



**CENTERIOR
ENERGY**

PERRY NUCLEAR POWER PLANT

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VICE PRESIDENT - NUCLEAR

June 2, 1994
PY-CEI/NRR-1794L

U. S. Nuclear Regulatory Commission
Document Control Desk
Washington, D. C. 20555

Perry Nuclear Power Plant
Docket No. 50-440
License Amendment Application to Revise
the Facility Operating License to
Reflect the Proposed Merging of
Operating Companies

Gentlemen:

Enclosed is an application for an amendment to the Perry Nuclear Power Plant (PNPP) Unit Number 1 Operating License Number NPF-58. The proposed changes reflect the proposed merger of the Toledo Edison Company into the Cleveland Electric Illuminating Company. The Cleveland Electric Illuminating Company and the Toledo Edison Company are operating companies of the Centerior Energy Corporation. The Cleveland Electric Illuminating Company, the Toledo Edison Company, and the Centerior Service Company are wholly-owned subsidiaries of the Centerior Energy Corporation.

The company formed from the merger is intended to be renamed; however, the name of the combined operating company is yet to be determined. Therefore, the enclosure utilizes the nomenclature "NEWCO" as a temporary substitute for the name of the combined operating company. The name of the combined operating company will be provided later by supplemental letter.

This license amendment application proposes that Operating License Number NPF-58 be amended to replace the Cleveland Electric Illuminating Company and the Toledo Edison Company with NEWCO as a licensee, to designate NEWCO as an owner of PNPP, and to make other administrative changes to the license, as described in the enclosure. Centerior Service Company is not a licensee and is not affected by these proposed changes.

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Operating Companies
Cleveland Electric Illuminating
Toledo Edison

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The proposed merger requires approval of other regulatory agencies in addition to the Nuclear Regulatory Commission (NRC). The NRC Project Manager for PNPP will be kept informed of the progress made by the other regulatory agencies. The NRC will be provided written notice proposing an effective date and a required implementation date for the amendment. The merger is planned to be completed by the end of 1994, so that NEWCO can come into corporate existence on January 1, 1995. Accordingly, it is requested that the NRC approve this amendment by November 30, 1994, conditioning its effectiveness upon receipt of the other necessary regulatory approvals and upon consummation of the merger.

If you have questions or require additional information, please contact Mr. J. D. Kloosterman, Manager - Regulatory Affairs, at (216) 280-5833.

Very truly yours,



RAS:RMC:sc

Enclosure and Attachments

cc: Regional Administrator, NRC Region III
PNPP NRC Senior Resident Inspector
PNPP NRC/NRR Project Manager
J. R. Williams, Chief of Staff, Ohio Emergency Management Agency,
State of Ohio (NRC Liaison)
Utility Radiological Safety Board

APPLICATION FOR AMENDMENT
TO
FACILITY OPERATING LICENSE NUMBER NPF-58
PERRY NUCLEAR POWER PLANT
UNIT NUMBER 1

Attached are the requested changes to the Perry Nuclear Power Plant, Unit Number 1 Facility Operating License Number NPF-58. Also included is the Safety Assessment and Significant Hazards Consideration and the Environmental Consideration.

The proposed changes (submitted under cover letter PY-CEI/NRR-1794L) concern:

Facility Operating License Number NPF-58, Paragraphs 1.A, 1.E, 2, 2.A, 2.B, 2.C, 2.D, 2.E, 2.F, Attachment 1, Attachment 2, Appendix A Cover Sheet, Appendix B Cover Sheet, and Appendix C.

The following information is provided to support issuance of the requested changes to Perry Nuclear Power Plant (PNPP), Unit Number 1, Facility Operating License Number NPF-58.

I. INTRODUCTION

In March, 1994, the Boards of Directors of Centerior Energy Corporation, the Cleveland Electric Illuminating Company (CEI), and the Toledo Edison Company (TE) approved the filing of the necessary applications to merge the operating company subsidiaries, CEI and TE. TE will be merged into CEI. The name of the combined operating company is yet to be determined. The nomenclature "NEWCO" is used herein as a temporary substitute for the name of the combined operating company. The Agreement of Merger is provided for reference as Attachment 1.

The Cleveland Electric Illuminating Company, the Toledo Edison Company, the Duquesne Light Company, the Ohio Edison Company, the Pennsylvania Power Company (collectively the owners) and the Centerior Service Company (CSC) are the holders of Facility Operating License Number NPF-58 for PNPP. The operating license authorizes the owners to possess PNPP, and authorizes CEI and CSC as agents for the owners to use and operate PNPP in accordance with the conditions, limitations, and procedures set forth in the operating license. CEI is the operator of PNPP and CSC presently has senior management responsibility for nuclear activities at PNPP. CSC is the existing service company subsidiary of Centerior Energy Corporation.

II. REQUESTED REGULATORY ACTION

This application requests that the Nuclear Regulatory Commission (NRC) amend the PNPP Operating License NPF-58 to authorize:

- (1) NEWCO, pursuant to Section 103 of the Atomic Energy Act of 1954, as amended (the Act), and 10 CFR Part 50 "Domestic Licensing of Production and Utilization Facilities," to possess, use, and operate the PNPP at the designated location in Lake County, Ohio, in accordance with the procedures and limitations set forth in this license;
- (2) Duquesne Light Company, Ohio Edison Company, Pennsylvania Power Company, and NEWCO pursuant to the Act and 10 CFR Part 50, to possess the facility at the designated location in Lake County, Ohio, in accordance with the procedures and limitations set forth in the operating license;
- (3) NEWCO, pursuant to the Act and 10 CFR Part 70, to receive, possess, and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;

- (4) NEWCO, pursuant to the Act and 10 CFR Parts 30, 40, and 70, to receive, possess and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration and as fission detectors in amounts as required;
- (5) NEWCO, pursuant to the Act and 10 CFR Parts 30, 40, and 70 to receive, possess and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
- (6) NEWCO, pursuant to the Act and 10 CFR Parts 30, 40, and 70, to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.

This application also requests that the NRC amend the PNPP Operating License to designate NEWCO as an owner of PNPP, and make other administrative changes to the license. Each of these changes is described in detail in Attachment 2.

As described in Attachment 2, the proposed changes have been reviewed pursuant to the standards provided in 10 CFR 50.92(c), and it has been determined that the proposed changes do not involve a significant hazards consideration.

An Environmental Assessment has been prepared and is included as Attachment 3. As described in Attachment 3, the proposed license amendment has been reviewed against the criteria of 10 CFR 51.30 for an environmental assessment. The proposed amendment does not involve a significant hazards consideration, does not increase the types or amounts of effluents that may be released offsite, and does not increase individual or cumulative occupational radiation exposures. Accordingly, it has been found that the proposed license amendment, if approved by the Nuclear Regulatory Commission, will have no significant impact on the environment and that no Environmental Impact Statement is required.

III. GENERAL INFORMATION

- A. Name: As noted above, the name of the combined operating company from the merger is yet to be determined. The nomenclature "NEWCO" is used herein as a temporary substitute for the name of the combined operating company.
- B. Address: 6200 Oak Tree Boulevard
Independence, Ohio 44131

C. Description of Business or Occupation

NEWCO will be a wholly-owned subsidiary of the Centerior Energy Corporation. NEWCO will provide electrical service on a retail and wholesale basis. Upon receipt of necessary regulatory approvals, NEWCO and CSC, as licensees, will have exclusive responsibility and control over the physical construction, operation, and maintenance of the PNPP.

NEWCO will become similarly responsible for another licensed and operating nuclear plant, the Davis-Besse Nuclear Power Station (DBNPS); however, this action will be dealt with in a separate license amendment application.

D. Organization and Management of the Operating Company

NEWCO will be a corporation to be organized and existing under the laws of the State of Ohio. CSC will continue to provide senior management responsibility for nuclear activities at PNPP. Centerior Energy Corporation, CSC, and NEWCO are neither owned, controlled nor dominated by an alien, a foreign corporation nor a foreign government.

The prospective directors and principal officers of NEWCO are citizens of the United States. Their names and addresses are as follows:

Directors

Robert J. Farling
Chairman of the Board
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Murray R. Edelman, President
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Fred J. Lange, Jr., Vice President
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Principal Officers

Robert J. Farling
Chief Executive Officer
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Murray R. Edelman, President
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Gary R. Leidich,
Vice President and Chief Financial Officer
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Fred J. Lange, Jr., Vice President
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Terrence G. Linnert, Vice President
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Paul G. Busby, Controller
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Gary M. Hawkinson, Treasurer
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

E. Lyle Pepin, Secretary
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Janis T. Percio, Assistant Secretary
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Barbara A. Frastaci, Assistant Treasurer
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

Delores Hargrove, Assistant Treasurer
Centerior Energy Corporation
6200 Oak Tree Boulevard
Independence, Ohio 44131

The present PNPP nuclear organization consists of four departments staffed by CEI personnel: Nuclear Power Plant (including Operations), Nuclear Engineering, Nuclear Assurance,

and Nuclear Services. These four departments report to the CSC Vice President, Nuclear - Perry, who reports to the CSC Senior Vice President, Nuclear. When the necessary regulatory approvals are obtained and the merger is consummated, the present PNPP organization will be transferred intact from CEI to NEWCO, and will continue to report to CSC, as shown in Attachment 4. The reporting relationships will remain unchanged, and the nuclear organization will continue to have clear and direct lines of responsibility and authority.

E. Technical Qualifications

The technical qualifications of NEWCO to fulfill its responsibilities under the proposed amended Operating License are consistent with the present technical qualifications of CEI because the proposed merger will involve no change in personnel responsibilities. When the necessary regulatory approvals are obtained and the merger is consummated, the PNPP nuclear organization will be transferred intact from CEI to NEWCO. The nuclear organization will continue to report to CSC. Key personnel at PNPP would remain the same under the change.

