



FPL Energy.

Duane Arnold Energy Center

FPL Energy Duane Arnold, LLC
3277 DAEC Road
Palo, Iowa 52324

February 20, 2006

NG-06-0128

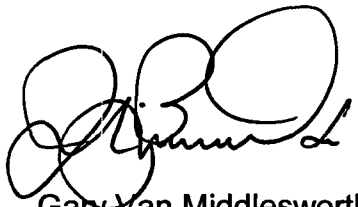
U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555-0001

Re: Duane Arnold Energy Center
Docket Nos. 50-331 and 72-32
License No. DPR-49
Condition (4) of Order Approving Transfer of DPR-049

By letter dated December 23, 2005, the Nuclear Regulatory Commission ("NRC") issued an Order approving the transfer of the Facility Operating License for the Duane Arnold Energy Center ("DAEC") to the extent held by Interstate Power and Light Company ("IPL") as owner, and Nuclear Management Company, LLC ("NMC") as licensed operator of DAEC, to FPL Energy Duane Arnold, LLC ("FPL Energy Duane Arnold"), a subsidiary of FPL Energy, LLC.

The transfer of the license is subject to four Conditions contained in the Order. Condition (4) states that an executed copy of the Support Agreement shall be submitted to the NRC no later than 30 days after completion of the license transfer. The enclosure to this letter provides an executed copy of the Support Agreement between FPL Group Capital, Inc. and FPL Energy Duane Arnold, LLC, as well as a copy of the Buyer's Parent Guaranty by FPL Group Capital, Inc. on behalf of FPL Energy Duane Arnold, LLC.

If you have any questions concerning this submittal, please contact Steven Catron, DAEC Nuclear Safety Assurance Manager at 319-851-7234 or Robert E. Helfrich, Senior Attorney, FPL Energy, LLC at 561-304-5288.



2/20/06

Gary Van Middlesworth
Vice President
Duane Arnold Energy Center

A001

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Enclosure

cc: Regional Administrator, USNRC, Region III
Project Manager, USNRC, Duane Arnold Energy Center
Resident Inspector, USNRC, Duane Arnold Energy Center
Director, Spent Fuel Project Office
State of Iowa – D. McGhee
S. Hom, USNRC
S. Uttal, USNRC

ENCLOSURE
to NG-06-0128

Affidavit of

State of Florida)
)
County of Palm Beach) ss.

I, Ronald L. Scheirer, being duly sworn according to law, state the following:

I am Vice President, FPL Energy Duane Arnold, LLC. My business address is 700 Universe Boulevard, Juno Beach, FL 33408. I am authorized to provide this certification on behalf of FPL Energy Duane Arnold, LLC.

To the best of my knowledge, information and belief, the attached copies are true and accurate copies of the following two agreements dated as of January 27, 2006:


1. Buyer's Parent Guaranty by FPL Group Capital, Inc. on behalf of FPL Energy Duane Arnold, LLC (\$75 million in decommissioning funding assurance).
2. Support Agreement Between FPL Group Capital, Inc. and FPL Energy Duane Arnold, LLC (up to \$50 million in funds to pay operating expenses and meet NRC requirements).

Further, the affiant sayeth not.



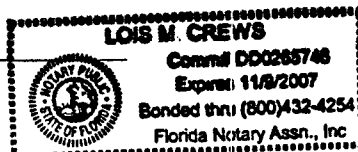
Ronald L. Scheirer

Subscribed and sworn to before me
this 16th day of February, 2006.



Notary Public

My commission expires _____



**SUPPORT AGREEMENT BETWEEN
FPL GROUP CAPITAL INC AND
FPL ENERGY DUANE ARNOLD, LLC**

THIS SUPPORT AGREEMENT, dated as of 12:01 a.m. January 27, 2006,
between FPL Group Capital Inc, a Florida corporation ("FPL"), and FPL Energy Duane
Arnold, LLC, a Delaware limited liability company (the "Subsidiary").

WITNESSETH:

WHEREAS, FPL is the indirect owner of 100% of the outstanding shares of the
Subsidiary; and

WHEREAS, the Subsidiary intends to purchase certain assets located at the
Duane Arnold Energy Center in Palo, Iowa (the "Facility") pursuant to an Asset Sale
Agreement dated July 2, 2005, by and among the Subsidiary and Interstate Power &
Light Company ("Seller"); and

WHEREAS, FPL and the Subsidiary desire to take certain actions to ensure the
Subsidiary's ability to pay the expenses of operating the Facility, maintaining the Facility
safely and protecting the public health and safety (the "Operating Expenses"), and to
meet U.S. Nuclear Regulatory Commission ("NRC") requirements during the operating
life of the Facility (the "NRC Requirements").

