

Joseph J. Hagan
President and Chief Nuclear Officer330-761-7895
Fax: 330-384-3799May 28, 2008
L-08-201

10 CFR 50.81

ATTN: Document Control Desk
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001SUBJECT:
Beaver Valley Power Station Unit No. 2
Docket No. 50-412, License No. NPF-73Perry Nuclear Power Plant Unit No. 1
Docket No. 50-440, License No. NPF-58
Notice Regarding Acquisition of Leased Interests by
FirstEnergy Nuclear Generation Corp.

The FirstEnergy Nuclear Operating Company (FENOC) acting as the agent for and on behalf of FirstEnergy Nuclear Generation Corp. (FENGenCo), the Ohio Edison Company (Ohio Edison) and The Toledo Edison Company (Toledo Edison), hereby notifies the Nuclear Regulatory Commission (NRC) of a planned acquisition by FENGenCo of certain owner participant interests in Beaver Valley Power Station Unit No. 2 (BVPS 2) and Perry Nuclear Power Plant Unit No. 1 (PNPP) that are held pursuant to various sale and leaseback arrangements previously approved by the NRC. Under the NRC-authorized arrangements, these interests are currently owned by certain investors as owner participants and leased to Ohio Edison and Toledo Edison, which are NRC licensees for BVPS 2, and leased to Ohio Edison, which is a licensee for PNPP. In place of some of the owner participants under the sale-leaseback arrangements, FENGenCo will become an investor and owner participant. As such, FENGenCo will be a lessor under the existing lease agreements. However, Ohio Edison and Toledo Edison will continue to lease the plants, and will remain as the NRC licensees for the affected interests in BVPS 2 and PNPP.

Pursuant to License Condition 2.B.(7)(a) of the BVPS 2 license, Ohio Edison and Toledo Edison were authorized in 1987 to transfer ownership interests in BVPS 2 to investors pursuant to sale and leaseback transactions and subject to the requirements of the NRC's creditor regulations contained in 10 CFR 50.81. Ohio Edison currently

A 001
NRR

retains a 21.66% licensed interest in BVPS 2, and Toledo Edison currently retains a 18.26% licensed interest in BVPS 2, pursuant to sale-leaseback arrangements whereby these 39.92% interests in BVPS 2 are owned by various investor owner participants and leased to Ohio Edison and Toledo Edison. FENGenCo is the licensed owner of the remaining 60.08% interest in BVPS 2. License Condition 2.B.(7)(b) of the BVPS 2 license requires that the licensees "notify the NRC in writing prior to any change in . . . the term or conditions of any lease agreements."

Pursuant to License Condition 2.B.(7)(a) of the PNPP license, Ohio Edison was authorized in 1987 to transfer ownership interests in PNPP to investors pursuant to sale and leaseback transactions and subject to the requirements of NRC's creditor regulations at 10 CFR 50.81. Ohio Edison currently retains a 12.58% licensed interest in PNPP, pursuant to sale-leaseback arrangements whereby this 12.58% interest in PNPP is owned by various investor owner participants and leased to Ohio Edison. FENGenCo is the licensed owner of the remaining 87.42% interest in PNPP. License Condition 2.B.(7)(b) of the PNPP license requires that the licensees "notify the NRC in writing prior to any change in . . . the term or conditions of any lease agreements."

Over the next several months, FENGenCo may acquire various owner participant interests in BVPS 2 and PNPP. FENGenCo will acquire these interests, either through direct ownership or indirectly through ownership of one or more existing legal entities. FENGenCo will assume these ownership interests subject to the same term and conditions of each of the lease agreements with the current third party owner participants, and the FENGenCo-owned owner participant interests will continue to be held in trust along with the other third party owner participant interests and leased to Ohio Edison and Toledo Edison. In other words, the terms and conditions of the lease agreements will not be changed.


As such, Ohio Edison and Toledo Edison will continue to exercise control of and retain responsibility for their respective 21.66% and 18.26% leased interests in BVPS 2, and Ohio Edison will continue to exercise control and retain responsibility for its 12.58% leased interest in PNPP. It is anticipated that the lease agreements will terminate at the end of the current lease terms. The lease agreements provide that Ohio Edison and Toledo Edison retain various rights vis-à-vis the owner participants at the end of the term of each lease, and Ohio Edison and Toledo Edison might regain ownership of the leased interests. However, also among the potential outcomes would be that one or more owner participants, e.g., FENGenCo, could assume control over the leased

Beaver Valley Power Station Unit No. 2
Perry Nuclear Power Plant Unit No. 1
L-08-201
Page 3

interests. As required for any of the owner participants in such a case, FENGenCo would seek and obtain the prior written consent of the NRC in accordance with 10 CFR 50.80, prior to exercising any control over the leased interests that it plans to hold initially as an owner participant under the sale-leaseback arrangements.

There are no regulatory commitments contained in this letter. If there are any questions or if additional information is required, please contact Mr. Thomas A. Lentz, Manager – Fleet Licensing, at (330) 761-6071.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Hagan", with a long horizontal flourish extending to the right.

Joseph J. Hagan

cc: NRC Director, Office of Nuclear Reactor Regulation
NRC Region I Administrator
NRC Region III Administrator
NRR Project Manager - Beaver Valley Power Station
NRR Project Manager - Perry Nuclear Power Plant
NRC Resident Inspector - Beaver Valley Power Station
NRC Resident Inspector - Perry Nuclear Power Plant
Director BRP/DEP
Site Representative BRP/DEP
Executive Director, Ohio Emergency Management Agency,
State of Ohio (NRC Liaison)