When the merger is consummated, NEWCO and CSC will continue to operate, manage, and maintain PNPP in accordance with the conditions and requirements established by the NRC, with the same regard for public and personal safety heretofore exemplified by CEI and CSC. The existing and continued organizational structure provides clear lines of authority and responsibility while ensuring that essential nuclear support functions provided by NEWCO and CSC are dedicated to PNPP.

The effectiveness of the organization will not be degraded by the merger. Plant-specific needs will continue to be addressed. Existing priorities and ongoing plant improvement projects will be maintained.

In summary, the technical qualifications will remain equivalent to those currently existing.

F. Benefits of Proposed License Amendment

In April, 1986, CEI and TE became affiliated through the creation of a parent holding company, Centerior Energy Corporation, and the subsequent mergers of CEI and TE into wholly-owned subsidiaries of Centerior Energy Corporation. Shortly after the consummation of this affiliation, a systematic process for integration of the two companies was begun. This process included the establishment of CSC into which substantially all of the administrative and management functions of CEI and TE were transferred.

Although significant cost savings have already been realized due to this affiliation, it is anticipated that additional incremental savings will be obtained through the actual merger of

the two operating utilities. Currently, it remains necessary to prepare two separate sets of audited financial statements on a yearly basis. Following the merger, only a single set of audited statements will be required. Furthermore, separate rate cases and fuel cases will no longer be necessary, and additional savings will be realized in the areas of external financing, advertising, and marketing.

G. Financial Aspects

CEI and TE are both Ohio corporations operating as public utilities providing electrical service on a retail and wholesale basis. The common stock of both utilities is wholly-owned by Centerior Energy Corporation, a public utility holding company. Both utilities have preferred stock issued and outstanding, which is held publicly by individual and institutional shareholders. At the time of the merger, all of the shares of common stock of TE, wholly-owned by Centerior Energy Corporation, would be converted into newly issued shares of common stock of CEI, and the outstanding preferred shares of TE would also be exchanged for newly issued preferred shares of CEI. The CEI common and preferred stock would, in turn, be converted into shares of NEWCO. The CEI and TE generating, transmission, distribution and other facilities and assets, tangible and intangible, will by operation of law be combined in the merger process. The general use of all such facilities will remain unchanged after the merger. The facilities will continue to be used for the provision of wholesale and retail electric service. The resulting corporation, NEWCO, would assume the contractual obligations of CEI and TE. Accordingly, the merger would not have any effect on any contract for the purchase, sale or interchange of electric energy.

CEI and TE are subject to the jurisdiction of the Public Utilities Commission of Ohio (PUCO), and are seeking that agency's approval of the merger. In addition, both utilities are subject to the jurisdictional authority of the Pennsylvania Public Utilities Commission (PPUC) by virtue of their undivided ownership interests in property located in the State of Pennsylvania. Accordingly, an application for approval of the merger is also being filed with that Commission. The companies will also file with the U.S. Securities and Exchange Commission (SEC) a joint proxy statement with respect to the required meetings of their preferred stockholders, a registration statement with regard to the preferred shares to be issued by the resulting company, as well as any reports required under the securities laws and regulation. In accordance with the requirements set forth at 10 CFR 50.91(b)(1), notice will also be served on the State of Ohio by virtue of transmittal of this application, which includes the justification for reaching a conclusion that the license amendment would not involve a significant hazards consideration. Finally, the companies are submitting a filing with the U. S. Federal Energy Regulatory Commission (FERC), establishing that the merger will be

consistent with the public interest and that there are no antitrust nor other considerations that are adversely impacted by the proposed action. Copies of the filings with the various regulatory agencies will be provided to the NRC staff upon request.

NEWCO will be an "electric utility" as that term is defined by 10 CFR 50.2. Therefore, under 10 CFR 50.33(f), a full financial qualifications review of this application to amend the Operating License is not necessary. Moreover, the merging of CEI and TE, both of which were subjected to financial qualification review during initial licensing of PNPP and DBNPS, respectively, will not affect the financial qualification as previously determined. The proposed business combination would not alter the status quo with respect to the ability to obtain the funds necessary to cover costs for the operation, maintenance, repair, decontamination, and decommissioning of PNPP. Just as CEI and TE currently have joint responsibility for assuring the source of funds necessary to support the operation of the PNPP, their combined responsibility under the merger would remain the same, as would that of Centerior Energy Company, the parent company of both.

Financial responsibilities previously held by CEI and TE, including required insurance and the applicable indemnity arrangements, will be assumed by NEWCO.

The merger will not affect the corporate financial resources currently available in support of PNPP operations.

H. Antitrust Conditions

This merger is subject to separate reviews of antitrust considerations by the FERC, the PUCO, the PPUC, and the SEC. Based on the reviews of the FERC and the SEC, the proposed merger may also potentially be subject to review by the U. S. Department of Justice and the Federal Trade Commission.

The PNPP Operating License contains conditions relating to antitrust issues applicable to the current owners and licensees of the facility (see Operating License NPF-58, Conditions 2.C(3)a, 2.C(3)b, and Appendix C). NEWCO would assume the responsibilities of CEI and TE under those antitrust conditions. Those conditions would not otherwise change and would continue to apply to PNPP.

There is currently pending an appeal before the U. S. Court of Appeals for the District of Columbia Circuit. That action seeks reversal of decisions taken by the NRC and the Atomic Safety and Licensing Board pertaining to the antitrust conditions in the referenced license. The amended license would be subject to the final resolution of that matter, just as it is currently.

Given that the existing antitrust conditions incorporated into the PNPP Operating License would not be substantively altered by this amendment, and would otherwise be effective against the new owner of the facility, there is no "significant change" in the licensed activities. Accordingly, the NRC need not conduct an extensive antitrust review of the application, given the limited authority of the NRC to review license amendments as they pertain to antitrust considerations under Section 105c of the Atomic Energy Act. (See, Houston Lighting & Power Co. (South Texas Project, Units Nos. 1 and 2), CLI-77-13, 5 NRC 1303 (1977) and Florida Power & Light Co. (St. Lucie Plant, Unit 1, and Turkey Point Plant, Units 3 and 4), ALAB-428, 6 NRC 221 (1977)). Moreover, the NRC's deferral to the Federal and State agencies having primary jurisdiction over antitrust proceedings is entirely consistent with Regulatory Guide 9.3, Regulatory Staff Position Statement on Antitrust Matters. That document states, in part, as follows:

In general, reliance would be placed on the exercise of [FERC] and State agency jurisdiction regarding the specific terms and conditions of the sale of power, rates for transmission services, and such other matters as may be within the scope of their jurisdiction.

These issues will be among those addressed by the other agencies from which approval of or consent to the merger is being sought, and the NRC's reliance on these proceedings is reasonable and proper. In conclusion, the proposed merger of CEI and TE would not result in a significant change in the competitive environment in which PNPP operates.

I. Restricted Data

This application does not contain any Restricted Data or other classified defense information, and it is not expected that any such information will become involved in the licensed activities. However, in the event that such information does become involved, NEWCO agrees that it will appropriately safeguard such information and it will not permit any individual to have access to Restricted Data until the Civil Service Commission shall have made an investigation and report to the NRC on the character, associations, and loyalty of such individual, and the NRC shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security of the United States.

IV. SPECIFIC INFORMATION REGARDING ADDITIONAL ISSUES

A. Emergency Planning

Upon consummation of the merger, NEWCO will assume authority and responsibility for functions necessary to fulfill the emergency planning requirements specified in 10 CFR 50.47 and Appendix E to 10 CFR 50. No substantive changes will be made to the existing

PNPP Emergency Plan presently implemented by CEI. In addition, there will be no significant changes to the existing Emergency Planning organization as a result of the merger activity.

With respect to existing agreements for support from offsite organizations and agencies, necessary actions will be taken to ensure that such agreements will remain in force continuously during and following the transition in responsibility from CEI to NEWCO.

Because the effectiveness of the Emergency Plan will not be decreased, specific Emergency Plan and procedure changes will be submitted to the NRC within 30 days after the changes are made, in accordance with 10 CFR 50.54(q) and 10 CFR 50 Appendix E, Section V, as appropriate.

B. Offsite Power

Appendix A to 10 CFR 50, General Design Criterion 17, requires that there be a reliable source of off-site power to PNPP. The proposed merger involves no change in the design, operation, maintenance, or testing of the off-site power system. Upon consummation of the merger, NEWCO will assume and fulfill the responsibilities for control, operation, maintenance, repair, and other activities with respect to the transmission lines and the switchyard, such that adequate physically independent sources of off-site power will continue to be provided.

C. Exclusion Area

The limits of the PNPP Exclusion Area are described in the PNPP Updated Safety Analysis Report (USAR). Ownership of this area presently resides in CEI (31.11% ownership), Duquesne Light Company (13.74% ownership), Ohio Edison Company (30% ownership), Pennsylvania Power Company (5.24% ownership), and TE (19.91% ownership) as tenants in common. CEI presently has authority to exercise complete control over the Exclusion Area, to the extent required by 10 CFR 100, including the authority to control ingress and egress and to order evacuation if necessary. Upon consummation of the merger, ownership of this area will reside in NEWCO, and NEWCO will have the authority to exercise complete control over the Exclusion Area.

D. Security

The proposed license amendment will not impact compliance with the physical security requirements of 10 CFR 73 as set forth in the PNPP Nuclear Security Plan, PNPP Nuclear Security Contingency Plan, and PNPP Nuclear Security Training and Qualification Plan. Upon consummation of the merger, NEWCO will assume responsibility for implementation of all aspects of the present security program.

With respect to existing agreements for support from offsite organizations and agencies, necessary actions will be taken to ensure that such agreements will remain in force continuously during and following the transition in responsibility from CEI to NEWCO.

Because the effectiveness of the security plans will not be decreased, specific security plan and procedure changes will be submitted to the NRC within two months after the changes are made, in accordance with 10 CFR 50.54(p)(2).

