



FirstEnergy Nuclear Operating Company

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President and Chief Nuclear Officer

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May 30, 2006
L-06-071
Serial Number 3261
PY-CEI/NRR-2957L

10 CFR 50.80
10 CFR 2.390
10 CFR 9.17

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Director, Office of Nuclear Reactor Regulation
Washington, DC 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
Revised Financial Information Associated with an Order Approving Transfer of
Licenses to FirstEnergy Nuclear Generation Corp. (TAC NOS. MC7005, MC7006,
MC7007, MC7223, MC7224, MC7225, and MC7226)

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 NRC requesting an Order consenting to the transfer of Penn Power's ownership interests in Beaver Valley Power Station, Units No. 1 and 2 (BVPS 1 and 2) and 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 an Order consenting to the transfer of Ohio Edison's, OES Nuclear's, Cleveland Electric's, and Toledo Edison's ownership interests in BVPS 1 and 2, Perry, and Davis-Besse Nuclear Power Station, Unit No. 1 (Davis-Besse) to FENGenCo.

The NRC approved the transfers to FENGenCo on December 16, 2005.¹

¹ Order Superseding Order of November 15, 2005 Approving Transfer of Licenses and Conforming Amendments (December 16, 2005)("December 16 Order").

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During the preparation of an application for an indirect transfer of FENGenCo to a subsidiary of FirstEnergy Corp. (FirstEnergy), FENOC identified discrepancies in the five-year *pro forma* income statements and opening balance sheet that were included in the original FENGenCo applications.

The issue was entered into the FENOC Corrective Action Program. Based upon a review of the issue, it was determined that two errors of substance had occurred. First, a numerical transposition error in the debt-to-equity ratio was made in the financial model, which resulted in the revenue projections being greater than had the proper ratios been used. Second, there was a misalignment between the NRC submittals and an associated Federal Energy Regulatory Commission (FERC) submittal regarding FERC Account 411 that caused the operating revenue projections to be greater than those stated in the NRC submittals had the actual FERC-approved rate structure been used. Additionally, FENOC identified other errors that had minimal impact upon the financial projections. None of these errors resulted in changes to the overall conclusions used to support the transfer request.

NRC regulation 10 CFR 50.9, "Completeness and Accuracy of Information," requires that information provided to the NRC be complete and accurate in all material respects. It was determined that the inaccurate information did not have a significant implication for public health and safety. Although specific notification of the NRC was not required, the NRC was contacted on March 30, 2006 and made aware of the errors in the submittals.

FENGenCo's corrected five-year *pro forma* income statements and balance sheet are reflected in Enclosures 1 (non-proprietary version) and 2 (proprietary version). The revised *pro forma* financial documents were independently reviewed by FirstEnergy personnel not involved in preparation of the initial documents to provide a measure of assurance of their accuracy.

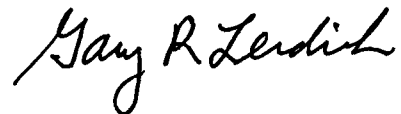
FENOC believes the NRC staff's finding of financial qualifications for FENGenCo, as described within the Safety Evaluation contained within the December 16, 2005 Order, remains valid, because FENGenCo is projected to continue to earn revenues in excess of its operating and maintenance expenses during each of the five years, and because of a \$400 million support agreement from FirstEnergy that was described in the original submittals and that is unaffected by the revised financial documents.

The income statements and balance sheet contained in Enclosure 2, Exhibits A and B, include proprietary financial information of the type not routinely disclosed to the public. Accordingly, FENOC requests that Enclosure 2 be withheld from public disclosure pursuant to 10 CFR 2.390 and 10 CFR 9.17. An affidavit supporting the request for withholding Enclosure 2 from public disclosure is provided with the enclosure. Redacted versions of the exhibits, suitable for public disclosure, are included in Enclosure 1.

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If there are any questions or if additional information is required, please contact Mr. Gregory A. Dunn, Manager - FENOC Fleet Licensing, at (330) 315-7243.

Very truly yours,



Attachments:

1. Affirmation of Gary R. Leidich
2. Regulatory Commitments

Enclosures:

1. FirstEnergy Nuclear Generation Corp. Pro Forma Income Statements and December 31, 2005 Balance Sheet - Non-Proprietary Version
2. FirstEnergy Nuclear Generation Corp. Pro Forma Income Statements and December 31, 2005 Balance Sheet - Proprietary Version

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 (without Enclosure 2)
L.E. Ryan, BRP/DEP (without Enclosure 2)
N. Dragani, Executive Director, Ohio Emergency Management Agency, State of Ohio
(NRC Liaison) (without Enclosure 2)
Utility Radiological Review Board (without Enclosure 2)

Affirmation of Gary R. Leidich

I, Gary R. Leidich, being duly sworn, state that I am the President and Chief Nuclear Officer for FirstEnergy Nuclear Operating Company ("FENOC"), that I am authorized to sign and file this document with the Nuclear Regulatory Commission on behalf of FENOC and its affiliates, and that the statements made and the matters set forth herein pertaining to FENOC and its affiliates are true and correct to the best of my knowledge, information, and belief.