NOW, THEREFORE, in consideration of the mutual promises herein contained,
the parties hereto agree as follows:

1. *Availability of Funding.* From time to time, upon request of the Subsidiary,
FPL shall provide or cause to be provided to the Subsidiary such funds as the Subsidiary
determines to be necessary to pay the Operating Expenses and meet the NRC

Requirements; provided, however, in no event shall the aggregate amount which FPL is obligated to provide under this Agreement exceed \$50 million.

2. *No Guarantee.* This Support Agreement is not, and nothing herein contained, and no action taken pursuant hereto by FPL shall be construed as, or deemed to constitute, a direct or indirect guarantee by FPL to any person of the payment of the Operating Expenses or of any liability or obligation of any kind or character whatsoever of the Subsidiary or of any affiliate of the Subsidiary. This Agreement may, however, be relied upon by the NRC in determining the financial qualifications of the Subsidiary to hold an operating license for the Facility.

3. *Waivers.* FPL hereby waives any failure or delay on the part of the Subsidiary in asserting or enforcing any of its rights or in making any claims or demands hereunder.

4. *Amendments and Termination.* This Agreement may not be amended or modified at any time without thirty (30) days prior written notice to the NRC. This Agreement shall terminate at such time as FPL is no longer the direct or indirect owner of the Facility. This Agreement shall also terminate at such time as the Facility permanently ceases commercial operations.

5. *Successors.* This Agreement shall be binding upon the parties hereto and their respective successors and assigns.

6. *Third Parties.* Except as expressly provided in Section 4 with respect to the NRC, this Agreement is not intended for the benefit of any person other than the parties hereto, and shall not confer or be deemed to confer upon any other such person any benefits, rights or remedies hereunder.

7. *Governing Law.* This Agreement shall be governed by the laws of the State of Florida without giving effect to any choice or conflict-of-law provision or rule (whether of Florida or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

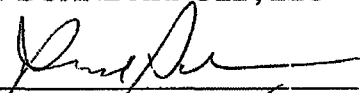
FPL GROUP CAPITAL INC

By:

Name: _____
Title: _____

FPL ENERGY DUANE ARNOLD, LLC

By:

Name: 
Title: VICE PRESIDENT

**SUPPORT AGREEMENT BETWEEN
FPL GROUP CAPITAL INC AND
FPL ENERGY DUANE ARNOLD, LLC**

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WHEREAS, FPL and the Subsidiary desire to take certain actions to ensure the
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life of the Facility (the "NRC Requirements").

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FPL shall provide or cause to be provided to the Subsidiary such funds as the Subsidiary
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Requirements; provided, however, in no event shall the aggregate amount which FPL is obligated to provide under this Agreement exceed \$50 million.

2. *No Guarantee.* This Support Agreement is not, and nothing herein contained, and no action taken pursuant hereto by FPL shall be construed as, or deemed to constitute, a direct or indirect guarantee by FPL to any person of the payment of the Operating Expenses or of any liability or obligation of any kind or character whatsoever of the Subsidiary or of any affiliate of the Subsidiary. This Agreement may, however, be relied upon by the NRC in determining the financial qualifications of the Subsidiary to hold an operating license for the Facility.

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7. *Governing Law.* This Agreement shall be governed by the laws of the State of Florida without giving effect to any choice or conflict-of-law provision or rule (whether of Florida or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

FPL GROUP CAPITAL INC

By:

Name: Paul Butler
Title: Treasurer

FPL ENERGY DUANE ARNOLD, LLC

By:

Name: _____
Title: _____

BUYER'S PARENT GUARANTY

GUARANTY, dated as of 12:01 a.m. January 27, 2006 made by FPL Group Capital Inc., ("Guarantor"), a corporation organized under the laws of the State of Florida, on behalf of its subsidiary, FPL Energy Duane Arnold, LLC ("Licensee"). Except as otherwise defined herein, terms used here and defined in the Asset Sale Agreement (as hereinafter defined) shall be used herein as so defined.

