President, Nuclear Group (Murray Edelman) will report to the President (Robert Farling, currently CEI's Vice President, Administrative Services), instead of to the Executive Vice President (Harold Williams).

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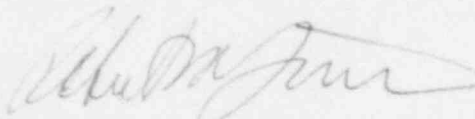
December 20, 1985

The President of CEI will report directly to the Chief Executive Officer of Centerior, in the same way that the Executive Vice President of CEI currently reports to the Chief Executive Officer of CEI. As Chief Executive Officer of Centerior, I will report to Centerior's Board of Directors. The attached figure illustrates the existing management organization and the management organization immediately following the affiliation, as it affects Perry. As Chief Executive Officer of Centerior, I will assure that the President of CEI and the Vice President, Nuclear Group maintain the same direct and frequent access to me that the Executive Vice President and the Vice President, Nuclear Group have had throughout the course of the construction phase of the Perry project.

When the affiliation goes into effect, we anticipate that the service company will take over certain functions now separately performed by CEI and TE. These include system planning and Engineering, system dispatch, financial planning, management information systems, legal and rate regulatory affairs. Because CEI's Nuclear Group has been concentrating all its efforts on readying Perry for operation, decisions on the role of the service company with respect to Perry have not yet been made. Not until Unit 1 reaches full operational status will recommendations be made on possible structural changes affecting the management of Perry. Until that time, no Nuclear Group functions significantly affecting the operation of Perry will be transferred to the service company.

Although these decisions have not yet been made, you have asked about possible future roles for the service company. One such role would be to have CEI's Nuclear Operations Division Vice-President report to a Vice-President, Nuclear within the service company for matters of policy, major engineering changes and other major technical matters affecting the long-term operation of the plant, while reporting to CEI's President for routine operating and administrative matters. The concept of dual reporting is currently in place for other operating nuclear plants and would allow the centralization of important nuclear functions within the service company. Currently the Nuclear Operations Division Vice President reports only to the Nuclear Group Vice President. Let me repeat that no decisions on the service company's role with respect to Perry have been made. We will keep you fully informed as our evaluation proceeds. Of course, we plan to request appropriate amendments to the Perry operating license in the event such amendments were required to implement future management organization changes.

Very truly yours,



Robert M. Ginn,
Chief Executive Officer

RMG:ap

Enclosure

cc: J. G. Keppler