E. Quality Assurance Program

Upon consummation of the merger, NEWCO will assume responsibility for present functions associated with the PNPP Quality Assurance (QA) program. The function and structure of the QA organization will not be affected as a result of the merger activity. The QA organization will continue to have the same direct access to the Chairman, President, and Chief Executive Officer of the Centerior Energy Corporation on matters related to quality.

Changes to the QA program description included in the USAR will not reduce the program commitments, and will be handled in accordance with 10 CFR 50.54(a)(3).

F. Training

Upon consummation of the merger, NEWCO will assume responsibility for implementation of the operator requalification program requirements of 10 CFR 50.54 and related sections. Changes to the program will not decrease the scope of the approved operator requalification program without the specific authorization of the NRC in accordance with 10 CFR 50.54(i-1).

The merger is not expected to affect maintenance of the Institute of Nuclear Power Operation's accreditation for licensed and non-licensed training.

G. Engineering Support

Currently, engineering support for PNPP is provided by a dedicated engineering organization. Upon consummation of the merger, the engineering functions which are currently part of CEI would transfer intact to NEWCO. Accordingly, there would be no changes in engineering support provided, and no changes in the interfaces between organizations responsible for engineering support for operations and maintenance of PNPP as a result of the merger activity. Thus, there would be no degradation of engineering support function and its integration with operations and maintenance.

V. CORRESPONDENCE

After the implementation date of this requested license amendment, all NRC correspondence related to Docket No. 50-440, including any NRC response to previously submitted license amendment requests or pending licensing action, should be directed to NEWCO, and should refer to NEWCO in lieu of CEI. All licensee correspondence related to the PNPP will be transmitted by NEWCO. NEWCO will notify the NRC in writing of any exceptions to this policy.

VI. EFFECTIVE DATE

As indicated above, the proposed merger requires approval of other regulatory agencies in addition to the Nuclear Regulatory Commission (NRC). The NRC Project Manager for PNPP will be kept informed of the progress of the other regulatory agencies. The NRC will be provided written notice proposing an effective date and a required implementation date for the amendment. The merger is planned to be completed by the end of 1994, so that NEWCO can come into corporate existence on January 1, 1995. Accordingly, it is requested that the NRC approve this amendment by November 30, 1994, conditioning its effectiveness upon receipt of the other necessary regulatory approvals and upon consummation of the merger.

VII. ACCEPTANCE OF AUTHORITY

Attachment 5 provides an affidavit that NEWCO will accept the operating license responsibilities and the CEI and TE share of ownership for PNPP as a result of the merger of CEI and TE.

ATTACHMENTS

1. Agreement of Merger
2. Safety Assessment and Significant Hazards Consideration
3. Environmental Assessment
4. Proposed Organization
5. Acceptance of Authority

AGREEMENT OF MERGER

AGREEMENT OF MERGER

By and Between

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

and

THE TOLEDO EDISON COMPANY

Dated as of April 12, 1994

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Appendix I -- Glossary of Defined Terms

Exhibit A -- Form of Certificate of Merger

Exhibit B -- Amended Articles of
Incorporation of the Surviving Corporation

AGREEMENT OF MERGER

AGREEMENT OF MERGER, dated as of April 12, 1994, (this "Agreement"), by and between The Cleveland Electric Illuminating Company, an Ohio corporation ("CEI"), and The Toledo Edison Company, an Ohio corporation ("TE"). CEI and TE are each wholly owned subsidiaries of Centerior Energy Corporation, an Ohio corporation ("CEC").

RECITALS

The parties desire that TE be merged with and into CEI upon the terms and conditions contained herein. The boards of directors of each of CEI, TE and CEC deem the merger advisable and in the best interests of each of CEI, TE and CEC, the boards of directors of each of CEI, TE and CEC have adopted resolutions approving this Agreement and the transactions contemplated hereby, the board of directors of TE has directed that this Agreement be submitted for consideration at a meeting of the preferred shareholders of TE, and the board of directors of CEI has directed that the Amended Articles of Incorporation of Surviving Corporation, as set forth in Exhibit B hereto, be submitted for consideration at a meeting of the preferred shareholders of CEI.

Unless the context shall otherwise require, capitalized terms used herein shall have the meanings assigned thereto in Appendix I hereto.

In consideration of the mutual premises and the covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

THE MERGER

Section 1.1 The Merger. Upon the terms and subject to the conditions of this Agreement, at the Effective Time, TE shall be merged with and into CEI (the

"Merger"). The separate existence and corporate organization of TE shall thereupon cease and CEI and TE shall thereupon be a single corporation. CEI shall be the surviving corporation in the Merger (the "Surviving Corporation") and shall continue its existence under the provisions of the Ohio General Corporation Law (the "OGCL").

Section 1.2 Effective Time of the Merger. On the Closing Date (as defined in Section 3.1 hereof), a certificate of merger substantially in the form of Exhibit A (the "Certificate of Merger") shall be executed by CEI and TE and shall be filed with the Secretary of State of the State of Ohio. The Merger shall become effective at such time as the Certificate of Merger is filed with the Secretary of State of the State of Ohio, such time being herein called the "Effective Time."

Section 1.3 Amended Articles of Incorporation. The Amended Articles of Incorporation of CEI as in effect immediately prior to the Effective Time shall be replaced by the proposed Amended Articles of Incorporation of the Surviving Corporation, as set forth in Exhibit B hereto, from and after the Effective Time until amended as provided by law.

Section 1.4 Regulations. Regulations of CEI as in effect immediately prior to the Effective Time shall be and remain the Regulations of the Surviving Corporation from and after the Effective Time until amended as provided by law.

ARTICLE II

CONVERSION OF SHARES

Section 2.1 Effect of Merger on CEI Shares. At the Effective Time, each share of CEI Common Stock without par value (the "CEI Common Stock"), issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding as one share of common stock, without par value (the "Surviving Corporation Common Stock"), of the Surviving Corporation.

At the Effective Time, each share of CEI Serial Preferred Stock without par value (the "CEI Preferred Stock") issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding as one share of preferred stock without par value (the "Surviving Corporation Preferred Stock") of the Surviving Corporation, with the same express terms as were applicable to each such share prior to the Effective Time.

Section 2.2 Conversion of TE Shares in the Merger. At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any share of capital stock of TE:

(a) each share of Common Stock, \$5.00 par value (the "TE Common Stock") of TE, issued and outstanding shall be converted into one one-hundredth of one share (.01) of Surviving Corporation Common Stock;

(b) each share of Cumulative Preferred Stock with par value of one hundred dollars (\$100) per share (the "TE \$100 Preferred Stock") of TE, of each of the respective series indicated below, issued and outstanding shall be converted into one share of Surviving Corporation Preferred Stock of the respective series indicated below (series references to the series of Surviving Corporation Preferred Stock refer to the series set forth in Exhibit B hereto):

(i) 4-1/4% Cumulative Preferred Stock (\$100 par value) series into Serial Preferred Stock, \$4.25 Series U;

(ii) 4.56% Cumulative Preferred Stock (\$100 par value) series into Serial Preferred Stock, \$4.56 Series V;

(iii) 4.25% Cumulative Preferred Stock (\$100 par value) series into Serial Preferred Stock, \$4.25 Series W;

(iv) 8.32% Cumulative Preferred Stock (\$100 par value) series into Serial Preferred Stock, \$8.32 Series X;

(v) 7.76% Cumulative Preferred Stock (\$100 par value) series into Serial Preferred Stock, \$7.76 Series Y;

(vi) 7.80% Cumulative Preferred Stock (\$100 par value) series into Serial Preferred Stock, \$7.80 Series Z;

(vii) 10% Cumulative Preferred Stock (\$100 par value) series into Serial Preferred Stock, \$10.00 Series AA;

(viii) 9-3/8% Cumulative Preferred Stock (\$100 par value) series into Serial Preferred Stock, \$9.375 Series BB;

(c) each share of Cumulative Preferred Stock of the par value of twenty-five dollars (\$25) per share (the "TE \$25 Preferred Stock") of TE, of each of the respective series indicated below, issued and outstanding shall be converted into one-fourth of a share of Surviving Corporation Preferred Stock of the respective series indicated below (series references to the series of Surviving Corporation Preferred Stock refer to the series set forth in Exhibit B hereto):

(i) 8.84% Cumulative Preferred Stock (\$25 par value) series into Serial Preferred Stock, \$8.84 Series CC;

(ii) \$2.365 Cumulative Preferred Stock (\$25 par value) series into Serial Preferred Stock, \$9.46 Series DD;

(iii) Adjustable Rate Preferred Stock, Series A (\$25 par value) into Serial Preferred Stock, Adjustable Rate Series EE;

(iv) Adjustable Rate Preferred Stock, Series B (\$25 par value) into Serial Preferred Stock, Adjustable Rate Series FF; and

(v) \$2.81 Cumulative Preferred Stock (\$25 par value) series into Serial Preferred Stock, \$11.24 Series GG.

(d) The TE \$100 Preferred Stock and the TE \$25 Preferred Stock are sometimes collectively referred to herein as the "TE Preferred Stock."