FirstEnergy Nuclear Operating Company

Gary R. Leidich

Gary R. Leidich
President and Chief Nuclear Officer

STATE OF Ohio
COUNTY OF Summit

Subscribed and sworn to before me, a Notary Public, in and for the County and State above named, this 30 day of May.

Cathy R. Hudak

My Commission Expires:

CATHY HUDAK
Notary Public
State of Ohio

My Commission Expires Oct. 17, 2007

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, Davis-Besse Nuclear Power Station, Unit No.1, and Perry Nuclear Power Plant, Unit No. 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 A. Dunn, Manager - FENOC, Fleet Licensing, at (330) 315-7243 for any questions regarding this document or associated regulatory commitments.

Commitment	Due Date
None.	N/A

Enclosure 1
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FIRSTENERGY NUCLEAR GENERATION CORP.

**PRO FORMA INCOME STATEMENTS
AND
DECEMBER 31, 2005 BALANCE SHEET**

NON-PROPRIETARY VERSION

Exhibit A

**FirstEnergy Nuclear Generation Corp.
Pro Forma Income Statements
(Non-Proprietary Version)
(\$ in thousands)**

	2005 Applications					Updated Projections				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Operating Revenue¹	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Operating Expenses										
Fuel	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Purchased Power	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Nuclear Operating Costs	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Property Taxes	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Depreciation and Amortization	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Other Operating Costs	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Total Operating Expenses	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Operating Income	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Other Income/(Expense):										
Interest Expense	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Capitalized Interest	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Other, net	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Total Other Expense, net	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Income Before Income Taxes	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Income Taxes	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]
Net Income	[]	[]	[]	[]	[]	[]	[]	[]	[]	[]

¹ Certain accretion costs are included in the Operating Revenue projections that are included in the Federal Energy Regulatory Commission (FERC) Account 411, and this account is not currently included in the FERC-approved rates. FirstEnergy is planning to make a submission to the FERC to obtain approval to include Account 411 (net of decommissioning trust income in Account 419) in the rates, and these net costs, therefore, continue to be reflected in the updated projections for Operating Revenues.

	Variance				
	2006	2007	2008	2009	2010
Operating Revenue	[]	[]	[]	[]	[]
Operating Expenses					
Fuel	[]	[]	[]	[]	[]
Purchased Power	[]	[]	[]	[]	[]
Nuclear Operating Costs	[]	[]	[]	[]	[]
Property Taxes	[]	[]	[]	[]	[]
Depreciation and Amortization	[]	[]	[]	[]	[]
Other Operating Costs	[]	[]	[]	[]	[]
Total Operating Expenses	[]	[]	[]	[]	[]
Operating Income	[]	[]	[]	[]	[]
Other Income/(Expense):					
Interest Expense	[]	[]	[]	[]	[]
Capitalized Interest	[]	[]	[]	[]	[]
Other, net	[]	[]	[]	[]	[]
Total Other Expense, net	[]	[]	[]	[]	[]
Income Before Income Taxes	[]	[]	[]	[]	[]
Income Taxes	[]	[]	[]	[]	[]
Net Income	[]	[]	[]	[]	[]

Exhibit B
FirstEnergy Nuclear Generation Corp.
Balance Sheet
As of December 31, 2005
(Non-Proprietary Version)
(\$ in thousands)

ASSETS	<u>2005 Applications - Pro Formas</u>			<u>Actual</u>
	<u>Penn Power</u>	<u>Ohio Companies</u>	<u>Consolidated</u>	<u>Consolidated</u>
UTILITY PLANT:				
In service	[]	[]	[]	[]
Less-Accumulated provision for depreciation	[]	[]	[]	[]
	[]	[]	[]	[]
Construction work in progress-				
Electric Plant	[]	[]	[]	[]
Nuclear Fuel	[]	[]	[]	[]
	[]	[]	[]	[]
	[]	[]	[]	[]
OTHER PROPERTY AND INVESTMENTS:				
Nuclear plant decommissioning trusts	[]	[]	[]	[]
Long-term notes receivable from associated companies	[]	[]	[]	[]
	[]	[]	[]	[]
CURRENT ASSETS:				
Cash and cash equivalents	[]	[]	[]	[]
Receivables-	[]	[]	[]	[]
Associated companies	[]	[]	[]	[]
Notes receivable from associated companies	[]	[]	[]	[]
Materials and supplies, at average cost	[]	[]	[]	[]
Prepayments and other	[]	[]	[]	[]
	[]	[]	[]	[]
DEFERRED CHARGES:				
Other	[]	[]	[]	[]
	[]	[]	[]	[]
	[]	[]	[]	[]

