

CONFIDENTIAL FINANCIAL INFORMATION TO BE WITHHELD FROM PUBLIC  
DISCLOSURE PURSUANT TO 10 CFR 2.390 AND 10 CFR 9.17



341 White Pond Drive  
Akron, Ohio 44320

*Samuel L. Belcher*  
President & Chief Nuclear Officer

330-436-1393

March 16, 2017  
L-17-085

10 CFR 50.80  
10 CFR 50.90

ATTN: Document Control Desk  
U. S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

**SUBJECT:**

Beaver Valley Power Station, Unit No. 2  
Docket No. 50-412, License No. NPF-73  
Supplemental Information Regarding Pending Application for Order  
Consenting to Transfer of Licenses and Approving Conforming  
License Amendments (CAC No. MF 78066)

By letter dated June 24, 2016 (Accession No. ML16182A155) and supplemented by letters dated September 13, 2016 (Accession No. ML16257A235) and December 15, 2016 (Accession No. ML16350A077), FirstEnergy Nuclear Operating Company (FENOC) acting as agent for and on behalf of FirstEnergy Nuclear Generation, LLC (FENGen), The Toledo Edison Company (TE), and the Ohio Edison Company (OE), submitted an application to the Nuclear Regulatory Commission (NRC) requesting consent to the transfer of the leased interests in Beaver Valley Power Station, Unit No. 2 (BVPS-2) and approval of an administrative amendment to conform the license to reflect the proposed transfer (the Application).

On February 21, 2017 FirstEnergy Corp. (FE) and FirstEnergy Solutions Corp. (FES) filed a U. S. Securities and Exchange Commission Form 10-K providing the FE and FES annual report for the fiscal year ending on December 31, 2016. These results are compared below to the financial information provided in the Application currently under NRC review. In the table below, the column titled "INITIAL" reflects the financial information reported in the initial application and related supplements. The column titled "CURRENT" reflects the most recently reported FE and FES financial information.

Enclosure C to this letter contains confidential financial information.  
Withhold from public disclosure under 10 CFR 2.390 and 10 CFR 9.17.  
Upon removal of Enclosure C, this letter is uncontrolled.

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DISCLOSURE PURSUANT TO 10 CFR 2.390 AND 10 CFR 9.17

Beaver Valley Power Station, Unit No. 2  
L-17-085  
Page 2

|   | <u>INITIAL</u>               | <u>CURRENT</u>   |
|---|------------------------------|------------------|
| FE Revenue                                    | \$15 billion                 | \$14.56 billion  |
| FE Net Income (Loss)                          | \$578 million                | (\$6.18 billion) |
| FES Revenue                                   | \$5 billion                  | \$4.4 billion    |
| FES Net Income (Loss)                         | \$82 million                 | (\$5.46 billion) |
| FES Property, Plant, Equipment <sup>(1)</sup> | \$8.5 billion                | \$1.13 billion   |
| FES Stockholder Equity                        | \$5.6 billion <sup>(2)</sup> | \$218 million    |

Note (1) – Net Property, Plant, and Equipment in service.

Note (2) – This is the value that should have been used in the original application.  
See the FES stockholder equity discussion below.

The 2016 FE and FES net losses and the 2016 FES net property, plant and equipment values reflect a non-cash pre-tax impairment charge to FE of \$9.2 billion (\$8.1 billion for FES) in the fourth quarter of 2016 to reduce the carrying value of certain assets to their estimated fair value, including long-lived assets, such as generating plants (including the nuclear plants) and nuclear fuel, as well as other assets, such as materials and supplies.

The power supply agreement (PSA) between FENGen and FES described in the Application remains in place. Under the PSA, FENGen receives substantially all of its revenue from FES on a cost of service basis. Therefore, FENGen will recover its operating, maintenance and capital costs associated with the BVPS-2 interests of 18.26% and 21.66% being transferred from TE and OE, respectively, together with its other nuclear power facilities. However, due to the impairment described in the preceding paragraph, which impacts the asset base upon which the equity return associated with the cost of service formula in the power supply agreement is calculated, the FENGen five-year pro forma income statement provided in Exhibit G to the original application has been materially affected; as such, an updated pro forma income statement is provided in Enclosure C (titled proprietary Exhibit G).

This financial information is confidential financial information, and FENOC requests that Enclosure C be withheld from public disclosure pursuant to 10 CFR 2.390(a)(4) and 10 CFR 9.17(a)(4). A redacted version of Enclosure C suitable for public disclosure is provided in Enclosure A. An affidavit supporting the request for withholding Enclosure C from public disclosure is provided in Enclosure B.

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Beaver Valley Power Station, Unit No. 2  
L-17-085  
Page 3

Also, during the comparison between the two years FENOC determined that the FES stockholder equity reported in the original submittal as \$3.6 billion should have been reported as \$5.6 billion. In the December 15, 2016 supplement, a similar issue existed. The value that was reported was \$3.6 billion when it should have been reported as \$5.41 billion. This administrative error (selecting the incorrect value from the financial reports) has been entered into the FENOC corrective action program. The current FES stockholder equity of \$218 million reflects the impairment charges described above.