Section 2.3 Surviving Corporation to Make Certificates Available. (a) As soon as practicable after the Effective Time, each holder of shares of TE Preferred Stock converted into shares of Surviving Corporation Preferred Stock pursuant to Section 2.2(b) or 2.2(c), upon surrender to the Exchange Agent of one or more certificates for such shares of TE Preferred Stock will be entitled to receive a certificate representing that number of shares of Surviving Corporation Preferred Stock of the series as set forth in Section 2.2(b) or 2.2(c) to be issued in respect of the aggregate number of such shares of TE Preferred Stock previously represented by the stock certificates surrendered. Notwithstanding any other provision hereof, no fractional shares of Surviving Corporation Preferred Stock and no certificates or scrip therefor, or other evidence of ownership thereof, will be issued, and no right to receive cash in lieu thereof shall entitle the holder thereof to any voting or other rights of a holder of fractional share interests. If a stockholder would otherwise be entitled to a fractional share, such stockholder shall be entitled, after the later of the Effective Time and the surrender of such stockholder's Certificate or Certificates which represent such shares of TE Preferred Stock, to receive from the Surviving Corporation an amount in cash in lieu of such fractional share, based on the fair market value thereof as of the Effective Time. The Surviving Corporation will make available to the Exchange Agent, as required, cash necessary for this purpose. Notwithstanding the foregoing, neither the Exchange Agent nor any party hereto shall be liable to a holder of shares of TE Preferred Stock for any Surviving Corporation Preferred Stock or dividends thereon delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(b) As soon as practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of a Certificate or Certificates that immediately prior to the Effective Time represented outstanding shares of TE Preferred

Stock (the "Certificates") (i) a form letter of transmittal (which shall specify that delivery shall be effective, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent) and (ii) instructions for use in effecting the surrender of the Certificates.

(c) The cash paid and shares of Surviving Corporation Preferred Stock issued upon the surrender of Certificates in accordance with the terms hereof shall be deemed to have been paid and issued in full satisfaction of all rights pertaining to such shares of TE Preferred Stock.

(d) Any Surviving Corporation Preferred Stock certificates delivered or made available to the Exchange Agent pursuant to this Section 2.3 and not exchanged for Certificates within one year after the Effective Time pursuant to this Section 2.3 shall be returned by the Exchange Agent to the Surviving Corporation which shall thereafter act as Exchange Agent subject to the rights of holders of unsurrendered Certificates under this Article II. Notwithstanding the foregoing, neither CEI, TE, the Surviving Corporation, the Exchange Agent nor any other party hereto shall be liable to a holder of TE Preferred Stock for any Surviving Corporation Preferred Stock, or dividends or distributions thereon, delivered to a public official pursuant to any applicable abandoned property, escheat, or similar law.

Section 2.4 Dividends. After the Effective Time and pending the surrender and exchange of shares of TE Preferred Stock for shares of Surviving Corporation Preferred Stock pursuant to Section 2.3, each Certificate or Certificates shall be deemed for all corporate purposes, including the payment of dividends, to evidence the number of whole shares of Surviving Corporation Preferred Stock into which such shares of TE Preferred Stock shall have been converted by the Merger.

Section 2.5. Closing of TE Transfer Books. At the Effective Time the Preferred Stock transfer books of TE shall be closed and no transfer of TE Preferred Stock shall

thereafter be made. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged for certificates representing whole shares of Surviving Corporation Preferred Stock and cash as provided in this Article II.

Section 2.6 Dissenting Shares. Notwithstanding anything to the contrary contained in this Agreement, in the event appraisal rights are available to holders of TE Preferred Stock or to holders of CEI Preferred Stock pursuant to the OGCL, any Shares held by a person who objects to the proposal to adopt this Agreement (in the case of TE) or who objects to the proposal to adopt the Amended Articles of Incorporation of the Surviving Corporation (in the case of CEI), whose Shares either were not entitled to vote or were not voted in favor of the proposal to adopt this Agreement (in the case of TE) or the proposal to adopt the Amended Articles of Incorporation of the Surviving Corporation (in the case of CEI) and who complies with all of the provisions of the OGCL concerning the rights of such person to dissent from such proposals and to require appraisal of such person's Shares ("Dissenting Shares") shall not be converted pursuant to Section 2.2, or remain outstanding pursuant to Section 2.1, but shall become the right to receive such consideration as may be determined to be due to the holder of such Dissenting Shares pursuant to the OGCL, including, if applicable, any costs determined to be payable by the Surviving Corporation to the holders of Dissenting Shares in accordance with the OGCL; provided, however, that each Dissenting Share held by a person at the Effective Time who shall, after the Effective Time, withdraw the demand for appraisal or lose the right of appraisal, in either case pursuant to the OGCL, shall be deemed to be converted (or to remain outstanding, as the case may be) as of the Effective Time, as set forth in Section 2.2 or Section 2.1, for whole shares of the same class and series and cash for any fractional share, without any interest therec..i.

ARTICLE III

THE CLOSING

Section 3.1 Closing. The closing (the "Closing") of the Merger shall take place at the offices of CEC, 6200 Oak Tree Boulevard, Independence, Ohio 44131 at 10:00 A.M., local time, on the second business day immediately following the date on which the last of the conditions set forth in Article V hereof is fulfilled or waived, or at such other time and date and place as TE, CEC and CEI shall mutually agree (the "Closing Date").

ARTICLE IV

ADDITIONAL AGREEMENTS

Section 4.1 Joint Proxy Statement and Registration Statement. (a) CEI and TE will prepare and file with the SEC as soon as reasonably practicable after the date hereof (i) a Registration Statement on Form S-4 to be filed under the Securities Act by CEI in connection with the Merger for purposes of registering the shares of Surviving Corporation Preferred Stock to be issued in the Merger pursuant to Article II hereof (the "Registration Statement") and (ii) a joint proxy statement to be filed under the Exchange Act by CEI and TE and to be distributed by CEI and TE, respectively, in connection with the CEI Stockholders' Approval and the TE Stockholders' Approval (the "Joint Proxy Statement" and, together with the Registration Statement, the "Joint Proxy Statement and Registration Statement"). CEI and TE shall use reasonable efforts to cause the Registration Statement to be declared effective under the Securities Act as promptly as practicable after such filing. CEI and TE shall also take such action as may be reasonably required to cause the shares of Surviving Corporation Preferred Stock issuable pursuant to the Merger to be registered or to obtain an exemption from registration under applicable state "blue sky" or securities laws; provided, however, that neither CEI nor TE shall be required to register

or qualify as a foreign corporation or to take other action which would subject it to service of process in any jurisdiction where it is not presently so subject. CEI will furnish to TE and TE shall furnish to CEI all information concerning itself as each such other party or its counsel may reasonably request and which is required or customary for inclusion in the Joint Proxy Statement and Registration Statement. CEI shall use reasonable efforts to cause the shares of Surviving Corporation Preferred Stock issuable in the Merger upon conversion of TE Preferred Stock to be listed on the New York Stock Exchange, with respect to those series of Surviving Corporation Preferred Stock issued upon conversion of a series of TE Preferred Stock that was listed on a stock exchange.

(b) CEI covenants to TE that the Joint Proxy Statement and Registration Statement (i) will comply in all material respects with the applicable provisions of the Exchange Act and the Securities Act and the rules and regulations of the SEC thereunder and (ii) will not at the respective times such documents are filed with the SEC, and, in the case of the Joint Proxy Statement or any amendments thereof or supplements thereto, at the time of the mailing of the Joint Proxy Statement and any amendments thereof or supplements thereto, and at the time of the meetings of stockholders of CEI and TE to be held in connection with the transactions contemplated by this Agreement, and, in the case of the Registration Statement and any amendment thereof or any supplement thereto, at all times after it becomes effective under the Securities Act and until the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or necessary to correct any statement in any earlier filing with the SEC of such Joint Proxy Statement and Registration Statement or any amendment thereof or any supplement thereto or any

earlier communication (including the Joint Proxy Statement and Registration Statement) to stockholders of CEI or TE with respect to the transactions contemplated by this Agreement; provided, that no covenant or agreement is made by CEI with respect to information supplied by TE for inclusion in the Joint Proxy Statement and Registration Statement.

(c) TE covenants to CEI that the Joint Proxy Statement and Registration Statement (i) will comply in all material respects with the applicable provisions of the Exchange Act and the Securities Act and the rules and regulations of the SEC thereunder and (ii) will not at the respective times such documents are filed with the SEC, and, in the case of the Joint Proxy Statement or any amendments thereof or supplements thereto, at the time of the mailing of the Joint Proxy Statement and any amendments thereof or supplements thereto, and at the time of the meetings of stockholders of CEI and TE to be held in connection with the transactions contemplated by this Agreement, and, in the case of the Registration Statement and any amendment thereof or any supplement thereto, at all times after it becomes effective under the Securities Act and until the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or necessary to correct any statement in any earlier filing with the SEC of such Joint Proxy Statement and Registration Statement or any amendment thereof or any supplement thereto or any earlier communication (including the Joint Proxy Statement and Registration Statement) to stockholders of CEI or TE with respect to the transactions contemplated by this Agreement; provided, that no covenant or agreement is made by TE with respect to information supplied by CEI for inclusion in the Joint Proxy Statement and Registration Statement.

Section 4.2 Approvals and Consents. CEI and TE each shall cooperate with each other and use their reasonable efforts to promptly prepare and file all necessary documentation, to effect all necessary applications, notices, petitions, filings and other documents, and to use commercially reasonable efforts to obtain all necessary permits, consents, approvals and authorizations of all third parties and governmental bodies necessary or advisable to consummate the transactions contemplated by this Agreement, including, without limitation, the CEI Required Statutory Approvals and the TE Required Statutory Approvals.

Section 4.3 Approval of TE Preferred Stockholders; Approval of CEI Preferred Stockholders. (a) TE shall as soon as reasonably practicable (i) take all steps necessary duly to call, give notice of, convene and hold a special meeting of holders of TE Preferred Stock (the "TE Special Meeting") (A) for the purpose of adopting this Agreement (the "TE Stockholders' Approval") and (B) for such other purposes as may be necessary or desirable, (ii) distribute to holders of TE Preferred Stock the Joint Proxy Statement in accordance with applicable Federal and state law and with its Amended Articles of Incorporation and Code of Regulations, (iii) recommend to holders of TE Preferred Stock the adoption of this Agreement and such other matters as may be submitted to such stockholders in connection with this Agreement and (iv) cooperate and consult with CEI with respect to each of the foregoing matters.

