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May 26, 2004

U.S. Nuclear Regulatory Commission
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- References:
1. 10 CFR 73.21
 2. NRC Regulatory Issue Summary 2002-15

Subject: Duke Energy Corporation
Oconee Nuclear Station, Units 1, 2, and 3
NRC Docket Nos. 50-269, 50-270, 50-287
McGuire Nuclear Station, Units 1 and 2
NRC Docket Nos. 50-369, 50-370
Catawba Nuclear Station, Units 1 and 2
NRC Docket Nos. 50-413, 50-414
Use of Encryption Software for Electronic Transmission of Safeguards
Information

Pursuant to the requirements of 10 CFR 73.21(g)(3), Duke Energy Corporation ("Duke") 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. National Institute of Standards and Technology Certificate 394 validates compliance of this SDK with Federal Information Processing Standard (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.

Duke intends to exchange SGI with the NRC, Nuclear Energy Institute (NEI), and other SGI holders who have received NRC approval to use PGP software. Dana Boies, Nuclear Security Compliance Coordinator is responsible for the overall implementation of the SGI encryption program at Duke. Dana Boies, Nuclear Security Compliance Coordinator is responsible for collecting, safeguarding, and disseminating the software tools needed for encryption and decryption of SGI.

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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).

Should you have any questions or require additional information, please contact Dana Boies at (704) 382-1694.

Sincerely,

A handwritten signature in cursive script, appearing to read "H. B. Barron".

H. B. Barron
Executive Vice President
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xc:

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P. R. Fowler - EC03P
T. Shafeek-Horton – PB05
L. F. Vaughn – PB05
ONS Master File – ON03DM (File OS 801.01)
MNS Master File – MG01DM
CNS Master File – CN01DM
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APPENDIX A.227. NRC CORRESPONDENCE RECORD OF REVIEW

NRC CORRESPONDENCE RECORD OF REVIEW

Applicable Site(s) All

Submittal Title/Subject Use of Encryption Software for Electronic Transmission of SGI

Scheduled Submittal Date 5/26/04 Mandatory? N (Y/N)

Regulatory Compliance Submittal Lead Dana Boies
(Name)

Technical Lead/Contributor Steve Deskevich Division/Section DPIT/NIT
(Name)

Reviewer	Name	Comments? (Y/N)	Resolved? (Y/N)
Lead Technical Reviewer	Steve Deskevich	N	
Lead Technical Mgr.	Carl Robinson	N	
Compliance Mgr.	Bob Gill	N	
Affected Group/Div Mgr.	Tommy Byers	N	
Safety Assurance Mgr.	Dick Speigart	N	
Independ. Tech. Reviewer	N/A		
Cross-Discipline Reviewer	Terry King	N	
Cross-Discipline Reviewer	David Black	N	
Cross-Discipline Reviewer	N/A		
Commitment Coordinator	Dana Boies	N	
Other Knowledgeable Person(s)	N/A		
PORC, NSRB Review per NSD 221	N/A		

CONCURRENCE ON CONTENT, INCLUDING COMMITMENTS, HAS BEEN RECEIVED BY THE LISTED REVIEWERS AND COMMENTS HAVE BEEN RESOLVED. THIS SUBMITTAL IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

Submittal Technical Lead Dana L Boies Date 5/26/04
(Signature)

THIS SUBMITTAL HAS BEEN PREPARED ACCORDING TO GUIDELINES IN NSD 227, APPENDIX B. THIS SUBMITTAL IS READY TO BE SENT TO THE NRC.

Regulatory Compliance (or NRIA) Lead Dana L Boies Date 5/26/04
(Signature)