WHEREAS, the Licensee and Interstate Power and Light Company (the "Seller") has entered into an Asset Sale Agreement dated as of July 2, 2005 (the "Agreement") to sell to the Licensee the Acquired Assets;

WHEREAS, the Licensee is an indirect wholly-owned subsidiary of Guarantor;

WHEREAS, the NRC has promulgated regulations in Title 10, Chapter 1 of the Code of Federal Regulations ("CFR"), Part 50 which requires that a holder of, or an applicant for, a license issued pursuant to 10 CFR Part 50 provide assurance that funds will be available when needed for required decommissioning activities.

WHEREAS, the Seller with a seventy percent (70%) interest in the Duane Arnold Energy Center Nuclear Plant ("DAEC") will transfer an estimated \$188.3 million to qualified and non-qualified decommissioning trust funds established and maintained by Licensee for the DAEC.

WHEREAS, it is estimated that a total of \$260.2 million in decommissioning funding assurance is necessary to meet Licensee's share of the NRC requirements for the DAEC, and therefore approximately \$75 million in decommissioning funding assurance in addition to the amounts held in the qualified and non-qualified funds is necessary;

WHEREAS, the Guarantor expects to receive substantial indirect benefits from the purchase of the Acquired Assets by the Licensee from the Sellers (which benefits are hereby acknowledged), and accordingly desires to execute and deliver this Guaranty in order to provide financial assurance for decommissioning activities for the DAEC as required by 10 CFR Part 50 and the Agreements.

NOW THEREFORE, in consideration of the foregoing and other benefits accruing to the Guarantor the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby makes the following representation and warranties to the NRC and hereby covenants and agrees as follows:

1. The Guarantor guarantees to the NRC that if the Licensee fails to perform the required decommissioning activities, as defined by the NRC regulations at 10 CFR 50.2 and as required by NRC License No. DPR-49 for the DAEC, the Guarantor shall (a) carry out the required activities, or (b) set up a trust fund for the benefit of the NRC in the amount of \$75 million (in year 2005 dollars) (the "Guaranteed Obligation"). In addition, Guarantor hereby agrees to pay any and all costs and expenses (including fees and disbursements of counsel) incurred by the NRC in enforcing any rights under this Guaranty.

2. Guarantor's obligation pursuant to this Guaranty is an unconditional guaranty of payment and not of collectibility. This Guaranty shall remain in full force and effect until 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, or until otherwise earlier terminated in accordance with the provisions of Section 6 below or extinguished by the NRC. No delay or omission by the NRC to exercise any right under this Guaranty shall impair any right, nor shall it be construed to be a waiver thereof. No waiver of any single breach or default under this Guaranty shall be deemed a waiver of any other breach or default.

3. Except for termination or cancellation of this Guaranty under section 6 or action by the NRC extinguishing Guarantor's obligations under this Guaranty, the obligations and liability of the Guarantor under this Guaranty shall be absolute, unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in time, manner or place of payment of, or in any other term of, the Guaranteed Obligation; (b) any change in ownership of Guarantor or Licensee; (c) any bankruptcy, insolvency, or reorganization of, or other similar proceedings involving Guarantor or Licensee; (d) any other circumstances which might otherwise constitute a legal or equitable discharge of a surety or guarantor; or (e) any amendment or modification of the DAEC license or the NRC-approved decommissioning funding plan for the DAEC, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant to 10 CFR Part 50; provided that, except for the matters set forth in (a)-(e) above, the Guarantor shall be entitled to assert and claim the benefit of any defense, offset or counterclaim which the Licensee may have in law or equity to the payment or performance of the Guaranteed Obligation, as a defense, offset or counterclaim to its obligations under this Guaranty.

4. Guarantor, hereby irrevocably, unconditionally and expressly waives, to the fullest extent permitted by applicable law, promptness, diligence, notice of acceptance and other notice with respect to the Guaranteed Obligation and this Guaranty and any requirement that the NRC protect, secure or perfect any security interest or exhaust any right or first proceed against Licensee or any other person or entity. Likewise, Guarantor expressly waives notice of acceptance of this Guaranty by the NRC and of any amendments or modification of the decommissioning requirements or the license.

5. This Guaranty shall be binding upon Guarantor and its successors and permitted assigns and inure to the benefit of and be enforceable by the NRC and its successors and permitted assigns.

6. 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.