(b) CEI shall as soon as reasonably practicable (i) take all steps necessary to call, give notice of, convene and hold a special meeting of holders of CEI Preferred Stock (the "CEI Special Meeting") (A) for the purpose of adopting the Amended Articles of Incorporation of the Surviving Corporation in the form set forth in Exhibit B hereto (the "CEI Stockholders' Approval"), and (B) for such other purposes as may be necessary or desirable, (ii) distribute to holders of CEI Preferred Stock the Joint Proxy Statement in accordance with applicable Federal and state law and its

Amended Articles of Incorporation and Regulations, (iii) recommend to holders of CEI Preferred Stock the adoption of the Amended Articles of Incorporation of the Surviving Corporation and such other matters as may be submitted to such stockholders in connection with this Agreement, (iv) cooperate and consult with TE with respect to each of the foregoing matters and (v) in the event such Amended Articles of Incorporation are adopted by the requisite vote of holders of CEI Preferred Stock, file such Amended Articles of Incorporation in order to permit it to consummate the transactions contemplated hereby.

Section 4.4 Public Announcements. Subject to each party's disclosure obligations imposed by law, CEI and TE will cooperate with each other and with CEC in the development and distribution of all news releases and other public information disclosures with respect to this Agreement or any of the transactions contemplated hereby and shall not issue any public announcement or statement prior to consultation with the other party and with CEC.

Section 4.5 Employee Benefits and Related Matters; Certain Employee Agreements. CEI hereby unconditionally agrees to honor, without modification, offset or counterclaim, all contracts, agreements, collective bargaining agreements and commitments of TE authorized by TE prior to the Effective Time which apply to any current or former employee or current or former director of TE; provided, however, that this undertaking is not intended to prevent the Surviving Corporation from enforcing such contracts, agreements, collective bargaining agreements and commitments in accordance with their terms.

Section 4.6 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be shared equally by CEI and TE.

ARTICLE V

CONDITIONS

Section 5.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the following conditions, except, to the extent permitted by applicable law, as such conditions may be waived in writing pursuant to Section 6.4 by the joint action of the parties hereto:

(a) this Agreement having been adopted by the requisite vote of the holders of the TE Preferred Stock required under the OGCL and TE's Amended Articles of Incorporation;

(b) the Amended Articles of Incorporation of the Surviving Corporation in the form set forth in Exhibit B hereto (the "Articles Amendment") having been adopted by the requisite vote of the holders of shares of CEI Preferred Stock under the OGCL and CEI's Amended Articles of Incorporation;

(c) a Certificate of Amended Articles of Incorporation of the Surviving Corporation, effectuating the Articles Amendment under the applicable requirements of the OGCL, having been filed with the Secretary of State of the State of Ohio;

(d) no preliminary or permanent injunction or other order by any Federal or state court preventing consummation of the Merger having been issued and continuing in effect, and the Merger and the other transactions contemplated hereby not being prohibited under any applicable Federal or state law or regulation;

(e) the Registration Statement having become effective in accordance with the provisions of the Securities Act, and no stop order suspending such effectiveness having been issued and remaining in effect; and

(f) the shares of Surviving Corporation Preferred Stock issuable pursuant to Article II hereof in the Merger having been approved for listing on the New York Stock Exchange to the extent contemplated by the terms of this Agreement.

The parties mutually recognize and acknowledge that at the time of execution of this Agreement, this Agreement and all transactions contemplated hereby, including approval of the Articles Amendment, have been adopted by CEC as the sole holder of CEI Common Stock and TE Common Stock.

Section 5.2 Conditions to Obligation of TE to Effect the Merger. The obligation of TE to effect the Merger shall be further subject to the fulfillment at or prior to the Effective Time of the following conditions, except, to the extent permitted by applicable law, as may be waived by TE in writing pursuant to Section 6.4:

(a) CEI having performed in all material respects its agreements and covenants contained in or contemplated by this Agreement required to be performed at or prior to the Effective Time;

(b) all actions required to be taken by, or on the part of, CEI to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby having been duly and validly taken by the board of directors and stockholders of CEI, and TE having received certified copies of the resolutions evidencing such authorizations;

(c) the CEI Required Statutory Approvals having been obtained at or prior to the Effective Time and all filings, registrations, applications, designations and declarations required prior to the Effective Time in connection with the consummation of the Merger and such transactions having been made or effected at or prior to the Effective Time;

(d) the CEI Required Statutory Approvals and the TE Required Statutory Approvals having become Final Orders (as defined below) unless such Final Order shall impose any term or condition on the Surviving Corporation which shall cause a material adverse change to the business, operations or prospects of the Surviving Corporation. A "Final Order" means action by the relevant regulatory authority which has not been reversed, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by law before the transactions contemplated hereby may be consummated has expired, and as to which all conditions to the consummation of such transactions prescribed by law, regulation or order have been satisfied.

Section 5.3 Conditions to Obligations of CEI to Effect the Merger. The obligation of CEI to effect the Merger shall be further subject to the fulfillment at or prior to the Effective Time of the following conditions, except, to the extent permitted by applicable law, as may be waived by CEI in writing pursuant to Section 6.4:

(a) TE having performed in all material respects its agreements and covenants contained in or contemplated by this Agreement required to be performed at or prior to the Effective Time;

(b) all action required to be taken by, or on the part of, TE to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby having been duly and validly taken by the board of directors and stockholders of TE, and CEI having received certified copies of the resolutions evidencing such authorizations;

(c) the TE Required Statutory Approvals having been obtained at or prior to the Effective Time, and all filings, registrations, applications, designations and declarations required prior to the Effective Time in connection

with the consummation of the Merger and such transactions having been made or effected at or prior to the Effective Time;

(d) the CEI Required Statutory Approvals and the TE Required Statutory Approvals having become Final Orders unless such Final Order shall impose any term or condition on the Surviving Corporation which shall cause a material adverse change to the business, operations or prospects of the Surviving Corporation.

ARTICLE VI

TERMINATION, AMENDMENT AND WAIVER

Section 6.1 Termination. This Agreement may be terminated at any time prior to the Closing Date, whether before or after adoption of this Agreement by the holders of TE Preferred Stock and adoption of the Articles Amendment by the holders of CEI Preferred Stock contemplated by this Agreement:

(a) by mutual written consent of the boards of directors of CEI and TE; or

(b) by CEI, by written notice to TE, if:

(i) there shall have been any material breach of any covenant or agreement of TE hereunder and such breach shall not have been remedied within ten days after receipt by TE of notice in writing from CEI, specifying the nature of such breach and requesting that it be remedied; or

(ii) the board of directors of TE shall withdraw or modify in any manner adverse to CEI its approval or recommendation of this Agreement or the Merger; or

(c) by TE, by written notice to CEI, if:

(i) there shall have been any material breach of any covenant or agreement of CEI hereunder and such breach shall not have been remedied within ten days after receipt by CEI of notice in writing from TE, specifying the nature of such breach and requesting that it be remedied; or

(ii) the board of directors of CEI shall withdraw or modify in any manner adverse to TE its approval or recommendation of this Agreement or the Merger.

Section 6.2 Effect of Termination. In the event of termination of this Agreement by either CEI or TE, as provided in Section 6.1, there shall be no liability on the part of either CEI or TE or their respective officers or directors hereunder, except that Section 4.6 shall survive the termination.

Section 6.3 Amendment. This Agreement may be amended by the parties hereto, at any time before or after adoption hereof by the holders of TE Preferred Stock and adoption of the Articles Amendment by the holders of CEI Preferred Stock, but after such approvals, no such amendment shall (i) alter or change the amount or kind of shares, cash or rights or any of the proceedings of the exchange and/or conversion, (ii) alter or change any of the terms and conditions of this Agreement if any of the alterations or changes, alone or in the aggregate, would materially adversely affect the holders of any class or series of Shares, or (iii) alter or change any term of the Amended Articles of Incorporation of the Surviving Corporation, except for alterations or changes that could otherwise be adopted by the directors of the Surviving Corporation, without the further approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 6.4 Waiver. At any time prior to the Effective Time, one party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other party hereto and (b) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

ARTICLE VII

GENERAL PROVISIONS

Section 7.1 Non-Survival of Agreements. All agreements in this Agreement shall not survive the Merger, except as otherwise provided in this Agreement and except for the agreements contained in Article II and Section 4.5 hereof.

Section 7.2 Brokers. CEI represents and warrants that no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of CEI. TE represents and warrants that no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of TE.

Section 7.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if (i) delivered personally, or (ii) sent by reputable overnight courier service, or (iii) telecopied (which is confirmed), or (iv) five days after being mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to CEI, to:

6200 Oak Tree Boulevard
Independence, Ohio 44131

Attention: E. Lyle Pepin
Telephone: (216) 447-2300
Telecopy: (216) 447-3240

With a copy to:

Kevin P. Murphy, Senior Counsel
6200 Oak Tree Boulevard
Independence, Ohio 44131
Telephone: (216) 447-3251
Telecopy: (216) 447-2592

(b) If to TE, to:

6200 Oak Tree Boulevard
Independence, Ohio 44131

Attention: E. Lyle Pepin
Telephone: (216) 447-2300
Telecopy: (216) 447-3240

With a copy to:

Bruce T. Rosenbaum, Counsel
6200 Oak Tree Boulevard
Independence, Ohio 44131
Telephone: (216) 447-3207
Telecopy: (216) 447-2592

Section 7.4 Miscellaneous. This Agreement (including the documents and instruments referred to herein) (a) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them with respect to the subject matter hereof; (b) shall not be assigned by operation of law or otherwise; and (c) shall be governed by and construed in accordance with the laws of the State of Ohio (without giving effect to its rules or principles of conflicts of law).


Section 7.5 Interpretation. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

Section 7.6 Counterparts; Effect. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.


