



APR 07 2010

L-2010-068

U.S. Nuclear Regulatory Commission  
Attn: Document Control Desk  
Washington, D.C. 20555-0001

Re: Duane Arnold Energy Center  
Docket 50-331  
License No. DPR-49

Notice of Termination of Decommissioning Parent Guaranty -  
Duane Arnold Energy Center

FPL Group Capital Inc. ("FPL Group Capital"), guarantor of a portion of the decommissioning funding obligation for the Duane Arnold Energy Center ("DAEC"), hereby notifies the U.S. Nuclear Regulatory Commission ("NRC") of its intention to terminate the Parent Guaranty providing decommissioning funding assurance for DAEC 120 days after the NRC's receipt of this notice. As discussed below, the Parent Guaranty is being terminated because the current financial assurance for DAEC is sufficient without further reliance upon a parent company guaranty.

Incident to the application to transfer the licenses to own and operate DAEC from Interstate Power & Light Co. ("IPL") and Nuclear Management Co., respectively, to FPL Energy Duane Arnold, LLC (now NextEra Energy Duane Arnold, LLC) ("NextEra") (Reference 1), NextEra caused a Parent Guaranty to be issued by FPL Group Capital to meet a portion of its decommissioning funding assurance obligations under 10 C.F.R. § 50.75. The Parent Guaranty, originally issued in the amount of \$75 million, was added to the \$186 million transferred to the DAEC Decommissioning Trusts at the closing of the sale of DAEC, to demonstrate reasonable assurance of decommissioning funding for NextEra's ownership share of DAEC, as found by the NRC Staff in its Safety Evaluation in connection with the license transfer. (Reference 2).

Accordingly, the Order (Reference 2) approving the license transfer added the following as a condition to the DAEC operating license:

By the date of closing of the transfer of the 70 percent ownership interest in DAEC from IPL to FPLE Duane Arnold, FPLE Duane Arnold shall obtain a parent company guarantee from FPL Group Capital in an initial amount of at least \$75 million (in 2005 dollars) to provide additional decommissioning funding assurance regarding such ownership interest, which guarantee must be in accordance with NRC regulations regarding such documents. Required funding levels shall be recalculated annually and, as necessary, FPLE Duane Arnold shall either obtain appropriate adjustments to the parent guarantee or otherwise provide any additional decommissioning funding assurance necessary for FPLE Duane Arnold to meet NRC requirements under 10 CFR 50.75.

In accordance with this license condition, FPL Group Capital amended the Parent Guaranty for DAEC decommissioning to increase the amount of the guaranty to \$93 million. (Reference 3).

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The executed Parent Guaranty was submitted to the NRC in Reference 4. Section 6 of the Parent Guaranty provides:

This Guaranty shall terminate and be of no further force and effect upon the date on which the Licensee no longer is required to comply with the applicable assurance requirements of 10 CFR Part 50 for the Facility; provided, however, that the Guarantor may terminate this Guaranty by sending notice by certified mail to the NRC and the Licensee, such cancellation to become effective no earlier than 120 days after receipt of such notice by both the NRC and the Licensee. If at the time of cancellation the qualified and nonqualified decommissioning funds maintained by Licensee for the DAEC are insufficient to meet NRC requirements and the Licensee fails to provide alternative financial assurance within 90 days of Guarantor's notice of cancellation, the Guarantor will (a) provide such alternate financial assurance in the name of the Licensee, (b) make full payment under the guarantee, or (c) restore the guarantee.

In November 2009, NextEra submitted a site-specific Decommissioning Cost Estimate for DAEC, which demonstrated decommissioning funding assurance based upon the use of the SAFSTOR decommissioning method. (Reference 5). Based upon this site-specific cost estimate, NextEra concluded that the prepaid DAEC decommissioning trust balances demonstrate reasonable assurance of decommissioning funding without the need for any additional form of decommissioning funding assurance. The site-specific Decommissioning Cost Estimate was revised in 2010, but these revisions did not materially change NextEra's ability to demonstrate decommissioning funding assurance. (Reference 6). On March 25, 2010, the NRC concluded that the decommissioning plan relying on the SAFSTOR method "provides reasonable assurance of adequate decommissioning funding at the time permanent termination of operations is expected." (Reference 7).

