



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

October 6, 2009

Mr. Christopher R. Costanzo
Vice President
Duane Arnold Energy Center
3277 DAEC Road
Palo, IA 52324-9785

SUBJECT: DUANE ARNOLD ENERGY CENTER – REQUEST FOR ADDITIONAL
INFORMATION REGARDING DECOMMISSIONING FUNDING ASSURANCE
PLAN (TAC NO. ME0516)

Dear Mr. Costanzo:

On March 27, 2009, the Nuclear Regulatory Commission (NRC) received FPL Energy Duane Arnold, LLC, Central Iowa Power Cooperative, and Corn Belt Power Cooperative's (collectively known as, the licensee) biennial decommissioning funding report (Agencywide Documents Access and Management System (ADAMS) Accession No. ML090900306) for Duane Arnold Energy Center. By letter dated July 27, 2009 (ADAMS Accession No. ML092110118), the licensee submitted a plan as part of the concurrent 2009 Biennial Decommissioning Review process, which describes how and when it intends to make adjustments to the financial assurance mechanisms such that any shortfalls in decommissioning funding assurance for Duane Arnold Energy Center are covered.

The NRC staff is reviewing the provided information and has determined that additional information is required to complete the review. The specific information requested is addressed in the enclosure to this letter. During a discussion with your staff on September 23, 2009, it was agreed that you would provide the additional information within 30 days of the date of this letter.

The NRC staff considers that timely responses to requests for additional information help ensure sufficient time is available for staff review and contribute toward the NRC's goal of efficient and effective use of staff resources. If circumstances result in the need to revise the requested response date, please contact me at (301) 415-2048.

Sincerely,

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

Justin C. Poole, Project Manager
Plant Licensing Branch III-1
Division of Operating Reactor Licensing
Office of Nuclear Reactor Regulation

Docket No. 50-331

Enclosure:
Request for Additional Information

cc w/encl: Distribution via ListServ

REQUEST FOR ADDITIONAL INFORMATION

DUANE ARNOLD ENERGY CENTER

DOCKET NO. 50-331

The Nuclear Regulatory Commission (NRC) staff has reviewed your submittal, dated July 27, 2009, outlining FPL Energy Duane Arnold, LLC's (FPL Energy) proposed plan of action to cover deficiencies in providing decommissioning funding assurance discovered in its 70 percent ownership of Duane Arnold Energy Center, (DAEC) Biennial Decommissioning Funding Report that was submitted on March 27, 2009. At that time, the NRC staff estimated a projected deficiency in decommissioning funding assurance of approximately \$48 million in total. This reflects the review of all three owners of DAEC for decommissioning funding assurance.

In the July 27, 2009, submittal, FPL Energy states that the decommissioning trust fund balance as of June 30, 2009, has grown to \$167.5 million, an increase of \$3.9 million from the December 31, 2008, balance indicated in the Biennial Decommissioning Funding Report that was submitted on or about March 31, 2009, by FPL Energy Duane Arnold, LLC.

FPL Energy has also proposed the use of a Parent Company Guarantee (PCG), based on a value derived by discounting the Minimum Decommissioning Funding Formula amount from the projected value at the time of permanent secession of operations, to a present value at the end of calendar year 2009. FPL Energy believes that the combination of the increase decommissioning trust fund balance as of June 30, 2009, along with the proposed discounted PCG, provides decommissioning funding assurance.

On July 27, 2009, FPL submitted a plan on behalf of the licensed owners, FPL Energy, 70 percent owner, and Central Iowa Power Cooperative (CIPCO), 20 percent owner, as part of the concurrent 2009 Biennial Decommissioning Review process, which describes how and when it intends to make adjustments to financial assurance mechanisms such that any shortfalls in decommissioning funding assurance for DAEC are covered.

On page 2 of the decommissioning funding plan submitted, FPL Energy stated:

In order to address the funding difference for DAEC, FPL Energy will cause FPL Group Capital Inc. to amend the existing decommissioning funding parent (company) guaranty for \$93 million to increase the value of that parent (company) guaranty to \$132.5 million, [which is based on a] present value of NRC Minimum Calculation pursuant to 10 CFR 50.75.

10 CFR 50.75 (b)(1) states:

(b) Each power reactor applicant for or holder of an operating license, and each applicant for a combined license under subpart C of 10 CFR Part 52 for a production or utilization facility of the type and power level specified in paragraph (c) of this section shall submit a decommissioning report, as required by § 50.33(k).

Enclosure

- (1) For an applicant for or holder of an operating license under Part 50, the report must contain a certification that financial assurance for decommissioning will be (for a license applicant), or has been (for a license holder), provided in an amount which may be more, but not less, than the amount stated in the table in paragraph (c)(1) of this section adjusted using a rate at least equal to that stated in paragraph (c)(2) of this section. (Emphasis added.)

Question 1

On Enclosure 4 of the July 27, 2009, submittal, CIPCO stated that a Real Rate of Return of four percent is assumed. Please provide the necessary evidence that allows CIPCO to use an assumed Real Rate of Return of four percent by the appropriate regulatory authority.

Question 2

Please provide a status of the remaining 10 percent owner of DAEC.

Question 3

NRC recognizes that if approximately \$132.5 million were deposited in cash into the prepaid account, the increased balance would provide adequate financial assurance, as of June 30, 2009. The reason is that actual funds in a prepaid account can generate earnings.

However, FPL's plan to provide a PCG in the amount of \$132.5 million does not meet the requirements of Section 50.75(e)(1)(i). The PCG is a promise by the parent company to pay the decommissioning obligations of the licensee in the event the licensee fails to pay for decommissioning costs. By its nature, the PCG has no funds from which earnings can be generated. Your plan would generate earnings only on the actual balance in the account. The sum of the \$165.7 million trust fund balance plus earnings on the balance plus a \$132.5 million PCG would not cover the minimum NRC requirement of Section 50.75(c), as of July 31, 2009.

In view of the above, provide a revised plan to cover the projected shortfall using a method that conforms to one of the methods provided in Section 50.75.

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Sincerely,

/RA/

Justin C. Poole, Project Manager
Plant Licensing Branch III-1
Division of Operating Reactor Licensing
Office of Nuclear Reactor Regulation

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ADAMS Accession Number: ML092710092

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DATE	09/30/09	9/28/09	10/02/09	10/06/09

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