Section 7.7 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and, nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

IN WITNESS WHEREOF, CEI and TE have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

THE CLEVELAND ELECTRIC ILLUMINATING
COMPANY

By: 
Name: E. LYLE PEPIN
Title: Secretary

THE TOLEDO EDISON COMPANY

By: 
Name: E. LYLE PEPIN
Title: Secretary

APPENDIX I

GLOSSARY OF DEFINED TERMS

- "Agreement" means the Agreement of Merger between CEI and TE.
- "Articles Amendment" has the meaning set forth in Section 5.1(b) of the Agreement.
- "CEC" means Centerior Energy Corporation, an Ohio corporation.
- "CEI" means The Cleveland Electric Illuminating Company, an Ohio corporation.
- "CEI Common Stock" means the common stock without par value of CEI.
- "CEI Preferred Stock" means the Serial Preferred Stock without par value of CEI.
- "CEI Required Statutory Approvals" means any required approvals of the Merger and other transactions contemplated by the Agreement by the Federal Energy Regulatory Commission, the U. S. Nuclear Regulatory Commission, The Public Utilities Commission of Ohio and the Pennsylvania Public Utilities Commission.
- "CEI Special Meeting" has the meaning set forth in Section 4.3(b) of the Agreement.
- "CEI Stockholders' Approval" has the meaning set forth in Section 4.3(b) of the Agreement.
- "Certificate" has the meaning set forth in Section 2.3(b) of the Agreement.
- "Certificate of Merger" shall mean a certificate of merger substantially in the form of Exhibit A to the Agreement.
- "Closing" has the meaning set forth in Section 3.1 of the Agreement.
- "Closing Date" has the meaning set forth in Section 3.1 of the Agreement.
- "Dissenting Shares" has the meaning set forth in Section 2.6 of the Agreement.
- "Effective Time" has the meaning set forth in Section 1.2 of the Agreement.
- "Exchange Agent" shall mean the person or persons authorized and designated by the Surviving Corporation to perform the function of exchange agent as contemplated by the Agreement.
- "Final Order" has the meaning set forth in Section 5.2(d) of the Agreement.

"Joint Proxy Statement" has the meaning set forth in Section 4.1(a) of the Agreement.

"Joint Proxy Statement and Registration Statement" has the meaning set forth in Section 4.1(a) of the Agreement.

"Merger" means the merger of TE into CEI.

"OGCL" means the Ohio General Corporation Law.

"Registration Statement" has the meaning set forth in Section 4.1(a) of the Agreement.

"SEC" means the Securities Exchange Commission of the United States of America.

"Shares" means collectively the TE Preferred Stock and the CEI Preferred Stock.

"Surviving Corporation" has the meaning set forth in Section 1.1 of the Agreement.

"Surviving Corporation Common Stock" means the common stock without par value of the Surviving Corporation.

"Surviving Corporation Preferred Stock" means the Serial Preferred Stock without par value of the Surviving Corporation.

"TE" means The Toledo Edison Company, an Ohio corporation.

"TE \$100 Preferred Stock" means the cumulative preferred stock (\$100 par value) of TE.

"TE \$25 Preferred Stock" means the cumulative preferred stock (\$25 par value) of TE.

"TE Preferred Stock" means the cumulative preferred stock (\$100 par value) and the cumulative preferred stock (\$25 par value) of TE.

"TE Required Statutory Approvals" means any required approvals of the Merger and the other transactions contemplated by the Agreement by the Federal Energy Regulatory Commission, the U.S. Nuclear Regulatory Commission, the Public Utilities Commission of Ohio and the Pennsylvania Public Utilities Commission.

"TE Special Meeting" has the meaning set forth in Section 4.3(a) of the Agreement.

"TE Stockholders' Approval" has the meaning set forth in Section 4.3(a) of the Agreement.

SAFETY ASSESSMENT AND SIGNIFICANT HAZARDS CONSIDERATION
AND MARKED-UP OPERATING LICENSE PAGES

SAFETY ASSESSMENT AND SIGNIFICANT HAZARDS CONSIDERATION

TITLE

Revision of Facility Operating License Number NPF-58 to Reflect the Proposed Merger of the Cleveland Electric Illuminating Company and the Toledo Edison Company.

DESCRIPTION

On March 22, 1994, the Board of Directors of the Centerior Energy Corporation, the Cleveland Electric Illuminating (CEI) Company, and the Toledo Edison (TE) Company adopted a plan to merge the operating company subsidiaries, CEI and TE, into a single operating entity. Centerior Service Company (CSC) is an existing service company subsidiary of Centerior Energy Corporation and will remain as such. The reason for the merger is to maximize the operating efficiencies for these two affiliated companies.

The name of the operating entity to be formed from the merger of CEI and TE is yet to be determined. Therefore, the nomenclature "NEWCO" is used herein as a temporary substitute for the name of the combined operating company. The final name is an administrative matter and does not affect the conclusions of this Safety Assessment and Significant Hazards Consideration. The final name will be provided to the Nuclear Regulatory Commission (NRC) under separate letter prior to NRC approval of this License Amendment Request.

The purpose of the proposed changes is to modify the Perry Nuclear Power Plant (PNPP) Operating License NPF-58 to replace "CEI" and "TE" with "NEWCO" as a licensee authorized to possess, use, and operate PNPP, to designate NEWCO as an owner of PNPP, and to make other associated administrative changes to the license. Each of these changes is described in further detail below. Centerior Service Company will remain as a designated licensee and is not affected by these proposed changes.

The proposed amendment would modify paragraph 1.A of Operating License NPF-58 to name NEWCO, in conjunction with Centerior Service Company, as the agents for the other owners of PNPP, and as a licensee for PNPP in place of CEI and TE. The footnote to paragraph 1.A would be revised to read as follows:

"The NEWCO and Centerior Service Company (both of which are wholly-owned subsidiaries of Centerior Energy Corporation) are authorized to act as agents for Duquesne Light Company, Ohio Edison Company and Pennsylvania Power Company, and have exclusive responsibility and control over the physical construction, operation and maintenance of the facility. Centerior Service Company was added as a licensee by Amendment No. 36. The NEWCO was formed from a merger of the Cleveland Electric Illuminating Company and the Toledo Edison Company. Accordingly, Amendment No. (to be added by the NRC) added the NEWCO as

a licensee and deleted the Cleveland Electric Illuminating Company and the Toledo Edison Company."

Paragraph 2 would be revised to name NEWCO as a licensee for PNPP in place of CEI and TE.

Paragraph 2.A would be revised to name NEWCO as an owner of PNPP in place of CEI and TE.

Paragraph 2.B(2) would be revised to delete TE as an owner of PNPP.

Paragraphs 1.E, 2.B(1), 2.B(1) Footnote, 2.B(3), 2.B(4), 2.B(5), 2.B(6), 2.C(1), 2.C(2), 2.C(3)(a), 2.C(3)(b), 2.C(6), 2.C(6)(c), 2.C(9), 2.D, 2.E, and 2.F would be revised to replace references to CEI (and TE, as applicable) with NEWCO.

The first sentence of paragraph 2.C(2) would be revised to read:

"The Technical Specification contained in Appendix A and the Environmental Protection Plan contained in Appendix B, as revised by Commission approved Amendments, are hereby incorporated into this license."

This change would eliminate the specific amendment number and the administrative burden to revise this paragraph each time a new amendment is approved by the NRC.

Paragraph 2.C(4), "Post-Fuel Loading Initial Test Program (Section 14, SSER #3)," pertains to the initial test program for PNPP. This paragraph would be deleted as it has been completed as documented in USAR Appendix 1B.

Paragraph 2.C(5), "Inservice Inspection Program (Section 6.6.3, SSER #7)," pertains to submitting the Initial Inservice Inspection Program to the NRC staff within six (6) months after exceeding 5% rated thermal power. This condition was satisfied by letter dated March 31, 1987 (PY-CEI/NRR-0614L) and would be deleted by this revision to the Operating License.

Paragraph 2.C(7) and Attachment 1, "Detailed Control Room Design Review (Section 18, SSER #10)," pertains to completing the implementation of the Detailed Control Room Design Review and correcting the human engineering deficiencies identified in Attachment 1. The human engineering deficiencies to be completed before the start of the 100-hour warranty run were completed as documented by letter dated October 12, 1987 (PY-CEI/NRR-0728L). The human engineering deficiencies and final sound surveys detailed in Attachment 1 to be completed before startup following the first refueling outage were documented as complete by letter dated July 11, 1989 (PY-CEI/NRR-1031L). The augmented verification of human engineering discrepancy corrections implemented after full-power licensing and correction of any problems identified during the augmented verification was to be completed before startup from the second refueling outage. This portion of the license condition was documented as complete by letter dated November 30, 1990 (PY-CEI/NRR-1260L). The license condition and Attachment would be deleted by this revision to the Operating License.

Attachment 2 would be modified to replace the reference to CEI with NEWCO.

Appendix A and Appendix B Cover Sheets would be revised to replace the reference to Cleveland Electric Illuminating Company with NEWCO.

Appendix C would be modified to replace the references to Cleveland Electric Illuminating Company and Toledo Edison Company with NEWCO. Centerior Service Company would be added to maintain consistency with 2.C(3)(b) of the License.

EFFECTS ON SAFETY

Since NEWCO would be the result of the merger of two of the existing licensees (CEI and TE), these changes are administrative. Under this restructuring, the PNPP organization would continue to report to the Centerior Service Company, and NEWCO and Centerior Service Company would remain subsidiaries of Centerior Energy Corporation. There would be no material change in the ownership of PNPP or entitlement to electric power.

The proposed changes do not involve physical changes to the facility. The proposed changes would not involve significant changes in the manner in which the plant is operated, or the technical qualifications of the personnel who operate the plant. There would be no significant material change in the responsibility for the conduct of operational activities including security, quality assurance, emergency planning, and training.

The proposed changes are administrative and it is therefore concluded they would have no adverse effect on safety.