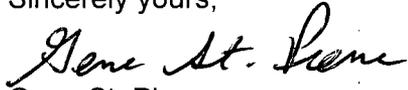
Further, on March 25, 2010, NextEra Energy Duane Arnold submitted an additional decommissioning funding status report, as required by 10 CFR 50.75(f). (Reference 8). This report demonstrated that the decommissioning trust fund for DAEC continues to contain adequate funding to meet NRC requirements without further assurances.

Based upon the NRC finding, FPL Group Capital concludes that the \$93 million guaranty is no longer required under NRC regulations to meet decommissioning funding assurance for DAEC. Therefore, in accordance with Section 6 of the Parent Guaranty, FPL Group Capital hereby notifies the NRC of the termination of the Guaranty, noting that such termination will not become effective until 120 days after the NRC's receipt of this notification. Because the prepaid decommissioning trust maintained by NextEra is sufficient to meet NRC requirements at this time, no further action on the part of FPL Group Capital is required under the terms of the Parent Guaranty.

The termination of the Parent Guaranty is consistent with the Parent Guaranty license condition, which required a specific action ("obtain a parent company guarantee") to be taken at a specific time ("by the date of closing"). NextEra complied with this condition by obtaining the Parent Guaranty by the date of closing. The license condition does not require the continuation of the Parent Guaranty when it is no longer necessary to demonstrate funding assurance, and, in fact, allows for "appropriate adjustments" after necessary funding levels are recalculated.

Should you have questions or concerns regarding FPL Group Capital's termination of the Parent Guaranty, please contact us prior to the expiration of the 120-day notification period. Please direct your inquires to Mitchell Ross, Vice President and General Counsel - Nuclear at 561-691-7126.

Sincerely yours,



Gene St. Pierre  
Vice President, Fleet Support

cc: NextEra Energy Duane Arnold, LLC  
Administrator, Region III, USNRC  
Project Manager, DAEC, USNRC  
Resident Inspector, DAEC, USNRC

**References:**

1. Letter NG-05-0419 from G. Van Middlesworth, Nuclear Management Company, to NRC "Application for Order and Conforming Amendments for License Transfer," dated August 1, 2005. (ML052150410)
2. Letter from D. Spaulding, NRC to M. Sellman, Nuclear Management Co., and J. Stall, FPL Energy Duane Arnold, LLC, "Order Approving Transfer of License and Conforming Amendment," and "Safety Evaluation by the Office of Nuclear Reactor Regulation Regarding License Transfer from Interstate Power and Light Co. to FPL Energy Duane Arnold, LLC," dated December 23, 2005. (ML053420246)
3. Letter NG-07-0481 from G. Van Middlesworth, FPL Energy Duane Arnold, to NRC "Revised Decommissioning Funding Status Report for the Duane Arnold Energy Center," dated June 28, 2007. (ML071860229)
4. Letter NG-06-0128 from G. Van Middlesworth, FPL Energy Duane Arnold, to NRC "Condition (4) of Order Approving Transfer of DPR-049," dated February 20, 2006. (ML060610604)
5. Letter L-2009-256 from M. Nazar, NextEra Energy Duane Arnold, LLC to NRC, "Response to Requests for Additional Information," dated November 5, 2009. (ML093130065)
6. Letter NG-10-0067 from C. Costanzo, NextEra Energy Duane Arnold, to NRC, "Response to Supplemental Request for Additional Information to Support the Review of the Duane Arnold Energy Center Spent Fuel Management Program and Preliminary Decommissioning Cost Estimate," dated February 15, 2010. (ML100540024)
7. Letter from K. Feintuch, NRC, to C. Costanzo, NextEra Energy Duane Arnold, "Duane Arnold Energy Center - NextEra Energy Duane Arnold, LLC's Status of Decommissioning Funding Assurance for Duane Arnold Energy Center," dated March 25, 2010. (ML100770235)
8. Letter NG-10-0105 from C. Costanzo, NextEra Energy Duane Arnold, to NRC, "Decommissioning Funding Status Report," dated March 25, 2010.