

June 3, 2004

10 CFR 73.21

U.S. Nuclear Regulatory Commission
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Duane Arnold Energy Center
Dockets 50-331 and 72-32
License No. DPR-49

Monticello Nuclear Generating Plant
Docket 50-263
License No. DPR-22

Kewaunee Nuclear Power Plant
Docket 50-305
License No. DPR-43

Point Beach Nuclear Power Plant Units 1 and 2
Dockets 50-266, 50-301 and 72-5
License Nos. DPR-24 and DPR-27

Palisades Nuclear Plant
Dockets 50-255 and 72-7
License No. DPR-20

Prairie Island Nuclear Generating Plant Units 1 and 2
Dockets 50-282, 50-306 and 72-10
License Nos. DPR-42, DPR-60 and SNM-2506

References: 1) 10 CFR 73.21
2) NRC Regulatory Issue Summary 2002-15
3) NMC Letter, dated May 7, 2004

Use of Encryption Software for Electronic Transmission of Safeguards Information

Pursuant to the requirements of 10 CFR 73.21(g)(3), Nuclear Management Company, LLC (NMC) requests approval to process and transmit Safeguards Information (SGI) using PGP Software (Enterprise, Corporate, or Personal) Desktop Version 8.0 or the latest validated version, developed with PGP SDK 3.0.3 for the Duane Arnold Energy Center, Kewaunee Nuclear Plant, Monticello Nuclear Generating Plant, Palisades Nuclear Plant, Point Beach Power Plant, Prairie Island Nuclear Generating Plant and the NMC corporate headquarters in Hudson, WI. National Institute of Standards and Technology Certificate 394 validates compliance of this SDK with FIPS 140-2 requirements.

An information protection system for SGI that meets the requirements of 10 CFR 73.21(b) through (i) has been established and is being maintained. Prior to the first use of encryption software for SGI material, written procedures shall be in place to describe, as a minimum: access controls; where and when encrypted communications can be made; how encryption keys, codes and passwords will be protected from compromise; actions to be taken if the encryption keys, codes or passwords are, or are suspected to have been, compromised (for example, notification of all authorized users); and how the identity and access authorization of the recipient will be verified.

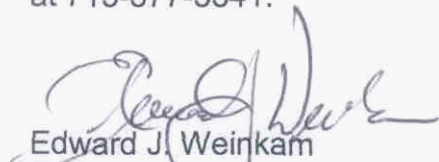
NMC intends to exchange SGI with the NRC, Nuclear Energy Institute (NEI), and other SGI holders who have received NRC approval to use PGP software. The NMC I/T Distributed Architecture Manager, is responsible for the overall implementation of the SGI encryption program at NMC. The NMC Security Director (*corporate*) and the Security Manager at each site will be responsible for collecting, safeguarding, and dissemination the software tools needed for encryption and disseminating the software tools needed for encryption and decryption of SGI.

Pursuant to 10 CFR 73.21(g)(3), the transmission of encrypted material to other authorized SGI holders, who have received NRC approval to use PGP software, would be considered a protected telecommunications system. The transmission and dissemination of unencrypted SGI is subject to the provisions of 10 CFR 73.21(g)(1) and (2).

This letter includes the license (as appropriate) and docket numbers for the NMC Independent Spent Fuel Storage Installations (ISFSIs) and supercedes NMC's earlier request dated May 7, 2004.

This letter contains no new commitments and no revisions to existing commitments.

Should you have any questions or require additional information, please contact David Axt at 715-377-3341.



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cc: Scott Morris, NRC/NISR
Lynn Silvius, NRC/NSIR
Louis Grosman, NRC/OCIO
James Davis, NEI
Jim Creed, NRC RIII