SIGNIFICANT HAZARDS CONSIDERATION

The standards used to arrive at a determination that a request for amendment involves no significant hazards considerations are included in the Commission's Regulations, 10 CFR 50.92, which state that the operation of the facility in accordance with the proposed amendment would not (1) involve a significant increase in the probability or consequences of an accident previously evaluated, (2) create the possibility of a new or different kind of accident from any previously evaluated, or (3) involve a significant reduction in a margin of safety.

1. The proposed changes do not involve a significant increase in the probability or consequences of an accident previously evaluated.

The proposed changes to the Operating License are administrative and have no effect on any plant systems. All Limiting Conditions for Operation, Limiting Safety Systems Settings and Safety Limits specified in the Technical Specifications remain unchanged. This change meets one of the examples of a change not likely to involve a significant hazards consideration in that it is a purely administrative change (48 FR 14864).

2. The proposed changes do not create the possibility of a new or different kind of accident from any accident previously evaluated.

The proposed changes to the Operating License are administrative and have no effect on any plant systems. All Limiting Conditions for Operation, Limiting Safety Systems Settings and Safety Limits specified in the Technical Specifications remain unchanged. This change meets one of the examples of a change not likely to involve a significant hazards consideration in that it is a purely administrative change (48 FR 14864).

3. The proposed changes do not involve a significant reduction in the margin of safety.

The proposed changes to the Operating License are administrative and have no effect on any plant systems. All Limiting Conditions for Operation, Limiting Safety Systems Settings and Safety Limits specified in the Technical Specifications remain unchanged. This change meets one of the examples of a change not likely to involve a significant hazards consideration in that it is purely an administrative change (48 FR 14864).



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

Attachment 2
PY-CEI/NRR-1794L
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~~NEWCO
CLEVELAND ELECTRIC ILLUMINATING COMPANY~~

CENTERIOR SERVICE COMPANY

DUQUESNE LIGHT COMPANY

OHIO EDISON COMPANY

PENNSYLVANIA POWER COMPANY

~~TOLEDO EDISON COMPANY~~

DOCKET NO. 50-440

PERRY NUCLEAR POWER PLANT, UNIT NO. 1

FACILITY OPERATING LICENSE

License No. NPF-58

1. The Nuclear Regulatory Commission (the Commission) has found that:
- A. The application for license filed by the ~~Cleveland Electric Illuminating Company~~ ^{NEWCO*} (CEICO) and Centerior Service Company acting on their own behalf and as agents for the Duquesne Light Company, Ohio Edison Company, ~~and the~~ ^{and the} Pennsylvania Power Company and the ~~Toledo Edison Company~~ (licensees) complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I, and all required notifications to other agencies or bodies have been duly made;
 - B. Construction of the Perry Nuclear Power Plant, Unit No. 1 (the facility) has been substantially completed in conformity with Construction Permit No. CPPR-148 and the application, as amended, the provisions of the Act, and the regulations of the Commission;
 - C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission, (except as exempted from compliance in Section 2.D below);
 - D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D below);

*Cleveland Electric Illuminating Company and Centerior Service Company (both of which are wholly-owned subsidiaries of Centerior Energy Corporation) are authorized to act as agents for Duquesne Light Company, Ohio Edison Company, Pennsylvania Power Company and the Toledo Edison Company, and have exclusive responsibility and control over the physical construction, operation and maintenance of the facility. Centerior Service Company was added as a licensee by Amendment No. 36.

← Insert (next page)

Amendment No. 36

Insert (Paragraph 1.A footnote)

The NEWCO and Centerior Service Company (both of which are wholly-owned subsidiaries of Centerior Energy Corporation) are authorized to act as agents for Duquesne Light Company, Ohio Edison Company and Pennsylvania Power Company, and have exclusive responsibility and control over the physical construction, operation and maintenance of the facility. Centerior Service Company was added as a licensee by Amendment No. 36. The NEWCO was formed from a merger of the Cleveland Electric Illuminating Company and the Toledo Edison Company. Accordingly, Amendment No. (to be added by the NRC) added the NEWCO as a licensee and deleted the Cleveland Electric Illuminating Company and the Toledo Edison Company.

- ^{NEW}
- E. The ~~Cleveland Electric Illuminating~~ Company is technically qualified to engage in the activities authorized by this license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;
 - F. The licensees have satisfied the applicable provisions of 10 CFR Part 140 "Financial Protection Requirements and Indemnity Agreements," of the Commission's regulations;
 - G. The issuance of this license will not be inimical to the common defense and security or to the health and safety of the public;
 - H. After weighing the environmental, economic, technical and other benefits of the facility against environmental and other costs and considering available alternatives, the issuance of this Facility Operating License No. NPF-58, subject to the conditions for protection of the environment set forth in the Environmental Protection Plan attached as Appendix B, is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied; and
 - I. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40 and 70.

2. Based on the foregoing findings regarding this facility, the Partial-Initial Decisions issued December 2, 1983 and September 3, 1985 by the Atomic Safety and Licensing Board in regard to this facility (affirmed by ALAB-841 dated July 25, 1986) and pursuant to approval by the Nuclear Regulatory Commission at a meeting on November 7, 1986, Facility Operating License No. NPF-58, which supersedes the license for fuel loading and low power testing, License No. NPF-45, issued on March 18, 1986, is hereby ^{NEWCO} issued to the ~~Cleveland Electric Illuminating Company, Centerior Service Company, Duquesne Light Company, Ohio Edison Company, Pennsylvania Power Company and Toledo Edison Company~~ ^{and the} (the licensees) to read as follows:

A. ^{NEWCO} The license applies to the Perry Nuclear Power Plant, Unit No. 1, a boiling water nuclear reactor and associated equipment (the facility), owned by the ~~Cleveland Electric Illuminating Company, Duquesne Light Company, Ohio Edison Company, Pennsylvania Power Company and the Toledo Edison Company~~ ^{and the}. The facility is located on the shore of Lake Erie in Lake County, Ohio, approximately 35 miles northeast of Cleveland, Ohio and is described in the licensees' Final Safety Analysis Report, as supplemented and amended, and in the licensees' Environmental Report, as supplemented and amended.

B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

- ^{NEWCO*}
- (1) The ~~Cleveland Electric Illuminating Company (CEICO)~~ pursuant to Section 103 of the Act and 10 CFR Part 50, to possess, use and operate the facility at the designated location in Lake County, Ohio, in accordance with the procedures and limitations set forth in this license;

*The ~~CEICO~~ nuclear organization reports to Centerior Service Company. ^{NEWCO}

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- (2) Duquesne Light Company, Ohio Edison Company, ^{and} Pennsylvania Power Company and Toledo Edison Company, to possess the facility at the designated location in Lake County, Ohio, in accordance with the procedures and limitations set forth in this license;
- (3) ~~CEICO~~ ^{NEWCO}, pursuant to the Act and 10 CFR Part 70, to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;
- (4) ~~CEICO~~ ^{NEWCO}, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use at any time any byproduct, source and special nuclear material such as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;
- (5) ~~CEICO~~ ^{NEWCO}, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess and use in amounts as required any byproduct, source or special nuclear material without restriction as to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
- (6) ~~CEICO~~ ^{NEWCO}, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.
- (7)(a) Ohio Edison Company is authorized to transfer any portion of its 30.0% ownership share in PNPP Unit 1 and a proportionate share of its interest in the PNPP common facilities to certain equity investors identified in its submission of January 23, 1987, as supplemented on March 3, 1987, and at the same time to lease back from such purchasers such interest sold in the PNPP Unit 1 facility. The term of the lease is for approximately 29-1/2 years subject to a right of renewal. Such sale and leaseback transactions are subject to the representations and conditions
(Continued on Page 3a)

C. This license shall be deemed to contain and is subject to the conditions specified in the Commission's regulations set forth in 10 CFR Chapter I and is subject to all applicable provisions of the Act and to the rules, regulations, and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below:

(1) Maximum Power Level

~~CEICO~~ ^{NEWCO} is authorized to operate the facility at reactor core power levels not in excess of 3579 megawatts thermal (100% power) in accordance with the conditions specified herein.

- 3a-

set forth in the above mentioned application of January 23, 1987, as supplemented on March 3, 1987, as well as the letter of the Director of the Office of Nuclear Reactor Regulation dated March 16, 1987, consenting to such transactions. Specifically, a lessor and anyone else who may acquire an interest under these transactions are prohibited from exercising directly or indirectly any control over the licenses of PNPP, Unit 1. For purposes of this condition the limitations in 10 C.F.R. 50.81, as now in effect and as may be subsequently amended, are fully applicable to the lessor and any successor in interest to that lessor as long as the license for PNPP Unit 1 remains in effect; these financial transactions shall have no effect on the license for the Perry Nuclear facility throughout the term of the license.

- (b) Further, the licensees are also required to notify the NRC in writing prior to any change in: (i) the terms or conditions of any lease agreements executed as part of these transactions; (ii) the PNPP Operating Agreement, (iii) the existing property insurance coverage for PNPP, Unit 1, and (iv) any action by a lessor or others that may have an adverse effect on the safe operation of the facility.

(2) Technical Specifications

by Commission approved Amendments

The NEWCO

The Technical Specifications contained in Appendix A and the Environmental Protection Plan contained in Appendix B, as revised through Amendment No. 36 are hereby incorporated into this license. ~~Cleveland Electric Illuminating Company~~ shall operate the facility in accordance with the Technical Specifications and the Environmental Protection Plan.

(3) Antitrust Conditions

~~NEWCO~~
a. ~~Cleveland Electric Illuminating Company, Duquesne Light Company, Ohio Edison Company, Pennsylvania Power Company and the Toledo Edison Company~~ shall comply with the antitrust conditions delineated in Appendix C to this license; Appendix C is hereby incorporated into this license.

~~NEWCO~~
b. Centerior Service Company (CSC) shall comply with the antitrust conditions delineated in Appendix C to this license as if named therein. ~~CEICO~~ is responsible and accountable for the actions of CSC to the extent that CSC's actions contravene the antitrust license conditions in Appendix C to this license.