	2005 Applications - Pro Formas			Actual
	<u>Penn Power</u>	<u>Ohio Companies</u>	<u>Consolidated</u>	<u>Consolidated</u>
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION:				
Common stockholder's equity-				
Common stock, no par value, 100 shares authorized and outstanding	[]	[]	[]	[]
Accumulated Other Comprehensive Income	[]	[]	[]	[]
Accumulated deficit	[]	[]	[]	[]
Total common stockholder's equity	[]	[]	[]	[]
Long-term notes payable to associated companies	[]	[]	[]	[]
Long-term debt and other long-term obligations	[]	[]	[]	[]
CURRENT LIABILITIES:				
Currently payable long-term debt	[]	[]	[]	[]
Accounts payable-				
Associated companies	[]	[]	[]	[]
Other	[]	[]	[]	[]
Notes payable to associated companies	[]	[]	[]	[]
Accrued taxes	[]	[]	[]	[]
Accrued interest	[]	[]	[]	[]
Other	[]	[]	[]	[]
NONCURRENT LIABILITIES:				
Accumulated deferred income taxes	[]	[]	[]	[]
Asset retirement obligation	[]	[]	[]	[]
Other	[]	[]	[]	[]
COMMITMENTS AND CONTINGENCIES				
	[]	[]	[]	[]

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**THIS ENCLOSURE CONTAINS CONFIDENTIAL MATERIAL
TO BE WITHHELD FROM PUBLIC DISCLOSURE
PURSUANT TO 10 CFR 2.390 AND 9.17(a)(4)**

**FIRSTENERGY NUCLEAR GENERATION CORP.
PRO FORMA INCOME STATEMENTS
AND
DECEMBER 31, 2005 BALANCE SHEET
PROPRIETARY VERSION**

Affidavit of Gary R. Leidich

I, Gary R. Leidich, President and Chief Nuclear Officer state that:

1. I am authorized to execute this affidavit on behalf of FirstEnergy Nuclear Operating Company ("FENOC") and its affiliates.
2. FENOC is providing information in support of its "Order Approving Transfer of Licenses to FirstEnergy Nuclear Generation Corp." The Proprietary Versions of Exhibits A and B being provided in this enclosure contain financial *pro forma* statements related to anticipated revenues from sales of energy and capacity from Beaver Valley Power Station, Units 1 & 2, Davis-Besse Nuclear Power Station, Unit No. 1, and Perry Nuclear Power Plant, Unit No. 1; and confidential information regarding anticipated assets, liabilities and capital structure at the time of transfer. These documents constitute proprietary commercial and financial information that should be held in confidence by the NRC pursuant to the policy reflected in 10 CFR 2.390(a)(4) and 9.17(a)(4), because:
 - a. This information is and has been held in confidence by FENOC and its affiliates.
 - b. This information is of a type that is held in confidence by FENOC and its affiliates, and there is a rational basis for doing so because the information contains sensitive financial competitive information concerning FENOC's affiliates' anticipated revenues and operating expenses.
 - c. This information is being transmitted to the NRC in confidence.
 - d. This information is not available in public sources and could not be gathered readily from other publicly available information.
 - e. Public disclosure of this information would create substantial harm to the competitive position of FENOC by disclosing its internal financial pro form statements and the commercial terms of a unique transaction to other parties whose commercial interests may be adverse to those of FENOC.

3. Accordingly, FENOC requests that the designated documents be withheld from public disclosure pursuant to the policy reflected in 10 CFR 2.390(a)(4) and 9.17(a)(4).

FirstEnergy Nuclear Operating Company

Gary R. Ledich
Gary R. Ledich
President and Chief Nuclear Officer

STATE OF Ohio County Summit
CITY OF Akron

Subscribed and sworn to before me, a Notary Public, in and for the County and State above named, this 30 day of May.

Cathy R. Hudak

My Commission Expires: _____

CATHY HUDAK
Notary Public
State of Ohio
My Commission Expires Oct. 17, 2007