The 10-K stated that FES has entered into a two-year secured credit facility with FE in which FE provided a committed line of credit to FES of up to \$500 million and \$200 million of surety credit support. Likewise, the \$400 million financial support agreement from FES to FENGen has been maintained.

Notwithstanding the noted impairment, the conclusion of the key FES financial qualification information relevant to the proposed BVPS-2 license transfer remains unchanged. The pro forma income statement provided in Enclosure C continues to show that FENGen's expected revenues will cover FENGen's estimated annual operating costs for the five-year period. In addition, the \$400 million FES support agreement remains in place. Lastly, the sufficiency of the BVPS-2 decommissioning trust fund remains unaffected with the most recent results to be reported in accordance with 10 CFR 50.75(f) to the NRC by March 31, 2017.

Since the December 15, 2016 submittal, there have been additional director and executive personnel changes at FE and FES. The directors and executive personnel for the aforementioned two companies are United States citizens.

There are no regulatory commitments contained in this letter. If there are any questions, or if additional information is required, please contact Mr. Thomas A. Lentz, Manager – Fleet Licensing, at 330-315-6810.

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DISCLOSURE PURSUANT TO 10 CFR 2.390 AND 10 CFR 9.17

Beaver Valley Power Station, Unit No. 2  
L-17-085  
Page 4

I declare under penalty of perjury that the foregoing is true and correct. Executed on  
March 16, 2017.

Sincerely,



Samuel L. Belcher

Enclosures:

- A. Non-Proprietary Exhibit G
- B. Affidavit
- C. Proprietary Exhibit G

cc: Director, NRR (without Enclosure C)  
NRC Region I Administrator (without Enclosure C)  
NRC Resident Inspector (without Enclosure C)  
NRR Project Manager (without Enclosure C)  
Director BRP/DEP (without Enclosure C)  
Site BRP/DEP Representative (without Enclosure C)

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Enclosure A  
L-17-085

Non-Proprietary Exhibit G  
(One page follows)

**EXHIBIT G (Non-Proprietary Version) <sup>(1)</sup>**  
**FirstEnergy Nuclear Generation, LLC**  
**Pro Forma Income Statements**  
**(\$ in millions)**

|                                       | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------------|------|------|------|------|------|
| <b>Operating Revenues</b>             | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| <b>Operating Expenses:</b>            |      |      |      |      |      |
| Fuel                                  | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| Purchased Power                       | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| O&M Expenses                          | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| General Taxes                         | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| Depreciation                          | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| <b>Total Operating Expenses</b>       | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| <b>Operating Income</b>               | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| <b>Other Income (Expenses):</b>       |      |      |      |      |      |
| Investment Income                     | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| Interest Expense                      | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| AFUDC <sup>(2)</sup>                  | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| <b>Total Other Income (Expenses)</b>  | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| <b>Income Before Income Taxes</b>     | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| Income Taxes                          | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| <b>GAAP <sup>(3)</sup> Net Income</b> | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |

Note:

- (1) Information contained within the brackets [ ] is considered proprietary.
- (2) AFUDC = Allowance for Funds Used During Construction
- (3) GAAP = Generally Accepted Accounting Principles

Enclosure B  
L-17-085

Affidavit  
(Two pages follow)

**10 CFR 2.390**

**10 CFR 9.17**

**AFFIDAVIT OF SAMUEL L. BELCHER**

I, Samuel L. Belcher, Chairman of the FirstEnergy Nuclear Operating Company (FENOC) Board, President of FENOC and Chief Nuclear Officer of FENOC state that:

1. I am authorized to execute this affidavit on behalf of FENOC and its affiliates.
  
2. FENOC is providing information in support of its "Application for Order Consenting to Transfer of License and Approving Conforming License Amendments." The Proprietary Version of Exhibit G being provided in Enclosure C of this submittal contains financial *pro forma* statements related to anticipated revenues from sales of energy and capacity from Beaver Valley Power Station, Unit No. 2 (BVPS-2) and confidential information regarding anticipated assets, liabilities and capital structure at the time of transfer. The information sought to be withheld in the Proprietary Version of Exhibit G is identified by being enclosed inside square brackets [ ]. The Proprietary Version of Exhibit G contains proprietary financial information that should be held in confidence by the Nuclear Regulatory Commission (NRC) pursuant to the policy reflected in 10 CFR 2.390(a)(4) and 10 CFR 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 forma* 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 10 CFR 9.17(a)(4).

FirstEnergy Nuclear Operating Company

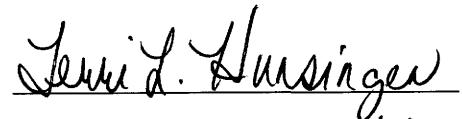


Samuel L. Belcher  
Chairman of the Board, President, and Chief  
Nuclear Officer

STATE OF OHIO

COUNTY OF SUMMIT

Subscribed and sworn to me, a Notary Public, in and for the State and County above named, this 16<sup>th</sup> day of March 2017.



My Commission Expires: 5/5/21



Terri L. Hunsinger  
Resident Summit County  
Notary Public, State of Ohio  
My Commission Expires: 5/05/2021