7. Annually within 90 days of the close of Guarantor's fiscal year, Guarantor will submit to the NRC its current financial statements, a current estimate of the decommissioning funding assurance required for the DAEC and any corresponding adjustment to this guarantee, and a statement showing compliance with the NRC's financial tests for parent guarantees in 10 CFR Part 30. If at the end of any fiscal year before termination of this guarantee, Guarantor fails to meet such financial test criteria, the Licensee and Guarantor will submit notice to the NRC within 90 days by certified mail that Licensee intends to provide alternative financial assurance as specified in 10 CFR Part 50. If Licensee fails to provide such alternative financial assurance within 30 days after such notice, the Guarantor shall provide the alternative financial assurance in the name of the Licensee.

8. If at any time the NRC notifies Licensee and Guarantor of a determination by the NRC that Guarantor no longer meets the financial test criteria in 10 CFR Part 30, Appendix A, Licensee will within 30 days of such notice provide alternative financial assurance in accordance with the applicable requirements in 10 CFR Part 50. If Licensee fails to provide such alternative financial assurance, Guarantor will provide such assurance in Licensee's name.

9. The Guarantor further represents, warrants and agrees that:

(a) The Guarantor (i) is a duly organized and validly existing corporation in good standing under the laws of the State of Florida, (ii) has the power and authority to own its property and assets and to transact the business in which it is engaged and (iii) is duly qualified as a foreign corporation and in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification.

(b) The Guarantor has the corporate power to execute, deliver and perform the terms and provisions of this Guaranty and has taken all necessary corporate action to authorize the execution, delivery and performance by it of this Guaranty. The Guarantor has duly executed and delivered this Guaranty, and this Guaranty constitutes its legal, valid and binding obligation enforceable in accordance with its terms.

(c) Neither the execution, delivery or performance by the Guarantor of this Guaranty, nor compliance by it with the terms and provisions hereof, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any lien upon any of the property or assets of the Guarantor or any of its subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other agreement, contract or instrument to which the Guarantor or any of its subsidiaries is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) will violate any provision of the certificate of incorporation or by-laws of the Guarantor or any of its subsidiaries.

(d) No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained previously), or exemption by, any governmental or public body or authority, or any subdivision thereof (except as have been previously obtained), is required to authorize, or is required in connection with, (i) the execution, delivery and performance of this Guaranty or (ii) the legality, validity, binding effect or enforceability of this Guaranty.

(e) Neither the Guarantor nor any of its subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(f) The Licensee is an indirect but wholly-owned subsidiary of Guarantor, and Guarantor has through its wholly-owned subsidiaries majority control of the voting stock of the Licensee.

(g) The Guarantor meets or exceeds the financial test criteria in 10 CFR Part 30, Appendix B, section II.A.2.

10. This Guaranty, shall be governed by and construed in accordance with the domestic laws of the State of Florida without giving effect to any choice or conflict-of-law provision or rule (whether of Florida or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Florida. The Guarantor consents to the exclusive jurisdiction and venue of any state or federal court within the State of Florida for adjudication of any suit, claim, action or other proceeding at law or in equity relating to this Guaranty, or to any transaction contemplated hereby. The Guarantor accepts, generally and unconditionally, the exclusive jurisdiction and venue of the aforesaid courts and waive any objection as to venue, and any defense *of forum non conveniens*. The Guarantor hereby irrevocably designates, appoints and empowers Mitchell S. Ross, Associate General Counsel, with offices on the date hereof at 700 Universe Blvd., Juno Beach, Florida 33408, as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents which may be served in any such action or proceeding. If for any reason such designee, appointee and agent shall cease to be available to act as such, the Guarantor agrees to designate a new designee, appointee and agent in Florida on the terms and for the purposes of this provision satisfactory to the NRC. The Guarantor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Guarantor at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of the NRC to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Guarantor in any other jurisdiction. The Guarantor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with the Guaranty brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

11. All notices and other communications hereunder shall be made at the address of the Guarantor specified below.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Guarantor has duly caused this Guaranty to be executed and delivered as of the date first written above.

By: Paul Cutler
Name: Paul Cutler
Title: Treasurer

STATE OF FLORIDA)
) ss.:
COUNTY OF PALM BEACH)

On February 2, 2006 before me personally came Paul Cutler, to me known, who, being by me duly sworn, did depose and say that he resides in Jupiter, that he is an officer of FPL Group Capital Inc., the corporation described in and which executed the above instrument, and that he signed his name thereto by authority of the board of directors or by-laws of said corporation.

Tracy Davis
Notary Public