Deleted

(4) ~~Post-Fuel Loading Initial Test Program (Section 14, SSER #3)*~~
Any changes to the Initial Test Program described in Section 14 of the FSAR made in accordance with the provisions of 10 CFR 50.59 shall be reported in accordance with 50.59(b) within one month of such change.

Deleted

(5) ~~Inservice Inspection Program (Section 6.6.3, SSER #7)~~
Within six (6) months after exceeding 5% of rated thermal power, ~~CEICO~~ shall submit the Initial Inservice Inspection Program required by 10 CFR 50.55(a) for the NRC staff's review and approval.

(6) Fire Protection (Section 9.5, SER, SSER #1, 2, 3, 4, 7 and 8)

~~NEWCO~~
~~NEWCO~~ ~~CEICO~~ shall comply with the following requirements of the fire protection program: ~~CEICO~~ shall implement and maintain in effect all provisions of the approved fire protection program as described in the Final Safety Analysis Report as amended, for the Perry Nuclear Power Plant and as approved in the Safety Evaluation Report (NUREG-0887) dated May 1982 and Supplement Nos. 1 thru 10 thereto, subject to the following provisions:

~~NEWCO~~

a. ~~CEICO~~ may make changes to the approved fire protection program without prior approval of the Commission only if those changes would not adversely affect the ability to achieve and maintain safe shutdown in the event of a fire.

*The parenthetical notation following the title of many license conditions denotes the section of the Safety Evaluation Report (SER) and/or its supplements wherein the license condition is discussed.

Deleted

(7) ~~Detailed Control Room Design Review (Section 18, SSER #10)~~
~~NEWCO~~
~~CEI@ shall implement the remaining activities to complete the Detailed Control Room Design Review and correct all human engineering discrepancies (HED's) identified in Attachment 1. Attachment 1 is hereby incorporated into this license.~~

(8) Emergency Planning (Section 13.3, SSER #10)

In the event that the NRC finds that the lack of progress in completion of the procedures in the Federal Emergency Management Agency's final rule (44 CFR Part 350) indicates that a major substantive problem exists in achieving or maintaining an adequate state of emergency preparedness, the provisions of 10 CFR 50.54(s)(2) will apply.

(9) TDI Diesel Generator Reliability (Section 9.6.3, SSER #6, 8 & 10)

~~NEWCO~~
~~CEI@ shall comply with the requirements identified in Attachment 2 relative to the Transamerica Delaval, Inc., diesel engines. Attachment 2 is hereby incorporated into this license.~~

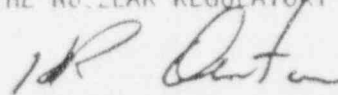
D. ~~NEWCO~~
~~CEI@ is exempted from: 1) the requirements of Section III.D.2(b)(ii), containment airlock testing requirements, Appendix J to 10 CFR Part 50, due to the special circumstance described in Section 6.2.6 of SER Supplement No. 7 authorized by 10 CFR 50.12(a)(2)(iii); and 2) the requirements of Section IV.F., Full Participation Exercise, of Appendix E to 10 CFR Part 50, due to the special circumstance described in the Exemption, dated November 6, 1986. These exemptions are authorized by law, will not present an undue risk to the public health and safety and are consistent with the common defense and security. The exemptions are hereby granted pursuant to 10 CFR 50.12. With the granting of these exemptions, the facility will operate, to the extent authorized herein, in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission.~~ See NRC Exemption Letter Dated 1/22/88

E. ~~NEWCO~~
~~CEI@ shall fully implement and maintain in effect all provisions of the physical security, guard training and qualification, and safeguards contingency plans previously approved by the Commission and all amendments and revisions to such plans made pursuant to the authority of 10 CFR 50.90 and 10 CFR 50.54(p). The plans, which contain Safeguards Information protected under 10 CFR 73.21, are entitled: "Perry Nuclear Power Plant Security Plan," with revisions submitted through May 15, 1986; "Perry Nuclear Power Plant Security Force Training and Qualification Plan," with revisions submitted through August 12, 1986; and "Perry Nuclear Power Plant Safeguards Contingency Plan" (Chapter 8 of the Security Plan), with revisions submitted through May 15, 1986.~~ See Amend. 11 Dated 3/15/88 Item (2)

- 6 -

- F. Except as otherwise provided in ^{NEWCO} the Technical Specifications or Environmental Protection Plan, ~~CEI~~ shall report any violations of the requirements contained in Section 2.C of this license in the following manner: initial notification shall be made within 24 hours to the NRC Operations Center via the Emergency Notification System with written followup within thirty (30) days in accordance with the procedures described in 10 CFR 50.73(b), (c) and (e).
- G. The licensees shall have and maintain financial protection of such type and in such amounts as the Commission shall require in accordance with Section 170 of the Atomic Energy Act of 1954, as amended, to cover public liability claims.
- H. This license is effective as of the date of issuance and shall expire at midnight on March 18, 2026.

FOR THE NUCLEAR REGULATORY COMMISSION



Harold R. Denton, Director
Office of Nuclear Reactor Regulation

Attachments/Appendices:

1. Attachments 1 - 2
2. Appendix A - Technical Specifications
(NUREG-1204)
3. Appendix B - Environmental Protection
Plan
4. Appendix C - Antitrust Conditions

Date of Issuance: November 13, 1986

ATTACHMENT 1

TO NPF-58

Deleted

DETAILED CONTROL ROOM DESIGN REVIEW

Before start of the 100-hour warranty run, ~~CEI~~ shall implement corrections to human engineering discrepancies per commitments in Supplement 2 to the Detailed Control Room Design Review Summary Report, dated May 28, 1986, and in a letter from M. R. Edelman to W. R. Butler, dated August 26, 1986.

Before startup following the first refueling outage, ~~CEI~~ shall implement corrections to human engineering discrepancies per commitments in

- (a) the Detailed Control Room Design Review Summary Report, dated January 10, 1985.
- (b) Supplement 1 to the Detailed Control Room Design Review Summary Report, dated October 14, 1985.
- (c) Revision 1 to Supplement 1 to the Detailed Control Room Design Review Summary Report, dated October 21, 1985.
- (d) Supplement 2 to the Detailed Control Room Design Review Summary Report, dated May 28, 1986.
- (e) The Control Room Validation Summary Report, dated July 11, 1986.
- (f) Errata sheets to Supplement 2 to the Detailed Control Room Review Summary Report, attached to Letter PY-CEI/NRR-0510 L, dated July 29, 1986.
- (g) Detailed Control Room Design Review - First Refuel HED Revisions Report, attached to letter PY-CEI/NRR-0946L, dated February 10, 1989.

Before startup following the first refueling outage, ~~CEI~~ shall also provide results of the final sound surveys in the control room and at the remote shut-down facilities for NRC review per the commitment in Supplement 1 to the Detailed Control Room Design Review Summary Report, dated October 14, 1985.

Before startup following the second refueling outage, ~~CEI~~ shall complete the augmented verification of human engineering discrepancy corrections implemented after full-power licensing per the commitment in Supplement 2 to the Detailed Control Room Design Review Summary Report, dated May 28, 1986.

~~CEI~~ shall also correct any problems identified by the augmented verification before startup following the second refueling outage per the commitment in a letter from M. R. Edelman to W. R. Butler, dated August 26, 1986.

ATTACHMENT 2

TO NPF-58

TRANSAMERICA DELAVAL, INC. (TDI) DIESEL ENGINE REQUIREMENTS

NEWCO

~~CEI~~ shall comply with the following requirements related to the TDI diesel engines:

1. Changes to the maintenance and surveillance program for the TDI diesel engines, as identified and approved by the NRC staff in the supplemental safety evaluation report in the letter dated July 8, 1986, shall be subject to the provisions of 10 CFR 50.59.

2. Crankshafts shall be inspected as follows:

The oil holes and fillets of the three main bearing journals subject to the highest torsional stresses (Nos. 4, 6, 8) shall be examined with fluorescent liquid penetrant and, as necessary, eddy current, during the one-time 5 year and each 10 year major disassembly. The same inspections on oil holes and fillets shall be performed on at least three crankpin journals between journals 3 and 8.

3. Cylinder blocks shall be inspected at intervals calculated using the cumulative damage index (CDI) model and using inspection methodologies described by Failure Analysis Associates, Inc., (FaAA) in the report entitled "Design Review of TDI R-4 Series Emergency Diesel Generator Cylinder Blocks" (FaAA-84-9-11) dated December 1984. Liquid penetrant inspection of the cylinder liner landing area shall be performed any time liners are removed.

4. The following air roll tests shall be performed as specified below, except that air rolls shall not be performed on an operable TDI Standby Diesel if the other TDI Standby Diesel is already inoperable:

The engines shall be rolled over with the airstart system and the cylinder stopcocks open prior to planned starts, unless that start occurs within 4 hours of a shutdown. The engines shall also be rolled over with the airstart system and the cylinder stopcocks open after 4 hours, but no more than 8 hours after engine shutdown and then rolled over once again approximately 24 hours after each shutdown. In the event an engine is removed from service for any reason other than the rolling over procedure prior to expiration of the 8 hour or 24 hour periods noted above, that engine need not be rolled over while it is out of service. The licensee shall air roll the engine over with the stopcocks open at the time it is returned to service. The origin of any water detected in the cylinders must be determined and any cylinder head which leaks due to a crack shall be replaced. No cylinder heads that contain a through-wall weld repair where the repair was performed from one side only shall be used on the engines.

5. If inspection of either TDI engine reveals cracks in the crankshaft or in the cylinder block between stud holes of adjacent cylinders, this condition shall be reported promptly to the NRC staff and the affected engine(s) shall be considered inoperable. The engines shall not be restored to "operable" status until the proposed disposition and/or corrective actions have been approved by the NRC staff.